



SUPREME AUDIT INSTITUTION OF INDIA  
लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**Report of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2023**

**Union Government  
Finance and Communication  
Report No. 1 of 2025  
(Compliance Audit)**



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## **PREFACE**

This Report of the Comptroller and Auditor General of India for the year ended March 2023 has been prepared for submission to the President under Article 151 of the Constitution of India.

This Report contains significant results of Compliance Audit of the Ministry of Electronics and Information Technology and the Departments / Public Sector Undertakings under Ministry of Communications. The instances mentioned in this Report are those that came to notice in the course of test audit during the period 2022-23 as well as those that came to notice in earlier years but could not be reported in the previous Audit Reports.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.





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## **Executive Summary**

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## EXECUTIVE SUMMARY

### Introduction

This Report of the Comptroller and Auditor General of India contains significant Audit findings noticed during the compliance audit of the Ministry of Communications and Ministry of Electronics and Information Technology. It contains five chapters. **Chapter I** provides the profile of the Ministries / Departments under the audit jurisdiction and the overview of the audit. **Chapters II, III and IV** relate to findings/observations arising out of the compliance audit of the Ministry of Electronics and Information Technology (MeitY), Department of Posts (DoP) and Department of Telecommunications (DoT) under Ministry of Communications (MoC) respectively. **Chapter V** relates to audit findings of PSUs under the Ministry of Communications.

Highlights of findings along with recommendations on paragraphs included in the Audit Report are as follows:

#### **Chapter-II: Ministry of Electronics and Information Technology (MeitY):**

**A. National Knowledge Network (NKN):** National Knowledge Network (NKN) is a high-speed information network that connects all universities, libraries, laboratories, hospitals and agricultural institutions and was approved in March 2010, by the Cabinet Committee on Infrastructure (CCI) for ten year period with a total outlay of ₹5,990 crore to connect 1500 institutions. Subsequently, the project got four extensions i.e., up to 31 March 2024, with the last extension revising the project outlay to ₹6,548.20 crore.

The Project achieved its connectivity milestone within the approved outlays. However, the financial viability of the Project beyond the period of government budgetary support has not been worked out. The implementation and enforcement of its Internet Protocol (IP) Policy and the signing of Memorandum of Understanding (MoU) with the user institutions to ensure network security to ensure upkeep of the hardware provided under NKN, is still a work in progress. Further, deficient bandwidth utilization by the institutions and inadequate monitoring of hired / de-hired links based on usage details acted as a drain on financial resources for the Project. Deficiencies in the execution of Annual Maintenance Contracts (AMCs) were also observed. Ministry could not implement its own in-principle idea of providing a long-distance network from three service providers in North-East India to ensure redundancy.

#### **Recommendations:**

- i. Ministry may consider developing a dedicated web portal which captures the complete network details with facility for Management Information System (MIS) Reports. A periodic review should be carried out to optimise network usage and associated costs.
- ii. Compliance to MoUs and Internet Protocol Address Usage Policy must be ensured. Methodology for periodic Information Systems (IS) Security Audits may be firmed up.

- iii. Ministry may ensure last mile mapping during preparation of DPRs for estimation and budgeting in similar projects.
- iv. Ministry may ensure that DPRs include objective criteria for bandwidth estimation upto the last mile of connectivity for similar projects.

**B. Modified Special Incentives Package Scheme (M-SIPS):** To promote large scale manufacturing in the Electronics System Design and Manufacturing (ESDM) sector, Government of India introduced (July 2012) Modified-Special Incentives Package Scheme (M-SIPS). The scheme envisaged providing financial incentive in the form of reimbursement of 20 *per cent* on investments made by a business in the form of capital expenditure in Special Economic Zones (SEZs) and 25 *per cent* in non-SEZs. In addition, Excise/Countervailing Duty (CVD) on capital equipment would also be reimbursed. The scheme was open for applications up to December 2018 or till the incentive commitment reached ₹10,000 crore, whichever was earlier. The total investment of ₹36,991 crore (April 2023) was made by the applicants and incentives amounting to ₹2,136 crore disbursed. However, the investments were on limited verticals.

Planning deficiencies with numerous amendments affect policy consistency. Delays in appraisal of applications, verification and disbursements of incentives at various stages, both within and outside the Ministry hampered the implementation. We observed lapses in appraisal as well as verification of claims. Monitoring was hampered due to delay in development of the portal and non-submission of quarterly progress reports by the applicants.

**Recommendations:**

- i. Ministry may exercise close supervision of associated agencies for timely appraisal and disbursement of claims.
- ii. Ministry may improve the monitoring through M-SIPS portal.

**Chapter-III: Department of Posts (DoP):**

We noticed non-compliance by the DoP with relevant provisions and established procedures and guidelines on below mentioned issues resulting in a loss of ₹17.22 crore to the Government exchequer.

- A. Non-recovery of GST on speed post articles by DoP from Government Departments under Book Now Pay Later (BNPL) Scheme – loss of ₹13.57 crore between July 2022 to September 2023 in 15 Postal Circles.
- B. Non-deduction of TDS amounting to ₹3.65 crore from the maturity proceeds of Postal Life Insurance (PLI)/Rural Postal Life Insurance (RPLI) policies by Kerala Postal Circle between 2019-20 (01 September 2019) to 2022-23 (May 2023).

- C. Irregular promotions in Seven (7) Postal Circles of DoP wherein 40 LDCs and three (3) MTS who had not even completed their probation period, were allowed to appear in the Departmental examination. As a result, these officials were promoted to Junior Accountants and LDC respectively before completion/declaration of confirmation in the entry cadre.

**Recommendations:**

- i. The Department may develop a mechanism wherein instructions on GST rules and its amendments are issued to field units on real-time basis and implemented without delay, thereby avoiding loss to the Government exchequer.
- ii. DoP may conduct a thorough review of the Recruitment Rules across all cadres and make necessary revisions to ensure compliance with established procedures and guidelines.

**Chapter-IV: Department of Telecommunications (DoT):**

**A. Audit on Revenue Sharing of Telecom Service Providers with Government:** The Department of Telecommunications (DoT) is responsible for the assessment, collection and accounting of Revenue Share and Spectrum usage charges through its offices of the Controller of Communication Accounts (CCAs); Licensing Finance Division and Wireless Finance Division (WFD). The revenue shared by Telecom Service Providers as License Fee and Spectrum usage charges averages to ₹13,947 crore annually during the period 2017-2022.

Section 16 of Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act, 1971 makes it obligatory on the part of CAG to satisfy himself that the Government of India has received its complete and correct share. The present report discusses the findings observed in respect of six Telecom Service Providers whose assessment, starting from FY 2017-18, was completed by DoT.

We noted that most of the assessments were delayed; it took an average of 20 months for the assessment as against the prescribed period of 12 months. Under-assessment and under-recovery of dues was found in 9.23 *per cent* of the test-checked assessments and aggregated to ₹2,463.67 crore. We noted ambiguities in directives and deficient compliance to orders & instructions, besides non-realisation of pending dues, errors in assessments and improper accounting. Most of these findings related to assessment of spectrum usage charges. Further, the Revenue Management Software SARAS (System for Assessment of LF Revenue and SUC) introduced in January 2021 to streamline the assessment and collection of revenue share was not free from lacunae.

**Recommendations:**

- i. DoT should strengthen the Human Resource Management (HRM) in the offices of the Controller of Communication Accounts (CCA) and Licensing Finance Assessment (LFA) Division so as to ensure timely and accurate assessments.

- ii. DoT should ensure that ambiguities in orders and instructions be avoided and where raised, resolved in a time bound manner.
- iii. DoT should strengthen the revenue management system (SARAS) by updating and reconciling the data therein to streamline online assessment, collection and accounting of license fee and spectrum usage charges.

#### **Chapter-V: Public Sector Undertakings under MoC:**

We noticed non-adherence to the contractual terms and conditions, lack of due diligence, non-billing, and deficient planning on part of BSNL and ITI, PSUs under DoT, which resulted in loss of ₹1,944.92 crore as detailed below:

- i. BSNL failed to enforce Master Service Agreement (MSA) with M/s. Reliance Jio Infocomm Ltd (RJIL) and did not bill it for the additional technology used on BSNL's shared passive infrastructure, resulting in loss of ₹1,757.76 crore and penal interest thereon, between May 2014 to March 2024 to the Government exchequer.
- ii. Deficient planning by BSNL and deviation from the provisions of its own Procurement Manual resulted in injudicious procurement of higher size Polyethylene Insulated Jelly Filled (PIJF) underground cables, out of which cables valued ₹80.64 crore remained unutilised, rendering the expenditure infructuous.
- iii. BSNL, in 22 circles (out of 28 circles), did not deduct the share of license fee from the revenue share paid to the Telecom Infrastructure Providers (TIPs) as per the conditions laid down in the agreement, resulting in a loss of ₹38.36 crore for the period 2019-20 to 2021-22.
- iv. Non-adherence to the terms and conditions laid down in the MSA with RJIL by BSNL and non-application of the escalation clause resulted in a loss of revenue of ₹29 crore (including GST) towards infrastructure sharing charges.
- v. BSNL did not verify and process the bills related to duct hiring charges within the statutory period allowed to avail the input tax credit. Consequently, it incurred a loss on account of GST Input Tax Credit of ₹5.43 crore.
- vi. Start of work on the project before receipt of full payment in advance as stipulated in the agreement, and failure in invoking the Dispute Resolution clause of the agreement by BSNL resulted in non-realisation of ₹4.80 crore. In addition, non-inclusion of liability clause led to potential loss of interest of ₹2.31 crore.
- vii. Non-adherence by ITI Ltd. to their manual, undue favour to the vendor and non-collection of (Contract Performance Guarantee) CPG resulted in a loss of ₹28.93 crore to the Company and blockade of ₹6.93 crore.

| Chapter | Introduction |
|---------|--------------|
| I       |              |

### 1.1 About this Report

Audit jurisdiction of the Office of Director General of Audit, Finance & Communication (F&C) consists of Ministry of Communications (MoC) {(Department of Telecommunications (DoT) and Department of Posts (DoP)}, Ministry of Electronics and Information Technology (MeitY), Ministry of Statistics and Programme Implementation (MoSPI) and Ministry of Finance (MoF) {Department of Economic Affairs(DEA) and Department of Expenditure (DoE)} including 21 PSUs and four Statutory Autonomous Bodies under these Ministries during the financial year 2022-23.

This Report contains the significant results of Compliance Audit for the financial year (FY) 2022-23 organised into following five chapters,

**Chapter I** provides the profile of the Ministries / Departments under the audit jurisdiction and the overview of the audit.

**Chapters II, III and IV** contain findings / observations arising out of the Audit of Ministry of Electronics and Information Technology, Department of Posts (DoP) and Department of Telecommunications (DoT) under Ministry of Communications respectively.

**Chapter V** contains significant observations arising from the audit of PSUs under the administrative control of the Ministry of Communications.

### 1.2 Authority for Audit

The authority for audit by the CAG and reporting to Parliament is derived from Articles 149 and 151 of the Constitution of India and Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (the Act). The CAG conducts audit of expenditure of Ministries / Departments of the Government of India under Sections 13 and 17 of the CAG's (DPC) Act. Bodies established by or under law made by the Parliament and containing specific provisions for audit by the CAG are statutorily taken up for audit under Section 19(2) of the Act. Audit of other organisations (Corporations or Societies) is entrusted to the CAG in public interest under Section 20(1) of the Act. In addition, Central Autonomous Bodies (CABs), which are substantially financed by grants / loans from the Consolidated Fund of India, are audited by the CAG under Section 14(1) of the Act.

### 1.3 Planning and conduct of Audit

During the Annual Audit Planning process, units for Compliance Audit are selected on the basis of risk assessment besides other parameters like topicality, materiality, social relevance etc. Risk assessment includes appraisal of internal control systems of the units, past instances of defalcation, misappropriation, embezzlement, etc. as well as findings in previous Audit Reports.

Following the conduct of audit, Inspection Reports are issued to the heads of units. Based on the replies received, audit observations are settled on demonstration of compliance, where necessary.

Important audit findings pending compliance are processed further as draft paragraphs for inclusion in the Audit Report and responses are sought from the Secretary of the Ministry / Department concerned.

Audit Reports are laid before the Parliament under Article 151 of the Constitution of India.

The office of the Director General of Audit (Finance and Communication), Delhi is the field office of the CAG which plans and conducts the audit of Ministries / Departments under its audit jurisdiction, under the overall supervision of the C&AG's office.

## A. Audit entities: Profile

Brief profile of auditee entities under audit jurisdiction of Director General of Audit (Finance & Communication), Delhi is discussed in succeeding paragraphs.

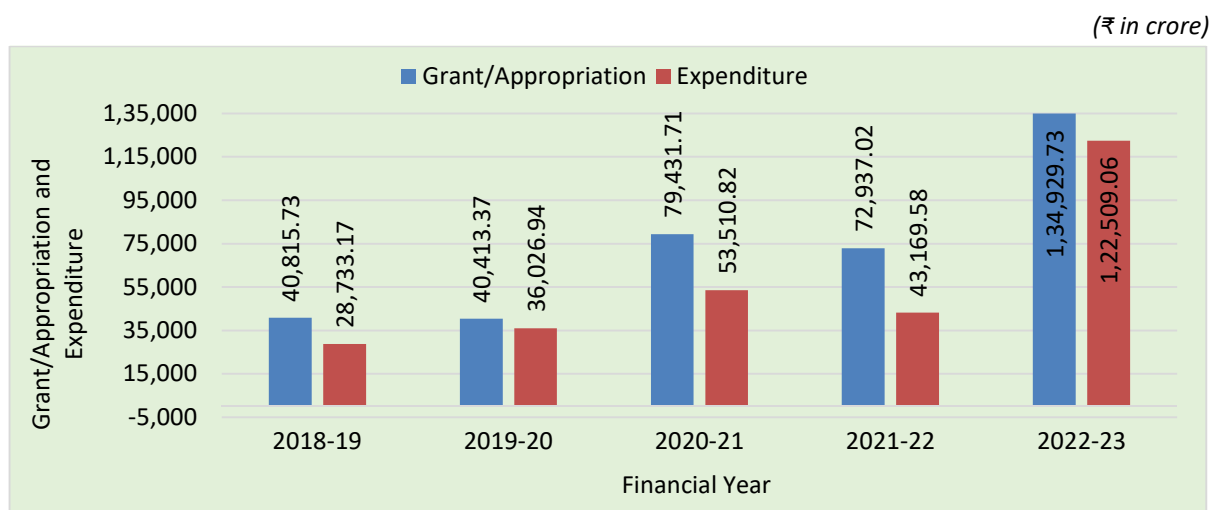
### 1.4 Ministry of Communications (MoC)

Ministry of Communications (MoC) under the Government of India consists of two departments viz. Department of Telecommunications (DoT) and the Department of Posts (DoP). DoT is responsible for providing telecommunication services and DoP is responsible for providing postal services in India. MoC was carved out of Ministry of Communications and Information Technology in 2016.

#### 1.4.1 Department of Telecommunications (DoT)

DoT is responsible for policy formulation, performance review, monitoring, international cooperation and research & development in telecommunication sector. The Department also allocates frequency and manages radio communications in close coordination with international bodies. The grant and expenditure of DoT during FY 2018-19 to FY 2022-23 is given in **Figure 1.1**.

**Figure 1.1: Grant / Appropriation and Expenditure of DoT**



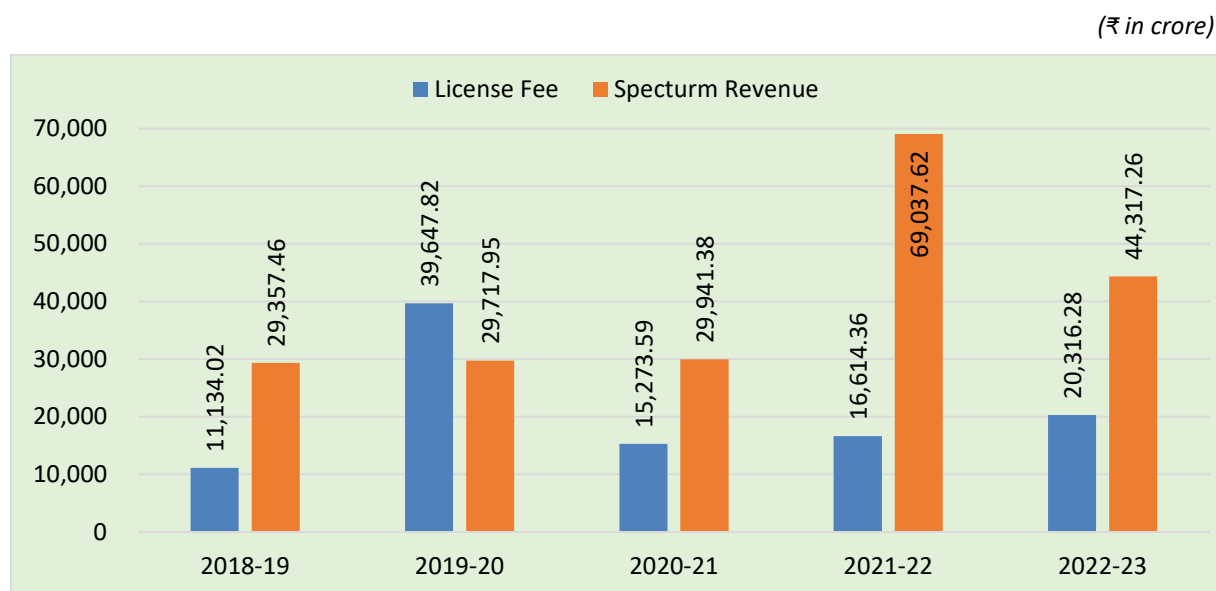
Source: Appropriation Accounts of DoT for the FY 2018-19 to FY 2022-23



FY 2022-23, saw a massive increase in the grant (85 per cent) of DoT over the previous year. Expenditure in FY 2022-23 was ₹1,22,509.06 crore which was approximately 184 per cent higher than the previous year, mainly due to transfer of Universal Service Obligation (USO) levy (including amounts collected but not transferred in earlier years) to the USO Fund and Capital infusion in BSNL/MTNL. Para 1.4.1.1 details further on USO Fund.

Major sources of revenue of the Department are license fee and spectrum usage charges received from Telecom Service Providers (TSPs). License fees is a percentage of revenue earned by the license holders. The main components of spectrum revenue are the amount collected from auction of spectrum and the spectrum usage charges paid by the Telecom Service Providers. The details of license fee and spectrum usage charges received during the last five years are given in **Figure 1.2**.

**Figure 1.2: Details of License Fee and Spectrum Revenue during 2018-19 to 2022-23**



Source: Statement of Central Transaction (SCT) of DoT for the FY 2018-19 to FY 2022-23

There was an increase of 22 per cent in the collection of License Fee from FY 2021-22 to FY 2022-23. However, the collection of spectrum revenue significantly decreased by 36 per cent (₹24,720.36 crore) during the same period. This was mainly due to reforms and support package of Telecommunication Sector (September 2021) which was applicable from 21 June 2022 which waived Spectrum Usage Charges (SUC) in future auctions.

#### 1.4.1.1 Reserve Funds under DoT : Universal Service Obligation Fund (USOF)

To give impetus to rural telephony, Government of India (GoI) constituted Universal Service Obligation Fund (USOF) by an Act of Parliament with effect from 01 April 2002. The resources for meeting Universal Service Obligation (USO) were to be raised through a Universal Access Levy (UAL) as a percentage of revenue earned by all telecom operators under various licenses. As per Para 9B of the Indian Telegraph (Amendment) Act, 2003, the sums of money received towards USOF shall be first credited to Consolidated Fund of India and the Central Government may credit such proceeds to the fund from time to time through appropriations

in the budget for being utilized exclusively for meeting USO. Important schemes under implementation through USOF are the BharatNet project, Comprehensive Telecom Development Plan (CTDP) for North Eastern Region (NER) and Islands, Left Wing Extremism (LWE) Phase II, etc.

The USO Fund has been renamed as Digital Bharat Nidhi in Telecom Act, 2023 (No.44 of 2023). Details of receipts and expenditure incurred out of the Fund for the last five years are as per **Figure 1.3**.

**Figure 1.3: Details of receipts and expenditure incurred out of the USOF**

(₹ in crore)

| Year   | Receipt (Universal Access Levy) | Transfer to the USO Fund |          | Actual Transfer to the Fund | Short Transfer with reference to Actual Receipts | Cumulative Short Transfer | Actual disbursement from the Fund | Balance in the Fund as per UGFA |
|--|---------------------------------|--------------------------|----------|-----------------------------|--|---------------------------|-----------------------------------|---------------------------------|
|  |                                 | BE                       | RE       |                             |  |                           |                                   |                                 |
| (1)  | (2)                             | (3)                      | (4)      | (5)                         | (6) = (2)-(5)                                    | (7)                       | (8)                               | (9)=(8)-(5)                     |
| Opening Balance as at the end of FY 2017-18* |                                 |                          |          |                             |  | 48,426.76                 |                                   |                                 |
| 2018-19                                      | 6,911.50                        | 10,000.00                | 5,000.00 | 4,788.22                    | 2,123.28   | 50,550.04                 | 4,788.22                          | 0.00                            |
| 2019-20                                      | 7,961.53                        | 8,350.00                 | 3,000.00 | 2,926.00                    | 5,035.53   | 55,587.57                 | 2,926.00                          | 0.00                            |
| 2020-21                                      | 9,471.23                        | 8,000.00                 | 7,200.00 | 7,200.00                    | 2,271.23   | 57,856.80                 | 7,200.00                          | 0.00                            |
| 2021-22                                      | 10,376.23                       | 9,000.00                 | 8,300.00 | 8,300.00                    | 2,076.23   | 59,933.03                 | 8,300.00                          | 0.00                            |
| 2022-23                                      | 12,692.68                       | 9,000.00                 | 3,010.00 | 53,500.00                   | (40,807.32)                                      | 19,125.71                 | 3,500.00                          | 50,000.00                       |

Source: Union Government Finance Accounts (UGFA) and Expenditure Profile of Budget Documents from FY 2018-19 to FY 2023-24.

\* Balance as per statement showing the UAL amount available as potential fund under USO as on 31-01-2024, accessed from USOF website on 01-07-2024

During FY 2018-19 to FY 2021-22, the Government forecasted (BE) with fair accuracy the Universal Access Levy (UAL) that would be required for transfer to USOF; though the revised estimates were cut short as compared to BE. This trend was reversed in FY 2022-23 with a transfer of ₹53,500 crore into USOF, against BE of ₹9,000 crore and RE of ₹3010 crore. Total transfer of UAL to the designated fund was on very high side with reference to the actual receipts of ₹12,692.68 crore for the FY 2022-23.

Ministry stated that the transfer was in compliance with repeated audit observations highlighting short transfer of collections to the USOF leading to the recommendations of Forty Ninth Report (15th Lok Sabha) of the Public Account Committee as well as recommendations of the Parliamentary Standing Committee on IT (39th Report).

Attention is drawn to Public Accounts Committee (14<sup>th</sup> & 49<sup>th</sup> Report of 15 Lok Sabha) recommendation that Government should credit the full amount collected as Universal Service Levy in the USO Fund, more so when proceeds to the Fund are meant to be utilised exclusively for meeting the Universal Service Obligation. In view of large balance pending transfer and comparatively lower rate of utilisation, the Ministry may consider rationalization of the Universal Access Levy.

### 1.4.1.2 Regulatory Framework of the Telecom Sector

#### a. Telecom Regulatory Authority of India (TRAI)

Telecom Regulatory Authority of India (TRAI) was established with effect from 20 February 1997 by an Act of the Parliament to regulate telecom services including fixing / revision of tariffs for telecom services which was earlier vested in the Central Government. The main objective of TRAI is to provide an environment, which is fair and transparent, encourages competition, promotes a level-playing field for all service providers, protects the interest of consumers and enables outreach of technological benefits to one and all.

TRAI also makes recommendations on Privacy, Security and Ownership of Data in context of the telecommunication services either *suo motu* or on a reference from the licensor i.e. DoT, MoC or Ministry of Information and Broadcasting (I&B) in the case of Broadcasting and Cable Services and the Telecom Service Providers. It publishes consultation papers for discussion with the stakeholders before issuing directions to them. In FY 2022-23, TRAI has released 18 consultation papers and 16 recommendations.

TRAI does not have the freedom to recruit new talent from non-governmental sources and determine their service conditions, like other regulators such as Insurance Regulatory and Development Authority (IRDA), Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI).

The body is wholly funded by the Government. Section 22(1)(a)(b) of the Act states that there shall be a fund called Telecom Regulatory Authority of India General Fund and all grants, fees and charges are credited into.

TRAI has utilized a sum of ₹195.11 crore out of the Grant-in-Aid of ₹254.72 crore (Revenue & Capital) received during the year. In its Annual Report of 2022-23 (Para 4.25) TRAI suggested that if a minor portion of the licence fees is given to TRAI as administrative charges, the need for governmental support in the form of grant-in-aid would totally cease. Such an arrangement would give TRAI the necessary flexibility and independence to perform effectively as an independent regulator.

#### b. Telecom Disputes Settlement and Appellate Tribunal (TDSAT)

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) was set up on 24 January 2000 by way of an amendment to the TRAI Act to adjudicate any dispute between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers and to hear and dispose of appeals against any direction, decision or order of TRAI. **Figure 1.4** shows that the disposal of appeals in TDSAT is not commensurate to the pendency.

Figure 1.4: Details of pending appeals in TDSAT during the period 2021-23

| Status as on 31 <sup>st</sup> March of each Year | Opening Balance of Appeals pending | Fresh Appeals Filed during the Year | Appeals disposed during the Year | Closing Balance of the Pending Appeals at the end of the Year |
|--|------------------------------------|-------------------------------------|----------------------------------|---|
| 2021-22  | 118                                | 18                                  | 5                                | 131   |
| 2022-23  | 131                                | 13                                  | 13                               | 131   |

### 1.4.1.3 Public Sector Undertakings under the administrative control of DoT

There are 11 PSUs under DoT. Total capital invested by the Government in these PSUs was ₹40,751.47 crore as on 31 March 2023 (Details as per **Appendix I**). Brief profile of important PSUs under administrative control of the Department is given below:

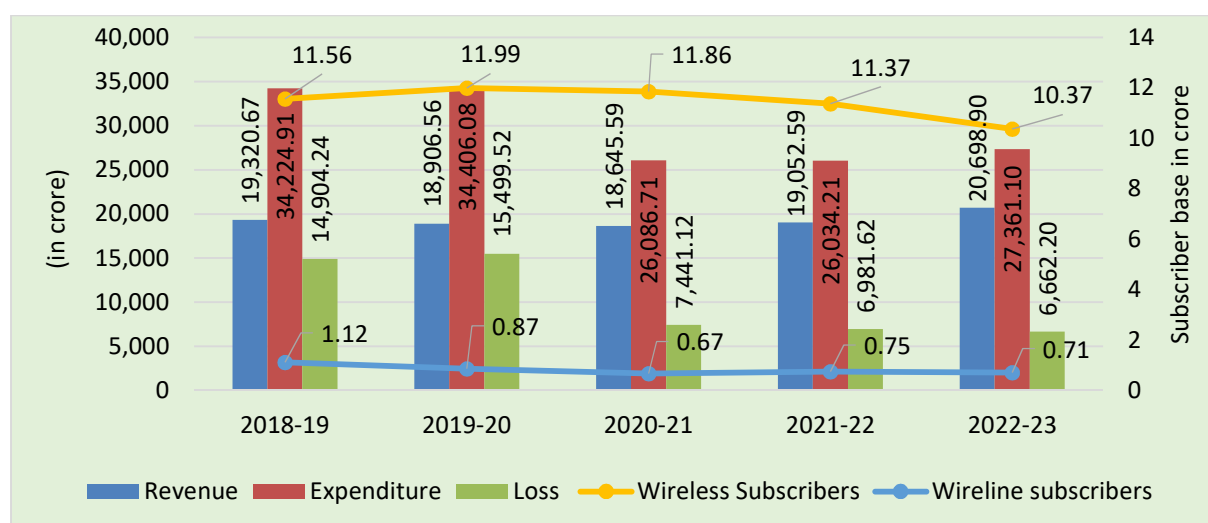
#### a. Bharat Sanchar Nigam Limited (BSNL)

Bharat Sanchar Nigam Limited (BSNL), fully owned by Government of India, formed in October 2000, provides telecom services across the length and breadth of the country excluding Delhi and Mumbai. BSNL is a technology-oriented company and provides various types of telecom services namely telephone services on landline, Wireless in Local Loop (WLL) and Global System for Mobile Communications (GSM), Broadband, Internet, Leased Circuits and Long-Distance Telecom Service. The Government investment in the BSNL was ₹38,886.44 crore at the end of March 2023.

BSNL is implementing various schemes funded through Universal Service Obligation Fund (USOF) such as Saturation of 4G Mobile Services, Hiring of international bandwidth for internet connectivity, Augmentation of bandwidth in Andaman and Nicobar Islands, etc.

The overall performance of the company in the past five years is given in **Figure 1.5**. The total revenue and loss incurred during the FY 2022-23 were ₹20,698.90 crore and ₹6,662.20 crore respectively.

Figure 1.5: Performance of BSNL during last five years



(Source: Annual Reports of BSNL for the FY 2018-19 to FY 2022-23 and Performance indicators by TRAI)

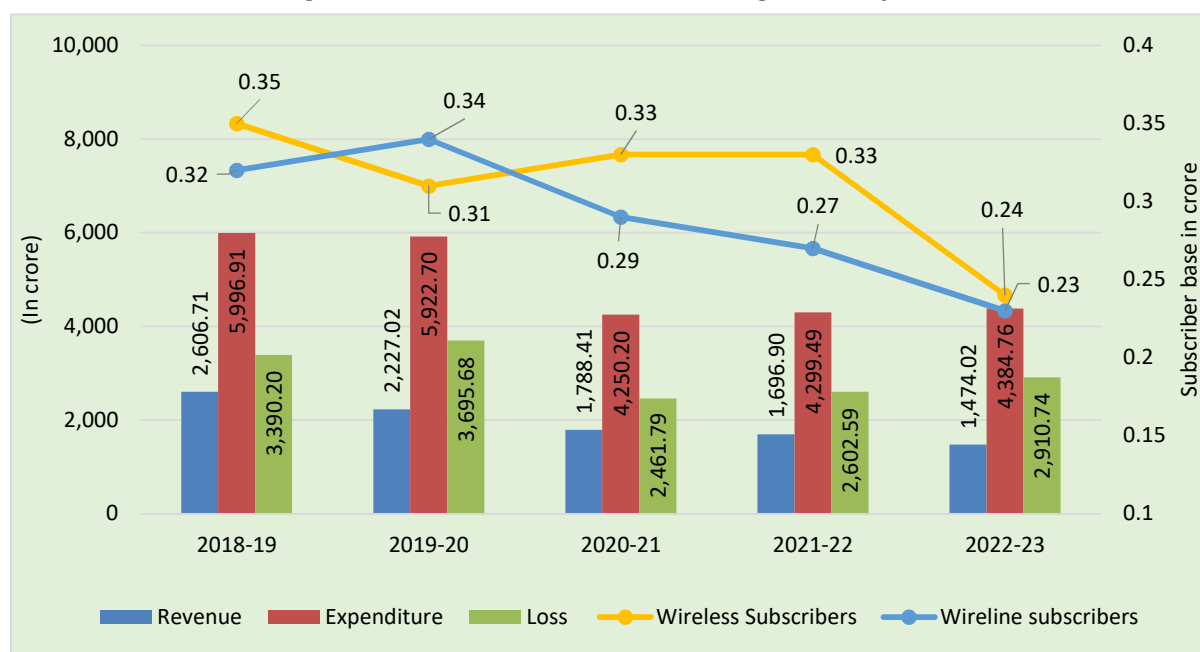
The main sources of revenue of the company were Cellular, Broadband and Enterprise operations. **Figure 1.5** shows that while there is a decrease in the wireless as well as wireline subscriber base in last five years, revenue increased in FY 2022-23 over previous year.

The main reason of decrease in losses during FY 2022-23 are due to reduction in employee benefit expenses and increase in cellular income. During last five years, the revenue from operations grew from ₹17,761 crore in FY 2018-19 to ₹19,128 crore in FY 2022-23 registering a growth rate of 7.7 per cent due to implementation of revival package of ₹3.2 lakh crore by the Government.

### b. Mahanagar Telephone Nigam Limited (MTNL)

Mahanagar Telephone Nigam Limited (MTNL) was set up in 1986, under the Companies Act, 1956 as a wholly owned Government Company and is responsible for the control, management, and operation of telecommunications networks in Delhi and Mumbai. MTNL is providing fixed line, broadband and mobile services in these two metropolitan cities. MTNL is a listed Company and at the end of March 2023, 56.25 per cent shares valuing ₹354.38 crore are with the Government and the rest with other shareholders. The Company's total revenue during the financial year 2022-23 was ₹1,474.02 crore and it incurred a loss of ₹2,910.74 crore. The overall performance of the Company in the last five years is given in **Figure 1.6**.

**Figure 1.6: Performance of MTNL during last five years**



Source: Annual Reports of MTNL and Performance indicators by TRAI for the FY 2018-19 to FY 2022-23

It is evident from the above figure that there is decline in the number of both wireless and wireline subscribers, resulting in continuous decline in revenue of the Company.

MTNL also has a wholly-owned subsidiary Millennium Telecom Ltd (MTL) for setting up submarine cable project and provide IT solutions.

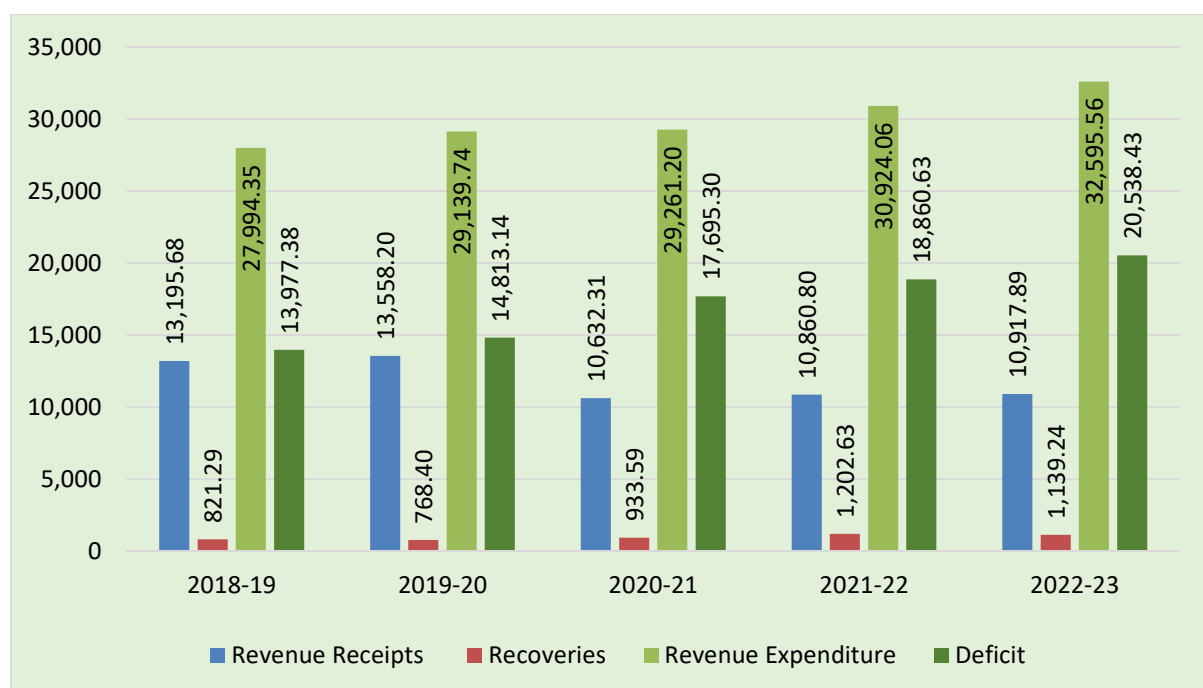
Profile of remaining PSUs under Department of Telecommunications are at **Appendix-II**.

### 1.4.2 Department of Posts (DoP)

The Postal network of India is one of the largest networks in the world having more than 1.59 lakh post offices, of which 90 *per cent* of the post offices are in rural areas. It extends its services to the remotest corners of the country. While the core activity of the Department is processing, transmission, and delivery of mail, it also undertakes a diverse range of retail services including money remittance, banking, insurance, passport services and Aadhar enrolment cum updation services. It is also engaged in disbursement of pension to Military and Railway pensioners, family pension to the families of coal mine employees and industries covered by the Employees Provident Fund Scheme. DoP has also been given the responsibility for disbursement of social benefit payments under Central Government’s programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Social Security Pension Schemes. The revenue receipts, recoveries, and revenue expenditure of DoP for the FY 2018-19 to FY 2022-23 are shown in **Figure 1.7**.

**Figure 1.7: Revenue Receipts and Revenue Expenditure of DoP**

(₹ in crore)



Source: Appropriation Accounts of DoP for the FY 2018-19 to FY 2022-23

The revenue receipts decreased from ₹13,196 crore in FY 2018-19 to ₹10,918 crore in FY 2022-23. The deficit continued to grow due to rise in revenue expenditure which increased from ₹27,994 crore in FY 2018-19 to ₹32,596 crore in FY 2022-23. The increase in revenue expenditure is attributed to the increase in working expenses such as pay and allowances, contingencies, bonus, pensionary charges etc.

Department of Posts has only one PSU namely, India Post Payments Bank Limited, incorporated in August 2016 having Capital investment of ₹1,655.00 crore as on

31 March 2023 (Detail as per **Appendix I**). The brief profile of India Post Payments Bank Limited is detailed in **Appendix-II**.

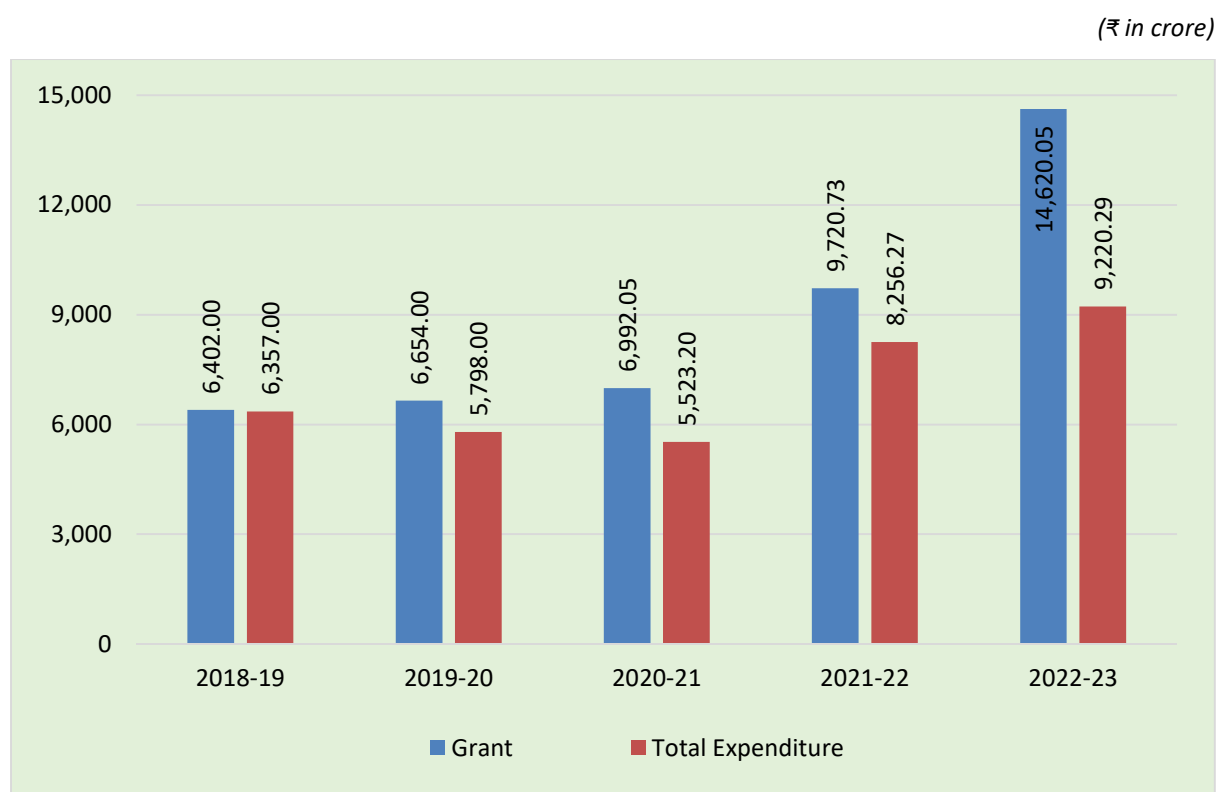
### 1.5 Ministry of Electronics and Information Technology (MeitY)

Ministry of Electronics and Information Technology (MeitY) is responsible for formulation, implementation and review of national policies in Information Technology, Electronics and Internet (all matters other than licensing of Internet Service Providers).

MeitY is the nodal Ministry for implementation of Digital India Programme of the Government of India. The Digital India Programme is designed to transform India into a knowledge-based economy and a digitally empowered society by ensuring digital services, digital access, bridging the digital divide, digital inclusion and digital empowerment.

The Grants received vis-a-vis Expenditure incurred by MeitY during the period from FY 2018-19 to FY 2022-23 is given in **Figure 1.8**.

**Figure 1.8: Grants and Expenditure**



Source: Appropriation Accounts of MeitY for the FY 2018-19 to FY 2022-23

In FY 2022-23, the total grant of MeitY was ₹14,620.05 crore which increased by 50 per cent from the previous year. Similarly, expenditure of MeitY in FY 2022-23 was ₹9,220.29 crore showing increase by 12 per cent from the previous year.

There are five PSUs under MeitY. The total capital invested in these PSUs was ₹2.00 crore at the end of 31 March 2023 (Detail as per **Appendix I**). The brief profile of Attached Offices and PSUs under Ministry of Electronics and Information Technology (MeitY) are detailed in **Appendix-II**.

## 1.6 Ministry of Finance (MoF)

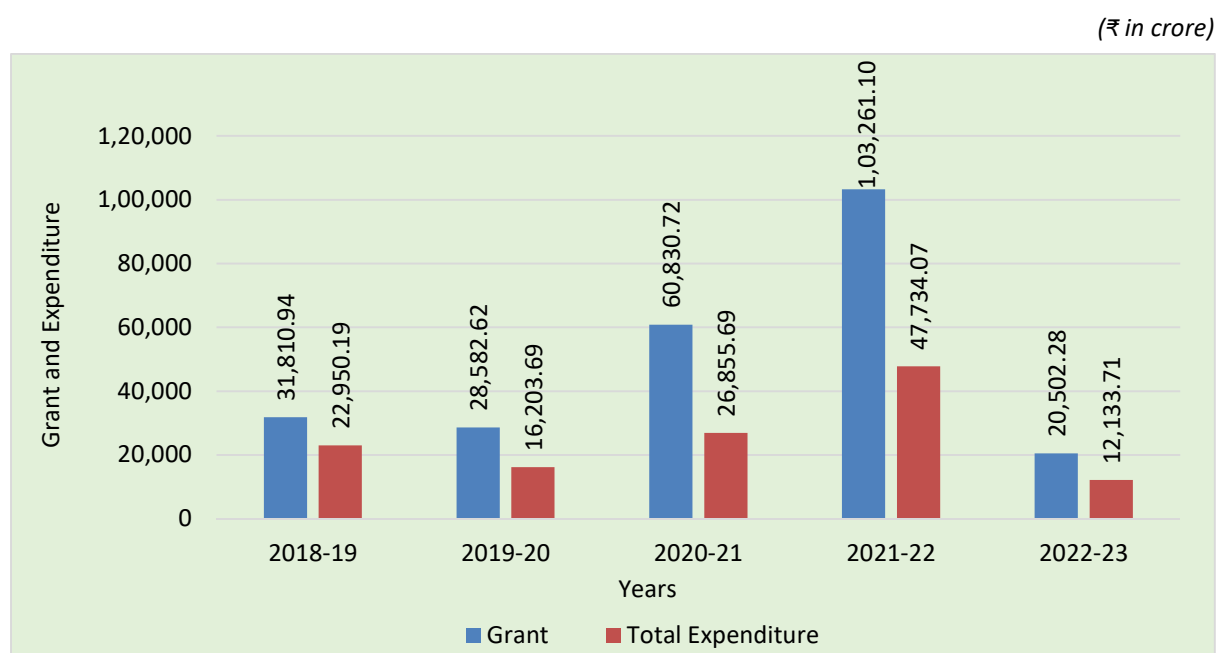
The Ministry of Finance is concerned with taxation, financial legislation, financial institutions, capital markets, Centre and State finances, and the Union Budget. The Ministry comprises six Departments viz. Department of Expenditure, Department of Economic Affairs, Department of Revenue, Department of Financial Services, Department of Public Enterprises and Department of Investment and Public Asset Management.

The office of Director General of Audit (F&C) is entrusted with the audit of Department of Economic Affairs (DEA) and Department of Expenditure (DoE).

### 1.6.1 Department of Economic Affairs (DEA)

DEA is responsible for advice on economic issues having a bearing on internal and external aspects of Indian Economy including inflation, price control, foreign exchange management, Official Development Assistance and preparation of Union Budget, bilateral and multilateral engagements with international financial institutions and with other countries. The comparative position of Grant and expenditure of DEA during FY 2018-19 to FY 2022-23 is given in **Figure 1.9**.

**Figure 1.9: Grant and Expenditure of DEA**



Source: Appropriation Accounts of DEA for FY 2018-19 to FY 2022-23

In FY 2022-23, the total Grant of DEA was ₹20,502.28 crore which was 80 per cent less than the previous year. Expenditure of DEA in FY 2022-23 was ₹12,133.71 crore as against ₹47,734.07 crore in FY 2021-22, which was 75 per cent less than the previous year. The savings was mainly due to less materialization of investments in 'Investment into National Investment and Infrastructure Fund' and 'Special Window for Affordable and Middle-Income Housing' and non-materialization of investments in 'Capital Infusion into NIIF Infrastructure Debt Financing Platform'.



There are four PSUs under DEA. The total capital invested by the government in these PSUs was ₹3,587.52 crore at the end of 31 March 2023 (Detail as per **Appendix I**). Brief profiles of these PSUs are detailed in **Appendix II**.

### 1.6.1.1 Regulatory Framework of the Sector

#### a. Securities and Exchange Board of India (SEBI)

SEBI is a statutory regulatory body established on 12 April 1992 with an objective of monitoring and regulating the Indian capital and securities market while ensuring to protect the interests of the investors, formulating regulations and guidelines.

SEBI did not receive any Grant in Aid / Subsidy from the Government of India during FY 2022-23 and was able to function out of its own resources. Total income of the SEBI for the year FY 2022-23 was ₹1,404.36 crore and it incurred an expenditure of ₹851.33 crore.

#### b. International Financial Services Centres Authority (IFSCA)

International Financial Services Centres Authority (IFSCA) has been established as a unified regulator under the International Financial Services Centres Authority Act, 2019.

The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.

IFSCA has utilized a sum of ₹58.59 crore out of the Grant-in-Aid of ₹73.68 crore received during the year FY 2022-23 leaving a balance of ₹15.09 crore as un-utilized grant.

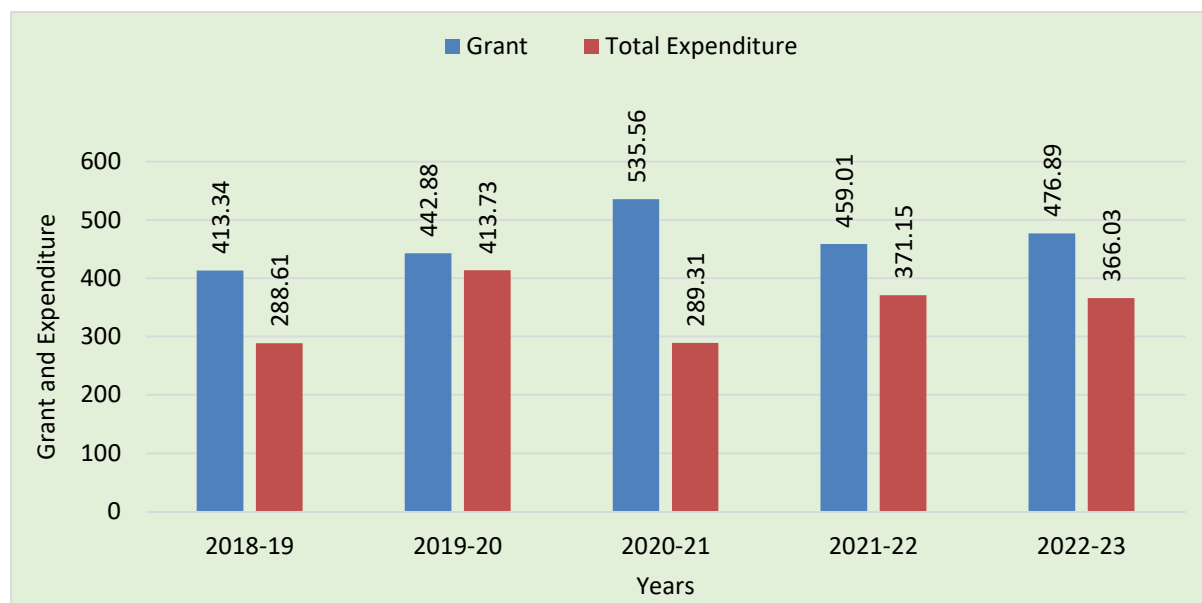
### 1.6.2 Department of Expenditure (DoE)

DoE is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with state finances. It is responsible for the implementation of the recommendations of the Finance Commission and Central Pay Commission, monitoring of audit comments / observations, and preparation of Central Government Accounts. It further assists central Ministries / Departments in controlling the costs and prices of public services, reviewing system and procedure to optimize outputs and outcomes of public expenditure. The principal activities of the Department include overseeing the expenditure management in the central Ministries / Departments through the interface with the Financial Advisers and the administration of the Financial Rules / Regulations / Orders, pre-sanction appraisal of major schemes / projects, handling bulk of the central budgetary resources transferred to State.

The comparative position of Grant and expenditure of DoE during FY 2018-19 to FY 2022-23 is given in **Figure 1.10**.

Figure 1.10: Grant and Expenditure of DoE

₹ in crore)



Source: Appropriation Accounts of DoE for the FY 2018-19 to FY 2022-23

Grant for FY 2022-23 was ₹476.89 crore as against ₹459.01 crore for FY 2021-22 whereas Expenditure for the FY 2022-23 was ₹366.03 crore as against ₹371.15 crore during FY 2021-22. There was marginal increase in Grant and decrease in expenditure of DoE in FY 2022-23 from the previous year.

The savings in FY 2022-23 was mainly due to non-filing up of vacant posts; non-hiring of IT professionals/Consultants, delay in delivery of IT equipment and non-finalization of training of Group 'A' officers.

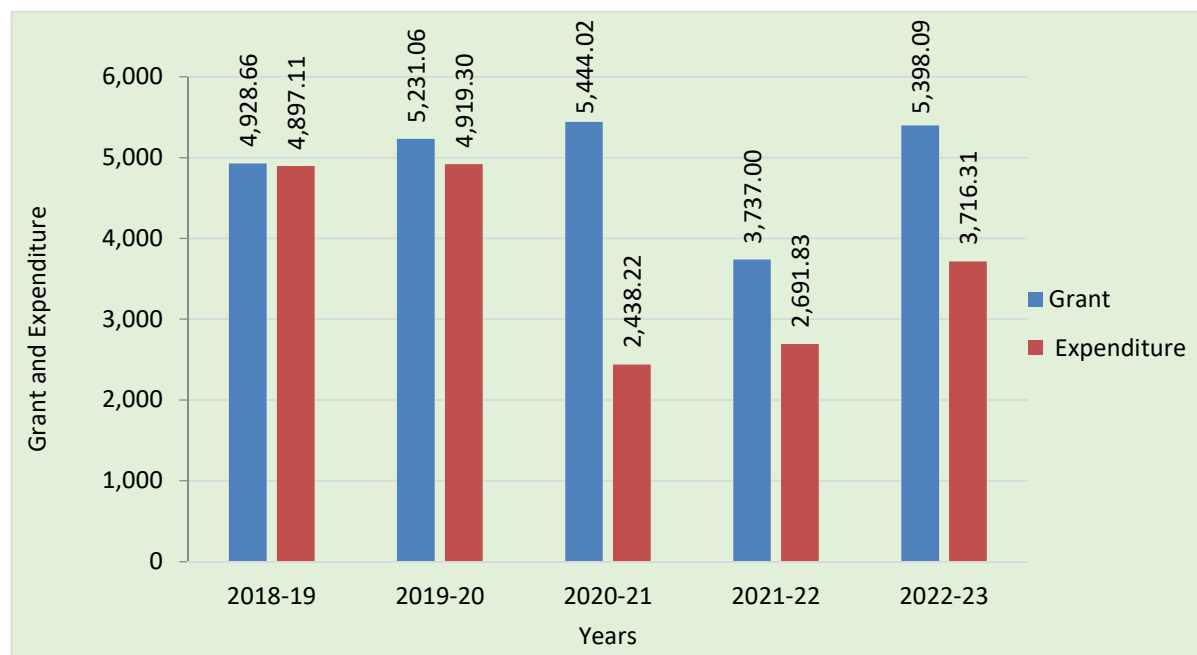
### 1.7 Ministry of Statistics and Programme Implementation (MoSPI)

The Ministry came into existence as an independent ministry in 1999 after the merger of the Department of Statistics and the Department of Programme Implementation. The surveys conducted by the Ministry are based on scientific sampling methods. The Ministry has two wings- the Statistics Wing (National Statistical Office) and the Programme Implementation Wing. The Statistics Wing called the National Statistical Office (NSO) consists of the Central Statistical Office (CSO), the Computer Centre and the National Sample Survey Office (NSSO). The Programme Implementation Wing has three Divisions, namely, (i) Twenty Point Programme (ii) Infrastructure Monitoring and Project Monitoring and (iii) Member of Parliament Local Area Development Scheme. Besides these two wings, there is National Statistical Commission created through a Resolution of Government of India (MOSPI) and one autonomous Institute, viz., Indian Statistical Institute declared as an institute of National importance by an Act of Parliament.

The Grant and expenditure of MoSPI during FY 2018-19 to FY 2022-23 are given in **Figure 1.11**.

**Figure 1.11: Grant and Expenditure of MoSPI**

(₹ in crore)



Source: Appropriation Accounts of MoSPI for the FY 2018-19 to FY 2022-23

As seen from the above figure, Grant for FY 2022-23 was ₹5,398.09 crore, as against ₹3,737.00 crore for FY 2021-22, also Expenditure for the year FY 2022-23 was ₹3,716.31 crore as against ₹2,691.83 crore during FY 2021-22. Department attributes the main reason of saving to receipt of less viable proposals, pending proposals for completing formalities and imposition of Model Code of Conduct owing to assembly elections, by-elections in some States/UTs.

## B. Overview of Audit: follow-up

### 1.8 Recoveries at the instance of Audit

During FY 2022-23, recoveries amounting to ₹445.94 crore were pointed by Audit in all the Ministries and the CPSEs under the audit jurisdiction of office of the Director General of Audit (F&C) through Inspection Reports. Out of this, the Departments / Auditee units accepted recoveries of ₹169.23 crore and effected recoveries of ₹167.48 crore. Few major instances which led to recovery at the instance of audit are briefly explained below:

A. During the course of Audit, an instance of non-collection of ATM/Debit Card Annual Maintenance Charges (AMC) and SMS alert charges by DoP was noticed. As a corrective action Ministry implemented auto-debit functionality on AMC and SMS alert charges with effect from 01 July 2023, leading to recovery of ₹43.7 crore from the customers.

B. In another instance, 17 matured PPF HUF accounts which were opened prior to 13 May 2005 were not closed as per codal provision and continued even after maturity at GPO Ahmedabad. This led to irregular credit of interest of ₹56.72 lakh, which was recovered in March 2022 after being pointed out by audit.

C. Audit observed that SAMEER, Chennai held unspent balances in Grant-in-Aid fund received from MeitY in short term fixed deposits with banks on which it earned interest. SAMEER Chennai earned ₹1.32 crore as interest, however it remitted only ₹67.39 lakh which led to short-remittance of ₹64.13 lakh. Corrective action was taken on being pointed out by Audit and the amount remitted to MeitY.

D. Audit observed that BSNL had not applied annual escalation charges towards infrastructure sharing while billing M/s Reliance Jio Infocomm Limited during 2015-16 to 2023-24. On being pointed out by audit, BSNL raised invoices for the short billed amount and recovered ₹15.87 crore in five circles.

### **1.9 Response of the Ministries / Departments to Audit Paragraphs**

On the recommendation of the Public Accounts Committee (PAC), the Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs. Accordingly, the draft paragraphs are forwarded to Secretaries of the Ministries / Departments concerned drawing their attention to the audit findings and requesting them to send their response within stipulated time.

Concerned Ministries / Departments did not send replies to three (3) out of 13 audit paragraphs (June 2024) included in Chapters II to V. The response of the concerned Ministries / Departments received in respect of remaining paragraphs have been considered and suitably incorporated in the Report.

### **1.10 Follow up on Audit Reports**

#### **A. Civil Departments:**

On the recommendation of the Public Accounts Committee, office of Controller General of Accounts has introduced Audit Para Monitoring System (APMS) Portal in year 2011, a web based computerized monitoring system for effective monitoring of submission of Action Taken Notes (ATN) on C&AG audit paragraphs (except paras examined by Committee on Public Undertakings), Action Taken Reply (ATR) on PAC observations / recommendations and Explanatory Notes (ENs) on Excess expenditure or saving of ₹100 crore and above.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Finance & Communication) up to March 2024 revealed that ATNs in respect of 61 paragraphs relating to MoC, MeitY and MoF were pending at various stages. Year wise details are indicated in **Appendix III**.

## B. Public Sector Undertakings:

Audit Reports of the C&AG represent the culmination of the process of scrutiny of accounts and records maintained in various offices and departments of PSUs. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the audit findings included in the Audit Reports.

Unlike Civil Paras which are being uploaded and vetted on APMS Portal, Action taken on audit paras of PSUs of the Ministries / Departments under the audit purview of F&C Audit, which are dealt by COPU, are being received and vetted physically. Due to this, there is a huge pendency of ATNs in respect of Commercial Paras and some paras date back to 1999 due to want of replies from Ministries / Departments and lack of proper monitoring mechanism.

In the meeting of the Committee of Secretaries, it was decided (June 2010) to make special efforts to clear the pending ATNs / ATRs on CAG Audit Paras and COPU recommendations within the next three months. While conveying this decision (July 2010), the Ministry of Finance recommended institutional mechanism to expedite action in the future.

A review of the position of receipt of ATNs relating to PSUs under the administrative control of MoC, MeitY and MoF included in the Audit Reports up to March 2024 revealed that ATNs in respect of 69 paras (including 53 paras of BSNL) were pending as detailed in the **Appendix IV**.

### 1.11 Status of Accounts of Autonomous Bodies / Public Sector Undertakings of MoC / MeitY / MoF

The status of submission of Accounts, Certification and submission to Parliament in respect of Autonomous Bodies (ABs) and Public Sector Undertakings (PSUs) under the administrative control of Ministries / Departments under the Audit Jurisdiction of this office for the year 2022-23 are detailed in the **Appendix V**.

### 1.12 Results of Certification Audit

Comments under section 143 of the Companies Act 2013 were issued to the concerned PSUs during certification of annual accounts of PSUs for the year 2022-23. In addition, Separate Audit Reports (SARs) for Central Autonomous Bodies (CABs) audited under Sections 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, were appended to the certified final accounts tabled in the Parliament (except IFSCA) in FY 2022-23. Significant comments raised are attached in **Appendix VI**.



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## SECTION-A

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|         |   |
|---------|---|
| Chapter | <b>Ministry of Electronics and Information Technology<br/>(MeitY)</b> |
| II      |   |

## 2.1 Subject Specific Compliance Audit on 'National Knowledge Network (NKN) Project'

### 2.1.1 Introduction

National Knowledge Network (NKN) is an optical fibre based high speed information network that connects all major universities, libraries, laboratories, hospitals and agricultural institutions to facilitate knowledge sharing by hiring bandwidth from various National Long Distance Service Providers (NLD-SPs)<sup>1</sup> and providing the networking equipment at the Points of Presence (PoPs)<sup>2</sup>. However, at places like Andaman & Nicobar Islands and Lakshadweep, connectivity is provided through satellite connections hired from ERNET.

NKN was approved in March 2010 by Cabinet Committee on Infrastructure (CCI) to be implemented under the overall supervision of Ministry of Electronics and Information Technology (MeitY, then Department of Information Technology) over a period of 10 years with a total outlay of ₹5,990 crore to connect 1500 institutions<sup>3</sup>. Subsequently, the project got four extensions i.e., up to 31 March 2024, with the last extension revising the project outlay to ₹6,548.20 crore. 1,780 institutions stood connected as on 31 March 2023.

### 2.1.2 Design and Network Architecture

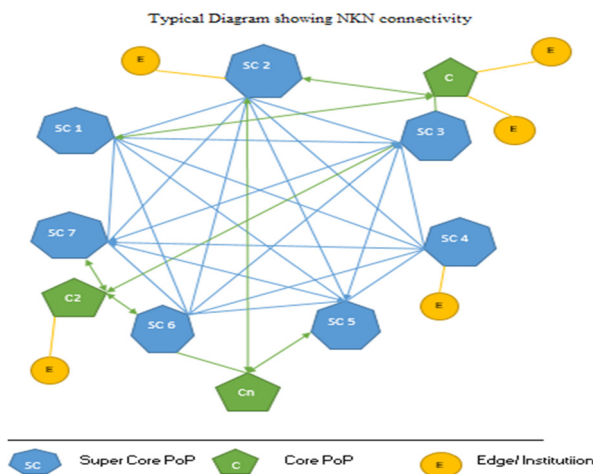
The backbone of the network connectivity starts from 2.5 Gbps, progressively moving up to 10 Gbps at various Points of Presence (PoPs) across the country. The network consists of what are called super core locations, core locations and edge / institutions links. The super core PoPs can be defined as those locations which are connected with the other super core locations through a direct link, core PoPs are those locations which are connected through three super core locations directly and edge/institutions are the last mile PoP on the NKN network connected to either a super core or a core location directly.

<sup>1</sup> Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), RailTel Corporation of India Limited (RTCIL) and Power Grid Corporation of India Ltd. (PGCIL).

<sup>2</sup> Point of Presence is a physical location which aids connection to NKN.

<sup>3</sup> MeitY (then DIT) intimated in the Cabinet Committee note to connect 1500 institutions within 24 months after project approval and funds allocation.

**Figure 2.1: Network Architecture**

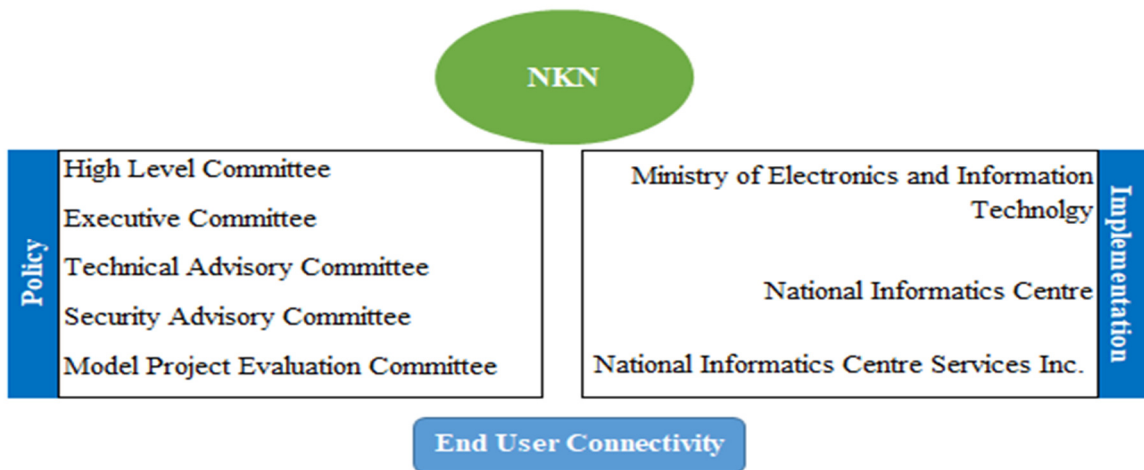


There are seven super core locations<sup>4</sup> (fully meshed i.e all seven are directly connected with each other) which further spread out through 24 core locations<sup>5</sup> with links upto 10 Gbps. The end user institutions connect to NKN at speeds of 100 Mbps / 1 Gbps / 10 Gbps. The NKN backbone was created by multiple bandwidth providers and the edge link were provided by any service provider.

### 2.1.3 Organizational Structure

Ministry of Electronics and Information Technology (MeitY) (erstwhile Department of Information Technology-DIT) was tasked with getting the requisite Cabinet approvals, providing Grants-in-Aid for project implementation and overall monitoring of the project. The operationalization of NKN was entrusted to a High-Level Committee (HLC) constituted (April 2008) by the MeitY, with support from various committees.

**Figure 2.2: Organizational Structure of NKN**



High-Level Committee, headed by the Principal Scientific Advisor to Government of India, comprised of Secretaries of 13 Government of India Departments and other officials<sup>6</sup> acts as

<sup>4</sup> Bengaluru, Chennai, Delhi, Guwahati, Hyderabad, Kolkata and Mumbai.

<sup>5</sup> Agartala, Aizawl, Bhopal, Bhubaneswar, Chandigarh, Dehradun, Gangtok, Gandhinagar, Imphal, Itanagar, Jaipur, Jammu, Kohima, Lucknow, Raipur, Panaji, Patna, Puducherry, Pune, Ranchi, Shillong, Shimla, Srinagar and Thiruvananthapuram.

<sup>6</sup> a. Secretary, Department of Higher Education, b. Secretary, Department of Science & Technology, c. Secretary, Department of Scientific & Industrial Research, d. Secretary, Department of Agricultural Research & Education, e. Secretary, Department of Agriculture & Cooperation, f. Secretary, Department of Health & Family Welfare, g. Secretary, Department of Legal Affairs, h. Secretary, Department of Atomic Energy, i. Secretary, Department of Space, j. Secretary, Department of Telecommunication, k. Secretary, Ministry of Electronics and Information Technology, l. Secretary, Department of Earth Sciences, m. Secretary, Department of Defence Research & Development and DG DRDO, n. DG (ICMR), o. CEO- NITI Aayog (then Secretary Planning Commission) p. Chairman, National Technical Research Organization (NTRO), q. IIT Chennai, r. Director General, National Informatics Centre

the enabling agency for NKN. Technical Advisory Committee (TAC), an expert Group tasked with drafting a blueprint for setting up the Knowledge Network including its architecture, ways and means and financial implication of such a network. Various other committees like Executive Committee<sup>7</sup>, Security Advisory Committee, Model Project Evaluation Committee, Bandwidth Negotiation Committee etc. were also formed under the aegis of HLC.

Director General, National Informatics Centre (NIC) is the Chief Investigator while Managing Director, National Informatics Centre Services Incorporated (NICSI) is the Co-Investigator of the Project. National Informatics Centre<sup>8</sup> (NIC) is the Implementing Agency (setting up the core network) for this project, while NICSI<sup>9</sup> is acting as a fund manager and assisting in procurement and providing IT Support. The funds required for the project are released to NICSI by MeitY.

#### 2.1.4 Budget Allocation and Expenditure

The approved financial outlay, released as Grants-in-Aid by MeitY, and expenditure since the approval (March 2010) of the project is detailed below (The funds released were required to be placed in a dedicated Bank Account by NICSI).

**Table-2.1: Year-wise Budget allocation and Expenditure and Number of Institutions**

(₹ in crore)

| Year               | Approved Outlay (Cabinet Note) | Amount Allocated |                  | Total amount <sup>10</sup> released | Expenditure (Books of Account) <sup>11</sup> | Number of Institutions added |
|--------------------|--------------------------------|------------------|------------------|-------------------------------------|--|------------------------------|
|                    |                                | Budget Estimate  | Revised Estimate |                                     |  |                              |
| 2009-10 to 2016-17 | 5,658.00                       | 2,370.00         | 3,333.03         | 3,313.44                            | 3,270.03                                     | 1,635                        |
| 2017-18            | 166.00                         | 150.00           | 142.62           | 142.62                              | 196.01                                       | 20                           |
| 2018-19            | 166.00                         | 150.00           | 320.00           | 320.00                              | 178.08                                       | 42                           |
| 2019-20            | -                              | 160.00           | 274.64           | 274.64                              | 399.34                                       | 33                           |
| 2020-21            | -                              | 400.00           | 584.00           | 584.00                              | 517.94                                       | 16                           |
| 2021-22            | -                              | 500.00           | 500.00           | 500.00                              | 490.18                                       | 11                           |
| 2022-23            | -                              | 650.00           | 485.25           | 485.00                              | 484.63                                       | 23                           |
| <b>Grand Total</b> | <b>5,990.00</b>                | <b>4,380.00</b>  | <b>5,639.54</b>  | <b>5,619.70</b>                     | <b>5,536.21</b>                              | <b>1,780</b>                 |

Source: NIC/NKN Division MeitY

Between 2009-10 to 2016-17, 91.85 per cent of the institutions were covered and 59.06 per cent<sup>12</sup> of the total expenditure was incurred. Expenditure picked up pace in FY 2019-20 and continued to rise in FY 2020-21 but declined in the next two years.

<sup>7</sup> Executive Committee is responsible for taking decisions on implementation issues of NKN.

<sup>8</sup> National Informatics Centre (NIC) is an attached office of MeitY acting as the technology partner of the Government of India; with the objective to provide technology-driven solutions to Central and State Governments.

<sup>9</sup> National Informatics Centre Services Incorporated (NICSI), is a company for providing and procuring IT solutions for multiple e-governance projects undertaken by NIC, MeitY, Governments and Government Organizations (like Public Sector Undertakings).

<sup>10</sup> The amount released included the interest earned which was adjusted in subsequent grants. The interest earned was now being deposited to Consolidated Fund of India since 2017-18 onwards.

<sup>11</sup> The amount of expenditure does not include the outstanding amount of advance to various parties of ₹17.80 crore as on 31 March 2023.

<sup>12</sup> Includes various recurring expenditure on bandwidth, hardware, administrative costs etc.

26.96 per cent<sup>12</sup> of the total expenditure was incurred during 2020-23 and 2.81 per cent of the institutions were added during the corresponding period.

Provision for bandwidth accounts for 68.52 per cent of the total expenditure as detailed in Table 2.2.

**Table 2.2: Expenditure head wise against the approved outlay for the year 2010-22**

(₹ in crore)

| Expenditure Heads  | Outlay          | Expenditure                  |
|--|-----------------|------------------------------|
| Bandwidth for Core/ Distribution/ End Nodes                  | 3,561.00        | 3,461.63                     |
| Hardware/Software/Routers/switches/NOC/ DR/ DC/PoPs etc.     | 904.00          | 777.69                       |
| Facility Management Cost /Administrative Cost/ Research etc. | 832.00          | 478.95                       |
| Internet + External Connectivity                             | 540.00          | 292.89                       |
| Pilots Projects  | 20.00           | 20.69                        |
| Contingency  | 133.00          | 19.73                        |
| <b>Total</b>   | <b>5,990.00</b> | <b>5,051.58<sup>13</sup></b> |

(Source: NIC/NKN Division MeitY)

### 2.1.5 Audit Scope and Methodology

Audit covered the period from 2017-18 to 2021-22 with statistical information updated till March 2023. The scrutiny of records was extended to earlier periods, as per requirement. An Entry conference was held with the Ministry on 25 July 2022. Field audit was conducted between July-October 2022. An exit conference was held with the Ministry on 14 March 2023.

Audit methodology involved examination of records/documents at MeitY, NICSI, NIC headquarters and 13 NIC units of Selected States<sup>14</sup> to understand and assess the functioning of the NKN network.

### 2.1.6 Audit Objectives:

The main audit objectives were to ascertain:

- I. Whether the planning including the procurement of Good and Services is in conformity with Government regulations and is executed to achieve economy and efficiency in operations.
- II. Whether NKN was operating efficiently and rendering the desired services to the end user.

<sup>13</sup> An amount of ₹12.46 crore provided as advance to 31 service partners is also lying outstanding as at 31 March 2022 which has not been included in the total expenditure figure.

<sup>14</sup> Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan Tamil Nadu, Uttar Pradesh and West Bengal.

- III. To examine effective monitoring of the project operation and the existence of a support system.

### 2.1.7 Audit Criteria:

Important criteria for the audit were:

- ❖ The Administrative Approvals, Note to Cabinet Committee on Infrastructure, Expenditure Finance Committee (EFC) Memorandum and Design Document (i.e. DPR)
- ❖ Minutes of meeting of High-Level Committee (HLC), Technical Advisory Committee (TAC), Executive Committee, Model Project Evaluation Committee, Bandwidth Negotiation Committee, and similar other related committees.
- ❖ General Financial Rules (GFR), 2005 and its revised version GFR 2017.
- ❖ Other connected records, Internal guidelines, Policies, and Procedures for undertaking the project and to provide the services.

### 2.1.8 Audit Observations

#### 2.1.8.1 Planning for NKN

##### 2.1.8.1 (a) Planning for Financial Sustainability of NKN

NKN Project was approved by Cabinet Committee on infrastructure (CCI) as a fully government funded project for a 10-year period.

We observed (September 2022) that the Project plan did not contain any clear roadmap for continuing the connectivity provided to Institutions beyond the project period on self-sustaining basis. Several HLC meetings discussed<sup>15</sup> the issue of funds for NKN and took note of the concern of financial sustainability of the Project. 19<sup>th</sup> HLC in February 2017 discussed the scarcity of funds for NKN and sought to identify alternate channels for funding for Project. However, the discussions could not take any tangible form. We observed that post completion of the project, there are recurring costs on payment of bandwidth charges to Telecom Service Providers (TSPs), AMC charges for equipment maintenance, purchase of worn-out spares etc. to operate the Network (NKN).

The Ministry replied (August 2023) that in the next phase of NKN the cost for the last mile connectivity would be funded by the user Ministries/Departments and the cost of core would be funded by MeitY.

<sup>15</sup> March 2009, November 2012, July 2015, March 2016 and February 2017

### 2.1.8.2 Project management

#### 2.1.8.2 (a) Overall achievement of the project

The NKN project aimed to provide high speed connectivity to 1,500 institutions with a project span of 10 years having an approved outlay of ₹5,990 crore. It was decided to provide at least one Gbps Point of Presence (PoP) at each district headquarters (covering 600 districts) with full redundancy. Out of 600 districts, 489 districts were covered over the period of 12 years.

Against the target of 1,500 institutions, 1,780 were brought onboard. Such inclusion being on voluntary basis, the scheme generated a response better than what was expected. However, in deviation from the plan, though ₹600 crore was earmarked for establishment of District PoPs with network connectivity, none of the institutions in 489 districts were provided with network connectivity through District PoPs. The expenditure incurred up to March 2023 (₹5,536.21 crore) was within the approved outlays.

#### 2.1.8.2 (b) Non provision of Triple connectivity and redundancy to super core in Northeast

As per the design and architecture of the NKN, the Core PoPs were to be interconnected using multiple links from different (three) NLDs to form a mesh network so as to avoid single point of failure. The High Level Committee was apprised of (February 2017) that super cores were fully meshed and that the core PoPs were generally connected to super core in three different ways.

We observed (September 2022) that the North-East region had seven core PoPs at State Headquarters<sup>16</sup> which were connected only through double connectivity as against triple connectivity with three super core as per scheme design.

Further, to have effective redundancy, both the links should be at least of equal capacity. Out of these seven cores connections, only two (Agartala and Shillong) had both links on 10 Gbps. The remaining five connections had one link with 10 Gbps bandwidth and the second link with 2.5 Gbps bandwidth. These links were not upgraded even after the project getting fourth extension and has been operational for more than 13 years.

Ministry replied (August 2023) that there were challenges in providing connectivity to North-East region. Hence, triple connectivity to Super Core in North-East region could not be established till date. It was further stated that BSNL, after multiple requests for upgradation of links to 10 Gbps, has been able to provide 2.5 Gbps bandwidth only in the NE Region.

Reply of Ministry is not acceptable for the following reasons:

- a. three NLDs were already operating in the region;
- b. the challenges and contextual constraints were known, and no reasons were given for not exploring other NLDs.

<sup>16</sup> Agartala, Aizawl, Gangtok, Imphal, Itanagar, Kohima and Shillong

Thus, non-provision of triple connectivity in contravention of design and architecture of the NKN may disrupt the NKN network in the North-East region and impact the seamless flow of data to the connected institutions.

### 2.1.8.2 (c) Memorandum of Understanding (MoU) with user institutions

#### i. Non-signing of MoU

The Memorandum of Understanding (MoU) is an agreement between two or more parties specifying clearly the objectives of the agreement, roles and responsibilities of both the parties to achieve that objective. The MoU ensures a level playing field to both sides of the MoU keeping their interests safe.

We observed (March 2023) that out of the 1,757 institutions<sup>17</sup> on-boarded (as of March 2022) on NKN, only 1,117 institutions had entered into an MoU with NIC till December 2022. This was despite the project being in operation for more than a decade. Failure to execute the MoU absolved the user Institutions from any binding responsibility towards the use / upkeep of equipment/ infrastructure safely and optimally.

The Ministry replied (August 2023) that it has been continuously following-up with all the institutions (who have not signed till date) for signing of MoU. A total of 1,158 institutions have signed MoU (July 2023) so far. Ministry further assured to ensure the signing of MoU, as a mandatory criterion for availing NKN connectivity in the next phase of NKN.

Ministry must ensure signing of MoU and its compliance by user institutions.

#### ii. Non-provisioning of compensation clause in the MoU

The MoU stipulated [sub-clause 4.1 (f)] that user shall ensure the security of the entire NKN project related equipment (both owned by the user and Project Executing Agency (PEA) and / or its sub-contractors) installed within user's compound.

We observed (October 2022) that there was no clause for compensation of loss to the assets / properties of the project, being used within user's compound / premises, in case of any casualties like fire / damage in the MoU. The matter of incidence of fire was discussed in the Technical Advisory Committee (TAC) meeting held in June 2015, however, no action in this regard was noticed. High Level Committee emphasized the need to conduct regular fire drills to ensure awareness on the issue of safety audit.

We observed that 10 incidents of damage of routers due to fire took place between March 2013 to August 2020. Out of 10 routers, in four cases routers were replaced by NIC and in remaining cases the link was restored on user devices. These routers were procured at a cost of ₹1.52 crore. However, no insurance coverage of NKN assets has been found.

Ministry replied (August 2023) that the suggestion by audit regarding compensation clause has been noted and would be included in the next phase of NKN.

<sup>17</sup> The number of onboarded institutions has grown to 1,780 by 31 March 2023, while 1,158 Institutions have signed MoU with NIC till July 2023.



#### 2.1.8.2 (d) Non enforcement of signing of IP address usage Policy by user institutes prior to providing NKN Connectivity

IP Address Usage Policy was formulated by Ministry (July 2011) for awareness, responsibility and accountability of users to mitigate the breach of security risks / threats and misuse / abuse of the NKN connectivity.

We observed that out of 1,757 institutions on-boarded (as of March 2022) to NKN, a total of 1,474 institutions have signed IP Address Usage Policy (IP Policy) (September 2022) and 283 institutions on-boarded on the Network had not signed the said policy. Further, no record of any security / IT audit of the network either being mandatory or being conducted was available.

Ministry replied (August 2023) that it has been continuously following-up with all the connected institutions (who have not signed till date) for signing of IP Policy. A total of 1,632 institutions have signed the IP policy (July 2023) so far. Ministry further assured to ensure the signing of IP Policy as a mandatory criterion for availing NKN connectivity in the next phase of NKN. Ministry also stated that NIC has been following the guidelines of Cert-In.

Thus, though an IP policy had been framed by the Ministry in 2011, all institutions were not mandatorily made to sign it and even where it was signed, it merely remained on paper as no security audits were conducted to check compliance.

Ministry must ensure signing of IP Policy by user institutes and devise a mechanism to carry out Information Systems (IT) security audit periodically.

#### 2.1.8.2 (e) Bandwidth utilization by institutions

Technical Advisory Committee (TAC) discussed (May 2012) the issue of utilization of NKN bandwidth and expressed concern over poor utilization of NKN bandwidth by the connected institutions. Further, TAC recommended (January 2018) downgrading of links where utilization of bandwidth was consistently lower than five *per cent* over a six month period. It also recommended de-hiring of links with high downtime/ link not used / non-availability of basic infrastructure at user Institute.

The institutions links (Edge links) are provided at 100 Mbps, 1 Gbps and 10 Gbps bandwidth. During scrutiny (September 2022) of Bandwidth Utilization Report of 1,414 links, as made available to audit for the year 2021-22, we observed that the utilization of bandwidth for 455 institutions was less than 50 *per cent*, whereas the same was less than five *per cent* for 38 institutions {Annexure-2.1(A)}. However, no institution was downgraded to a lower bandwidth. It was also observed that eight links (100 Mbps) could utilise only two MB or less bandwidth during the year 2020-21 and 2021-22 without the links being downgraded / de-hired {Annexure-2.1(B)}.



Scrutiny of records further revealed (August 2022) that links for three institutions<sup>18</sup> were de-hired due to non-availability of basic infrastructure at those institutions despite though on-boarded on NKN for several years. Thus, NKN connectivity was provided to institutions without monitoring the availability of required infrastructure leading to avoidable expenditure on link charges apart from blockage of costly end point equipment installed at those Institutes. The expenditure on hiring such links was thus rendered unfruitful.

The Ministry accepted (August 2023) the audit observation with an assurance that corrective measures have already been initiated for optimum utilisation of links and that utilisation of bandwidth was improving. Further, two links (GEC, Ramanagara & Government Engineering College, Bellary) were de-hired due to non-improvement in utilization of allotted bandwidth.

### 2.1.8.3 Management of project costs

#### 2.1.8.3 (a) Avoidable expenditure due to delay in project extension

NKN was initially approved for a 10-year period, up to March 2020. Bandwidth Negotiation committee (BNC) was formed (July 2008) to finalize the rates for the procurement of bandwidth/ network services from the National Long Distance Service Providers for the NKN Project. BNC finalized the rates (September 2010) till December 2019, which were revised in June 2015.

We observed (September 2022) that approval for extension upto 31 March 2021 was granted in April 2020, after completion of the original project period. Thereafter, BNC was constituted by NICS in July 2020 to finalize the revised rates from 01 January 2020 (retrospectively) to 31 March 2021. BNC recommended (August 2020) reduced rates considering the falling trend in prices for telecom services and the use of the same infrastructure of the existing links by the National Long Distance Service Providers (NLD-SPs) to provide bandwidth for another two-three years. However, the NLDs pleaded (September 2020) that they had already deposited the Goods & Services Tax (GST) for the period from 01 January 2020 to 31 March 2020 based on the old (and higher) tariff structure. Accordingly, the committee decided (September 2020) to apply the new rate from 01 April 2020 against the stipulated date of 01 January 2020.

Further, the purchase orders for the period of service from 01 January 2020 to 31 March 2020 were placed only in January to March 2021, retrospectively. Thus, delay in constitution of BNC and deferring the application of revised reduced rates by three months (January 2020 to March 2020) caused an avoidable excess payment of ₹25.85 crore (**Annexure- 2.2**).

Ministry confirmed (August 2023) the sequence of events but did not provide reasons for the delay.

<sup>18</sup> i) Government Ayurveda College, Vadodara- commencement May 2011, de-hired November 2014  
ii) Government Medical College, Dharmapuri -commencement March 2013, de-hired June 2016 and  
iii) Government College of Art & Craft Kolkata-commencement June 2011, de-hired May 2017

### 2.1.8.3 (b) Excess expenditure due to non-application of correct rates

Services Agreement was signed (September 2010) by Project Implementation Agency<sup>19</sup> with the Service Providers for providing bandwidth / network services for a Service Fee (Link Charges) for 10-year period to provide NKN Connectivity.

The agreement prescribed the rates of NLD-Core links (10 Gbps & 2.5 Gbps) based on the distance slabs (multiples of 250 kms) and Intra-city Edge links (1Gbps and 100Mbps) in two distance slabs. As per the agreement (for core links), the Chargeable Distance (CD) for paying Service Fee was to be arrived at by converting the radial distance between the connected points, to Chargeable distance by multiplying it with a factor of 1.25, across the country.

We observed (September 2022) that in 10 cases the Service Fees were paid at the distance claimed by the service providers instead of applying chargeable distance slab resulting in excess payment of link Charges amounting to ₹37.80 crore (**Annexure-2.3**) to NLD-SPs. Interestingly, two links between the same pair of locations viz. Jammu and Srinagar were paid on two different distance slabs (BSNL and PGCIL) due to non- application of chargeable distance formula.

Ministry replied (August 2023) that the links pointed out in audit were in hilly terrain and different service providers could get different distances for same end points, since the fibre path would be different. It further stated that rate for Jammu-Srinagar link was mentioned for PGCIL in its service agreement however the rate for BSNL was not mentioned in service agreement and thus BSNL was paid service fee as per the distance quoted by it. Additionally, Jammu-Srinagar was not listed as endpoints for the purposes of calculation of Chargeable Distance by the Bandwidth Negotiation Committee (BNC).

The reply is not acceptable as BNC had negotiated the formula and rates for overall network under the NKN project and not for specific links. Further, the distance between a pair of PoPs of cities not specifically listed in the BNC document, was being calculated using the chargeable distance formula by NICS. Hence, Ministry / NICS failed to follow stipulated formula for payment of service fee resulting in overpayment of ₹37.80 crore to NLD-SPs.

### 2.1.8.3 (c) Inordinate delay in de-commissioning of Links resulted in wasteful expenditure

NKN Services Agreement was signed (September 2010) with the four Service Providers for providing bandwidth/network services wherein as per Clause 17.2 (Termination Rights), "PIA" may terminate any link with a Service Partner after a three month notice period.

We observed (September 2022) that six District links (served by BSNL) were de-hired and replaced by Power Grid Corporation of India Limited (PGCIL) during 2015-16 and 2016-17. However, even after the replacement links were provided, BSNL links were de-commissioned in February 2017 taking an inordinate amount of time ranging from 245 days to 594 days. The said delay resulted in wasteful expenditure of ₹ 1.01 crore on link charges (**Annexure-2.4**).

<sup>19</sup> NIC & NICS jointly being the Project Implementation Agency (PIA)

Ministry replied (August 2023) that the issue flagged by audit would be addressed in future.

### 2.1.8.3 (d) Irregular expenditure due to imprudent contract management

General principles for contract as per GFRs 2017, (Rules 225, 174) require that terms of contract must be precise and that no work of any kind should be commenced without proper execution of an agreement.

As per the scope of AMC services, the contract shall be on comprehensive basis inclusive of repairs and replacement of spare without any extra payment. The scope of annual maintenance service covers upkeep and smooth working of equipment within the premises of user department.

We observed (September 2022) the following irregularities relating to eight Annual Maintenance Contracts (AMCs) executed by NICS I for Networking equipment of NKN project:

1. Process of bidding was not initiated in time i.e. prior to the end of existing contracts. In five out of eight contracts, the bids for award/renewal of Annual Maintenance Contract (AMC) were published on Government e Marketplace (GeM) portal after expiry of existing validity period of AMC/warranty. In one case, the bid was finalized after expiry of bid life cycle of 90 days in contravention of Rule 174 of GFR 2017.
2. NICS I did not enter into any maintenance support / service contract for networking devices during the year 2019-20 to 2022-23<sup>20</sup>. However, after finalisation of AMC bids for subsequent period<sup>21</sup>, the discovered rate was applied for the non-contracted prior period also and payment was made to the selected vendors without providing any service for the said prior period. This resulted in irregular payment of ₹7.85 crore (**Annexure-2.5**) as this payment was made for a different period (prior) than the contract period for services which were not received by NICS I / provided by the selected vendor.
3. AMC for networking equipments (different from Sl.no.2), had expired in June 2018 and the period from July 2018 to November 2018 was not covered by any AMC. NICS I finalized (November 2018) AMC at a cost of ₹13.68 crore for the period from 29 November 2018 to 28 November 2019 and awarded the AMC contract to M/s Arsenal Info Solutions Pvt. Ltd. It was observed that NICS I made a payment of ₹5.66 crore for the past uncovered AMC period to M/s Arsenal Info Solutions Pvt. Ltd. in contravention of Rule 136 (1) (vii) of GFR 2017. NIC replied that the new vendor had provided the maintenance services for the past period too and accordingly the purchase order and subsequent payment of ₹5.66 crore was issued (July 2019) on pro rata basis for missing period at the discovered price of bid, retrospectively. Audit observed that in comparison to the AMC rates of earlier vendors, NICS I ended up paying unjustified amount of ₹2.21 crore (**Annexure-2.6**) more to a non-existent vendor.

<sup>20</sup> for the period ranging from 35 days to 233 days

<sup>21</sup> The commencement of AMC period after uncovered AMC period

4. Further, NICSI took no initiative in seeking the consent of existing AMC vendors to continue the AMC/support (by extension of their contracts) till fresh contracts were finalized as was the usual practice in NICSI in similar situations in respect of aforementioned instances.

The Ministry replied (August 2023) that process for AMC was delayed and the same was materialised through GeM. It further stated that NICS I assured that the bids will be processed before the expiry of the contract and the specific duration of the AMC will be mentioned in the bid documents. It also stated that the PO for the duration 1-7-2018 to 28-11-2018 could not be placed as the services for AMC of networking items were not available on GeM portal and there was no provision for placing the contract from back date.

Ministry has accepted the audit observation and has given assurance to comply with the provisions of GFRs in future. Further, nothing barred them from procurement of AMC services out of GeM when such services were not available on GeM. NICS I incurred excess payment of ₹2.21 crore of AMC charge to vendor in violation of general financial principles and poor contract management resulted in irregular payments of ₹7.85 crore to vendors.

### **2.1.9 Conclusion**

Audit of NKN project revealed that the Project achieved its milestone within the approved outlays. However, the financial viability of the Project beyond the period of government support could not be worked out. The implementation and enforcement of its Internet Protocol (IP) Policy and Memorandum of Understanding (MoUs) with the user institutions is still in progress. Further, deficient bandwidth utilisation by the institutions and inadequate monitoring of hired / de-hired links based on usage details acted as a drain on financial resources for the Project. Deficiencies in execution of Annual Maintenance Contracts (AMCs) were also observed. Ministry could not implement its own in-principle idea of providing long distance network from three service providers in North-East India.

### **2.1.10 Recommendations**

***We recommend that:***

- i. Ministry may consider developing a dedicated web portal which captures the complete network details with facility for Management Information System (MIS) Reports. A periodic review should be carried out to optimise network usage and associated costs.***
- ii. Compliance to MoUs and Internet Protocol Address Usage Policy must be ensured. Methodology for periodic Information Systems (IS) Security Audits may be firmed up.***
- iii. Ministry may ensure last mile mapping during preparation of DPRs for estimation and budgeting in similar projects.***
- iv. Ministry may ensure that DPRs include objective criteria for bandwidth estimation upto the last mile of connectivity for similar projects.***

## 2.2 Compliance Audit of 'Modified Special Incentives Package Scheme (M-SIPS)'

### 2.2.1 Introduction

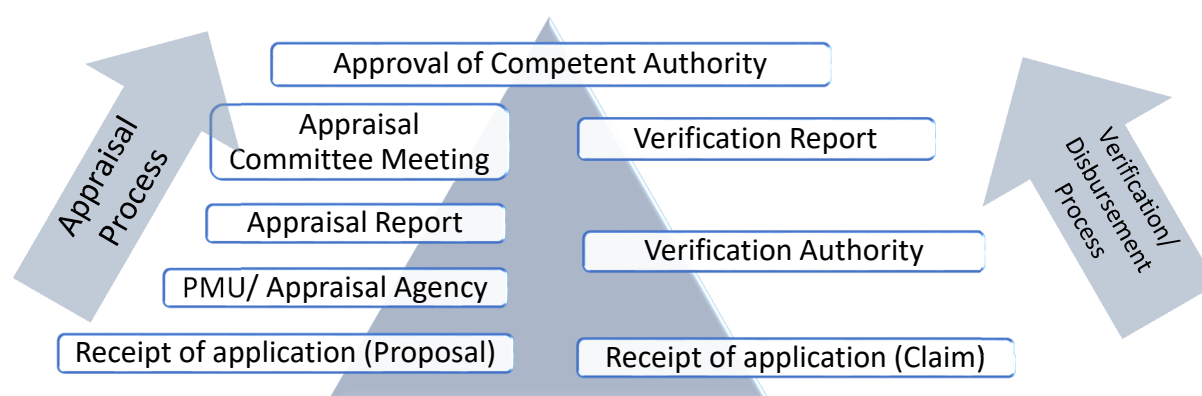
#### 2.2.1.1 The Scheme

Electronics industry is one of the world's largest and fastest growing industry with increasing application in all sectors of the economy. In order to promote large scale manufacturing in the Electronics System Design and Manufacturing (ESDM) sector, Government of India introduced (July 2012) Modified-Special Incentives Package Scheme (M-SIPS). Ministry of Electronics & Information Technology (MeitY) is the nodal agency for implementing the scheme. The scheme envisaged providing financial incentive in the form of reimbursement of 20 per cent on investments made by a business in the form of capital expenditure in Special Economic Zones (SEZs) and 25 per cent in non-SEZs. In addition, Excise/Countervailing Duty (CVD) on capital equipment would also be reimbursed.

#### 2.2.1.2 M-SIPS Design – Application Appraisal and Incentive Disbursement Mechanism

The process of receipt of application and approval of claim is depicted by the following Chart:

Chart-1



Applications are invited from potential investors. The applications are processed and appraised by the Program Management Units (PMU<sup>22</sup>)/Appraisal Agency on their financial viability and takes on board the recommendations of the Technical Evaluation Committee<sup>23</sup> (TEC) on the technical aspects of the project.

The Appraisal Agency prepares an Appraisal Report which is considered by the M-SIPS Appraisal Committee for the final approval of the Competent Authority<sup>24</sup> in the Ministry. Thereafter, the final approval is communicated to the investor / applicant.

<sup>22</sup> PricewaterhouseCoopers Pvt Ltd (PwC) and Accenture Services (P) Ltd acted as PMU

<sup>23</sup> PMU appraisal of MSIPS applications shall also inter alia include technical evaluation of the application with effect from February 2016.

<sup>24</sup> (i) Upto ₹100 crore Secretary of Department, (ii) More than ₹ 100 crore and upto ₹ 500 crore -Minister in- charge, (iii) More than ₹ 500 crore & upto ₹ 1,000 crore – Minister in charge and Finance Minister (iv) More than ₹ 1,000 crore – Cabinet as per DoE OM dated 29 August 2014 on delegation of power amended from time to time.

Once the investor makes the investment, he is eligible to claim the incentive. In order to claim the incentives, the investor submits the claim form to the MeitY/ Verification Agency<sup>25</sup> with all the requisite documents. Following the verification, the Verification Agency submits a verification report to the Ministry. Thereafter, Ministry processes the disbursement claim to the applicant and payment is made to the applicant after completion of all pre-disbursal formalities. The applicants also submit a Quarterly Progress Report (QPR) to Ministry for monitoring purposes.

The scheme was open for applications up to December 2018 or till the incentive commitment reached ₹10,000 crore, whichever was earlier. The window for final disbursement of incentives was till 2026-27. Thus, a five to ten year window is assumed for investments to fructify after the initial approval.

## 2.2.2 Scope of Audit

We conducted audit in the Industrial Promotion - Electronics Hardware Manufacturing (IPHW) Division, MeitY during May 2022 to September 2022 covering the period from July 2012 till March 2022. We also examined the records of Industrial Finance Corporation of India (IFCI) (under the jurisdiction of Office of Director General of Audit, Industry & Corporate Affairs) during Audit. We picked up a sample of 24 cases for detailed scrutiny.

## 2.2.3 Key facts

Scheme started in July 2012

### Status as on March 2023

|                           | (₹ in crore)                                      | (₹ in crore)                           |
|---------------------------|---|--|
| Applications received 530 | Target for disbursement ₹10,000                   | Investments committed ₹52,096          |
| Approved applications 315 | Claims received ₹3,243<br>Claims Disbursed ₹2,136 | Investments made ₹36,991 <sup>26</sup> |

### 2.2.3.1 Status of applications, Investment and Incentives

The status of applications under M-SIPS as on March 2023 is as below:

Table 2.3: Status of Applications

| Approved/<br>Recommended<br>Applications | Applications under<br>Appraisal | Closed/ Pending<br>Applications | Total Applications |
|--|---------------------------------|---------------------------------|--------------------|
| 315/ 3                                   | 2                               | 210 <sup>27</sup>               | 530                |

<sup>25</sup> Industrial Finance Corporation of India (IFCI)

<sup>26</sup> Till April 2023

<sup>27</sup> Includes two Mega Projects applications which were received during September 2015 (i.e., M/s. Twinstar Display Technologies Ltd, costing ₹23,384 crore and M/s. Mundra Solar Ltd., costing ₹13,985 crore) which were neither approved/ recommended nor closed by MeitY.

315 applications committing an investment of ₹52,096 crore and eligible capex of ₹39,447 crore were approved as on March 2023 which would entail incentives of ₹9,631 crore. Incentives of ₹3,243 crore were claimed of which ₹2,136 crore were disbursed<sup>28</sup>. The total investment made by the applicants was ₹36,991 crore (till April 2023). In all, businesses invested over 71 per cent of investments planned and the Government disbursed 65 per cent of the claims submitted during 2014-23.

The 24 applicants with approved Capex investment of ₹10,693 crore, in our audit sample invested capex amounting to ₹7,434 crore<sup>29</sup> by March 2022. Out of Five companies<sup>30</sup>, three<sup>31</sup> were yet to invest the gap in investment before the end of 2023. The remaining 19 companies have time to invest; the time limit ranging between 2024 to 2027. We observed (September 2022) that the shortfall in investment was attributed to procedural delays in appraisal/verification/disbursement {as brought out in Para 2.2.4.2(a) & 2.2.4.2(b)} and frequent changes in the guidelines {as detailed in Para 2.2.4.1(a)} which hampered and delayed the process of approvals.

**Table 2.4: Year-wise details of Budget, Incentive claimed and Incentive disbursed**

(₹ in crore)

| Financial Year        | Budget Estimate | Revised Estimate | Fund Released   | Incentives Disbursed | Incentive Claimed |
|-----------------------|-----------------|------------------|-----------------|----------------------|-------------------|
| 2014-15 <sup>32</sup> | 15.00           | 15.00            | 12.05           | 12.05                | 31.68             |
| 2015-16               | 15.00           | 15.00            | 4.78            | 4.78                 | 3.09              |
| 2016-17               | 15.00           | 17.50            | 16.13           | 16.13                | 47.41             |
| 2017-18               | 256.50          | 136.86           | 135.89          | 135.89               | 190.11            |
| 2018-19               | 500.00          | 334.91           | 318.67          | 318.67               | 632.20            |
| 2019-20               | 500.00          | 499.00           | 463.67          | 463.67               | 586.78            |
| 2020-21               | 500.00          | 216.00           | 215.79          | 215.79               | 333.51            |
| 2021-22               | 604.62          | 602.22           | 588.71          | 588.71               | 841.39            |
| 2022-23               | 750.00          | 405.00           | 380.31          | 380.31               | 577.15            |
| <b>Total</b>          | <b>3,156.12</b> | <b>2,241.49</b>  | <b>2,136.00</b> | <b>2,136.00</b>      | <b>3,243.32</b>   |

The scheme commenced disbursement in FY 2014-15 but picked up steam in FY 2018-19 and gathered momentum in FY 2021-22. Ministry stated (April 2023) that during COVID-19 pandemic, investment by companies have been delayed considerably and more investment is expected in the coming years.

<sup>28</sup> It includes reimbursements of duties of ₹18.5 crore like CVD/ED. MeitY does not maintain data with reference to import and other expenditure (indigenous) and maintain overall disbursement against total capital expenditure.

<sup>29</sup> Applicant-wise investment details (24 sampled cases) has been prepared on the basis of claim received and incentive disbursed up to March 2022.

<sup>30</sup> Samsung India Electronics Private Limited, Birla Furukawa Fibre Optics Private Limited, Bosch Automotive Electronics Private Limited, Vindhya Telelinks Limited, and Havells India Limited.

<sup>31</sup> Samsung India Electronics Private Limited, Birla Furukawa Fibre Optics Private Limited and Havells India Limited.

<sup>32</sup> Though the scheme was notified in July 2012, the funds were released to the scheme from FY 2014-15 only.



## 2.2.4 Audit Findings

### 2.2.4.1 Planning for M-SIPS

#### 2.2.4.1 (a) Frequent amendment of scheme guidelines

We observed that the guidelines for operation of M-SIPS (Application & Appraisal) were notified in October 2012 while the guidelines for disbursement of incentives were issued after 20 months in June 2014. Over the course of its operation, 19 amendments were made to M-SIPS. Some of these changes were in fact notified after last date for receipt of applications viz December 2018. Major amendments to the scheme are tabulated below:

**Table 2.5: Major Amendments to the Scheme**

| Notification               |                             | July 2012 (Original)           | August 2015 (Amendment I)         | January 2017 (Amendment II)      |
|----------------------------|-----------------------------|--------------------------------|-----------------------------------|----------------------------------|
| Industry Verticals covered |                             | 29                             | 29 + 15 = 44                      | 44                               |
| Time period for            | Application                 | three years from notification  | five years from notification      | December 2018                    |
|                            | Investment/ Incentive Claim | 10 years from date of approval | 10 years from date of application | five years from date of approval |

Apart from major amendments, scheme guidelines were amended multiple times with regard to expenditure eligibility criteria, timelines, applicability of M-SIPS incentives for subsequent phases, Related Party Transactions (RPTs), etc which hampered the process of approval and resulted in delayed investment. In fact, the Ministry had to shorten the period of investment/incentive claim from 10 years (stipulated in 2012) to five years in 2017 after the scheme was already in operation for five years.

Ministry replied (April 2023) that investments got delayed during COVID-19 pandemic and investments would be carried out till 2027. Further, it was the prerogative of the applicant companies to submit the claim application and only thereafter MeitY can process the disbursement of incentives.

#### 2.2.4.1 (b) Concentration of investments in limited verticals

The Scheme was planned to encourage investment and large-scale manufacturing in 44 verticals (Category A, B, C, D and E).

We observed (September 2022) that out of the 44 verticals available under the scheme, applications were approved only for 23 verticals and investment and disbursement of incentives remained limited to 17 verticals only. No applications were approved for the remaining 21 verticals till March 2022. Among 15 additional verticals added in August 2015, incentives were approved for only four<sup>33</sup> verticals.

<sup>33</sup> A19- Consumer Appliances, A25- Electronic Security Devices, B13- Organic Light Emitting Diodes, and E- Raw materials exclusively for electronic products



Table 2.6: List of cases approved and disbursed under five categories

| Verticals         |  | Vertical Name                     | No. of cases approved | No of cases disbursed | Amount disbursed (₹ in crore) | Disbursement (in per cent) |
|-------------------|--|-----------------------------------|-----------------------|-----------------------|-------------------------------|----------------------------|
| Category & Total  | Applications approved/ Disbursement made |                                   |                       |                       |                               |                            |
| A (25)            | 16 / 12                                  | Electronic Products               | 197                   | 71                    | 1,150.02                      | 65.50                      |
| B (15)            | 5 / 3                                    | Intermediates                     | 78                    | 34                    | 539.46                        | 30.70                      |
| C (2)             | 1 / 1                                    | Electronic Manufacturing Services | 35                    | 08                    | 63.31                         | 3.60                       |
| D (1)             | 0 / 0                                    | Raw material (Electronic)         | 0                     | 0                     | 00                            | 00                         |
| E (1)             | 1 / 1                                    | Re-manufacturing of electronics   | 3                     | 01                    | 2.89                          | 0.20                       |
| <b>Total (44)</b> | <b>23 / 17</b>                           |                                   | <b>313</b>            | <b>114</b>            | <b>1,755.68</b>               | <b>100</b>                 |

Of the approved application, 226 (72 per cent) are concentrated in six verticals<sup>34</sup> only and disbursements totaling ₹1,518.23 crore (86 per cent of the total) were made for five verticals<sup>35</sup> (Annexure 2.7) 38 per cent of the disbursement totaling ₹676.65 crore were made to three applicants: Mundra Solar Photovoltaics Ltd. (₹313.73 crore), Samsung India Electronics Pvt. Ltd. (₹ 205.25 crore), and Sterlite Technologies Ltd. (₹157.67 crore).

Ministry replied (April 2023) that the scheme was for the entire value chain of electronic products and many MNCs have invested in India for the first time and sought incentives under the scheme. Ministry's reply does not address the audit observation as M-SIPS was envisaged and subsequently expanded based on various representations received from industry associations, it should have covered maximum verticals. The skewed coverage hampered the goal of covering the entire value chain.

#### 2.2.4.1 (c) Non-consideration of operational expenses

A scheme design demands that all costs directly attributable to scheme implementation be computed as it assists in accurate financial planning and accounting for the scheme.

We observed that expenses on engagement of agencies to work as Programme Management Unit (PMU) for appraisal and verification of applications and third Party Assessment, was not envisaged at the time of scheme approval. Hence these payments were being made from an omnibus Head viz Promotion of Electronics/IT/HW Manufacturing-Professional Services instead of a separate M-SIPS budget head. An expenditure of ₹54.44 crore was incurred towards professional services up to 2022-23. Ministry accepted (April 2023) the observation.

<sup>34</sup> A13- Automotive electronics, B8- electromechanical components, A1- Telecom products, C- Electronic manufacturing services, A10- Industrial Electronics, and A19-consumer appliances

<sup>35</sup> B2- Semiconductor wafering, A1-Telecom products, A13-Automotive electronics, A19-consumer appliances, and B8- electromechanical components

## 2.2.4.2 Delay in implementation of the Scheme

### 2.2.4.2 (a) Delay in appraisal

We found significant delays in approval of the applications beyond the period of 185 days of applications. The average time taken for approval of applications<sup>36</sup> was 491 days. In respect of 85 per cent of the applications (for 267 applications) timeline taken for approval exceeded 185 days of which 148 applicants which represent 47 per cent of applications submitted, MeitY took more than 301 days.

**Table 2.7: Delay in Application Appraisal and Approval Process**

| Sr. No.      | Delay in application approval (> 185 days) | No. of applications | Applications delayed (in per cent) |
|--------------|--|---------------------|------------------------------------|
| 1            | Less than 60 days                          | 29                  | 9                                  |
| 2            | 61-120 days                                | 28                  | 9                                  |
| 3            | 121-180 days                               | 19                  | 6                                  |
| 4            | 181-240 days                               | 28                  | 9                                  |
| 5            | 241-300 days                               | 15                  | 5                                  |
| 6            | 301 days or more                           | 148                 | 47                                 |
| <b>Total</b> |  | <b>267</b>          | <b>85</b>                          |

The status in the 24 sample cases starting receipt of applications to disbursement of incentives is at **Annexure 2.8**. The data shows that the delays in 14 cases were on account of the tardy work by the appraisal agencies in submission of appraisal reports and delay in conducting of Appraisal Committee meetings and subsequent approvals. The delays ranged from 52 days to 1075 days.

Ministry replied that the delay was due to:

- a) Non-receipt of complete documents from applicants.
- b) Delay in MeitY in processing and examination of the appraisal report.
- c) The delay in firming-up the process of appraisal.
- d) The Appraisal Committee met only when five-six reports are available for review, causing delay in appraisal.

The Parliamentary Standing Committee on IT in its 18th Report on the Action Taken by the Government on the observations/recommendations of the Committee contained in their Fifth Report (17th Lok Sabha) on 'Demands for Grant (2020-21) noted the slow pace of disposal of applications. The Committee also emphasized that investment proposals be disposed swiftly since half-life of technologies in electronics hardware manufacturing sector has been continuously reducing, estimated to be even less than six months in certain verticals.

The Ministry told the Parliamentary Standing Committee that delays in approval of projects was partly because of lack of readiness of applicants to undertake the projects and that many

<sup>36</sup> In respect of 313 approved applications

applicants submitted their applications just to secure their applications under the scheme without ensuring readiness for compliance towards land availability and financial closure (ability to fund their projects).

#### 2.2.4.2 (b) Delays in verification and disbursement of incentives

Subsequent to making the investment in respect of the project approvals (and capex), the investor submits their claim for incentives. Once the claim along with requisite documents are received, verification agency was required to submit its report to Ministry within 15 days of receipt. Thereafter, Programme Division of MeitY was to process the disbursement claim on receipt of verification report.

In respect of the 24 sampled cases, the investors submitted 69 claim cases between 2014-15 to 2021-22. We found delays in verification in 47 (i.e. 68 *per cent*) claims which were completed after the stipulated period of verification of claims of 15 days. This in turn delayed the release of incentives. Ministry could issue the sanction order only in 12 out of 69 disbursement claim cases (i.e. 17 *per cent* cases) within 60 days of verification of claim as shown in table below:

**Table 2.8: Delay in disbursement of claim under M-SIPS**

| Sl. No. | Time taken from date of submission of claim application to date of verification | No of claim applications | Time taken from date of verification to date of sanction | No of claim applications |
|---------|---|--------------------------|--|--------------------------|
| 1       | 0 to 15 days  | 22                       | 0 to 15 days   | 3                        |
| 2       | 16 to 30 days   | 17                       | 16 to 30 days  | 0                        |
| 3       | 31 to 45 days   | 4                        | 31 to 45 days  | 4                        |
| 4       | 46 to 60 days   | 2                        | 46 to 60 days  | 5                        |
| 5       | More than 60 days   | 24                       | More than 60 days  | 57                       |
|         | Total claims by 24 applicants   | 69                       | Total claims by 24 applicants                            | 69                       |

Ministry in its reply highlighted procedural issues as reasons for delay in verification and disbursement like:

- ❖ Delay in receipt of complete application/documents from the applicant.
- ❖ Clarifications sought by Verification Agency, programme division, and Integrated Finance Division before approval of Competent Authority.
- ❖ Non-firming up of process of verification at the beginning of the scheme.
- ❖ Delay in submitting documents (indemnity bond, undertaking to remain in commercial production up to 3 years after getting incentive, Integrity compliance undertaking and etc.) by the applicant after approval of claim.
- ❖ Concurrence of Integrated Finance Division (IFD) is time consuming.

Ministry's reply was not satisfactory. IFD concurrence should be taken within a prescribed time to ensure timely disbursement. Although it was recognized that tardy submission of

documents is a challenge, no time period was prescribed for the same. This pointed to a need for regular interactions and workshops to educate the applicants about the documentary requirements and the approval process. Further, the Ministry did not comment on its failure to address the delays on the part of agencies.

### **2.2.4.3 Lapses in appraisal and verification**

We found significant lapses in appraisal and verification process as reflected by the following case studies:

#### **Case Study 1: Avoidable conflict of interest and delay in selection of verification agency**

In September 2013, nearly a year after M-SIPS Guideline notification, MeitY (erstwhile DIT), Government of India, empaneled two agencies, PricewaterhouseCoopers Pvt Ltd (PwC) and Accenture Services (P) Ltd, for Program Management Services under M-SIPS. They were mandated with processing and appraisal of applications between September 2013 and September 2017. Ministry accorded the work of PMU and Appraisal Agency to the same set of agencies thereby creating an avoidable conflict of interest in processing 171 appraisal applications during this period.

Ministry's reply (April 2023) was silent on the issue of conflict of interest.

Delays in selection of verification agency as detailed below:

The Scheme was notified in July 2012. However, the Ministry initiated the process of appointing a verification agency in October 2014, finalised the Expression of Interest (EOI) in December 2016 and floated the final Request for Proposal (RFP) only in June 2017. Additionally, in May 2017, it nominated Industrial Finance Corporation of India (IFCI) to verify pending disbursement cases.

Thus, appointment of an independent verification agency was delayed by five years. Ministry replied (April 2023) that due to urgency, IFCI was given the verification work on nomination basis so as to clear the pendency and afterwards, IFCI was selected on single tender basis. Ministry's reply does not address the audit observation which flags delay by Ministry in finalising the criterion for EOI and RFP which took nearly five years and Ministry proceeded with carrying out of verification work in the intervening period.

#### **Case study 2: Ineligible Capex**

Para 2.3 (d) of M-SIPS guidelines (October 2012) details the items which were eligible to be included under capex which did not include expenditure on consultancy services. However the Appraisal Committee allowed (October 2017) inclusion of Consulting services of ₹8.95 crore as capex on which ₹1.79 crore was disbursed by Ministry (September 2019) on the recommendation of verification agency IFCI (June 2019).

Ministry replied (April 2023) that as per paragraph 2.3 (e) of guidelines (October 2012), expenditure on utilities is also part of capital expenditure and the said consultancy charges are for common utilities (i.e. utility machines such as compressors for compressed

air). It was further stated that M-SIPS guidelines are silent on incentives to be given on consultancy charges.

Ministry's reply is contradictory in that it claims that the consultancy charges were even for utilities which were treated as capex, while also accepting that guidelines are silent on the treatment of such consultancy charges.

### Case Study 3: Undue benefit to verification Agency

We observed (August 2022) that IFCI outsourced the verification work to Chartered Accountant (CA) Firms already empaneled with it. For their services, IFCI paid the CA firms ₹1.55 crore between 2017-18 and 2021-22 while Ministry paid IFCI ₹14.18 crore for the same period. Additionally, IFCI collected ₹1.76 crore from the applicants in the name of reimbursement for "out-of-pocket expenses" related to payments to CA firms. However, there was no provision in the scheme for such payment by applicants to verification agency. Consequently, IFCI's recovery of ₹1.76 crore from applicants was irregular and lacked Ministry's formal approval.

The Ministry replied (April 2023) that the scheme being new and had multiple (approx. 19) amendments over time required a different set of technical know-how. IFCI helped in developing vendors / CA firms which were well acquainted with the Scheme/Guidelines to assist the applicants.

Ministry's reply does not address the contention of audit regarding the unauthorized additional payment charged by IFCI from the applicants. The recovery of the payment to CA firms from the applicants effectively amounted to reduction in payment of incentives by an equivalent amount of ₹1.76 crore availed by the applicants. Moreover, the Ministry's contention that the scheme was new is not factually correct as the previous avatar viz SIPS had already been implemented by MeitY.

### Case Study 4: Incomplete evaluation

Sterlite submitted disbursement claims of ₹238.89 crore and ₹670.56 crore for Phase I and Phase II, respectively of which Capex of ₹115.29 crore and ₹515.41 crore were found eligible. A subsidy of ₹28.82 crore and ₹128.85 crore respectively was released by MeitY. To assess the reasonability of cost (Clause 5 of Disbursement Guidelines) on the expenses incurred (CAPEX), Appraisal Agency and in turn MeitY relied on the Chartered Engineer (CE) Certificate, undertaking from the applicant and site visit. In this case, CE stated that his Certificate relating to the reasonability of the price and cost being in line with prevailing market price was based only on the vouchers submitted by the Company. Thus, no independent assessment/site visit was carried out by the CE. Additionally, no cost comparison was done by the Consultant (M/s Accenture) even at the time of initial appraisal of the application.

Ministry accepted this fact (April 2023).

#### 2.2.4.4 Monitoring of the Scheme

##### 2.2.4.4 (a) Delay in development of M-SIPS portal

Para 5.1 of the guidelines (October 2012) requires all applications including initial and follow up applications be submitted through an online portal. Centre for Development of Advanced Computing (C-DAC) was tasked (November 2012) to develop a module for the same. C-DAC, Noida readied the e-portal for M-SIPS in March 2013. However, the User Acceptance Testing (UAT) by PMU (M/s Accenture) for Phase I was conducted after a delay of 11 months (February 2014). Meanwhile, the first application under the Scheme was received in January 2013 in physical form.

For Phase II of the portal C-DAC submitted a proposal in January 2016 but the work order was issued to C-DAC in August 2017 after a delay of 20 months and the UAT was communicated to C-DAC in May 2018. Thus, lack of pro-active preparedness of Ministry led to delay in development of portal and by the time the online evaluation and scrutiny modules were accepted by MeitY, 153 applications under the Scheme had already been approved and 59 applications were under evaluation by MeitY.

Ministry replied (April 2023) that the PMU for M-SIPS was appointed in September 2013 and UAT was conducted by PMU in February 2014. Further, the portal development was an additional activity to make the system more transparent for the smooth functioning of the scheme.

Ministry's reply confirms audit observation regarding deficient monitoring on the part of MeitY. The Scheme Guidelines (October 2012) clearly stated that all the applications were to be submitted through an online portal. Thus, the portal was not a mere additional activity but crucial for hassle-free and transparent scheme implementation.

##### 2.2.4.4 (b) Inadequate monitoring of M-SIPS due to delayed/non-submission of Quarterly Progress Reports by the applicants

Para 12.3 of M-SIPS guidelines (October 2012) stipulate that "The applicant whose project has been approved will be required to submit through the online portal Quarterly Progress Reports (QPRs) of the project to PMU/DeitY" which was also included in the approval letters issued to the applicants. Thus, QPR was the only monitoring mechanism for MeitY to review the status of approved projects.

During scrutiny of QPRs submitted by applicants on the M-SIPS portal, we observed that:

QPRs were not being provided regularly by the applicants as detailed in **Annexure 2.9**. QPRs were being uploaded by the applicants on the M-SIPS portal without any supporting documents and 10 *per cent* of the total QPRs submitted were not signed. Thus, portal data is being updated based on the QPR being submitted by the applicants without any verification by MeitY of the supporting documents.

Initially, the applicant had to maintain separate books of accounts for the project with respect to the investment. This requirement was subsequently changed to 'Separate Records' resulting in lack of transparency in assessing the actual impact of the scheme on the Electronics Manufacturing industry in the absence of separate accounts by which the actual expenditure, applicant wise, could be monitored.

Ministry replied (April 2023) that system generated email notices on non-filing of QPR (after 30 days of quarter ending) were being sent to the applicants. At the time when the scheme was notified, the electronics industry was at a nascent stage hence strict monitoring of the scheme might have had a detrimental impact on industry. Further, it was stated that the appraisal agency has also begun to take follow up with the allocated applicants on the latest status of the QPR.

Ministry has submitted a partial reply to the audit observations raised. While accepting deficient monitoring through QPR, it did not respond to the observation on dilution of clause regarding maintenance of separate accounts. Absence of proper QPR compromised quantitative impact assessment of the scheme and the dilution of the requirement to maintain separate accounts by applicants further compounded the issue.

#### **2.2.4.4 (c) Inaccurate / Incomplete data on M-SIPS Portal**

M-SIPS portal was developed to ensure speedy disposal of applications and monitoring of scheme implementation. During scrutiny of the M-SIPS portal, we observed (September 2022) that:

- ❖ As per M-SIPS portal, 93 applications showed 'Closed' status. However, as per the details provided by MeitY up to March 2022, a total of 208 applications had been closed.
- ❖ The Quarterly Progress Reports (QPRs) uploaded by the applicants on M-SIPS Portal is not correctly depicted in the details of QPRs available on One pager information on the portal.
- ❖ During detailed scrutiny of records relating to 24 selected applications on M-SIPS Portal it was observed that in respect of 55 out of 69 incentive claims, the verification reports submitted by IFCI are not available on the M-SIPS Portal.

Ministry replied (April 2023) that only applications which were closed after mid 2020 are also closed on portal along with their closure letter. However, applications which were closed prior to mid-2020, could not be closed on portal as the facility of closure was not available. Similarly, since mid-2020, the claims are being submitted on portal and all the verification reports of such claims are being made available. Verification reports would have to be re-submitted by the applicants to make them available online. Further, QPRs which are submitted by the applicant without digital signature do not reflect at one pager information tab of the applicant.

The reply substantiated the audit contention that the information relating to QPR is at variance with the information available on the one pager and complete scheme data is not available on the portal. The very purpose of developing the M-SIPS portal thus stands defeated as intended objectives of ensuring speedy disposal of applications could not be achieved. Further, one cannot get a holistic view of the scheme implementation through the Portal/Dashboards since the database is incomplete and does not provide correct information for the period prior to mid-2020.

### **2.2.5 Conclusion**

M-SIPS was introduced in 2012 to promote large scale manufacturing and investment through reimbursement of financial incentives for investment on capex. The total investment of ₹36,991 crore (April 2023) was made by the applicants and incentives amounting to ₹2,136 crore disbursed. However, the investments were on limited verticals. Planning deficiencies were rife with numerous amendments affecting policy consistency. Delays in appraisal of applications, verification and disbursements of incentives at various stages, both within and outside the Ministry hampered the implementation. We observed lapses in appraisal as well as verification of claims. Monitoring was hampered due to delay in development of the portal and non-submission of quarterly progress reports by the applicants.

### **2.2.6 Recommendations**

***We recommend that:***

- i. Ministry may exercise close supervision of associated agencies for timely appraisal and disbursal of claims.***
- ii. Ministry may improve the monitoring through M-SIPS portal.***



|         |                                  |
|---------|----------------------------------|
| Chapter | <b>Department of Posts (DoP)</b> |
| III     |                                  |

### 3.1 Non-recovery of GST by Department of Posts from Government Departments

**Department of Posts (DoP) failed to issue timely instructions on the applicability of Goods and Services Tax (GST) which resulted in non-billing and consequent non-recovery of GST from Government Departments, amounting to ₹13.57 crore.**

According to Notification No.12/2017-Central Tax (Rate) dated 28 June 2017 issued by Ministry of Finance, Government of India, services provided by the Department of Posts (DoP) by way of speed post, express parcel post, life insurance and agency services provided to the Central Government, State Government, Union territory were exempted under sub-section (1) of section 9 of Central Goods and Services Tax (CGST) Act, 2017.

Goods and Services Tax (GST) council in its 47<sup>th</sup> meeting recommended (June 2022) that all taxable services of DoP would be liable to GST w.e.f. 18 July 2022. The Ministry of Finance (MoF) intimated DoP (12 July 2022) regarding amendment in applicability of GST on the services provided by them. However, DoP intimated the instructions to its field offices after a delay of seven months in February 2023 regarding rationalization of rates and withdrawal of exemptions in GST implementation.

We observed (May 2023) that DoP circles did not charge GST on speed post articles from Government customers under Book Now Pay Later (BNPL) Scheme, resulting in non-billing and consequent non-recovery of GST amounting to ₹13.57 crore (**Annexure 3.1**) for the period from July 2022 to September 2023 by 15 Postal Circles<sup>37</sup>.

On this being pointed out by audit (May 2023 to November 2023), Postal Circles replied (June 2023 to November 2023) that instructions from Postal Directorate were received in the month of February 2023 and were implemented with immediate effect. Also, it was stated that recovery of GST relating to the period from July 2022 to February 2023 will be undertaken upon receipt of instructions from the Postal Directorate.

Ministry, while accepting the audit observation, stated that instructions for recovery of the GST from Government Customer on speed Post (BNPL) services has been issued (August 2024) and as of now, ₹28,755 has been recovered. Further, Department of Posts is actively pursuing the matter of recovery of GST with the Circle concerned.

<sup>37</sup> Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, West Bengal, Madhya Pradesh, Maharashtra, Odisha, Punjab, Delhi and Tamil Nadu

Further, we also observed that even after the directions from the Postal Directorate, there was further delay in implementation of GST applicability on speed post bookings ranging from one month to seven months in four postal units<sup>38</sup>.

Thus, delay in issue of instructions by Postal Directorate to field offices and further delay in implementation of the instructions by field offices resulted in non-charging of GST on speed post articles amounting to ₹13.57 crore for the period from July 2022 to September 2023 besides attracting penal provisions by GST authorities causing loss to the Government exchequer.

**Recommendation:**

***We recommend that the Department may develop a mechanism wherein instructions on GST Rules and its amendments are issued to field units on real time basis and implemented without delay, thereby avoiding loss to the Government exchequer.***

**3.2 Non deduction of Tax Deducted at Source (TDS) from the maturity proceeds of PLI/RPLI policies by Kerala Postal Circle**

**The Kerala Postal Circle did not deduct TDS from the maturity proceeds of eligible PLI/RPLI policies, as required under the provisions of Section 194DA of Income Tax Act 1961 and its amendments thereto, resulting in non-deduction of TDS amounting to ₹3.65 crore during the period from 2019-20 (01 September 2019) to 2022-23 (May 2023).**

Department of Posts (DoP), Ministry of Communications discharges different types of functions including Postal Life Insurance (PLI)/ Rural Postal Life Insurance (RPLI) services. PLI/RPLI is a scheme of DoP to provide life insurance cover to Government employees, non-Government employees of certain sectors and to the rural public through its wide network of Head Post Offices (HOs) / Sub Offices (SOs) and Branch Offices (BOs).

Section 194DA of the Income Tax (IT) Act, 1961, was introduced (1 October 2014) by the Finance Bill of 2014 and provided that any person responsible for paying to a resident any sum under a life insurance policy, including bonus on such policy, other than the insurance policies which fall under clause 10D<sup>39</sup> of Section 10 of the IT Act 1961, shall, at the time of payment thereof, deduct income-tax thereon at the rate of two *per cent* (later changed to one *per cent* by Finance bill 2016). Finance (No. 2) Bill, 2019 further amended Section 194DA increasing the rate of deduction of income tax from “one *per cent*” to “five *per cent*” with effect from the first day of September 2019. However, no deduction under this section was to be made where the amount of such payment or the aggregate amount of such payments to the payee during the financial year was less than one lakh rupees.

<sup>38</sup> NSH Bhopal (Seven Months), TT Nagar HO Bhopal (Four Months), NSH Ernakulam (One month) and GPO Srinagar (three months).

<sup>39</sup> If life insurance policy is issued on or after 1.04.2012 and amount of annual premium is more than ten *per cent* of the sum assured, maturity proceeds are taxable. This provision shall not apply to any sum received on the death of a person.

Audit scrutiny (May 2023) of the records, related to the payment of maturity amount to the policy holders of the PLI/RPLI policies for the period 2019-20 to 2022-23 in Kerala Postal Circle revealed that the provisions of Section 194DA of the Income Tax Act regarding deduction of TDS at the rate of five *per cent* on maturity proceeds was not adhered to which resulted in non-deduction of TDS amounting to ₹3.65 crore in respect of 13,404 number of PLI/ RPLI policies issued on or after 01 April 2012 and matured during the period from 2019-20 (01 September 2019) to 2022-23 (May 2023).

On being pointed out, PLI Directorate accepted the audit findings (August 2023) and issued clarifications /guidelines (22 September 2023) to all Heads of circles regarding applicability of TDS on payment of PLI/RPLI policies. Further, Ministry stated (March 2024) that the provisions for deducting applicable TDS through the system (McCamish software) is in the stage of preparation of System Requirement Specification (SRS) by the vendor and the functionality would be deployed into the system after successful completion of User Acceptance Testing (UAT). Meanwhile, instructions have been issued to all the Circles to deduct applicable TDS manually till the incorporation of the same in the McCamish system.

The reply from the department besides confirming audit's observation in fact states that not only in Kerala, across India, despite amendment and insertion of Section 194DA of the Income Tax Act, 1961 in 2014, the McCamish software which is used for the operation of the PLI/RPLI Scheme in DoP, has not been updated and a government department itself (viz DoP) is in violation of the Government of India's Finance Acts and amendments thereto.

Thus, the instant case noted in audit that non-adherence to the provisions of Section 194DA of Income Tax Act 1961 and its amendments thereto, to deduct TDS at the rate of five *per cent* from the maturity proceeds of PLI/RPLI policies issued on or after 01 April 2012 with maturity proceeds more than one lakh rupees, resulted in non-deduction of TDS amounting to ₹3.65 crore during the period from 2019-20 (01 September 2019) to 2022-23 (May 2023).

### 3.3 Irregular promotions in Department of Posts

#### Irregular promotions in Department of Posts (DoP) without confirmation

As per Department of Personnel and Training (DoPT) Office Memorandum (March 1988), there shall be only one confirmation in the service of the official, which will be in the entry grade. Further, DoPT Office Memorandum (OM) issued in July 2014 stipulates that a person is appointed on probation to assess his suitability for absorption in the service to which he has been appointed.

The Postal Accounts Wing at the Postal Directorate forwarded the Recruitment Rules (RR) {Junior Accountant, Stenographers Grade II and Lower Division Clerks} 2010, issued vide Gazette Notification dated October 11, 2010, to the Circle Postal Accounts Offices. The RR prescribed the procedure for recruitment of Lower Division Clerks (LDCs) and Junior Accountant (JA) either by

- ❖ Direct recruitment through Staff Selection Commission
- ❖ Promotion on passing the specified Departmental Examination
- ❖ Promotion on passing limited competitive examination for 12<sup>th</sup> Class or equivalent Multi-Tasking Staff (MTS)
- ❖ Promotion of sorters/LDC on seniority-cum-fitness basis or
- ❖ Promotion of Multi-Tasking Staff.

Although 35 *per cent* Junior Accountants and five *per cent* Lower Division Clerks are to be recruited by promotion of LDCs and MTS respectively, the minimum qualifying service required for LDC and MTS to appear in the departmental qualifying examination for promotion was not prescribed in the RR.

We found (between July 2022 and May 2024) that the DoP, in contravention of the directions, allowed 40 LDCs in six Postal Circles<sup>40</sup> and three MTS in one Postal circle<sup>41</sup>, who had not even completed their probation period, to appear for the Departmental Examination for promotion as Junior Accountants and Lower Division Clerks. As a result, the officials, who had rendered service for periods ranging between two to twenty-one months in the entry cadre, were permitted to write the Departmental Exams before completion/declaration of probation confirmation in the entry cadre and were promoted to Junior Accountant (JA) Cadre and Lower Division Clerk Cadre after passing the said exam. Monetary implication of such promotions from LDC to JA Cadre in six circles stood at ₹98.80 lakh<sup>42</sup> (up to March 2023).

On being pointed out in Postal Circles {Postal Accounts & Finance (PA&F)} offices replied (September 2023) that the promotions were given in accordance with DoP orders by following the eligibility conditions prescribed by the Postal Directorate, and there was no bar as per relevant Recruitment Rules and any Graduate LDC could appear in the departmental examination for promotion to JA cadre.

Further, Ministry replied (April 2024) that revision of Recruitment Rules is under process wherein (draft RR) the minimum qualifying service for eligibility to write the specified Departmental Examination i.e. completion of probation in the entry grade and two years of regular service in LDC post is being incorporated and the finalization of revised RR may take time around two to three years. Also, necessary instructions have been issued to all Postal Accounts Offices to ensure that the Officials of their offices have to complete the probation period (irrespective of their qualifications) in the LDC post (entry grade of service) before getting promotion to Junior Accountant to avoid any future hardship.

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<sup>40</sup> Karnataka (18), Tamil Nadu (8), Haryana (3), Jammu& Kashmir (1), Punjab (3) and Kerala (7)

<sup>41</sup> Delhi (3)

<sup>42</sup> Karnataka (₹44.60 lakh), Tamil Nadu (₹29.72 lakh), Haryana (₹5.00 lakh), Jammu & Kashmir (₹0.35 lakh), Punjab (₹3.04 lakh) and Kerala (₹16.09 lakh)

The reply admits to the lacuna in recruitment rules for Junior Accountants and LDCs promotion by not incorporating the minimum qualifying service for eligibility to write the specified departmental examination, contrary to DoPT OM (March 1988).

Thus, promotion of Lower Division Clerks (LDCs) to Junior Accountants (JAs) and Multi-Tasking Staff (MTS) to Lower Division Clerks (LDCs) without confirmation in the entry cadre is irregular and not in consonance with DoPT orders.

***Recommendation:***

***We recommend that DoP may conduct a thorough review of the Recruitment Rules across all cadres and make necessary revisions to ensure compliance with established procedures and guidelines.***



|         |   |
|---------|---|
| Chapter | <b>Department of Telecommunications (DoT)</b> |
| IV      |   |

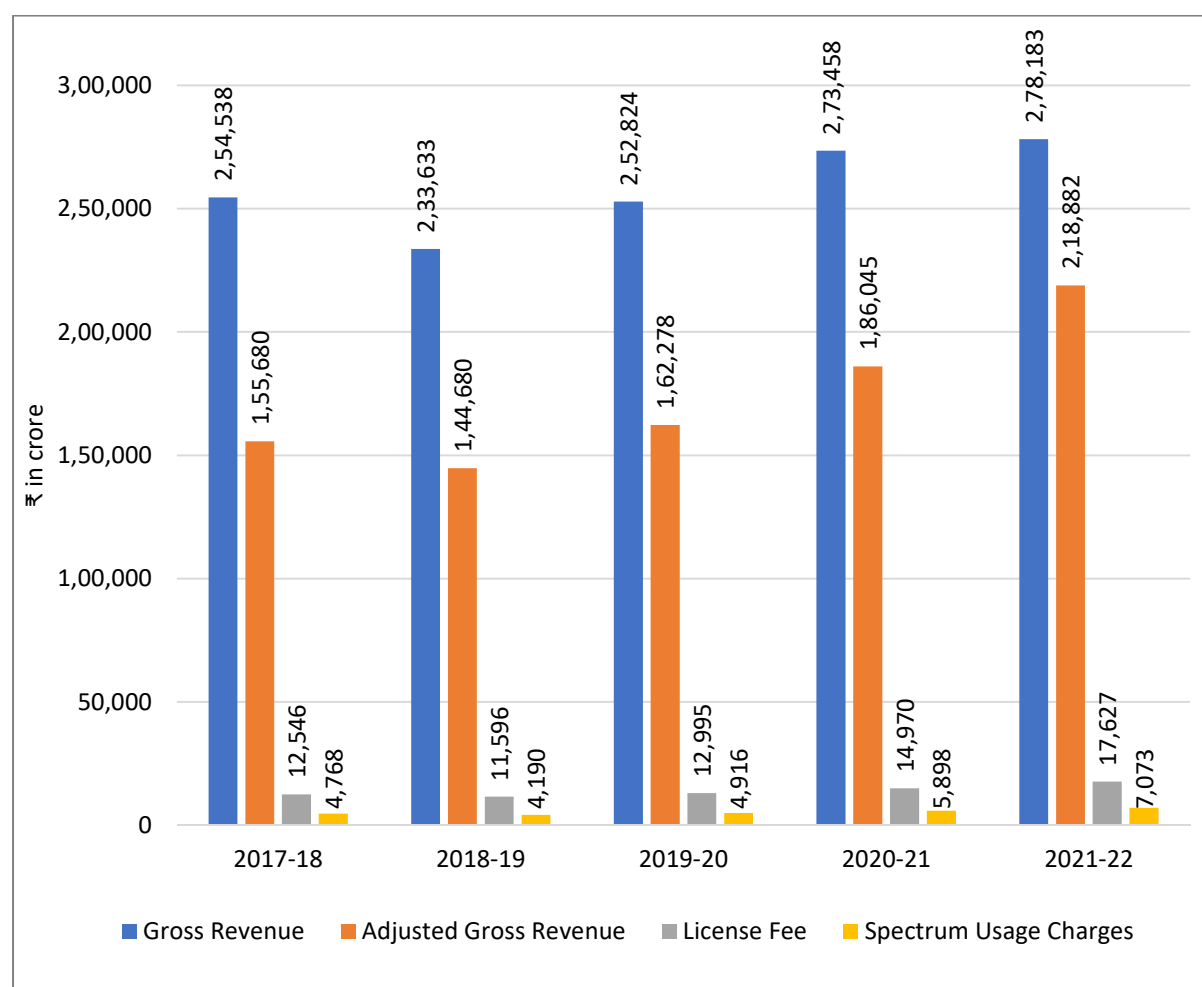
#### 4.1 Audit on Revenue Sharing by Telecom Service Providers with Government

##### 4.1.1 Introduction

The Government realises License Fee, Universal Access Levy and Spectrum Usage Charges (SUC) from the Telecom Licensees, as a share of their revenues. On an average, these levies aggregated to ₹13,947 crore annually during 2017-2022, which accounts for 3.04 *per cent* to 4.83 *per cent* of the total non-tax revenue collection of the Government of India.

Details of Gross Revenue, Adjusted Gross revenue, License Fee and Spectrum Usage Charges collected by DoT during 2017-22 are as per **Figure 4.1** below. All the parameters are on increasing trend since FY 2018-19 onwards.

**Figure 4.1: Revenue Share collected by DoT**



(Source: TRAI Performance Indicator Reports of respective year)

**Spectrum:** The radio frequencies allocated to mobile industry and other sectors for communication over the airwaves. In telecommunications, electromagnetic waves of different frequencies are used which are divided into bands based on frequencies.

**Gross Revenue:** The Gross Revenue is the total revenue of a Telecom Service Provider, without any set-off for related item of expense.

**Adjusted Gross Revenue:** Following items are excluded from the Gross Revenue (GR) to arrive at Adjusted Gross Revenue (AGR):

- i) Public Switched Telephone Network (PSTN)/ Public Land Mobile Network (PLMN)/ Global Mobile Personal Communication by Satellite (GMPCS) related call charges (Access Charges) actually paid to other eligible / entitled telecommunication service providers within India.
- ii) Roaming revenues passed on to other eligible / entitled telecommunication service providers, and
- iii) Service Tax on provision of service and Sales Tax actually paid to the Government if Gross Revenue had included Sales Tax and Service Tax.

**License Fee:** A fee paid to the government for the privilege of being licensed to use the spectrum for telecommunications.

**Spectrum usage charges:** These are the charges to be paid to the Government for using the spectrum for telecommunications.

#### 4.1.2 Background

Under the National Telecom Policy – 1994, private Telecom Service Providers were permitted to set up communication networks. Since 2012-13, a uniform rate of License Fee for all services was introduced which is at present eight *per cent* of Adjusted Gross Revenue. This includes two elements, viz. license fee at the rate of three *per cent* and Universal Access Levy as contribution towards Universal Service Obligation Fund (USOF) at the rate of five *per cent*. In addition to the License Fee, licensees offering mobile (wireless) services are required to pay Spectrum Usage Charges (SUC) which are linked to the frequency band and quantity of the spectrum allotted to the operator.

The revenue share is assessed, collected, and accounted through the offices of the Controller of Communication Accounts (CCAs); Licensing Finance Assessment (LFA) Division and Wireless Finance Division (WFD) of Department of Telecommunications (DoT). DoT introduced a web-based Revenue Management Software application SARAS (System for Assessment of License Fee Revenue and Spectrum Usage Charges) in 2021 to ease, automate and digitize the existing telecom revenue reporting, assessment, and payment mechanism.



### 4.1.3 Our Audit

#### 4.1.3.1 Audit Objectives

The audit objectives are to assess whether:

**Objective I** DoT put in place adequate systems for timely and accurate assessment of License Fee and Spectrum usage charges of Telecom Service Providers.

**Objective II** To assess if SARAS resulted in digitization of assessments, payments and accounting of License Fee & Spectrum usage charges.

#### 4.1.3.2 Audit Criteria

The criteria used in audit are:

- ❖ Provisions of License agreements as amended from time to time.
- ❖ Various instructions issued by DoT/TRAI on collection of license fee and spectrum usage charges.
- ❖ Supreme Court Judgments pronounced on the subject.
- ❖ Orders /Circulars/instructions issued by DoT.

#### 4.1.3.3 Scope of Audit

Hon'ble Supreme Court vide order dated 20 July 2020, adjudicated on the amount recoverable from seven<sup>43</sup> major Private Service Providers (PSPs) based on preliminary assessments and demand notices issued by DoT up to 2016-17<sup>44</sup>. The Hon'ble Supreme Court further pronounced that for the demand thus assessed, there shall not be any further dispute or re-assessment vide judgement dated 01 September 2020. Thus, the DoT could not reopen assessments made up to 2016-17.

Accordingly, our audit is of assessments completed by DoT from FY 2017-18 to 2019-20 and assessment of Spectrum usage charge completed by Controller of Communication Accounts offices from 2017-18 to 2021-22 relating to six service providers<sup>45</sup>.

#### 4.1.3.4 Audit Methodology

We held an entry meeting on 02 August 2022 with the Deputy Director General (Licensing Finance Assessment Division) at DoT before commencement of audit of the assessment of Revenue Share. Further, entry meetings were also held by Branch Audit office teams with the heads of respective Controller of Communication Accounts offices under their jurisdiction.

<sup>43</sup> 1. M/s Bharti Airtel Limited and its subsidiary Bharti Hexacom Limited, 2. M/s Vodafone India Limited and its subsidiaries, 3. M/s Idea Cellular Limited and its subsidiary Aditya Birla Telecom Limited, 4. M/s Tata Tele Services Limited and its associated company M/s Tata Teleservices (Maharashtra) Limited, 5. M/s Telenor (India) Communication Limited (merged with M/s Bharti Airtel Limited), 6. M/s Quadrant Televentures Limited, 7. M/s Reliance Jio Infocomm Limited.

<sup>44</sup> In addition to the outstanding amounts, the interest/ penalty/ interest on penalty up to October 2019 was also adjudicated upon.

<sup>45</sup> Bharti Airtel Limited & Bharti Hexacom limited (BAL/ BHL), Reliance Jio Infocomm Limited (RJIL), Vodafone Idea Limited (VIL) and two public sector service providers namely BSNL and MTNL

We checked the documents and data sourced from the Licensing Finance Assessment Division of DoT and offices of Controller of Communication Accounts, as well as information available on websites of DoT, Telecom Regulatory Authority of India and of the concerned Telecom Service Providers, wherever found necessary. Our audit concluded with an exit meeting with the Deputy Director General (Licensing Finance Assessment Division) on 10 April 2023.

The relevant Hon'ble Supreme Court rulings which defines the Revenue Share (2019) have been referred to and taken into account by Audit.

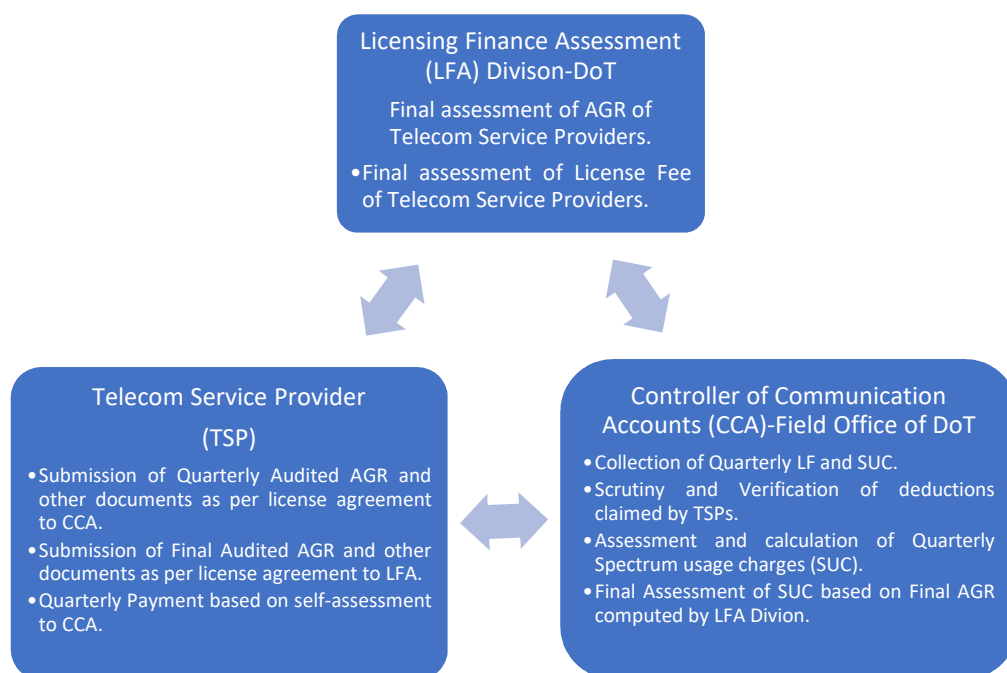
#### 4.1.4 Audit findings

##### 4.1.4.1 Timeliness in assessments

Under the revenue sharing regime, the Telecom Service Providers remit their provisional dues on self-assessment basis quarterly and final dues annually to Controller of Communication Accounts.

The Process of Assessment and payment of Revenue Share is depicted in **figure 4.2** below:

**Figure 4.2: Process of Assessment and Payment of Revenue Share**



DoT prescribed (October 2014) that the Licensing Finance Assessment (LFA) Division should complete the assessment of dues of Telecom Service Providers for a particular financial year by 31<sup>st</sup> March of the subsequent financial year. Accordingly, Controller of Communication Accounts (CCA) should complete the verification work for that particular year by 31<sup>st</sup> December. DoT had already prescribed in February 2012 that final assessment of Spectrum usage charges shall be completed by the CCAs within three months of receipt of final Adjusted Gross Revenue from the LFA Division.

We noted significant delay in completion of deduction verification of Telecom Service Providers by the CCAs. Out of 282 assessments, we found delays in 276 cases (98 *per cent*) ranging from 10 days to over three years. On an average, it took the CCAs 386 days to complete the deduction verification. The LFA Division on an average delayed by 215 days for final assessments. Thus, the total time taken for final assessment was delayed by one year and eight months on an average from the due date for completion as against the prescribed period of one year.

We further noted that both CCAs and LFA Division were inadequately staffed leading to delays in deduction verification and assessments respectively. No dedicated staff in any cadre was posted at CCAs exclusively for attending to the Spectrum usage charges assessments and deduction verification work. As it happens, the CCAs attend to multiple items of work such as settlement of pensionary and terminal benefits for BSNL employees, maintenance of Performance Bank Guarantees and Financial Bank Guarantees, disbursement of Universal Service Obligation Fund (USOF) subsidies, attending to courts cases. On an average, the vacancy across the CCAs is 39 *per cent*. Similarly, the LFA Division also functions with deficit staff at subordinate levels and regular assessment work is initiated by outsourced staff. Apart from staff shortage, other reasons for delays attributed by the CCAs include delay in submission of documents by Telecom Service Providers despite repeated reminders, voluminous work, COVID-19 situation, re-verification in many cases in compliance with orders of DoT HQ and problems faced in uploading of documents in SARAS by Telecom Service Providers (FY 2020-21 onwards). LFA Division stated (October 2022) that delays were on account of reasons such as revision of demand notices based on representations of the Telecom Service Providers on revised deduction verification reports. The Ministry reiterated (March 2024) the reasons for delay and intimated that from the submission of the audited documents as per the license agreement by the TSPs, DVR verification by CCAs to the finalization and issuance of the demand notice is being done on SARAS and timelines for the completion of the assessment are being monitored on SARAS.

While acknowledging these difficulties, we observed that the delays are recurring and systemic in nature. The license fee regime is in place since 2007 but the staffing issues, though brought repeatedly to the notice of DoT, remained un-addressed to-date resulting in huge backlog of assessment work both at CCA level and in LFA Division. The delays in assessments also caused loss to the Government as Provisional demands issued to the Telecom Service Providers by the CCAs for Spectrum usage charges were frozen by the Judgement of Hon'ble Supreme Court which barred further reassessment. These provisional demands were much lower compared to the actual demands based on the assessments made by the DoT as highlighted in Case Study 1.

### Case Study 1: Delays causing loss of revenue to Government

We found that in respect of three Telecom Service Providers, only ₹119.24 crore was crystallised towards spectrum usage charges for the year 2017-18 as per the SC Judgements (01 September 2020). Had the assessment for the year 2017-18 been completed by 31 March 2019, the entire amount of ₹696.50 crore could have been included in the due amounts conveyed to Supreme Court for inclusion in the Judgement dated 01 September 2020. Instead, only ₹119.24 crore was included (on the proviso that the matter will not be re-opened for reassessment). Thus, due to delay in completion of assessment, DoT lost the chance to levy ₹577.26 crore (₹696.50 crore – ₹119.24 crore) against the service providers. Details are at **Table 4.1** below.

**Table 4.1: Details of loss of License Fee and SUC**

| Name of the Operator | Due date of completion of DVR as per October 2014 guidelines / Actual date | Delay at CCA Level (in months) | Due date of Finalisation of Adjusted Gross Revenue by LFA Division as per October 2014 guidelines/ Actual date | Delay at DoT (LFA Division) @ Level (in months) | Short assessment of SUC based on final (delayed) AGR (₹ in crore) |
|----------------------|--|--------------------------------|--|---|---|
| Vodafone             | 31.12.2018/<br>17.09.2019  | 09                             | 31.03.2019/<br>26.03.2021  | 15  | 545.59  |
| Bharti Airtel        | 31.12.2018/<br>12.02.2021  | 26                             | 31.03.2019/<br>31.03.2021  | -   | 26.63   |
| Idea Cellular        | 31.12.2018/<br>31.07.2019  | 07                             | 31.03.2019/<br>30.03.2021  | 17  | 5.04  |
| <b>Total</b>         |  |                                |  |   | <b>577.26</b>   |

@ Delay at DoT (LFA Division) level has been calculated from three months after the submission of DVR by CCA.

The Ministry replied that (March 2024) the matter related to AGR was in the Hon'ble Supreme Court during the time when DoT has received the DVRs from CCAs in multiple lots and were revised multiple times, thereby delaying the Assessment.

#### **Recommendation:**

**DoT should strengthen the Human Resource Management in the offices of the Controller of Communication Accounts (CCA) and Licensing Finance Assessment (LFA) Division so as to ensure timely and accurate assessments.**

#### **4.1.4.2 Implementation of SARAS**

SARAS was introduced (January 2021) for Pan-India use on all transactions and communications with DoT across the life cycle of a license. It envisaged:

- ❖ Direct online interface of licensees with the Department.
- ❖ Online filing and document repository of all compliance related documents including Adjusted Gross Revenue statements, Deduction claims, Bank Guarantee, Representations, Deduction verification/Assessment reports/Demand notices etc.

- ❖ Online deduction claims submission and verification and communication with licensee, scrutiny and verification of documents submitted by Licensees, License Fee and Spectrum usage charges Assessment and digitisation of demand notices.
- ❖ Integration with Bharatkosh for one stop payment portal for all licensees and Audit trail of all the activities performed by users.

The following findings that we noted at various offices of Controller of Communication Accounts (CCA) illustrate the lacunae in the use of SARAS:

- i. Difference of ₹75.98 lakh in payment shown by Bharti Airtel Limited during the FY 2020-21 in SARAS and the payment registered in the payment portal of CCA Punjab. Similar difference in payment details between the Collection register and Bharatkosh Portal (₹38.17 crore) - CCA Jharkhand.
- ii. Un-reconciled data of Holding of spectrums by the Telecom Service Providers and non-updation of the spectrum usage charges Rate - CCAs in Gujarat, Kerala, Odisha and Andhra Pradesh {further discussed in Para 4.1.4.3B (2) below}. CCA Kerala attributed the application of different rates on calculation of spectrum usage charges to the SARAS software.
- iii. Non-implementation of important activities under Bank Guarantee Module - CCA Chennai.

The Ministry attributed (March 2024) the differences between SARAS and e-Lekha to the external causes. It was further intimated that SUC assessment for FY 2022-23 is being carried out through SARAS only and as part of the process spectrum holding and SUC rates have been rectified. Bank Guarantee Module has also been implemented (February 2024) and instructions have been issued to CCA offices/ CGCA office for updating the data.

The SARAS portal was required to comply with Guidelines for Indian Government Websites (GIGW)<sup>46</sup> issued by the Government of India for the development and hosting of the government websites/ portal/ web application. The GIGW certification for SARAS Website was obtained in January 2024 only. Thus, the SARAS portal was hosted without ensuring compliance to Security Audit and Certification as per GIGW till January 2024.

We concluded that inadequate planning led to delays in implementation of SARAS. The portal went live in January 2021 whereas modules like Bank Guarantee module were implemented in 2024.

**Recommendation:**

***DoT should ensure that ambiguities in orders and instructions be avoided and where raised, resolved in a time bound manner.***

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<sup>46</sup> GIGW have been framed with an objective to make the Indian Government Websites conform to the essential prerequisites of UUU trilogy i.e., Usable, User-Centric and Universally Accessible. They also form the basis for obtaining Website Quality Certification from STQC (Standardization Testing Quality Certification), an organization of Ministry of Electronics & Information Technology, Government of India.

#### 4.1.4.3 Under Assessment of Revenue Share

Of the 282 assessments examined by audit, instances of under-assessment were observed in 26 assessments which was 9.23 *per cent* of assessments reviewed. The under- assessments detected in audit amounted to ₹151.22 crore as shown in **Table 4.2** below. Most of these findings related to assessment of spectrum usage charges. In addition, a sum of ₹2,312.45 crore was not recovered from the Telecom Service Providers.

**Table 4.2: Details of underassessment of LF & SUC**

| Sl. No.            | Reasons for under-assessment                                   | Money Value (₹ in crore) |
|--------------------|--|--------------------------|
| 1.                 | Ambiguities in DoT Directives                                  | 10.64                    |
| 2.                 | Incorrect application of orders and rates                      | 100.12                   |
| 3.                 | Error of Omission, Arithmetical errors and improper accounting | 40.46                    |
| 4.                 | Non-recovery of dues   | 2,312.45                 |
| <b>Grand total</b> |  | <b>2,463.67</b>          |

These are discussed in detail in the subsequent paragraphs.

#### 4.1.4.3 A Ambiguities in DoT Directives

##### 4.1.4.3 A (1) Use of Microwave Backhaul carriers<sup>47</sup> by Vodafone India Limited

DoT fixed (November 2006 and November 2008) rates for spectrum usage charges for Microwave Access and Backbone (MWA/ MWB) networks as a percentage of Adjusted Gross Revenue based on the carriers used by the respective Telecom Service Providers. However, these rates were fixed up to 11 carriers only.

We noted that Vodafone India having seven MWA carriers merged with TSP Idea Cellular having eight MWA carriers, in August 2018 totaling its holding to 15 carriers. In the absence of rates for MWA for carriers beyond the 11<sup>th</sup> carrier, Controller of Communication Accounts at Delhi made assessment applying rate for 11<sup>th</sup> carrier during 3<sup>rd</sup> quarter of 2018-19 resulting in short levy of spectrum usage charges of ₹10.64 crore as given in **Annexure 4.1**.

Ministry intimated (March 2024) that DoT has retrospectively taken surrender of carriers by M/s VIL on record vide letter issued in July 2023 effective from December 2018 partially absolving the TSP of the liabilities. Revised demand has been raised (March 2024) by CCA Delhi. However, final adjustment was awaited.

<sup>47</sup> Microwave (MW) backhaul spectrum consists of two types of MW carriers viz. Microwave Access (MWA) carriers and Microwave Backbone (MWB) carriers. MWA carriers are used in the mobile backhaul networks and are assigned for short haul systems to carry traffic through relatively short distances. MWB carriers are generally below 10 GHz and are assigned for longer links of link length of 15 km and in hilly terrains.

#### 4.1.4.3 B Incorrect application of orders and rates

##### 4.1.4.3 B (1) Bharti Airtel- Incorrect application of floor amount

In order to protect Government revenue, DoT introduced (2016) the concept of Floor amount<sup>48</sup> for spectrum usage charges, which would be calculated on the weighted average<sup>49</sup> of all spectrum assigned to an operator (under all modes of assignment) in all its access spectrum bands.

We noted that Controller of Communication Accounts Kerala, while assessing the Bharti Airtel Limited, considered floor amount for the years FY 2017-18 and FY 2019-20.

It assessed Spectrum usage charges for Bharti Airtel Limited for the year 2018-19 at ₹19.09 crore without considering the floor amount of ₹25.57 crore on the ground that matter was pending in TDSAT. This resulted in short assessment of Spectrum usage charges amounting to ₹6.48 crore for FY 2018-19.

The Ministry (March 2024) replied that revised re-assessment considering the floor amount has been made and revised demand notice has been issued to the Telecom Service Provider. Final adjustment was awaited.

##### 4.1.4.3 B (2) Incorrect application of rates for spectrum sharing

According to the methodology prescribed by DoT, the weighted average rates of spectrum usage charges will be subject to a minimum of three *per cent* of Adjusted Gross Revenue excluding revenues from wireline services. As such minimum weighted average rate for access spectrum across all spectrum bands was three *per cent* and after sharing with other operators, it should be 3.5 *per cent*.

However, all the Controller of Communication Accounts (CCA) offices didn't apply these instructions uniformly, causing short assessment of spectrum usage charges payable by the Telecom Service Providers as given in **Table 4.3** and **Annexure 4.2 (a) & (b)**.

**Table 4.3: Details of short assessment of SUC**

| Telecom Service Provider                     | CCA                        | Year    | Rate applicable as per Audit  | Rate applied by CCA   | Difference (₹ in crore) |
|--|----------------------------|---------|---|---|-------------------------|
| Bharti Airtel Limited/Bharti Hexacom Limited | CCA Haryana and CCA Kerala | 2018-19 | If the weighted average rate is less than 3 <i>per cent</i> , then raise the weighted average rate to 3 <i>per cent</i> first | Haryana CCA: Weighted average calculated by increasing 0.5 <i>per cent</i> only on shared bandwidth instead of entire bandwidth holding | 1.12                    |

<sup>48</sup> Floor amount is the minimum amount of Spectrum usage charges to be paid by the service provider. It is calculated comparing annual AGR of 2015-16 against annual AGR of assessing years beginning from 2016-17 onwards.

<sup>49</sup> Weighted Average derived after taking into consideration, the spectrum acquired through auction in pursuance of NIA No. 1000/06/2016-WF (Auction) dated 08 August 2016 and excluding the spectrum in 2300 MHz/ 2500 MHz band acquired/ allocated prior to 2015-16.

| Telecom Service Provider             | CCA                      | Year                          | Rate applicable as per Audit  | Rate applied by CCA   | Difference (₹ in crore) |
|--------------------------------------|--------------------------|-------------------------------|---|---|-------------------------|
|                                      |                          |                               | and then further raise by 0.5 per cent on the entire spectrum holding, in case of band width sharing with other operators | <b>Kerala CCA:</b> Weighted average not raised to 3 per cent and then increased it by 0.5 per cent on entire bandwidth holding.   |                         |
| <b>Reliance Jio Infocomm Limited</b> | seven CCAs <sup>50</sup> | Q3 & Q4 of 2016-17 to 2019-20 |   | <b>Reliance Jio:</b> Weighted average not raised to 3 per cent and then increased it by 0.5 per cent on entire bandwidth holding. | 86.23                   |

While CCA Kerala attributed this lacuna to SARAS software and said that this issue was raised on several occasions to DoT and Controller General of Communication Accounts but was not resolved. This was re-iterated by Pr. CCA Mumbai also.

The Ministry replied (April 2023) that a memorandum was issued during October 2022 which was challenged by M/s RJIL (January 2023) following which TDSAT stayed the implementation of the order.

The Ministry further intimated (March 2024) that DoT has issued (February 2024) revised guidelines to apply 0.5 per cent on specific band which is being shared for M/s RJIL and 0.5 per cent on overall Weighted Average Rate (WAR) for TSPs not party to the TDSAT case. The difference between assessed amount post application of additional SUC @ 0.5 per cent on overall WAR and the SUC @ 0.5 per cent on specific band to be categorized as amount under litigation subject to outcome of the case in Hon'ble TDSAT. As a result of Ministry's revised guidelines in February 2024, the entire amount of ₹86.23 crore, short assessed in case of M/s RJIL went into litigation.

Thus, the discrepancy regarding application of rates by CCAs persisted even after elapse of seven years since issuing of the guidelines, resulting in short assessment of spectrum usage charges and continued litigation.

#### 4.1.4.3 B (3) Incorrect application of rates

- (i) We found that Controller of Communication Accounts office in Maharashtra had applied incorrect rates on the Microwave Carriers held by Bharti Airtel Limited during 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2019-20. CCA office applied the rate of 0.35 per cent instead of 0.55 per cent of the AGR resulting in short assessment of spectrum usage charges by ₹2.93 crore as shown in **Annexure 4.3**.

<sup>50</sup> Bihar, Haryana, Kerala, Andhra Pradesh, Maharashtra & Goa, Odisha and Mumbai.



Ministry intimated (March 2024) that assessment has been revised and revised demand notice has been issued to the Telecom Service Provider in February 2024.

- (ii) DoT prescribed (August 2016) that for spectrum allotted in 2100 MHz in 2010, rate of spectrum usage charges for licensees whose license has expired shall be five *per cent* of Adjusted Gross Revenue subject to final outcome of the court case on this issue.

We observed that the office of Controller of Communication Accounts in NE-I applied SUC rate of four *per cent* instead of five *per cent* during the years 2018-19 and 2019-20 in case of Bharti Hexacom Limited (BHL). This resulted in short assessment of spectrum usage charges amounting to ₹1.07 crore in case of Bharti Hexacom Limited as per details in **Annexure 4.4**.

The Ministry replied (March 2024) that NE-1 circle has revised the demand note for BHL. Final adjustment of the dues recoverable from the Telecom Service Provider was awaited.

#### **4.1.4.3 B (4) Incorrect calculation of weighted average rate of Spectrum usage charges**

During 2021-2022, BSNL Kerala Circle surrendered 1.8 MHz spectrum in 1800 MHz frequency band. Hence, its spectrum holding was not uniform throughout the year. Due to this, the weighted average of Spectrum usage charges for the year 2021-22 was to be arrived at as the weighted average of the four quarters. We noticed (February 2023) that Controller of Communication Accounts at Kerala wrongly calculated the weighted average rate for one quarter (June 2021 (Q1)) taking 4.43 *per cent* instead of 4.92 *per cent* (**Annexure-4.5**) for calculating the floor amount of spectrum usage charges for main spectrum for 2021-22 resulting in short assessment of dues for 2021-22 by ₹2.29 crore. Ministry stated that (March 2024) CCA Kerala had issued a revised show cause cum demand notice in March 2023 to BSNL Kerala Circle.

#### **4.1.4.3 C Errors of Omission, Arithmetical errors and Improper Accounting**

##### **4.1.4.3 C (1) Non recognition of Exchange rate gain**

The Hon'ble Supreme Court in its Judgment (Para No 123) (October 2019), while clarifying on the various constituents forming part of Gross Revenue as per License Agreement stated that when loss can be claimed as expenditure, profit or gain due to fluctuations in the rate of foreign exchange also needs to be accounted for towards gross receipt, which is gross revenue.

Bharti Airtel Limited and BHL in their Annual financial statement for the year 2019-20 had disclosed ₹9.40 crore and ₹3.20 crore respectively as Net Exchange Gain during the year 2018-19. We observed that despite disclosure, DoT did not add back Forex gain at the time of assessment of Adjusted Gross Revenue for the year 2018-19 which resulted in short levy of revenue share by ₹1.39 crore including Spectrum usage charges of ₹ 0.38 crore<sup>51</sup>. The Ministry

<sup>51</sup> at the rate of minimum 3 *per cent*

(March 2024) replied that demand notices have been issued afresh to BAL and BHL. Final adjustment of the dues recoverable from these Telecom Service Providers was awaited.

#### **4.1.4.3 C (2) Error while computing Adjusted Gross Revenue**

Under DoT's prescribed (November 2014) procedure, while calculating Adjusted Gross Revenue, revenue from wireline services shall not be considered. Miscellaneous income, amount added back by DoT (LFA Division) and deductions claimed are required to be apportioned based on revenue of wireless and wireline services reported in the Adjusted Gross Revenue statement.

We noticed (October 2022) that, Controller of Communication Accounts Lucknow made errors while computing the Adjusted Gross Revenue for Vodafone Idea Limited (2018-19 & 2020-21) and Bharti Airtel Limited (2019-20 & 2020-21), resulting in short demand of spectrum usage charges to the extent of ₹39.07 crore (**Annexure 4.6**) for Access and Microwave backhaul spectrum.

The Ministry (March 2024) informed that UP East Circle has issued revised assessments to VIL (2018-19 & 2020-21) and BAL (2019-20 & 2020-21) at the instance of Audit. Final adjustment of the dues recoverable from these Telecom Service Providers was awaited.

#### **4.1.4.3 C (3) Improper accounting**

As per DoT OM dated 08 October 2002, the proceeds of the Bank Guarantee (BG), if received, are to be credited under "Major Head 8447-00-101-1205 Telecom Deposit- Non-Bearing Interest- Other Telephone Deposit" till it is disposed of. Further, DoT instructions dated 21 November 2005 states that, in case a Bank Guarantee (BG) has been invoked for realizing the amount due which relate to a quarterly unpaid sum, or the demand issued by the Department pursuant to annual license fee assessment, the equivalent portion of the proceeds shall be credited to respective revenue heads and the balance to "Security Deposit". Subsequently, when the amounts lying in the Security Head are adjusted to outstanding amounts, proper Journal Entries have to be passed.

We found that eight<sup>52</sup> offices of Controller of Communication Accounts (CCA) had encashed Bank Guarantees of ₹309.77 crore of Vodafone Idea Limited between November 2019 and July 2022. In July 2022, LFA Division allowed the adjustment of above stated Bank Guarantees against payment of quarterly dues. We noted that entire amount of adjusted Bank guarantee was lying under Telecom Deposit head instead of respective revenue heads. The amount adjusted against the outstanding dues needs to be credited to Consolidated Fund of India as delay in accounting treatment understated revenue receipts.

The Ministry replied (June 2023) that compliance has been received from the concerned CCAs and the amount transferred to respective revenue heads (January 2023 to June 2023).

<sup>52</sup> Andhra Pradesh, Bihar, Gujarat, Haryana, Kolkata, Punjab, NE-I & UP (East)

#### 4.1.4.3 D Non recovery of dues

We noticed that in one case of Bharti Airtel Limited, One Time Spectrum Charges (OTSC) were not levied. In case of MTNL under reporting of revenue for the period from 2016-17 to 2019-20 was not added back by DoT whereas in case of BSNL, this was added back by DoT in the revised assessments. This resulted into non-recovery of dues of ₹2,312.45 crore as detailed below:

##### i. Bharti Airtel Limited

The guidelines on sharing of Access spectrum<sup>53</sup> issued in September 2015 allows Spectrum sharing between two Telecom service providers utilizing the spectrum in the same band. Para 12 of the guidelines state that for the purpose of charging Spectrum usage charges, it shall be considered that the licensees are sharing their entire spectrum holding in the particular band in the entire Licensed Service Area. Further, Para 8 (iii) of the Guidelines state that in case of sharing where one Licensee has spectrum acquired through auction/ trading or liberalized spectrum and other has spectrum allotted administratively, sharing is permitted only after the spectrum charges for liberalization of the administratively allocated spectrum are paid.

We found that Bharti Airtel Limited held 9.2 MHz administratively allotted spectrum and six MHz spectrum acquired through auction in 2014 in 1800 MHz spectrum band in Mumbai LSA. It shared five MHz spectrum with Tata Teleservices (Maharashtra) Limited with effect from 23 May 2018. Since Bharti Airtel Limited shared spectrum with Tata Teleservices (Maharashtra) Limited, One-Time Spectrum Charges (OTSC) were payable in compliance with Para 8(iii) of the sharing guidelines<sup>54</sup>. But the Pr. Controller of Communication Accounts Mumbai did not collect the OTSC dues from Bharti Airtel Limited. This resulted in non-levy of OTSC equivalent to reserve/ auction price amounting to ₹1,058.38 crore (**Annexure 4.7**). Ministry replied (March 2024) that since no instance of violation was brought to its notice during the period of sharing, it may be ascertained that the administratively assigned spectrum was not being shared between BAL and TTML. Moreover, BAL retained the administrative spectrum as this was not part of the sharing and hence the matter of liberalization of the administratively assigned portion of the spectrum/ OTSC may not arise.

From the reply of the Ministry, we observed that Ministry has differentiated the spectrum holding into the administratively allocated spectrum and the spectrum acquired through auction for the purpose of sharing Access spectrum. The reasoning provided by the Ministry is contrary to Para 12 of the sharing guidelines which state that for the purpose of charging Spectrum usage charges, it shall be considered that the licensees are sharing their entire spectrum holding in the particular band in the entire Licensed Service Area.

<sup>53</sup> Access spectrum consists of spectrum in bands 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz which are presently in use for deployment of 2G/ 3G/ 4G telecom services.

<sup>54</sup> OTSC charges have been calculated on pro-rata basis as per orders issued by DoT by considering date of allotment of Administrative Spectrum, date of sharing the spectrum, price of shared spectrum in the LSA in the most recent spectrum auction and SBI Prime Lending Rate as on date of the most recent auction and as on the date of sharing.

## ii. BSNL and MTNL

In accordance with the Cabinet approval for revival of BSNL and merger of BBNL with BSNL and to lend budgetary support to BSNL considering its financial constraints, DoT conducted re-assessment (2022-23) of BSNL dues towards license fee/interest/penalty/interest on penalty for the period 2014-15 to 2019-20 for firming up the dues owed by BSNL to DoT on the subject.

We pointed out the under reporting involving License Fee of ₹898.24 crore and Spectrum usage charges of ₹336.84 crore under various revenue streams amounting to ₹11,228.03 crore<sup>55</sup> (**Annexure 4.8**) for the period 2014-15 to 2019-20. The same was included by DoT in the revised assessments of the years 2014-15 to 2019-20 of BSNL finalised during the year 2022-23. However, in case of MTNL, DoT did not add back under reporting of revenue as pointed out by audit for the period from 2016-17 to 2019-20 amounting to ₹172.62 crore<sup>56</sup>, including License fee of ₹13.81 crore and Spectrum usage charges of ₹5.18 crore (**Annexure 4.9**) under various heads during the re-assessment.

Ministry replied (April 2023) that License Fee dues of BSNL are to be settled by equity infusion for which all matters stand resolved. For MTNL Ministry replied (March 2024) that re-assessment of MTNL for the period 2016-17 to 2019-20 has been completed and demand notices issued. However, the final adjustment was awaited.

### **Recommendation:**

***DoT should strengthen the revenue management system (SARAS) by updating and reconciling the data therein to streamline online assessment, collection and accounting of license fee and spectrum usage charges.***

### 4.1.5 Conclusion

Supreme Court judgment of October 2019 brought clarity on Adjusted Gross Revenue issue in Telecom assessment. Subsequently, SARAS was introduced to streamline the process of revenue management of the Department of Telecommunications including verification of deductions and assessment. However, our findings show that delayed assessments are the norm. We also found under-assessment of License Fee and Spectrum usage charges in 9.23 per cent of the test-checked assessments. Though the Ministry assured us of corrective action in many cases, the final adjustment of the dues with the telecom service providers was awaited.

<sup>55</sup> Dues for BSNL have been calculated as per the revised assessments done by DoT after taking into consideration the audit observations and Hon'ble SC judgment crystallising the dues of TSPs.

<sup>56</sup> Dues for MTNL have been calculated as per audit observations.

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## **SECTION-B**

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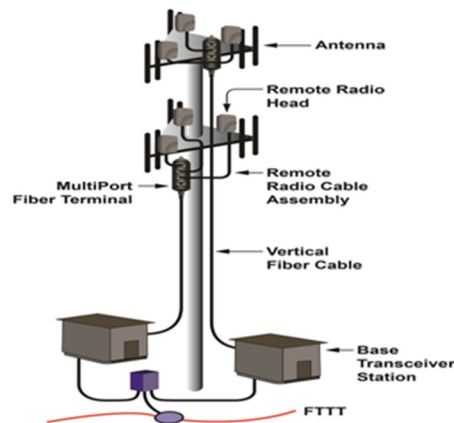


## 5.1 Under-billing in sharing of Passive Infrastructure by BSNL

**BSNL did not bill M/s. Reliance Jio Infocomm Limited for the additional technology in sharing of passive infrastructure, resulting in loss of ₹1,757.76 crore.**

BSNL Corporate Office entered into a Master Service Agreement (MSA) with M/s. Reliance Jio Infocomm Limited (RJIL) (Infra Sharing Operator - ISO) in May 2014 for sharing BSNL's passive infrastructure located in different parts of the country for a period of 15 years. As per Schedule 1 of MSA, six standard antennae along with 6 Remote Radio Head (RRH) could be mounted on a Ground Base Tower (GBT) and Roof Top Tower (RTT) and one Base Transceiver Station (BTS) slot<sup>57</sup> was provided for the same.

**Figure 5.1 Base Transceiver Station**



Clause 1.6 2(a) of Schedule 3 of the MSA provided for an extra BTS of new/different technology or service for the ISO though with additional charges. It stipulated that if the operator installed extra BTS rack and/or additional antennas on the tower, the charges for additional space for an extra BTS/TE of new /different technology/service (3G/WIMAX etc.), including associated 3 RF antennas, shall be 70 per cent of the price as applicable. Clause 1.6 2(b) of Schedule 3 stipulated that "in case, operator neither installs extra BTS rack on the ground/shelter/room nor the additional antennas on the tower for providing any new wireless service, a lump sum additional amount of ₹4,500 per month per site may be charged from the operator for allowing the operator to start any new wireless service (3G,

<sup>57</sup> BTS Slot means a specific location on a tower where antennas that transmit/receive signals related to a particular BTS can be fitted.

CDMA, WIMAX, etc.) from the same site either by swapping the existing BTS rack/antenna or by addition of additional hardware in the same/existing BTS rack/antenna". Hence, as per the MSA, if the ISO provided new/different technology / service either by installing extra equipment or by upgrading the existing infrastructure, both were additionally chargeable. Clause 4 of the agreement allows BSNL to charge interest @ 18 per cent per annum for the period under default, if any fee or any undisputed payment payable by the TSP is not received as per the timelines. Further, clause 25 of the MSA on Dispute Resolution provided that if any dispute between BSNL and the operator remains unresolved for more than 60 days from the date of commencement of reconciliation/discussions, such dispute shall be referred to the Arbitration Tribunal.

Scrutiny of data on towers shared by BSNL with RJIL between May 2014 to March 2023 and the correspondence of circles with the BSNL Corporate Office revealed that RJIL used two technologies viz., 4G - FDD LTE and 4G TDD LTE, to offer mobile or fixed wireless broadband links on the passive infrastructure of BSNL in 23 circles. BSNL Kerala circle (October 2018) sought clarification from BSNL Corporate Office as to whether FDD and TDD were to be treated as different technologies and also on the applicability of additional charges on RJIL for use of the different technologies. BSNL Corporate office clarified (January 2019) that FDD and TDD were two different technologies and any additional implementation of either of them was to be treated as new technology and charges were to be levied as per clause 1.6 (ii) Schedule 3 of MSA (70 per cent additional charges). Corporate office also conveyed the same to RJIL (February 2019) for compliance.

Based on this clarification, four circles<sup>58</sup> raised invoices (March to August 2019), by adding 70 per cent additional charges but after August 2019, circles stopped billing RJIL for the additional charges at the instructions of BSNL Corporate Office. RJIL, however, refused (April - September 2019) to pay the bills stating that FDD/ TDD were two standards and alternative transmission modes of duplexing within the same technology, namely LTE.

Thus, non-enforcement of tariff clause in the Master Service Agreement with RJIL resulted in non-billing and hence loss of revenue of ₹1,757.76 crore to BSNL between May 2014 to March 2024 as detailed in the **Annexure 5.1**.

BSNL corporate office replied (November 2022) that a committee was constituted in August 2020. In order to avoid payment of GST on the invoices raised for additional services, as M/s RJIL refused to pay, circles were instructed to stop billing of FDD/TDD as separate technology till the finalization of the recommendations from the said committee. The Committee recommended (September 2023) that FDD and TDD may not be treated as the same technology thus entailing additional charges on RJIL. It further recommended package rate of ₹5,850 per site/per month from the date of actual loading at sites and that volume discount was not applicable for additional charges relating to the use of FDD-LTE and LDE-LTE by RJIL at BSNL sites and escalation clauses shall also be leviable for these proposed rates for

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<sup>58</sup> Kerala, Andhra Pradesh, Karnataka and Tamil Nadu



additional loading. Ministry replied (March 2024) that RJIL did not accept the revised offer. BSNL issued instructions to circles to raise the invoices to M/s RJIL as per the recommendations of the Committee. If still RJIL does not pay the same, BSNL would explore other options available within the MSA to resolve the impasse and recover the dues.

The management thus accepted the audit observation although with a different monetary implication. Even as per the composite rate for additional technology, the un-billed amount works out to be at least ₹383.76 crore upto March 2024. However, the need for constitution of a committee for negotiating chargeable rates with RJIL is perplexing. BSNL corporate office had itself clarified in January 2019 that FDD and TDD were different technologies and hence chargeable at additional rates. Additionally, BSNL Corporate Office did not exercise the available arbitration option as per the MSA for recovery/negotiating its legitimate dues. It is also noteworthy that the committee formed in August 2020, took more than three years to finalize its recommendations (October 2023) and RJIL has yet not accepted the composite rates too. Four circles<sup>59</sup> (out of 23 circles) of BSNL raised bills at the rate recommended by the Committee, which were rejected by RJIL.

Thus, failure on the part of BSNL in enforcing MSA with RJIL, thereby non-charging of fee for additional / different technology on BSNL's Passive Infrastructure resulted in loss of revenue of ₹1,757.76 crore and penal interest thereon, between May 2014 to March 2024, to government exchequer.

## 5.2 Wasteful expenditure on idling of higher size PIJF cables in BSNL

**Wasteful expenditure due to idling of higher size PIJF underground cables amounting to ₹80.64 crore by BSNL**

Polyethylene Insulated Jelly Filled cables (PIJF cables) are high value equipment used in telecommunication to provide broadband and landline connections as well as for their maintenance.

BSNL Procurement Manual (2014) lays down guidelines for procurement of Telecom Equipment and Stores. Clause 1.1.3 of the Manual provides for centralised procurement of high value critical equipment which inter alia include PIJF Underground cables too, at the BSNL Corporate Office. As per clause 2.2.2 of the Manual, assessment of requirement should be based on its available stock, past consumption pattern, average life, etc. Further, as per Chapter-18 of the Manual, the whole procurement process should be completed within 120 days from receipt of requisition to placement of Purchase Order (PO). Clause 25 (a) of the Manual allows BSNL to increase or decrease the quantity up to 25 *per cent* of goods without any change in the unit price or other terms and conditions at the time of award of contract. The repeat order clause enabled additional procurement without going through the entire tendering process again.

<sup>59</sup> Tamil Nadu, Assam, Bihar and Himachal Pradesh

In November 2015, BSNL Corporate Office called for requirements of PIJF cables of 400<sup>60</sup>, 800 and 1200 pair from all Chief General Managers Telecom (CGMT) for the year 2016-17.

Audit examined records for the period from October 2015 to November 2022 on procurement of PIJF U/G cables for 2016-17 in the BSNL Corporate Office and its circles during December 2022 to February 2023. We found that BSNL Corporate Office and 25 circles<sup>61</sup> (out of 28 circles) did not factor past usage trends for these cables or took advantage of the provision for repeat order. The quantity of cable procured in 2016-17 was around 5.73 times the utilisation during 2012-15 leaving around 59 *per cent* of the cables unutilised. The annual utilisation in 2017-22 (five years) was approximately 108.50 KMs which was less than the annual utilisation in 2012-15. Details are as per the Table below:

**Table 5.1**

| Cable Types (Pairs) | Demand by circles for 2016-17 | Average Cable laid annually (2012-13 to 31.10.2015) | Qty finalized by BSNL CO | POs issued by circles | Cable supplied by vendors | Cable utilized (Nov-2022) | Cable lying unutilized (Nov-2022) (Kms / per cent) |
|---------------------|-------------------------------|---|--------------------------|-----------------------|---------------------------|---------------------------|--|
| (1)                 | (2)                           | (3)   | (4)                      | (5)                   | (6)                       | (7)                       | (8)=(6)-(7)  |
| 400                 | 1,203.23                      | 137.29  | 928.5                    | 893.47                | 883.30                    | 376.02                    | 507.28/<br>57.43 per cent                          |
| 800                 | 450.57                        | 72.42   | 342.92                   | 338.40                | 326.60                    | 131.75                    | 194.85/<br>59.66 per cent                          |
| 1200                | 124.66                        | 19.17   | 111.37                   | 102.07                | 102.17                    | 34.75                     | 67.42/<br>66 per cent                              |
| <b>Total</b>        | <b>1,778.46</b>               | <b>228.88</b>                                       | <b>1,382.79*</b>         | <b>1,333.94</b>       | <b>1,312.07</b>           | <b>542.52</b>             | <b>769.55/<br/>59 per cent</b>                     |

\*3.82 *per cent* (52.83 KMs) of total quantity finalized by BSNL includes unarmored cable also which is not included while calculating average cable consumption during last three years (Col.3)

Over procurement is further supported by the fact that BSNL approved (May 2023) for sale/monetization of approximately 70 *percent* of available higher size PIJF cables lying idle in the circles. Management of BSNL updated in February 2024 that 645.31 km cables valuing ₹80.64 crore was lying unutilised in 25 circles of BSNL in February 2024.

Management replied that (May 2023 and January 2024) for the year 2016-17, circles had submitted requirements based on planned development activities like construction of new housing projects, Metro rail projects, road widening and replacement of damaged cables. National Smart Cities Mission was launched in June 2015 to develop 100 smart cities across the country. However, the delay in smart city projects of various state governments resulted in delays in utilization of Cables. It further stated that circles placed POs based on authorization of Corporate Office. Drastic change in technology, competition in telecom

<sup>60</sup> The difference lies in the number of pairs of connections that can be given from the cables. For example, 400 Pair means that maximum 400 connections can be given from this cable. These higher size cables are used as primary cables from the exchange premises.

<sup>61</sup> Andaman & Nicobar, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, J & K, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, North East II, UP(East), UP(West), Uttarakhand, West Bengal, Kolkata Telephones and Chennai Telephones

sector, delays in various infrastructure activities, COVID-19 pandemic, cash crunch in BSNL resulting in CAPEX ban in 2019 could not be forecasted at the time of issuance of purchase orders. Ministry endorsed (April 2024) the reply of the Management. In particular, the introduction of FTTH services made the use of copper wire redundant.

Reply of the management is not tenable for the following reasons:

- Duration of smart city projects was for five years (FY 2015-16 to 2019-20) and planned development activities like new housing projects, metro rail projects etc. were long term projects which could not be completed within one year. BSNL could have opted for phased procurement of these cables as per actual usage and invoke the repeat order clause of their Manual.
- BSNL had the opportunity to increase/decrease up to 25 *per cent* of quantities specified in the schedule of requirements without change in unit price of contract as per their manual which was not factored in while placing POs.
- The requirement of the cables was specifically for the year 2016-17. Although the circles placed their requirements during December 2015 to January 2016 yet the purchase orders could be placed during March 2016 to May-2018 only.
- The fact that the telecom sector was witnessing considerable technological changes, including the introduction of FTTH was known to BSNL six to seven years prior to the procurement, should have been factored into while making bulk purchases.
- Further, Covid-19 Pandemic, cash crunch in BSNL etc., were developments post 2018, i.e. after the placement of purchase orders whereas the cable lengths were estimated for utilisation within one year (2016-17) itself.

As a result, cables valuing ₹80.64 crore remain unutilized (as on February 2024) even after eight years of procurement leaving BSNL with the only alternative of selling 70 *per cent* of the unutilised cables. Deficient planning by BSNL in deviation of the provisions of its own Procurement Manual resulted in wasteful expenditure on procurement of higher size PIJF underground cables.

### 5.3 Loss due to non-deduction of Licence Fee by BSNL

**Non deduction of License Fee from the revenue share paid to Telecom Infrastructure Providers by BSNL for provision of FTTH services resulted in loss of ₹38.36 crore**

Bharat Sanchar Nigam Limited (BSNL) formulated a revenue share based Fiber To The Home (FTTH) Open Policy in March 2014 with the aim of providing telecom services in upcoming residential/commercial complexes through local franchises/Resident Welfare Associations (RWAs)/ Telecom Infrastructure Providers (TIPs)<sup>62</sup> / Cable Operators as FTTH channel

<sup>62</sup> TIP means "A company incorporated under the Companies Act 1956/2013, or Proprietorship/Partnership firms having an objective of providing Telecom Services including existing cable operators, firms working for OFC laying, Broadband Provisioning & Maintenance and other firms working in Telecom field etc."

partners. BSNL could provide these services utilising the ISP license issued by the Department of Telecommunication (DoT). The revenue accrued on account of provision of telecom services through FTTH business was to be shared with the channel partners. Through multiple revisions in the policy (latest in September 2018), a new revenue sharing model (Model IV) was introduced which capped the revenue share ratio to maximum 50 *percent*. Clause 10.6 of the sample agreement circulated by the BSNL Corporate Office to all the circles laid down that payment of revenue share shall be made to the channel partners after the deduction of applicable statutory levies which included License Fee payable by BSNL and / or taxes applicable from time to time from the revenues accrued on provision of telecom services. Accordingly, BSNL Circles entered into agreements with various channel partners.

As per the conditions of Internet Service Provider (ISP) License issued by Department of Telecommunication (DoT) (August 2007), an annual License Fee was leviable at the rate of six *per cent* of revenue earned from fixed monthly charges and usage charges shown against Voice through FTTH. This rate was revised to eight *per cent* with effect from 01.04.2021 and revenue from pure Internet services i.e. Broadband through FTTH in the instant case was also included for calculating the license fee.

Audit observed that BSNL, in 22 circles (out of 28 circles), did not deduct the share of license fee from the revenue share paid to the TIPs as per the conditions laid down in the agreement. This resulted in loss of ₹38.36 crore for the period from 2019-20 to 2021-22. Details are as per **Annexure 5.2**.

BSNL Corporate Office accepted (August 2023) that License fee was to be deducted with effect from 01 April 2021 from the revenue share on Pure Internet charges as per the agreement. However, same was deferred for a period of one year i.e., for 2021-22 as a business decision with the approval of competent authorities. BSNL had already paid revenue share to the partners up to March 2022. The recovery of license fee from small partners might have resulted in some of the partners leaving the business and causing many litigations and disputes. Therefore, the revised license fee implementation date was taken as 01 April 2022 instead of 01 April 2021 to safeguard the growth of FTTH business through revenue share arrangement. Even for deduction of license fee from revenue share with affect from 01 April 2022, resentment of the partners has been observed and they have requested to waive off this license fee. Ministry endorsed the reply of the Management.

Management/Ministry justified its action based on an internal business decision, which is not acceptable as there was no reason available on record justifying this action. Moreover, the agreements clearly laid down the condition of deducting statutory dues before final payment of the revenue share which was duly signed and accepted by all concerned stakeholders. The situation of recovery from the TIPs would have been avoidable had the revenue been shared after making the statutory deductions.

Thus, due to non-deduction of License Fee in 22 BSNL Circles from the Revenue share paid to Telecom Infrastructure Providers for provision of FTTH, resulted in loss of ₹38.36 crore for the period from April 2019 to March 2022.

#### 5.4 Short billing of passive infrastructure sharing charge by BSNL

##### **Incorrect billing by BSNL Circles on M/s Reliance Jio Infocomm Limited towards infrastructure sharing charges, resulted in loss of revenue of ₹29.00 crore**

BSNL Corporate Office entered into a Master Service Agreement (MSA) with the Infrastructure Sharing Partner, M/s. Reliance Jio Infocomm Limited (RJIL) in May 2014 for sharing its passive infrastructure located in different parts of the Country (excluding Metro Service Areas of Delhi and Mumbai) for a period of 15 years.

Clause 1.1 (a) of Schedule-3 of MSA provided that BSNL would charge a monthly provisioning fee with base rate of ₹38,700/- for each Ground Based Tower (GBT) and ₹24,900/- for each Roof Top Towers (RTT) that it shared with RJIL. Clause 1.4.1 (b) of Schedule-3 of the MSA provided that the rates fixed would hold good for 10 years from the time of commencement date. The base rate would be upward revised on 1st April of every financial year by 2.5 *per cent*, which would remain valid for the corresponding financial year for all the sites to be leased out during that financial year. The year wise base rent escalation chart from 2014-15 to 2023-24 is shown in **Annexure 5.3**.

We found that 14 out of 24 circles of BSNL did not apply the escalation clause in the bills raised on RJIL on new infrastructure sharing sites leased out in the financial years subsequent to the year 2014. These circles continued to bill at original base rent of ₹38,700/- for GBT and ₹24,900/- for RTT and RTP which was applicable for the first year. As a result, there was short billing of ₹44.87 crore (including GST) during the period from 2015-16 to 2023-24 as detailed in the **Annexure 5.4**. Amount of ₹15.87 crore was recovered in five circles<sup>63</sup> at the instance of audit, leaving ₹29.00 crore as outstanding at the end of March 2024.

We observed that annual revision in the tariffs was first carried out manually in excel sheets followed by generation of bills through SAP. The prevailing contract price was calculated for each circle individually. This led to the risk of an error on account of manual application of prevailing rate for various sites and for various circles. Further BSNL Corporate Office did not put in place any method of cross-checking the compliance to the MSA by the circles while billing.

On being pointed out by audit, the BSNL Corporate Office assured (November 2023) us that with effect from financial year 2023-24, all 14 circles had started billing RJIO infra-sharing sites on escalated base rate. Ministry also replied (March 2024) that invoices have been issued in 13 circles.

<sup>63</sup> West Bengal, North East-I, North East-II, Punjab and Maharashtra & Goa

We noted that the invoices were raised for short billed amount, recovery of approximately 65 per cent the bills were still outstanding.

Thus, failure to adhere to the terms and conditions of the agreement with RJIL on annual escalation in price resulted in loss of revenue of ₹29.00 crore (including GST) towards infrastructure sharing charges to BSNL in 14 Telecom Circles. Delayed recovery of ₹15.87 crore also adversely affected BSNL's cash and liquidity position during the period.

#### **5.5 Loss due to non-availing of GST Input Tax Credit**

**BSNL did not verify and process the bills related to duct hiring charges within the statutory period allowed to avail Input Tax Credit. Consequently, it incurred loss on account of GST Input Tax Credit of ₹5.43 crore**

As per Section 16(1) of the Central Goods and Services (GST) Act, 2017 (the Act), every registered taxable person is entitled to take credit of input tax charged on any supply of goods or services or both to him, which are used in business which shall be credited to the electronic credit ledger of such person. This credit can be utilised for making payment towards GST liability as specified in Section 49(4) of the Act. As per Section 16(4) of the Act, input tax credit can be claimed only within the statutory period i.e., after furnishing the return by September<sup>64</sup> following the end of the financial year in which the invoices were raised or furnishing of the relevant Annual Return, whichever is earlier. However, as per Rule 37(4) of GST Rules (2017), time limit specified in Section 16 (4) shall not apply to a claim for re-availing of any credit, that had been reversed earlier. Thus, when a registered taxpayer claiming Input Tax Credit (ITC) on an inward supply of goods and services is unable to pay the invoice amount to the supplier within 180 days, he can reverse the credit so taken and re-claim ITC once the payment is made to the supplier.

BSNL and MTNL signed a Memorandum of Understanding (MoU) on 24 September 2013 to share/avail each other's telecom infrastructure as first option on mutually agreed terms and conditions to overcome the difficulties in rendering seamless services to the respective customers at competitive tariff on Pan-India basis. Though the MoU was valid for five years and was not renewed, both MTNL and BSNL continued following its conditions. Sharing of ducts was one such condition. Accordingly, BSNL and MTNL would collect the details of ducts that they used and would pay accordingly after joint verification.

In order to ensure optimum utilisation of ITC, BSNL Corporate Office issued instructions (September 2019) to its circles to adopt the practice of availing ITC in GSTR 3B on booking of the supplier invoice in SAP and simultaneously making reversal entry for the balance due in the same month both in SAP and GSTR 3B and reclaim the ITC already reversed in the month in which payment is actually made to vendors.

<sup>64</sup> As per Finance Act 2022, due date of September has been amended as 30<sup>th</sup> November.

During the period from 2018-19 to 2020-21, BSNL used MTNL's ducts of route length 304.77 KM in Mumbai, payable at the rate of ₹500/- per meter per annum. MTNL Mumbai raised invoices of ₹48.63 crore for this period for the duct used by BSNL. In January 2024, BSNL paid ₹29.52 crore to MTNL (after deducting TDS) retaining ₹5.43 crore under GST mismatch as per the following details:

Table-5.2

(₹ in crore)

| Year for which invoices raised | Invoice value (including GST) | Submission of Joint verification report | Payable after verification (including 18 % GST) | Sanction/ Administrative approval by BSNL | Payment made by BSNL (after TDS but excluding GST) | GST Credit loss |
|--------------------------------|-------------------------------|---|---|---|--|-----------------|
| 2018-19                        | 16.21                         | 28.01.2021                              | 12.58   | 12.07.2021                                | 10.32  | 1.90            |
| 2019-20                        | 16.21                         | 12.04.2022                              | 11.78   | 26.05.2022                                | 9.78   | 1.80            |
| 2020-21                        | 16.21                         | 02.08.2022                              | 11.33   | 01.09.2022                                | 9.42   | 1.73            |
| <b>Total</b>                   | <b>48.63</b>                  |   | <b>35.69</b>                                    |   | <b>29.52</b>                                       | <b>5.43</b>     |

We found that BSNL (Mumbai) did not adhere to the Corporate Office instructions (September 2019) regarding timely reversal of ITC entries by the circles as provided in Rule 37(4) of GST. Hence, it will not be able to avail the benefit of GST input tax credit amounting to ₹5.43 crore for the period from 2018-19 to 2020-21 as the time limit stipulated under section 16 (4) had already lapsed.

Management replied (September 2022) that verification of ducts was an essential activity. In the instant case MTNL had shown undue haste in issuing invoices without joint verification. Reasons like the pandemic, VRS of staff of BSNL, fund constraints, merger of ERP of Western Telecom Project(WTP) and Western Telecom Region(WTR) and shifting of offices etc. contributed to the delay in verification and processing of invoices. Ministry endorsed the reply of the Management (August 2023) and added that expected merger of BSNL and MTNL was also under active consideration by Government of India causing delays.

The reply is not acceptable as BSNL could re avail the credit that was reversed earlier after making payment to MTNL as per Rule 37(4) of the GST Act. Also, no specific documentation regarding delay attributable to MTNL for completing the joint verification was provided to Audit. Management of BSNL itself took up the matter regarding timelines for raising invoices and conducting joint verification with MTNL in May 2022 i.e., after about five years of introduction of GST Act.

Hence BSNL failed to follow the due procedure and incurred cash loss on account of lost claim on GST ITC by ₹5.43 crore for the years 2018-19 to 2020-21.



## 5.6 Non-realization of contractual dues

### **Non-compliance of terms of agreement for provision of Wi-Fi hotspots by BSNL in Gram Panchayats and failure to invoke the dispute resolution clause of the agreement resulted in non-realization of dues amounting to ₹4.80 crore from a State Government PSU**

BSNL entered into an agreement (June 2017) with M/s Karnataka State Electronics Development Corporation Ltd (Keonics), a State-owned PSU to provide Wi-Fi Services at Gram Panchayats (GP) across the State of Karnataka for three years. As per Clause 4.2(c) of the agreement M/s Keonics would pay the bulk user plan charges in advance. Further clause 12.3 (a) and (b) of the agreement on Dispute Resolution provided that for any dispute/s that could not be settled by parties through negotiations, either or both the parties can approach the arbitration center of Karnataka and the decision of the Arbitrator appointed shall be final.

Accordingly, M/s Keonics placed a work order on BSNL (June 2017) for connectivity in 500 GPs for an amount of ₹12.50 crore (₹2,50,000 per GP). BSNL received ₹3.98 crore in July 2017 towards 70 per cent ad hoc payment for 193 GPs with 15 per cent Service Tax, on receipt of which it started working on the project. This was a violation of the terms of agreement which envisaged 100 per cent payment. BSNL submitted its demand note of ₹14.75 crore including GST in June 2018 i.e., after one year of the placement of work order by M/s. Keonics. Against this demand note, it received only ₹9.95 crore from M/s Keonics leaving a balance of ₹4.80 crore which was yet to be received from M/s. Keonics (February 2024). Further M/s Keonics short closed the agreement unilaterally.

We found that BSNL started executing the work without obtaining full advance payment violating the terms of agreement, jeopardizing its revenue. Also as per the agreement, the contract could be terminated only with mutually written consent of the parties by giving 30 days' notice. In the instant case, when M/s Keonics short closed the agreement unilaterally, BSNL took no concrete action. BSNL did not invoke the Dispute Resolution Clause of the agreement for realizing the balance amount of ₹4.80 crore even after a lapse of more than four years from the receipt of last payment (December 2018). Although the Karnataka circle is examining the possibility of resolution through Administrative Mechanism for Resolution of CPSEs' Disputes (AMRCD) but since the agreement has already expired (June 2020), the chances of recovery of the balance amount of ₹4.80 crore from M/s Keonics would be considered remote. Additionally, the agreement did not have a clause regarding penal interest on outstanding dues or delayed payments from M/s Keonics. This deprived BSNL of claiming any penal interest on non-payment/delayed payment and led to consequential loss of interest<sup>65</sup> amounting to ₹2.31 crore for the period from 01/01/2019 to 31/03/2024 (as detailed in the **Annexure 5.5**).

BSNL Karnataka circle confirmed (January 2023) that M/s Keonics had refused to pay the balance amount and short closed the agreement unilaterally in October 2018. Ministry while

<sup>65</sup> Interest calculated at the SBI MCLR Rate from 1/1/2019 to 31/3/2024 on cumulative balance.



endorsing the reply of BSNL Corporate Office (March 2024) stated that BSNL Karnataka circle was examining the possibility of resolution through AMRCD for recovery of the balance amount for which the claim still exists.

Thus, start of work on the project before receipt of full payment in advance as stipulated in the agreement, and failure in invoking the Dispute Resolution clause 12 of the agreement by BSNL, resulted in non-realization of ₹4.80 crore. In addition, non-inclusion of liability clause led to potential loss of interest of ₹2.31 crore.

## **5.7 Loss of revenue and blocking of funds due to poor project management and undue favour to the contractors**

**Undue favour to contractors by ITI Ltd., lack of due diligence and incorporation of disadvantageous payment terms resulted in loss of ₹28.93 crore to the Company and blockade of ₹6.93 crore, without realization of the amount from the clients**

Indian Telephone Industries (ITI) Ltd, a Central Public Sector Undertaking in the telecommunication technology segment, under the Department of Telecommunications manufactures a diverse suite of products and offers turnkey telecom solutions and customized support to the telecom sector. Further, the Company also executes the contracts/POs on back-to-back basis with other Business Associates.

During Audit of ITI in December 2021, we found that the Company entered into contracts with the clients M/s Infospark Tech Solutions Private Limited (Infospark) and Energy Efficiency Services Limited (EESL) but did not enter into the back to back contracts with the same payment terms with its backend partner M/s Recap Ventures Private Limited (RVPL). The Company also agreed to pay RVPL through Letter of credit (LC). Thus, lack of due diligence and incorporation of disadvantageous payment terms resulted in loss of ₹28.93 crore to the Company and blockade of ₹6.93 crore in two cases, details of which are elaborated below:

### **5.7.1 Undue favour to contractor resulted in loss of ₹21.62 crore to the Company**

Infospark Tech Solutions Private Limited (Infospark), a private entity, on receipt of demand from M/s Kerala State Electronics Development Corporation (KELTRON)<sup>66</sup>, approached ITI (February 2018) for supply and installation of LED Street Light Luminaries. Infospark placed two Purchase Orders (POs) amounting to ₹21.62 crore on ITI (February & March 2018) wherein it specified M/s Recap Ventures Private Limited (RVPL) as the source vendor. ITI agreed to the condition.

As per the first agreement with Infospark (February 2018), Infospark was to pay ITI on a back-to-back basis on receipt of money from M/s KELTRON upon completion of work. In the event of any dispute arising out of the agreement, the same was to be referred to the sole arbitrator mutually appointed by both the parties.

<sup>66</sup> KELTRON was selected by Bidannagar Municipal Corporation (BMC), Government of West Bengal for implementation of the project "ALO AMAR ALO", a LED based Street Lights and Centralised Lighting Management System Solution for Smart Governance.

ITI placed two POs (as per details of POs in Table 1 at **Annexure 5.6**) on RVPL in February and March 2018 at a total cost of ₹20.54 crore (inclusive of GST) with delivery schedule of five to seven weeks. While it agreed to receive payment on back-to-back terms from Infospark (linking the receipts to receipt from M/s KELTRON), it agreed to pay RVPL through Inland Letter of Credit (LC) with an usance period of 180 days, thus committing itself to make payment later, failing receipt of goods and services.

The three invoices raised by RVPL amounting ₹20.54 crore on M/s. ITI (March 2018) were encashed through LC (September 2018 and January 2019). M/s ITI, in turn, raised four invoices on Infospark (February and March 2018) for ₹21.62 crore (Details of invoices raised by RVPL and ITI are given in Table 2 in **Annexure 5.6**). However, even after a lapse of six years since raising the invoices, ITI could not realise the payment.

### **5.7.2 Loss of revenue and blocking of funds due to poor project management and undue benefit to RVPL**

M/s ITI Ltd. invited (September 2018) an Expression of Interest (EOI) for a consortium partner in the e-tender called for by Energy Efficiency Services Limited (EESL)<sup>67</sup>. The tender was for provision of Lighting Controls (Centralized Controls and Monitoring System – CCMS) for installed LED Streetlights in 10 clusters of Gram Panchayats of Andhra Pradesh.

ITI Ltd. identified (September 2018) M/s SPowerZ as the consortium partner. M/s SPowerZ, in turn (September 2018) asked ITI to execute the contract through RVPL, its business/technical associate, in case ITI wins the tender.

EESL issued Letter of Award (LoA) to ITI (January 2019) for design, manufacture, supply, installation, commissioning, testing and maintenance of 22,500 Lighting Controls (CCMS) in six clusters for a contract price of ₹53.78 crore (excluding GST). The work was to be completed in three phases viz (i) supply, (ii) installation & commissioning and (iii) on-site warranty & maintenance for 10 years. As per the LOA, the entire material was to be delivered, installed, tested, and commissioned within three months of issuance of LOA (by April 2019). In case of failure of CCMS Unit, the Company was required to replace it within 48 hours of intimation, failing which penalty would be recovered, subject to a ceiling of 10 *per cent* over and above the LD limit of 10 *per cent*. Further, the Company had to furnish Contract Performance Guarantee (CPG) to EESL for 10 *per cent* of the contract value.

M/s ITI placed a Purchase Order (PO) in February 2019 on M/s RVPL (Business/technical associate of M/s SPowerZ, the consortium partner) on back-to-back basis for a contract price of ₹50.55 crore to complete the work by 23 April 2019. However, after placement of POs, M/s RVPL requested (February 2019) for amendment of payment terms to 90 days usance Letter of Credit (LC) instead of back-to-back basis stating its inability to fund the project beyond ₹20 crore and to meet the deadline. ITI agreed to the request and amended these

<sup>67</sup> A joint venture of four PSUs viz National Thermal Power Corporation Limited (NTPC), Power Finance Corporation Ltd (PFCL), Rural Electrification Corporation Limited (REC) and Power Grid Corporation of India LTD (PGCIL) under Ministry of Power

terms and deleted the condition of PO “deductions and recovery would be on back-to-back basis”.

RVPL supplied only 17,500 numbers of CCMS up to July 2019 as against the contracted quantity of 22,500 units. Out of the units supplied, 3,300 units were supplied beyond the scheduled time up to March 2019 (**Annexure 5.7** Table 1). EESL advised withholding the remaining 5,000 numbers as the scheduled delivery time (March 2019) had already elapsed. ITI paid an amount of ₹22.04 crore to RVPL through LC during the period from March 2019 to August 2019.

ITI raised invoices of ₹24.98 crore for the supply and installation of CCMS on EESL (**Annexure 5.7** Table 2). Out of which EESL processed bills for only ₹18.05 crore and held back ₹6.93 crore for want of documentary proof of installed units (3,642 nos.), non-installed units (4,841 nos.) and poor maintenance issues. ITI could realize only ₹10.74 crore leaving ₹7.31 crore unrealised whereas it had already paid an amount of ₹22.04 crore to RVPL as per LC.

We observed the following in both the above cases:

- A. ITI did not adhere to its own Manual on Material Management and rules which provided that purchase of all materials shall be based on competitive bidding for securing the competitive cost most advantageous to the Company. Further Rule 3.2.4.9(iii) of the Manual states that the name of the supplier in a purchase order may be changed, if the supplier wants the order to be executed by their Authorized Dealer and Associate Companies/Subsidiary as per the Companies Act, 2013 which should be clearly mentioned by the bidder while submitting the tender. It is important to note that RVPL is a business/technical associate and not an Associate Company/subsidiary of SPowerZ and there was no mention of the same in the bid submitted by SPowerZ. Thus, in violation of their own Manual in both the cases, ITI directly placed POs on RVPL on nomination basis without ensuring compliance to its rules and exercising due diligence before placing order on RVPL.
- B. In both the cases, ITI Ltd. released full payment to the back-end partner RVPL before realization of the same from the client/customer. In both the cases, the company agreed to receive payment from the clients on a back-to-back basis. However, despite selecting the vendor on a nomination basis and without any due diligence vis a vis the soundness of the company, it agreed to pay upfront, through LCs to RVPL.
- C. In the second case, the Company failed to safeguard its interest and gave undue benefit to the vendor RVPL by changing the payment terms without referring to the clause in consortium agreement between SPowerZ and M/s RVPL wherein it was clearly agreed that RVPL accepted to fund the project in terms of procurement of raw materials till finished product and getting all Pre-Delivery Inspection clearance. Moreover, no CPG was obtained from RVPL by the company.

- D. In the first case, ITI irregularly entered into an agreement and accepted a PO where the source of procurement was already mentioned violating its own manual. It did not sign the agreement for the second PO with Infospark and also with EESL in the second case, thereby closing the arbitration route to realize its dues.

In the first case, Management replied (March and August 2023) that the Company opened the LCs in favour of RVPL against the two POs placed on them, and with the maturity of LC, the payment was made to RVPL, though the payment from KELTRON had not materialized. After many follow-ups, Infospark gave a cheque of rupees four crore on 30 October 2019 against the payable dues, which bounced back. A criminal case was filed before the Add. Chief Metropolitan Magistrates' Bangalore Court on 26 February 2020 against cheque bounce case and summons were issued many times but could not be delivered as the address provided by the party/supplier turned out to be wrong. The Ministry has endorsed the reply of the management.

In the second case, Management stated (March 2023) that SPowerZ submitted its agreement with RVPL, and the Company also had a teaming agreement with RVPL. In respect of O&M, it was replied that RVPL could not pay the field personnel for O&M due to alleged shortage of funds. The Ministry endorsed (February 2024) the reply of the management stating that ITI has made efforts to restore the project in the past. However, no vendors came forward towards the existing CCMS equipment but wanted ITI to give fresh order for the entire project, which would have resulted in further financial losses to ITI. Now ITI has initiated discussions with OEM for onboarding to restore the project. Once the project is restored ITI will be taking up with EESL for the deductions made and also for reduction of CPG to the scope of work remaining.

The reply does not address the issues raised in audit. In the first case, the entire contract management in this project was flawed as ITI did not comply with its own rules and extended undue favour to the contractor by not signing the back-to-back contract with the RVPL despite agreeing with the client Infospark to receive back-to-back payment, resulting in loss to the Company. Further, the Company did not insist on appointment of the sole arbitrator and even in the rupees four crore cheque bounce case (October 2019) the criminal case was filed too late (February 2020). In the second case, amending payment terms from 'back-to-back' basis to opening LC in favour of the vendor was to the financial detriment to the Company. It thereby took an avoidable risk, which eventually materialized. Further, resumption of project and completion of remaining installation and O&M job is doubtful as the Company has failed to onboard any partner from April 2020 despite floating the RFP twice and expiry of four years. Therefore, the refund of CPG by EESL seems uncertain.

Thus, the Company did not exercise prudence in the selection of partners and executing of the project. Non-adherence of the Company to their manual, undue favour to the vendor M/s RVPL by ITI Ltd. by granting post facto amendments in payment clauses by amending purchase orders and non-collection of CPG resulted in the loss of ₹28.93 crore to the Company and blockade of ₹6.93 crore.

**New Delhi**

**Dated: 11 March 2025**



**(PURUSHOTTAM TIWARY)**

Director General of Audit  
Finance & Communication

***Countersigned***



**New Delhi**

**Dated: 17 March 2025**

**(K. SANJAY MURTHY)**

Comptroller and Auditor General of India



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## **APPENDICES & ANNEXURES**

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**Appendix I***(Refer to Paragraph 1.4.1.3, 1.4.2, 1.5 and 1.6.1)*

**Statement of Central Public Sector Undertakings under Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY), Ministry of Finance and Ministry of Statistics and Programme Implementation (MoSPI) as of 31 March 2023**

| Sl. No.                                 | Name of the CPSUs                                   | Percentage of Government of India Investment to the paid-up capital | Paid up share capital Amount of Investment (₹ in crore) | Revenue (₹ in crore) | Profit / (Loss) (₹ in crore) |
|---|---|---|---|----------------------|------------------------------|
| <b>Ministry of Communication</b>        |   |   |   |                      |                              |
| <b>Department of Telecommunications</b> |   |   |   |                      |                              |
| 1                                       | Bharat Sanchar Nigam Limited                        | 100   | 38,886.44   | 20,698.90            | (6,662.20)                   |
| 2                                       | BSNL Tower Corporation Ltd                          | Subsidiary of BSNL  |   | 2.92                 | 0.20                         |
| 3                                       | Mahanagar Telephone Nigam Limited                   | 56.25   | 354.38  | 1,474.02             | (2,910.74)                   |
| 4                                       | Millennium Telecom Limited (MTL)                    | Subsidiary of MTNL  |   | 0.45                 | 0.32                         |
| 5                                       | Bharat Broadband Network Limited (BBNL)             | 100   | 60  | 1,014.54             | 0.10                         |
| 6                                       | Millennium Information System Limited               | UNDER LIQUADATION   |   |                      |                              |
| 7                                       | ITI Limited   | 97.80   | 1,391.45  | 1,447.99             | (360.10)                     |
| 8                                       | Tamilnadu Telecommunications Limited (TTL)          | Subsidiary of TCIL  |   | 0.18                 | (11.97)                      |
| 9                                       | Telecommunications Consultants India Limited (TCIL) | 100   | 59.20   | 2,001.69             | 35.49                        |
| 10                                      | Lakshadone Toll Road Limited                        | Subsidiary of TCIL  |   | 3.16                 | (1.07)                       |
| 11                                      | Bina Toll Road Limited                              | Subsidiary of TCIL  |   | 4.13                 | (2.55)                       |
| <b>Total</b>                            |   |   | <b>40,751.47</b>  | <b>26,647.98</b>     | <b>(9,912.52)</b>            |

| Sl. No.   | Name of the CPSUs   | Percentage of Government of India Investment to the paid-up capital | Paid up share capital Amount of Investment (₹ in crore) | Revenue (₹ in crore) | Profit / (Loss) (₹ in crore) |
|---|---|---|---|----------------------|------------------------------|
| <b>Department of Posts</b>                                |   |   |   |                      |                              |
| 12  | Indian Post Payment Bank  | 100   | 1,655   | 766.15               | 20.16                        |
| <b>Ministry of Electronics and Information Technology</b> |   |   |   |                      |                              |
| 13  | National Informatics Center Services Inc.                           | 100   | 2   | 1,701.87             | 149.77                       |
| 14  | CSC e-Governance India Limited                                      |   |   | 1,434.19             | 132.06                       |
| 15  | CSC WI FI CHOUPAL   | Subsidiary of CSC   |   | 31.02                | 1.00                         |
| 16  | CSC Grameen E store   | Subsidiary of CSC   |   | 7.44                 | 0.76                         |
| 17  | Digital India Corporation   | 100   | 0   | 186.48               | 2.13                         |
| <b>Total</b>  |   |   | <b>2</b>  | <b>3,361.00</b>      | <b>285.72</b>                |
| <b>Ministry of Finance</b>                                |   |   |   |                      |                              |
| <b>Department of Economic Affairs</b>                     |   |   |   |                      |                              |
| 18  | Security Printing and Minting Corporation of India Limited (SPMCIL) | 99.99   | 987.5   | 5,225.92             | 1,779.25                     |
| 19  | Bank Note Paper Mill India Pvt Ltd. (BNPMIPL)                       | JV of SPMCIL and BRBNMPL  | 800   | 1,095.85             | 206.57                       |
| 20  | Bharatiya Reserve Bank Note Mudran Pvt Ltd. (BRBNMPL)               | Subsidiary of RBI   | 1,800   | 2,844.89             | 455.12                       |
| 21  | National Investment and Infrastructure Fund Trustee Ltd. (NIIFTL)   | 100   | 0.02  | 0.23                 | 0.09                         |
| <b>Total</b>  |   |   | <b>3,587.52</b>   | <b>9,166.89</b>      | <b>2,441.03</b>              |

## Appendix II

(Refer Paragraph 1.4.1.3, 1.4.2, 1.5 and 1.6.1)

**Brief profile of attached Offices and Public Sector Undertakings (PSUs) under Department of Telecommunications (DoT), Department of Posts (DoP) and Ministry of Electronics and Information Technology (MeitY)**

| Department of Telecommunications (DoT), Ministry of Communications (MoC): |   |  |
|---|---|--|
| 1   | ITI Limited (PSU)   | ITI Ltd, started as a departmental factory in 1948, is a telecom technology PSU for manufacturing of telecom equipment. It has manufacturing plants at Srinagar in Jammu & Kashmir; Naini, Rae Bareli and Mankapur in Uttar Pradesh and Palakkad in Kerala along with an R&D Center in Bengaluru. Government held 97.80 <i>per cent</i> shares of the Company valued at ₹1391.45 crore as on 31 March 2023. Total revenue and loss during the FY 2022-23 was ₹1,447.99 crore and ₹360.10 crore respectively.   |
| 2   | Telecommunications Consultants India Limited (TCIL) (PSU) | Telecommunications Consultants India Limited (TCIL), fully owned by GoI, was set-up in 1978 with the main objective of providing world class technology in all the fields of telecommunications and information technology, to excel in its operations in the overseas and domestic markets by developing proper marketing strategies and to acquire state-of-the-art technology. Government's investment in the Company at the end of March 2023 was ₹59.20 crore. Company's total revenue and profit during the financial year 2022-23 was ₹ 2,001.69 crore and ₹35.49 crore respectively.   |
| 3   | Bharat Broadband Network Limited (BBNL) (PSU)             | Bharat Broadband Network Limited (BBNL), a special purpose vehicle (SPV), fully owned by Government of India was incorporated in 2012 under the Companies Act, 1956 to execute BharatNet Project erstwhile National Optical Fibre Network Project (NOFN). Government's total investment in the Company as on 31 March 2023 was ₹60.00 crore. The revenue earned was ₹1,014.54 crore and profit was ₹0.10 crore during the FY 2022-23. The Union Cabinet in the meeting held on 27 July 2022 approved the merger of Bharat Broadband Network Limited (BBNL) with Bharat Sanchar Nigam Limited (BSNL), which is under process.   |
| Department of Posts (DoP), Ministry of Communications (MoC):              |   |  |
| 1   | India Post Payments Bank (IPPB) (PSU)                     | India Post Payments Bank (IPPB) was incorporated as a Public Limited Company on 17 August 2016, under the DoP, with 100 <i>per cent</i> equity from Government of India with the vision to promote financial inclusion and to increase access of the people to the formal financial system. IPPB offers demand deposits such as savings and current accounts up to a balance of ₹2 Lakh, digitally enabled payments and remittance services between entities and individuals and also provides access to third-party financial services, such as insurance, mutual funds, pension, credit products and forex in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organizations, etc.<br><br>The total capital investment of Government was ₹1,655.00 crore as on 31 March 2023. The Company's total revenue was ₹766.15 crore, and it incurred a profit of ₹20.16 crore during the FY 2022-23. |
| Ministry of Electronics and Information Technology (MeitY):               |   |  |
| 1   | National Informatics Centre (NIC) (Attached Office)       | National Informatics Centre (NIC) provides network backbone and e-Governance support to Central Government, State Governments, UT Administrations, Districts and other Government bodies. It offers a wide range of Information and Communication Technology (ICT) services in close collaboration with Central and State Governments in the areas of (a) Centrally sponsored schemes and Central Sector schemes, (b) State sector and State sponsored projects, and (c) District Administration sponsored projects.   |

|   |   |  |
|---|---|--|
| 2 | Standardization, Testing and Quality Certification Directorate (STQC) (Attached Office) | STQC, established in year 1980, is an internationally recognized Assurance Service Provider to both Hardware and Software sectors to provide state of art technology-based quality assurance services to its clients and to align with MeitY's mandate to focus on IT sector.  |
| 3 | Unique Identification Authority of India (UIDAI) (Attached Office)                      | The Unique Identification Authority of India (UIDAI) is a statutory authority established under the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act 2016") on 12 July 2016 by the Government of India, under MeitY.<br>UIDAI was created with the objective of issuing Unique Identification numbers (UID), a unique identity named as "Aadhaar", to all residents of India that is (a) robust enough to eliminate duplicate and fake identities, and (b) can be verified and authenticated in an easy, cost-effective way.<br>UIDAI received Grant-in-aid of ₹1,220.37 crore during FY 2022-23 and it spent ₹1,220.03 crore. UIDAI also earns revenue by way of fees received for rendering authentication and enrolment services. All receipts are credited to the UIDAI Fund created by the Government with effect from March 2019. |
| 4 | Digital India Corporation (DIC) (PSU)   | Digital India Corporation is a 'not for profit' company set up under Section 8 of the Companies Act, 2013 with an objective to bring the benefits of ICT to the common man. The application areas of the company include use of ICT for healthcare, education, livelihood and empowerment of disabled. The company is limited by guarantee and does not have any share capital. The audit of this company was entrusted to C&AG under the provisions of Sections 143(5) and 143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. It had total income of ₹186.48 crore (mainly on account of Grant-in-Aid) during the year ended 31 March 2023.   |
| 5 | National Informatics Centre Services Inc. (NICSI) (PSU)                                 | National Informatics Centre Services Inc. (NICSI) was set up in 1995 as Section-25 (now Section 8 of the Companies Act, 2013) under National Informatics Centre to provide total IT solutions to the Government organizations. The main objectives of NICSI are to provide economic, scientific, technological, social and cultural development of India by promoting utilization of Information Technology. The Company's total revenue during the FY 2022-23 was ₹1,701.87 crore and it earned a profit of ₹149.77 crore.  |
| 6 | CSC e-Governance Services India Limited (PSU)   | Common Service Centers (CSC) scheme is one of the mission mode projects under the Digital India Programme. CSC e-Governance Services India Limited, a Special Purpose Vehicle, has been set up by the MeitY under the Companies Act, 2013 to oversee implementation of the CSC scheme. CSC SPV provides a centralized collaborative framework for delivery of services to citizens through CSCs, besides ensuring systemic viability and sustainability of the Scheme. Paid up Capital of the company was ₹58.26 crore; total revenue during the FY 2022-23 was ₹1,434.19 crore and it earned a profit of ₹132.06 crore.   |
| 7 | CSC Wi-Fi Choupal Services India Private Limited (PSU)                                  | In early 2016, CSC Wi-Fi Choupal Service India Pvt. Ltd was setup for development of affordable and reliable ICT solution in the rural areas. Wi-Fi Choupal facilitates the delivery of the Broadband Connectivity for all across Gram Panchayats & villages, Fibre maintenance, Gigabyte Passive Optical Network (GPON) infrastructure with professional teams, Wi-Fi audio / video calling solutions and Application development & support to various government institutions etc. The Company's total revenue during the FY 2022-23 was ₹31.02 crore and it earned a profit of ₹1.00 crore.   |
| 8 | CSC Gramin e-Store Services India Private Limited (PSU)                                 | CSC Grameen e-Store Services India Pvt. Ltd. was incorporated on 31 July 2020 by CSC e-Governance Services India Ltd, the apex enterprise, set up to digitally empower the citizens of India. CSC Grameen e-Store is committed to enabling rural e-Commerce through its network of Village Level Entrepreneurs (VLE), Promoting Vocal for Local by partnering with local manufacturers like Self Help  |

|   |   |  |
|---|---|--|
|   |   | Groups (SHG), Farmers, MSMEs, etc. The company's total revenue during the FY 2022-23 was ₹7.44 crore and it earned a profit of ₹0.76 crore.  |
| <b>Department of Economic Affairs, Ministry of Finance:</b> |   |  |
| 1   | Security Printing and Minting Corporation of India Limited (SPMCIL) (PSU) | Security Printing and Minting Corporation of India Limited (SPMCIL), a wholly owned Schedule 'A' Miniratna Category-I Company of Government of India was incorporated in 2006 for management, control, maintenance, and operations of the erstwhile nine production units under Currency and Coinage division, DEA, Ministry of Finance, Government of India. SPMCIL is engaged in the manufacturing / production of Currency and Bank Notes, Security Paper, Non-Judicial Stamp Papers, Postal Stamps & Stationary, Travel Documents viz. Passport and Visa, Security certificates, Cheques, Bonds, Warrant, Special Certificates with security features, Security Inks, Circulation & Commemorative Coins, Medallions, Refining of Gold & Silver, and Assay of Precious Metals. Government's total investment in the Company was ₹987.50 crore as on 31 March 2023. Company's total revenue during the year FY 2022-23 was ₹5,225.92 crore and it earned a profit of ₹1779.25 crore. |
| 2   | Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) (PSU)        | Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) is a specialised division of the Reserve Bank of India established in 1995. It mints Indian bank notes and coins. BRBNMPL supplies a major portion of bank note requirement in the country with the remaining requirements being met through SPMCIL. Government's total investment in the company was ₹1,800 crore as on 31 March 2023 and the Company's total revenue during the year FY 2022-23 was ₹2,844.89 crore and it earned a profit of ₹455.12 crore.  |
| 3   | Bank Note Paper Mill India Private Limited (BNPMIPL) (PSU)                | Bank Note Paper Mill India Private Limited (BNPMIPL) has been incorporated and registered on October 13, 2010 as a Joint Venture between SPMCIL and BRBNMPL for production of Bank note papers. Government's total investment in the Company was ₹800 crore as on 31 March 2023. Company's total revenue during the year FY 2022-23 was ₹1,095.85 crore and it earned a profit of ₹206.57 crore.   |
| 4   | National Investment and Infrastructure Fund (NIIFTL) (PSU)                | National Investment and Infrastructure Fund (NIIFTL) is India's first infrastructure specific investment fund or a sovereign wealth fund that was set up by the Government of India in February 2015. The objective behind creating this fund was to maximize economic impact in commercially viable projects, both Greenfield and Brownfield, mainly through infrastructure investment. NIIFTL manages three funds: Master Fund, Fund of Funds and Strategic Fund. The funds were set up to make infrastructure investments in India by raising capital from domestic and international institutional investors. Government's total investment in the company is ₹0.02 crore and Company's total revenue during the year FY 2022-23 was ₹0.23 crore and it earned a profit of ₹0.09 crore.  |

**Appendix III**  
**(Refer to Paragraph 1.10)**

**Summarised position of Action Taken Notes  
awaited from Ministry / Departments as of 31 March 2024**

| Number and year of Audit Report                           |            | ATN Due   | Not received at all | Under correspondence |
|---|------------|-----------|---------------------|----------------------|
| <b>Ministry of Communications</b>                         |            |           |                     |                      |
| <b>Department of Posts</b>                                |            |           |                     |                      |
| NIL   |            |           |                     |                      |
| <b>Department of Telecommunications</b>                   |            |           |                     |                      |
| 1   | 02 of 2022 | 1         | -                   | 1                    |
| <b>Total</b>  |            | <b>1</b>  | <b>-</b>            | <b>1</b>             |
| <b>Ministry of Electronics and Information Technology</b> |            |           |                     |                      |
| NIL   |            |           |                     |                      |
| <b>Department of Expenditure</b>                          |            |           |                     |                      |
| 1   | 02 of 2019 | 1         | 1                   | 0                    |
| 2   | 04 of 2020 | 1         | 0                   | 1                    |
| 3   | 07 of 2021 | 4         | 0                   | 4                    |
| 4   | 31 of 2022 | 1         | 1                   | 0                    |
| 5   | 21 of 2023 | 51        | 27                  | 24                   |
| <b>Total</b>  |            | <b>58</b> | <b>29</b>           | <b>29</b>            |
| <b>Department of Economic Affairs</b>                     |            |           |                     |                      |
| 1   | 18 of 2022 | 1         | -                   | 1                    |
| 2   | 32 of 2022 | 1         | -                   | 1                    |
| <b>Total</b>  |            | <b>2</b>  | <b>-</b>            | <b>2</b>             |
| <b>Grand Total</b>  |            | <b>61</b> | <b>29</b>           | <b>32</b>            |

**Appendix IV**  
**(Refer to Paragraph 1.10)**

**Summarised position of Action Taken Notes awaited from Public Sector Undertakings as of 31 March 2024**

| Number and year of Audit Report          | ATN Due         | Not received at all | Under correspondence |                      |
|--|-----------------|---------------------|----------------------|----------------------|
| <b>Ministry of Communications</b>        |                 |                     |                      |                      |
| <b>Bharat Sanchar Nigam Limited</b>      |                 |                     |                      |                      |
| 1  | 6 of 2000       | 2                   | NIL                  | 2                    |
| 2  | 6 of 2001       | 2                   | NIL                  | 2                    |
| 3  | 6 of 2002       | 1                   | NIL                  | 1                    |
| 4  | 5 of 2003       | 5                   | NIL                  | 5                    |
| 5  | 5 of 2004       | 2                   | NIL                  | 2                    |
| 6  | 5 of 2005       | 2                   | NIL                  | 2                    |
| 7  | 9 of 2006 (PA)  | 2                   | NIL                  | 2                    |
| 8  | 13 of 2006      | 4                   | NIL                  | 4                    |
| 9  | 10 of 2007 (PA) | 1                   | NIL                  | 1                    |
| 10                                       | 12 of 2007      | 6                   | NIL                  | 6                    |
| 11                                       | 9 of 2008(PA)   | 1                   | NIL                  | 1                    |
| 12                                       | CA 10 of 2008   | 1                   | NIL                  | 1                    |
| 13                                       | CA 12 of 2008   | 5                   | NIL                  | 5                    |
| 14                                       | 09 of 2009-10   | 1                   | NIL                  | 1                    |
| 15                                       | CA 25 of 2009   | 4                   | NIL                  | 4                    |
| 16                                       | 3 of 2011-12    | 3                   | NIL                  | 3                    |
| 17                                       | 8 of 2012-13    | 2                   | NIL                  | 2                    |
| 18                                       | 20 of 2015      | 1                   | NIL                  | 1                    |
| 19                                       | 29 of 2016      | 1                   | NIL                  | 1                    |
| 20                                       | 21 of 2018      | 1                   | NIL                  | 1 (referred to COPU) |
| 21                                       | 03 of 2021      | 1                   | NIL                  | 1                    |
| 22                                       | 15 of 2022      | 1                   | NIL                  | 1                    |
| 23                                       | 16 of 2023      | 4                   | NIL                  | 4                    |
|  | <b>Total</b>    | <b>53</b>           | <b>NIL</b>           | <b>53</b>            |
| <b>Mahanagar Telephone Nigam Limited</b> |                 |                     |                      |                      |
| 1  | 3 of 1999       | 1                   | NIL                  | 1                    |
| 2  | 5 of 2004       | 1                   | NIL                  | 1                    |
| 3  | 10 of 2007 (PA) | 1                   | NIL                  | 1                    |
| 4  | 12 of 2007      | 1                   | NIL                  | 1                    |

| Number and year of Audit Report  |               | ATN Due   | Not received at all | Under correspondence |
|--|---------------|-----------|---------------------|----------------------|
| 5  | CA 12 of 2008 | 1         | NIL                 | 1                    |
| 6  | 15 of 2022    | 1         | NIL                 | 1                    |
| <b>Total</b>   |               | <b>6</b>  | <b>NIL</b>          | <b>6</b>             |
| <b>ITI Limited</b>   |               |           |                     |                      |
| 1  | 10 of 2007    | 1         | NIL                 | 1                    |
| 2  | 12 of 2007    | 1         | NIL                 | 1                    |
| 3  | 12 of 2008    | 1         | NIL                 | 1                    |
| 4  | 03 of 2021    | 1         | NIL                 | 1                    |
| <b>Total</b>   |               | <b>4</b>  | <b>NIL</b>          | <b>4</b>             |
| <b>Ministry of Electronics and Information Technology</b>                  |               |           |                     |                      |
| <b>National Informatics Centre Services Inc.</b>                           |               |           |                     |                      |
| 1  | 55 of 2015    | 1         | NIL                 | 1                    |
| 2  | 21 of 2017    | 1         | NIL                 | 1                    |
| 3  | 03 of 2021    | 1         | 1                   | NIL                  |
| 4  | 15 of 2022    | 1         | 1                   | NIL                  |
| <b>Total</b>   |               | <b>4</b>  | <b>2</b>            | <b>2</b>             |
| <b>Ministry of Finance</b>   |               |           |                     |                      |
| <b>Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)</b>        |               |           |                     |                      |
| 1  | 15 of 2022    | 1         | 1                   | NIL                  |
| <b>Total</b>   |               | <b>1</b>  | <b>1</b>            | <b>NIL</b>           |
| <b>Security Printing and Minting Corporation of India Limited (SPMCIL)</b> |               |           |                     |                      |
| 1  | 16 of 2023    | 1         | NIL                 | 1                    |
| <b>Total</b>   |               | <b>1</b>  | <b>NIL</b>          | <b>1</b>             |
| <b>Grand Total</b>   |               | <b>69</b> | <b>3</b>            | <b>66</b>            |



**Appendix V**  
**(Refer to Paragraph 1.11)**

**Certification and submission of Accounts in respect of Autonomous Bodies (ABs) for the year 2022-23**

| Sl. No. | Name of Organisation | Administrative Ministry | Due date of submission | Actual Date of submission | Period of Audit      | Date of Certification | Date of laying in the Parliament |
|---------|----------------------|-------------------------|------------------------|---------------------------|----------------------|-----------------------|----------------------------------|
| 1       | UIDAI                | Electronic & IT         | 30-06-2023             | 30-06-2023                | 10-07-23 to 12-09-23 | 09-11-2023            | 09-02-24                         |
| 2       | SEBI                 | Ministry of Finance     | 30-06-2023             | 04-07-2023                | 06-07-23 to 31-07-23 | 14-12-2023            | 09-02-24                         |
| 3       | TRAI                 | Communications          | 30-06-2023             | 28-07-2023                | 17-07-23 to 31-08-23 | 15-11-2023            | 09-02-24                         |
| 4       | TRAI-CPF             | Communications          | 30-06-2023             | 04-07-2023                | 17-07-23 to 25-07-23 | 16-10-2023            | 09-02-24                         |
| 5       | IFSCA                | MoF                     | 30-06-2023             | 08-08-2023                | 24-07-23 to 22-09-23 | 15-12-2023            | LS: 31-07-2023<br>RS: 01-08-2023 |

**Details of Certification and submission of Accounts in respect of Public Sector Undertakings (PSUs) for the year 2022-23**

| Sl. No. | Name of Organisation    | Administrative Ministry | Due date of submission | Actual Date of submission | Period of Audit      | Date of Certification |
|---------|-------------------------|-------------------------|------------------------|---------------------------|----------------------|-----------------------|
| 1       | BSNL                    | Communications          | 30-06-2023             | 29-05-2023                | 31-05-23 to 10-07-23 | 13-09-2023            |
| 2       | BTCL                    | Communications          | 30-06-2023             | 01-06-2023                | 02-06-23 to 13-06-23 | 21-07-2023            |
| 3       | MTNL                    | Communications          | 30-06-2023             | 06-06-2023                | 12-06-23 to 30-06-23 | 22-08-2023            |
| 4       | MTL                     | Communications          | 30-06-2023             | 16-06-2023                | 03-07-23 to 11-07-23 | 28-08-2023            |
| 5       | CSC e-Gov Services Ltd. | Electronic & IT         | 30-06-2023             | 07-11-2023                | 16-11-23 to 01-12-23 | 10-01-2024            |
| 6       | CSC Wi-Fi Choupal       | Electronic & IT         | 30-06-2023             | 03-10-2023                | N/A                  | 09-11-2023            |
| 7       | ITI                     | Communications          | 30-06-2023             | 05-06-2023                | 05-06-23 to 19-06-23 | 10-08-2023            |
| 8       | TCIL                    | Communications          | 30-06-2023             | 24-07-2023                | 10-08-23 to 06-09-23 | 29-09-2023            |
| 9       | TCIL LTRL               | Communications          | 30-06-2023             | 24-07-2023                | 31-07-23 to 08-08-23 | 29-09-2023            |
| 10      | TCIL BTRL               | Communications          | 30-06-2023             | 24-07-2023                | N/A                  | 31-08-2023            |

**Report No. 1 of 2025**

| Sl. No. | Name of Organisation                 | Administrative Ministry | Due date of submission | Actual Date of submission | Period of Audit      | Date of Certification |
|---------|--------------------------------------|-------------------------|------------------------|---------------------------|----------------------|-----------------------|
| 11      | TTL                                  | Communications          | 30-06-2023             | 06-06-2023                | 06-06-23 to 16-06-23 | 28-08-2023            |
| 12      | IPPB                                 | Communications          | 30-06-2023             | 04-07-2023                | 07-07-23 to 25-07-23 | 29-09-2023            |
| 13      | NICSI                                | Electronic & IT         | 30-06-2023             | 19-09-2023                | 22-09-23 to 09-10-23 | 03-11-2023            |
| 14      | BBNL                                 | Communications          | 30-06-2023             | 26-07-2023                | 02-08-23 to 17-08-23 | 22-09-2023            |
| 15      | DIC                                  | Electronic & IT         | 30-06-2023             | 02-11-2023                | N/A                  | 06-12-2023            |
| 16      | SPMCIL                               | Finance                 | 30-06-2023             | 05-07-2023                | 11-07-23 to 18-08-23 | 26-09-2023            |
| 17      | BRBNMPL                              | Finance                 | 30-06-2023             | 14-08-2023                | 16-08-23 to 19-07-23 | 05-10-2023            |
| 18      | BNPMIPL                              | Finance                 | 30-06-2023             | 10-07-2023                | 10-07-23 to 19-07-23 | 04-09-2023            |
| 19      | NIIFTL                               | Finance                 | 30-06-2023             | 19-06-2023                | N/A                  | 21-07-2023            |
| 20      | CSC Grameen e-Store service Pvt Ltd. | Electronic & IT         | 30-06-2023             | 04-10-2023                | N/A                  | 09-11-2023            |
| 21      | MISL                                 | Electronic & IT         | 30-06-2023             | Under Liquidation         | -                    | -                     |

**Appendix VI**  
**(Refer to Paragraph 1.12)**

**Significant Observations on the Accounts of Central Public Sector Enterprises  
for the year 2022-23**

| Sr. No. | Name of the CPSE              | Observation  |
|---------|-------------------------------|--|
| 1       | ITI                           | <p><b>Comment on Profitability</b></p> <p><b>Statement of Profit and Loss-Expenses</b></p> <p><b>1. Finance Costs (Note No.28) – ₹20,958.40 lakh.</b><br/>The above head is understated by ₹85.56 lakh due to non-inclusion of provision on account of penal interest payable to Department of Telecommunications on interest and principal amount overdue on soft loan for the year 2022-23.<br/>This has also resulted in understatement of loss by the same amount.</p> <p><b>2. Other Expenses (Note No. 30) – ₹ 13,892.97 lakh</b><br/>The above head is understated by ₹115.66 lakh due to non-provision of bills payable to various vendors on account of services rendered by them during the year 2022-23 in Bangalore plant, NS unit and RO Kolkata.<br/>This has also resulted in understatement of loss by the same amount.</p> <p><b>3. Additional disclosures (Note no 31)</b></p> <p>i. ITI Ltd. has shown ₹2,908.01 lakh as amount receivable from South Western railways on account of compensation for 1320 sqm acquired in K.R. Puram, Bangalore. However, as per the minutes of the meeting held between ITI Ltd. and South Western Railways on 16<sup>th</sup> March 2023, this amount is ₹1,172.16 lakh. This fact has not been disclosed in the books of accounts.</p> <p>ii. ITI Ltd. has not disclosed the undertaking given to Karnataka Industrial Area Development Board (KIADB) for acquisition of land mortgaged with Consortium Bankers with SBI as leading bank. The Company had given an undertaking to KIADB that in case Consortium Banks raise any objection with regard to the above acquisition, the amount of compensation would be duly deposited with SBI. The company has recognized ₹1,539.17 lakh as its income which is the compensation amount received from KIADB for acquiring this land.</p> <p><b>4. Contingent Liability -Note 31 (10):</b><br/>The above head is understated by ₹375.79 lakh due to under disclosure of amount payable to M/s Alphon Corporation by ITI Ltd. in compliance of arbitration award.</p> |
| 2       | Mahanagar Telephone Nigam Ltd | <p><b>Balance Sheet-Assets</b></p> <p><b>Non-Current Assets</b></p> <p><b>Property Plant and Equipment ₹2,697.87 crore (Note 4)</b></p> <p>1. The above head is understated by ₹6.96 crore recovered as liquidated damages which was not capitalized during the year. This also resulted in understatement of income by the same amount.</p> <p><b>Current Assets</b></p>  |

| Sr. No. | Name of the CPSE         | Observation   |
|---------|--------------------------|---|
|         |                          | <p>2. Cash and Cash Equivalents ₹146.52 crore (Note 16)</p> <p>The above head is overstated by ₹25.20 crore due to inclusion of fixed deposits tied up with banks as Performance Bank Guarantee. This also resulted in understatement of Non-Current-Other financial assets by the same amount.</p> <p>3. Contingent Liabilities-(Note 50)</p> <p>The above head is understated by ₹101.23 crore due to non-inclusion of the demand raised by South Delhi Municipal Corporation on MTNL in March 2021 towards property tax outstanding for the period from FY 2004-05 to FY 2020-21.</p>  |
| 3       | Bharat Sanchar Nigam Ltd | <p><b>A. Comments on Profitability</b></p> <p><b>Statement of Profit and Loss-Expenses</b></p> <p><b>1. Expenses-Employees benefit expenses ₹795,193 lakh (Note No. 33)</b></p> <p>The above head is understated by ₹9,707 lakh due to non-provisioning for pension contribution at maximum pay scale for the period from 01.12.2011 to 30.09.2014.</p> <p>This has also resulted in understatement of loss by the same amount. This issue was commented upon last year also.</p> <p><b>2. Depreciation and Amortisation Expenses ₹5,65,862 lakh (Note No. 35)</b></p> <p>The above head is understated by ₹1,72,266.93 lakh due to non-inclusion of amortisation of leasehold lands in Core Network Tx North and Madhya Pradesh circles, which were treated as freehold lands by the Company in its books of accounts.</p> <p>This has also resulted in understatement of loss and overstatement of Property, Plant and Equipment by the same amount. This issue was commented upon last year also.</p> <p><b>3. Other expenses ₹9,83,441 (Note 36)</b></p> <p>The above head is understated by ₹20,895.20 lakh due to non-inclusion of the penalty imposed by the TERM Cell of DoT on account of Customer Application Form (CAF) penalty and EMF penalty.</p> <p>This has resulted in understatement of loss also by the same amount. This issue was commented upon last year also.</p> <p><b>B. Comments on Financial Position</b></p> <p><b>4. Assets</b></p> <p><b>Non- Current Assets</b></p> <p><b>Property, Plant and Equipment ₹84,73,361 lakh [Note No. 3 (i)]</b></p> <p>The above head is overstated by ₹2,04,670.94 lakh due to inclusion of assets that have been identified and approved by the Department of Telecommunication for monetisation in 2019 and 2020. This has also resulted in understatement of the 'Assets Held for Sale' by the same amount. This issue was commented upon in the previous year also.</p> <p><b>5. Current Assets-</b></p> <p><b>Inventories ₹74,698 lakh (Note No. 11)</b></p> |

| Sr. No. | Name of the CPSE | Observation  |
|---------|------------------|--|
|         |                  | <p>The above head is overstated by ₹237.80 lakh due to inclusion of equipment pertaining to WLL CDMA that was closed in 2018. This has also resulted in understatement of provision for obsolete store by the same amount.</p> <p><b>6. Current Assets-Financial Assets</b><br/> <b>Trade receivables: ₹3,69,385 lakh (Note No.12)</b><br/> The above head is overstated by ₹128.01 lakh due to non-provisioning of long pending receivables from DoT on account of subsidy towards Village Public Telephone scheme, out of which 87 percent of the amount has already been disallowed by DoT. This has also resulted in understatement of loss by the same amount.</p> <p><b>7. Current Assets-</b><br/> <b>Other financial assets ₹10,45,116 lakh (Note No.16)</b><br/> The above head is overstated by inclusion of amount of ₹4.519.64 lakh shown recoverable from Hindustan Cables Limited which has been closed vide Union Cabinet's order in September 2016. This has also resulted in understatement of loss by the same amount.</p> <p><b>8. Other Current Assets: ₹8,85,944 lakh (Note No.18)</b><br/> The above head is overstated by inclusion of amount of ₹3,808.84 lakh on account of advances given to the contractors during the period of 2013 to 2019. These advances have neither been adjusted/reconciled or provided for in the books of accounts. This has also resulted in understatement of loss by the same amount.</p> <p><b>9. Liabilities -Current Liabilities</b><br/> <b>Financial liabilities</b><br/> <b>Trade Payables: ₹6.35.980 lakh (Note 27)</b><br/> The above head is overstated by including ₹21.453 lakh pertaining to vendors, time barred cheques, EMD and Security deposit from contractors/Suppliers from more than three years. This has also resulted in overstatement of loss by the same amount.</p> <p><b>10. Current Liabilities</b><br/> <b>Other Current Financial Liabilities: ₹29,92,002 Lakh (Note No. 28)</b><br/> The above head is understated by ₹176.21 lakh due to not providing for commission payable to Telecommunication Infrastructure Providers for the month of March 2023. This has also resulted in understatement of loss by the same amount.</p> <p><b>11. Other Current Liabilities: ₹10,69,345 lakh (Note No. 29)</b><br/> The above head is understated by ₹285.00 lakh due to non-provision of training expenditure for the months of February and March 2023, for which bills were also received from M/s Sterlite Technologies Limited in March 2023. This has also resulted in understatement of loss by the same amount.</p> <p><b>C. Comments on Cash Flow Statement</b><br/> <b>12. Net Change in working Capital</b><br/> The Company has included change in Non-Current Financial Assets and Liabilities for calculating changes in Working Capital instead of showing the same under Cash Flow from Investing Activities. This depiction is not</p> |

| Sr. No. | Name of the CPSE                           | Observation   |
|---------|--|---|
|         |  | <p>in line with the Ind AS 7. Thus, the Cash Flow Statement is deficient to that extent. This issue was commented upon last year also.</p> <p><b>D. Comments on Disclosure</b><br/> <b>13. Notes to Standalone Financial Statements for the year ended 31 March 2023</b><br/>                     M/s Vihaan Networks Limited served legal notice to BSNL in August 2020 for an amount of ₹60,000 lakh due to withdrawal of Advance Purchase Order by BSNL. The matter is in arbitration. This fact has not been disclosed in the books of accounts of BSNL for the year 2022-23.</p>   |
| 4       | CSC E-Gov Services Pvt. Ltd.               | <p><b>Comments on Profitability</b><br/> <b>Standalone Statement of Profit and Loss</b><br/> <b>Expenses-Impairment Loss on Financial Instruments</b><br/>                     The above head is understated by ₹71.55 lakh due to not including impairment of the losses in investment in the Joint Venture NIXI-CSC Data Regd. Services Limited.<br/>                     This resulted in overstatement of profit by the same amount and overstatement of the Investment in Associate and Joint Ventures.</p> <p><b>Comments on Cash Flow Statement</b><br/>                     Standalone Cash Flow Statement for the year 31 March 2023 Net Cash flow from/ (used in) investing activities: ₹5,127.41 lakh<br/>                     The Cash Flow Statement does not include interest on income tax refund of ₹287.08 lakh in cash flow from investing activities. The Cash Flow Statement is deficient to that extent.<br/>                     This resulted in non-compliance of Para 31of Ind AS 7.</p> <p><b>Comments on Notes to the Accounts</b><br/>                     Contingent Liabilities and Commitments<br/>                     Capital Commitments: ₹ 6,438.14 lakh (Note No.37)<br/>                     The above head is understated by an amount of ₹173.00 lakh due to non-inclusion of Annual Maintenance Contract charges for HPE Servers.</p> |
| 5       | Bhartiya Reserve Bank Note Mudran Pvt Ltd. | <p><b>Statement of Profit &amp; Loss- Expenses</b><br/> <b>Other Expenses ₹ 313.36 crore (Note 37)</b><br/>                     The above head is understated by ₹22.26 Crore on the inventory value of CWBN paper for ₹1000 denomination payable to RBI as per RBI's instructions dated April 2022. This also resulted in understatement of current liabilities by the same amount.<br/>                     Equity and Liabilities-Current Liabilities<br/> <b>Provisions ₹23.82 crore (Note 27)</b><br/>                     The above head is overstated by ₹2.80 crore due to provision made by the company for Leave Travel Facility in respect of those employees who have neither availed the facility nor submitted any application/claim for availing LTF as on 31 March 2023.<br/>                     This also resulted in understatement of profit of the Company for the year 2022-23 by the same amount. This comment was raised in the year 2021-22 also.</p>  |

| Sr. No. | Name of the CPSE                          | Observation  |
|---------|---|--|
| 6       | Bank Note Paper Mill India Pvt. Ltd.      | <p><b>Statement of Profit and Loss</b><br/> <b>Other Income (Note 26) ₹6,935.35 lakh</b><br/> The above head is understated by ₹274.69 lakh due to non-inclusion of the interest receivable from the Income tax department towards excess income tax paid for the Assessment year 2012-13 which has been confirmed by the Income Tax Department vide their letter dated 14 December 2022.<br/> This has also resulted in understatement of profit by the same amount.</p>  |
| 7       | India Post Payment Bank                   | <p><b>A. Comment on Profitability</b><br/> <b>Profit &amp; Loss Account</b><br/> <b>Other Income ₹487.10 crore (Schedule_14)</b><br/> The above head is understated by ₹4.95 Crore due to non-inclusion of Liquidated Damages charged from vendors. This resulted in understatement of profit by the same amount.</p> <p><b>B. Comment on Financial Position</b><br/> <b>Assets</b><br/> <b>Fixed Assets ₹59.64 crore. (Schedule 10)</b><br/> The above head is understated by ₹ 57.32 crore due to non-capitalization of the Liquidated Damages charged from vendors. This also resulted in understatement of the depreciation on the same.</p>   |
| 8       | Telecommunications Consultants India Ltd. | <p><b>Balance Sheet</b><br/> <b>CWIP/Intangible Assets under development ₹2,877.20 lakh (Note 3)</b><br/> 1 The above head is overstated by ₹66.70 lakh due to inclusion of amount relating to the purchase of Software from M/s IDC Technologies Solution India Private Ltd. for which the delivery is yet to be completed. Provision made by the company in this regard is also overstated by this amount. This also resulted in understatement of disclosure with respect to Capital Commitment for the year.</p> <p><b>Comment on Disclosure</b><br/> 2 The Company did not pay Dividend in the year 2022-23 violating the guidelines issued by the Department of Investment and Public Asset Management. This fact has not been disclosed in the annual accounts for the year.</p> <p><b>Capital and Other Commitments ₹1,435.13 lakh (Note 43)</b><br/> 3 The above head is understated by ₹5,933.47 lakh due to non-inclusion of the contracts/works which are yet to be executed against the purchase orders /contracts awarded in March 2023. This issue was commented on last year also.</p> <p><b>Comments on the Statutory Auditor's Report</b><br/> 4 The Statutory Auditors have not complied with the requirements of Companies (Auditor's Report) Order 2020 diligently. They have reported that the physical verification of the assets is done at an interval of once in every three years whereas the same is done annually.<br/> 5 Deficiencies in the internal financial control of the company in adjusting the advance given to the vendors and its accountal have also not been brought out.<br/> 6 The Statutory Auditor failed to suitably report on the sub directions (no. 1) issued by the CAG of India u/s 143(5) of the Companies Act, 2013 regarding implementation of IT system in accounting of the Company specifically in respect of the accounting of transactions conducted outside the IT system.</p> |

| Sr. No. | Name of the CPSE                          | Observation   |
|---------|---|---|
| 9       | Millenium Telecom Ltd                     | <p><b>A. Comment on Profitability</b><br/> <b>Statement of Profit and Loss-Income ₹45.49 lakh</b><br/> <b>Other Income (Note 19) ₹45.49 lakh</b><br/> <b>Reversal of Provision ₹13.82 lakh</b><br/>                     The above head is overstated by ₹13.51 lakh on account of reversal of the provision to meet expenses on Thane Municipal Commission maintenance contract, which was closed after the closure of the financial year. This resulted in overstatement of the profit also by the same amount.<br/>                     The Statutory Auditors also did not report this material impact on the financial statements of the Company.</p> <p><b>B. Comment on Financial Position</b><br/> <b>Balance sheet-Assets ₹958.14 lakh</b><br/> <b>Non-current Asset ₹31.81 lakh</b><br/> <b>Other Non-Current Assets (Note 4) ₹31.25 lakh</b><br/>                     The above head is understated by ₹ 9.41 lakh due to excess provision for taxation made for AY 2007-08 without having any corresponding Tax asset. This also resulted in overstatement of the provision by the same amount.</p>                |
| 10      | National Informatics Centre Services Inc. | <p><b>Comments on Profitability</b><br/> <b>Income and Expenditure Account-Expenses</b><br/> <b>Other Expenses ₹6,941.25 lakh (Note 29)</b><br/>                     The above head is understated by ₹341.75 lakh due to non-provision of demand raised by DoT in January 2023, in terms of License Fee agreement for interest and penalty for provision of VSAT services.<br/>                     This also resulted in overstatement of Income by the same amount.</p> <p><b>General Comment</b><br/>                     NICS has not disclosed the change in accounting policies which was approved by the Board of Directors.</p> <p><b>Commitments</b><br/> <b>Capital Commitments: ₹22,028.36 lakh (Note No. 38)</b><br/>                     The above head is understated by ₹639.77 lakh as it does not include NICS's commitments towards renovation expenses, procurement of software licenses and procurement of cloud services.</p>   |
| 11      | TCIL-Lalkhnadone Toll Road Ltd            | <p><b>Profit &amp; Loss Account-Expenses- Finance cost ₹603.04 lakh (Note 17)</b><br/>                     The above head is understated by ₹550.74 lakh due to non-inclusion of interest on loan payable to the holding company. This has also resulted in understatement of loss by the same amount.</p> <p><b>Contingent Liabilities &amp; Assets (Point IV of Note 20)</b><br/>                     Recognition of claim from Madhya Pradesh Road Development Corporation amounting to ₹3,657 lakh which has been denied by the Corporation in February 2023, as Contingent Assets is not in order.</p> <p><b>Comment on Disclosure</b><br/>                     The Company failed to disclose a material fact about decisions taken by the holding company, TCIL regarding its disinvestment.</p> <p><b>Comment on the Statutory Auditor's Report</b><br/>                     The Statutory Auditor failed to report the material uncertainty relating to going concern of the company as the company has eroded its net worth and unable to pay the liabilities without obtaining loans from its holding company.</p> |



**Significant Observations on the Accounts of Central Autonomous Bodies  
for the year 2022-23**

| Sr. No. | Name of the CAB                          | Observation   |
|---------|--|---|
| 1       | Security and Exchange Board of India     | <p><b>Fixed Assets (Schedule 6)</b><br/> <b>Furniture and Fixtures-₹ 31.64 crore</b><br/>           The above head is understated by ₹5.18 crore due to non-capitalization of the assets which were put to use during October 2022 but were shown as work in progress on the date of Balance Sheet. This resulted in overstatement of work in progress also by the same amount.</p> <p><b>Grants In Aid</b><br/>           No Grant in Aid was received from the Government of India or any other Government agency.</p>  |
| 2       | Unique Identification Authority of India | <p><b>Current Liabilities and Provisions (Schedule 7): ₹45,125.94 Lakh</b><br/> <b>Provisions: ₹.23,126.32 lakh</b><br/>           The above head each understated by ₹561.06 lakh due to non-inclusion of the expenses on account of salaries of staff, various AMC charges and other payable for the year 2022-23 in different regional offices as well as the Corporate Office of UIDAI. This also resulted in overstatement of surplus by the same amount.</p> <p><b>Grants in Aid</b><br/>           Out of the grants in aid of ₹1,220.37 crore (including unspent balance of ₹0.37 crore of the earlier year) received during the year, UIDAI utilized a sum of ₹ 1,220.03 crore, leaving a balance of ₹ 0.34 crore, as unutilized grant as on 31st March 2023.</p>  |
| 3       | Telecom Regulatory Authority of India    | <p><b>Income &amp; Expenditure Account</b><br/> <b>Other Administrative Expenses: ₹53.71 Crore</b><br/>           Above head is understated by ₹18.52 lakh due to non-inclusion of expenditure relating to the purchase of a software license with one-year validity. This also resulted in understatement of the deficit and overstatement of Intangible Assets by the same amount.</p> <p><b>Depreciation: ₹ 1.79 Crore</b><br/>           Above head is overstated by ₹ 61.92 lakh due to charging of excess depreciation on the Auditorium for the last three consecutive years (at the rate of 19.34 <i>per cent</i> instead of 10 <i>per cent</i>). This also resulted in overstatement of deficit and understatement of the Fixed Assets by the same amount.</p> <p><b>Revenue grant</b><br/>           Out of the grants in aid of ₹118.81 crore (including unspent balance of ₹21.63 crore of the earlier year) received during the year, TRAI utilized a sum of ₹104.07 crore, leaving a balance of ₹14.74 crore, as unutilized grant as on 31st March 2023.</p> <p><b>Capital grant</b><br/>           Out of the grants in aid of ₹135.91 crore (including unspent balance of ₹ 0.31 crore of the earlier year) received during the year, TRAI utilized a sum of ₹ 91.04 crore, leaving a balance of ₹44.87 crore, as unutilized grant as on 31 March 2023.</p> |

| Sr. No. | Name of the CAB                                    | Observation  |
|---------|--|--|
| 4       | International Financial Services Centres Authority | <p><b>Income &amp; Expenditure Account</b><br/>Expenditure/Other Administrative expenses ₹1,567.32 lakh (Sch. XIX)<br/>The above head is understated by ₹19.70 lakh due to non-inclusion of provision for traveling expenses, allowances and other charges for which bills were received by 31.03.2023. This also resulted in overstatement of surplus by the same amount.</p> <p><b>Grant-in-Aid</b><br/>The grant in aid of ₹73.68 crore (₹40.68 crore Revenue and ₹33.00 crore Capital) was received during the year. IFSCA utilized a sum of ₹58.59 crore (₹40.68 crore Revenue and ₹17.91 crore Capital), leaving a balance of ₹15.09 crore as un-utilized grant as on 31 March 2023.</p> |

**Annexure 2.1(A)**  
**{Refer to Paragraph 2.1.8.2(e)}**

**Statement Showing summary on Utilization of link in the year 2021-22**

| Utilization of Allotted Bandwidth<br>(in per cent) | No. of Institutes |  |
|--|-------------------|--|
|  | No. of Institutes | No. of Institutes<br>(cumulative figure) |
| <5   | 38                | 38                                       |
| 5-10   | 67                | 105                                      |
| 10-20  | 89                | 194                                      |
| 20-50  | 261               | 455                                      |
| >50  | 959               | 1,414                                    |
| <b>TOTAL</b>                                       | <b>1,414</b>      |  |

**Annexure 2.1(B)**  
**{Refer to Paragraph 2.1.8.2(e)}**

**Statement Showing Non-utilization of bandwidth by the Institutes**

| S. No. | Institute ID | Name of Institute   | Name of Service Provider | Peak Bandwidth Utilization (in Mb) |         |
|--------|--------------|---|--------------------------|------------------------------------|---------|
|        |              |   |                          | 2021-22                            | 2020-21 |
| 1      | INST/0882    | Thirumala Devasam Medical College, Alappuzha  | RAILTEL                  | 1                                  | 1       |
| 2      | INST/1173    | High Energy Materials Research Laboratory (HEMRL), Pune                               | POWERGRID                | 1                                  | 2       |
| 3      | INST/1257    | Baba Saheb Dr. B.R. Ambedkar College of Agricultural Engineering & Technology, Etawah | POWERGRID                | 1                                  | 1       |
| 4      | INST/1595    | Government Engineering College, Ramanagara  | BSNL                     | 0                                  | 1       |
| 5      | INST/1597    | Government Engineering College, Bellary   | BSNL                     | 0                                  | 1       |
| 6      | INST/1622    | National Archives of India, Delhi   | POWERGRID                | 1                                  | 1       |
| 7      | INST/1633    | Remount and Veterinary Corps Centre and College, Meerut                               | RAILTEL                  | 1                                  | 2       |
| 8      | INST/1808    | INS Dronacharya (Gunner School), Kochi  | BSNL                     | 0                                  | 1       |

**Annexure 2.2**  
**{Refer to Paragraph 2.1.8.3(a)}**

Statement Showing the amount paid in excess due to delay in application of revised rates for the period from 01-01-2020 to 31-03-2020

(₹ in lakh)

| Name of operators | Type of Link                           | Amount Applied for payment | Amount Due for Payment | Excess Payment       |
|-------------------|--|----------------------------|------------------------|----------------------|
| BSNL              | Core Links                             | 400.63                     | 347.47                 | 53.16                |
| PGCIL             |  | 1,094.94                   | 979.30                 | 115.65               |
| RCIL              |  | 849.42                     | 730.36                 | 119.06               |
|                   | <b>Subtotal</b>                        | <b>2,344.99</b>            | <b>2,057.13</b>        | <b>287.87</b>        |
| BSNL              | Edge Links                             | 861.32                     | 597.26                 | 264.06               |
| PGCIL             |  | 1,854.67                   | 1,323.17               | 531.51               |
| RCIL              |  | 2,110.46                   | 1,500.13               | 610.32               |
| MTNL              |  | 314.37                     | 224.81                 | 89.56                |
|                   | <b>Subtotal</b>                        | <b>5,140.82</b>            | <b>3,645.37</b>        | <b>1,495.45</b>      |
| BSNL              | District Links                         | 1,090.70                   | 753.45                 | 337.25               |
| PGCIL             |  | 643.12                     | 443.01                 | 200.11               |
| RCIL              |  | 868.78                     | 604.92                 | 263.86               |
|                   | <b>Subtotal</b>                        | <b>2,602.60</b>            | <b>1,801.38</b>        | <b>801.22</b>        |
| <b>G Total</b>    |  | <b>10,088.41</b>           | <b>7,503.88</b>        | <b>2,584.54</b>      |
|                   |  |                            |                        | <b>₹ 25.85 crore</b> |
| BSNL              | Bharat Sanchar Nigam Limited           |                            |                        |                      |
| PGCIL             | Powergrid Corporation of India Limited |                            |                        |                      |
| RCIL              | Railtel Corporation of India Limited   |                            |                        |                      |
| MTNL              | Mahanagar Telephone Nigam Limited      |                            |                        |                      |

**Annexure 2.3**  
**{Refer to Paragraph 2.1.8.3(b)}**

**Statement Showing the amount of excess payment due to non-application of Chargeable Distance based on the Agreement (amount in ₹)**

| S. No. | Link ID    | Core Link Start Point | Core Link End Point | Applied Slab as per Work Order | Radial Distance in Km | Chargeable Distance | Applicable slab | Name of Service provider | Bandwidth | DOCO      |
|--------|------------|-----------------------|---------------------|--------------------------------|-----------------------|---------------------|-----------------|--------------------------|-----------|-----------|
| 1      | CORE/18-B  | BENGALURU             | THIRUVANANTHAPURAM  | >750 & <1000                   | 507                   | 633                 | >500 & <750     | BSNL                     | 2.5 Gbps  | 21 Jan 11 |
|        |            |                       |                     |                                |                       |                     |                 |                          | 10 Gbps   | 27 Aug 11 |
| 2      | CORE/23-B  | KOLKATA               | KOHIMA              | >1250                          | 731                   | 914                 | >750 & <1000    | BSNL                     | 2.5 Gbps  | 1 Feb 12  |
| 3      | CORE/24-B  | KOLKATA               | IMPHAL              | >1250                          | 671                   | 839                 | >750 & <1000    | BSNL                     | 2.5 Gbps  | 3 Sep 11  |
| 4      | CORE/77-P  | KOLKATA               | GUWAHATI            | >1000 & <1250                  | 555                   | 693                 | >500 & <750     | PGCIL                    | 2.5 Gbps  | 23 May 11 |
|        |            |                       |                     |                                |                       |                     |                 |                          | 10 Gbps   | 14 Dec 12 |
| 5      | CORE/80-P  | KOLKATA               | SHILLONG            | >1000 & <1250                  | 518                   | 648                 | >500 & <750     | PGCIL                    | 2.5 Gbps  | 30 Nov 10 |
|        |            |                       |                     |                                |                       |                     |                 |                          | 10 Gbps   | 14 Dec 12 |
| 6      | CORE/81-P  | KOLKATA               | AGARTALA            | >1250                          | 359                   | 449                 | >250 & <500     | PGCIL                    | 2.5 Gbps  | 23 May 11 |
|        |            |                       |                     |                                |                       |                     |                 |                          | 10 Gbps   | 28 Feb 13 |
| 7      | CORE/82-P  | KOLKATA               | AIZWAL              | >1250                          | 504                   | 630                 | >500 & <750     | PGCIL                    | 10 Gbps   | 5 Mar 13  |
| 8      | CORE/96-R  | KOLKATA               | GUWAHATI            | >1000 & <1250                  | 555                   | 693                 | >500 & <750     | RAILTEL                  | 10 Gbps   | 5 Jul 17  |
| 9      | CORE/102-R | GUWAHATI              | AGARTALA            | >500 & <750                    | 260                   | 325                 | >250 & <500     | RAILTEL                  | 10 Gbps   | 3 Nov 17  |
| 10     | CORE/88-P  | JAMMU                 | SRINAGAR            | >250 & <500                    | 151                   | 189                 | <250            | PGCIL                    | 2.5 Gbps  | 12 Feb 11 |
|        |            |                       |                     |                                |                       |                     |                 |                          | 10 Gbps   | 16 Apr 13 |

**continue...**

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| Upto 31-03-2020/upgrade |             | 01-04-2020 to 31-03-2022 |             | Total Paid   | Upto 31-03-2020/<br>upgrade |             | 01-04-2020 to 31-03-2022 |             | Total Due   | Excess payment        |
|-------------------------|-------------|--------------------------|-------------|--------------|-----------------------------|-------------|--------------------------|-------------|-------------|-----------------------|
| Annual Rate             | Amout paid  | Annual Rate              | Amout paid  |              | Annual Rate                 | Amount Due  | Annual Rate              | Amount Due  |             |                       |
| 63,20,000               | 37,74,685   |                          | -           | 37,74,685    | 47,40,000                   | 28,31,014   |                          | -           | 28,31,014   | ₹ 9,43,671            |
| 90,40,000               | 7,77,68,767 | 76,84,000                | 1,53,68,000 | 9,31,36,767  | 67,80,000                   | 5,83,26,575 | 61,02,000                | 1,22,04,000 | 7,05,30,575 | ₹ 2,26,06,192         |
| 94,40,000               | 7,71,23,507 | 80,24,000                | 1,60,48,000 | 9,31,71,507  | 63,20,000                   | 5,16,33,534 | 53,72,000                | 1,07,44,000 | 6,23,77,534 | ₹ 3,07,93,973         |
| 94,40,000               | 8,10,28,822 | 80,24,000                | 1,60,48,000 | 9,70,76,822  | 63,20,000                   | 5,42,48,110 | 53,72,000                | 1,07,44,000 | 6,49,92,110 | ₹ 3,20,84,712         |
| 79,00,000               | 1,23,58,630 |                          | -           | 1,23,58,630  | 47,40,000                   | 74,15,178   |                          | -           | 74,15,178   | ₹ 49,43,452           |
| 1,13,00,000             | 8,25,05,479 | 96,05,000                | 1,92,10,000 | 10,17,15,479 | 67,80,000                   | 4,95,03,288 | 61,02,000                | 1,22,04,000 | 6,17,07,288 | ₹ 4,00,08,191         |
| 79,00,000               | 1,61,24,658 |                          | -           | 1,61,24,658  | 47,40,000                   | 96,74,795   |                          | -           | 96,74,795   | ₹ 64,49,863           |
| 1,13,00,000             | 8,25,05,479 | 96,05,000                | 1,92,10,000 | 10,17,15,479 | 67,80,000                   | 4,95,03,288 | 61,02,000                | 1,22,04,000 | 6,17,07,288 | ₹ 4,00,08,191         |
| 94,40,000               | 1,67,33,370 |                          | -           | 1,67,33,370  | 31,60,000                   | 56,01,425   |                          | -           | 56,01,425   | ₹ 1,11,31,945         |
| 1,35,00,000             | 9,57,57,534 | 1,14,75,000              | 2,29,50,000 | 11,87,07,534 | 45,20,000                   | 3,20,61,041 | 40,68,000                | 81,36,000   | 4,01,97,041 | ₹ 7,85,10,493         |
| 1,35,00,000             | 9,55,72,603 | 1,14,75,000              | 2,29,50,000 | 11,85,22,603 | 67,80,000                   | 4,79,98,685 | 61,02,000                | 1,22,04,000 | 6,02,02,685 | ₹ 5,83,19,918         |
| 1,13,00,000             | 3,09,89,863 | 96,05,000                | 1,92,10,000 | 5,01,99,863  | 67,80,000                   | 1,85,93,918 | 61,02,000                | 1,22,04,000 | 3,07,97,918 | ₹ 1,94,01,945         |
| 67,80,000               | 1,63,46,301 | 61,02,000                | 1,22,04,000 | 2,85,50,301  | 45,20,000                   | 1,08,97,534 | 40,68,000                | 81,36,000   | 1,90,33,534 | ₹ 95,16,767           |
| 31,60,000               | 68,74,082   |                          | -           | 68,74,082    | 15,80,000                   | 34,37,041   |                          | -           | 34,37,041   | ₹ 34,37,041           |
| 45,20,000               | 3,14,79,014 | 40,68,000                | 81,36,000   | 3,96,15,014  | 22,60,000                   | 1,57,39,507 | 20,34,000                | 40,68,000   | 1,98,07,507 | ₹ 1,98,07,507         |
|                         |             |                          |             |              |                             |             |                          |             |             | <b>₹ 37,79,63,861</b> |

**Annexure 2.4**  
**{Refer to Paragraph 2.1.8.3(c)}**

Statement showing the details where Inordinate delay in de-commissioning of 06 District Links resulted in unfruitful expenditure of ₹ 1.01 crore

| Sl. No.             | District Link Name              | Distance Slab (in Km) | De-hired District Link |                 |                      |                        | Replaced with New District Link |                 |                            | Difference in days (D1-D2) | Annual rate considered for 100 Mbps link payment (₹ in lakh) | Service Fee (₹ in lakh calculated basing 365 days) |
|---------------------|---------------------------------|-----------------------|------------------------|-----------------|----------------------|------------------------|---------------------------------|-----------------|----------------------------|----------------------------|--|--|
|                     |                                 |                       | Link ID                | TSP & Bandwidth | Reason for De-hiring | Date of de-hiring (D1) | Link ID                         | TSP & Bandwidth | Date of commissioning (D2) |                            |  |  |
| 1                   | Bengaluru To Davanagere         | >20                   | DHQ/461                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/428                         | PGCIL (1G)      | 30-01-2016                 | 381                        | 15.00  | 15.66  |
| 2                   | Thiruvananthapuram To Ernakulam | >20                   | DHQ/469                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/431                         | PGCIL (1G)      | 01-07-2015                 | 594                        | 15.00  | 24.41  |
| 3                   | Bhubaneswar To Angul            | >20                   | DHQ/485                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/432                         | PGCIL (1G)      | 02-01-2016                 | 409                        | 15.00  | 16.81  |
| 4                   | Bhubaneswar To Jharsuguda       | >20                   | DHQ/487                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/436                         | PGCIL (1G)      | 14-06-2016                 | 245                        | 15.00  | 10.07  |
| 5                   | Bhubaneswar To Bolangir         | >20                   | DHQ/488                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/433                         | PGCIL (1G)      | 30-12-2015                 | 412                        | 15.00  | 16.93  |
| 6                   | Bhubaneswar To Dhenkanal        | >20                   | DHQ/489                | BSNL (100 Mbps) | Change in Topology   | 14-02-2017             | DHQ/434                         | PGCIL (1G)      | 31-12-2015                 | 411                        | 15.00  | 16.89  |
| <b>Total</b>        |                                 |                       |                        |                 |                      |                        |                                 |                 |                            |                            |  | <b>100.77</b>                                      |
| <b>₹ 1.01 crore</b> |                                 |                       |                        |                 |                      |                        |                                 |                 |                            |                            |  |  |

**Annexure 2.5**  
**{Refer to Paragraph 2.1.8.3(d)}**

**Statement showing irregular payment to Private Vendors by NICSI for AMC of Networking Devices in NKN Project for the period not covered in contract**

| Sl. No. | PO No                 | Date of PO | Name of vendor                     | Period of AMC required | Date of requisition of AMC | Date of Publishing of Bid | Date of Finalisation and placing of PO | Amount of PO (₹)    | AMC Period from as per Contract | AMC Period to as per Contract | AMC Period from as per actual | AMC Period to as per actual | Period not covered under contract in Days | Amount per Day as per contract (₹) | Amount of payment for period outside contract (₹) |
|---------|-----------------------|------------|------------------------------------|------------------------|----------------------------|---------------------------|--|---------------------|---------------------------------|-------------------------------|-------------------------------|-----------------------------|---|------------------------------------|---|
| 1       | GEMC-5116877 05461133 | 06-Nov-19  | Inspira Enterprise India Pvt. Ltd. | 3-10-2019 to 31-3-2020 | 18-09-2019                 | 23-09-2019                | 06-11- 2019                            | 54,84,639           | 07-11-2019                      | 06-05-2020                    | 03-10-2019                    | 31-03-2020                  | 35  | 30,302                             | 10,60,566   |
| 2       | GEMC-5116877 64287385 | 03-Jun-20  | Inspira Enterprise India Pvt. Ltd. | 27-6-2019 to 31-3-2020 | 25-04-2019                 | 08-01-2020                | 03-06- 2020                            | 30,00,001           | 04-06-2020                      | 07-03-2021                    | 15-10-2019                    | 31-03-2020                  | 233                                       | 10,870                             | 25,32,610   |
| 3       | GEMC-5116877 98855685 | 20-May-21  | Inspira Enterprise India Pvt. Ltd. | 1-4-2021 to 31-3-2022  | 19-03-2021                 | 01-04-2021                | 20-05- 2021                            | 6,53,65,200         | 27-05-2021                      | 26-05-2022                    | 01-04-2021                    | 31-03-2022                  | 56  | 1,79,575                           | 1,00,56,185                                       |
| 4       | GEMC-5116877 26913461 | 18-Jun-21  | Arsenal Infosolutions Pvt. Ltd.    | 1-4-2021 to 31-3-2022  | 05-02-2021                 | 16-04-2021                | 18-06- 2021                            | 2,94,89,498         | 25-06-2021                      | 29-06-2022                    | 01-04-2021                    | 31-03-2022                  | 85  | 79,917                             | 67,92,974   |
| 5       | GEMC-5116877 78131467 | 21-Jun-21  | Arsenal Infosolutions Pvt. Ltd.    | 1-4-2021 to 31-3-2022  | 19-03-2021                 | 08-04-2021                | 21-06- 2021                            | 11,40,13,200        | 28-06-2021                      | 27-06-2022                    | 01-04-2021                    | 31-03-2022                  | 88  | 3,13,223                           | 2,75,63,631                                       |
| 6       | GEMC-511687755323453  | 30-Sep-21  | Inspira Enterprise India Pvt. Ltd. | 14-6-2021 to 31-3-2022 | 14-06-2021                 | 02-07-2021                | 30-09- 2021                            | 2,04,57,360         | 07-10-2021                      | 23-07-2022                    | 14-06-2021                    | 31-03-2022                  | 115                                       | 70,787                             | 81,40,472   |
| 7       | GEMC-511687728531912  | 30-Sep-21  | Arsenal Infosolutions Pvt. Ltd.    | 17-8-2021 to 31-3-2022 | 14-06-2021                 | 02-07-2021                | 30-09- 2021                            | 2,64,06,000         | 07-10-2021                      | 21-05-2022                    | 17-08-2021                    | 31-03-2022                  | 51  | 1,16,841                           | 59,58,876   |
| 8       | GEMC-511687786789056  | 26-May-22  | Inspira Enterprise India Pvt. Ltd. | 1-4-2022 to 31-3-2023  | 09-03-2022                 | 25-03-2022                | 26-05-2022                             | 9,60,86,250         | 02-06-2022                      | 01-06-2023                    | 01-04-2022                    | 31-03-2023                  | 62  | 2,63,973                           | 1,63,66,339                                       |
|         |                       |            |                                    |                        |                            |                           | <b>Total</b>                           | <b>36,03,02,148</b> |                                 |                               |                               |                             |   |                                    | <b>7,84,71,652</b>                                |
|         |                       |            |                                    |                        |                            |                           |  |                     |                                 |                               |                               |                             |   |                                    | <b>₹ 7.85 crore</b>                               |



**Annexure 2.6**  
**{Refer to Paragraph 2.1.8.3(d)}**

**Calculation of excess payment on AMC for previous period**

I. Details of Existing AMC

| Contract/ PO No. & Date     | Vendor                 | Amount (₹ in lakh) | Period of Warranty/AMC      |
|-----------------------------|------------------------|--------------------|-----------------------------|
| N1350166<br>Date 31-05-2013 | M/s HCL Comnet Limited | 4.52               | 29-06-2017 to<br>28-06-2018 |
| N1750103<br>Date 04-05-2017 | M/s Wipro Limited      | 828.38             | 01-07-2017 to<br>30-6-2018  |
|                             | <b>Total</b>           | <b>832.90</b>      |                             |

II. Detail of new AMC

| Contract/ PO No. & Date                  | Vendor                                     | Amount (₹ in lakh)         | Period of Warranty/AMC      |
|--|--|----------------------------|-----------------------------|
| GEMC-511687757-940960<br>Date 28-11-2018 | M/s Arsenal Info Solutions Private Limited | 1,367.98                   | 29-11-2018 to<br>28-11-2019 |
| O1900325<br>Date 02-07-2019              | M/s Arsenal Info Solutions Private Limited | 565.93<br>(pro rata basis) | 01-07-2018 to<br>28-11-2018 |
|  | <b>Total</b>                               | <b>1,933.91</b>            |                             |

**Missing Period:** 1-7-2018 to 28-11-2018 (4 months 28 days) i.e. 151 days

1. Amount actually paid on pro rata basis: ₹ 565.93 lakh (A)

2. Amount due as per cost of AMC for previous period:

M/s Wipro Limited- From 1-7-2017 to 30-6-2018: ₹ 828.38 lakh

M/s HCL Comnet Limited- From 29-6-2017 to 28-6-2018: ₹ 4.52 lakh

Total Cost of AMC = ₹832.90 lakh

One day AMC cost for previous period: ₹832.90 lakh divided by 365 days = ₹2.2819 lakh

Hence pro rata cost of AMC for missing period of 151 days = ₹2.2819 lakh\*151=  
₹ 344.57 lakh (B)

**3. Excess payment (A-B) = ₹ 221.36 lakh i.e., ₹ 2.21 crore**

**Annexure 2.7**  
**{Refer to Paragraph 2.2.4.1 (b)}**

**Details of disbursement under verticals of MSIPS**

| Sl. No.                 | Vertical Number* | Vertical Name                                     | No. of cases | No. of cases with disbursement | Amount of disbursement (₹ crore) |
|-------------------------|------------------|---|--------------|--------------------------------|----------------------------------|
| 1                       | A1               | Telecom Products                                  | 45           | 17                             | 480.66                           |
| 2                       | A2               | IT Hardware Products                              | 4            | 1                              | 13.58                            |
| 3                       | A3               | Consumer Electronics                              | 6            | 2                              | 54.49                            |
| 4                       | A4               | Health & Medical Electronics                      | 7            | 2                              | 12.13                            |
| 5                       | A5               | Strategic Electronics                             | 8            | 3                              | 21.43                            |
| 6                       | A6               | Solar Photovoltaic                                | 4            | 2                              | 5.8                              |
| 7                       | A7               | LED   | 10           | 1                              | 4.24                             |
| 8                       | A9               | Avionics  | 2            | 0                              | 0.00                             |
| 9                       | A10              | Industrial Electronics                            | 21           | 8                              | 29.83                            |
| 10                      | A13              | Automotive Electronics                            | 52           | 18                             | 279.63                           |
| 11                      | A15              | Energy Conservation Electronics                   | 3            | 2                              | 2.86                             |
| 12                      | A16              | Opto-Electronics                                  | 2            | 0                              | 0.00                             |
| 13                      | A17              | Biometric & Identity Devices                      | 8            | 4                              | 10.27                            |
| 14                      | A18              | Power supplies for ESDM products                  | 1            | 0                              | 0.00                             |
| 15                      | A19              | Consumer Appliances                               | 23           | 11                             | 235.10                           |
| 16                      | A25              | Electronic Security Devices                       | 1            | 0                              | 0.00                             |
| <b>Total of A</b>       |                  |   | <b>197</b>   | <b>71</b>                      | <b>1,150.02</b>                  |
| 17                      | B1               | Nano electronics components                       | 2            | 0                              | 0.00                             |
| 18                      | B2               | Semiconductor wafering                            | 11           | 6                              | 402.20                           |
| 19                      | B8               | Electromechanical components and mechanical parts | 50           | 24                             | 120.64                           |
| 20                      | B9               | Consumables & Accessories                         | 13           | 4                              | 16.62                            |
| 21                      | B13              | Organic Light Emitting Diodes                     | 2            | 0                              | 0.00                             |
| <b>Total of B</b>       |                  |   | <b>78</b>    | <b>34</b>                      | <b>539.46</b>                    |
| 22                      | C                | Electronics manufacturing services (EMS)          | 35           | 8                              | 63.31                            |
| 23                      | E                | Raw materials exclusively for electronic products | 3            | 1                              | 2.89                             |
| <b>Total of A+B+C+E</b> |                  |   | <b>313</b>   | <b>114</b>                     | <b>1,755.68</b>                  |

\*In case an application relates to more than one vertical, then for calculation purpose, the first vertical as appearing in approval letter of M-SIPS application is taken into consideration.

**Annexure 2.8**  
**{Refer to Paragraph 2.2.4.2 (a)}**

**Details of appraisal and disbursement of application received under MSIPS upto March 2022 (24 selected cases)**

| S. N. | Applicant                                    | Date of receipt of application | Time Zone* | Appraisal Report | Appraisal Committee meeting date | Date of Approval | Capex Approved (₹ in crore) | Gestation Period                      | Completed | Claim                                     | Claim Submitted | Verification completed | Date of Sanction of Incentive disbursed | Investment Made (₹ in crore) | Subsidy/ Incentive disbursed (₹ in crore) | Delay        |
|-------|--|--------------------------------|------------|------------------|----------------------------------|------------------|-----------------------------|---------------------------------------|-----------|---|-----------------|------------------------|---|------------------------------|---|--------------|
| 1     | Mundra Solar PV Limited                      | 14-Sep-15                      | II         | 01-May-18        | 27-Nov-18                        | 25-Feb-19        | 1,710.71                    | 10 years from the date of application | 13-Sep-25 | Claim I (Fresh)                           | 20-Jun-19       | 24-Jun-19              | 20-Sep-19                               | 1,803.86                     | 294.91                                    | <b>1,075</b> |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT Claim (Withheld amount of Claim I)    | 30-Sep-19       | 22-Oct-19              | 04-Jun-20                               | 62.16                        | 12.43                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Disallowance of Claim I                   | 25-Nov-19       | 09-Mar-20              | 02-Jun-20                               | 32.51                        | 6.39                                      |              |
| 2     | Samsung India Electronics Private Limited    | 23-Jun-17                      | III        | 01-Nov-17        | 14-Nov-17                        | 06-Mar-18        | 2,036.65                    | 5 years from the date of approval     | 05-Mar-23 | Claim I (Fresh)                           | 17-Feb-21       | 08-Mar-21              | 09-Mar-22                               | 1,192.85                     | 205.25                                    | <b>71</b>    |
| 3     | Sterlite Technologies Limited                | 02-Sep-15                      | II         | 03-Nov-15        | 16-Nov-15                        | 15-Feb-16        | 875.36                      | 10 years from the date of application | 01-Sep-25 | Claim I (Fresh)                           | 18-May-18       | 09-Jul-18              | 27-Aug-18                               | 238.89                       | 13.4                                      |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II (Fresh)                          | 20-Mar-18       | 09-Jul-18              | 27-Aug-18                               |                              | 15.42                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim I (Phase II & III)                  | 14-Oct-19       | 21-Nov-19              | 01-Nov-21                               | 670.56                       | 128.85                                    |              |
| 4     | Bosch Automotive Electronics Private Limited | 21-Jan-13                      | I          | 01-Mar-13        | 11-Apr-13                        | 12-Jul-13        | 426.9                       | 10 years from the date of approval    | 11-Jul-23 | Claim I (Fresh)                           | 09-Jul-14       | 30-Oct-14              | 01-Jan-15                               | 111.84                       | 13.74                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II (Fresh)                          | 18-Nov-15       | 30-Jun-16              | 28-Dec-16                               | 176.50                       | 21.16                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III (Fresh)                         | 17-Dec-16       | 09-Apr-18              | 01-Aug-18                               | 71.20                        | 12.46                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim IV (Fresh)                          | 06-Dec-17       | 07-Jun-18              | 28-Sep-18                               | 57.06                        | 12.42                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of claim II                     | 19-Feb-19       | 27-Feb-19              | 30-Mar-19                               | 54.89                        | 11.21                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of claim III                    | 14-Aug-20       | 25-Aug-20              | 15-Jan-21                               | 10.19                        | 2.42                                      |              |
| 5     | LG Electronics India Pvt. Ltd                | 27-Aug-15                      | II         | 01-Nov-15        | 16-Nov-15                        | 15-Feb-16        | 250.19                      | 10 years from the date of application | 26-Aug-25 | Claim I                                   | 20-Aug-18       | 20-Aug-18              | 26-Dec-18                               | 153.94                       | 15.52                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 01-Oct-18       | 30-Nov-18              | 29-Mar-19                               | 25.39                        | 4.36                                      |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III                                 | 23-Dec-19       | 23-Jan-20              | 24-Mar-20                               | 55.42                        | 7.29                                      |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of withheld amount of claim I   | 02-Jun-20       | 01-Jul-20              | 10-Mar-21                               | 86.36                        | 21.45                                     |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of withheld amount of claim II  | 14-Oct-19       | 30-Sep-20              | 21-May-21                               | 2.90                         | 0.72                                      |              |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of withheld amount of Claim III | 21-Dec-20       | 21-Dec-20              | 24-Feb-21                               | 20.13                        | 5.03                                      |              |

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| S. N. | Applicant  | Date of receipt of application | Time Zone* | Appraisal Report | Appraisal Committee meeting date | Date of Approval | Capex Approved (₹ in crore) | Gestation Period                      | Completed | Claim                                     | Claim Submitted | Verification completed | Date of Sanction of Incentive disbursed | Investment Made (₹ in crore) | Subsidy/ Incentive disbursed (₹ in crore) | Delay |
|-------|--|--------------------------------|------------|------------------|----------------------------------|------------------|-----------------------------|---------------------------------------|-----------|---|-----------------|------------------------|---|------------------------------|---|-------|
| 6     | Liebherr Appliances India Private Limited  | 29-Jun-16                      | II         | 01-Aug-17        | 23-Aug-17                        | 22-Nov-17        | 341.99                      | 10 years from the date of application | 28-Jun-26 | Claim I                                   | 28-Jul-18       | 21-Aug-18              | 28-Dec-18                               | 192.92                       | 22.33                                     | 326   |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim I (withheld amount of bulding)      | 11-Mar-19       | 30-May-19              | 21-Aug-19                               | 43.59                        | 10.9                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 17-Oct-19       | 13-Nov-19              | 24-Mar-20                               | 68.65                        | 12.04                                     |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II (Withheld amount- R&D and Tools) | 13-May-20       | 13-Nov-19              | 04-Sep-20                               | 11.93                        | 1.85                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III                                 | 27-Apr-21       | 30-Apr-21              | 18-Oct-21                               | 25.92                        | 2.72                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | RPT of Claim II                           | 15-Nov-21       | 02-Dec-21              | 17-Feb-22                               | 0.24                         | 0.06                                      |       |
| 7     | Haier appliances India (P) Ltd   | 15-Oct-15                      | II         | 15-Jan-16        | 01-Feb-16                        | 29-Mar-16        | 386.15                      | 10 years from the date of application | 14-Oct-25 | Claim I                                   | 07-Sep-18       | 26-Nov-18              | 05-Feb-19                               | 469.06                       | 42.06                                     |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 14-Aug-19       | 16-Aug-19              | 15-Jan-20                               | 33.00                        | 1.09                                      |       |
| 8     | Mando Hella Electronics Automotive India Private Limited                             | 25-Jul-15                      | I          | 01-Jan-16        | 02-Feb-16                        | 21-Mar-16        | 210.56                      | 10 years from the date of approval    | 20-Mar-26 | Claim I                                   | 09-Oct-17       | 03-Jan-18              | 19-Apr-18                               | 210.55                       | 29.68                                     | 55    |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 17-Sep-18       | 20-Feb-19              | 09-Dec-19                               | 7.09                         | 1.56                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III                                 | 15-Mar-21       | 18-Mar-21              | 08-Jul-21                               | 21.04                        | 3.59                                      |       |
| 9     | Havells India Limited  | 25-Jan-18                      | III        | 01-Jul-18        | 05-Sep-18                        | 05-Nov-18        | 315.31                      | 5 years from the date of approval     | 04-Nov-23 | Claim I                                   | 05-Mar-20       | 19-Mar-20              | 22-Apr-20                               | 195.44                       | 22.49                                     | 99    |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 08-Oct-20       | 04-Nov-20              | 05-Feb-21                               | 49.90                        | 8.42                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III                                 | 16-Jun-21       | 18-Jun-21              | 18-Oct-21                               | 9.93                         | 1.91                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim IV                                  | 03-Feb-22       | 14-Feb-22              | 21-Mar-22                               | 7.68                         | 1.81                                      |       |
| 10    | Sakura Premier Solar Private Limited (Premier Energies Photovoltaic Private Limited) | 01-Dec-18                      | III        | 01-May-20        | 08-Jun-20                        | 08-Jul-20        | 224.72                      | 5 years from the date of approval     | 07-Jul-25 | Claim I                                   | 05-Jan-22       | 21-Jan-22              | 09-Mar-22                               | 179.63                       | 32.77                                     | 400   |
| 11    | Magnet Marelli Powertrain India (P) Ltd (Marelli Powertrain India Private limited)   | 20-Nov-14                      | I          | 04-Jan-15        | 12-Feb-15                        | 06-Apr-15        | 192.05                      | 10 years from the date of approval    | 05-Apr-25 | Claim I                                   | 04-May-16       | 16-Jun-17              | 25-Oct-17                               | 110.06                       | 14.36                                     |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim II                                  | 16-Sep-16       | 16-Jun-17              | 25-Oct-17                               |                              | 3.91                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim III                                 | 22-Jan-19       | 28-Feb-19              | 22-Nov-19                               | 40.90                        | 8.42                                      |       |
|       |  |                                |            |                  |                                  |                  |                             |                                       |           | Claim IV                                  | 05-Jan-21       | 03-Feb-21              | 17-Mar-21                               | 14.10                        | 2.77                                      |       |

| S. N. | Applicant                                     | Date of receipt of application | Time Zone* | Appraisal Report | Appraisal Committee meeting date | Date of Approval | Capex Approved (₹ in crore) | Gestation Period                      | Completed | Claim   | Claim Submitted | Verification completed | Date of Sanction of Incentive disbursed | Investment Made (₹ in crore) | Subsidy/ Incentive disbursed (₹ in crore) | Delay |
|-------|---|--------------------------------|------------|------------------|----------------------------------|------------------|-----------------------------|---------------------------------------|-----------|---|-----------------|------------------------|---|------------------------------|---|-------|
| 12    | Velankini Electronics Pvt. Ltd                | 05-Aug-15                      | II         | 01-Nov-15        | 02-Feb-16                        | 29-Mar-16        | 100.96                      | 10 years from the date of application | 04-Aug-25 | Claim I   | 12-Apr-16       | 15-Jun-17              | 23-Oct-17                               | 69.80                        | 12.8                                      | 52    |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Disallowance Claim of Claim I                         | 02-Apr-18       | 11-Apr-18              | 28-Nov-19                               | 0.98                         | 0.78                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 02-Feb-18       | 22-Feb-18              | 07-May-18                               | 23.65                        | 8.68                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim III   | 12-Jan-18       | 11-Apr-18              | 30-Jul-18                               | 18.69                        | 5.42                                      |       |
| 13    | Nidec India Private Limited                   | 13-Aug-14                      | I          | 20-Oct-14        | 18-Nov-14                        | 17-Dec-14        | 181.91                      | 10 years from the date of approval    | 16-Dec-24 | Claim I   | 05-Sep-16       | 02-Jun-17              | 29-Aug-17                               | 90.94                        | 12.68                                     |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim II (recovery of excess disbursement of Claim I) | 15-Jan-20       | 20-Feb-20              | NA                                      | 0.00                         | 0   |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of Withheld Claim I                         | 11-May-20       | 27-May-20              | 08-Sep-20                               | 21.65                        | 5.05                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of Withheld Claim II                        | 14-Sep-20       | 18-Sep-20              | 06-Jan-21                               | 11.58                        | 2.89                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim III   | 25-Feb-21       | 26-Feb-21              | 22-Jul-21                               | 22.52                        | 5.22                                      |       |
| 14    | Jabil Circuits India Pvt Ltd                  | 18-Dec-13                      | I          | 04-Apr-14        | 23-Apr-14                        | 04-Jun-14        | 103.64                      | 10 years from the date of approval    | 03-Jun-24 | Claim I   | 10-Nov-16       | 13-Jun-17              | 29-Aug-17                               | 103.64                       | 24.97                                     |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Disallowance Claim of Claim I                         | 13-May-19       | 04-Jun-19              | 23-Aug-19                               | 1.77                         | 0.44                                      |       |
| 15    | Mitsubishi Electric Automotive India Pvt Ltd. | 21-Aug-15                      | II         | 08-Nov-15        | 16-Nov-15                        | 05-Feb-16        | 108.1                       | 10 years from the date of application | 20-Aug-25 | Claim I   | 16-Apr-18       | 16-May-18              | 04-Sep-18                               | 74.84                        | 2.17                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | RPT claim of Claim I                                  | 15-Jan-20       | 29-Jan-20              | 24-Mar-20                               | 53.75                        | 13.44                                     |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 22-Jan-20       | 24-Mar-20              | 06-Nov-20                               | 27.60                        | 0.22                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | RPT Claim of Claim II                                 | 12-Jul-21       | 14-Jul-21              | 04-Oct-21                               | 24.17                        | 6.04                                      |       |
| 16    | Birla Furukawa Fibre Optics Private Limited   | 17-Oct-17                      | III        | 01-Mar-18        | 16-Apr-18                        | 09-Jul-18        | 88.97                       | 5 years from the date of approval     | 08-Jul-23 | Claim I   | 10-Oct-19       | 31-Oct-19              | 21-Jan-20                               | 88.46                        | 20.18                                     | 80    |
| 17    | Vindhya Telelinks Limited                     | 23-Mar-18                      | III        | 01-Jun-18        | 27-Jun-18                        | 17-Aug-18        | 53.68                       | 5 years from the date of approval     | 16-Aug-23 | Claim I   | 15-May-19       | 12-Jun-19              | 10-Jan-20                               | 34.86                        | 7.52                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 12-Nov-20       | 18-Nov-20              | 12-Feb-21                               | 6.17                         | 1.49                                      |       |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim I (Phase II)                                    | 10-Aug-21       | 20-Aug-21              | 30-Dec-21                               | 15.91                        | 3.89                                      |       |
| 18    | Bharat Heavy Electricals Limited              | 08-Mar-16                      | II         | 01-Jun-16        | 15-Jun-16                        | 07-Mar-17        | 62.44                       | 10 years from the date of application | 07-Mar-26 | Claim I   | 22-Dec-17       | 22-Jun-18              | 27-Aug-18                               | 60.01                        | 11.7                                      | 179   |
| 19    | Vishakha Renewables Pvt Ltd.                  | 19-Oct-15                      | II         | 01-Apr-17        | 19-Apr-17                        | 04-Aug-17        | 48.25                       | 10 years from the date of application | 18-Oct-25 | Claim I   | 01-Mar-18       | 01-Mar-18              | 11-May-18                               | 27.30                        | 5.03                                      | 470   |
|       |   |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 30-Oct-18       | 31-Oct-18              | 31-Dec-18                               | 19.04                        | 3.76                                      |       |

Report No. 1 of 2025

| S. N.                                  | Applicant                     | Date of receipt of application | Time Zone* | Appraisal Report | Appraisal Committee meeting date | Date of Approval | Capex Approved (₹ in crore) | Gestation Period                      | Completed | Claim     | Claim Submitted | Verification completed | Date of Sanction of Incentive disbursed | Investment Made (₹ in crore) | Subsidy/ Incentive disbursed (₹ in crore) | Delay           |
|--|-------------------------------|--------------------------------|------------|------------------|----------------------------------|------------------|-----------------------------|---------------------------------------|-----------|-----------|-----------------|------------------------|---|------------------------------|---|-----------------|
| 20                                     | HiQ Electronics Pvt Ltd       | 21-Jul-15                      | I          | 01-Feb-16        | 26-Feb-16                        | 25-Apr-16        | 20.83                       | 10 years from the date of approval    | 24-Apr-26 | Claim I   | 28-Mar-17       | 23-Jun-17              | 10-Oct-17                               | 17.71                        | 6.42                                      | 94              |
| 21                                     | Celkon Impex Pvt Ltd.         | 01-Jul-16                      | II         | 01-Jan-18        | 11-Jan-18                        | 27-Mar-18        | 44.84                       | 10 years from the date of application | 30-Jun-26 | Claim I   | 08-Aug-17       | 13-Aug-18              | 28-Sep-18                               | 34.25                        | 5.73                                      | 449             |
| 22                                     | Secure Meters Limited         | 25-Jan-16                      | II         | 25-Jan-16        | 02-Feb-16                        | 22-Mar-16        | 29.74                       | 10 years from the date of application | 24-Jan-26 | Claim I   | 21-Mar-17       | 27-Jun-17              | 02-Nov-17                               | 20.68                        | 4.6                                       |                 |
|  |                               |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 18-Jun-18       | 18-Jun-18              | 25-Oct-19                               | 12.31                        | 0.8                                       |                 |
| 23                                     | VSUN Mobile Pvt Ltd           | 13-Oct-15                      | II         | 11-Feb-16        | 26-Feb-16                        | 02-Mar-17        | 16.16                       | 10 years from the date of application | 12-Oct-25 | Claim I   | 14-Aug-17       | 18-Apr-18              | 27-Aug-18                               | 16.15                        | 4.35                                      | 321             |
| 24                                     | TE Connectivity India Pvt Ltd | 25-Feb-16                      | II         | 01-Aug-17        | 17-Aug-17                        | 07-Dec-17        | 22.15                       | 10 years from the date of application | 24-Feb-26 | Claim I   | 19-Sep-18       | 26-Mar-19              | 30-Mar-19                               | 13.16                        | 2.6                                       | 466             |
|  |                               |                                |            |                  |                                  |                  |                             |                                       |           | Claim II  | 28-May-20       | 19-Jun-20              | 15-Oct-20                               | 1.83                         | 0.46                                      |                 |
|  |                               |                                |            |                  |                                  |                  |                             |                                       |           | RPT Claim | 19-May-20       | 12-Jun-20              | 25-Nov-20                               | 2.50                         | 0.44                                      |                 |
| <b>Capex invested by 24 applicants</b> |                               |                                |            |                  |                                  |                  |                             |                                       |           |           |                 |                        |   | <b>7434.20</b>               |   | <b>14 Cases</b> |

\*Time zone-I refers to application received from 27 July 2012 to 02 August 2015.

Time zone-II refers to application received from 3 August 2015 to 29 January 2017.

Time zone-III refers to application received from 30 January 2017 to 31 December 2018.

**Annexure 2.9**

*{Refer to Paragraph 2.2.4.4 (b)}*

**Status of Quarterly Progress Reports under M-SIPS**

| No of approved applications | No of applicants who have not submitted any QPR | No. of approved application in which disbursement was made | No. of applicants who have not submitted QPR regularly | Required no of QPR | Actual QPR uploaded |
|-----------------------------|---|--|--|--------------------|---------------------|
| 313                         | 30  | 114  | 54   | 4,966              | 3,563               |

**Annexure 3.1**  
**(Refer to Paragraph 3.1)**

**Annexure showing details of non-recovery of GST on speed post articles booked under BNPL Scheme by Postal units**

| Sl. No. | Name of Postal Circle | Name of the unit                        | Period for which bills were issued without GST |        | Total no of months/days | Total amount of invoices (in ₹) | Amount of GST not recovered (in ₹) |
|---------|-----------------------|---|--|--------|-------------------------|---------------------------------|------------------------------------|
|         |                       |   | From   | To     |                         |                                 |                                    |
| 1       | Andhra Pradesh        | CPMG Vijayawada (Kurnool region)        | Jul-22   | Feb-23 | 8 months                | 74,015                          | 13,323                             |
|         |                       | CPMG Vijayawada (Vijayawada region)     | Jul-22   | Feb-23 | 8 months                | 2,07,42,483                     | 37,33,647                          |
|         |                       | CPMG Vijayawada (Vishakhapatnam region) | Jul-22   | Feb-23 | 8 months                | 3,58,064                        | 64,452                             |
| 2       | Bihar                 | GPO Ranchi                              | Jul-22   | Feb-23 | 8 months                | 24,04,528                       | 4,32,815                           |
| 3       | Gujarat               | CPMG Ahmedabad                          | Sep-22   | Jan-23 | 5 months                | 7,56,56,850                     | 1,36,18,233                        |
| 4       | Haryana               | GPO Ambala                              | Jul-22   | Feb-23 | 8 months                | 40,69,929                       | 7,32,587                           |
| 5       | Himachal Pradesh      | CPMG Shimla                             | Jul-22   | Feb-23 | 8 months                | 1,16,91,867                     | 21,04,536                          |
| 6       | Jammu & Kashmir       | GPO Srinagar                            | Nov-22   | May-23 | 7 months                | 22,79,611                       | 4,10,330                           |
| 7       | Karnataka             | NSH Bengaluru                           | Jul-22   | Jan-23 | 7 months                | 2,02,29,078                     | 36,41,234                          |
|         |                       | GPO Bengaluru                           | Jul-22   | Jan-23 | 7 months                | 1,37,97,321                     | 24,83,518                          |
| 8       | Kerala                | NSH Trivandrum                          | Aug-22   | Feb-23 | 7 months                | 7,74,72,634                     | 1,39,45,074                        |
|         |                       | NSH Ernakulam                           | Aug-22   | Mar-23 | 8 months                | 1,21,80,347                     | 21,92,462                          |
|         |                       | NSH Kozhikode                           | Aug-22   | Feb-23 | 7 months                | 1,20,11,534                     | 21,62,076                          |
| 9       | W. Bengal             | GPO Kolkata                             | Jul-22   | Feb-23 | 8 months                | 1,29,18,689                     | 23,25,364                          |
| 10      | Madhya Pradesh        | NSH Bhopal                              | Jul-22   | Sep-23 | 15 months               | 1,21,89,953                     | 21,94,192                          |
|         |                       | TT Nagar HO Bhopal                      | Aug-22   | Jun-23 | 11 months               | 8,87,12,440                     | 1,59,68,239                        |
| 11      | Maharashtra           | CPMG Mumbai (Mumbai region)             | Jul-22   | Jan-23 | 7 months                | 9,49,99,199                     | 1,70,99,856                        |
|         |                       | CPMG Mumbai (Navi Mumbai region)        | Jul-22   | Jan-23 | 7 months                | 5,22,74,208                     | 94,09,357                          |
|         |                       | CPMG Mumbai (Goa region)                | Jul-22   | Jan-23 | 7 months                | 2,58,91,445                     | 46,60,460                          |
|         |                       | CPMG Mumbai (Pune region)               | Jul-22   | Jan-23 | 7 months                | 46,88,261                       | 8,43,887                           |



| Sl. No.      | Name of Postal Circle | Name of the unit                   | Period for which bills were issued without GST |        | Total no of months/days | Total amount of invoices (in ₹) | Amount of GST not recovered (in ₹) |
|--------------|-----------------------|------------------------------------|--|--------|-------------------------|---------------------------------|------------------------------------|
|              |                       |                                    | From   | To     |                         |                                 |                                    |
|              |                       | CPMG Mumbai (Nagpur region)        | Jul-22   | Jan-23 | 7 months                | 1,76,64,855                     | 31,79,674                          |
|              |                       | CPMG Mumbai (Aurangabad region)    | Jul-22   | Jan-23 | 7 months                | 3,40,49,391                     | 61,28,890                          |
| 12           | Odisha                | CPMG Odisha                        | Jul-22   | Feb-23 | 8 months                | 2,06,37,652                     | 37,14,777                          |
| 13           | Punjab                | NSH Chandigarh                     | Jul-22   | Jan-23 | 7 months                | 5,53,48,934                     | 99,62,808                          |
|              |                       | GPO Jalandhar City                 | Jul-22   | Jan-23 | 7 months                | 77,28,901                       | 13,91,202                          |
| 14           | Delhi                 | BPC Market Road                    | Jul-22   | Feb-23 | 8 months                | 5,35,62,372                     | 96,41,227                          |
|              |                       | Indraprastha HO                    | Jul-22   | Feb-23 | 8 months                | 71,06,252                       | 12,79,125                          |
|              |                       | Assistant Director, New Delhi GPO. | Jul-22   | Jan-23 | 7 months                | 51,96,632                       | 9,35,394                           |
|              |                       | Sr. Post Master, Sansad Marg PO    | Aug-22   | Sep-23 | 14 months               | 23,10,921                       | 4,15,966                           |
| 15           | Tamil Nadu            | BNPL hub, Anna road Chennai        | Aug-22   |        | 1 month                 | 33,550                          | 6,039                              |
|              |                       | Ramanathauram HPO                  | Sep-22   |        | 1 month                 | 21,265                          | 3,828                              |
|              |                       | PMG Central region Trichy          | Jul-22   | Feb-23 | 8 months                | 57,66,863                       | 10,38,035                          |
| <b>TOTAL</b> |                       |                                    |  |        |                         | <b>75,40,70,044</b>             | <b>13,57,32,607</b>                |

**Annexure 4.1**  
**{Para No. 4.1.4.3A (1)}**

**Calculation of SUC for MWA spectrum beyond 11th Carrier**

(₹ in crore)

**Vodafone Idea Ltd.**

| Year    | Quarter | AGR    | As per CCA  | As per Audit |              |
|---------|---------|--------|-------------|--------------|--------------|
|         |         |        | SUC @3.95 % | SUC @ 6.85 % | Difference   |
| 2018-19 | Q3      | 366.89 | 14.49       | 25.13        | <b>10.64</b> |

**Method of Calculation of Short Levy of SUC:**

| Particulars                             | No. of Carriers | SUC rate | Cumulative SUC rate |
|---|-----------------|----------|---------------------|
| As per DoT order dated<br>10.11.2008    | 8               | 0.50     | 2.80                |
|   | 10              | 0.55     | 3.35                |
|   | 11              | 0.60     | 3.95                |
| Calculation by Audit<br>(Extrapolation) | 12              | 0.65     | 4.60                |
|   | 13              | 0.70     | 5.30                |
|   | 14              | 0.75     | 6.05                |
|   | 15              | 0.80     | 6.85                |
|   | 16              | 0.85     | 7.70                |

**Annexure 4.2 (a)**  
**{Para 4.1.4.3(B) (2)}**

**Statement showing details of difference of SUC amount due to application of lower rates  
for BAL in respect of Haryana & Kerala Circle**

*(₹ in crore)*

| 2018-19 (Haryana) |                |                                     |                                   |                     |                          |             |
|-------------------|----------------|-------------------------------------|-----------------------------------|---------------------|--------------------------|-------------|
| Qtr               | AGR as per DoT | SUC Rate as per Audit (in per cent) | Rate applied by CCA (in per cent) | Amount as per Audit | Amount calculated by CCA | Difference  |
| Q-1               | 65.57          | 4.31                                | 4.2                               | 2.83                | 2.75                     | 0.07        |
| Q-2               | 71.69          | 4.31                                | 4.20                              | 3.09                | 3.01                     | 0.08        |
| Q-3               | 78.62          | 4.31                                | 4.20                              | 3.39                | 3.30                     | 0.09        |
| Q-4               | 79.90          | 4.31                                | 4.20                              | 3.44                | 3.36                     | 0.09        |
| <b>Total</b>      |                |                                     |                                   | <b>12.75</b>        | <b>12.42</b>             | <b>0.33</b> |

| 2018-19 (Kerala) |                |                                     |                                   |                     |                          |             |
|------------------|----------------|-------------------------------------|-----------------------------------|---------------------|--------------------------|-------------|
| Qtr              | AGR as per DoT | SUC Rate as per Audit (in per cent) | Rate applied by CCA (in per cent) | Amount as per Audit | Amount calculated by CCA | Difference  |
| Q-1              | 136.87         | 3.50                                | 3.36                              | 4.79                | 4.60                     | 0.19        |
| Q-2              | 138.33         | 3.50                                | 3.36                              | 4.84                | 4.65                     | 0.19        |
| Q-3              | 156.53         | 3.50                                | 3.36                              | 5.48                | 5.26                     | 0.22        |
| Q-4              | 136.45         | 3.50                                | 3.36                              | 4.78                | 4.58                     | 0.19        |
| <b>Total</b>     |                |                                     |                                   | <b>19.89</b>        | <b>19.09</b>             | <b>0.80</b> |
| <b>Total</b>     |                |                                     |                                   |                     |                          | <b>1.12</b> |

**Annexure 4.2 (b)**  
**{Para 4.1.4.3(B) (2)}**

Statement showing short assessment of SUC by CCAs post sharing of spectrum (RJIL)

(₹ in crore)

| Name of the CCA | Applicable SUC rate post sharing (in per cent) | SUC rate applied by the CCA (in per cent) | Short assessment of SUC |              |              |              |              |
|-----------------|--|---|-------------------------|--------------|--------------|--------------|--------------|
|                 |  |   | 2016-17 (Q-3 & Q-4)     | 2017-18      | 2018-19      | 2019-20      | Total        |
| AP              | 3.50   | 3.47                                      | 0.01                    | 0.41         | 0.85         | 1.15         | 2.43         |
| Bihar           | 3.50   | 3.00                                      | 0.09                    | 5.38         | 14.46        | 20.35        | 40.28        |
| Haryana         | 3.50   | 3.03                                      | 0.06                    | 2.01         | 4.17         | 5.47         | 11.71        |
| Kerala          | 3.50   | 3.40                                      | 0.01                    | 0.53         | 0.92         | 1.14         | 2.59         |
| Maharashtra     | 3.50   | 3.40                                      | 0.05                    | 1.28         | 2.73         | 3.82         | 7.88         |
| Mumbai          | 3.62   | 3.40                                      | 0.36                    | 1.68         | 2.71         | 3.53         | 8.29         |
| Orissa          | 3.50   | 3.10                                      | 0.03                    | 1.81         | 4.66         | 6.54         | 13.05        |
| <b>Total</b>    |  |   | <b>0.61</b>             | <b>13.10</b> | <b>30.50</b> | <b>42.01</b> | <b>86.23</b> |

**Annexure 4.3**  
**{Para No. 4.1.4.3 B (3)(i)}**

Statement showing details of short claimed Spectrum Usages Charges (MWB) from BAL

(₹ in crore)

| S. No | Year    | Quarter      | Audited AGR     | SUC (MWB) due @0.55 per cent | SUC (MWB) levy by CCA @0.35 per cent | Short levy of SUC |
|-------|---------|--------------|-----------------|------------------------------|--------------------------------------|-------------------|
| 1     | 2019-20 | Q2           | 386.74          | 2.13                         | 1.35                                 | 0.77              |
| 2     |         | Q3           | 495.54          | 2.73                         | 1.73                                 | 0.99              |
| 3     |         | Q4           | 584.47          | 3.21                         | 2.05                                 | 1.17              |
|       |         | <b>Total</b> | <b>1,466.75</b> | <b>8.07</b>                  | <b>5.13</b>                          | <b>2.93</b>       |

**Annexure 4.4**  
**{Para No. 4.1.4.3 B (3)(ii)}**

Statement showing details of difference of SUC amount due to application of lower rates for BHL in respect of North East Circle

(₹ in crore)

| Qtr  | AGR as per DoT | SUC Rate as per Audit (in per cent) | Rate as per CCA (in per cent) | Amount as per Audit | Amount calculated by CCA | Difference between Audit and CCA calculation |
|--|----------------|-------------------------------------|-------------------------------|---------------------|--------------------------|--|
| <b>2018-19</b>   |                |                                     |                               |                     |                          |  |
| Q-1  | 91.84          | 4.14                                | 4.02                          | 3.80                | 3.69                     | 0.11   |
| Q-2  | 96.07          | 4.14                                | 4.02                          | 3.98                | 3.86                     | 0.12   |
| Q-3  | 92.91          | 4.14                                | 4.02                          | 3.85                | 3.73                     | 0.11   |
| Q-4  | 117.60         | 4.14                                | 4.02                          | 4.87                | 4.73                     | 0.14   |
| <b>Total</b>   | <b>398.42</b>  |                                     |                               | <b>16.49</b>        | <b>16.02</b>             | <b>0.48</b>                                  |
| <b>2019-20</b>   |                |                                     |                               |                     |                          |  |
| Q-1  | 93.23          | 4.14                                | 4.02                          | 3.86                | 3.75                     | 0.11   |
| Q-2  | 113.89         | 4.14                                | 4.02                          | 4.71                | 4.58                     | 0.14   |
| Q-3  | 143.60         | 4.14                                | 4.02                          | 5.94                | 5.77                     | 0.17   |
| Q-4  | 143.67         | 4.14                                | 4.02                          | 5.95                | 5.78                     | 0.17   |
| <b>Total</b>   | <b>494.39</b>  |                                     |                               | <b>20.47</b>        | <b>19.87</b>             | <b>0.59</b>                                  |
| <b>Total difference in Amount due to different SUC rates</b> |                |                                     |                               |                     |                          | <b>1.07</b>                                  |

**Annexure 4.5**  
**{Para No. 4.1.4.3 B (4)}**

**Statement showing Short assessment of SUC by CCA Kerala for BSNL Kerala Circle**

(₹ in crore)

| Floor Amount Calculation   | For GSM     |
|--|-------------|
| 2015-16 AGR (excluding wireline revenue)                           | 1,066.77    |
| Financial Year AGR (excluding wireline revenue)                    | 467.44      |
| SUC Rate for FY (excluding BWA prior to 2016 auction) as per audit | 4.92%       |
| Floor Amount for financial year as per audit                       | 23.00       |
| SUC Rate for FY (excluding BWA prior to 2016 auction) as per CCA   | 4.43%       |
| Floor Amount for financial year as per CCA                         | 20.71       |
| Short assessment   | <b>2.29</b> |

**Annexure 4.6**  
**{Para 4.1.4.3 C (2)}**

**Statement showing details of short assessment of SUC in respect of BAL and VIL by CCA Lucknow**

(₹ in crore)

| SL. No.      | Name of TSPs           | Financial Year | Date of Final assessment completed | Net AGR taken for Final assessment of SUC by the CCA office | Net AGR for Final assessment of SUC as calculated by audit on the basis of prescribed formula | Short Net AGR taken /calculated | Short Assessment of GSM Main (@4.44% in respect of M/s Bharti Airtel) & (For Voda - Idea@3.63%) | Short Assessment of GSM MWA (@1.45% in respect of M/s Bharti Airtel) & (For Voda - Idea@1.85%) | Short Assessment of GSM MWB (@0.35% of in respect of M/s Bharti Airtel) & (For Voda - Idea@0.55%) | Total Short Assessment of SUC |
|--------------|------------------------|----------------|------------------------------------|---|---|---------------------------------|---|--|---|-------------------------------|
| 1            | 2                      | 3              | 4                                  | 5   | 6   | 7<br>(Col.6-Col.5)              | 8   | 9  | 10  | 11<br>(Col.8+Col.9+Col.10)    |
| 1            | M/s Bharti Airtel Ltd. | 2019-2020      | 02-05-2022                         | 2,065.12  | 2,193.89  | 128.77                          | 5.72  | 1.87   | 0.45  | 8.04                          |
|              |                        | 2020-2021      | 11-07-2022                         | 3,133.83  | 3,333.13  | 199.30                          | 8.85  | 2.89   | 0.70  | 12.44                         |
| 2            | M/s Voda-Idea Ltd.     | 2018-2019      | 01-08-2022                         | 1,450.77  | 1,574.97  | 124.21                          | 4.51  | 2.30   | 0.68  | 7.49                          |
|              |                        | 2019-2020      | 01-07-2022                         | 1,421.08  | 1,509.78  | 88.70                           | 3.22  | 1.64   | 0.49  | 5.35                          |
|              |                        | 2020-2021      | 02-03-2022                         | 1,113.90  | 1,209.49  | 95.59                           | 3.47  | 1.77   | 0.53  | 5.76                          |
| <b>TOTAL</b> |                        |                |                                    | <b>9,184.70</b>   | <b>9,821.27</b>   | <b>636.56</b>                   | <b>25.76</b>  | <b>10.46</b>   | <b>2.84</b>   | <b>39.07</b>                  |



**Annexure 4.7**  
**{Para No. 4.1.4.3 D (i)}**

**Calculation of prorated spectrum cost for liberalisation for Bharti Airtel Limited**

(₹ in crore)

| Administratively allotted Spectrum quantum to BAL | Year of allotment | Year of commencement of sharing | No. of year of license over | Spectrum Allotted in auction for the total year | Remaining year of License of the spectrum | Bid amount per MHz in 1800MHz band for Mumbai LSA in the latest Auction year of 2016 for TTML which acquired 5 MHz spectrum in the band | Cost of Liberalization in the year of Auction 2016 | SBI PLR in Auction Year Nov'2016 (in per cent) | SBI PLR in the month of sharing May'2018 (in per cent) | Indexed Market price based on SBI PLR in the month of Sharing | Prorated cost of Liberalisation for remaining year of License |
|---|-------------------|---------------------------------|-----------------------------|---|---|---|--|--|--|---|---|
| 6.2   | 11-Mar-02         | 23-May-18                       | 16                          | 20  | 4   | 489.2   | 3,033.04   | 14.05  | 13.45  | 2,903.52  | 580.70  |
| 1.8   | 21-Apr-04         | 23-May-18                       | 14                          | 20  | 6   | 489.2   | 880.56   | 14.05  | 13.45  | 842.96  | 252.89  |
| 1.2   | 20-Jan-06         | 23-May-18                       | 12                          | 20  | 8   | 489.2   | 587.04   | 14.05  | 13.45  | 561.97  | 224.79  |
|   |                   |                                 |                             |   |   |   |  |  |  | <b>Total</b>  | <b>1,058.38</b>   |

Method of calculation:

OTSC charges have been calculated on pro-rata basis as per orders issued by DoT by considering date of allotment of Administrative Spectrum, date of sharing the spectrum, price of shared spectrum in the LSA in the most recent spectrum auction and SBI Prime Lending Rate as on date of the most recent action and as on the date of sharing.

**Annexure 4.8**  
**{Para No. 4.1.4.3 D (ii)}**

**Amount added by DoT after reassessment of BSNL dues towards  
LF/interest/penalty/interest on penalty**

(₹ in crore)

| Financial Year | Amount raised by Audit              | Amount added by DoT |
|----------------|-------------------------------------|---------------------|
| 2014-15        | 984.10                              | 984.10              |
| 2015-16        | 3,433.36                            | 3,282.17            |
| 2016-17        | 2,669.69                            | 2,669.69            |
| 2017-18        | 1,860.69                            | 1,860.69            |
| 2018-19        | 1,276.36                            | 1,276.36            |
| 2019-20        | 1,155.02                            | 1,155.02            |
| <b>Total</b>   | <b>11,379.22</b>                    | <b>11,228.03</b>    |
|                |                                     |                     |
|                | <b>License Fee @ eight per cent</b> | <b>898.24</b>       |
|                | <b>SUC @ three per cent</b>         | <b>336.84</b>       |

Method of Calculation:

Dues for BSNL have been calculated as per the revised assessments done by DoT after taking into consideration the audit observations and Hon'ble SC judgment crystallising the dues of TSPs.

**Annexure 4.9**  
**{Para No. 4.1.4.3 D (ii)}**

**Statement showing details of under reporting of revenue based on audit findings which has not been added back during MTNL assessments by DoT**

(₹ in crore)

| Year   | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total  |
|--------|---------|---------|---------|---------|--------|
| Amount | 67.84   | 47.34   | 34.38   | 23.06   | 172.62 |

**License Fee @ 8%      13.81**  
**SUC @ 3%              5.18**

Method of Calculation:

Dues for MTNL have been calculated as per audit observations.

**Annexure 5.1**  
**(Refer to Paragraph 5.1)**

**Unbilled amount for additional infrastructure service charges for dual technology used by RJIL**

| Sr. No. | Name of Circle             | Amount (₹ in crore) |
|---------|----------------------------|---------------------|
| 1.      | Andhra Pradesh circle      | 92.57               |
| 2.      | Assam circle               | 18.73               |
| 3.      | Bihar circle               | 3.11                |
| 4.      | Chhattisgarh circle        | 100.93              |
| 5.      | Chennai Telephone District | 16.43               |
| 6.      | Gujrat circle              | 92.52               |
| 7.      | Haryana circle             | 6.93                |
| 8.      | Himachal Pradesh           | 8.09                |
| 9.      | Jammu & Kashmir            | 0.96                |
| 10.     | Jharkhand circle           | 15.86               |
| 11.     | Karnataka circle           | 205.36              |
| 12.     | Kerala circle              | 156.03              |
| 13.     | Kolkata Telephone District | 21.63               |
| 14.     | MP circle                  | 284.74              |
| 15.     | Maharashtra                | 183.88              |
| 16.     | Northeast                  | 6.20                |
| 17.     | Odisha circle              | 60.34               |
| 18.     | Punjab circle              | 22.01               |
| 19.     | Tamil Nādu circle          | 247.01              |
| 20.     | Telangana circle           | 89.32               |
| 21.     | UP East                    | 43.00               |
| 22.     | UP West                    | 41.19               |
| 23.     | Uttarakhand                | 44.02               |
|         | <b>TOTAL</b>               | <b>1,757.76</b>     |

**Annexure 5.2**  
**(Refer to Paragraph 5.3)**

**Share of LF to be deducted from Telecom Infrastructure Providers (TIPs)**  
**(2019-20 to 2021-22)**

| S.No. | Circle                            | Loss due to non-deduction of License fee from Revenue Share paid to TIPs for 2019-22<br>(Amount in ₹) |
|-------|-----------------------------------|---|
| 1     | Tamil Nadu                        | 6,26,25,658   |
| 2     | Kerala                            | 8,01,54,690   |
| 3     | Karnataka                         | 4,06,33,641   |
| 4     | Rajasthan                         | 2,21,51,077   |
| 5     | Gujarat                           | 86,66,194   |
| 6     | UP West                           | 70,58,547   |
| 7     | UP East                           | 93,17,536   |
| 8     | Uttarakhand                       | 48,89,965   |
| 9     | Maharashtra                       | 4,25,97,373   |
| 10    | Bihar                             | 76,39,351   |
| 11    | Jharkhand (Jamshedpur and Ranchi) | 35,32,240   |
| 12    | Telangana                         | 30,75,473   |
| 13    | Andhra Pradesh                    | 2,48,78,679   |
| 14    | Odisha                            | 1,19,11,732   |
| 15    | Haryana                           | 29,72,583   |
| 16    | Himachal Pradesh                  | 66,92,011   |
| 17    | Jammu & Kashmir                   | 82,69,328   |
| 18    | Punjab                            | 1,63,59,052   |
| 19    | West Bengal                       | 32,83,636   |
| 20    | Madhya Pradesh                    | 1,54,31,085   |
| 21    | Chattisgarh                       | 14,75,018   |
| 22    | Calcutta TD                       | 2,406   |
|       | <b>TOTAL</b>                      | <b>38,36,17,278</b>   |

**Annexure 5.3**  
**(Refer to Paragraph 5.4)**

| <b>Base Rate Escalation Chart @ 2.5% year wise (Amount in ₹)</b> |            |            |
|--|------------|------------|
| <b>Financial Year</b>  | <b>GBT</b> | <b>RTT</b> |
| <b>2014-15</b>   | 38,700     | 24,900     |
| <b>2015-16</b>   | 39,668     | 25,523     |
| <b>2016-17</b>   | 40,659     | 26,161     |
| <b>2017-18</b>   | 41,676     | 26,815     |
| <b>2018-19</b>   | 42,718     | 27,485     |
| <b>2019-20</b>   | 43,785     | 28,172     |
| <b>2020-21</b>   | 44,880     | 28,876     |
| <b>2021-22</b>   | 46,002     | 29,598     |
| <b>2022-23</b>   | 47,152     | 30,338     |
| <b>2023-24</b>   | 48,331     | 31,096     |

**Annexure 5.4**  
**(Refer to Paragraph 5.4)**

**Statement showing the details of short billing towards Passive Infrastructure Sharing charges payable by M/s RJIL to BSNL (Amount in ₹)**

| Sl. No. | BSNL Telecom Circles/District    | No of Sites (as on March 2023) | Periods                            | Total as per issued Bills by BSNL | Total Claimable amount by Audit | Recoverable from the TSP (M/s RJIL) |           |                       | Recovered on the instance of audit | Outstanding Amount (Including GST) |
|---------|----------------------------------|--------------------------------|------------------------------------|-----------------------------------|---------------------------------|-------------------------------------|-----------|-----------------------|------------------------------------|------------------------------------|
|         |                                  |                                |                                    |                                   |                                 | IPF                                 | GST @18%  | Total (including GST) |                                    |                                    |
| 1       | Kolkata Telephone District (KTD) | 95                             | 2015-16 to 2022-23                 | 31,48,95,148                      | 32,26,09,035                    | 77,13,886                           | 13,88,500 | 91,02,386             | 0                                  | 91,02,386                          |
| 2       | West Bengal                      | 366                            | 2015-16 to 2022-23                 | 91,25,34,170                      | 95,35,91,629                    | 4,10,57,459                         | 73,90,343 | 4,84,47,802           | 3,97,38,432                        | 87,09,370                          |
| 3       | Assam                            | 66                             | 2019-20 to 2022-23 (Up to Nov 22)  | 8,60,49,033                       | 9,08,45,512                     | 47,96,479                           | 8,63,366  | 56,59,845             | 0                                  | 56,59,845                          |
| 4       | North East I                     | 37                             | 2019-20 to 2023-24 (Upto Nov 2023) | 5,90,92,314                       | 6,40,69,614                     | 49,77,300                           | 8,95,914  | 58,73,214             | 51,33,126                          | 7,40,088                           |
| 5       | North East II                    | 29                             | 2019-20 to 2023-24 (Upto Aug 2023) | 5,57,90,237                       | 5,91,97,460                     | 34,07,223                           | 6,13,300  | 40,20,523             | 21,13,738                          | 19,06,785                          |
| 6       | Odisha                           | 256                            | 2015-16 to 2023-24 (Upto May 2023) | 52,14,89,775                      | 56,19,58,747                    | 4,04,68,972                         | 72,84,415 | 4,77,53,387           | 0                                  | 4,77,53,387                        |
| 7       | Rajasthan                        | 695                            | 2015-16 to 2023-24 (Upto Nov 2023) | 1,65,54,89,217                    | 1,69,00,88,007                  | 3,45,98,790                         | 62,27,782 | 4,08,26,572           | 0                                  | 4,08,26,572                        |
| 8       | Gujarat                          | 381                            | 2015-16 to 2023-24                 | 86,21,59,146                      | 91,04,14,689                    | 4,82,55,543                         | 86,85,998 | 5,69,41,541           | 0                                  | 5,69,41,541                        |

**Report No. 1 of 2025**

| Sl. No. | BSNL Telecom Circles/District | No of Sites (as on March 2023) | Periods                             | Total as per issued Bills by BSNL | Total Claimable amount by Audit | Recoverable from the TSP (M/s RJIL) |                    |                       | Recovered on the instance of audit | Outstanding Amount (Including GST) |
|---------|-------------------------------|--------------------------------|-------------------------------------|-----------------------------------|---------------------------------|-------------------------------------|--------------------|-----------------------|------------------------------------|------------------------------------|
|         |                               |                                |                                     |                                   |                                 | IPF                                 | GST @18%           | Total (including GST) |                                    |                                    |
| 9       | Bihar                         | 81                             | 2019-20 to 2023-24                  | 14,74,35,385                      | 15,86,59,808                    | 1,12,24,423                         | 20,20,396          | 1,32,44,819           | 0                                  | 1,32,44,819                        |
| 10      | Punjab                        | 171                            | 2016-17                             | 10,19,88,220                      | 10,48,22,413                    | 28,34,193                           | 5,10,155           | 33,44,348             | 33,44,348                          | 0                                  |
| 11      | Jammu & Kashmir               | 46                             | 2015-16 to 2023-24                  | 13,37,66,767                      | 13,63,62,698                    | 25,95,931                           | 4,67,268           | 30,63,198             | 0                                  | 30,63,198                          |
| 12      | Madhya Pradesh                | 603                            | 2019-20 to 2023-24 (Upto feb 2024)  | 1,15,45,44,576                    | 1,22,37,99,557                  | 6,92,54,980                         | 1,24,65,896        | 8,17,20,877           | 0                                  | 8,17,20,877                        |
| 13      | Tamilnadu Telecom Circle      | 552                            | 2016-17 to 2019-20                  | 63,00,35,678                      | 64,16,64,816                    | 1,16,29,138                         | 20,93,245          | 1,37,22,382           | 0                                  | 1,37,22,382                        |
| 14      | Maharashtra & Goa             | 842                            | 2019-20 to 2023-24 (up to Nov 2023) | 1,48,82,62,682                    | 1,58,57,21,812                  | 9,74,59,130                         | 1,75,42,643        | 11,50,01,774          | 10,83,40,734                       | 66,61,040                          |
|         | <b>Total</b>                  | <b>4,220</b>                   |                                     | <b>8,12,35,32,349</b>             | <b>8,50,38,05,796</b>           | <b>38,02,73,448</b>                 | <b>6,84,49,221</b> | <b>44,87,22,668</b>   | <b>15,86,70,378</b>                | <b>29,00,52,290</b>                |

Note: GST @ 18% will be applied for the due amount/ arrears irrespective of year of dues so there is no need to calculate GST/Tax month/Year wise



**Annexure 5.5**  
**(Refer to Paragraph 5.6)**

**Calculation for loss of interest**

| Sl. No. | Due Amount | Date on which the amount Due | SBI's MCLR * | Interest |              | Amount (₹ in crore) |
|---------|------------|------------------------------|--------------|----------|--------------|---------------------|
|         |            |                              |              | From     | To           |                     |
| 1       | 4.80       | 1/1/2019                     | 8.55         | 1/1/2019 | 31/12/2019   | 0.41                |
| 2       | 5.21       | 1/1/2020                     | 7.90         | 1/1/2020 | 31/12//2020  | 0.41                |
| 3       | 5.62       | 1/1/2021                     | 7.00         | 1/1/2021 | 31/12//2021  | 0.39                |
| 4       | 6.02       | 1/1/2022                     | 7.00         | 1/1/2022 | 31/12//2022  | 0.42                |
| 5       | 6.44       | 1/1/2023                     | 8.30         | 1/1/2023 | 31/12//2023  | 0.53                |
| 6       | 6.97       | 1/1/2024                     | 8.65         | 1/1/2024 | 31/3/2024    | 0.15                |
|         |            |                              |              |          | <b>Total</b> | <b>2.31</b>         |

\*Marginal cost of funds based lending rate

**Annexure 5.6**  
**(Refer to Paragraph 5.7.1)**

Case 1: Undue favour to the contractor resulted in loss of ₹21.62 crore to the Company

**Table 1**

Details of POs raised by Infospark and ITI

| S. No. | Date of PO placed by Infospark on ITI | Amount (₹ in crore) | Date of PO placed by ITI on RVPL | Amount (₹ in crore) |
|--------|---------------------------------------|---------------------|----------------------------------|---------------------|
| 1      | 06.02.2018                            | 11.69               | 10.02.2018                       | 11.10               |
| 2      | 05.03.2018                            | 09.93               | 06.03.2018                       | 09.44               |
|        | <b>Total</b>                          | <b>21.62</b>        |                                  | <b>20.54</b>        |

**Table 2**

Details of Invoices issued by RVPL and ITI

| S. No. | Date of invoices raised by RVPL on ITI | Amount (₹ in crore) | Date of Invoices raised by ITI on Infospark | Amount (₹ in crore) |
|--------|--|---------------------|---|---------------------|
| 1      | 23.02.2018                             | 6.55                | 26.02.2018                                  | 6.90                |
| 2      | 09.03.2018                             | 4.55                | 16.03.2018                                  | 4.79                |
| 3      | 29.03.2018                             | 9.44                | 29.03.2018                                  | 7.72                |
| 4      |  |                     | 29.03.2018                                  | 2.21                |
|        | <b>Total</b>                           | <b>20.54</b>        |   | <b>21.62</b>        |

**Annexure 5.7**  
**(Refer to Paragraph 5.7.2)**

**Case 2: Loss of revenue and blocking of funds due to poor project management and undue benefit to consortium partner.**

**Table 1**

**Details of supply and installation of CCMS by RVPL**

|  |        |
|--|--------|
| Total no. of CCMS to be supplied by RVPL     | 22,500 |
| No. of CCMS supplied by RVPL                 | 17,500 |
| CCMS supplied within time (up to March 2019) | 14,200 |
| CCMS supplied beyond the scheduled date      | 3,300  |
| CCMS installed (August 2019 to January 2020) | 12,659 |
| CCMS uninstalled                             | 4,841  |

**Table 2**

**Details of invoices raised by ITI on M/s EESL**

| Date of Invoice        | Description of work | Number of CCMS Units | Amount of invoice (₹ crore) |
|------------------------|---------------------|----------------------|-----------------------------|
| 25.03.2019             | Supply              | 5,500                | 7.72                        |
| 30.03.2019             |                     | 8,700                | 12.22                       |
| 12.06.2019             |                     | 300                  | 0.42                        |
| 18.07.2019             |                     | 3,000                | 4.21                        |
|                        | <b>Total</b>        | <b>17,500</b>        | <b>24.57</b>                |
| August - December 2019 | Installation        | 11,622               | 0.41                        |
|                        | <b>Grand Total</b>  |                      | <b>24.98</b>                |

**Table 3****Details of amount deducted by EESL:**

| <b>Sl. No.</b> | <b>Detail</b>   | <b>Amount<br/>(₹ in crore)</b> |
|----------------|---|--------------------------------|
| <b>1</b>       | <b>Total invoices submitted by ITI</b>  | <b>24.98</b>                   |
| <b>2</b>       | Amount held back (for want of documentary proof for 3642 nos. of installed units, non-installation of 4841 units and poor maintenance issues) | 6.93                           |
| <b>3</b>       | <b>Invoices processed by EESL (24.98-6.93)</b>  | <b>18.05</b>                   |
| <b>4</b>       | <b>Amounts deducted by EESL</b>   |                                |
| a              | Liquidated Charges  | 0.71                           |
| b              | Non-Compliance  | 0.79                           |
| c              | Amount deducted for not furnishing CPG  | 5.38                           |
| d              | Other deductions  | 0.43                           |
|                | <b>Total</b>  | <b>7.31</b>                    |
| <b>5</b>       | <b>Amount paid by EESL to ITI (18.05- 7.31)</b>   | <b>10.74</b>                   |

## Glossary

|                |   |
|----------------|---|
| <b>ABs</b>     | Autonomous Bodies   |
| <b>AMC</b>     | Annual Maintenance Contract                               |
| <b>AMRCD</b>   | Administrative Mechanism for Resolution of CPSEs Disputes |
| <b>APMS</b>    | Audit Para Monitoring System                              |
| <b>ATN</b>     | Action Taken Notes  |
| <b>ATR</b>     | Action Taken Reply  |
| <b>BAL</b>     | Bharti Airtel Limited                                     |
| <b>BBNL</b>    | Bharat Broadband Network Limited                          |
| <b>BHL</b>     | Bharti Hexacom limited                                    |
| <b>BNC</b>     | Bandwidth Negotiation Committee                           |
| <b>BNPMIPL</b> | Bank Note Paper Mill India Private Limited                |
| <b>BO</b>      | Branch Offices  |
| <b>BRBNMPL</b> | Bharatiya Reserve Bank Note Mudran Pvt. Ltd.              |
| <b>BSNL</b>    | Bharat Sanchar Nigam Limited                              |
| <b>BTS</b>     | Base Transceiver Station                                  |
| <b>CABs</b>    | Central Autonomous Bodies                                 |
| <b>CAPEX</b>   | Capital Expenditure                                       |
| <b>CCAs</b>    | Controller of Communication Accounts                      |
| <b>CCI</b>     | Cabinet Committee on Infrastructure                       |
| <b>CCMS</b>    | Centralised Controlled Monitoring System                  |
| <b>CD</b>      | Chargeable Distance                                       |
| <b>C-DAC</b>   | Centre for Development of Advanced Computing              |
| <b>CDMA</b>    | Code Division Multiple Access                             |
| <b>CGMST</b>   | Chief General Manager Telecom                             |
| <b>CGST</b>    | Central Goods and Service Tax                             |
| <b>C-MET</b>   | Centre for Materials for Electronics Technology           |
| <b>CPG</b>     | Contract Performance Guarantee                            |
| <b>CPSEs</b>   | Central Public Central Enterprises                        |
| <b>COPU</b>    | Committee on Public Sector Undertakings                   |
| <b>CSC</b>     | Common Service Centres                                    |
| <b>CTDP</b>    | Comprehensive Telecom Development Plan                    |
| <b>DC</b>      | Data Centre   |
| <b>DEA</b>     | Department of Economic Affairs                            |
| <b>DIC</b>     | Digital India Corporation                                 |

|                |   |
|----------------|---|
| <b>DoE</b>     | Department of Expenditure                   |
| <b>DoP</b>     | Department of Posts                         |
| <b>DoPT</b>    | Department of Personnel and Training        |
| <b>DoT</b>     | Department of Telecommunications            |
| <b>DR</b>      | Disaster Recovery                           |
| <b>DPR</b>     | Detail Project Report                       |
| <b>EESL</b>    | Energy Efficiency Services Limited          |
| <b>EFC</b>     | Expenditure Finance Committee               |
| <b>EN</b>      | Explanatory Notes                           |
| <b>Eoi</b>     | Expression of Interest                      |
| <b>ERNET</b>   | Education & Research in Computer Networking |
| <b>FDD</b>     | Frequency Division Duplexing                |
| <b>FTTH</b>    | Fibre to the Home                           |
| <b>FY</b>      | Financial Year                              |
| <b>GBT</b>     | Ground Base Tower                           |
| <b>GEC</b>     | Government Engineering College              |
| <b>GeM</b>     | Government e Marketplace                    |
| <b>GoI</b>     | Government of India                         |
| <b>GPs</b>     | Gram Panchayats                             |
| <b>GSM</b>     | Global System for Mobile Communications     |
| <b>GSTR</b>    | Goods & Service Tax Return                  |
| <b>HLC</b>     | High Level Committee                        |
| <b>HPO</b>     | Head Post Offices                           |
| <b>I&amp;B</b> | Ministry of Information and Broadcasting    |
| <b>IFSCA</b>   | International Financial Services Centres    |
| <b>IP</b>      | Internet Protocol                           |
| <b>IPPB</b>    | India Post Payments Bank                    |
| <b>IS</b>      | Information System                          |
| <b>ISO</b>     | Infra Sharing Operator                      |
| <b>ISP</b>     | Internet Service Provider                   |
| <b>IT</b>      | Information Technology                      |
| <b>ITC</b>     | Input Tax Credit                            |
| <b>ITI</b>     | Indian Telephone Industries Limited         |
| <b>KELTRON</b> | Kerala State Electronics Development Centre |
| <b>LC</b>      | Letter of Credit                            |
| <b>LDC</b>     | Lower Division Clerks                       |

|                 |   |
|-----------------|---|
| <b>LED</b>      | Light Emitting Diode  |
| <b>LFA</b>      | License Finance Assessment                                  |
| <b>LoA</b>      | Letter of Award   |
| <b>LSA</b>      | Licensed Service Area                                       |
| <b>LTE</b>      | Long Term Evolution   |
| <b>MeitY</b>    | Ministry of Electronics & Information Technology            |
| <b>MIS</b>      | Management Information System                               |
| <b>MoC</b>      | Ministry of Communications                                  |
| <b>MoF</b>      | Ministry of Finance   |
| <b>MoSPI</b>    | Ministry of Statistics and Programme Implementation         |
| <b>MoU</b>      | Memorandum of Understanding                                 |
| <b>MSA</b>      | Master Service Agreement                                    |
| <b>MSMEs</b>    | Ministry of Micro, Small & Medium Enterprises               |
| <b>MTL</b>      | Millennium Telecom Limited                                  |
| <b>MTNL</b>     | Mahanagar Telephone Nigam Limited                           |
| <b>NER</b>      | Northern Eastern Region                                     |
| <b>NIC</b>      | National Informatics Centre                                 |
| <b>NICSI</b>    | National Informatics Centre Services Inc                    |
| <b>NIELIT</b>   | National Institute of Electronics & Information Technology  |
| <b>NIIFTL</b>   | National Investment and Infrastructure Fund Trustee Limited |
| <b>NKN</b>      | National Knowledge Network                                  |
| <b>NLD-SP</b>   | National Long Distance Service Providers                    |
| <b>NOC</b>      | Network Operating Centre                                    |
| <b>NOFN</b>     | National Optical Fibre Management Project                   |
| <b>NSC</b>      | National Statistical Office                                 |
| <b>O&amp;M</b>  | Operation And Maintenance                                   |
| <b>PAC</b>      | Public Accounts Committee                                   |
| <b>PA&amp;F</b> | Postal Account and Finance                                  |
| <b>PEA</b>      | Project Executive Agency                                    |
| <b>PGCIL</b>    | Power Grid Corporation of India Limited                     |
| <b>PIA</b>      | Project Implementing Agency                                 |
| <b>PIJF</b>     | Polyethylene Insulated Jelly Filled Cables                  |
| <b>PLI</b>      | Postal Life Insurance                                       |
| <b>PO</b>       | Purchase Order  |
| <b>PoP</b>      | Points of Presence  |
| <b>PSUs</b>     | Public Sector Undertakings                                  |

|               |  |
|---------------|--|
| <b>RFP</b>    | Request For Proposal   |
| <b>RJIL</b>   | Reliance Jio Infocomm Limited                                      |
| <b>RPLI</b>   | Rural Postal Life Insurance  |
| <b>RR</b>     | Recruitment Rules  |
| <b>RRH</b>    | Remote Radio Head  |
| <b>RTCIL</b>  | Railtel Corporation of India Limited                               |
| <b>RVPL</b>   | Recap Ventures Privated Limited                                    |
| <b>RWA</b>    | Resident Welfare Association                                       |
| <b>SAMEER</b> | Society for Applied Microwave Electronics Engineering and Research |
| <b>SAP</b>    | Systems, Applications & Products                                   |
| <b>SEBI</b>   | Securities and Exchange Board of India                             |
| <b>SHGs</b>   | Self Help Groups   |
| <b>SO</b>     | Sub Offices  |
| <b>SPV</b>    | Special Purpose Vehicle  |
| <b>STPI</b>   | Software Technology Parks of India                                 |
| <b>STQC</b>   | Standardisation, Testing and Quality Certification Directorate     |
| <b>SUC</b>    | Spectrum Usage Charges   |
| <b>TAC</b>    | Technical Advisory Committee                                       |
| <b>TCIL</b>   | Telecommunications Consultants India Limited                       |
| <b>TDS</b>    | Tax Deducted at Source   |
| <b>TDSAT</b>  | Telecom Dispute Settlement and Appellate Tribunal                  |
| <b>TE</b>     | Technology & Engineering   |
| <b>TEC</b>    | Telecom Engineering Centre   |
| <b>TIP</b>    | Telecom Infrastructure Providers                                   |
| <b>TRAI</b>   | Telecom Regulatory Authority of India                              |
| <b>TSPs</b>   | Telecom Service Providers  |
| <b>UAL</b>    | Universal Access Levy  |
| <b>UID</b>    | Unique Identification Numbers                                      |
| <b>UIDAI</b>  | Unique Identification Authority of India                           |
| <b>USO</b>    | Universal Service Obligation                                       |
| <b>USOF</b>   | Universal Service Obligation Fund                                  |
| <b>VIL</b>    | Vodafone Idea Limited  |
| <b>VLE</b>    | Village Level Entrepreneurs  |
| <b>VRS</b>    | Voluntary Retirement Scheme  |
| <b>WFD</b>    | Wireless Finance Division  |
| <b>Wi-Fi</b>  | Wireless Fidelity  |



|              |  |
|--------------|--|
| <b>WIMAX</b> | Worldwide Inter-Operability for Microwave Access |
| <b>WLL</b>   | Wireless in Local Loop                           |
| <b>WTP</b>   | Western Telecom Project                          |
| <b>WTR</b>   | Western Telecom Region                           |





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