

Commonwealth Games Village

The Commonwealth Games Village, near the Akshardham Temple, had three major components – a residential complex for housing the athletes and officials, practice areas for athletes, and temporary structures (overlays) for the international zone, village operations and other areas.

We found that key issues related to the selection of site were not properly addressed. Except for strengthening of the Akshardham bund, there was no evidence of compliance with the mitigation/ abatement measures on the river Yamuna as stipulated by the Ministry of Environment and Forests while according conditional environmental clearance. DDA essentially attempted to abdicate responsibility for this issue. We could also not verify compliance with the orders of the Hon'ble Supreme Court stipulating monitoring of construction activities by a PM-appointed committee. Further, the temporary noise barriers erected on the NH-24 flyover were defective, but the associated test reports were, interestingly, received only on 29 October 2010.

We found serious irregularities in the award of the contract for construction of the residential complex in PPP mode to Emaar MGF Constructions Pvt. Ltd. There was a series of misrepresentations and accommodations at the RFQ and RFP stage that resulted in Emaar MGF Constructions Pvt. Ltd, which was not qualified in terms of the PQ criteria, emerging as an eligible (and successful) bidder through the consortium route. Emaar Properties PJSC, presented at the RFQ stage as the lead partner with the requisite experience, turnover and net worth, faded behind layers of subsidiaries/ associates, effectively making a mockery of the premise that it would bring the necessary experience and financial strength, directly to the consortium led special purpose company. Further, a short time period of just seven days was allowed after a significant addendum, introducing significant changes to the bid conditions. In response to the RFP, two bids were received from Emaar MGF Constructions Pvt. Ltd and DLF Ltd. While DLF's conditional bid was summarily rejected without any interaction or negotiation, DDA chose to engage in a series of correspondence with its financial consultants, legal advisors and Emaar MGF Constructions Pvt. Ltd to find solutions to address the deficiencies in its proposal. Finally, only Emaar MGF Constructions Pvt. Ltd was declared technically qualified, and was awarded the contract on the basis of a single financial bid, thus denying DDA the benefit of financial competition.

The execution of the residential complex project was also plagued by several irregularities and deficiencies. The FAR constructed by the project developer substantially

exceeded not only the sanctioned plan, but also the maximum permissible FAR under the Master Plan for Delhi – 2021. Emaar MGF also illegally constructed 17 additional dwelling units in the basement meant for parking. DDA allowed several financial concessions to Emaar MGF, including revision of milestones and delayed / non-levy of liquidated damages.

The Central Building Research Institute, Roorkee (CBRI) was appointed by DDA as the third party independent quality inspection agency for the residential complex only after most of the foundation work was executed. It pointed out serious lapses in construction work through thirteen reports between June 2008 and October 2010. These included deficient secondary reinforcement of beams and columns, lack of adequate concrete cover to reinforcing steel, improper beam-column joints, improper alignment of columns and tapered columns (which were plastered to cover up the deficiencies, contrary to CBRI's advice), and differences in the levels of grade slabs leading to seepage and leakages in the basements. CBRI concluded that on seeing the permeability of the concrete and the corrosion of reinforcing steel, it gave an impression that the service life of these towers could not be more than 20 years, without substantial expenditure on repair and retrofitting. DDA did not take adequate action on these reports, as the deficiencies continued to recur in CBRI's successive reports.

Against the stipulated deadline of 1 April 2010, the residential flats were handed over to DDA between June and August 2010 in incomplete condition. DDA pointed out additional defects in the flats at the time of taking over, which were only partly attended under emergent situation.

There were serious deficiencies with regard to the design consultancy for construction of the practice areas. A consortium led by Suresh Goyal and Associate was appointed as the design consultant on the technical strength of its international partner, who later backed out. DDA took no steps to ensure that the design consultant brought in comparable international expertise at their own cost as replacements. There were significant deficiencies in preparation of designs, drawings, bills of quantities and estimates and delays in achieving designated milestones, without adequate penal action by DDA.

The selection of Sportina Payce Infrastructure Ltd. as the main contractor for the practice areas was manipulated to ensure that Sportina Payce Construction (India) Pvt Ltd. pre-qualified and the successful bidder for the project was different from the pre-qualified consortium. DDA could not produce evidence of the association with the execution of the project of the projected lead member with relevant international experience, on whose strength the bid was pre-qualified. Subsequently, due to poor performance, the contract was terminated, and re-awarded.

The selection of GL Litmus Events Pvt. Ltd. as the contractor for delivering temporary structures (overlays) for the international zone and other areas was equally flawed. As in

the case of the contracts for the residential complex and the PPP areas, the successful bidder was entirely different from the pre-qualified entity, and the foreign entity with relevant expertise was not part of the successful bidding entity. Due to delayed award of the contract in April 2010, DDA could not implement effective quality measures. The contractor did not supply material as per specifications and its designs were rejected by the proof checker. Further, for a contract of Rs. 41.38 crore, the bulk of the material for which was to be imported, the value assessed at the Indian customs was only Rs. 5.32 crore.

Delhi Jal Board (DJB) constructed a 1 MGD Water Treatment Plant (WTP) for the Games Village, Akshardham Temple and surrounding areas at a cost of Rs. 35.20 crore. We found that the need for a separate 1 MGD was not clearly established and the plant was over-designed with expensive membrane filtration technology. Further, the tendering process was flawed and irregular, with undue and inexplicable delays. The bid evaluation was tailored to favour award of the work to a single bidder. The WTP is currently shut down and its requirement on a legacy basis is questionable.

DDA also purchased four 1250 KVA each generating sets with excessive and undue redundancy, which are now lying idle. Plans to shift two of these sets to DDA Headquarters (Vikas Sadan) appear unreasonable, as Vikas Sadan's current load is just 1230 KVA.

At DDA's behest, ITDC furnished 1101 flats at the Games Village and 960 upgraded LIG/HIG flats at Vasant Kunj. We could not ascertain legacy plans for the furniture and fixtures procured for these flats. ITDC indicated that these items were purchased on behalf of DDA, which necessarily had to take over the same.

20.1 Overview

The Commonwealth Games Village, developed by the DDA over an area of 59.28 hectare near the east bank of the River Yamuna (near Akshardham Temple), had three major components:

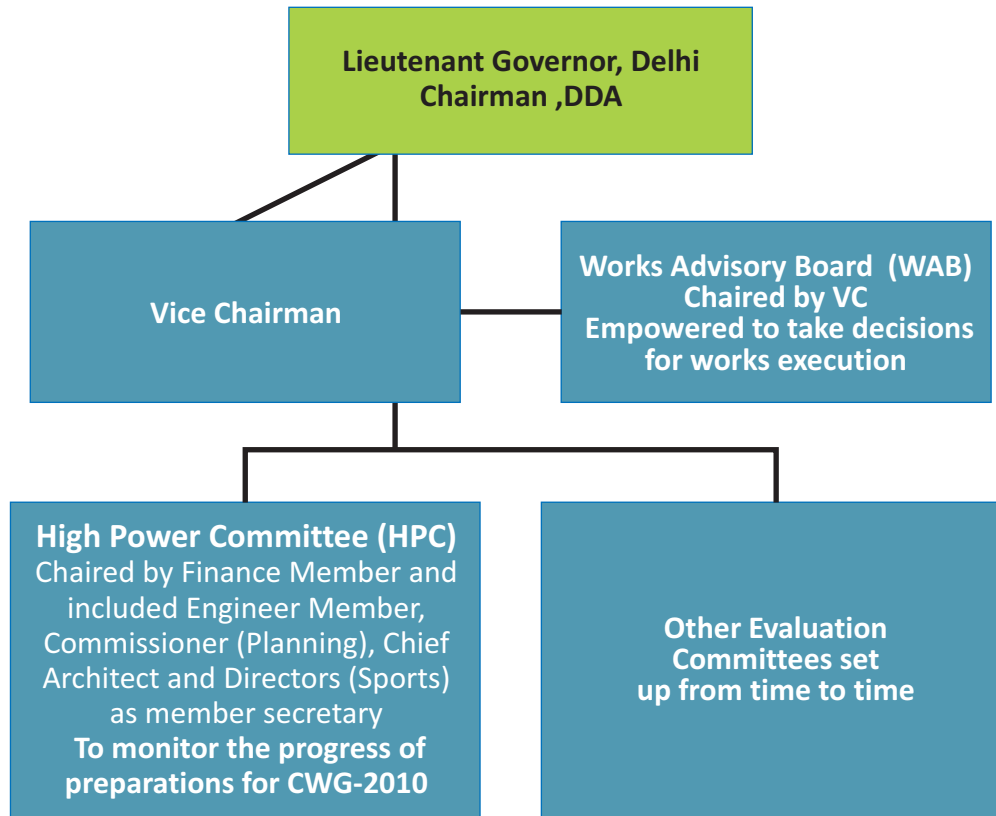
- A residential complex for housing the athletes and officials;
- Practice areas for weightlifting, wrestling, swimming, athletics and fitness centre;

- Temporary structures (overlays) for International Zone; village operations and support area; transport mall, dining hall, kitchen, polyclinic etc .

20.2 Organisation Structure

The organisational structure of DDA, including committees set up specifically for overseeing and making recommendations for CWG-2010 related projects is given in figure 20.1

Figure 20.1 – Organisational structure of DDA



As of January 2011, the total expenditure incurred on the Games Village was Rs. 245.58 crore¹ on practice areas and supporting infrastructure and Rs. 38.58 crore on overlays.



Residential Complex

¹ Excluding the expenditure on the residential complex built through Public Private Partnership.

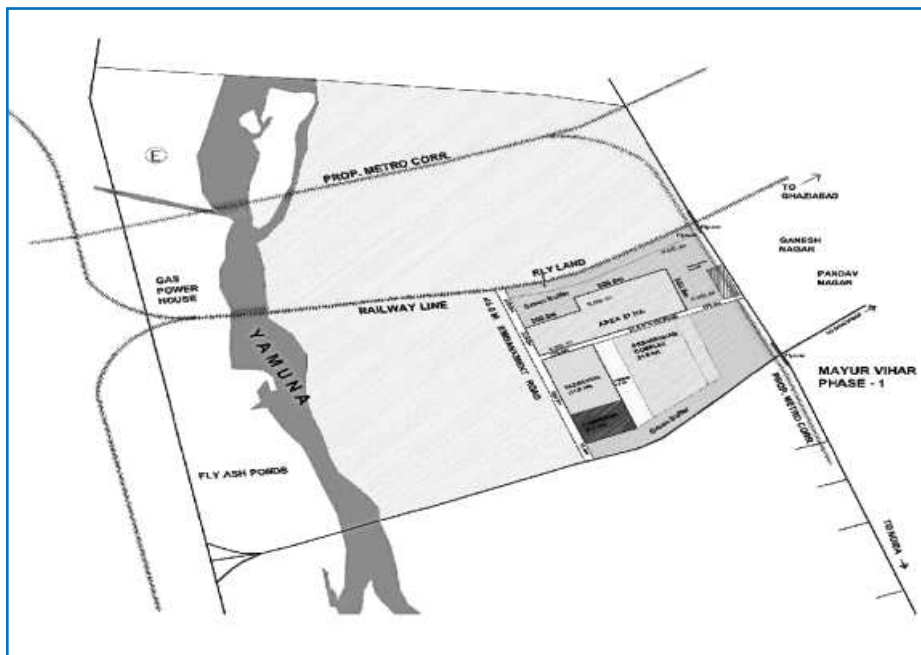


Swimming Pool (Practice area)

20.3 Selection of Site for Games Village

As per the bid document (May 2003), an Athletes Game Village was to be created on

a 100 acre² site, in a prime Delhi area. In August 2003, the site near NH-24³, next to Akshardham temple, for Games Village was presented to the CGF Evaluation commission before the Games were finally awarded to Delhi.



Map indicating location of Games Village

² Mentioned as 100 hectares, elsewhere in the bid document

³ Incidentally, in the bid document the location in the map was indicated on the western side of River Yamuna i.e. on the New Delhi side of the river.

There were two key issues in relation with the selection of the site:

- Environmental and other aspects, primarily focused on proximity to the River Yamuna; and
- Noise pollution from the nearby railway line and vehicular traffic on NH-24.

20.3.1 Environmental and Related Aspects

20.3.1.1 Conditional clearance by Ministry of Environment and Forests not complied with

Although the location of the Games Village was known since August 2003, DDA approached the Ministry of Environment and Forest (MoEF) for environmental clearance only in September 2006; reasons for this delay were not documented. In November 2006, MoEF, recognising that there were evident environmental concerns to be addressed adequately, directed that a study needed to be carried out to:

- Find out the magnitude of additional efflux in the river during high flow conditions in the stretch upstream of the Nizamuddin bridge and the bund between the national highway and the railway bridge upstream;
- Assess the possibility of abating the efflux by various measures;
- Estimate the extent of loss of recharge of groundwater; and
- Estimate the increment in traffic due to the proposed project.

In December 2006, MoEF cleared the project on the condition that **as far as possible, the works should not be of a permanent nature and unless the detailed**

studies suggested otherwise, the river bed would have to be restored to the river. In

January 2007, DDA reported that it intended to commission a study on "Hydraulic Model Studies for assessing the effect of Akshardham Bund on the flow conditions in the River Yamuna at Delhi" through the Central Water and Power Research Station, Pune (CWPRS); the study report was submitted to MoEF on 6 March 2007. MoEF finally cleared the project on 2 April 2007 after progressively relaxing the conditions as indicated below:

- On 29 March 2007, DDA was permitted to commence planning of construction works; however, construction of permanent nature could commence only after the mitigation/abatement measures against upstream flooding identified in the CWPRS report were completed; and
- On 2 April 2007, this was relaxed to permit commencement of construction works subject to completion of the mitigating/ abatement measures identified by CWPRS, Pune before completion of the buildings.

The main mitigative and abatement measures identified by CWPRS in its report were:

- Raising and strengthening the embankments along the river in Delhi to ensure safe discharge and check over-topping;
- Strengthening the existing embankments and guide bund to check flood discharge;
- One layer of stone crates on sloping portion as well as an apron over

geofabric filter to be laid to protect various bunds and bridges;

- Protection of the existing bridge piers and strengthening of guide bunds of other structures existing between the Indraprastha barrage and the Nizamuddin road bridge; and
- Arrangements to protect flooding area due to back flow of water on the upstream side of the Akshardham temple, on both sides of the river.

However, DDA took action only on one aspect viz. strengthening the Akshardham bund. Regarding the other measures, DDA stated that they had written to GNCTD and Northern Railway but could not provide any details of the action taken, essentially attempting to disclaim responsibility for this key aspect. Independently, we confirmed from the Irrigation and Flood Control Department, GNCTD that only one work⁴ had been awarded in July 2010, but was yet to be completed.

While according conditional clearance to the project, MoEF clearly stated that the flood mitigation and abatement measures emerging from the studies would need to be undertaken under the aegis of DDA, the project proponent. However, DDA completely abdicated its responsibility. We could also not verify compliance with the conditions stipulated by the MoEF.

20.3.1.2 Court Case on site

In 2007, a petition was filed in the Hon'ble Delhi High Court, contending that the ongoing construction would affect the

⁴ *raising and strengthening of right embankment of the river Yamuna between the Nizamuddin railway bridge and the Nizamuddin road bridge*

ecological integrity of the "river bed", besides causing irreversible damage to the "flood plain". The High Court directed the setting up of a separate Committee for ascertaining whether the site was located on the Yamuna riverbed or floodplain; this Committee was also required to examine and monitor the construction carried out by the DMRC on the site in the same manner as in the case of Games village.

This decision was reversed by the Hon'ble Supreme Court, which allowed DDA to proceed with construction. On the basis of an assurance of the Attorney General that an existing Committee appointed by the PM consisting of Lt. Governor of Delhi as Chairperson, Chief Minister of Delhi as Vice-chairperson, and other members representing various departments would, in association with Dr. R.K. Pachauri, monitor the entire activities, the Supreme Court overturned the High Court's order for constitution of a separate committee, and allowed the project to proceed.

We found that compliance with the assurance of the Attorney General on monitoring of construction activities by the said Committee, in association with Dr. RK Pachauri, (based on which the Supreme Court allowed the project to proceed) could not be verified. Despite enquiries from Cabinet Secretariat, DDA, GNCTD (UD Department) and the LG's Office, the status of monitoring, if any, by the committee could not be ascertained. On our enquiry in this regard from Dr. R K Pachauri, he stated that he had not had any association with the said committee, nor had he attended any meeting for this purpose.

20.3.2 Provisioning for noise barriers

To address the concern of the OC consultants EKS, and the President, CGF, regarding noise pollution at the Games Village site due to traffic on the railway line and NH-24, noise barriers were erected along the railway track and the flyover on NH-24 at a tendered cost of Rs. 4.75 crore.

20.3.2.1 Noise barrier erected along the railway track

The contract to erect noise barriers along the railway track was awarded to Lloyd Insulation (India) Ltd. in July 2010 for Rs. 1.75 crore.

As part of our July 2009 Study Report on preparedness for CWG 2010, DDA had clarified that it would be installing permanent noise barriers for which approval had already been received from the National Physical Laboratory, and the final designs were being discussed with the Railways. However, this was not done, and DDA chose to install temporary noise barriers along the railway track.

Further, DDA chose not to conduct a test of the material used for noise barrier from an independent third party quality assurance agency, and relied upon the test report of the manufacturers. Since we are not aware of the measures, if any, taken by the Railways during CWG-2010 to mitigate the noise of railway traffic alongside the Games, we could not verify the efficacy of the noise barriers constructed on the railway side.

20.3.2.2 Noise barriers erected along the flyover on NH-24

The contract to erect noise barriers along the flyover on NH-24 was awarded to Construction Catalyser Pvt. Ltd. in May 2010 for Rs. 3 crore. The contract specified the physical characteristics of the plexiglass noise barrier that was to be installed. We observed that the samples sent for testing to the third party laboratory (Shriram Institute for Industrial Research) failed to meet the desired criteria subsequently. Interestingly, although the samples were sent in June 2010, the report was received from the laboratory only on 29 October 2010, well after the conclusion of CWG-2010; this effectively eliminated all chances of taking corrective measures in a timely manner.



Noise barrier on NH-24

20.4 Appointment of Financial Consultant for the Games Village Project

In June 2006, DDA awarded a contract for Rs. 4.73 crore for financial consultancy for the Games Village Project to a consortium led by Pricewaterhouse Coopers Pvt. Ltd.(PWC) with James La Salle Property Consultants Pvt. (I) Ltd. (international expert).

The scope of work of the financial consultant included advice on development options for the Games village on a Public Private Partnership (PPP) mode or any other appropriate mode involving development through auction of plots for developing hotel/service apartment, and the possibility of private participation in development of Games Village /competition venues. Since the last two options were not pursued, a note was put up to the High Powered Committee (HPC) of DDA in September 2008 for foreclosure of the consultancy as per the agreement, for works no longer required to be undertaken by the financial consultant and restricting the consultancy fee on pro rata basis. In addition, it was also indicated that the key personnel promised by the consultant were either not deployed or replaced without prior permission of DDA, as required.

We found that the HPC, instead of restricting the payments to be made to the financial consultant, avoided taking a decision and noted that “a view has to be taken for reducing the scope of work as per the agreement and only those issues which are relevant for taking services of PWC should be worked out. Director CWG would work out the proposal in consultation with the SEs.” We could not ascertain the follow up action, if any, in this regard either by the designated officers or by the HPC. Ultimately the financial consultant was paid Rs. 4.02 crore, which included payment for services actually not rendered.

20.5 Residential Complex

20.5.1 Decision on construction of flats in PPP mode

In the bid document of May 2003, the cost of constructing the athletes village was estimated at USD 163.83 million (Rs.753.62 crore)⁵, of which USD 106 million (Rs. 487.60 crore) were expected to be recovered from sale of 2-3 bedroom apartments built to accommodate the participants.

In August 2003, the then LG, Delhi, Shri Vijai Kapoor strongly recommended designing the Games Village with legacy use as hostels for various colleges, which would address a major deficiency in the existing educational infrastructure of Delhi. However, in March 2005, the GoM, decided that the option of constructing hostels was not feasible, mainly due to post Games maintenance difficulties. In January 2006, after considering the three funding models i.e.

- private participation through auctioning plots for building hotels/service apartment/guest house;
- building Games village entirely through Government funding; and
- Public private participation (PPP) in development of hotels and residential apartments,

GoM decided to develop the Games Village through the PPP route.

20.5.2 Process of tender and award

In December 2006, the RFQ was issued and 15 agencies applied for pre-qualification,

⁵ Converted at 1USD = Rs.46

out of which 11 agencies⁶ were prequalified. These included leading names such as DLF Ltd., Shapoorji Pallonji & Company Ltd., L&T, Parsvanath, Ansal and Unitech, besides the winning Emaar MGF consortium.

The RFP was uploaded on the DDA website and the pre-qualified agencies were informed on 9 May 2007. The main conditions of the RFP were:

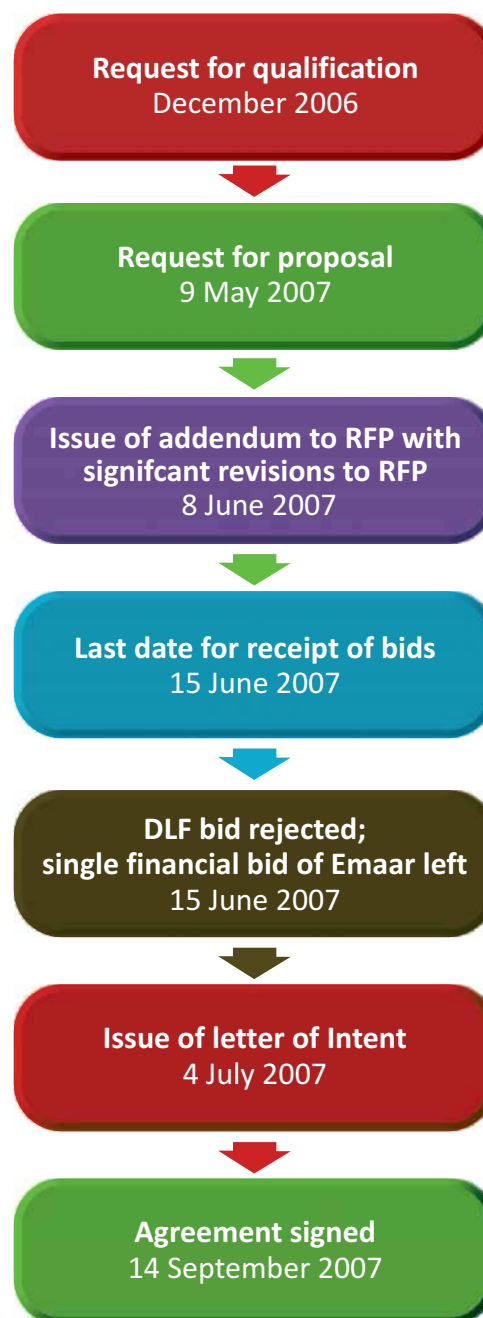
- developing residential apartments on a plot of 11 hectare;
- Floor Area Ratio⁷ (FAR) of 200 percent;
- 50 percent of the FAR achieved to be DDA's share;
- a Biddable upfront fee at a minimum of Rs. 300 crore; and
- Bank Guarantee of Rs. 500 crore.

Since no response was received by 1 June 2007, the bid conditions were revised through an addendum issued on 8 June 2007 and the last day for submission of bid was refixed as 15 June 2007. Only two responses were received. DLF's conditional bid was rejected, leaving a single financial bid from Emaar MGF Constructions Pvt. Ltd. for Rs 321 crore. The Lol was issued on 4 July 2007 and the contract signed on 14 September 2007. The sequence of events is pictorially depicted in figure 20.2.

⁶ Consortium of Emaar Properties PJSC, Dubai, DLF Ltd., Omax Ltd., Nagarjuna Construction Company Ltd., Shapoorji Pallonji & Company Ltd., Larsen and Toubro Ltd., Parsvanath Developers Ltd., Ansal Properties and Infrastructure Ltd., Consortium of CSC-HK-Soma Enterprises, Consortium of Namkwang-SPSL-PDI-CMCL, and Consortium of Unitech-IL&FS-PSDA-FCL

⁷ Floor Area ratio indicates the ratio of the size of the plot and the floor area of the construction.

Figure 20.2 — Sequence of tendering process for selection of Developer



20.5.3 Undue favour shown to Emaar MGF in pre-qualification (PQ) and technical qualification

As per the RFQ, existing incorporated entities could apply either individually or as a consortium. While an un-incorporated

consortium could apply on the basis of an MoU, which would also identify a lead partner holding not less than 26 per cent equity shareholding and voting rights, a separate incorporated entity was to be formed before bidding, on the same pattern of shareholding as indicated in the MoU. The critical PQ requirements were:

- i. Experience of three years of residential facility/property development;
- ii. Minimum average annual turnover of Rs. 200 crore over the last three years; and
- iii. Net worth of Rs. 100 crore on the last day of the latest financial year.

In case of a consortium, the lead member was to fulfil conditions (i) and (ii); and all members holding more than or equal to 26 percent of shareholding had to fulfil condition (iii).

Incidentally, the Guidelines for PPP on Request for Qualifications of the Government of India do not stipulate the formation of an incorporated entity before award of the contract, but merely require the submission of a binding Joint Bidding Agreement by the consortium partners, undertaking to constitute a Special Purpose Vehicle for entering into the PPP concession agreement. The RFQ floated by DDA, however, required a separate incorporated entity to be formed (with the same shareholding pattern as indicated in the MoU submitted in response to the RFQ) before submission of bids.

We found a series of misrepresentations and accommodations at the RFQ and RFP stages that resulted in Emaar MGF Constructions Pvt. Ltd, an existing company at the RFQ stage but not qualified on any of the three conditions, to emerge as a successful bidder through the consortium route. Emaar Properties PJSC, presented at the RFQ stage as the lead partner with the requisite experience, turnover and net worth, faded behind layers of subsidiaries, effectively making a mockery of the premise that it would bring the necessary experience and financial strength, directly to the consortium led special purpose company.

An un-incorporated consortium with Emaar Properties PJSC, Dubai, Emaar MGF Land Pvt. Ltd., MGF Developments Ltd., and Discovery Estates Pvt. Ltd. applied at the RFQ stage on the basis of an MoU that projected Emaar Properties PJSC, Dubai as the lead member that would hold 26 percent shareholding in the Special Purpose Company (SPC) to be set up before making a bid at the RFP stage (the other members of the consortium holding 25 percent, 25 percent and 24 percent shareholding, respectively). This is pictorially depicted in figure 20.3 of the four consortium members, only the lead member fulfilled the pre-qualification criteria, and on its strength the consortium was shortlisted, along with 10 other agencies.

Figure 20.3 — RFQ stage (Shareholding as indicated in the MoU)



In response to the RFP, two bids were received i.e. from Emaar MGF Construction Pvt. Ltd., the SPC for the consortium led by Emaar Properties PJSC, Dubai and DLF Ltd; both the bids were conditional and to that extent deficient.

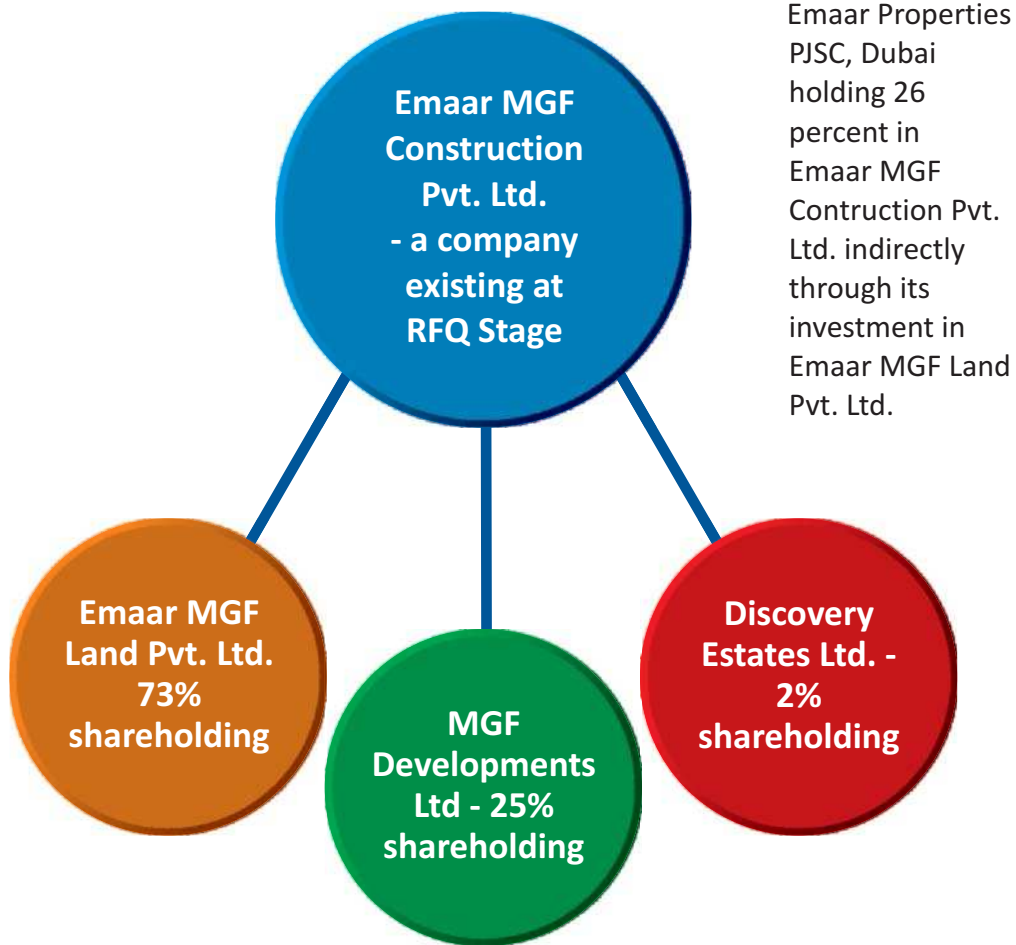
We found that DDA's Evaluation Committee for technical proposal⁸, which first considered the two technical proposal on 15 June 2007, summarily rejected the proposal of DLF Ltd., but chose to engage in a series of correspondence with its financial consultants/chief legal advisor/ legal agencies and Emaar MGF Construction Pvt. Ltd to find solutions to address the deficiencies in the technical proposal of Emaar MGF. Finally, on 28 June 2007, Emaar MGF Construction Pvt. Ltd. was declared technically qualified for opening the financial bid on the strength of an undertaking, rather than actual compliance with the terms of the RFP and RFQ.

Thus, by accepting the conditional proposal of Emaar MGF Construction Pvt. Ltd. while rejecting the bid of DLF Ltd, the technical evaluation committee effectively eliminated financial competition, with the approval of VC, DDA.

Emaar MGF Construction Pvt. Ltd. was a company existing at the RFQ stage; but ineligible on the three PQ criteria in its individual capacity. Further, Emaar Properties PJSC, Dubai did not directly hold 26 percent interest in this company; instead, 73 per cent was held by Emaar MGF Land Pvt. Ltd. (as depicted in figure 20.4) - again a company which could not qualify as the lead partner on the PQ criteria. It was indicated that Emaar Properties Dubai indirectly held 26 per cent share in the SPC through its shareholding in Emaar MGF Land Pvt. Ltd. This was not as per the PQ criteria which required a **direct investment** of at least 26 per cent by the lead partner.

⁸ Finance Member (in Chair), Engineer Member, Principal Commissioner, Commissioner (Planning), Commissioner (LD), Chief Architect, Chief Legal Advisor, Financial Advisor and Chief Engineer (SEZ).

Figure 20.4 – Shareholding pattern at RFP stage – Emaar Properties PJSC, Dubai – the lead member, did not hold 26 percent shareholding directly



The technical proposals were opened on 15 June 2007 and between 15 and 27 June 2007, there were a series of communications between the Evaluation Committee, financial consultant, chief legal advisor of DDA, two other legal agencies – Amarchand Mangaldas and Shri Gaurav Sarin - and Emaar MGF Constructions Pvt. Ltd. (but not directly with Emaar Properties PJSC, Dubai, the lead member) regarding the deficiencies with regard to:

- SPC being an existing company on the RFQ date;
- change in the shareholding pattern of the SPC as compared with that indicated in MoU; and
- absence of 26 percent direct shareholding of the lead member (Emaar Properties PJSC, Dubai) in the SPC.

The chronology of events between 15 and 28 June 2007 are given in Table 20.1.

Table 20.1 — Chronology of events between 15 and 28 June 2007

| Date | Events/ Remarks |
|--------------|---|
| 15 June 2007 | <ul style="list-style-type: none"> ■ Two bids were received from DLF Ltd. and Emaar Consortium. ■ The Evaluation Committee, as per the minutes of the meeting, outrightly rejected the proposal of DLF Ltd., which was approved by the VC. However, we found no evidence of communication to DLF Ltd. at this stage. Emaar Consortium was asked to make a technical presentation. ■ Letter from a pre-qualified vendor, CMCL, regarding insufficient time after amendments to terms and conditions of RFP. |
| 19 June 2007 | <ul style="list-style-type: none"> ■ CE (SEZ), DDA asked Emaar Consortium for clarifications in respect of fulfilment of conditions of RFP clause. ■ Emaar MGF Construction Pvt. Ltd. submitted clarifications on deviation from the RFQ proposal and RFQ/ RFP clauses, regarding the existing company (Emaar MG Construction Pvt. Ltd) being presented as the Special Purpose Company. |
| 20 June 2007 | <ul style="list-style-type: none"> ■ DDA asked Emaar Consortium regarding variation in shareholding pattern from that depicted in the MoU submitted at the RFQ stage. |
| 21 June 2007 | <ul style="list-style-type: none"> ■ Emaar MGF Construction Pvt. Ltd. submitted a clarification regarding indirect shareholding of Emaar PJSC, Dubai in the SPC. ■ DDA asked its financial consultant, PWC, for its opinion on the letters from Emaar MGF Construction Pvt. Ltd. |
| 22 June 2007 | <ul style="list-style-type: none"> ■ Emaar MGF Construction Ltd. wrote to DDA, indicating that as per Press Note 2 (2005) of Ministry of Commerce and Industry, Foreign Direct Investment (FDI) in townships could take place only after award of the project. |
| 23 June 2007 | <ul style="list-style-type: none"> ■ DDA, through PWC, sought the opinion of Amarchand Mangaldas regarding 26 per cent direct equity of Emaar Properties PJSC, Dubai in the SPC, in view of Press Note 2 (2005). ■ Amarchand Mangaldas gave their opinions on Emaar MGF Construction Ltd.'s letters of 19, 20 and 21 June 2007, regarding a valid and binding undertaking from Emaar Properties PJSC for 26 per cent direct investment in the SPC. |
| 25 June 2007 | <ul style="list-style-type: none"> ■ CE (SEZ) submitted a note to the Chairman, HPC of DDA seeking extension of the deadlines, <i>“since the proposals from the two bidders for the project are still under scrutiny”</i>. We could, not, however, verify action taken, if any, on this note. |

| Date | Events/ Remarks |
|--------------|--|
| 26 June 2007 | <ul style="list-style-type: none"> <li data-bbox="600 315 1380 383">■ CE (SEZ) wrote to Chief Legal Advisor, DDA seeking his advice on the matter. <li data-bbox="600 409 1380 551">■ DDA wrote, through PWC, to Amarchand Mangaldas for their advice on the format of the undertaking from Emaar MGF Construction Pvt. Ltd. (and not from Emaar Properties PJSC, Dubai). <li data-bbox="600 577 1380 1317">■ Amarchand Mangaldas wrote two letters dated 26 June 2007 (with the same reference no. 4857) to DDA, indicating the format of an undertaking from Emaar MGF Construction Pvt. Ltd. that Emaar Properties PJSC, Dubai would invest in the SPC; this was different from their advice of 23 June 2007 regarding an undertaking from Emaar Properties PJSC, Dubai. One letter had three clauses, while the other letter had four clauses. The fourth clause suggested removal of the term “direct” before the term “shareholding”, in view of Emaar MGF Construction Pvt. Ltd.'s letter of 21 June 2007 confirming that Emaar Properties PJSC Ltd. would exercise 26 per cent voting rights in the SPC. It also indicated that although Emaar Properties PJSC may route the investment through one of its investing companies of the Emaar Group, the relevant investment company must clearly state that it was making the investment for the benefit of Emaar Properties PJSC, and this declaration would have to be filed with the Registrar of Companies. Incidentally, the signatures of the partner of Amarchand Mangaldas, Piyush Joshi, on the letters of 26 June 2007 differ from that of 23 June 2007. <li data-bbox="600 1344 1380 1447">■ DDA's Chief Legal Advisor sought the advice of Shri Gaurav Sarin, Standing Counsel on the undertaking, as well as on “direct investment” by Emaar Properties PJSC, Dubai. <li data-bbox="600 1473 1380 1608">■ Emaar MGF Construction Pvt. Ltd. submitted an undertaking that Emaar Properties PJSC shall directly own 26 per cent of the equity of Emaar MGF Construction Pvt. Ltd. within six months from the date of Lol. |
| 27 June 2007 | <ul style="list-style-type: none"> <li data-bbox="600 1639 1380 2063">■ Shri Gaurav Sarin wrote to DDA, indicating that permitting indirect shareholding of the lead member would amount to deviation from the requirements of the RFP documents. Further, Shri Sarin indicated that Emaar MGF Construction Pvt. Ltd had indicated the inability of the lead member (Emaar Properties PJSC, Dubai) to give the undertaking, but had expressed its willingness to give an undertaking (that Emaar Properties PJSC, Dubai would make the necessary investment). Shri Sarin indicated that the undertaking given by the bidding company should be forwarded by DDA to the lead member (Emaar Properties PJSC, Dubai) and their confirmation/ acceptance sought, such confirmation |

| Date | Events/ Remarks |
|----------------------------|--|
| | <p>amounting to ratification of the undertaking by the lead member. However, Emaar MGF Construction Pvt. Ltd. had already submitted its undertaking on 26 June 2007.</p> <ul style="list-style-type: none"> ■ The Evaluation Committee, as per the minutes of the meeting, decided to recommend Emaar MGF Construction Pvt. Ltd as technically qualified for opening of the financial bid, and the bid of DLF to be returned. VC's approval for the proposal was sought. |
| <p>28 June 2007</p> | <ul style="list-style-type: none"> ■ VC approved the proposal for technical qualification of Emaar MGF and disqualification of DLF. ■ Emaar MGF was informed of its being technically qualified, while DLF was informed of its being technically disqualified and its bid was returned. |

The sequence of events clearly indicates that the Evaluation Committee gave a series of relaxations to Emaar MGF Constructions Pvt. Ltd. right from the RFQ stage till it finally emerged as the sole financial bidder for the project. In contrast, DLF's conditional bid was summarily rejected without any interaction or negotiation with the applicant.

Table 20.2 – Summary of deficiencies in bids of Emaar-MGF Constructions Pvt. Ltd. and DLF Ltd.

| Emaar-MGF Constructions Pvt. Ltd. | DLF Ltd. |
|---|---|
| <ul style="list-style-type: none"> ■ The lead member (Emaar Properties PJSC, Dubai) did not hold the stipulated 26 per cent direct shareholding in the SPC (Emaar-MGF Constructions Pvt. Ltd).⁹ ■ The shareholding pattern of the SPC was different from that indicated in the MoU submitted at the RFQ stage. | <p>DLF did not submit a technical proposal (for which it requested additional time till 6 July 2007), and only submitted a financial bid.</p> <p>DLF stipulated the following conditions with its bid:</p> <ul style="list-style-type: none"> ■ An assurance from DDA to obtain all requisite approvals within three months from the signing of the project development agreement. ■ Increase in bidders' share of residential apartments from 2/3rd to 80 per cent.¹⁰ |

⁹ Despite the undertaking for direct shareholding of Emaar Properties PJSC, Dubai within 6 months of LoI, this condition of direct shareholding was never fulfilled.

¹⁰ The pattern of bidders' share of residential apartments was subsequently changed by DDA through the May 2009 bailout package, where it agreed to buy 333 apartments @ Rs. 11000/ sq. feet from the developer's share.

| Emaar-MGF Constructions Pvt. Ltd. | DLF Ltd. |
|---|--|
| <ul style="list-style-type: none"> The SPC (Emaar-MGF Constructions Pvt. Ltd) was an existing company at the RFQ stage, which was not in line with the RFQ criteria. | <ul style="list-style-type: none"> Permission to deposit balance bid upfront amount (excluding the EMD) and the first instalment of performance security of Rs. 100 crore only after obtaining approvals from statutory authorities. Minimum technical specifications of the proposed project work should be at the discretion of DLF Ltd. Performance security to be correspondingly reduced on attainment of milestones. Allocation of at least a clear 28 months for project execution from obtaining of requisite approvals. |

- The technical qualification of the Emaar-MGF bid was not in conformity with the terms of the RFQ and RFP. The repeated pleas of Emaar-MGF Construction Pvt. Ltd for various dispensations only serve to confirm such non-compliance at the time of bidding.
- Emaar-MGF's plea regarding the restrictions of Press Note 2 (2005) on FDI before project award is to be considered in the context of DDA's RFQ making an incorporated entity with the specified shareholding (as per the MoU) mandatory before bidding. Emaar-MGF's plea would be applicable for all consortia with foreign partnership. The possibility of other foreign consortia being discouraged from bidding due to this criterion cannot be ruled out.
- Even the undertaking for direct investment was given not by the lead member (Emaar Properties PJSC Ltd.) but by the SPC itself (Emaar MGF Construction Pvt. Ltd.), committing that Emaar Properties PJSC would, in future, have a 26 per cent shareholding in it;

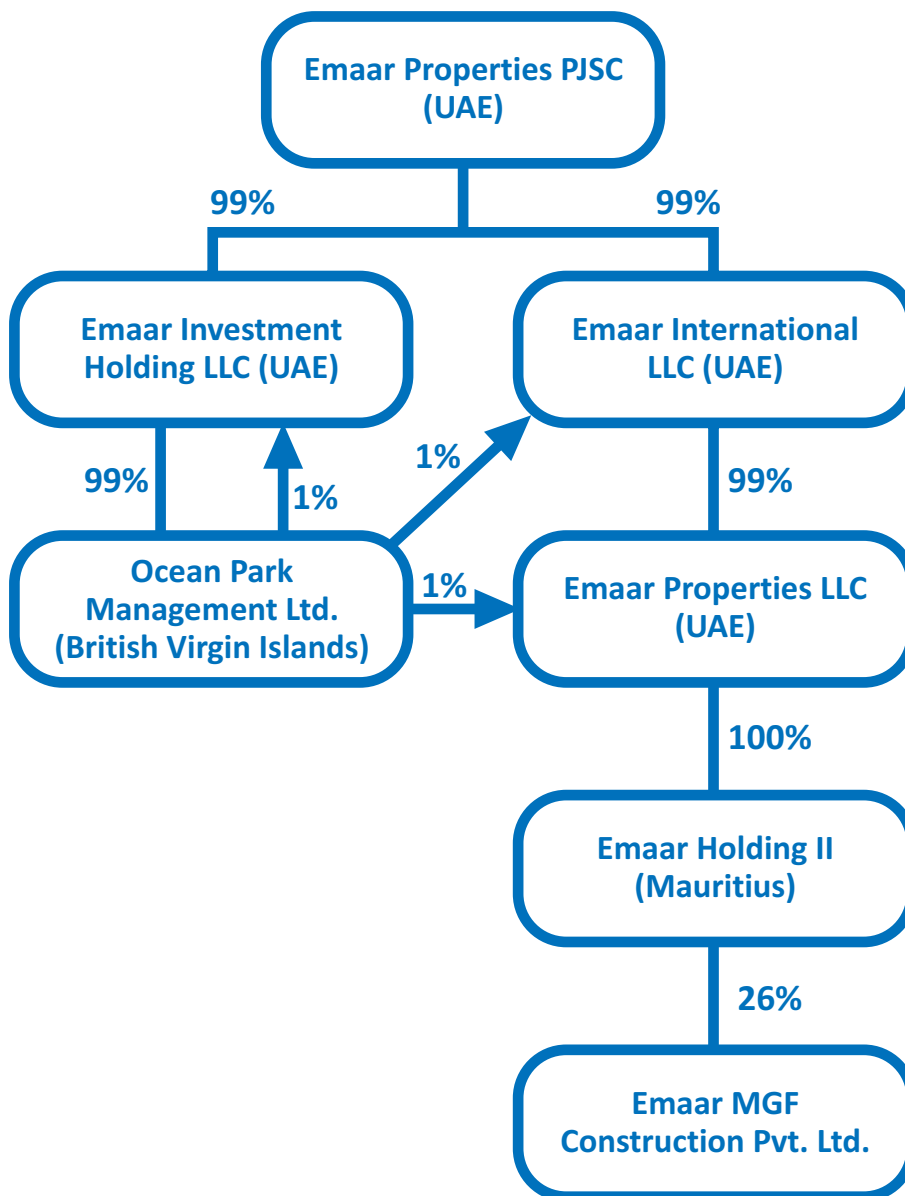
this does not prima facie appear to make sense to us. Further, we have no evidence to verify whether Shri Gaurav Sarin's advice that this undertaking should be sent to the lead member for confirmation/ ratification was carried out or not.

- The need for obtaining a multiplicity of legal opinions from different agencies (Amarchand Mangaldass, Shri Gaurav Sarin, and the Chief Legal Adviser) only suggest an intention to obtain "favourable" advice, facilitating technical qualification of Emaar MGF Construction Pvt. Ltd.
- The undertaking from Emaar MGF Construction Pvt. Ltd. had a provision, stipulating forfeiture of upfront amount and performance guarantee and cancellation of contract in the event of its non-fulfilment (which was also included in the agreement) was largely meaningless. Given the paucity of time and the immoveability of deadlines, such a provision was not realistically operatable.

The undertaking by Emaar MGF Construction Pvt. Ltd was not complied with, and no penal action was initiated. Eventually, in April 2008, nine months after the issue of Lol and six months after the award of the work, it was clarified that **Emaar Properties PJSC, Dubai held 100**

percent shares, though indirectly, through various other subsidiaries in Emaar Holding II Mauritius, which in turn held 26 percent in the SPC. A pictorial depiction of the shareholding pattern of the SPC at execution stage is depicted in **figure 20.5.**

Figure 20.5 — 26 percent indirect shareholding of Emaar Properties PJSC as per clarification given in April 2008 (as intimated by DDA to us)



20.5.4 Short time allowed for bidding after addendum

The addendum to RFP issued on 8 June 2007, introduced significant changes to the bid conditions. The addendum was approved by VC, DDA who also recorded on file that LG, Delhi had been informed about the changes. The changes in the conditions brought in by the addendum are indicated below:

- DDA's share in the FAR reduced to one third from half;
- Bank Guarantee reduced from Rs 500 crore to Rs. 400 crore; and
- Penalty for delays in achieving milestones reduced from Rs. 15-50 lakh per day to Rs. 15-20 lakh per day, along with relaxation in quantum of work and time for the 1st and 2nd Milestone.
- The time allowed to bid was only 7 days. DDA stated it considered the number of days allowed enough for adjusting bids to these amendments. However, we found that two agencies indicated that the time allowed for bidding was insufficient
- The consortium of Namkwang-SPSL-PDI-CMCL lodged a complaint with DDA indicating that due to insufficient time, the consortium, despite being keenly interested, was unable to bid; and
- DLF Ltd, while submitting the financial proposal on the due date, requested for an extension of time for 21 days to submit its technical proposal.

It appears that the short period permitted for submitting bids acted as a deterrent to

competition. Strangely, of the 11 shortlisted parties, many of whom are established construction companies, only two responded on the last date of submission of bid. Moreover, the responsibility for obtaining statutory approvals was cast on the bidder, while DLF had sought assurance from DDA in this regard.

A PPP arrangement is predicated upon appropriate allocation of risks between the public and private parties. While, under normal circumstances, obtaining of statutory approvals could reasonably be termed as the responsibility of the private party, in this case, the critical issue relating to approvals was approval for the site itself, which is not in the hands of the developer. In our opinion, the clause mandating the responsibility of the developer for all approvals was unduly restrictive. Only those developers, who were confident of fullest efforts by DDA/ Gol to ensure necessary approvals for the site (consequently minimizing financial risks to the developer), would have been active and enthusiastic about submitting bids for the project.

Finally, only one financial bid was opened and accepted, effectively denying DDA the benefit of competitive tension that would have ensured that it secured the maximum upfront amount.

20.5.5 The bailout package

In December 2008/February 2009, Emaar MGF requested DDA for financial assistance, on account of slow down in the real estate sector and its inability to raise resources. In May 2009, DDA extended a bailout package worth Rs 766.89 crore in the form of procurement of 333 apartments at the rate of Rs. 11000 / per sq ft plinth area on the ground that the project was of national prestige and was to be completed in time.

We had commented on the extra avoidable expenditure of Rs 89.94 crore on the bailout package in para 9.1 of the Report of the Comptroller and Auditor General of India, Union Government (Civil) Autonomous Bodies No. 23 of 2009-10.

In our view, the need to extend a bailout package arose primarily, as neither the financial arrangement nor the terms and conditions of the contract took into consideration the overriding and inflexible need to ensure completion of the project prior to the CWG-2010. The progress of work on the ground had already been allowed to drift with the project achieving only the 2nd Milestone by December 2008, instead of the targeted 3rd Milestone. The rigidity of the timeline necessarily lent an opportunity to the project developer to force DDA's hand to agree to a bailout package, when faced with a situation of a fast approaching deadline. On the other hand, if the real estate sector had done better than anticipated, additional benefits would have accrued to the developer, while the downside would necessarily have to be borne by DDA/ Government.

20.5.6 FAR violation

We found that Emaar-MGF constructed FAR in excess of the sanctioned plan as well as the maximum permissible limits under the Master Plan of Delhi as indicated in the table 20.2 below:

Table 20.3 – FAR at different stages

| Parameter | FAR achievable/achieved |
|--|-------------------------|
| As per agreement | 201280 sqm |
| As per sanctioned plan | 205140 sqm |
| Maximum permissible under the Master Plan for Delhi-2021 | 220005 sqm |
| Completion plan | 231000 sqm |

We also found that Emaar MGF failed to notify DDA, as per the building by-laws, of the completion of work upto plinth level to enable DDA to confirm that it was in accordance with the sanctioned plan.

All construction in excess of the FAR permissible under the Master Plan of Delhi is unauthorised.

In case the FAR as constructed in excess of the sanctioned plan, but within the Master Plan limits, is regularised by following due process, DDA should secure its one third share in it and the proportionate increase in upfront money as contracted, as it should do for FAR achieved in excess of the agreement as well (action on which was still pending as of January 2011). However, the FAR constructed by the Developer is in excess of that permitted under the MPD -2021, valued at Rs. 130.17 crore @ Rs 11000 /sqft and it amounts to an undue benefit to the Developer, unless DDA decides to impound or demolish it.

20.5.7 Illegal construction

In addition to the FAR violation, Emaar MGF illegally constructed 17 dwelling units in the basement meant for parking and not included in the FAR. We found that the developer started building these units after the submission of the completion plan in June 2010. DDA noticed this ongoing illegal construction in July 2010, but could not enforce its notice to Emaar MGF to cease/demolish such construction. Currently, the Appellate Tribunal for MCD has ordered DDA to take appropriate action according to law, after disposal of the application for regularisation.

20.5.8 Other post award concessions allowed to the developer

We found that DDA allowed several financial concessions to the developer during the execution of the project.

20.5.8.1 Revision of milestones:

The developer could achieve only the 6th and 7th Milestone (of the total 9 milestones) as per the original schedule. Liquidated Damages were leviable for delays in achieving of 1st to 5th Milestone and thereafter for the 8th and 9th Milestones. However, the HPC extended the dates for the 1st to 4th Milestone, but the developer could still not achieve the revised 4th and the unrevised 5th Milestone.

We found that Rs. 81.85 crore liquidated damages refundable on the achievement of the 6th Milestone, were not recovered from the developer resulting in an undue benefit of Rs. 7.36 crore¹¹ toward interest costs.

¹¹ Calculated at the rate of 10 percent per annum; the rate at which mobilisation advance is given under CPWD manual

Further, non-achievement of 8th and 9th milestone attracted a non-refundable liquidated damages of Rs.106.9 crore, of which DDA recovered Rs 90 crore in October 2010, by invoking the Bank Guarantee of Rs. 183 crore at the direction of Ministry of Urban Development, Gol. DDA, in its reply, has assured that it would recover interest on the liquidated damages for delays in achieving 2nd, 4th and 5th milestone and the claim for remaining liquidated damages of Rs. 16.90 crore for non achievement of 8th and 9th milestones had been raised.

20.5.8.2 Refund of bank guarantee

Bank Guarantee of Rs. 100 crore was released in October 2009 after delayed achievement of 4th Milestone, without deducting any Liquidated Damages as envisaged under the agreement.

20.5.8.3 Non - recovery of infrastructure charges

DDA failed to recover infrastructure charges from the developer in respect of its share of the cost of the Water Treatment Plant and Sewage Treatment Plant created by DJB and demanded from DDA; this is detailed in paragraph 21.4.

20.5.8.4 Expenditure on installation of signages

The contract with the developer included installation of signages to be decided by the monitoring committee in consultation with the OC. However, we found that a separate contract for installing signages in the residential complex was also given by DDA to Meroform India Pvt. Ltd. for Rs. 0.11 crore without any corresponding recovery from the developer.

20.5.9 Quality of construction

Emaar MGF awarded most of the construction work for the residential complex to Ahluwalia Contracts (India) Ltd. Central Building Research Institute, Roorkee (CBRI) was appointed as the Third Party Independent Quality Inspection Agency only in May 2008, eight months after the start of work, by which time most of the foundation work had been executed. As such CBRI was unable to assure the quality of the foundation laid. In our opinion, this is a serious lacuna considering the site location and the height of the structure.

CBRI submitted thirteen Reports between June 2008 and October 2010 based on its inspection of the construction in which it reported serious lapses in construction work. Some of the major deficiencies reported by CBRI are summarised below. All photographs in this section are from CBRI's reports, except where indicated otherwise.

20.5.9.1 Deficiencies in ductile detailing of secondary reinforcement (providing appropriate hooks for the stirrups and lateral ties)

Ductile detailing is an arrangement of secondary reinforcing steel in the beams and columns in the forms of stirrups and lateral ties respectively. Proper spacing of these items and bending of their hooks is mandatory, so that the main reinforcing bars will remain intact, and immediate damage to the structure is avoided in the event of earthquake.

Deficiencies in ductile detailing were reported in CBRI's Report Nos. 1 and 2. Despite some corrective action taken in the initial stages, the deficiencies persisted as reported in CBRI's Report Nos. 4 and 10. Some pictures of the execution of ductile detailing by Emaar MGF are shown below:

Figure 4: Steel reinforcement in seismic beams - stirrups with 135° hooks at ends required as per IS:13920-1993.

Diagrammatic representation of ductile detailing

The hooks may be bent as under and length of hook shall be measured from centre of the main bar to the tip of hook (as shown in figure). The ties in the column shall be provided as detailed herein.



Inadequate hook length and absence of 135° angle reported in CBRI Report No. 2



Concreting was in progress without bending reported in CBRI Report No. 4

20.5.9.2 Lack of Cover to Reinforcing Steel

Protection is provided to the reinforcing steel by properly covering the bars with concrete so that the reinforcing steel will not come in contact with oxygen, moisture, chlorides, and acidic environment, which may promote its corrosion.

Despite CBRI's repeated insistence to provide adequate cover to the reinforcing steel (as mentioned in Report Nos. 3, 9, and

10), no action was taken and negligence on the part of the contractor continued.

Chipping of the cover concrete, and cutting of secondary reinforcement was also observed by CBRI in the towers (Reference CBRI Report Nos. 9, 10, and 11). The reinforcement was totally exposed to the open environment due to chipping of cover.

Photographs given below indicate the damage to the construction on these counts.



All in one (Exposed Steel, Hole in Beam Column Junction, Insertion of Jute Bag) Tower 15 as reported in CBRI Report No. 9



All in one (honey combing, seepage, corrosion, and jute bag) in Tower 7 as reported in CBRI Report No. 9



Exposure of Reinforcement Column cap
(Report No. 9 - Tower 20, 4th floor)



Reinforcement is seen in beam bottom
(Report No. 9-Tower 23 - 6th Floor)



Chipping of beam (Report No. 9-Tower 1)



Chipping and cutting of
reinforcing steel – Report No. 11

20.5.9.3 Improper Beam-Column Joints

The joint between the beam and column is a very important aspect from the structural engineering point of view. The column and the beam can be strong and be able to carry more load, but if the joint between these structural elements is weak, it may endanger the safety of the structure both in normal and seismic conditions.

CBRI had pointed on several occasions (Reference Report Nos. 2, 3, 4, 6, 9 and 12) improper detailing of these joints. However, DDA did not take any serious note of CBRI's findings and did not take action against the contractor. CBRI also indicated (Reference Report 6) that improper detailing of joints might be dangerous in the event of an earthquake. Some pictures of the execution of improper detailing are shown as overleaf:



Main bars of the beams located outside the vertical bars of the column - Report No. 3



Half the width of the beam is outside the column - Report No. 3



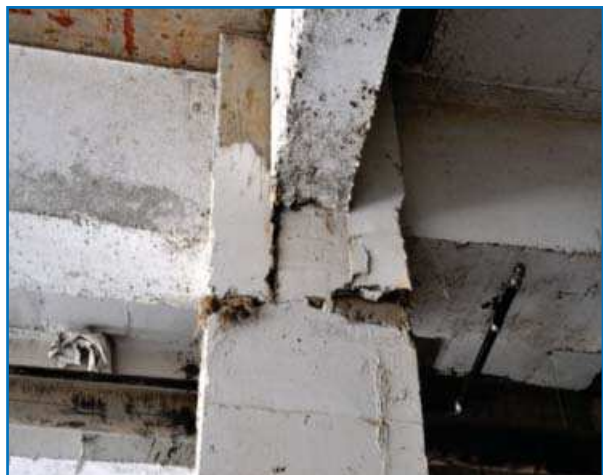
Chidiya Ghar in Beam-Column Joint (- Report No. 9 -Tower-5)



Exposed bars in the joint (- Report No. 9-Tower-6)



Plastic Bag in Beam and Shear Wall Joint (- Report No. 9-Tower-15)



Absence of monolithic construction, presence of gunny bags (Basement) - Report No. 12

20.5.9.4 Improper Alignment of Columns

Perfect vertical alignment of columns is most important in multi-storied buildings. Any misalignment produces geometrical eccentricity in the columns and, in turn, produces additional moments (additional loads) on the columns.

CBRI pointed out (Report No. 3) that many columns in the basement floors of Towers 3, 4 and 5 were out of plumb and some of them were tapered (the width decreased from 300 to 230 mm). This situation poses a serious problem in the event of an earthquake as the construction site is located in Seismic Zone-IV, that too on alluvial soil. CBRI reported the matter to

Emaar MGF, Ahluwalia Contracts (India) Limited and DDA with a request to ensure that no cosmetic treatment (plastering) be made, as it would be difficult to identify these columns at a later stage, when it was decided to repair and retrofit these columns. Nevertheless, all these columns had been plastered to cover up the deficiencies. CBRI Reports strongly recommended structural repair and retrofitting of these columns.

CBRI again pointed out (Report No. 9) that some of the columns had been raised by adopting jacketing and by using micro-concrete (cosmetic treatment). No action was taken by DDA on this finding also.



Tapered Column in the Basement of Tower-3 (Report No. 3)



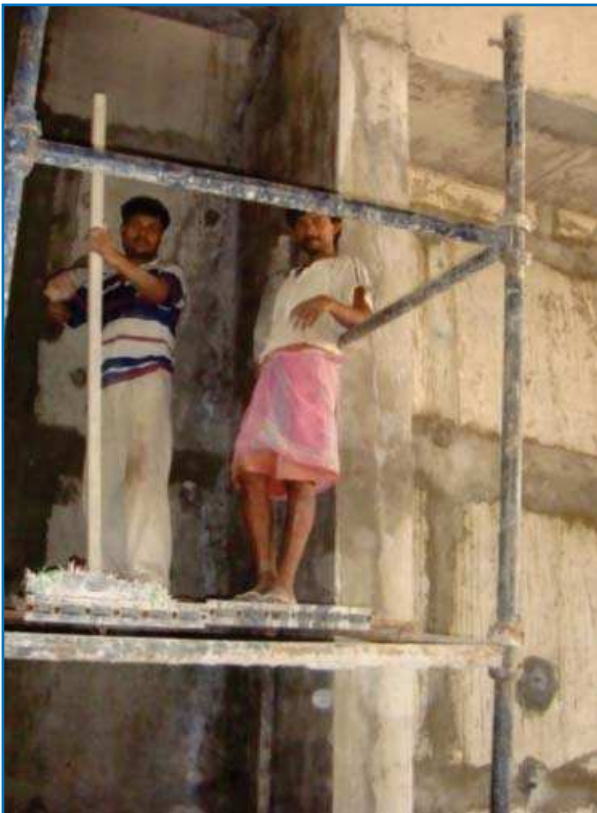
Bent up Column in the Basement of Tower-3 (Report No. 3)



Tapered and Bent up Column in the Basement of Tower-3 (Report No. 3)



Column Out of Plumb in the Basement of Tower-3 (Report No. 3)



Plastering of defective column in Tower-5 (Report No. 3)



Another column in Tower-5 after cosmetic treatment (Report No. 3)



Tower -10: Tapered column (LB) Report No. 9



Two in one: Tilt of the column and lack of cover for the reinforcing steel (Tower-34, Upper Basement) Report No. 9

20.5.9.5 Water-Proofing Treatment in Retaining Walls and Grade Slab

Waterproofing is important in the construction of RC structures, as it helps to prevent the ingress of moisture into the concrete (which would promote the corrosion of reinforcing steel and deterioration of concrete, hence reducing its service life).

CBRI (Report No. 2) suggested norms for water-proofing treatment, but indicated in their 10th report that the contractor did not follow their recommendations.

20.5.9.6 Difference in the Levels of Grade Slabs

According to CBRI Report No. 10, there was a clear difference in the levels of grade slabs of the tower area and the non-tower area. No concreting and no waterproofing treatment had been undertaken to cover the vertical surface of the soil. The area was later filled up (in buried under soil). CBRI had already pointed out (November 2009- Report No. 10) that water might percolate in the basement area, as the water table rises in the rainy season. Subsequently, CBRI reported (July 2010, Report No. 12) that the basements were flooded with rainwater and there were seepages and leakage from the joints. The leakage and seepage was noticed even in January 2011 by us in a joint inspection (the photographic evidence collected by us is given below).



Photograph of the basement taken by audit in January 2011

Incidentally DDA did not obtain provisional certificates from CBRI for major milestones, as envisaged under the contract.

20.5.9.7 Shortened life of Towers

CBRI, in its report of July 2009, concluded that “On seeing the permeability of the concrete and the corrosion of reinforcing steel, it gives an impression that the service life of these towers can not be more than 20 years. These towers demand a lot more expenditure for the repair and retrofitting beyond this period”. Clearly, the safety, serviceability and durability of the residential complex was jeopardized due to negligence of both the contractor/developer and failure on the part of DDA to initiate action on the serious lapses pointed out by CBRI.

DDA replied (February 2011) that quality control was a continuous process and that observations in one report were attended and action taken reports were submitted in the subsequent reports; the process had

been duly followed. The reply is not tenable, as CBRI was continually pointing out deficiencies (as summarised above) in its subsequent reports, which indicated that no serious efforts were made.

20.5.10 Unfinished Games Village

Emaar MGF was to hand over the completed project (including landscaping work) on 1 April 2010, in a ready to use/liveable condition, with no pending construction unfinished work, construction equipment debris, construction material etc on the site. The project could not be completed even at the time of CWG-2010¹² and the towers were handed over to DDA between June and August 2010 for furnishing of the flats by ITDC and OC. These flats were not completed/finished and numerous defects were noticed by DDA. These deficiencies are in addition to the various structural issues pointed out by CBRI in its report. The main defects noticed by DDA summarised below:

¹² DDA has informed us that the date of completion has now been noted as 13 December 2010

- Undulating basement floor and absence of flooring (which was hidden under debris);
- Heavy leakage of ground water in all the lift pits (73 in number) indicating that no water treatment had been done in the lift pits;
- Defective water proofing of terrace, resulting in seepage in apartments;
- Improper slope of floor in bathrooms;
- Shafts not covered, leading to collection of water in basements;
- Supply of single phase power in some apartments;
- Improper coverage of expansion joints;
- Gunny bags embedded in concrete surfaces in the basement;
- Chokages in the drain pipes; and
- Landscaping not completed and no arrangement of water for the landscaped area.

Some of these deficiencies were attended to, in an emergent situation, by DDA and agencies of GNCTD (we are unable to determine the amount spent by these agencies on this activity separately). Major construction defects remained unattended during CWG-2010. Till date we do not have any record to indicate that these defects were subsequently rectified by the developer, nor do we have any evidence that monetary adjustments have been made.

Due to the unfinished condition of the residential complex, the OC made alternate arrangements for the accommodation of the delegations of 41 countries that were entitled to stay at the Games Village during

its soft opening during the period 16 to 29 September 2010, at a cost of Rs.0.84 crore.

An additional expenditure of Rs. 4.16 crore was also incurred for shifting the polyclinic, dope control centre and resident centre from its originally identified location in the lower ground floor to a temporary structure (overlay) due to likelihood of flooding; sewerage and drainage problem; circuitous approach and low height of ramp which hindered entrance of ambulances.

20.6 Non-residential Permanent Structure – Practice Area

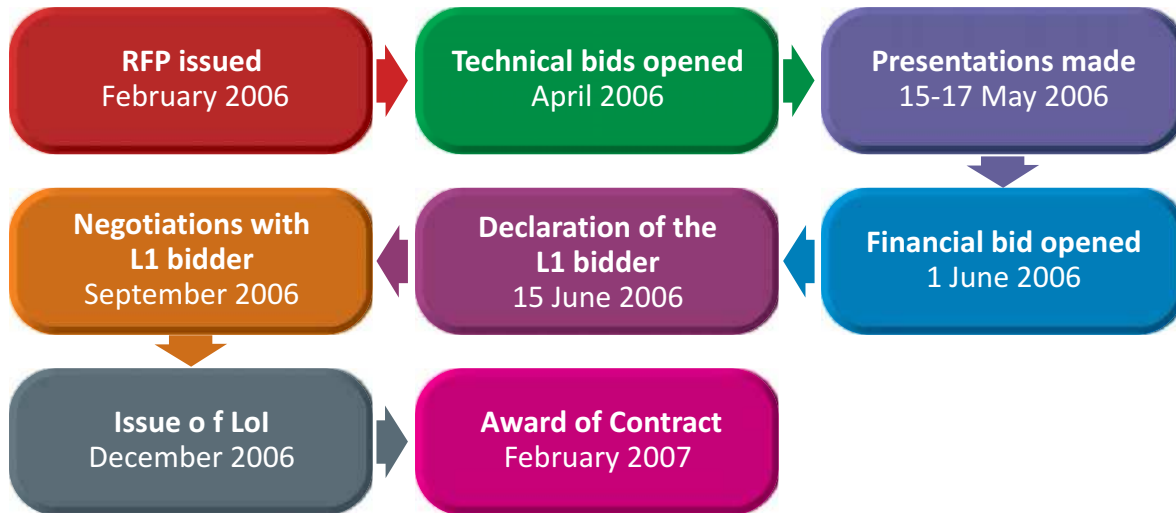
20.6.1 Introduction

The Games Village was to have sports practice and training facilities for weight lifting, wrestling, swimming, and athletics, as well as a fitness centre. These works were undertaken at a cost of Rs. 284.45 crore. The main consultant for these works was Suresh Goyal & Associates in consortium with Decathlon SA and Shri Daryl Jackson(SGA); the developers were Sportina Payce Infrastructure Pvt. Ltd. and SAM India Pvt. Ltd.

20.6.2 Selection of Suresh Goyal and Associates as Design Consultant

In February 2006, an RFP for engaging a consultant for designing the Games Village. Of the 12 bids received, 5 were shortlisted based on presentations and the contract was awarded to the agency that scored highest on the basis of a techno-commercial evaluation in February 2007. The chronology of events depicted in Figure 20.6.

Figure 20.6 — Chronology of events resulting in selection of Design Consultants



We found that despite SGA being declared the L1 bidder in June 2006, the issue of letter of intent was delayed by six months. During this time, the HPC entered into a rate negotiation with the L1 bidder; (the L1 bidder had quoted Rs 17.25 crore which was reduced to Rs. 15.65 crore) and thereafter took another three months to issue the LoI. Such inexplicable delays post tendering are not only detrimental to timelines, but also indicate lack of transparency.

Further, SGA's high score on technical evaluation was primarily due to the inclusion of Decathlon SA (with experience of Athens Olympics) as the master planner and sports architecture specialist, in its consortium and Rs. 6.10 crore of the consultants' fee was justified on the grounds of its engaging international expertise.

Subsequently, Decathlon SA was not associated with the execution of the contract, thus vitiating the very premise on which SGA was selected. In November 2007, Decathlon SA informed DDA that

despite being a member of the consortium, it had not been associated with the project due to an unresolved dispute with Suresh Goel & Associates on the scope of work and associated fees. Subsequently, as late as May 2008, Suresh Goel & Associates informed DDA that the contract deliverables till date had been submitted without the association of Decathlon SA and sought an ex-post facto approval of replacement of Decathlon's staff with certain staff which it had already engaged. This was contrary to the agreed terms, which required any replacement of the staff only with prior consent of DDA.

Further, in February 2008, HPC directed retaining 25 percent of the fee of SGA, but subsequently released the retained amount as well between May 2008 and October 2008, on the plea that work was suffering and also considering the overall work done by the design consultant.

Clearly, SGA was engaged as the design consultant on the premise that it would bring in international expertise, and accordingly its fees were also justified. However, no such benefits accrued to DDA due to the dispute with Decathlon SA, the master planner and sport architecture specialists with the requisite international experience. DDA was not even aware that SGA brought in relevant international expertise (comparable to Decathlon) at its own cost, and irregularly accorded ex post facto sanction for replacement of Decathlon's staff with Suresh Goel Associates' own staff and thereafter even released full payment.

20.6.3 Performance of Design Consultant

20.6.3.1 Deficiencies in preparation of designs, drawings, bill of quantities and estimates

The design consultant was responsible for preparation of designs, drawings, bill of quantities and estimates. Based on a test check of records, we found that several deviations of work/ extra items had to be undertaken due to deficiencies attributable to the design consultant e.g.

- Defective estimates (7 cases of Rs. 8.97 crore);
- Mismatch in original and working drawings and BOQs (one case of Rs. 0.43 crore);
- Estimates not prepared as per site requirement (5 cases of Rs. 5.41 crore);
- Slab of the underground reservoir not designed as per vehicular load (one case of Rs. 0.52 crore); and

- Deviation due to change of specification and scope of work (one case – Rs. 1.05 crore)

20.6.3.2 Reduction in scope of work

Design of the roof cover of swimming pool and overlay, which was included in the scope of work SGA was assigned to other agencies¹³, but the fee paid to SGA was not reduced.

20.6.3.3 Delays in achieving of milestones

As per the RFP, the design consultant was to achieve 4 milestones; liquidated damages were to be levied for any delays. We found that none of the milestones were achieved but DDA instead of levying liquidated damages as per contracted terms, withheld a lumpsum amount of Rs. 0.25 crore. DDA could not provide the date of actual achievement of milestones to us; however, based on the release of stage wise release of payments, we estimate that maximum penalty as per contract i.e. Rs 0.78 crore is inevitably leviable (including Rs. 0.25 crore already deducted).

20.6.4 Selection of Sportina Payce Infrastructure Pvt. Ltd. as Developer

In June 2007, the RFQ for pre-qualification of agencies for construction of athletic track, swimming pool, fitness centre and training hall at the Games Village and three other projects related to venue development¹⁴ was issued. Of the 18

¹³ Roof of the swimming pool was designed by McCoy Architectural Systems Private Ltd; overlays design was prepared by GL Litmus Event Pvt. Ltd.

¹⁴ Construction of new competition venues for squash and badminton (SFSC); Construction of new competition venues for Table Tennis (YSC); and refurbishment of existing facilities at SFSC, YSC and SSC.

applicants, eight¹⁵ were pre-qualified on 13 September 2007 by the evaluation committee¹⁶ these included leading players such as Gammon India Ltd and Shapoorji Pallonji. On 10 January 2008, bids were invited from PQ bidders, and only two agencies bought the tender documents (Sportina Payce Infrastructure (Pvt.) Ltd. and BE Billimoria & Co. Ltd.). The tenders were

opened on 19 February 2008 and the contract awarded to Sportina Payce Infrastructure Pvt. Ltd. on 17 April 2008, the L1 bidder at a negotiated amount of Rs. 63.10 crore with the approval of the Works Advisory Board¹⁷ and concurrence of LG, Delhi. figure 20.7 represents the chronology of events.

Figure 20.7 — Chronology of events leading to selection of Sportina Payce (Pvt.) Ltd.



The entire tendering process took 10 months, of which 3 months were spent in examining the eligibility of the applicants. However, we found that Sportina Payce Construction (India) Pvt. Ltd. (the SPV representing the consortium led by Payce Consolidated Ltd., Australia; Pynter Dixon Construction Pty. Ltd., Australia; Sportina Exim Pvt. Ltd., India and Robertson + Marks Architect Pty. Ltd, Australia), submitted an **un-notarised MoU** evidencing the consortium, contrary to the RFQ requirement. Interestingly, though **all four**

member of the consortium were purportedly incorporated bodies, only two signed with the companies' common seal. Despite a scrutiny process of three months, this agency was declared pre-qualified by the Evaluation Committee. Further, though the company pre-qualified was Sportina Payce Construction (India) Pvt. Ltd, the tender documents were bought by Sportina Payce Infrastructure Pvt. Ltd., a different legal entity, registered only on 16 January 2008, but applied for the tender document on 15 January 2008;

¹⁵ ITD-ITD Cem JV; BL Kashyap and Sons Ltd.; BG Shirke Construction Technology Pvt. Ltd., Gammon India Ltd.; Consortium of Unity-Brahmaputra; Shapoorji Pallonji & Co. Ltd.; BE Billimoria & Co. Ltd.; and Sportina Payce Construction(India) Pvt. Ltd-SPV.

¹⁶ Finance Member, Engineer Member, Principal Commissioner, Commissioner (Plg), Chief Engineer (SEZ), Commissioner (LD), Chief Architect, Chief Legal Advisor and Financial Advisor (H)

¹⁷ Vice Chairman- DDA, Finance Member, Engineer Member, Chief Engineer(SEZ) and Chief Accounts Officer

The shareholding composition of the PQ agency, as projected in the MoU, was

- Payce Consolidated Ltd., Australia – 72 per cent;
- Pynter Dixon Construction Pty. Ltd., Australia – 2 per cent;
- Sportina Exim Pvt. Ltd.- 25 per cent; and
- India and Robertson + Marks Architect Pty. Ltd, Australia – 1 per cent.

In contrast Sportina Payce Infrastructure Pvt. Ltd. (the successful bidder) was promoted by

- Smt Sheetal Hiren Sheth w/o Hiren Himat Lal Sheth and
- Shri Hiren Himat Lal Sheth s/o Himat Lal Deepchand Sheth.who were also the shareholders of Sportina Exim Pvt. Ltd. Though the Articles of Association of the company stated that the shareholding would be adjusted as per MoU, and 2 directors would be from Payce Consolidated Ltd. Australia; we found the evidence of this adjustment only in the return filed with Registrar of Companies after the Annual General Meeting held on 30 September 2009.

Further, we found that as per RFQ condition, any consortium member holding more than or equal to 26 per cent of the equity shareholding or voting rights, was required to have net worth equal to 40 percent of the estimated project cost. Sportina Exim Pvt. Ltd. did not meet this criteria, and circumvented it by showing a shareholding of 25 percent at the MoU stage. However, it increased its holding to 26 percent shareholding in Sportina Payce Infrastructure (P) Ltd., the company which was finally awarded the contract.

It is amply evident that the MoU was manipulated to ensure that Sportina Payce Construction (India) Pvt Ltd. pre-qualified.

Ultimately the successful bidder was an entity, different from the pre-qualified agency, without any confirmed association with Payce Consolidated Ltd., Australia – the projected lead member with experience of design and construction of mixed use development in Australia, on the basis of which the consortium was pre-qualified. DDA could also not produce any evidence of the association of Payce Consolidated Ltd in the execution stage as per MoU.

Subsequently, in October 2009, after a payment of Rs. 17.79 crore had been made, the contract was terminated on the grounds of mismanagement, lack of resources, lack of will and vision, engineering skill and management expertise – thus confirming the agencies' ineligibility in the first instance. Liquidated damages of Rs 5.75 crore were levied on the contractor, but had not yet been recovered.

The balance work of Rs 45.31 crore was re-awarded after tendering to Sam (India) Built Pvt. Ltd. for Rs. 29.59 crore (including an additional work of Rs. 1.18 crore) and to Shiv Naresh Sports Pvt. Ltd. for Rs. 8.93 crore.

20.6.5 Quality of works executed

The quality assurance work was undertaken primarily through the Quality Assurance Cell (QAC) of DDA. However, we noticed that

- The swimming pool constructed in the Games Village was not certified by any

internationally or nationally recognised agency;

- Out of 42 deficiencies pointed out by QAC pertaining to the swimming pool, training hall, fitness centre and athletic track, 22 remain pending as of date; and
- Though the Chief Engineer, CWG had expressed concerns about the quality of the kerbstones laid in the Games Village; we found no evidence on record of the corrective measure taken thereafter.

20.6.6 Procurement of Bio-toilets

Toilets were required outside the boundary walls of the Games village and venues for use of security personnel.

On 7 September 2010, LG, Delhi directed that bio-toilets may be procured for Games Village and DDA owned venues. Thereafter, after a flurry of activity, orders for supply of 10 bio-toilets at the rate of Rs. 4.75 lakh each were placed on two agencies (each to supply five bio-toilets) on 18 September 2010. These bio-toilets were to be kept inside the Games Village and venues (for legacy and maintenance), and hired mobile toilets were to be provided outside the boundary walls. Eventually, 6 bio-toilets (costing Rs 0.29 crore) were installed outside the boundary wall of the Games Village and Sri Fort Sports Complex, supposedly for security guards, in addition to the mobile toilets hired from MCD. The decision to buy bio-toilets at exorbitant prices at the last minute, duplicate facilities hired by MCD, is inexplicable. The legacy value of these bio-toilets is not clear.



Bio-toilet

20.7 Temporary structures/overlays

Overlays in the Games Village primarily comprised temporary accommodation created for housing the international zone, dining hall, polyclinic, transport mall etc.

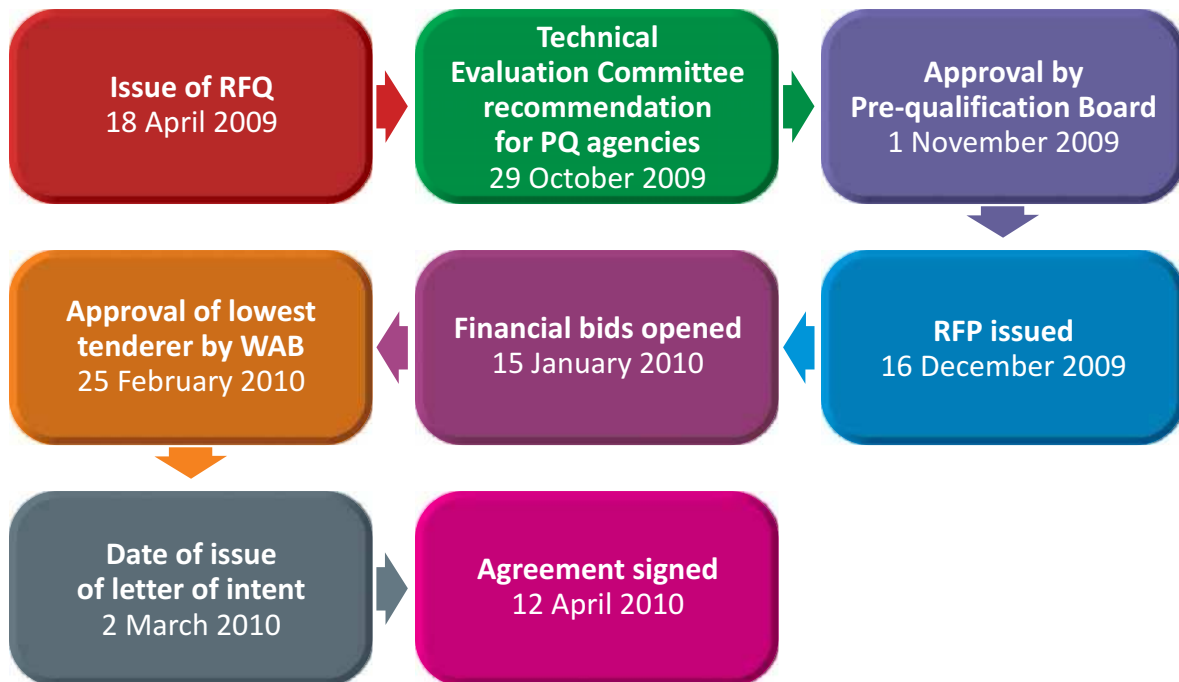
20.7.1 Selection of GL Litmus Events Pvt. Ltd.

In April 2009, an RFQ for designing, building, maintaining and rental contract for temporary accommodation using tensile fabric roofing with white colour PVC polyester fabric was issued, to which 12 responses were received. On 29 October 2009, the Technical Evaluation Committee recommended four agencies¹⁸ for short-listing to the Pre-qualification board, which approved only three agencies¹⁹ for pre-qualification. Financial bids were invited from these agencies in December 2009, the bids opened on 15 January 2010 and on 25 February 2010, WAB approved award of contract to the L-1, consortium led by GL Events Services SA (France). The contract was finally signed on 12 April 2010, a year after the issue of RFQ. Figure 20.8 depicts the chronology of events.

¹⁸ JV of ESG Group Ltd. & Arena Events Services Group Ltd. (both England based companies); Consortium of GL Events Services SA (France) and Meroform India Pvt. Ltd.; Consortium of Expro Events (a unit of Lalloji & Sons), Losberger GmbH and Parekh Associates; and Consortium of Deepali Designs and Exhibits Pvt. Ltd. (Indian), Zhuhai Liri Tent Technology Co. Ltd. (China) and Kingsman Fairtech International Pvt. Ltd. (Indian)

¹⁹ The consortium led by Deepali Designs and Exhibits Pvt. Ltd. was rejected on the grounds that Deepali, the lead member, which exclusively did not fulfil the pre-qualification criteria exclusively.

Figure 20.8 – Chronology of events leading to selection of GL Litmus Events



As can be seen from the above, the entire process took a year with six months inexplicably spent only at the pre-qualification stage.

As was the case with all other major contracts awarded by DDA for CWG-2010 and discussed in this chapter this selected consortium did not have the composition (and concomitantly the requisite experience), as was projected in the MoU presented at the PQ stage.

The consortium led by GL Events and Services SA (France) indicated the following shareholding in the joint venture company (GL Events-Litmus Pvt. Ltd.) to be set up subsequently:

- GL Events and Services SA (France) – 70 percent; and
- Meroform India Pvt. Ltd. – 30 percent.

We found that eventually the agreement was signed with GL Litmus Events Pvt. Ltd. with the following shareholding:

- Shri Binu Nanu-70 percent; and
- Meroform India Pvt. Ltd. – 30 percent.

GL Events and Services SA (France), on the experience of which the consortium had been shortlisted was no longer a shareholder of the contracted bidder.

DDA replied that before signing the agreement in April 2010, GL Litmus Events Pvt. Ltd. approved the resolution to transfer 70 percent of its shares held by Shri Binu Nanu to GL Events and Services SA (France). However, no evidence of actual transfer of shares before signing of the contract was produced to us.

20.7.2 Non-verification of designs, quality and quantity

Due to the delay in award of the contract and subsequent compression of delivery time, DDA could not effectively implement the quality control measures envisaged. The contractor did not supply the material as per specifications, and its designs were rejected by IIT Delhi (the proof checker) as these were not as per design requirements in the Indian context. Moreover, we found no detailed record, certifying that the contractor had provided adequate number of structures of the contracted technical specifications.

The Letter of intent was issued on 2 March 2010, by which time the contractor reported that all the material for structures had already been procured. As per the contract, the designs had to be proof checked and approved within 20 days of Lol date, i.e. by 22 March 2010. However, the designs were sent to the proof checker(IIT Delhi) on 19 March 2010. These were rejected by it on 10 June 2010 after protracted correspondence and meetings with the representatives of the contractor, primarily on the ground that the design did not meet the requirement in the Indian context mainly on the criteria of wind speed. It also indicated that the aluminium beams proposed in the design were not as per contracted specifications (2mm thickness against 4 mm).

Further, on the pleas of paucity of time, inspection at bidder's workshop prior to dispatch of material, was also waived off by DDA.

Eventually, the structures were put up, but we found no detailed record certifying that

these were of the detailed technical specifications mentioned in the agreement. We found that for a contract of Rs.41.38 crores, the bulk of material for which was to be imported, the value assessed at the Indian customs was only Rs. 5.32 crore. Moreover, since customs duty exemption for CWG-2010 had not been notified, at time of bidding the contractor bid was inclusive of prevailing duties. While it took the benefit of Rs. 1.43 crore as duty foregone, the benefit of the same was not passed on to DDA. The additional bank guarantee of Rs. 1.27 crore to be obtained at the stage of release of payment after shop drawing approval was not obtained (and incidentally the payment was released without the drawings being approved). Further, the bank guarantee of Rs. 6.62 crore obtained while releasing payment against procurement of material and its inspection at bidder's workshop; was also released in July 2010 despite rejection of designs.

20.8 Other infrastructural facilities

20.8.1 Construction of 1 MGD Water Treatment Plant by DJB

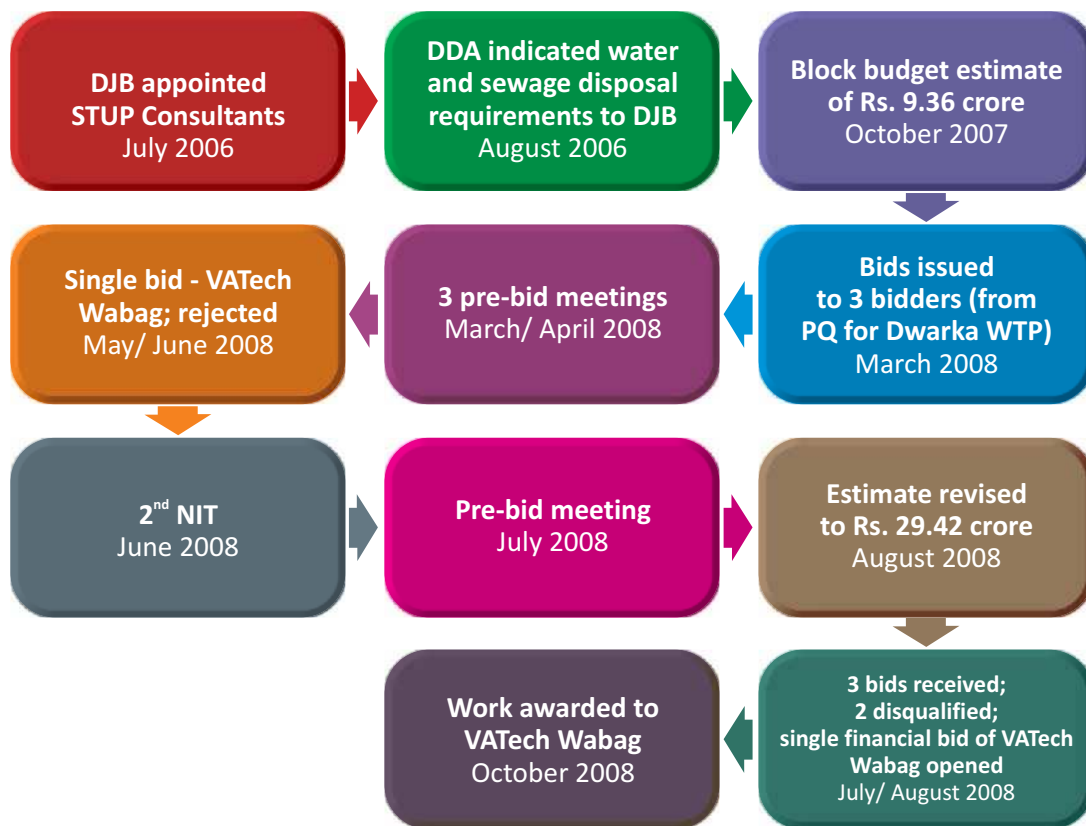
In August 2006, DDA indicated its requirements of water and sewage disposal of 1 MGD and 0.80 MGD respectively for the Games Village, Akshardham Temple and surrounding areas to the Delhi Jal Board (DJB), and asked them to make necessary arrangements. Incidentally, DJB had already decided to set up a separate 1 MGD Water Treatment plant.

A contract for setting up a 1 MGD Water Treatment Plant (WTP), with membrane filtration technology was awarded by DJB to

VA Tech Wabag in October 2008 at a cost of Rs. 28.20 crore, with an additional Rs. 7 crore for 1 year of Defect Liability Period (Rs. 1.56 crore) and 3 years of operation

and maintenance (Rs. 5.44 crore). The WTP was scheduled for completion by January 2010. Figure 20.9 depicts the chronology of events

Figure 20.9 — Chronology of events for award of work for construction of WTP



In our view, the WTP was overdesigned for the following reasons:

- **The need for a separate 1 MGD WTP was not clear** - DDA indicated its water and sewage disposal requirements for the Games Village, Akshardham Temple in August 2006 and asked DJB to make necessary arrangements; it did not specifically indicate the need for a separate 1 MGD WTP. We could not find evidence of a formal request from DDA for construction of a separate WTP. Incidentally, DJB had already engaged STUP Consultants in July 2006 itself for a separate 1 MGD water treatment plant.

DJB's reply that the plant was constructed to create an independent source of water free from dependence on external sources "as the Sonia Vihar WTP is dependent on Uttar Pradesh for its supplies" is unconvincing.

- **Over-designed plant with expensive membrane filtration technology** - The water quality requirement was specified as conforming to WHO standards. However, the technology for the WTP was subsequently changed in 2008-09 to membrane filtration technology, on the purported grounds of a "green project with zero discharge". We got the

source water²⁰ tested in January 2011 for 14 parameters indicated in the NIT of June 2008, and found that all parameters (except for total hardness) were met. Such hardness could have been easily treated with the lime and lime-soda softening process, in accordance with the Ministry of Urban Development's Manual on Water Supply and Treatment (which is based on WHO standards). DJB's argument that higher treatments were necessary to bring the water to WHO standards, particularly of turbidity below 0.5 NTU, is not tenable. WHO standards have left the level of turbidity undefined, since it is material only for effective disinfection of water; otherwise, water with turbidity of 5 NTU or less is usually acceptable to consumers²¹. Further confirmation of the plant's overdesign is derived from the fact that the proof of experience accepted in respect of VA Tech Wabag (the single and winning bidder) was that of a fully automated “**Treated Refinery Effluent Recycle Plant**”, and not a mere Water Treatment Plant.

Further, the award of the contract to VA Tech Wabag was also flawed and irregular for the following reasons:

- **Undue and inexplicable delays** - The entire process took an unduly long 26 months from July 2006 (appointment of consultants) to October 2008 (award of work). In particular, between August 2006 and March 2008, there was practically no progress, except the approval of a block estimate in

December 2007. Interestingly, there were two rounds of tendering, with only a single qualified bidder (VA Tech Wabag).

- **Injudicious evaluation of bidders** – In the second round of bidding, DJB took an unduly harsh stand in disqualifying one bidder (Triveni Engineering and Industries) and an unduly lenient stand in holding VA Tech Wabag eligible. Triveni submitted experience of three project; all three projects were rejected - one was rejected for not being commissioned in the last seven years, the second was rejected for not submitting certificate in support of experience of successfully commissioning a EPC/DB/DBO contract, and the third was rejected as the capacity of the plant was 3.24 MLD (which fell short of the required 4.5 MLD). VA Tech Wabag submitted experience of only one project - an IOCL project commissioned in October 2006. Going by the same strict standards, this plant did not meet the NIT criterion of being in operation for at least one year after the Defect Liability Period as on 30 May 2008. DJB's records failed to contain any details of the DLP (which would normally be 1 year)²²; consequently, such experience would be invalid.
- **Increase in estimate just before bid receipt** – The estimate for the WTP was increased from Rs. 9.36 crore (as per the December 2007 block estimate) to Rs. 29.42 crore on 26 August 2008, just

²⁰ Ranney Well P4

²¹ In any case, our water tests showed the turbidity less than 1 NTU.

²² In the exit conference, DJB attempted to re-interpret the clause to mean operation and maintenance for one year, after completion of a Peak Guarantee Test (and not DLP); this is not borne out by the wording of the NIT.

three days before opening of the single financial bid of VA Tech Wabag on 29 August 2008. VA Tech Wabag's bid was for Rs. 45.42 crore. DJB arrived at a suggestive (justified) cost of Rs. 32.59 crore, and the price was negotiated down to Rs. 35.20 crore (which was within 10 per cent of the justified cost).

The WTP was “substantially completed” in June 2010, although no completion certificate is on record. DJB failed to levy Liquidated Damages (LD) of Rs. 2.82 crore on the contractor.

The WTP was run only during the Games period, and is currently shut down for want of demand. DDA's estimated requirement of water for the Games Village was just 0.27 MGD (out of the total of 1 MGD). The balance requirement was for hotels and other facilities (which have not come up) and the Akshardham Temple (which is still not connected to the WTP). Further, there was an additional connection from the distribution line of the Sonia Vihar WTP as a standby arrangement, which would have met the needs of the Games Village.

In short, the 1 MGD Water Treatment Plant awarded at a cost of Rs. 35.20 crore was over-designed and overpriced, with bid evaluation tailored to favour a single bidder. The requirement for this plant on a legacy basis is questionable, and the plant is currently shutdown. Further, DJB has a liability of fixed O&M costs, totaling Rs. 7 crore, till 2013. DDA has not raised any infrastructure charges on Emaar MGF for its share of the cost of the WTP, although Emaar MGF indicates in its advertising brochure that the residential complex has a dedicated WTP.

20.8.2 Construction of a 1 MGD Sewage Treatment Plant by DJB

DJB awarded a contract for setting up a 1 MGD Sewage Treatment Plant (STP), with Membrane Bio-Reactor technology, to UEM India Ltd. in October 2008 at a cost of Rs. 24.75 crore, with an additional Rs. 7.20 crore for operation and maintenance of 10 years. The STP was scheduled for completion by November 2009.

As in the case of the WTP, there was an inexplicable delay in the case of STP also till March 2008, when block estimates of Rs. 23.42 crore were prepared. The STP commenced its operation w.e.f. August 2010 without the issue of completion certificate. DJB failed to levy Liquidated Damages (LD) of Rs. 0.92 crore on the contractor.

The STP was to receive sewage from the Games Village and hotels (0.53 MGD), the Akshardham Temple complex and others (0.25 MGD). After the CWG, the STP was getting sewage only from the Akshardham Temple complex. We found that the STP was utilised upto 44 to 70 per cent of its capacity between August and October 2010. After 31 October 2010, for a short period of time, utilization was nil due to non evacuation of the effluent from the plant by the DDA (a pre-condition for operating the STP). Consequently, the sewage from Akshardham was diverted to Mandawali pumping station (which was already operating at its full capacity of 45 MGD), leading to discharge of untreated sewage into the Yamuna.

Thereafter, the STP remains grossly under-utilised (less than 17 per cent of its capacity). Without adequate utilisation, the required quantity of Mixed Liquor Suspended Solid (MLSS) bacteria (needed

for proper treatment of sewage) was not sufficiently maintained, defeating the purpose of installing a MBR STP. During the exit conference, DJB indicated that they were bringing sewage from elsewhere and injecting into the STP for this purpose.

DJB raised a demand of Rs. 32.70 crore²³ on DDA which included Rs. 10.58 crore in respect of the residential complex of the Games Village. However, DDA Paid Rs. 24.75 crore to DJB between February 2008 and March 2010, and raised a demand for Rs. 10.58 crore on Emaar MGF only in July 2010: this yet to be recovered.

20.8.3 Award of security contract for WTP and STP to IL&FS

In April 2010, DJB awarded a contract for security arrangements at the WTP and STP at the Games Village to IL&FS at a cost of Rs. 0.42 crore, which was increased to Rs. 0.75 crore in August 2010 through an additional work order.

The work was irregularly awarded on nomination basis without inviting tenders and without recorded justification of the exceptional circumstances for such award. Further, DJB's contention of urgency is untenable, since GNCTD had decided in February 2008 itself to provide security at these sites.

20.8.4 Procurement of Diesel Generator sets

The OC consultant, EKS, recommended two benchmark solutions for power supply for the Games Village viz. either two high voltage main feeders from of different

zones sub stations or one high voltage main feeder and generators. Despite having power supply from two separate feeders i.e. BSES and BYPL, DDA procured four 1250 KVA Diesel Generator (DG) sets for Rs 6.96 crore as a source of back-up power supply for the training venue and street lighting/ high mast lighting; and dining and operational zone. EmaarMGF separately made arrangements for back-up power supply for the residential area. In addition, Rs. 0.62 lakhs were also spent on procurement of battery driven UPS.

We found that the procurement of DG sets/UPS was redundant considering the two independent power supply sources tapped. Even if such back up had to be arranged, it would have been more economical to do so on hire. Further, we found that these DG sets were lying idle post games. On enquiry, DDA informed that it plans to shift two of these DG sets to DDA's headquarters at Vikas Sadan - one as the back up to the main supply and the other as a stand by for the back up. The solutions seem hastily put together since the load of Vikas Sadan is only 1230 KVA and deployment of two DG sets totalling 2500 KVA appears unreasonable, to say the least.

20.9 Alternate Accommodation at Vasant Kunj

In November 2008, in consultation with GM, ITDC, DDA decided to upgrade 1904 flats already under construction (10-15 percent complete) and 805 LIG flats (97 percent complete) to the level of three star hotels by March 2010. In April 2009, specifications for the upgrade were finalised and Indian Tourism Development

²³ Rs. 4.75 crore in September 2007 and Rs. 27.95 crore in November 2009

Corporation Ltd. (ITDC) was engaged on nomination basis for furnishing the flats.

20.9.1 Incomplete upgradation of flats

We found that of the 2709 flats, only 805 LIG and 182 HIG flats could be upgraded and handed over to ITDC for furnishing.

The remaining flats were only 28 to 50 percent complete till November 2010. This was despite an attempt in July 2010 to fast track the completion of 576 flats by issuing work orders at a premium of 10 percent over justified cost, as approved by LG, Delhi.

20.9.2 Furnishing of Flats by ITDC

DDA entrusted ITDC, a PSU, the work of supply and installation of furniture and fixtures. This covered furnishing of

- 1101 flats at the Games Village, bifurcated into two schemes (Towers 1-17 and 18-34);
- 1285 LIG, 416 MIG and 1008 HIG flats at Vasant Kunj (of which only 805 LIG and 182 HIG flats could be handed over by DDA).

ITDC was to be reimbursed the full cost of supply/ work orders plus 10 per cent departmental charges. In turn, as of November 2010, ITDC awarded work orders for supply of furniture and fixtures for Rs. 49.41 crore. However, it made payments of Rs. 27.89 crore against the advance payment of Rs. 46 crore (inclusive of departmental charges) to ITDC.

We found certain deficiencies in the award and execution of work orders by ITDC:

- The rates quoted by the same supplier for the same items under the two

schemes for the Games Village flats differed in respect of 9 items. ITDC failed to negotiate appropriate reductions, with potential savings of upto Rs. 1.08 crore.

- ITDC had not initiated compensation claims for Rs. 1.52 crore from suppliers for delayed/ short supplies.
- Furniture worth Rs. 3.19 crore and Rs. 10.31 crore had not yet been installed at the Games Village and Vasant Kunj flats respectively. ITDC stated that since DDA failed to construct the flats in time at Vasant Kunj and handed over far fewer flats than envisaged, it was compelled to store the furniture supplied in semi-constructed flats as well as a hangar created for this purpose.
- The stock of linen items at Vasant Kunj was found to be short by Rs. 0.77 crore at the time of audit.

Importantly, we could not ascertain legacy plans for the furniture and fixtures procured for these flats. ITDC indicated that these items were purchased on behalf of DDA, which necessarily had to take over the same.

20.9.3 Extra expenditure on alternate accommodation in hotels

Originally it was envisaged that these flats were to be used by tourists. Thereafter it was decided that International and National Technical Officers were to be accommodated in these flats. However, we found that OC incurred an expenditure of Rs. 4.66 crore (approximately) on accommodating these officers in hotels.