

**FAILURE OF THE CMPFO MANAGEMENT TO
TAKE TIMELY DECISION TO REDEEM
DEBENTURES OF DEWAN HOUSING FINANCE
CORPORATION LIMITED LED TO AVOIDABLE
LOSS OF RUPEES 315.35 CRORE**

MINISTRY OF COAL

**PUBLIC ACCOUNTS COMMITTEE
(2025-26)**

TWENTY- SECOND REPORT

EIGHTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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Presented to Lok Sabha on: 25.07.2025

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**LOK SABHA SECRETARIAT
NEW DELHI**

July, 2025/ Shravana, 1947 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2025-26)

Shri K. C. Venugopal

- Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Dr. Nishikant Dubey
4. Shri Jagdambika Pal
5. Shri Jai Parkash
6. Shri Ravi Shankar Prasad
7. Shri C. M. Ramesh
8. Shri Magunta Sreenivasulu Reddy
9. Prof. Sougata Ray
10. Smt. Aparajita Sarangi
11. Dr. Amar Singh
12. Shri Tejasvi Surya
13. Shri Anurag Singh Thakur
14. Shri Balashowry Vallabhaneni
15. Shri Dharmendra Yadav

RAJYA SABHA

16. Shri Ashokrao Shankarrao Chavan
17. Shri Shaktisinh Gohil
18. Dr. K. Laxman
19. Shri Praful Patel
20. Shri Sukhendu Sekhar Ray
21. Shri Tiruchi Siva
22. Shri Sudhanshu Trivedi

Secretariat

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Muraleedharan.P - Director
3. Shri Atul Bhawe - Deputy Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2025-26) having been authorised by the Committee, do present this Twenty-second Report (18th Lok Sabha) on **“Failure of the CMPFO Management to take timely decision to redeem debentures of Dewan Housing Finance Corporation Limited led to avoidable loss of Rupees 325.35 crore”** based on Para 2.1 of C&AG Report No. 1 of 2023, relating to the Ministry of Coal.

2. The C&AG Report No. 1 of 2023 was laid on the Table of the House on 27th March 2023.

3. The Public Accounts Committee (2024-2025) selected the aforesaid subject for detailed examination and took oral evidence of the representatives of the Ministry of Coal on the subject matter on 19th November 2024. Based on the oral evidence and written replies, the Committee examined the subject in detail.

4. The Public Accounts Committee (2024-2025) considered and adopted the Draft Report on the aforementioned subject at their Sitting held on 29th April 2025. The Minutes of the Sittings are appended to the Report.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold and form Part- II of the Report.

6. The Committee would like to express their thanks to the representatives of the Ministry of Coal for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

NEW DELHI:

22 July, 2025
31 Ashadha, 1947 (Saka)

K.C. VENUGOPAL
Chairperson,
Public Accounts Committee

PART - I
INTRODUCTION

1. The Para 2.1 of C&AG Report No. 1 of 2023 included matters relating to Failure of Coal Mines Provident Fund Organisation to ensure the safety of its investments due to lackadaisical approach in redeeming debentures of Dewan Housing Finance Corporation Limited despite adverse credit ratings led to avoidable loss of ₹ 315.35 crore.

2. The Committee on Public Accounts (2024-2025), decided to examine Para no. 2.1 of aforesaid C&AG Report which deal with the subject "Failure of the Management to take timely decision to redeem debentures of Dewan Housing Finance Corporation Limited (DHFL) resulted in avoidable loss of Rs.315.35crores".

3. The Committee on Public Accounts (2024-25) considered the subject for detailed examination, took oral evidence of the representatives of Ministry of Coal and Coal Mines Provident Fund Organisation(CMPFO) and obtained written replies on the same. Based on the oral evidence and written replies, the Committee examined the subject in detail.

4. Audit Report highlights that Coal Mines Provident Fund Organisation (CMPFO), under the administrative control of Ministry of Coal (MoC), is governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 (Act). The Board of Trustees (BoT), administrative agency for CMPFO, consists of Secretary, Ministry of Coal as Chairman, Commissioner, CMPFO as ex-officio member, Joint Secretary, Ministry of Coal, Joint Secretary cum Financial Advisor, Ministry of Coal and 11 other members. The Coal Mines Provident Fund Commissioner is the ex-officio member of the Board and the overall in-charge of the Organisation.

5. As per Audit report, CMPFO invests the investible funds to generate optimum returns ensuring safety of the investments. CMPFO appoints portfolio managers who are responsible for investing the funds and monitoring the investments on a continuous basis. The scope of services of portfolio managers, *inter-alia*, provided that the services shall include investment management, renewing, reshuffling, and selling the Assets, etc., so as to ensure that the benefits accrue to the Trust. It also

provided for the prior approval of BoT for exercising any option. CMPFO also formed an Investment Sub-Committee which is responsible for reviewing the status of all investible funds and the performance of portfolio managers on quarterly basis.

6. Audit pointed out that CMPFO, as on March 2020, had an investment of ₹ 1,390.25 crore (Investment was made during the period May 2015 to February 2018) in Non-Convertible Debentures of Dewan Housing Finance Corporation Limited (DHFL). The investment included Non-Convertible Debentures amounting to ₹ 864 crore having an early redemption clause, which provided the investors right to dispose of the investments before maturity at par along with accrued interest in case any credit rating agency assign credit ratings of AA- or below. Balance Non-Convertible Debentures amounting to ₹ 526.25 crore did not carry such clause of early redemption. In this regard, Audit observed that CMPFO failed to take timely action for redemption of DHFL debentures despite adverse credit ratings resulting in avoidable loss of ₹ 315.35 crore.

7. The summary of investments in DHFL by CMPFO, as provided by The Ministry, in a presentation during the oral evidence is provided as under:

EVENT	Description	Value (in Rs. crore)	Year
Investment	DHFL-NCD	716.00	2015-16
Investment	DHFL-NCD	672.55	2016-17
Investment	DHFL-NCD	1.70	2017-18
Total		1390.35	

8. As per Audit Report a brief chronology of how the event unfolded is as under :

- CARE (a rating agency) downgraded ratings of Non-Convertible Debentures of DHFL from AA+ in February 2019 to AA- in March 2019. The Portfolio Managers informed (March 2019) CMPFO regarding downgrading of rating and sought approval for early redemption of Non-Convertible Debentures held in DHFL.
- The option for exercising early redemption, based on the recommendations of Portfolio Managers, was proposed to be included

as one of the items for agenda in next BoT to be held on 26 March 2019. The proposals were placed (20 March 2019) before Commissioner of CMPFO who accorded the approval (25 March 2019) for inclusion in the items of the agenda for upcoming BoT meeting. Despite approval of the Commissioner, the proposal for exercising early redemption was not included in the agenda of the BoT for discussion and obtaining approval of BoT.

- The rating of Non-Convertible Debentures of DHFL was further downgraded (14 May 2019) to BBB- and subsequently removed (5 June 2019) from credit watch of the rating agencies.
- Owing to governance concerns and defaults in meeting various payment obligations, the Reserve Bank of India superseded (20 November 2019) the Board of DHFL and filed a petition (29 November 2019) before the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) for initiation of Insolvency Process against the company. NCLT initiated (03 December 2019) insolvency proceedings against DHFL and announced commencement of moratorium with effect from date of filing of petition i.e., 29 November 2019.
- The BoT finally approved (20 December 2019) the option for exercising early redemption in respect of Non-Convertible Debentures held in DHFL, though the above right had lapsed after commencement (November 2019) of moratorium.
- Though the Investment Sub-Committee was required to meet quarterly for review of investments, it did not call for any meetings during the intervening period of BoT's meeting (held on 26 March 2019) till commencement of moratorium (29 November 2019). Further, there was no BoT meeting held during the period to approve the proposal of exercising early redemption option.
- As per the resolution plan of DHFL approved (7 June 2021) by NCLT, CMPFO received realisation proceeds of ₹ 662.58 crore only.

9. On being asked to furnish the composition of Board of Trustees (BoT) during the matter dealt with in the Audit, the Ministry has submitted a copy of Gazette notification dated 11.05.2017 constituting the Board of Trustees of CMPFO.

10. Asked further as to when the next meeting of BoT was convened (20 December 2019), was there anything in the Minutes of the next meeting as to why the Commissioner had not informed the Ministry, the Ministry informed that in the meeting of BoT held on 20th December 2019, there is no mention as to why the Commissioner had not informed the Ministry.

11. When asked as to what justifies the reasons for delay of 6 months in taking action by the Board of Trustees, the Ministry in its written reply intimated as under:

“The matter was first brought to the notice of concerned Joint Secretary(JS) of Ministry of Coal (MOC) by the Commissioner, CMPFO only on 24th of June, 2019. Upon receiving this information, MOC had taken cognizance of the issue. Accordingly, the Commissioner CMPFO was directed to take up the matter with the Board of Trustees (BOT) vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. However, the issue was brought before the BOT for the first time in the meeting held on 20.12.2019. It was the responsibility of the Commissioner CMPFO to have placed the matter with the BOT as directed by the Ministry with a sense of urgency, which he did not comply. It was on the part of the Commissioner CMPFO, being the Chief Executive Officer of the Organization, to have acted expeditiously on the issue.”

12. On enquiry if there was any administrative embargo on the Board of Trustees to exercise the option for early redemption, the Ministry in its written reply stated as under:

“No. However, it is submitted that the matter was first brought to the notice of concerned Joint Secretary of MOC by the Commissioner, CMPFO only on 24th June, 2019. Upon receiving this information, MOC had taken cognizance of the issue. Accordingly, the Commissioner, CMPFO was directed to take up the matter with the BOT vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. However, the issue was brought before the BOT for first time only in the meeting held on 20.12.2019. It was the responsibility of the Commissioner CMPFO to have placed the matter with the BOT as directed by the Ministry with a sense of urgency, which he did not comply.”

13. On being asked to clarify as to what led to this extraordinary situation and compulsion of poor decision making and that they could not take an informed decision, also in which month the Ministry started getting the reports publicly about DHFL, the Ministry in their reply informed as under:-

“It was the lackadaisical approach of the Commissioner, CMPFO which created the situation wherein the matter was first brought to the notice of concerned Joint Secretary (JS) of Ministry of Coal (MoC) by the Commissioner, CMPFO only on 24th of June, 2019. Upon receiving this information, MoC had taken immediate cognizance of the issue. Accordingly, the Commissioner CMPFO was directed to take up the matter with the Board of Trustees (BOT) vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. However, the issue was brought before the BOT for the first time in the meeting held on 20.12.2019.

There is no record available in the Ministry to suggest that the Ministry was made separately aware of the DHFL issue except when the Commissioner informed the concerned JS, as per details given supra.”

14. When asked as to what led to a situation that agenda to consider proposal for early redemption was not adopted by the Board of Trustees, the Ministry informed that the matter was first brought to the notice of concerned Joint Secretary (JS) of Ministry of Coal (MoC) by the Commissioner, CMPFO only on 24th of June, 2019. Upon receiving this information, MoC had taken immediate cognizance of the issue. Accordingly, the Commissioner CMPFO was directed to take up the matter with the Board of Trustees (BOT) vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. However, the issue was brought before the BOT for the first time in the meeting held on 20.12.2019. It was the responsibility of the Commissioner CMPFO to have placed the matter with the BOT as directed by the Ministry with a sense of urgency, which he did not comply with. It was incumbent on the part of the Commissioner CMPFO, being the Chief Executive Officer of the Organization, to have acted expeditiously on the issue.

15. When asked whether the investment was made after the approval of the BoT to invest in the Dewan Housing Finance Corporation Limited (DHFL) or did it happen at the behest of the Commissioner and why the decision to redeem debentures was not taken in anticipation of the Board meeting, the Ministry in their written reply stated as under:

“CMPFO invests its fund through the Portfolio Managers selected by following the laid down procedure. Investment of funds, being a highly specialized function, an Agreement was signed on 12th Jan, 2012 between the CMPFO and Portfolio Managers with, *inter-alia* the following stipulations:

The Portfolio Manager shall assume day-to-day investment management of the Investible fund allocated to it and act as the investment manager with full discretionary authority and, in that capacity, make investment decisions and manage the investible fund in accordance with the Regulations and Restrictions stated herein and as amended from time to time.

Accordingly, this agreement entrusted the Portfolio Managers with the task of making the investment decisions depending on their professional understanding and advice to take the best and prudent decisions. It is pertinent to mention that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India (GoI) and choose from the available instruments. This investment in DHFL was made in strict adherence to the notifications issued by the Ministry of Finance, GoI under the Investment Pattern for Non-Government Provident Funds etc.

As per the Clause 5 of the signed agreement, approval of the BOT was mandatory for taking any decision on redemption of debentures.”

16. When it was asked to clarify as to who took the decision to invest in a private company which is at high market risk and under what rules and procedures was this decision taken despite the fact that the Dewan Housing Finance Corporation Limited (DHFL) was already involved in misappropriation of funds with other States also right from 2015, the Ministry stated that the CMPF funds were invested in accordance with the Ministry of Finance (MoF) guidelines issued in this regard as mentioned in above para. As per the extant rules and practice the investment decisions are taken by the Portfolio Managers who have professional expertise in such matters. Therefore, in the case under question also investment decisions were taken by the Portfolio Managers only.

17. On being asked to explain despite ill reputation of the Dewan Housing Finance Corporation Limited (DHFL), the Ministry did not have processes and procedure to gauge the gravity of the situation so as to prevent investment of pensioner's money in such bond, the Ministry stated in its written reply that the responsibility of investment decisions was on the Portfolio Managers subject to following the guidelines of the Ministry of Finance (MoF). The Portfolio Managers, being domain experts are engaged for their professional advice on investment matters.

18. On being enquired that in a case IN 2018-19 involving investment of provident fund of ₹ 4,122 crore by the Uttar Pradesh Power Corporation Limited (UPPCL) into the Dewan Housing Finance Corporation Limited an investigation revealed that the DHFL siphoned off ₹ 2,267 crore from the provident fund investments. Why the Ministry was not aware of such fraudulent affairs of DHFL and what kind of check and balance was put in place by the Ministry also what punitive action has so far been taken in this regard by the Ministry, in this regard the Ministry explained as under:-

“The Joint Secretary (JS) in-charge of CMPFO in the Ministry of Coal was made aware of the downgrading of the rating of DHFL by the Commissioner CMPFO on 24th June 2019. The CMPFO Commissioner was immediately advised to take necessary steps as mentioned above.

To prevent recurrence of such issues in future, the BOT has adopted various Systemic Safeguards which have since been implemented in the CMPFO. The details are as under:

- i. Powers to take prompt decision on investment matters related to the CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of the CMPFO. This Committee comprises of the following members:
 - (a) The Joint Secretary & Financial Adviser (JS&FA), MOC
 - (b) Commissioner, CMPFO
 - (c) Director (Finance), Coal India Limited and
 - (d) a Representative of the Employees Union.
- ii. Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds.
- iii. No fresh investments are being made in Private Sector bonds.
- iv. The CMPFO has adopted an 'Exit policy' in line with EPFO which would enable the CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from Stock Exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA-, respectively.
- v. Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitor day-to-day activities of the Fund Managers. The Fund Managers in turn flag any unusual movement in investment to the Commissioner, CMPFO. In addition, the Investment Sub-Committee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External

Concurrent Auditor and the custodian bank also participate. Further, the Secretary, MoC reviews the overall performance of the CMPFO every month. The Portfolio Managers are also called in such meetings to present the status of Investment on quarterly basis.

- vi. In addition to the above, to further strengthen the monitoring mechanism the CMPFO is in the process of appointing a credible Third-Party Agency for overall monitoring of investments and suggesting intervention measures according to the market scenario.

As indicated earlier, the then Commissioner, CMPFO was advised by the Ministry to put the matter before BOT. It is a case of a failure on the part of the then Commissioner, CMPFO rather than a Systemic failure. The Major Penalty proceedings have already been initiated against the then Commissioner, CMPFO for the lapses on his part.”

- 19. On being asked as to why the matter was not referred to Serious Fraud Investigation Office (SFIO) which is the appropriate authority because the whole action was taken only after the issue was referred to NCLT and a moratorium was imposed, the Ministry stated as under:-

“On the basis of the preliminary enquiries by the Vigilance Divisions of CMPFO/Ministry of Coal (MoC), the matter was referred to the CVC for their First Stage Advice. The CVC vide its OM dated 22.12.2023 has advised for initiation of Major Penalty Proceedings against the Commissioner, CMPFO. No recommendation for either filing a criminal case or any other proceeding was suggested by the CVC. Therefore, in line with CVC’s advice the process for initiation of Major Penalty Proceedings was started. However, after the Oral Evidence taken on 19th Nov, 2024 by the Hon’ble PAC, the legal opinion has been sought on this issue in line with opinion expressed by some of the Hon’ble Members of the PAC. Further, action will be taken as per the legal advice received from the ASG, Ranchi.”

20. When asked to explain out of a total investment of ₹ 1390 crore, the NCLT has given ₹ 662 crore, and there is loss of ₹ 315 crore. What is the status of the balance Non-Convertible Debentures amounting to ₹ 526.25 and when asked to provide a detailed account of the total amount invested, total money recovered yet and total loss incurred by the CMPFO due to DHFL, the Ministry stated that NCLT approved the DHFL resolution plan making total realization of Rs.662.58 crores out of total investment of Rs.1390.25crores.Out of the realized amount of Rs. 662.58 crores, Rs. 300.98 crore (113.93+187.05) was credited in cash in CMPFO account on 30.09.2021 and Rs. 361.60 crores in the form of Piramal Securities.Out of cash receipt of Rs. 300.98 crores, Rs. 187.05 crores was against the NCD having early redemption clause. Thus, total avoidable loss was Rs.315.35 crores [Rs.864cr-(Rs. 187.05cr cash+Rs. 361.60 cr Piramal security) due to non-invoking of early redemption clause by the CMPFO.

21. When asked as to why did the Ministry failed to take timely action to safeguard CMPFO investment before the moratorium was initiated once the moratorium was imposed on DHFL by the National Company Law Tribunal (NCLT) in December 2019, the right to exercise the early redemption got lapsed, the Ministry stated that the matter was first brought to the notice of concerned Joint Secretary (JS) of Ministry of Coal (MOC) by the Commissioner, CMPFO only on 24th of June, 2019. Upon receiving this information, MOC had taken cognizance of the issue. Accordingly, the Commissioner CMPFO was directed to take up the matter with the Board of Trustees (BOT) vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. However, the issue was brought before the BOT for the first time in the meeting held on 20.12.2019. By then the RBI had superseded the Board of DHFL for filing a petition before the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) for initiation of Insolvency Process against the Company.

22. When to provide the details of manner of appointment of the Commissioner, CMPFO and also when asked to provide a copy of the rule/ guidelines pertaining to appoint of the Commissioner, CMPFO, the Ministry informed that Commissioner CMPFO is a Joint Secretary level post which is filled up by DoP&T on deputation basis through advertisement among the candidates who are empaneled for Joint Secretary level posts.

23. When asked about the status of the action being contemplated against the Commissioner, CMPFO, the Ministry in its written reply stated as under:-

“With the approval of Hon'ble Minister of Coal, matter was referred to the CVC for seeking First Stage Advise on 03.11.2023. CVC vide its OM dated 22.12.2023 has advised for initiation of Major Penalty Proceedings against the Commissioner, CMPFO. The then Commissioner, CMPFO belongs to Indian Economic Service and had been released on 15th June, 2022 for his fresh posting decided by his Cadre Controlling Authority. Since the Disciplinary Authority in his case is his Cadre Controlling Organization i.e. Department of Economic Affairs (DEA), Ministry of Finance, with the approval of Hon'ble Minister of Coal, the matter was sent to the Department of Economic Affairs (DEA), Ministry of Finance on 15.01.2024 for initiation of Major Penalty Proceedings. The DEA has since issued the memorandum/charge-sheet to the Charged Officer on 17.05.2024. As informed by the DEA, Inquiry Officer and Presenting Officer have been appointed on 22.11.2024 with the approval of Disciplinary Authority.”

24. When enquired as to whether the Ministry of Coal have any disciplinary authority to deal with malpractices of Commissioner, CMPFO, the Ministry stated that the then Commissioner, CMPFO was an officer of Indian Economic Service (IES). The officer was relieved on 15th of June, 2022 from Ministry of Coal (MoC) for joining his duties as decided by his Cadre Controlling Organization. Thus, the authority for taking departmental action against the then Commissioner, CMPFO lies with the Department of Economic Affairs (DEA), Ministry of Finance (MoF). Ministry of Coal has already furnished the details of irregularities noticed, draft charged memorandum and CVC's Advice to the DEA.

25. When asked about the reasons for delay in initiating action and the status of the investigation against Commissioner, CMPFO, the Ministry informed that on receipt of a complaint alleging certain irregularities, the Chief Vigilance Officer (CVO) CMPFO was asked to look into the matter and submit a report. The matter remained under examination at various levels in the Vigilance Divisions of CMPFO and Ministry of Coal. As the matter required examination in detail and several documents were to be examined, the report was submitted to the CVC for their First Stage Advice in October, 2023.

The CVC recommended Major Penalty proceedings against the then Commissioner, CMPFO in December 2023. Ministry of Coal with the approval of Hon'ble Minister of Coal, had referred the matter to the Cadre Controlling Authority i.e. Department of Economic Affairs (DEA), Ministry of Finance to initiate Major Penalty proceedings against the then Commissioner. The DEA has issued the memorandum/charge-sheet to the Charged Officer on 17.05.2024. As informed by DEA, Inquiry Officer and Presenting Officer have been appointed on 22.11.2024 with the approval of Disciplinary Authority.

26. As regards reasons for non-filing of criminal case against all responsible officers, it was informed by the Ministry that On the basis of the preliminary enquiries by the Vigilance Division of CMPFO/Ministry of Coal (MoC), the matter was referred to the CVC for their First Stage Advice. The CVC vide its OM dated 22.12.2023 has advised for initiation of Major Penalty Proceedings against the Commissioner, CMPFO. No recommendation for filing a criminal case was suggested by the CVC. Therefore, in agreement with the CVC's advice the process for initiation of Major Penalty Proceedings was started. Further, in the Oral Evidence taken on the 19th of November 2024 by the Hon'ble Public Accounts Committee (PAC), a suggestion was made by some of the Hon'ble Members of the PAC for initiating criminal action. Legal opinion has been sought from the ASG, Ranchi on this issue and further action will be taken as per the legal advice received.

27. When asked if there is anything in the Minutes of the Meeting of Board of Trustees on 26 March 2019 as to why the Commissioner, CMPFO did not inform the Ministry or BoT regarding the proposal of portfolio managers, it was informed that as per the agenda and Minutes of Board of Trustees meeting held on 26th March 2019, the matter was neither placed on the agenda nor deliberated upon in the Board of Trustees meeting.

Investment Sub-Committee

28. As regards role of the Investment Sub-Committee in deciding which bonds to invest in and what were the observations given to the Committee and what were the recommendations of the various Committee Members, the Ministry informed that as under:

“Investment of funds, being a highly specialized function, an Agreement was signed between CMPFO and Portfolio Managers with *inter alia* the following stipulations: -

The Portfolio Manager shall assume day-to-day investment management of the Investible fund allocated to it and act as the investment manager with full discretionary authority and, in that capacity, make investment decisions and manage the investible fund in accordance with the Regulations and Restrictions stated herein and as amended from time to time.

Accordingly, this agreement entrusted the Portfolio Managers with the task of making the investment decisions depending on their professional competence and advice to take the best and most prudent decisions. It is further pertinent to mention that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India and choose from the available instruments. The Commissioner, CMPFO neither informed the Investment Sub-Committee nor took any action to convene any meeting.”

It has also been informed by the Ministry that the Investment Sub-Committee meets quarterly to review the performance of investment in details on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate.

29. As regards actions being taken to ensure effective monitoring mechanism by CMPFO in fund management and measures to implement internal financial control including periodic reconciliation of its accounts with concerned Bank Accounts, the Ministry in its written reply has informed as under:-

“To ensure effective monitoring following measures have been implemented in the CMPFO:

- i) Powers to take prompt decision on investment matters related to CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of the CMPFO. This Committee comprises of the following members:
 - (a) The Joint Secretary & Financial Adviser (JS&FA), MOC
 - (b) Commissioner, CMPFO
 - (c) Director (Finance), Coal India Limited and
 - (d) a Representative of the Employees Union.
- ii) Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in debt related instruments especially private sector bonds.
- iii) No fresh investments are being made in Private Sector bonds.
- iv) The CMPFO has adopted an ‘Exit policy’ in line with EPFO which would enable CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from stock exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA-, respectively.
- v) Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitor day-to-day activities of the Fund Managers. The Fund Managers in turn flag any unusual movement in the investment to the Commissioner, CMPFO. In

addition, the Investment Sub-Committee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate. Further, the Secretary, MoC reviews the overall performance of CMPFO every month. The portfolio managers are also called in such meetings to present the status of Investment on quarterly basis.

vi) In addition to the above, to further strengthen the monitoring mechanism, the CMPFO is at an advanced stage of appointing a credible Third-Party Agency for overall monitoring of investments and suggestion on intervention measures according to the market scenario.

vii) A dedicated Finance Cadre is also in place in the CMPFO for strengthening of internal financial procedures.

30. As regards implementation of the monitoring systems and their implementation on the ground, the Ministry stated as under:

“The CMPFO has taken multiple initiatives to avoid recurrence of such incidents. The details are as under: -

- 1) The BOT, in its 172nd meeting held on 20-12-2019 delegated the decision-making authority to the Investment Sub-Committee to look in to any issue and take appropriate action timely with respect to the investments of the CMPFO made by the Portfolio Managers.
- 2) The Board has also formulated the Standard Operating Procedure for the investment exit decision which completes in 11 days from the trigger event received by the CMPFO. Salient Features of the Exit Policy are as under:
 - Fund managers shall report to the Commissioner about the downgrading of credit quality in 2 days of trigger event.
 - A detailed report shall be shared in 4 days.
 - Convening of the Investment Committee meeting for recommendation for exit or otherwise.
 - On receipt of recommendation of Committee to exit, the Fund Managers shall prepare a detailed exit plan within 3 days.
 - The Committee shall deliberate and decide to exit within a day of receipt of such recommendation.

- 3) The process for appointing a Third-Party Agency (TPA) is at an advanced stage. The TPA would be empowered to overview the financial markets and provide informed input to the decision makers of the CMPFO. This mechanism is an additional layer to the professional input being provided by the Portfolio Managers.

It is informed that no such high-risk case has been flagged by the Portfolio Managers and the Investment Sub-Committee.”

31. Insofar as improvement in monitoring system is concerned and whether it has been able to flag a high risk case for CMPFO since this incident, the Ministry intimated that at present investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in debt related instruments especially Private Sector Bonds.

No fresh investments are being made in Private Sector Bonds. No high risks have arisen since the DHFL incident.

32. When asked to give reasons that could have contributed to the failure of the Ministry and if they have devised a mechanism to call for periodical reports and robust monitoring to avoid such instances in future, the Ministry replied as under:

“Regular review meetings of CMPFO are taken up at the level of the Secretary/Additional Secretary, MOC. Portfolio managers are also called in these meetings to present the status of Investment on quarterly basis. The Investment Sub-Committee headed by the Joint Secretary & Financial Advisor (JS&FA) (who is a representative of Department of Expenditure, Ministry of Finance) also monitors fund management status on a quarterly basis. Apart from the quarterly meetings, the Investment Sub-Committee has been empowered to meet as and when the exigency so demands.”

33. As regards details of powers and functions delegated to Investment Sub-Committee in the light of Audit observation that a resolution was passed giving powers to the Investment Sub-Committee for taking decision on all issues pertaining to investments of CMPFO, which could help in taking timely decision by the Investment Sub-Committee in future on such issues to avoid any loss to CMPFO, the

Ministry in its written reply stated as under:

“The CMPFO has taken multiple initiatives to avoid recurrence of such incidents. The details are as under: -

4) The BOT, in its 172nd meeting held on 20-12-2019 delegated the decision-making authority to the Investment Sub-committee to look in to any issue and take appropriate action timely with respect to the investments of CMPFO made by the Portfolio Managers.

5) The Board has also formulated the Standard Operating Procedure for the investment exit decision which completes in 11 days from the trigger event received by the CMPFO. Salient Features of the Exit Policy are as under:

- Fund managers shall report to the Commissioner about the downgrading of credit quality in 2 days of trigger event.
- A detailed report shall be shared in 4 days.
- Convening of the Investment Committee meeting for recommendation for exit or otherwise.
- On receipt of recommendation of Committee to exit, the Fund Managers
- shall prepare a detailed exit plan within 3 days.
- The Committee shall deliberate and decide to exit within a day of receipt of such recommendation.

6) The process for appointing a Third-Party Agency (TPA) is underway. The TPA would be empowered to overview the financial markets and provide informed input to the decision makers of CMPFO. This mechanism is an additional layer to the professional input being provided by the Portfolio Managers.”

34. To a specific query regarding changes in internal financial advisory system that were suggested by the Office of C&AG and those of which are yet to be implemented, the Ministry in its written reply stated as under:

“Considering the C&AG’s observations regarding strengthening of internal finance as well as the developments in the financial markets and accounting standards, the Ministry in coordination with CMPF management has taken the

following initiatives for strengthening of the internal finance and accounting mechanism:

- 1) Single Bank Pension Disbursement System.
- 2) Centralized Pension Disbursement Cell
- 3) A dedicated Finance & Accounts cadre has been created.
- 4) Adoption of Investment Exit Policy to standardize the exit process in case of default/downgraded has been implemented.
- 5) To curtail the decision-making time, the authority has now been delegated to the Investment Sub-committee of BOT.
- 6) The appointment of an independent Third-Party Agency to overview and monitor the day-to-day financial markets developments in respect of investments of CMPFO is underway.”

Role of Ministry of Coal vis-a-vis CMPFO

35. When enquired about the details of the role of Ministry of Coal in the activities of CMPFO and when was the Ministry informed about the matter, the Ministry informed that CMPFO is an Autonomous organization constituted under CMPF and MP Act 1948. Role of Ministry of Coal in the functioning of the CMPFO is limited to framing/amendment of Act and relevant schemes, constitution of BoT, appointment of Officers of the level of Regional Commissioner and Additional Commissioner, determination of rate of interest for Provident Fund, providing grant in aid, laying of Audited Annual Report of the CMPFO before the Parliament and other functions specified in the Act. Management of funds and other day to day activities are carried out by Commissioner CMPFO under general control and supervision of the Board. The matter was first brought to the notice of concerned Joint Secretary of the Ministry of Coal by the Commissioner, CMPFO only on 24th of June, 2019.

36. As regards the query relating as to how are decision regarding investment in Private sector is made by CMPFO and what is the level of approval, the Ministry stated that CMPFO invests its fund through Portfolio Managers selected by following the laid down procedure. Investment of funds, being a highly specialized function, an Agreement was signed on 12th Jan, 2012 between CMPFO and Portfolio Managers with *inter alia* the following stipulations:

The Portfolio Manager shall assume day-to-day investment management of the Investible fund allocated to it and act as the investment manager with full discretionary authority and, in that capacity, make investment decisions and manage the investible fund in accordance with the Regulations and Restrictions stated herein and as amended from time to time.

Accordingly, this agreement entrusted the Portfolio Managers with the task of making the investment decisions depending on their professional understanding and advise to take the best and prudent decisions. It is pertinent to mention that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India and choose from the available instruments.

37. When the Committee desired as to why no punitive action has been contemplated on the then Coal Secretary, the Ministry stated that The matter was first brought to the notice of concerned Joint Secretary (JS) of Ministry of Coal by the Commissioner, CMPFO only on 24th of June, 2019. Upon receiving this information, MoC had taken cognizance of the issue. Accordingly, the Commissioner CMPFO was directed to take up the matter with the Board of Trustees vide its letter dated 02.07.2019 as the BOT was the appropriate authority to accord approval in this regard. Subsequently, the issue was brought before the BOT for the first time in the meeting held on 20.12.2019. Thus, the matter came to the notice of the Secretary, Coal being the Chairman of BoT for the first time only in the month of Dec, 2019.

In view of the above facts, there was no lapse on the part of the Secretary, Coal or any other official and the CVC in its Advice tendered to the MoC, has also taken a considered view and advised for Major Penalty proceedings to be initiated against the Commissioner CMPFO only.

38. To a question whether there was an evident systemic failure of DFHL and what the role of the Ministry to mitigate the loss, the Ministry stated that it was the responsibility of the Commissioner CMPFO to inform the Ministry and have the matter placed before the BOT. The Ministry informed that only on 24th June, 2019 the Ministry directed Commissioner on 2nd July, 2019 itself to have the BOT convened. It was incumbent on the part of the Commissioner CMPFO, being the Chief Executive Officer of the Organization to have acted expeditiously on the issue.

39. Considering the fact that the Central Bureau of Investigation has sought permission from the Uttar Pradesh Government to investigate the roles of three senior bureaucrats in connection with the alleged irregularity in the investment of ₹ 4,300 crore of UPPCL Employees' Provident Fund in DHFL and other Housing Finance Corporations. While the Uttar Pradesh Government has taken punitive action what prevents the Ministry of Coal from initiating criminal proceedings against the responsible officers, the Ministry informed that On the basis of the preliminary enquiries conducted by the Vigilance Divisions of CMPFO/Ministry of Coal (MoC) the matter was referred to the CVC for their First Stage Advice. CVC vide its OM dated 22.12.2023 has advised for initiation of Major Penalty Proceedings against the Commissioner, CMPFO. No recommendation for filing a criminal case was suggested by the CVC. Therefore, in line with the CVC's advice the process for initiation of Major Penalty Proceedings was started. However, after the Oral Evidence taken by the Hon'ble PAC on 19th Nov, 2024, legal opinion has been sought on this issue in line with opinion expressed by some of the Hon'ble Members of the PAC. Further, action will be taken as per the legal advice as received from the ASG, Ranchi.

40. When enquired whether any special initiatives have been taken by the Ministry that the Money lost belonged to Pension Funds of Coal Mine workers, what steps are being taken by the Ministry to recover the money lost, the Ministry stated that As per the Insolvency and Bankruptcy Code (IBC) 2016, the recovery for the financial creditors is as per the approved resolution plan. As per the NCLT Resolution Order in the case of DHFL, the Resolution for CMPFO dues has been a combination of the cash plus the bonds issued by the Piramal Capital & Housing Finance Ltd (Successful resolution applicant). The liability of the successful resolution applicant is limited to the consideration as per the approved resolution plan and there is no provision in the IBC for the creditor to seek recovery higher than what is envisaged under the approved resolution plan. It may also be mentioned that the resolution process under IBC 2016 aims to resolve insolvency in time bound manner along with the moratorium wherein fresh litigation during the resolution period is prohibited.

Issue of recovery of Money

41. As per the resolution plan of DHFL approved (7 June 2021) by NCLT, CMPFO received realisation proceeds of Rs. 662.58 crores only, when asked if the Ministry has formulated any plan to ensure recovery of remaining amount, the Ministry in their written reply furnished the following:

“As per the Insolvency and Bankruptcy Code (IBC) 2016, the recovery for the financial creditors is as per the approved resolution plan. As per the NCLT Resolution Order in the case of DHFL, the Resolution for CMPFO dues has been a combination of the cash plus the bonds issued by the Piramal Capital & Housing Finance Ltd (Successful resolution applicant). The liability of the successful resolution applicant is limited to the consideration as per the approved resolution plan and there is no provision in the IBC for the creditor to seek recovery higher than what is envisaged under the approved resolution plan. It may also be mentioned that the resolution process under IBC 2016 aims to resolve insolvency under time bound manner along with the moratorium wherein fresh litigation during the resolution period is prohibited.”

42. On a query as to why did CMPFO made an investment in non-convertible debentures of Rs.526.25 crore without early redemption option in the first place considering the fact that security of investment is the primary consideration, the Ministry in written reply stated as under:

“Investment of funds, being a highly specialized function, an Agreement was signed between CMPFO and Portfolio Managers with inter alia the following stipulations:-

The Portfolio Manager shall assume day-to-day investment management of the Investible fund allocated to it and act as the investment manager with full discretionary authority and, in that capacity, make investment decisions and manage the investible fund in accordance with the Regulations and Restrictions stated herein and as amended from time to time.

Accordingly, this agreement entrusts the Portfolio Managers with the task of making the investment decisions depending on their professional competence and advice to take the best and most prudent decisions. It is further pertinent to mention that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India and choose from the available instruments.”

43. Ministry has stated that, even if the option had been exercised, it was not certain whether it could have received/recovered the amount at that time. Is it a bail out for the inaction/delayed action on the part of BOT? Please provide cogent reasons for arriving at this conclusion and how is the Ministry planning to ensure that at least the amount invested is recovered the Ministry in written reply stated as under:

“It is difficult to ascertain the possibility and the extent of recovery if the option could have been exercised. However, since the credit rating downgrade of DHFL was very rapid, each such downgrade would have progressively eroded the company's ability to pay off its liabilities. ”

RBI and NCLT Issue

44. As per the Ministry's Background Note, owing to governance concerns and default in meeting various payment obligations, the Reserve Bank of India superseded (20th November 2019) the Board of DHFL and filed a petition (29th November 2019) before the Hon'ble National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) for initiation of Corporate Insolvency Resolution Process (CIRP) against the company. The NCLT initiated (3rd December 2019) CIRP against DHFL and announced commencement of moratorium with effect from 29th November 2019. After the NCLT announced commencement of moratorium with effect from 29th November 2019, NCLT approved the DHFL resolution plan making total realization of Rs. 662.58 crores out of total investment of Rs. 1390.25 crores. Out of the realized amount of Rs. 662.58 crores, Rs. 300.98 crore (113.93+187.05) was credited in cash in CMPFO account on 30.09.2021 and Rs. 361.60 crores in the form of Piramal Securities. Out of cash receipt of Rs. 300.98 crores, Rs. 187.05 crores were against the NCD having early redemption clause. Thus, total avoidable loss was Rs. 315.35 crores [Rs.864-(187.05 cash+361.60 Piramal security) crores due to non-invoking of early redemption clause by CMPFO.

45. On being asked as to what were the reasons for inaction on the part of the Board of DHFL which prompted RBI to supersede the Board of DHFL for filing petition before the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) for initiation of Insolvency Process against the company, the Ministry in its written reply has stated as under:

“The press release of RBI dated 20th November 2019 titled ‘Supersession of the Board of Directors and Appointment of Administrator – Dewan Housing Finance Corporation Limited’ states as follows:

In exercise of the powers conferred under Section 45-IE(I) of the Reserve Bank of India Act, 1934, the Reserve Bank has today superseded the Board of Directors of Dewan Housing Finance Corporation Limited (DHFL) owing to governance concerns and defaults by DHFL in meeting various payment obligations. Shri R. Subramanian Kumar, ex-MD and CEO of India Overseas Bank has been appointed as the Administrator under Section 45-IE (2) of the Act. The Reserve Bank also intends to shortly initiate the process of resolution of the company under the insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and would also apply to the NCLT for appointing the Administrator as the Insolvency Resolution Professional. (Supersession of the Board of Directors and Appointment of Administrator – Dewan Housing Finance Corporation Limited).

Subsequently, the RBI initiates press release dated 22nd November 2019 informed about the appointment of an Advisory Committee to Advise the Administrator of Dewan Housing Finance Corporation Ltd. Further, the RBI initiated the process of corporate insolvency resolution process vide its press release dated November 2019. The reasons for invoking the IBC by the regulator (RBI) could not be ascertained. However, the exposure of the DHFL vis-à-vis many financial entities including banks was large. IBC provides a time bound, structured and transparent resolution process under the regulator supervision (RBI appointed administrator as Resolution Professional) for resolution of defaulting entities.”

Action Against Commissioner Issue

46. Ministry in its Background Note has highlighted that on the basis of complaints received in April, 2022, preliminary reports of Chief Vigilance Officer, CMPFO and the then Commissioner were sought by CVO of this Ministry as per due vigilance procedure. Thereafter, Vigilance proceedings were taken up for fixing the responsibility in the matter as per stipulated provisions of Central Vigilance Commission (CVC) Manual. Meanwhile, in March, 2023, CAG Audit observed on failure of CMPFO to take timely decision to redeem debentures of Dewan Housing Finance Corporation Limited resulting in avoidable loss of 315.35 crore in its audit para-No. 2.1 of Report No.1 of 2023. Accordingly, CAG observations were duly incorporated during vigilance proceedings. After completion of the vigilance investigation in the Ministry, the matter was taken up with CVC for seeking Advice in October, 2023. CVC recommended Major penalty proceedings against the then Commissioner, CMPFO in December, 2023. Ministry of Coal with the approval of Hon'ble Minister of Coal, had referred the matter to Department of Economic Affairs, Ministry of Finance to initiate Major Penalty proceedings against the then Commissioner in January, 2024. Department of Economic Affairs (DEA), Ministry of Finance, being the Cadre controlling authority in respect of Commissioner, issued Memorandum of Charges against the then Commissioner in the month of May, 2024.

Systemic Safeguards for Future Course Correction

47. The Ministry in its Background Note has provided a brief of systemic safeguards being implemented which are being presented as under:

- (i) Investment in Government securities has been enhanced from 50% to 60%.
Further, maximum investment bracket in corporate bonds has been reduced from the earlier 35% to 20%. This has resulted in reduction of investment in Debt related instruments especially private sector bonds to 35% from 45% during last one year.
- (ii) No fresh investments are being made in Private Sector bonds.
- (iii) In order to avoid the procedural delays as was happened in redemption of debentures of DHFL, the Investment Sub-committee of Board of Trustees, CMPFO comprising (i) Joint Secretary & Fina

ncial Adviser, (ii) Commissioner, CMPFO, (iii) Director (Finance), Coal India Limited and (iv) Representative of Employees Union, has been authorized by Board meeting held on 20.12.2019 to take decision on investment matters of CMPFO.

(iv) Pursuant to the decision of Board, CMPFO has now adopted an 'Exit policy'

in line with EPFO which would enable CMPFO to take decision with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from stock exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA- respectively.

(v) In addition to the above, CMPFO is in process of appointment of credible Third-

Party Agency for overall monitoring of investments and suggestion on intervention measures according to market scenario.

(vi) As far as Monitoring Mechanism is concerned, investment related matters are being monitored by existing two-layered system. The first at External Concurrent Auditor level which monitors day to day activities of Fund Managers. The second layer of monitoring is at Investment Subcommittee headed by JS & Financial Adviser, MoC. Investment Subcommittee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and custodian bank also participate. In addition, the Ministry of Coal conducts quarterly reviews of fund management matters.

48. When asked to give justification in detail of the norms for exit policy, which the Ministry has laid out as to how much downgrade, and what are the trigger points. Also, why such exit policy was not in place or any safeguard measure to ensure slippage of funds, the Ministry replied as under:

"In order to ensure time bound action and to prevent recurrence of any such incident an Exit Policy has been brought in the CMPFO as per which a decision can be taken within 11 days of any activity being informed to the CMPFO. Salient Features of the Exit Policy are as under: -

- Fund managers shall report to the Commissioner about the downgrading of credit quality in 2 days of trigger event.
- A detailed report shall be shared in 4 days.
- Convening of the Investment Committee meeting for recommendation for exit or otherwise.
- On receipt of recommendation of committee to exit, the Fund Managers shall prepare a detailed exit plan within 3 days.
- The Committee shall deliberate and decide to exit within a day of receipt of such recommendation.

As per Ministry of Finance notification dated 14-08-2008 there was a permissible limit of up to 40% of investable funds under Corporate Bonds including bonds issued by Private Companies. As indicated in replies in earlier paras, the responsibility of taking investment related decisions had been entrusted to the Portfolio Managers being the appointed experts for the purpose. Additionally, they are also mandated to take their decisions within the framework of the guidelines issued by the Ministry of Finance from time to time.

Exit Policy has been brought in the CMPFO as per which a decision can be taken within 11 days of any activity being informed to the CMPFO. Powers to take prompt decision on investment matters related to CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of the CMPFO. This Committee comprises of the following members:

- (a) The Joint Secretary & Financial Adviser (JS&FA), Ministry of Coal
- (b) Commissioner, CMPFO
- (c) Director (Finance), Coal India Limited; and
- (d) A Representative of the Employees Union.”

49. On the question of as to what action taken or proposed to be taken by the Ministry to completely revamp the practice and procedures of the working of CMPFO, the Ministry stated as under:-

“To prevent recurrence of such issues in future, the BOT has adopted various Systemic Safeguards which have since been implemented in CMPFO. The details are as under:

i) Powers to take prompt decision on investment matters related to the CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of CMPFO. This Committee comprises of the following members:

(a) The Joint Secretary & Financial Adviser (JS&FA), M/o coal

(b) Commissioner, CMPFO

(c) Director (Finance), Coal India Limited and

(d) a Representative of the Employees Union.

ii) Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds.

iii) No fresh investments are being made in Private Sector bonds.

iv) The CMPFO has adopted an ‘Exit policy’ in line with EPFO which would enable CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from stock exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA-, respectively.

v) Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitor the day-to-day activities of the Fund Managers. The Fund Managers in turn flag any unusual movement in the investments to the Commissioner, CMPFO. In addition, the Investment Subcommittee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate. Further, the Secretary Coal reviews the overall performance of CMPFO every month. The Portfolio Managers are also called in such meetings to present the status of Investment on quarterly basis.

vi) In addition to the above, to further strengthen the monitoring mechanism CMPFO is in the process of appointing a credible Third-Party Agency for overall monitoring of investments and suggestion on intervention measures according to the market scenario.

vii) A dedicated Finance Cadre is also in place in CMPFO for strengthening of internal finance procedures. “

50. As regards the present status of appointment of third-party agency and as to what measures have been taken to engage Third Party Inspection, the Ministry intimated that the process of the appointment of Third-Party Agency is at an advanced stage. The appointment of agency is likely to be made by the end of January 2025. CMPFO is at an advanced stage of appointing a credible Third-Party Agency for overall monitoring of investments and suggesting intervention measures according to the market scenario. Over and above, internal audit of CMPFO has also been initiated by the Ministry of Coal. It was conducted in the months of December 2023 and September 2024.

51. As regards steps being taken in the operation of Board of Trustees to prevent recurrence of such issues in future, the Ministry in its written reply stated as under:-

“To prevent recurrence of such issues in future, the BOT has adopted various Systemic Safeguards which have since been implemented in CMPFO. The details are as under:

- vii. Powers to take prompt decision on investment matters related to CMPFO had been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-committee of the (BOT) of CMPFO. This Committee comprised of the following members:
 - (a) the Joint Secretary & Financial Adviser(JS&FA), MOC
 - (b) Commissioner, CMPFO
 - (c) Director (Finance), Coal India Limited and
 - (d) a Representative of the Employees Union.
- viii. Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Dept of Expenditure, Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds.
- ix. No fresh investments are being made in Private Sector bonds.
- x. The CMPFO has adopted an ‘Exit policy’ in line with EPFO which would enable CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from stock exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA- respectively.
- xi. Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitors day to day activities of the Fund Managers. The Fund Managers in turn flags any unusual movement in investment to the Commissioner, CMPFO. In addition, the Investment Sub-committee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate. Further, the Secretary, MOC reviews the overall performance of CMPFO every month.

The portfolio managers are also called in such meetings to present the status of Investment on quarterly basis.

- xii. In addition to the above to further strengthen the monitoring mechanism CMPFO is in the process of appointing a credible Third-Party Agency for overall monitoring of investments and suggestion on intervention measures according to the market scenario.”

52. On being asked about what systemic measures have been taken to prevent the occurrence of this incident in future? Have any timelines been fixed for fast tracking and timely action on the advice of Portfolio Managers, the Ministry replied as under:

“In order to ensure time bound action and to prevent any recurrence of any such incident an Exit Policy has been brought in the CMPFO as per which a decision can be taken within 11 days of any activity being informed to the CMPFO. Salient Features of the Exit Policy are as under: -

- Fund managers shall report to the Commissioner about the downgrading of credit quality in 2 days of trigger event.
- A detailed report shall be shared in 4 days.
- Convening of the Investment Committee meeting for recommendation for exit or otherwise.
- On receipt of recommendation of committee to exit, the Fund Managers shall prepare a detailed exit plan within 3 days.
- The Committee shall deliberate and decide to exit within a day of receipt of such recommendation.”

53. On being asked about the salient features of Exit Policy, the Secretary, during oral evidence of the Ministry stated as under:

“More importantly and significantly, an exit policy has been adopted by the CMPFO, which is in force with a similar exit policy which exists in the EPFO. The salient features of this exit policy and the objective of this exit policy is to ensure a set of objective triggers to be identified, which would be able to act as a guideline for any decision-making which would be followed by the portfolio manager and consequently approved by the competent authority. Some of these trigger points basically are that if the annual profitability of a corporate turns into a loss, if the reduction in net worth is about 20 per cent, if

the equity is delisted from the stock exchange, if the promoter holding falls below 26 per cent or if the credit rating is downgraded to AA and below by various credit rating agencies or any adverse decision on the issuer by either SEBI, RBI or any other regulatory or judicial body or change in ownership from PSU to private. These are the identified trigger points which provide a safety net for any market-related risk that may arise at any point of time to be quickly identified in terms of the exit policy.”

54. Further, in this regard, during the oral evidence the Secretary informed the Committee as under:

“In terms of the more systemic measures, which have been taken based on the learning from this experience as to what are the kind of systemic safeguards that should be put in place for averting any such eventuality in future and ensuring timely decision-making in a fast changing and evolving situation, a slew of such measures based on the discussions in the earlier Board of Trustees meeting, the deliberations in the predecessor PAC and various other inputs.

Primarily, the investment in government securities have been enhanced further, beyond the limit recommended by Ministry of Finance also as a precautionary measure and as a conservative measure from 50 per cent to 60 per cent and correspondingly the investment bracket in corporate bonds have been reduced from 35 per cent to 20 per cent. This has been in vogue since August, 2022. No fresh investments are being made in private sector bonds. In addition, the fund managers or the portfolio managers are both PSUs, the SBI FML and the UTI AMC since January, 2020.”

55. As regards the Standard Operating Procedures which have been defined as part of the operationalizing of the Exit Policy, the Secretary informed the Committee during the oral evidence as under:

“In addition, more importantly, the Standard Operating Procedures which have been defined as part of operationalizing this exit policy have ensured that the responsibilities and obligations of the individual stakeholders which are the portfolio managers, the Commissioner CMPFO and the Investment sub-

Committee, which is headed by the Joint Secretary and Financial Advisor -- my colleague in the Ministry -- who is essentially a representative of the Ministry of Finance to take timely decisions on the trigger points in terms of whatever is required to be taken.

The end-to-end decision-making process should a situation arise in future is limited to a total time period of only 11 days from identifying the risk till the time a decision is taken to exit the investment. So, the primary focus of the exit policy is to decentralize the decision-making process to a point where quick and expeditious decision-making, depending on the exigency of the situation, is made possible through this mechanism.”

56. When asked about the role of a concurrent external auditor, the Secretary during the oral evidence stated as under:

“In addition, there is a system of a concurrent external auditor who is associated with monitoring the investments on a daily basis in terms of the responsibilities assigned to the portfolio managers and to ensure that any inaction on the part of the portfolio manager in doing what they are supposed to do for handling these investments is promptly brought to the notice of the CMPFO Commissioner and then to the Investment Subcommittee. So, I am glad to inform the Committee that the Investment Subcommittee has been meeting regularly every quarter under the Chairmanship of the Joint Secretary and Financial Advisor, has been monitoring the investments made, the performance of the portfolios and the systemic measures are now largely in place.

In addition, as an added measure to these two layers of the external concurrent auditor and the Investment Subcommittee, there is a process which is already underway for status for engagement of a third-party evaluation agency to monitor the health of the investments, similar to what the EPFO has in place. The processes have already been initiated. The bids have been floated. The last date for receipt of the bids is in first week of December and we are confident that we will be able to appoint a third-party agency in addition

to the existing mechanisms which are already enforced to safeguard investments and to continuously monitor the market dynamics.”

57. When asked to share the status of the action being contemplated against the Commissioner, CMPFO and the reasons for delay in initiating action and the status of the investigation against Commissioner, CMPFO, the Ministry in their post-evidence reply stated as under:

“With the approval of Hon'ble Minister of Coal, matter was referred to the CVC for seeking First Stage Advice on 03.11.2023. CVC vide its OM dated 22.12.2023 has advised for initiation of Major Penalty Proceedings against the Commissioner, CMPFO. The then Commissioner, CMPFO belongs to Indian Economic Service and had been released on 15th June, 2022 for his fresh posting decided by his Cadre Controlling Authority. Since the Disciplinary Authority in his case is his Cadre Controlling Organization i.e. Department of Economic Affairs (DEA), Ministry of Finance, with the approval of Hon'ble Minister of Coal, the matter was sent to the Department of Economic Affairs (DEA), Ministry of Finance on 15.01.2024 for initiation of Major Penalty Proceedings. The DEA has since issued the memorandum/charge-sheet to the Charged Officer on 17.05.2024. As informed by the DEA, Inquiry Officer and Presenting Officer have been appointed on 22.11.2024 with the approval of Disciplinary Authority.

On receipt of a complaint alleging certain irregularities, the Chief Vigilance Officer (CVO) CMPFO was asked to look into the matter and submit a report. The matter remained under examination at various levels in the Vigilance Divisions of CMPFO and Ministry of Coal (MoC). As the matter required examination in detail and several documents were to be examined, the report was submitted to the CVC for their First Stage Advice in October, 2023.

The CVC recommended Major Penalty proceedings against the then Commissioner, CMPFO in December 2023. Ministry of Coal with the approval of Hon'ble Minister of Coal, had referred the matter to the Cadre Controlling Authority i.e. Department of Economic Affairs (DEA), Ministry of Finance to initiate Major Penalty proceedings against the then Commissioner. The DEA has issued the memorandum/charge-sheet to the Charged Officer on 17.05.2024. As informed by DEA, Inquiry Officer and Presenting Officer have been appointed on 22.11.2024 with the approval of Disciplinary Authority.”

58. When the Committee sought the information as to was the investment made after the approval of the BoT to invest in the Dewan Housing Finance Corporation Limited (DHFL) or did it happen at the behest of the Commissioner and why the decision to redeem debentures was not taken in anticipation of the Board meeting, the Ministry stated as under:

“CMPFO invests its fund through the Portfolio Managers selected by following the laid down procedure. Investment of funds, being a highly specialized function, an Agreement was signed on 12th Jan, 2012 between the CMPFO and Portfolio Managers with, inter-alia the following stipulations:

The Portfolio Manager shall assume day-to-day investment management of the Investible fund allocated to it and act as the investment manager with full discretionary authority and, in that capacity, make investment decisions and manage the investible fund in accordance with the Regulations and Restrictions stated herein and as amended from time to time.

Accordingly, this agreement entrusted the Portfolio Managers with the task of making the investment decisions depending on their professional understanding and advice to take the best and prudent decisions. It is pertinent to mention that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India (GoI) and choose from the available instruments. This investment in DHFL was made in strict adherence to the notifications issued by the Ministry of Finance, GoI under the Investment Pattern for Non-Government Provident Funds etc.

As per the Clause 5 of the signed agreement, approval of the BOT was mandatory for taking any decision on redemption of debentures.”

59. Suspecting that in a case involving investment of provident fund of ₹ 4,122 crore by the Uttar Pradesh Power Corporation Limited (UPPCL) into the Dewan Housing Finance Corporation Limited an investigation revealed that the DHFL siphoned off ₹ 2,267 crore from the provident fund investments, the Committee desired to know as to why the Ministry was not aware of such fraudulent affairs of DHFL and also what kind of check and balance including punitive action was taken, the Ministry in its response stated that:

The Joint Secretary (JS) in-charge of CMPFO in the Ministry of Coal was made aware of the downgrading of the rating of DHFL by the Commissioner CMPFO on 24th June 2019. The CMPFO Commissioner was immediately advised to take necessary steps as mentioned above.

To prevent recurrence of such issues in future, the BOT has adopted various Systemic Safeguards which have since been implemented in the CMPFO. The details are as under:

i. Powers to take prompt decision on investment matters related to the CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of the CMPFO. This Committee comprises of the following members:

(a) The Joint Secretary & Financial Adviser (JS&FA), MOC

(b) Commissioner, CMPFO

(c) Director (Finance), Coal India Limited and

(d) a Representative of the Employees Union.

ii. Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds.

iii. No fresh investments are being made in Private Sector bonds.

iv. The CMPFO has adopted an 'Exit policy' in line with EPFO which would enable the CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from Stock Exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA-, respectively.

v. Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitor day-to-day activities of the Fund

Managers. The Fund Managers in turn flag any unusual movement in investment to the Commissioner, CMPFO. In addition, the Investment Sub-Committee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate. Further, the Secretary, MoC reviews the overall performance of the CMPFO every month. The Portfolio Managers are also called in such meetings to present the status of Investment on quarterly basis.

vi. In addition to the above, to further strengthen the monitoring mechanism the CMPFO is in the process of appointing a credible Third-Party Agency for overall monitoring of investments and suggesting intervention measures according to the market scenario.

vii. As indicated earlier, the then Commissioner, CMPFO was advised by the Ministry to put the matter before BOT. It is a case of a failure on the part of the then Commissioner, CMPFO rather than a Systemic failure. The Major Penalty proceedings have already been initiated against the then Commissioner, CMPFO for the lapses on his part.

60. But when the Committee, not being satisfied with this explanation, sought a reply as to what is the action taken or proposed to be taken by the Ministry to completely revamp the practice and procedures of the working of CMPFO, the Ministry responded as under:

“To prevent recurrence of such issues in future, the BOT has adopted various Systemic Safeguards which have since been implemented in CMPFO. The details are as under:

i) Powers to take prompt decision on investment matters related to the CMPFO has been delegated by the Board of Trustees (BOT) in its meeting held on 20th December 2019 to the Investment Sub-Committee of the (BOT) of CMPFO. This Committee comprises of the following members:

- (a) The Joint Secretary & Financial Adviser (JS&FA), MOC
- (b) Commissioner, CMPFO
- (c) Director (Finance), Coal India Limited and

(d) a Representative of the Employees Union.

ii) Further, investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds.

iii) No fresh investments are being made in Private Sector bonds.

iv) The CMPFO has adopted an 'Exit policy' in line with EPFO which would enable CMPFO to take decisions with regard to exit from downgraded portfolio in a time bound manner acting on defined trigger points such as reduction in net-worth by 20%, equity delisting from stock exchange, promoter holding falling below 26%, credit rating of private sector companies and PSUs downgrading to AA and AA-, respectively.

v) Investment related matters are being monitored at various levels in the Ministry. Firstly, the External Concurrent Auditors monitor the day-to-day activities of the Fund Managers. The Fund Managers in turn flag any unusual movement in the investments to the Commissioner, CMPFO. In addition, the Investment Sub-committee reviews the performance of investment in detail on quarterly basis wherein Fund Managers, External Concurrent Auditor and the custodian bank also participate. Further, the Secretary Coal reviews the overall performance of CMPFO every month. The Portfolio Managers are also called in such meetings to present the status of Investment on quarterly basis.

vi) In addition to the above, to further strengthen the monitoring mechanism CMPFO is in the process of appointing a credible Third-Party Agency for overall monitoring of investments and suggestion on intervention measures according to the market scenario.

vii) A dedicated Finance Cadre is also in placed in CMPFO for strengthening of internal finance procedures.”

PART - II**OBSERVATIONS/ RECOMMENDATIONS OF THE COMMITTEE****INTRODUCTION**

The Committee note that the Audit pointed out that CMPFO, as on March 2020, had an investment of ₹ 1,390.25 crore (Investment was made during the period May 2015 to February 2018) in Non-Convertible Debentures of Dewan Housing Finance Corporation Limited (DHFL). The investment included Non-Convertible Debentures amounting to ₹ 864 crore having an early redemption clause, which provided the investors right to dispose of the investments before maturity at par along with accrued interest in case any credit rating agency assign credit ratings of AA- or below. Balance Non-Convertible Debentures amounting to ₹ 526.25 crore did not carry such clause of early redemption. In this regard, Audit observed that CMPFO failed to take timely action for redemption of DHFL debentures despite adverse credit ratings resulting in avoidable loss of ₹ 315.35 crore.

The Committees examination revealed discrepancies like the approval of Board of Trustees being taken belatedly in December, 2019, though the right to redeem had already been lapsed after commencement of moratorium. It is very difficult for the Committee to fathom the lackadaisical attitude of non-inclusion of provision for exercising early redemption as merely a procedural lapse, which resulted in loss of crores of rupees.

Recommendation No.1

The Committee note that Coal Mines Provident Fund Organisation (CMPFO) had the option to exercise early redemption in respect of Non-Convertible Debentures amounting to ₹ 864 crore. CMPFO could have taken prompt/timely action on the recommendations of Portfolio Managers for early redemption of Non-Convertible Debentures when its rating became AA-, to safeguard the funds of ₹ 864 crore at that juncture. The Committee also note that the Dewan Housing Finance Corporation Limited (DHFL) was already involved in misappropriation of funds with other States also right from 2015. The Committee are distressed to note that despite ill knowing the status of Dewan

Housing Finance Corporation Limited (DHFL), the Ministry of Coal did not have processes and procedure to gauge the gravity of the situation so as to prevent investment of pensioner's money in such bond.

In the given scenario, the Committee recommend that by continuously monitoring the creditworthiness of issuers, timely decisions could have been made regarding early redemptions or adjustments in the portfolio. Observing the above facts, the Committee infer that the failure to act promptly when the rating dropped to AA- led to significant risks. The Committee note with satisfaction that investment in Government securities has been enhanced from 50% to 60% as an added conservative measure. This is even higher than the stipulated norms prescribed by the Ministry of Finance. Additionally, the Committee also note that investment bracket for corporate bonds has been reduced from 35% to 20%. This has been done to reduce the investment in Debt related instruments especially private sector bonds. Further in order to mitigate loss, no fresh investments are being made in Private Sector bonds.

The Committee observe that the Ministry/CMPFO has merely explained the procedure of investment in CMPFO and its silent about why the Ministry did not have any process/ procedure to gauge the gravity of risk involved in investing pensioners' money in DHFL as well as the criteria for selection of DHFL. The Committee strongly recommend that by diversifying constant vigil across different asset classes and issuers, the risk of substantial loss due to the underperformance or misappropriation of funds by a single issuer (like DHFL) could have been minimized. The Committee are of the opinion that ensuring adequate due diligence before investing in NCDs could have helped in identifying potential risks early, thus preventing loss from investments in companies like DHFL, which had a history of financial instability.

The Committee, therefore, in no uncertain terms recommend that Portfolio managers need to be well-equipped with the knowledge and tools to identify risks early so that they are capable enough to recognize red flags, like the situation with DHFL, and take prompt corrective action so as to obviate any such situation in the future.

Recommendation No.2

The Committee note that out of a total investment of ₹ 1390 crore, the NCLT has given ₹ 662 crore, and there is loss of ₹ 315 crore along with balance Non-Convertible Debentures amounting to ₹ 526.25 crore. The Committee express concern on the total amount invested by CMPFO and the fate of total money recovered yet and total loss incurred by the CMPFO due to wrongful parking of funds in the DHFL. The Committee are dismayed to note from the reply of the Ministry that the NCLT approved the DHFL resolution plan making total realization of Rs.662.58 crores out of total investment of Rs.1390.25crores. Out of the realized amount of Rs. 662.58 crores, Rs. 300.98 crore (113.93 cr +187.05 cr) was credited in cash in CMPFO account on 30.09.2021 and Rs. 361.60 crores in the form of Piramal Securities. Out of cash receipt of Rs. 300.98 crores, Rs. 187.05 crores were against the NCD having early redemption clause. Thus, total avoidable loss was Rs.315.35 crores [Rs.864-(187.05cash+361.60 Piramal security) due to non-invoking of early redemption clause by the CMPFO.

From the replies furnished by the Ministry in response to audit findings the Committee observe that there has been a critical irregularity on the part of the Ministry to oversee the functioning of CMFPO which led to the failure to ensure the safety of its investments due to lackadaisical approach in redeeming debentures of Dewan Housing Finance Corporation Limited despite adverse credit ratings. The Committee underscores the significance of transparency particularly in the context of fact that the remaining ₹526.25 crore from the NCDs is still unrecovered. The Ministry need to explore avenues like asset recovery, additional claims, or even working with the current management or bidders for further resolution. The Committee, therefore, are of the opinion that in light of the avoidable loss, CMPFO should evaluate its future investment strategies. This could include diversifying investments to reduce the concentration risk in a single company or sector and establishing more stringent risk assessment criteria before making such large investments.

The Committee also feel that since part of the investment is still being recovered through NCLT, it would be beneficial for CMPFO to stay actively involved and engaged in these proceedings to ensure they are receiving the maximum possible recovery. The Committee would like to impress upon the Ministry to reassess their future bond investments by CMPFO, especially in high-risk sectors like housing finance, and perhaps move towards less risky debt instruments. The Ministry ought to ensure that a clear risk profile for debt securities should be in place moving forward.

Recommendation No.3

The Committee note from audit observation that though the Commissioner of CMPFO approved the proposal for exercising early redemption option as an agenda item for Board of Trustees (BoT) meeting of March 2019, the same could not be implemented due to non-inclusion of the same as agenda item in the Board Meeting. The Committee further note that approval of BoT was taken belatedly in December 2019, after a delay of eight months when the right of early redemption had already lapsed due to commencement of moratorium in November 2019. The Committee are unhappy to note that delayed decision by CMPFO resulted in the loss of opportunity to avail timely redemption option and safeguarding its funds and minimizing potential losses.

The Committee are alarmed at such a grim scenario wherein the Ministry failed to establish clear timelines and deadlines for key decision-making processes, especially those involving financial transactions or investment-related actions, to ensure that any critical decisions are made promptly. The Committee note that there ought to be some kind of monitoring and implementation of a system where key investment milestones, like redemption rights, are tracked on monthly basis. This will not only provide an early warning system for any upcoming critical actions but will also ensure that they are executed in time.

The Committee therefore, desire that CMPFO should implement regular monitoring and reporting on the status of significant investments and their associated risks. The Committee further suggest that Ministry ought to conduct performance reviews of the decision-making process and hold accountable any delays or failures in execution. If delays are found to be systemic, take corrective action by re-evaluating internal policies and efficiency improvement mechanism.

The Committee would urge the Ministry of Coal to prevent further financial setbacks and safeguard future investments, CMPFO must improve internal decision-making, strengthen governance structures, and ensure timely and efficient execution of critical actions like early redemption options. The Committee observe that this failure also speaks volumes of the inefficiency on the part of the Ministry and by addressing the delays, enhancing communication, and creating contingencies for missed opportunities, the Ministry can ensure better management of its funds and avoid further loss of potential gains.

Recommendation No.4

The Committee are astonished to note that the reason, cited by Ministry in its response, for non-placement of agenda in the Board of Directors (BoT) meeting of 26 March 2019 as 'agenda for the meeting was already circulated seven days before the meeting' is not convincing in view of the fact that Commissioner, CMPFO, who was also the ex-officio member of BoT could have taken up the issue in the meeting considering the importance and urgency of the matter in the agenda item number XI - 'any other issue with the permission of Chair'. From the reply furnished by the Ministry, the Committee note that as per the agenda and Minutes of BoT meeting held on 26th March 2019, the matter was neither placed on the agenda nor deliberated upon in the BoT meeting.

The Committee recommend that The Ministry should consider revising its current practice of circulating the agenda only seven days in advance. The Committee feel that in cases of urgent matters, it could be useful to allow a provision for adding late or unforeseen items to the agenda, provided there is a justified reason. The Committee further recommend that the Ministry should develop better communication strategies to ensure that any member, including the ex-officio members, can flag important matters ahead of time, even if the formal agenda has already been circulated.

The Committee desire that if an urgent matter arises after the agenda is circulated, the Ministry could also consider the option of scheduling an Extraordinary BoT meeting if the matter is of significant importance and could not wait until the next scheduled meeting. This alacrity on the part of the Ministry /CMPFO could have obviated the avoidable loss of Rs. 315.35 crore to the exchequer.

Recommendation No.5

The Committee note that despite approval of the Commissioner of CMPFO for inclusion of the proposal for exercising early redemption option as an agenda item for the upcoming Board of Trustees (BoT) meeting (March 2019), non-inclusion of the same in the meeting and delay in taking prompt action on the issue, points out serious lapses in the management.

The Committee would therefore like to caution the Ministry of Coal to refrain from indulging in such terminological ambivalence causing confusion to prevent such oversights and consider incorporating a flexible framework within the BoT meeting structure that allows the addition of urgent or time-sensitive items at short notice. The Committee feel that this flexibility should be clearly communicated to all members of BoT, ensuring that essential matters are always addressed promptly.

Recommendation No.6

Gleaning through all the information and facts available on record, the Committee note that in yet another case in 2018-19 involving investment of provident fund of ₹ 4,122 crore by the Uttar Pradesh Power Corporation Limited (UPPCL) into the Dewan Housing Finance Corporation Limited an investigation revealed that the DHFL siphoned off ₹2,267 crore from the provident fund investments. The Committee further note that the Joint Secretary (JS) in-charge of CMPFO in the Ministry of Coal was made aware of the downgrading of the rating of DHFL by the Commissioner CMPFO on 24th June 2019. The CMPFO Commissioner was immediately advised to take necessary steps in this regard.

The Committee, however, feel that the reply of the Ministry / CMPFO is silent about whether they were aware of the fraudulent affairs of DHFL. The Committee further note that the Ministry/ CMPFO has also not specified the check and balances put in place at the time the investigation revealed that the DHFL siphoned off Rs. 2,267 crore from the provident fund investments of UPPCL.

The Committee recommend that the Ministry ought to ensure that the ongoing investigation is expedited and all parties involved in the siphoning off funds are held accountable. This includes examining the role of DHFL executives, UPPCL officials, and any intermediaries who may have facilitated the fraud. The Committee strongly deprecate the action on the part of the Ministry and urge them to ensure that the investigation findings should lead to criminal prosecution against those responsible for the mismanagement or fraudulent activity. This should be pursued under relevant sections of financial and criminal law, including fraud and embezzlement charges by the Ministry of Coal. The Committee impress upon the Ministry to recover the embezzled funds through process including asset seizures, lawsuits, or other legal remedies.

Given the enormity and severity of fraud, the Committee recommend that a comprehensive forensic audit of DHFL should be conducted to determine the scale of the fraudulent activities, identify responsible individuals, and trace the funds' movement. Any fraudulent activities should be penalized under applicable financial laws. The Committee further recommend that investigation should be considered for other similar financial institutions, which may pose similar risks to public fund management. The Committee may be apprised as whether Ministry/ Management has come across with any other instance of similar nature in default in investments.

Recommendation No.7

The Committee observe that the Investment Sub-Committee was empowered to decide the bonds to invest and curious to know their recommendations. The Committee note from the reply furnished by the Ministry that the agreement entrusted the Portfolio Managers with the task of making the investment decisions depending on their professional competence and advice to take the best and most prudent decisions.

The Committee also note that the Portfolio Managers are also bound to follow the category-wise investment pattern as defined by the Government of India and choose from the available instruments.

To the amazement of the Committee, the Commissioner, CMPFO neither informed the Investment Sub-Committee nor took any action to convene any meeting. The Committee are of the view that the Ministry / CMPFO has not specified the role of Investment sub-committee in deciding which bonds to invest. The Committee may not only be apprised of the present status in the matter, but also about the periodicity of the concurrent Audit and meetings of Investment committee and whether the same are being held as per the periodicity.

Recommendation No.8

The Committee are distressed to note that considering that the money lost belonged to Pension Funds of Coal Mine workers, the Committee be apprised of the remedial measures are being taken by the Ministry to recover the money lost. Noting from replies furnished by the Ministry, the Committee find that as per the Insolvency and Bankruptcy Code (IBC) 2016, the recovery for the financial creditors is as per the approved resolution plan. As per the NCLT Resolution Order in the case of DHFL, the Resolution for CMPFO dues has been a combination of the cash plus the bonds issued by the Piramal Capital & Housing Finance Ltd (Successful resolution applicant).

The Committee further note that the liability of the successful resolution applicant is limited to the consideration as per the approved resolution plan and there is no provision in the IBC for the creditor to seek recovery higher than what is envisaged under the approved resolution plan. The audit scrutiny further revealed that the resolution process under IBC 2016 aims to resolve insolvency in time bound manner along with the moratorium wherein fresh litigation during the resolution period is prohibited.

Considering that the Ministry/ CMPFO only mentioned about the process regarding the consideration received after NCLT decision under resolution plan, the Committee recommend as to what steps are being taken by Ministry/ CMPFO to recoup the loss of pension fund of the coal mines workers were not provided. The Committee may be apprised of the same.

NEW DELHI:

22 July, 2025
31 Ashadha, 1947 (Saka)

K.C. VENUGOPAL
Chairperson,
Public Accounts Committee

Appendix-I**MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS (2024-25) HELD ON 19th NOVEMBER 2024**

The Committee on Public Accounts sat on Tuesday, the 19th of November 2024, from 1100 hrs to 1252 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri K.C. Venugopal - Chairperson

Members**LOK SABHA**

2. Shri T.R. Baalu
3. Shri Jagdambika Pal
4. Shri Jai Parkash
5. Shri Ravi Shankar Prasad
6. Prof. Sougata Ray
7. Dr. Amar Singh
8. Shri Anurag Singh Thakur
9. Shri Balashowry Vallabhaneni

RAJYA SABHA

10. Shri Shaktisinh Gohil
11. Dr. K. Laxman
12. Shri Sukhendu Sekhar Ray
13. Shri Sudhanshu Trivedi

LOK SABHA SECRETARIAT

- | | | | |
|----|-------------------------|---|------------------|
| 1. | Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. | Shri Muraleedharan. P | - | Director |
| 3. | Shri Alok Mani Tripathi | - | Deputy Secretary |
| 4. | Shri Pankaj Sharma | - | Deputy Secretary |
| 5. | Shri Atul Bhawe | - | Deputy Secretary |
| 6. | Ms. Malvika Mehta | - | Deputy Secretary |

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

- | | | | |
|----|------------------------|---|--------------------|
| 1. | Shri Anand Mohan Bajaj | - | Dy. CAG |
| 2. | Shri Samar Kant Thakur | - | Director General |
| 3. | Shri Deepak Kapoor | - | Director General |
| 4. | Shri Anindya Das Gupta | - | Principal Director |

REPRESENTATIVES OF THE MINISTRY OF COAL & CMPFO

- | | | | |
|----|--------------------------|---|---------------------|
| 1. | Shri Vikram Dev Dutt | - | Secretary |
| 2. | Shri Bhabani Prasad Pati | - | JS (Coal) |
| 3. | Smt. Nirupama Kotru | - | JS & FA |
| 4. | Smt. Rupinder Brar | - | Addl. Secretary |
| 5. | Shri Vijay Kumar Mishra | - | Commissioner, CMPFO |
| 6. | Smt. Santosh | - | DDG |
| 7. | Shri Bijay Samanta | - | DS (Coal) |
| 8. | Shri Sudheer Babu Motana | - | DS (Coal) |

At the outset, the Chairperson welcomed the Members and the Officers from the Office of Comptroller and Auditor General (C&AG) to the sitting, which had been convened to take oral evidence of the representatives of Ministry of Coal and Coal Mines Provident Fund Organisation (CMPFO) on the subject 'Failure of the Management to take timely decision to redeem debentures of Dewan Housing Finance Corporation Limited resulted in avoidable loss of ₹ 315.35 crore' based on the Audit observations contained in the Para 2.1 of C&AG Report 1 of 2023.

2. The Officers of the C&AG, through a presentation briefed the Committee on key findings of the Audit report, highlighting various inefficiencies within the framework of CMPFO viz. non-inclusion of proposal for early redemption of Non-Convertible Debentures in the Meeting of Board of Trustees (BoT) by the Commissioner, CMPFO, despite downgrading of rating of Non-Convertible Debentures of Dewan Housing Finance Corporation Limited in march 2019 and later in May 2019; failure of CMPFO to utilize the available option of going for early redemption for Non-Convertible Debentures; shortcomings in the monitoring mechanism for investments and periodicity of the meetings of the Investment Sub-Committee.

3. Then the Chairperson welcomed representatives of the Ministry of Coal and the Coal Mines Provident Fund Organisation (CMPFO) to the sitting and asked them to introduce themselves.

4. After introduction of witnesses, the Secretary (Coal) apprised the Committee of action taken by the Ministry on the audit observations viz. vigilance inquiry instituted by the Ministry, findings of the said inquiry, consultation with the Central Vigilance Commission for taking action against the then CMPFO Commissioner, through his cadre controlling authority - the Ministry of Finance issue of charge-sheet for major penalty etc. He also apprised the Committee of the systemic measures, being taken based on the lessons learned from the instant issue which include further enhancement of investment in government securities; adoption of an exit policy by CMPFO which limits time period of end-to-end decision-making process to eleven days and defining new Standard Operating Procedures ensuring the responsibilities and obligations of portfolio managers, the Commissioner CMPFO and the Investment sub-Committee.

5. During the discussion, Members raised numerous points concerning key issues highlighted in the audit report like procedural lapse which resulted in failure of early redemption of Non-Convertible Debentures, delay in meetings of the Investment Sub-Committee, role of the Ministry of Coal in monitoring the activities of

CMPFO, inadequacies of action taken against the then CMPFO, delay in Departmental enquiry, laxity in filing criminal complaint against all responsible officers, action taken to retrieve the money lost, lack of exit policy, preventive measures etc.

6. Taking note of the concerns raised by the Committee, the representative of the Ministry of Coal and the Coal Mines Provident Fund Organisation (CMPFO), apprised the Committee of the steps taken to address the key issues, efforts made to revive the management in CMPFO apart from the ones highlighted earlier such as a system of a concurrent external auditor who is associated with monitoring the investments on a daily basis and initiating process for engagement of a third-party evaluation agency to monitor the health of the investments, similar to what the EPFO has in place. The Committee were assured that the steps being taken to strengthen the system would prove decisive in prevention of such lapses in future.

7. Thereafter, the Chairperson asked the representatives of the Ministry of Coal and the Coal Mines Provident Fund Organisation (CMPFO) to furnish the information that was not readily available with them along with the replies to the List of Points being sent to them by the Committee Secretariat within fifteen days.

8. The Committee, further, regarding the second agenda item which was Consideration and adoption of six Draft Reports of the Committee on Public Accounts, decided to consider and the draft Reports in their next Sitting.

A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

Appendix-II**MINUTES OF THE EIGHTEENTH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS (2024-25) HELD ON 29 APRIL, 2025**

The Committee on Public Accounts sat on Tuesday, 29 April, 2025 from 1303 hrs to 1425 hrs in Committee Room B, Parliament House Annexe, New Delhi.

PRESENT

Shri K.C. Venugopal - Chairperson

Members**LOK SABHA**

10. Shri Jagdambika Pal
11. Shri Jai Parkash
12. Shri Ravi Shankar Prasad
13. Shri C.M. Ramesh
14. Smt. Aparajita Sarangi
15. Dr. Amar Singh
16. Shri Tejasvi Surya
17. Shri Balashowry Vallabhaneni

RAJYA SABHA

18. Shri Shaktisinh Gohil
19. Dr. K. Laxman
20. Shri Praful Patel
21. Shri Tiruchi Siva
22. Shri Sudhanshu Trivedi

LOK SABHA SECRETARIAT

- | | | |
|--------------------------|---|------------------|
| 1. Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. Shri Muraleedharan. P | - | Director |
| 3. Shri Atul Bhawe | - | Deputy Secretary |
| 4. Smt. Malvika Mehta | - | Deputy Secretary |

**REPRESENTATIVES FROM OFFICE OF COMPTROLLER AND
AUDITOR GENERAL OF INDIA**

Sl. No.	Name	Designation
1.	Ms. Atreyee Das	Deputy C&AG
2.	Ms. Smita S. Chaudhri	Deputy C&AG
3.	Shri Anand Mohan Bajaj	Deputy C&AG
4.	Ms. Yashodhara Ray Chaudhuri	Addl. Deputy C&AG
5.	Shri Samar Thakur	Director General
6.	Shri Anadi Mishra	Director General

6. The Chairperson welcomed the Members and Officers of the office of C&AG of India to the sitting of the Committee. He invited suggestions of the Members on the following four Draft Reports:-

i. Draft Report on the subject “Failure of the Management to take timely decision to redeem debentures of Dewan Housing Finance Corporation Limited (DHFL) resulted in avoidable loss of Rs.315.35 crores”.

ii. xxxx xxxx xxxx xxxx

iii. xxxx xxxx xxxx xxxx

iv. xxxx xxxx xxxx xxxx

7. After some deliberations, the Committee adopted the aforesaid Draft Reports without any modifications and authorised the Chairperson to finalise the Reports in the light of factual verification done by Audit.

The Committee then adjourned.

A copy of the proceedings of the Sitting has been kept on record.