PERFORMANCE AUDIT REPORT
OF
NATIONAL RADIO TELECOMMUNICATION CORPORATION (NRTC), HARIPUR
AUDIT YEAR 2023-24
NOVEMBER, 2025

AUDITOR-GENERAL OF PAKISTAN

SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND GOOD GOVERNANCE IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES

FOR THE CITIZENS OF PAKISTAN

Preface

The Auditor-General of Pakistan conducts audit under Article 169 and 170 of Constitution of the Islamic Republic of Pakistan 1973, read with Sections 7-15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Performance Audit of the National Radio Telecommunication Corporation (NRTC) Private Limited was conducted accordingly.

The Director General Audit, Postal and Telecommunication Services, Lahore conducted Performance Audit of the National Radio Telecommunication Corporation (NRTC) Private Limited in May 2024 for the audit year 2023-24 with a view to report significant findings to stakeholders.

The focus of audit primarily remained on the effectiveness of activities carried out by the National Radio Telecommunication Corporation (NRTC) Private Limited followed by efficiency and economy aspects thereof. In addition, audit also assessed, on test check basis, whether the management complied with laws, rules, and regulations applicable on the National Radio Telecommunication Corporation (NRTC) Private Limited. Compliance related issues identified during the course of the audit have been incorporated in the respective Regularity Audit Report. The titles of such findings are listed in Annexure-IV of this report for reference. The Performance Audit Report contains actionable recommendations aimed at improving the intended objectives of National Radio Telecommunication Corporation (NRTC) Private Limited.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of Constitution of the Islamic Republic of Pakistan for causing it to be laid before the Parliament.

Islamabad: (**Maqbool Ahmad Gondal)**
Dated: November, 2025 **Auditor-General of Pakistan**

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Abbreviations and Acronyms

AGP	Auditor-General of Pakistan
AI	Artificial Intelligence
API	Application Programming Interface
BoD	Board of Directors
CRV	Certified Receipt Voucher
CWO	Civil Works Organization
DAC	Departmental Accounts Committee
DAGP	Department of Auditor-General of Pakistan
DGP	Director General Procurement
DMCC	Dubai Multi Commodity City
GOP	Government of Pakistan
GUI	Graphical User Interface
ICT	Information Communication Technology
IP	Internet Protocol
IRR	Internal Rate of Return
ISP	Internet Service Provider
ISSAI	International Standards of Supreme Audit Institutions
KPIs	Key Performance Indicators
KPK	Khyber Pakhtunkhwa
KSA	Kingdom of Saudi Arabia
LDs	Liquidated Damages
MoDP	Ministry of Defence Production
MoITT	Ministry of Information Technology and Telecommunication
NPV	Net Present Value
NRTC	National Radio Telecommunication Corporation Pvt. Ltd.
NSTZ	NRTC Specialized Technology Zone
P&TS	Postal & Telecommunication Services
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAT	Profit After Tax
PMO	Project Management Office
POC	Proof of Concept
PPRA	Public Procurement Regulatory Authority
PPRs	Public Procurement Rules

PVC	Price Variation Clause
RF	Radio Frequency
RFP	Request for Proposal
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
SDAR	Software Defined Advance Radio
SDR	Software Defined Radio
SECP	Security and Exchange Commission of Pakistan
SLA	Service Level Agreement
SOE	State Owned Enterprise
STZ	Specialized Technology Zone
STZA	Specialized Technology Zone Authority
TIP	Telephone Industries of Pakistan
ZTBL	Zarai Tarqiati Bank Limited

Executive Summary

Directorate General Audit, Postal and Telecommunication Services conducted the Performance Audit of the National Radio Telecommunication Corporation (NRTC), Pvt. Ltd. Haripur. The main objectives of the performance audit were to examine the effectiveness, economy & efficiency, environmental and equity aspects in different functional areas of the company. Audit was carried out as per guidelines provided in Performance Audit Manual, ISSAI Standards and instructions issued by the Department of Auditor-General of Pakistan. Audit team evaluated performance of the company on test-check basis covering period from FYs 2018-19 to 2022-23.

The core functions of the NRTC include designing, assembling, testing, manufacturing and supplying various kinds of radio equipment and jammers to the defence and law enforcement agencies of Pakistan. Besides this, it also carries out R&D in development of Artificial Intelligence (AI) based robotic and IT solutions. The company also exports its products to various countries in Middle East and Africa. The company has also diversified and penetrated in public sector commercial projects to consolidate its financial sustainability. The major commercial projects include solarization of schools and masajid in KPK, installation of IP based cameras in all branches of ZTBL, Sindh Mass Transit project and Number plates project in Punjab etc.

The performance audit of the NRTC revealed that it experienced growth in sales revenue in last five years but at the same time it also faced the issues of un-controllable costs, declining profitability, eroding liquidity, weak financial management, delayed production operations, inefficient supply chain management, ineffective project execution & monitoring and weak corporate governance. A gist of above issues is given as under:

The NRTC attained a significant historical sales growth of 28.10% from Rs 6,533.75 million in 2018-19 to Rs 20,612.77 million in 2022-23; however, it could not control its cost of sales which escalated at a historical growth rate of 34.51% from Rs 5054.06 million in 2018-19 to Rs 18467.91 million in 2022-23, a rate higher than the growth of sales. Further, the percentage of cost of sales to sales revenue also significantly increased from 77% to 89% during the period under performance review mainly due to increase in electric tariff, fuel prices, imposition of super-tax and higher cost of raw material purchases at depreciated local currency which resulted in reduced gross profit margin from 22.65% to 10.41% and the Profit

After Tax (PAT) ratio from 12.48% to 4.56% during the period under performance review.

The company also faced issues of ineffective receivables management with an average 45.12% of trade receivables amounting to Rs 1,545.81 million remained unpaid for more than 180 days annually during the entire period. Non-recovery of receivables put strain on cashflows of the company and resulted in losing the economic returns of Rs 430.13 million (simple return) over the period under review. Additionally, the NRTC sustained substantial losses of Rs 808.04 million in three contracts in terms of diminished present value of cashflows due to delayed completion of work and weak receivables management. Further, on average 20% of material purchases amounting to Rs 1,723.29 million from foreign suppliers through unsecured advance payments, exposed the NRTC to financial risks of non-receipt of supplies from the foreign suppliers. Both the issues of delayed recovery of receivables and advance payment to the foreign suppliers squeezed the financial cushion of the NRTC.

Other key issues included the inefficient production operation and project management led to extended lead times, delayed production cycles resulting in prolonged payback periods and negative net present values (NPV) in projects. Governance inefficiencies included the absence of independent directors and inequitable implementation of HR policies exacerbating operational inefficiencies.

To address the identified challenges, the NRTC needs to control its cost of sales through cost minimization to materialize the growth of sales and sustainable profitability. Strengthening financial management by enforcing strict credit policies, expediting receivables collection and minimizing the unsecured advance payments will improve liquidity and mitigate financial risks. The company must improve the supply chain management to ensure receipt of inventory against the advance payments. Governance reforms, such as appointing independent directors and enforcing equitable HR policies will enhance transparency and accountability. By prioritizing these strategic measures, the NRTC can achieve the sustainable profitability, liquidity, operational efficiency and effective project management.

a) Key Audit Findings

Audit identified following weak areas during the performance review of the company which require immediate attention of the NRTC management and those charged with the governance.

i. Gross profit margin dropped from 22.65% to 10.41% due to uncontrolled cost (34.51% historical growth of cost of sales vs. 28.10% historical growth of revenue), the percentage of cost of sales to sales revenue increased from 77% to 89% mainly due to increase in cost of material consumed reducing PAT ratio from 12.48% to 4.56% over the period from FYs 2018-19 to 2022-23.[1]

ii. Deteriorated liquidity with Quick ratio dropping from 1.34 to 0.74 suggesting a growing commitment of resources in less liquid assets such as stock-in-trade, advances to suppliers and prepayments etc.[2]

iii. About 45.1% of receivables (average annual accounts receivables Rs 1,545.8 million) remained overdue beyond 180 days, leading to loss of risk-free investment return ranging from Rs 430 million to Rs 1,059 million due to consistent non-recovery of receivables over the period under review[3].

iv. The growing credit risks due impairment loss on accounts receivables exhibited a sharp upward trajectory, escalating from Rs 26.1 million in 2018-19 to Rs 614.1 million in 2022-23 (23-times increase over five years) suggesting further deepening of projected losses reaching upto Rs 947.1 million by 2025-26[4].

v. Rs 808 million lost in terms of diminished present value of cashflows due to non-recovery of huge outstanding amount on account of delayed delivery of store and non-recovery of outstanding receivables in three contracts[5].

[1] Para 2.1.2
[2] Para 2.1.4
[3] Para 2.1.6
[4] Para 2.1.6.3
[5] Para 2.1.5.2

vi. Ineffective project management resulting into negative NPV of Rs 86.8 million and extended paybacks of more than 5 years against the planned payback of 1 year in two contracts of ZTBL and CWO[6].

vii. Ineffective strategic decision making and failure of the NRTC in revival of TIP, conducting due-diligence for assets and liabilities and securing Rs 2.5 billion financing from the Federal Government[7].

viii. Inefficient production process causing longer lead times for production and delivery of goods with 918 days actual production cycle against the planned cycle of 240 days[8].

ix. Non-inclusion of foreign exchange fluctuation clauses in a Rs 1.65 billion contract resulting in Rs 397 million loss due to exchange rate fluctuation[9].

x. 20% of advance payments to the suppliers for material purchases (Rs 1,723 million/year) leading to risk of non-receipt of supplies of Rs 214 million observed on test check basis by audit[10].

xi. Weak supply chain management practices resulting in cost escalation of Rs 12.793 million due to currency depreciation in extended delivery period of supplies[11].

xii. Lean corporate governance due to non-presence of independent directors in the NRTC board[12].

The DAC in its meeting held on 13th September, 2024 directed the NRTC management to address all the gaps and weaknesses identified by audit in the Performance Review.

b) Recommendations

Audit recommends the following:

i. Implementation of mechanism regarding monitoring of cost and regular cost-benefit analysis and undertaking the measures to improve supply chain management.

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[6] Para 2.1.5.1
[7] Para 2.1.9.1
[8] Para 2.2.2
[9] Para 2.1.7.1
[10] Para 2.2.3.1
[11] Para 2.2.3.3
[12] Para 2.1.9.2

ii. Reduce inventory holding periods and implement just-in-time or one inventory management module as directed by the DAC to improve working capital efficiency.

iii. Ensure the completion of projects within the delivery schedules besides escalating the issue of overdue receivables through ministerial channels.

iv. Monitor the progress to control the rate of non-recoverable. Diversify the client base to reduce dependency on defaulted customers.

v. Establish dedicated project teams and milestone-based payment systems. Conduct regular performance reviews to prevent delays and cost overruns.

vi. Prepare a comprehensive revival strategy with proper valuation studies. Secure the committed government funding and implement turnaround measures.

vii. Conduct time-motion studies to eliminate the bottlenecks in production process to increase productive efficiency.

viii. Re-negotiate with customers for incorporating fluctuation clauses and consider locking of USD pricing for contracts. Hedge the currency exposure by increasing the exports to the foreign customers.

ix. Implement performance guarantees where possible, reassure procurement through LCs and diversify the supplier base.

x. Negotiate with foreign suppliers for locking exchange rates in extended delivery periods, impose penalties for delayed delivery of supplies and develop local supplier alternatives to reduce import dependency.

xi. Appoint independent directors and establish Board's sub-committees. Implement corporate governance best practices for transparency.

1. Introduction and Methodology

1.1 Introduction

The National Radio & Telecommunication Corporation (NRTC) was established on 16th February, 1966 and registered as a private limited company with SECP under the Companies Ordinance, 1984 (Now Companies Act, 2017). NRTC falls under the administrative control of the Ministry of Defence Production (MoDP). The company's shares are held by the Ministry of Defence Production and Ministry of Information Technology with their nominee directors in ratio of 67% to 33% share-holding.

It is a self-sustainable public sector company as it receives no budgetary allocations from the Government of Pakistan. It is managed by an independent Board of Directors headed by the Secretary, Ministry of Defence Production (MoDP). The core functions of the NRTC are designing, developing, assembling, manufacturing, testing and supplying various kinds of radio equipment and jamming solutions to the defence and law enforcement agencies of Pakistan. It also carries out R&D for manufacturing of surveillance equipment, Artificial Intelligence (AI) based robotic and IT solutions to supply them to its customers. The company also exports its products to various countries in Middle East and Africa.

In pursuance of the Federal Cabinet's decision, the NRTC took over the control of Telephone Industries of Pakistan (TIP) in December, 2021 as its wholly owned and controlled subsidiary for its revitalization.

Recently, the company has reduced its reliance on defence project and diversified into various public sector commercial projects. Future outlook of the company is forward looking as it is engaged in expansion through its wings by acquisition of subsidiaries to explore more business avenues in commercial activities in private sector.

In FY 2022-23 the company's Board and Management have taken significant initiatives for ambitious expansion and better positioning of the company in near future. Establishment of the NRTC Energies (Pvt) Limited, a joint venture with 75% ownership, marks the company's entry into Pakistan's solar energy market targeting both commercial and domestic market. This initiative further indicates the future intent of the company to further explore and consolidate

the revenue streams in commercial business with penetration in domestic business. The company is also planning to diversify into technology services. The Board has granted approval for registration of a company with the proposed name of "NRTC Smartec (Pvt) Limited", a new subsidiary focused on software development and IT consultancy for domestic and international markets. The registration process with SECP started in June, 2023.

Further, the NRTC Board has approved the establishment of "NRTC Special Technology Zone (NSTZ)" under Specialized Technology Zones Authority Act, 2021. In December, 2022 the NRTC applied for grant of license as "Zone Developer and Zone Enterprise" to build, operate, manage STZ for self-utilization under the category of "Own business only". The purpose of establishing the STZ was providing a platform to flourish and expand its business in specialized fields covering technology invention, technology transfer, R&D Investment, export growth and import substitution etc.

Simultaneously, the NRTC has also taken steps to expand its global footprint with initiating the process of opening a branch office (flexi-desk) in Dubai Multi Commodity Center (DMCC) free zone. Further, the Board has also approved for the formation of a wholly-owned subsidiary in Saudi Arabia to capitalize on defence localization opportunities under Vision 2030 of KSA. The process of registration of company has been initiated through Ministry of Foreign Affairs Pakistan in FY 2022-23.

These strategic moves will provide the NRTC opportunity for better positioning in domestic and international markets in defence equipment and communications technology with better R&D. The combination of energy sector expansion, international market penetration through Gulf region operations and technology sector diversification demonstrates the NRTC's comprehensive approach for growth. These initiatives collectively aim to reduce reliance on traditional defence contracts while positioning the company as a multifaceted technology and energy solutions provider with both domestic and international reach.

1.2 Objectives of the NRTC

The main objectives of the company are stated as under:

i. The NRTC has a mission to design, develop and manufacture military and commercial telecommunication equipment, electronic systems and IT solutions for marketing to local and international customers.

ii. Commitment to meet the challenges of new technologies by adopting latest and challenging technological advancements with the prime focus for indigenization of highly sophisticated equipment.

iii. Cognizant of challenges of technological advancements, the management and those charged with governance are committed towards the exponential growth of the Company by adopting long term strategies.

iv. The NRTC business strategy encompasses aggressive forward-looking marketing, scenario-based R&D, timely and scheduled delivery of projects.

1.3 Audit Objectives

The main objectives of the Performance Audit were to evaluate the:

i. Effectiveness of profitability, liquidity, receivables management, project management, supply chain management and outcomes of various projects.

ii. The compliance of the NRTC management with the strategic direction of the NRTC Board for better governance.

iii. Economy and Efficiency in production planning, procurements, project execution and supply chain management for better cost control and timely delivery of supplies.

iv. Hiring of staff on equitable basis and its utilization.

1.4 Audit Scope and Limitation

Scope of the audit covers the performance review for the period from FYs 2018-19 to 2022-23 on test check basis. The field audit activity was carried out at NRTC Headquarters, Haripur during May, 2024.

As the NRTC deals in proprietary defence products therefore, due to non-availability of similar organization for the benchmarking of its performance against such business entity was the major limitation however, where applicable, the performance was measured and compared with the standard KPIs e.g Current Ratio, Quick Ratio, Return on Equity (ROE) and Return on Assets (ROA) and Return on Capital Employed (ROCE) etc. As most of the customers of NRTC are the armed forces, para military and civil departments dealing with major one-off projects therefore, the customer satisfaction survey was also not conducted.

Radio equipment have environmental consequences such as electromagnetic pollution, human health concerns due to prolonged RF exposures and carbon footprints. The equipment produced by the NRTC are used for security purpose by law enforcement agencies. There is a trade-off between the environmental hazards of radio equipment and national security of the country. Further, the NRTC is an ISO14001 and ISO 45001:2018 certified company in environmental management system and health and safety measures. Keeping in view the strategic importance of the national security and ISO certifications in environment, health & safety measures any residual risk of environmental hazards is considered to be negligible and acceptable.

1.5 Audit Methodology

To evaluate the performance, a result-oriented approach was adopted utilizing both qualitative and quantitative methods. The quantitative methods were used to measure the projects payback and NPVs etc. The qualitative approach was adopted to evaluate the quality of production process and project monitoring mechanism to ensure timely completion of the projects. The Audit conducted interviews and examined various sales contracts, minutes of BoD, tender documents, procurement record, and audited financial statements for the FYs 2018-19 to 2022-23 for performance review. Audit also conducted analysis of costing and production scheduling of various contracts to review and measure their outcomes in term of paybacks and NPVs.

2. Review of Performance

2.1 Effectiveness

Audit assessed the effectiveness of overall growth, profitability, liquidity, project management, contract management and governance issues of the NRTC detailed as under:

2.1.1 Revenue Growth

The National Radio Telecommunication Corporation (NRTC) generates revenues mainly from three core segments i.e defence contract, commercial contracts and exports to foreign customers. In terms of achievement of revenue targets the NRTC achieved the revenue targets assigned by its Board. During the last five financial years from 2018-19 to 2022-23 revenues earning by the NRTC is depicted by the following table:

(Rupees in Millions)

FYs	Defence Project	Commercial Projects	Exports	Total
2018-19	4,410.640	1,907.900	215.200	**6,533.740**
2019-20	3,747.200	1,992.530	1,381.080	**7,120.810**
2020-21	4,205.860	4,308.900	1,857.000	**10,371.760**
2021-22	6,600.280	12,065.400	1,622.750	**20,288.430**
2022-23	10,233.070	10,252.580	127.130	**20,612.780**

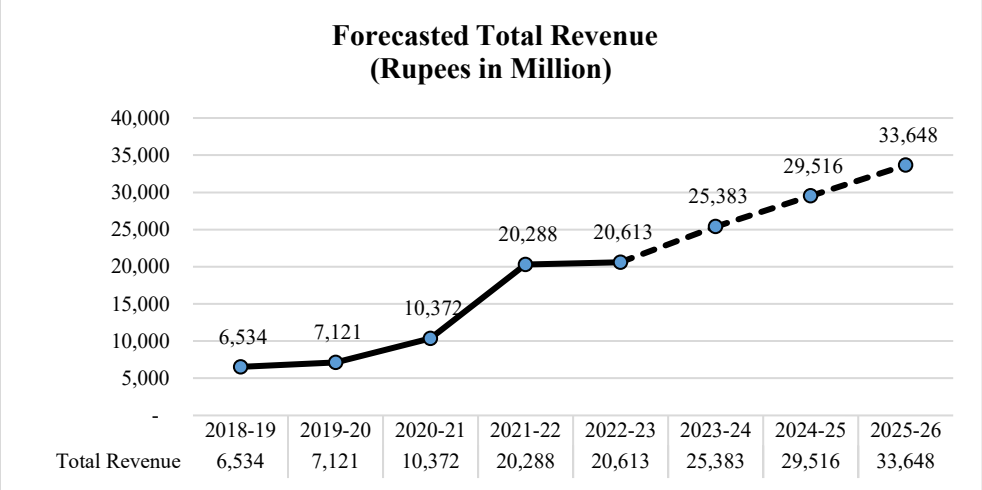
Audited Financial Statements of NRTC

Above table indicates that the NRTC achieved a remarkable growth of 215% in revenue from core business activities raising it from Rs 6,534 million to Rs 20,613 million during the financial years 2018-19 to 2022-23 and demonstrated successful diversification in commercial business beyond its core defence segment.

During the same period, while the defence contracts remained pivotal with 132% growth (Rs 4,411 million to Rs 10,233 million); however, the significant performance was observed in commercial contracts which grew by 438% (Rs 1,908 million to Rs 10,253 million). This diversification reduced the defence reliance from 68% to 50% of total revenue. Export revenues were relatively volatile, peaking at Rs 1,857 million in 2020-21 before declining by 93% to Rs 127 million in 2022-23, likely due to geo-political circumstances and inconsistent growth pattern in exports.

Overall, NRTC performed better and successfully penetrated in commercial business segment but unstable export revenue warrants strategic review for more stabilized exports revenue besides maintaining the momentum of commercial business activities for sustainable growth. The NRTC needs to focus on consistent growth in export sales as a hedging policy to mitigate its foreign exchange exposure on imports given the fact that most of the products/outputs of the NRTC are based on the import of raw material (parts and equipment) required for assembly purpose.

On the basis of historical growth of the revenue, future projection in subsequent three accounting periods upto FY 2025-26 is given as under:



Simple Linear Forecast in MS Excel

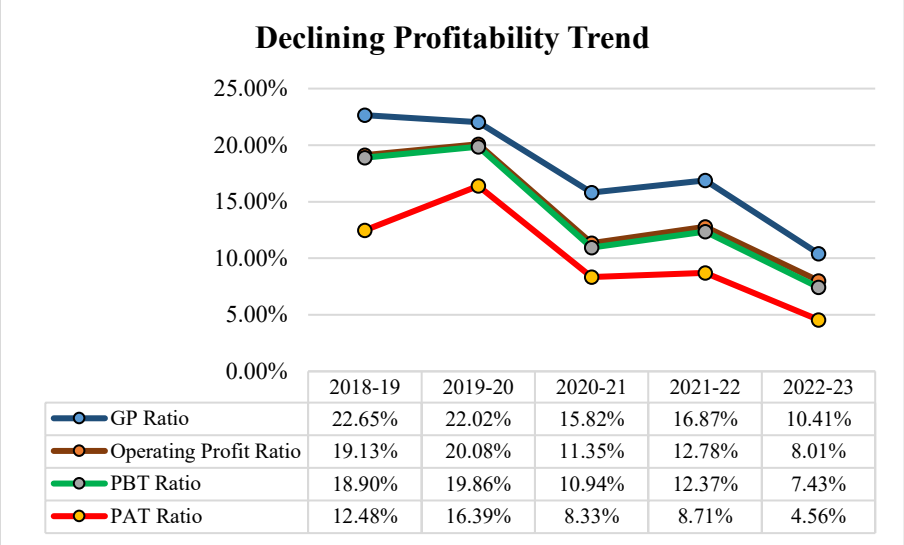
The above projection indicates a significant surge in revenues since 2020-21 although remained stabilized during 2022-23, however, the revenue projected to steadily increase upto Rs 33,648 million in subsequently periods from FYs 2023-24 to 2025-26.

2.1.2 Profitability

The analysis of profitability of the NRTC is critical for evaluation of its ability to generate sufficient profits to meet its expenses and other costs incurred in its operation. It will help stakeholders to review and analyse the financial health and performance of the company. The detailed calculations have been given in **Annexure-I**, however, performance review of profitability of the company is given as under:

The review of financial data transpired that despite the fact that the NRTC attained historical growth rate of 28.10% in its revenues from Rs 6533. 74 million to Rs 20,612.77 million; however, the cost of sales of the company also soared substantially at a historical growth rate of 34.51% from Rs 5,054.06 million to Rs 18,467.91 million mainly due to increase in electric tariff, fuel prices, imposition of super-tax and higher cost of raw material purchases at depreciated local currency during the FYs 2018-19 to 2022-23.

Since the rate of increase in the cost of sales was higher than the growth rate of sales therefore, the profitability of the company was adversely affected. This phenomenon was further confirmed by the decreasing trend of gross profit margin which declined from 22.65% in FY 2018-19 to 10.41% in FY 2022-23. Similarly, the Operating profit of the company also showed a continuous declining trend from 19.13% in 2018-19 to 8.01% in 2022-23 despite increase in sales. Moreover, the Profit after Tax (PAT) also diminished from Rs 12.48% to 4.56% over the period of last five financial years. The declining trend in PAT indicated that the NRTC needed to control its cost and administrative expenditure to maintain sustainable profitability. The historical declining trend of profitability is also depicted as under:



	2018-19	2019-20	2020-21	2021-22	2022-23
GP Ratio	22.65%	22.02%	15.82%	16.87%	10.41%
Operating Profit Ratio	19.13%	20.08%	11.35%	12.78%	8.01%
PBT Ratio	18.90%	19.86%	10.94%	12.37%	7.43%
PAT Ratio	12.48%	16.39%	8.33%	8.71%	4.56%

2.1.3 Returns on Investment (ROI)

The company's investment returns demonstrated concerning trends across key performance metrics of Return on Assets (ROA), Return on Capital Employed

(ROCE) and Return on Equity (ROE). While Return on Assets (ROA) maintained a healthy threshold >5%, during 2018-20, it declined sharply to 2.38% in 2022-23. This deterioration stems from dual pressures; declining profitability coupled with rapid asset base expansion (growing 134% from Rs 15,305.35 million in 2018-19 to Rs 35,787.78 million in 2022-23).

As a fully equity-financed entity with no long-term debt, the company's Return on Capital Employed (ROCE) mirrors its Return on Equity (ROE). Both ROE/ROCE show erosion from 12% to 8.18% over the period under review, signalling the diminishing returns for equity stakeholders (GOP). Though, the NRTC is fully government-owned entity, this persistent decline in ROE is a matter of concern for management intervention to address both profitability challenges and capital efficiency.

2.1.4 Liquidity

A liquidity analysis was conducted to assess the NRTCs' ability to meet its short-term financial obligations promptly and efficiently without causing significant financial strain or resorting to external financing. The emphasis was on evaluating the company's ability to convert its assets into cash and manage its current liabilities effectively. The current ratios and quick ratios over the period under review were worked out as under:

(Rupees in Million)

Particulars	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Current Assets	13,327.200	15,700.480	22,213.620	37,791.170	35,787.780
Quick Assets	10,296.790	8,691.860	12,876.640	24,482.430	20,186.180
Current Liabilities	7,677.480	9,070.580	15,616.140	29,694.480	27,432.670
Current Ratio	**1.74**	**1.73**	**1.42**	**1.27**	**1.30**
Quick Ratio	**1.34**	**0.96**	**0.82**	**0.82**	**0.74**

The liquidity position of the NRTC over the five-year period under review reflected a gradual decline in short-term financial viability of the company. The current ratio, while remaining above the safety threshold of 1.0, decreased from 1.74 in 2018-19 to 1.30 in 2022-23, indicating a reduction in the company's ability to cover current obligations with existing assets. More critically, the quick ratio which measures immediate liquidity, deteriorated significantly from 1.34 to 0.74, suggesting a growing commitment of resources on less liquid assets such as stock-in-trade, advances to suppliers and prepayments. Although, the NRTC

maintained sufficient resources to meet short-term liabilities (with quick assets covering 74% of current liabilities in 2022-23**)**, the declining trend raised concerns about liquidity strain in future. The company's position remained marginally above the 0.5 benchmark but the consistent drop in quick ratio highlighted the potential risks of obligation creep. Proactive working capital management is necessary to improve short-term liquidity buffers.

2.1.5 Project Management

The NRTC deals in both defence and commercial projects with civil departments, para-military departments and armed forces. Although, it significantly grew in last two years but audit observed that most of the projects lagged behind the target dates of completion. Non-timely completion of project affected the project's outcomes resulting in loss due to diminished present value of receivables, longer paybacks and negative NPVs of projects as detailed below:

2.1.5.1 Ineffective project management resulting in negative NPVs and extended Paybacks

The NRTC under Ministry of Defence Production, Rawalpindi executed two contracts with M/S Civil Work Organization and ZTBL for supply of cable Harness for a defence system and supply, installation and commissioning of IP based cameras in ZTBL branches respectively. The detail of contracts is given as under:

S.No	Name of Entity	Amount
1.	Civil Work Organization	44,015,400
2.	ZTBL	320,284,935
Total		**364,300,335**

i. The NRTC was required to complete the project at Sr. No.1 at the cut-off date of 18th December, 2019 however, due to delayed production, the goods were delivered to the customer on 22nd October, 2021 with a time lag of twenty-two (22) months and recovered the balance amount of Rs 25.685 million on 25th January, 2024 after deduction of LDs.

ii. In case of project at Sr. No.2, the NRTC could not complete the installation of cameras despite a lapse of more than four years. The total validity period of contract, including the warranty and maintenance period was three years. The delayed installation of cameras further increased the warranty obligation.

The NRTC could not materialize the outcomes planned in both the contract thus resulting into negative NPVs and extended Paybacks as under:

(Rupees in Million)

1. Project with CWO			
	Outcome Planned	**Outcome Realized** (PV Terms)	
Cash Inflows	37.620	13.688	
Cash Outflows	(26.464)	(21.588)	
NPV	**11.156**	**(7.900)**	**Detailed calculations (Annexure-II)**
Payback Period	**1 Year**	**4 Years 9 Months**	
2. Project with ZTBL			
Cash Inflows	273.747	164.626	
Cash Outflows	(243.379)	(243.379)	
NPV	**30.368**	**(78.753)**	
Payback	**1 Year (85% cost Recovery)**	**4 Years (No cost recovered)**	
Note: For the purpose of the analysis the effect of GST has been ignored			

Audit reported the matter to the management during May, 2024. It was replied that contract with CWO was delayed due to user modifications resulting in further delay/extension in delivery of requisite items. In case of ZTBL, delay caused due to change of Proof of Concept (PoC) design number of times which took almost 09 months in approval. Further delay occurred due to halt of shipment of CCTV equipment during COVID-19; non-provision of Internet Service Provider (ISP) link at branches by ZTBL Authorities.

The reply was not tenable as the NRTC did not provide any evidence of delay on the part of the customer or the revision of contract by the customer on the request of the NRTC.

The matter was discussed in the DAC meeting held during September, 2024. The DAC directed the NRTC management to devise a mechanism of individual project evaluation to realize the planned outcomes in terms of NPV and Paybacks of projects. The DAC further directed that a Black Head Team be designated to find out the deficiencies and rectification thereof accordingly.

Audit recommends the implementation of DAC directives.

(OM No.5&6)

2.1.5.2 Loss due to diminished present value of receivables

The NRTC under the Ministry of Defence Production, Rawalpindi executed three projects for the supply of jamming solution as detailed below:

S.No	Contract No.	Amount (Rs)
1.	Contracts for Jamming Solutions	909,408,527
2.		554,259,760
3.		165,382,089
Total		**1,629,050,376**

i. In project at sr. no. 1, the NRTC was required to deliver supplies upto 25th May, 2022; however, the required store was delivered on 18th May, 2023. Further, M/s NRTC received the advance payment of Rs 83.00 million and the remaining amount of Rs 826.408 million could not be recovered till May, 2024 due to non-issuance of CRV.

ii. In project at serial no. 2, the NRTC was required to deliver jamming solutions upto 25th May, 2022; however, the required store was delivered on 13th March, 2023. Further, M/s NRTC only received the advance payment of Rs 55.32 million and the remaining amount could not be recovered till May, 2024.

iii. In project at serial no. 3, the NRTC was required to deliver jamming solutions upto 2nd June, 2022; as per delivery advice No. 1903906, the NRTC delivered the said store on 21st June, 2023 however, it did not receive the amount due till May, 2024.

Due to ineffective project management the store was delivered late and the amount due were also not recovered which resulted in loss due to diminished present value of the receivables as detailed below:

(*Rupees in Millions*)

Detail of Cashflows	Nominal Value of Cashflows	Present Value of Cashflows	Loss in PV Terms (Annexure-III)
Cash Inflows	909.408	450.570	458.840
	554.260	276.360	277.900
	165.382	94.080	71.300
Total	**1629.05**	**821.010**	**808.040**

Audit reported the matter to the management during May, 2024. It was replied that most of the amounts pointed out by audit are due against the government departments. Following factors contributed mainly towards the late delivery of supplies. (i) Non-issuance of CRV from client. (ii) The detailed testing

and acceptance procedures of customers (iii) Non-availability of funds with the customer.

The reply was not tenable as due to ineffective project management, the NRTC did not complete the supplies in time and could not recover the receivables within the stipulated time.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management to approach the concerned authorities to expedite the recovery so as to keep the company's business viable in terms of economics.

Audit recommends the implementation of DAC directives.

(OM No.1,2,3)

2.1.6 Receivables Management

The analysis of receivable collection revealed that on an average the receivables of Rs 1545.81 million about 45.12% of total average receivables of Rs 3426.32 million remained overdue for a period of more than 180 days throughout the period of five years from FYs 2018-19 to 2022-23. The detail of overdue receivables is given as under:

(Rupees in Million)

Years	Trade Debts (R/A) Past Due 180 Days	Total Receivables
2018-19	1,997.470	3,733.230
2019-20	1,700.370	3,195.710
2020-21	1,563.960	2,747.080
2021-22	737.520	2,535.660
2022-23	1,729.720	4,919.910
Total	**7,729.040**	**17,131.590**
Average	**1,545.810**	**3,426.320**
Percentage	**45.1%**	**-**

Although, the company claims that these receivables were outstanding against the government departments but they put strain on the cashflows of the company. The underlying reasons for overdue receivables were the non-clearance of dues by the customers due to non-availability of funds and non-timely delivery of stores by NRTC.

2.1.6.1 Value at Risk (VaR) for Delayed Accounts Receivables (Past Due 180 Days)

The Value at Risk (VaR) evaluates the maximum annual amount, at 95% confidence level, that will be impaired on average delayed accounts receivable past due for 180 days, if NRTC fails to improve its receivables collection. The Parametric method of VaR analysis has been used with the following assumptions:

i. It is assumed that impairment losses follow a normal distribution.

ii. Fixed standard deviation 14.13% has been used ignoring potential changes in market conditions or credit policies over time.

iii. It is assumed that the average impairment rate of accounts receivables (13.69%) is stable, though trends (e.g., post-2020 spikes) suggest rising risk.

iv. It is assumed that the composition of receivables (e.g., customer mix, sector exposure) remained unchanged.

Step 1: Computation of Key Parameters (μ and σ)

(a) Mean (μ)

Financial Year	Delayed Receivables	Total Receivable	Delayed (%age)	Impairment Loss	Impairment /Delayed (%)
2018-19	1,997.470	3,733.230	53.5%	26.060	**1.30%**
2019-20	1,700.370	3,195.710	53.2%	43.130	**2.54%**
2020-21	1,563.960	2,747.080	56.9%	55.370	**3.54%**
2021-22	737.520	2,535.660	29.1%	188.520	**25.56%**
2022-23	1,729.720	4,919.910	35.2%	614.140	**35.51%**
Average	**1,545.810**	**3,426.320**	**45.6%**	**185.440**	**13.69%**

(b) Standard Deviation (σ)

***X*i**	**(*x*i−μ)**	**(*x*i−μ)^2**
1.30	1.30−13.69=−12.39	(−12.39)2=153.51
2.54	2.54−13.69=−11.15	(−11.15)2=124.32
3.54	3.54−13.69=−10.15	(−10.15)2=103.02
25.56	25.56−13.69=11.87	(11.87)2=140.90
35.51	35.51−13.69=21.82	(21.82)2=476.11
Sum of Squared Deviations		**997.89**

Variance (σ^2) = 997.86/5=199.57
Standard Deviation (σ)=$\sqrt{199.57}$ *=14.13%*

***Step 2: Parametric Value at Risk (VaR) =(*Avg. Delayed R/A** x **(μ + (Z x σ))**

Mean (μ) =	13.69%
Std Dev (σ)=	14.13%
Z-Score of confidence Interval=	1.645@ 95% confidence level
Value at Risk (VaR)=	**Rs 570.86 million**
	(1,545.81) ((13.69%+(1.645x14.13))

The VaR analysis of the average annual delayed receivables of Rs 1545.81 million depicts that there is a chance that out of Rs 1545.81 million an amount Rs 570.86 million (37% of average annual amount due) will be annually impaired, if the NRTC does not improve its receivables collection.

2.1.6.2 Risk-free returns forgone

Another dimension of financial management relating to these outstanding receivables is the risk-free return foregone by the NRTC from investment in government's six (6) months T-bill rates over the period under review.

The risk-free rate of return on these outstanding receivables on the assumption of non-reinvestment on non-compounded basis was Rs 430.13 million as detailed below:

(Rupees in Million)

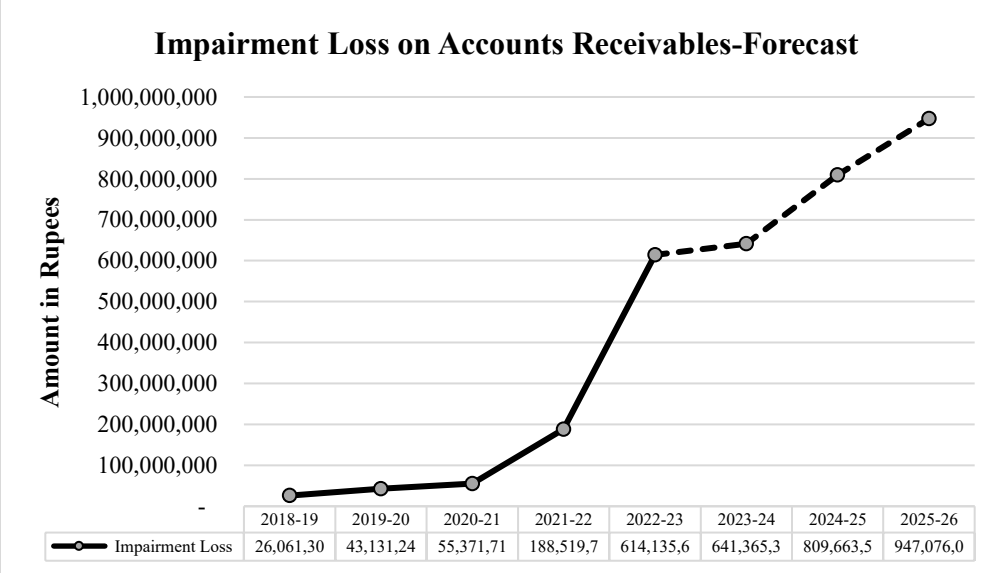
Fiscal Year	6-Month T-Bill Rate (Annualized %)	Equivalent 6-Month Return (%)	A/R Past due 180days	Return Foregone
2018-19	~10.5%	~5.25% per 6 months	1997.470	104.870
2019-20	~11.2%	~5.6% per 6 months	1700.370	95.220
2020-21	~7.1% (COVID impact)	~3.55% per 6 months	1563.960	55.520
2021-22	~9.8% (recovery phase)	~4.9% per 6 months	737.520	36.140
2022-23	~16.0% (high inflation)	~8.0% per 6 months	1729.720	138.380
Total			**7729.040**	**430.130**

(SBP Monetary Policy and Auction)

Above return foregone of Rs 430.13 million is the most conservative estimate but if the same is analysed under the assumption of re-investment on compounded basis, then the maximum return foregone would have been Rs 1,058.970 million over the period of five (05) years.

2.1.6.3 Increasing trend of impairment losses on accounts receivables

Despite the company's claim regarding outstanding dues against the government departments, the impairment loss on the accounts receivables exhibited a sharp upward trajectory, escalating from Rs 26.1 million in 2018-19 to Rs 614.1 million in 2022-23 (23-times increase over five years). This trend reflected growing credit risks, likely due to delayed recoveries from government clients and ineffective receivables management. Projections indicated further aggravating losses projected to reach Rs 947.1 million by 2025-26. This trend signals liquidity pressures and eroding profitability reasonably aligned with the audit findings on the NRTC's declining quick ratio (0.74) and negative NPVs from delayed projects. The trajectory of mounting impairment losses is also shown with the following chart:



The NRTC's receivables management has been ineffective, with a significant portion of dues remaining persistently overdue. The growing risk of impairment losses highlights poor recovery efforts leading to heightened credit risks and liquidity pressures. The company also missed out the potential risk-free returns due to delayed collections. Without urgent improvements in credit policies and recovery mechanisms, these inefficiencies will further put strain on cashflows and erode future profitability. Proactive measures are essential to strengthen receivables management and mitigate financial vulnerabilities.

2.1.7 Contract Management

Effective contract management is critical to safeguard organizational resources and ensuring financial discipline. Poor contract practices such as the

omission of essential clauses or premature procurement can lead to significant losses, inefficiencies and risk of obsolescence. This underscores the need for prudent contract negotiations and emphasize the importance of incorporating protective clauses, securing formal agreements and avoiding anticipatory spending to prevent such losses.

2.1.7.1 Imprudent contract management resulting in loss due to non-inclusion of exchange rates fluctuation clause

According to Rule 4(3) of Public Sector Companies Corporate Governance Rules,2013 the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively in accordance with all statutory obligations.

The NRTC under the Ministry of Defence Production, Rawalpindi entered into a contract No. Vigilance/02/MI-16/2022 dated 02.06.2022 for supply of 28 vigilance solutions at a contractual price of Rs 1,651,104,000.

Audit observed that NRTC negotiated the contract with the customer at $315,000 per solution at a fixed exchange rate of Rs 160/$ without incorporating exchange rate fluctuation clause in the contract. Subsequently, the exchange rates fluctuated significantly causing in cost escalation. The NRTC requested the customer for amendment in the contract to cover the exchange rate fluctuations; however, the contract was not revised.

Audit contends that major portion of raw materials were imported; therefore, non-inclusion of exchange rate fluctuation clause in the contract resulted in exchange loss due to cost escalation of Rs 397.296 million as detailed below:

S.No	Particulars	Amount (Rs)
1.	As per contract agreement ($315,000x160x28x1.17)	1,651,104,000
2.	As per prevailing exchange rate (($315,000x198.5x28x1.17)	2,048,400,900
Loss		**397,296,900**

Audit reported the matter to the management during May, 2024. It was replied that the NRTC made efforts for amendment in contract besides having enough profit for value addition. The cost sheet of project showed that 26.3% profit was earned, which was substantial despite fluctuation in currency. Since there was a rapid change in currency exchange rates, therefore over sensitivity to cover all fluctuation losses lead to loss in business. However, following steps to mitigate risks have been taken to avoid the fluctuation losses (a)Shortened bid validity. (b) Efforts for inclusion of fluctuation clause. (c) Offer prices in Dollars ($) instead of Pak Rupees etc.

The reply was not tenable as the imprudent contract negotiation resulted in loss.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management to take up the matter with GHQ for inclusion of Price Variation Clause (PVC) in the contract. In future, PVC be incorporated in contracts or prices be locked in $ terms.

Audit recommends the implementation of DAC directives.

(OM No. 10)

2.1.7.2 Ineffective contract management resulting in expenditure prior to execution of formal contract

According to terms and conditions of the Quotation No. SL/1-Gen/T-80UD/GHQ/2019 dated 13.12.2019, prices were FOR based and valid for 30 days. Further, payment terms were 50% advance and 50% after the delivery of store within six months after receipt of confirm order.

The NRTC under the Ministry of Defence Production, Rawalpindi quoted Rs 247,132,883 for devlopment, production and supply of installation Kits for fitment in tanks.

Audit observed that the NRTC management procured the stores of Rs 66,780,705 required for the development, production and supply of installation kits against the quoted price without execution of formal contract and receipt of advance payment from the customer. Despite elapse of more than three years neither the contract was not executed nor any advance was received.

Audit contends that incurring expenditure in anticipation of execution of formal contract agreement reflected ineffective contract management which increased the risk of obsolesence of inventory besides commitment of resources in significant cost.

Audit reported the matter to the management during May, 2024. It was replied that on the requirement of customer samples were developed which were accepted/approved by the customer in March 2019. Considering the potential business with respect to upgradation of over 9000 equipment already delivered, the NRTC proceeded for procurement of critical components required against the project. On the declaration of obsolescence in respect of equipment and introduction of upgraded version, the contract under observation was not finalized. However, the above store items have been utilized in other projects of similar nature.

The reply was not tenable as the anticipated procurement before contract execution resulted into wasteful expenditure besides increasing the risk of obsolescence of inventory.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that the usage/consumption of the said items be provided to audit for verification and in future all procurements be made through Annual Procurement Plans and anticipated procurement be avoided.

No further progress regarding utilization of store items in other projects was reported till the finalization of this report.

Audit recommends the implementation of DAC directives.

(OM No.36)

Above contract management practices exhibited significant weaknesses leading to avoidable financial losses and operational inefficiencies. The failure to include critical clauses such as exchange rate fluctuation exposed the organization to unnecessary risks while premature procurement without formal agreements resulted in imprudent expenditure exposing to the potential obsolescence of inventory. A proactive approach of mitigating such lapses in future will improve effectiveness of contract management.

2.1.8 Research and Development

One of the main objectives of the NRTC is to pursue a business strategy that encompasses aggressive forward-looking marketing and scenario-based R&D in exploring the new technologies. The NRTC incurred the following expenditure on R&D throughout the period under review:

(Rupees in Million)

FYs	R&D Expenditure	Revenue	Percentage
2017-18	128.500	5,974.480	2.15
2018-19	147.530	6,533.740	2.26
2019-20	157.440	7,120.810	2.21
2020-21	160.840	10,371.760	1.55
2021-22	199.640	20,288.430	0.98
2022-23	287.910	20,612.780	1.40
Total	**1,081.860**	**70,902.000**	**1.53**
Average	**180.310**	**11,817.000**	**1.53**

Audit observed that the NRTC maintained a relatively low R&D investment compared to its revenue, averaging just 1.53% over the past six fiscal years (2017–2023). Despite steady growth in R&D spending from PKR 128.5 million in FY2017-18 to PKR 287.9 million in FY2022-23, the percentage of revenue allocated to R&D has declined from 2.15% to 1.40% even the revenues surged from PKR 5.97 billion to PKR 20.61 billion.

This suggests that while the NRTC is scaling its operations but its R&D intensity lagged behind the leading international defense and RF electronics firms as Turkey's ASELSAN invests 10–12% of revenue in R&D to advanced electronic warfare (EW) and radar systems. Even commercial distributors like DigiKey spend around 3–5% of their revenue. This disparity highlights a potential gap in innovation-driven growth and R&D to develop cutting-edge jammers, surveillance radars and AI-enhanced EW systems[13].

Keeping in view the intent of the NRTC to mark its international presence in Middle East, these are the areas where NRTC could face competitiveness

[13] https://wwwcdn.aselsan.com/api/file/12_2024_TR.pdf

challenges from the international players like M/s Aselsan and DigiKey who are also its major suppliers.

2.1.9 Effectiveness of Governance

The NRTC faced significant governance challenges that undermined its ability to fulfill its strategic mandate, particularly in the revival of Telephone Industries of Pakistan (TIP). As a state-owned enterprise (SOE), NRTC was bound for transparent decision-making, independent oversight and accountability. However, audit noticed systemic failures and ineffective governance in revival of TIP and non-appointment of independent directors in NRTC's Board. These lapses highlighted a broader governance crisis—where inadequate due diligence, unfulfilled Board's directives and non-adherence to legal frameworks led to operational inefficiencies, financial burdens, and delay in revival of TIP. Audit observed the following governance issue:

2.1.9.1 Ineffective strategic decision making and failure in revival of TIP

The Cabinet Division vide O.M No. 32/CM/2021-D dated 1st October, 2021, communicated the decision of the Federal Cabinet regarding transfer of TIP to the NRTC. According to para 3(d)&(f) of the recommendations of the Inter-Ministerial Board, to revitalize and modernize the TIP into a profit-making entity, NRTC was required to invest an amount of Rs 5-6 billion in the next five years out of its own resources and Government of Pakistan was to extend a bridge finance to the tune of Rs 2.50 billion (whether grant or soft loan) over the next five years.

Audit observed that the NRTC could not implement the strategic intent of the Federal Government and its Board to revive TIP due to following reasons:

i. NRTC was given 100% shareholding, control and possession of the TIP as its subsidiary for its revival. It took control of TIP's multi-storey production lines, warehouses of total covered area of 309 Kanal alongwith vast area at Haripur and its regional offices at Islamabad and Lahore; however, it did not conduct any due diligence for determining the value of assets and liabilities of TIP despite a lapse of considerable time since its acquisition. Due to non-carrying out the due-diligence for valuation of TIP's assets and liabilities, NRTC failed to prepare a business plan for revival of TIP and preparing the consolidated financial statements as well.

ii. In 113th Board meeting held on 14th June, 2023 the chairman BoD NRTC, directed to prepare five years business/investment plan for TIP and submit it for approval in the next board meeting but the Board's direction was not complied with.

iii. The bridge finance of Rs 2.50 billion from the Federal Government was also not received; however, the NRTC was managing the TIP by transferring its own projects to the TIP on ad-hoc basis.

Audit contends that the NRTC not only failed to revive the TIP but also bore the financial burden of its operating expenses, besides affecting its own business activities in terms of productive inefficiency and delay in projects completion.

Audit reported the matter to the management during May, 2024. It was replied that immediately after taking over the charge of TIP, NRTC management engaged a specialized firm to carry out revaluation of TIP. As TIP was out of business since year 2004 and machinery/plants were outdated, pay of existing staff was being managed through grant of Rs 500 million. The NRTC assumed all liabilities of TIP including pay & pension of existing employees, therefore, Cabinet approved grant/bridge finance of Rs. 2.5 billion which was not received. Further to revitalize the TIP Rs 5-6 billion for next five years are required.

The reply was not tenable as the NRTC did not produce any documentary evidence in support of its reply. Further, no business plan was prepared as the Board in its meeting held in June, 2023 directed the management to submit the business plan for revival of TIP.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that requisite due diligence for assets and liabilities of TIP alongwith proper proposal be submitted to the NRTC Board for policy decision and submission to the Federal Government. The DAC also directed NRTC management that the Consolidated Financial Statements be finalized and approved by the Board, and shared with the audit for verification.

Audit recommends the implementation of DAC directives.

(OM No. 11,16 &17)

2.1.9.2 Non-appointment of independent directors

According to the Rule 3(1) of the Public Sector Companies Corporate Governance Rules, 2013, the Board shall consist of executive and non-executive directors, including independent directors those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in the context of the Public Sector Company's operations. Further, as per State-Owned Enterprises (Governance and Operations) Act, 2023, the majority of the Board shall consist of independent directors.

The NRTC under the Ministry of Defence Production, Rawalpindi did not have the representation of independent directors on its Board for effective and transparent governance. The Chairman, Board of Directors, during the 56th Board Meeting held on 25th October, 2022 also directed the NRTC management to obtain necessary clarification and present a detailed viability of requirement and criteria for appointment of independent directors. However, no tangible progress was made in this regard.

Audit contends that the non-appointment of independent directors on the NRTC Board showed ineffective governance of the company.

Audit reported the matter to the management during May, 2024. It was replied that by virtue of nature of objects of the company, exemption from certain provisions of Public Sector Companies (Corporate Governance Rules), 2013 was obtained.

The reply was not tenable as no exemption was granted by SECP to the NRTC from appointment of independent directors.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that case may be forwarded to the Federal Government for appointment of Independent Directors".

Audit recommends the implementation of DAC directives.

(OM No.07)

2.2 Economy and Efficiency

The emphasis of performance audit was to focus on the economy and efficiency in the management of financial and human resources. Audit of the economy involved the evaluation whether the resources were acquired at the right cost, right time, right place, right quantity and right quality while the audit of efficiency focused on the optimum utilization of resources for maximizing output from the given resources or minimizing input for the given outputs [14]. Audit measured the economy and efficiency in the use of resources against diverse audit criteria ranging from public procurement rules, production operation management to product life cycle review by the management. Following issues of economy and efficiency were observed during audit.

2.2.1 Inefficiency in performing the post implementation performance review of product life cycle and customer need assessment

The Chairman BoD, while reviewing the marketing, business development and future strategies of the NRTC in 110th meeting of the Board of Directors held on 18th August, 2022 directed the management for adoption of advanced research methodologies for post implementation review of products, product lifecycle monitoring, Customers Need Assessment and new product development. The chairman also emphasized that regular market saturation analysis of the NRTC products should be conducted for better and informed decision making.

The NRTC under the Ministry of Defence Production, Rawalpindi did not conduct the requisite post implementation review of product lifecycle, market saturation analysis and customers need assessment and submitted it to the Board for better and informed decisions making.

Audit contends that non-performing the post implementation performance review was inefficiency of the management.

Audit reported the matter to the management during May, 2024. It was replied that the decision of Board related to business, research strategies and product life cycle are regularly followed in past and same will be ensured in future as well.

The reply was not tenable as the non-conduct of post implementation review of product's life-cycle, market saturation analysis increased the risk of obsolescence.

[14] Para 2.6 & 2.7 of Chapter 2 of the Performance Audit Manual

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that the requisite post implementation review of products be conducted and submitted to the Board and also be shared with audit for verification.

Audit recommends the implementation of DAC directives.

(OM No. 20)

2.2.2 Inefficient production processes resulting in longer lead times.

According to the Clause 13 of the contract no. DGSW/9457/Inf/2019 dated 18th April, 2019, the delivery of store was required to be completed within 4-6 months after receipt of advance payment on FOR basis.

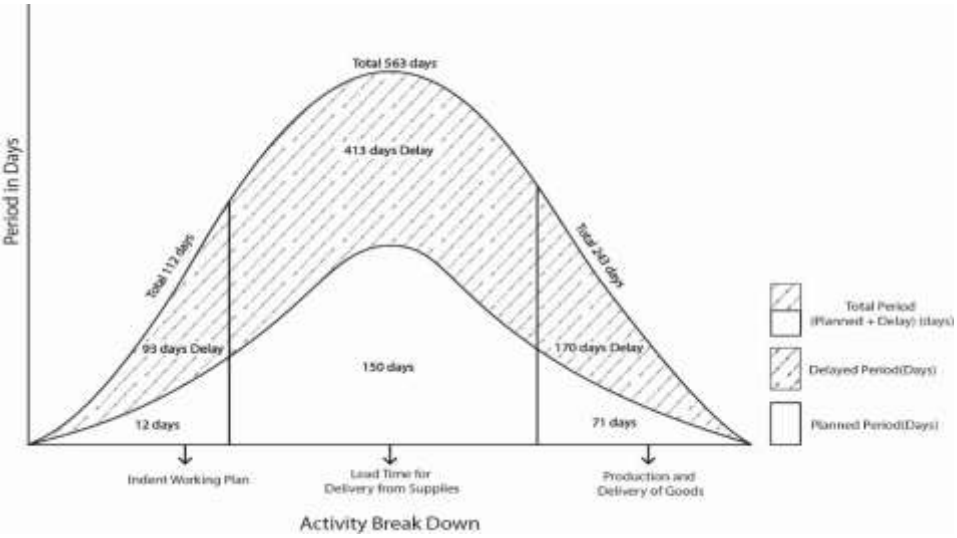
Audit observed variances in planned production schedules and actual production cycles in most of the projects; however, audit selected the above project involving high variation in various activities scheduled in production plan and actual production processes. This resulted in abnormal delay in production process consisting of longer indent working plan, extended lead time for receipt of material supplies and delayed production process. A mapping of contractual delivery period against the actual delivery period is given as under:

Description	As per contract	Days	Actual Period	Days
Contract Delivery Period	18.04.19 to 18.12.19	240 days	18.04.19 to 22.10.21	918 days

A mapping of above periods in planned production activities against the actual activities break down is also given as under:

Activity Break Down	Planned	Days	Actual	Days
Indent Working Plan	18.04.19 to 14.05.19	19	18.04.19 to 07.08.19	112
Lead Time for delivery from Suppliers	15.05.19 to 16.10.19	150	08.08.19 to 21.02.21	563
Production and Delivery of Goods	28.10.19 to 09.01.20	71	22.02.21 to 22.10.21	243

Both the above tables reflect that actual time to complete the delivery was 918 days against the contractual delivery period of 240 days which was almost 4 times the planned production schedule devised keeping in view the contractual delivery period. This phenomenon is also represented with following chart which represents that the actual production activities are overshadowing the planned activities.



Audit contends that due to inadequate production planning and controls, the NRTC projects were exposed to inordinate delays.

Audit reported the matter to the management during May, 2024. It was replied that the contract was delayed due to user modifications resulting in further delay/extension in delivery of requisite items.

The reply was not tenable as production plan was not implemented according to the production schedule resulting in inordinate delay.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed NRTC management to improve the "Productive Efficiency" and reduce gaps in planned and actual production cycles through automation.

Audit recommends the implementation of DAC directives.

(OM No. 04)

2.2.3 Supply Chain Management

The efficient supply chain management is critical for assembly and manufacturing of defence radio equipment. Given the strategic nature of the NRTC's operations, disruptions in the supply chain such as geopolitical risks, supplies delays, non-receipt of store or logistical bottlenecks could severely impact production timelines and defence readiness. Additionally, the NRTC faces financial risks as it makes unsecured advance payments to the foreign suppliers, exposing it to potential losses in case of supplier defaults or contract breaches. Ensuring supply

chain resilience, securing favourable payment terms and diversifying suppliers are key challenges for the NRTC to maintain uninterrupted operations and safeguard national security interests.

2.2.3.1 Unsecure advance payments to suppliers

The NRTC procures material from the suppliers by making advance payments which are unsecured. The average advance payments of Rs 1723.29 million were made against the average total annual material purchases of Rs 8767.50 million which was about 20% of total material purchased during the last five financial years. The detail of advance payments to suppliers is given as under:

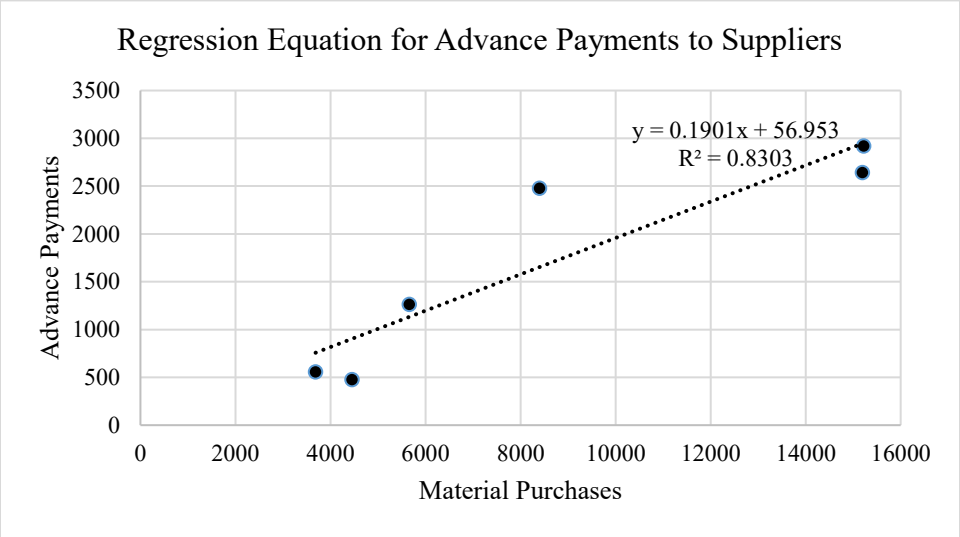
(Rupees in Million)

Years	Advances to Suppliers	Material Purchases
2017-18	557.260	3,686.260
2018-19	477.350	4,451.790
2019-20	1,264.700	5,657.250
2020-21	2,478.780	8,397.160
2021-22	2,918.630	15,218.830
2022-23	2,643.030	15,193.690
Total	**10,339.750**	**52,604.980**
Average	**1,723.292**	**8,767.497**
Percentage	**20%**	**-**

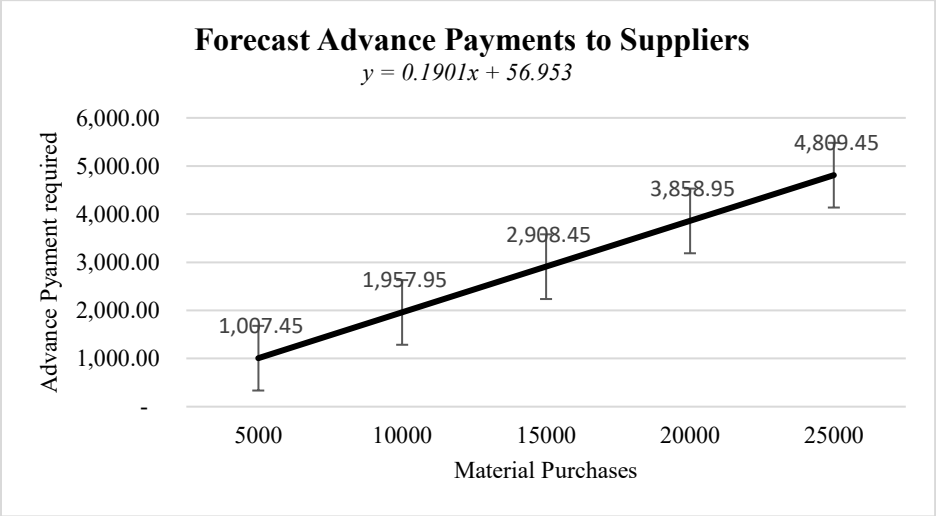
(Financial Statements Data)

The data in above table reflects that the NRTC had to make at least 20% advance payments to its foreign suppliers for purchase of raw material without any security against the advance payments.

The above phenomenon suggested a linear relationship between material purchases and unsecured advance payments to suppliers. This linear relationship is shown by following scatter plot and a regression equation to forecast the amount of advance payments required for target amount of material to be procured as under:



The regression equation *y=0.1901x+56.953*, shows a linear relationship between material purchases (X) and the advance payments (Y) with the slop 0.1901, explaining the relationship that how much amount of advance payment will be required to procure the target material needed for production. R^2=0.83 in above equation explains 83% variation by the regression coefficient. A forecast for advance payments required for target material purchases is given as under:



The above forecasts line of advance payments to the foreign suppliers conforms to the average rate of 20% advance payments made to the foreign suppliers as shown in the above table. The analysis also ratifies the fact that the regression model is the best fit to predict future advance payments required to procure the raw materials.

As an incidence of unsecured advance payments, on test-check bases audit observed following material issues in supply chain management.

2.2.3.2 Non-receipt of store despite advance payments

The NRTC under the Ministry of Defence Production, Rawalpindi issued purchase order to the foreign vendors and made advance payments; however, the supplies against these work orders were not received. The supplies amounting to Rs 213,943,736 were not received despite advance payments to the suppliers during FYs 2017-18 to 2022-23.

Audit contends that non-receipt of store items caused disruptions in the production processes besides putting the value of advance payment at risk of default.

Audit reported the matter to the management during May, 2024. It was replied that the movement in foreign supplier ledger is an ongoing process which usually depends upon shipment, its inspection, acceptance and in some cases after installation in product and its feedback in the field.

The reply was not tenable as in most of the cases the supplies against the advance payments were not received with time lag of more than three year.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed NRTC management that the receipt of complete store be ensured and record relating to receipt of stores from the suppliers be provided to audit for verification.

No further progress was reported till the finalization of this report.

Audit recommends the implementation of DAC directives.

(OM No 35&39)

2.2.3.3 Inefficient supply chain management resulting in cost escalation and un-economical procurements

According to Clauses of purchase orders No. FP-8835AH/2021-Aselsan and No. FP-000455/2022-ISI Services, the delivery period for supply of different parts and components was within 08 months and 20 weeks respectively after acknowledgement of signed purchase order. In case of delay in supply of store penalty @2% of value of consignment in default for 30 days or part thereof, subject to maximum 10% of amount of that consignment will be imposed.

The NRTC under the Ministry of Defence Production, Rawalpindi issued the above purchase orders for deliveries at quoted prices of $767,792 and €121,722 within the stipulated times.

Audit observed that on delay of deliveries from suppliers, instead of imposing the LDs for late deliveries, the NRTC extended the delivery periods at the request of the suppliers. Subsequently, Pak Rupee depreciated against the foreign currency in extended delivery period resulting in cost escalation as detailed below:

i. One contractor completed partial supplies within the delivery period vide invoice dated 09th May, 2022 for an amount of $ 76,778 and shipped the remaining supplies of $ 691,014 vide invoice dated 04th July, 2022. The NRTC extended the cut-off date of delivery from 30th May, 2022 to 20th July, 2022.

ii. Second contractor completed the partial supplies within the delivery period vide invoice dated 04.04.2023 for an amount of €9012 and shipped the remaining supplies of €106,619 vide invoice no. 73878 which were received on 20th July, 2023. NRTC extended the delivery period upto 20th July, 2023 which resulted in cost escalation of supplies due to currency depreciation in extended period as detailed below:

(Rupees in Million)

Amount Paid	As per extended delivery period	As per original delivery period	Cost Escalation due to rupee depreciation
C2	C3	C4	C5
$561,915@Rs 217.73 $561.915@Rs 200.45	122.350	112.640	9.710
$129,097@Rs 215.04 $129.097@Rs 200.45	27.760	25.880	1.880
€106,619@Rs 321.28 €106,619@Rs 310.00	34.255	33.052	1.203
Total	**184.365**	**171.572**	**12.793**

Audit contends that extension in delivery period resulted in payment of extra amount of Rs 12.793 million due to adverse movement of exchange rates in extended period.

Audit reported the matter to the management during May, 2024. It was replied that one contractor is the principal supplier for parts, components and radio equipment. Imposing penalty will hamper the good business relation and loss of business.

The reply was not tenable as audit did not object to non-imposition of LDs rather audit pointed out the issue of cost escalations due to currency depreciation in subsequent extended delivery periods.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed NRTC management that appropriate safeguards be put in place. At the time of extension, the price should be locked at a fixed exchange rate till the time of delivery so that the cost escalation due to depreciation of local currency be avoided.

Audit recommends the implementation of DAC directives.

(OM No.08 & 09)

2.2.3.4 Non-receipt of rejected stores from the foreign supplier

According to Clause 22 of the purchase order No. Proc: FP-8835AH/2021-Aselsan dated 15.09.2021, the supplier shall replace the store not found in accordance with the purchase data/drawing and specs, within 8-10 weeks from the date of intimation or on return of defective store on his risk and cost.

The NRTC under the Ministry of Defence Production, Rawalpindi placed a purchase order with a contractor for procurement of parts and components amounting to $ 767,792.

Certain received store items were rejected due to non-conformance with the standard requirements and failure in functionality test. As per terms and conditions of the supply order, the rejected stores were required to be replaced by the supplier or the same were to be returned at the risk and cost of supplier but neither the stores were returned nor replaced by the supplier. The detail of rejected stores is as under:

(Rupees in Million)

S. No	Description of Material	Store Code	Quantity Rejected	Estimated Cost (Rs)
1	Radio Equipment Store	47-014-7/1	91 (63+28)	19.389
2		47-014-7	39	7.996
3		47-022-5	7	5.888
Total				**33.273**

Audit contends that non-replacement of the rejected inventory depicted inefficient supply chain management.

Audit reported the matter to the management during May, 2024. It was replied that for successful execution of projects and to reach the sales figures

achieved by NRTC, a large-scale procurement of parts/components is involved. The amount highlighted by the Audit is merely 0.216% of the material consumed in FY 2021-22, therefore, production cycle was not hampered and projects were successfully executed.

The reply was not tenable as non-replacement of rejected store by the foreign vendor reflected inefficiency and weak supply chain management.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed NRTC management that the record relating to replacement of the rejected store be provided to audit for verification.

No further progress was intimated till the finalization of this report.

Audit recommends that a comprehensive policy be devised to ensure efficient supply chain management.

(OM No. 17)

2.2.3.5 Inefficient inventory management susceptible to obsolete and slow-moving inventory

According to clause 5 of the Policy for declaring Obsolete and Excess Inventory/Stock and maintaining minimum stock level, the committee shall undertake to ensure aging of inventories held by the organization on annual basis. The aging analysis to be prepared by the head of inventory control department within 15 working days of closing of each accounting period at least once in a year.

The NRTC under the Ministry of Defence Production, Rawalpindi did not conduct the requisite inventory aging analysis for better inventory management, cost control and identification of obsolete inventory.

Audit contends that inefficiency in implementing the inventory management policy and non-conducting the periodic inventory aging analysis increased the risk of obsolescence, procurement of excessive/unnecessary inventory, overstatement of inventory over and above its net realizable value.

Audit reported the matter to the management during May, 2024. It was replied that Annual accounts of last three years showed that there were no such inventories which could be declared obsolete except the amount appearing against obsolete or slow moving. The NRTC w.e.f 01st July 2023 has fully functional automated ERP system where complete inventory status is available in real time.

The reply was not tenable as the ERP system was implemented in subsequent period i.e 01.07.2023 whereas the periodic inventory aging analysis as per approved policy was not conducted for better inventory and cost management during the period under performance review.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that inventory aging be conducted regularly and One Inventory Module be implemented under intimation to audit.

Audit recommends the implementation of DAC directives.

(OM No.19)

2.2.4 Non-availability of independent project monitoring system causing project delays and deduction of LD charges by customer

According to Rule 4(3) of the Public Sector Companies Corporate Governance Rules, 2013 the Chief Executive is responsible for the management of the public sector company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively.

The NRTC under the Ministry of Defence Production, Rawalpindi executed contracts with different local and foreign customers for supply of defence related goods. However, audit observed that an independent project monitoring system was not developed by NRTC to monitor the projects and measuring the performance of staff against the project outcomes. Project monitoring function was being carried out by the Finance Wing. On test check basis four (04) projects were selected. It was found that the projects were not executed within the stipulated time therefore, the customers imposed LDs of Rs 126.896 million and $ 504,960 as under:

Sr. No	Contract No.	Contractual Time Lines	Actual Completion Time Line	Delay (Months)	LDs Deducted
1.	08-790-3-0/A dated 04.06.2021	04.06.2021 to 03.06.2022	04.06.2021 to 26.06.203	12	Rs 126.896 million
2.	DGWE/9366/Engrs/2017 dated 30.06.2017	30.06.2017 to 28.02.2018	30.06.2017 to 16.01.2019	13	-
3.	DGSW/9508/Engrs/2020 dated 24.03.2020	24.03.2020 to 28.02.2021	24.03.2020 to 23.07.2021	07	-
4.	M/218/441/85AI dated 20.09.2019	20.09.2019 to 05.01.2020	20.09.2019 to 27.10.2020	13	$504,960

Audit reported the matter to the management during May, 2024. It was replied that Production, Planning & Control (P3&C) Department and Project Management Office (PMO) are independently working in NRTC for effective project monitoring.

The reply was not tenable as P3&C Deprtment was also engaged in prodution planning and control and as per organogramme no independent project monitoring/Project Managent Office (PMO) was fuctional.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that individual project monitoring framework be incorporated and project monitoring be ensured through independent project monitoring office.

Audit recommends the implementation of DAC directives.

(OM No. 7)

2.2.5 Irregular procurement of goods and services-Rs 152.07 million

According to Rule 4 of Public Procurement Rules, 2004, the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner. The object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, Rule 12(2) of the rules ibid, requires that all the procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The NRTC under the Ministry of Defence Production, Rawalpindi procured various goods and services such as mobiles, computers, medical insurance policy, ESD chairs and E-Fencing equipment amounting to Rs 152.065 million from various suppliers without obtaining competitive rate through open tenders during FY 2022-23.

Audit contends that the NRTC procured these goods and services on quotation basis without holding competition to obtain economical rates.

Audit reported the matter to the management during May, 2024. It was replied that the observed items were required, as per specifications provided by technical departments, for sensitive nature equipment. Further, the exemption of sensitive itmes were also obtained from the PAO.

The reply was not tenable as the goods procured were not sensitive items. The same should have been procured through open competition for obtaining most economical rates.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that the requisite exemption of the PAO and the contracts wherein the items have been mentioned as sensitive be provided for verification to the audit.

No further progress was reported till the finalization of this report.

Audit recommends the implementation of DAC directives.

(OM No.22 to 28, 30,34&40)

3. Audit Follow-up

The response of the NRTC management showed reluctance in resolving the issues pointed out by audit as no visible actions were taken by the management. However, audit encourages the management to take remedial actions in the light of directives of the DAC meeting held on 13th September, 2024. Audit also recommends the PAO to resolve the issues through pro-active follow-up meetings for implementation of DAC directives.

4. Audit Impact Assessment

Audit identified critical issues of consistent rising cost of sales off-setting the effect of sales growth resulting in decreased profitability. Delayed delivery of goods and delay in recovery of receivables from customers resulting in financial loss due to diminished present value of receivables. Audit also pointed out the lags in production planning and execution alongwith the poor project execution resulting in extended paybacks and negative NPVs of the projects. Implementation of audit recommendations will contribute in controlling the rising costs, increasing the profitability and improving the receivable management besides effective production operations management to achieve the sustainable growth and profitability.

5. Conclusion

The overall performance review of the NRTC reflects a trajectory marked by progressive expansion counterbalanced by critical structural and operational challenges. On the positive side, the NRTC demonstrated substantial revenue growth of over 215% from FYs 2018-19 to 2022-23, mainly due to its successful

pivot toward commercial ventures. This shift reduced dependency on defence contracts, opening new opportunities in domestic solar energy, AI-based robotics and export markets. Initiatives like establishing subsidiaries such as NRTC Energies (Pvt) Limited, initiating registration for NRTC Smartec (Pvt) Ltd and Special Technology Zones indicate strategic foresight and ambition of management and those charged with governance. Furthermore, the intent to establish the footprint in Dubai Multi Commodity Center (DMCC) and Saudi Arabia reflects a promising outlook toward international market penetration.

However, despite these forward-looking interventions, several systemic weaknesses threaten the long-term viability and financial sustainability of the organization. The most concerning challenge was the uncontrolled hike in cost of sales outpacing revenue growth and resulting in reduced profitability. The gross profit margin declined from 22.65% to 10.41%, and the PAT margin fell from 12.48% to 4.56% primarily due to inefficiencies in cost control and project execution. Further, the liquidity also deteriorated as the quick ratio dropped to 0.74, due to growing stocks, supplier advances and overdue receivables averaging Rs 1.5 billion p.a remained unpaid for more than 180 days.

Additionally, significant losses were observed in many projects due to delayed completions, poor receivables collection and absence of contract clauses like exchange rate protections leading to a financial hit of Rs 1,205 million alongwith projects with extended paybacks and negative NPVs.

The governance weakness to appoint independent directors on the NRTC Board, conducting due diligence, developing viable business plan for revival of TIP was the reflection of weak strategic intent. Supply chain inefficiencies further compounded the challenges with unsecured advances, delivery delays, non-receipt of materials and foreign exchange losses escalating costs and operational risks.

Diagnostically, these weaknesses are attributed to the poor cost control mechanism, deficient project monitoring, absence of a robust contract and receivables management system and insufficient risk-mitigation policies in procurement and currency exposure. Additionally, governance lapses and the absence of performance tracking mechanisms at project and enterprise levels have perpetuated inefficiencies and delayed strategic initiatives.

6. Recommendations

To resolve the above issues and challenges the audit recommendations are as under:

i. Implement strict cost monitoring mechanisms and regular cost-benefit analysis. Negotiate with suppliers to optimize production processes and align costs with revenue growth.

ii. Ensure the completion of contracts within the delivery schedules besides escalating overdue recoveries through ministerial channels.

iii. Establish dedicated project teams and milestone-based payment systems. Conduct regular project performance reviews to prevent delays and cost overruns.

iv. Prepare a comprehensive business plan for revival of TIP besides proper due-diligence for valuation. Take up the case with appropriate fora to get the committed government funding and implement turnaround measures.

v. Re-negotiate with customer for incorporating fluctuation clauses and consider locking of USD pricing for contracts. Hedge the currency exposure by increasing the exports to the foreign customers.

vi. Negotiate fixed exchange rates with the suppliers in case of extension of delivery schedules. Impose penalties for delays from foreign suppliers. Develop local supplier alternatives to reduce import dependency.

vii. Proactively monitor the progress to control the rate of non-recovery of receivables. Diversify the client base to reduce dependency on defaulter contractors.

viii. Appoint independent directors and establish board's sub-committees. Implement corporate governance best practices for transparency and good governance.

7. Acknowledgment

We wish to express our appreciation to the management and staff of the NRTC for the assistance and cooperation extended during this assignment.

8. Annexures

Annexure-I

(Para 2.1.2 &2.1.3)

Profitability and Returns on Investment (ROI) Analysis *(Rupees in Million)*

Description	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Sales/Revenue	6,533.750	7,120.810	10,371.760	20,288.440	20,612.770
Cost of Sales	(5,054.060)	(5,552.770)	(8,730.460)	(16,866.530)	(18,467.910)
Gross Profit	1,479.700	1,568.040	1,641.310	3,421.910	2,144.870
G.P Ratio	**22.65%**	**22.02%**	**15.82%**	**16.87%**	**10.41%**
Admin Exp	(358.560)	(399.370)	(497.120)	(553.650)	(733.680)
Distribution Cost	(240.770)	(219.470)	(255.240)	(341.140)	(569.460)
Workers Profit Participation Fund	(64.990)	(74.440)	(59.700)	(132.080)	(80.580)
Other Income	434.740	554.920	347.800	431.550	1,342.950
PBIT/Operating Profit	1,250.080	1,429.680	1,177.040	2,593.020	1,651.180
Operating Profit Ratio	**19.13%**	**20.08%**	**11.35%**	**12.78%**	**8.01%**
Finance Cost	(15.180)	(15.350)	(42.730)	(83.580)	(120.110)
PBT	1,234.900	1,414.330	1,134.310	2,509.440	1,531.070
PBT Ratio	**18.90%**	**19.86%**	**10.94%**	**12.37%**	**7.43%**
Provision for Tax	(419.790)	(247.040)	(270.480)	(743.290)	(590.740)
PAT	815.110	1,167.290	863.830	1,766.150	940.330
PAT Ratio	**12.48%**	**16.39%**	**8.33%**	**8.71%**	**4.56%**
Total Assets	15305.350	17842.410	25320.380	41046.100	39460.349
Return on Assets (ROA)	**5.32%**	**6.55%**	**3.4%**	**4.30%**	**2.38%**
Equity	6805.010	7980.500	8850.200	10609.670	11493.170
Return on Equity (ROE)	**12.0%**	**14.63%**	**9.76%**	**16.64%**	**8.18%**

Annexure-II
(Para 2.1.5.1)

Analysis of Net Present Value of Contract No. DGSW/9457/Inf/2019 dated 18.04.2019 (CWO)						
	18.04.2019	**18.04.2020**	**18.04.2021**	**18.04.2022**	**18.04.2023**	**25.01.2024**
Years	**0**	**1**	**2**	**3**	**4**	**5**
Cash Inflows (Without Taxes)	7.524	-	-	-	-	30.095
Cash outflows (Without Taxes)	(8.733)	(23.266)	-	-	-	(4.410)
Net Cash Flows	(1.209)	(23.266)	-	-	-	25.685
DF@14.17%	1.0000	0.8759	0.7672	0.6720	0.5886	0.5329
PV of Cash Flows	**(1.209)**	**(20.379)**	**-**	**-**	**-**	**13.688**
	PV of Cash Inflows		**13.688**			
	PV of Cash Outflows		**(21.588)**			
	NPV		**(7.900)**			

Analysis of Net Present Value of Contract No. IT-P&AMD/11(124)/2018/41 dated 14.01.2020 (ZTBL)					
	13.01.2020	**13.01.2021**	**13.01.2022**	**13.01.2023**	**13.01.2024**
Years	**0**	**1**	**2**	**3**	**4**
Cash Inflows (Without Taxes)	**-**	**-**	**-**	**-**	**273.284**
Cash Outflows (Without Taxes)	**(243.379)**	**-**	**-**	**-**	**-**
Net Cash Flows	**(243.379)**	**-**	**-**	**-**	**273.284**
DF@13.51%	**1.0000**	**0.8810**	**0.7761**	**0.6838**	**0.6024**
PV of Cash Flows	**(243.379)**	**-**	**-**	**-**	**164.626**
	PV of Cash Inflows		**164.626**		
	PV of Cash Outflows		**(243.379)**		
	NPV		**(78.753)**		

Annexure-III
(Para 2.1.5.2)

1. Contract No.08-804-1-0 dated 26.05.2021 (DP 05.06.2022)

(*Rupees in Million*)

Years	**0 (26.05.2021)**	**1 (26.05.2022)**	**2 (26.05.2023)**	**3 (26.05.2024)**	**Total**
Cash Inflows	83.000 (Adv)	-	-	826.409 (Bal)	909.410
LDs@10%	-	-	-	(90.940)	
Sales Tax Paid			(132.140)		
Net Cash Flows	83.000	-	(132.140)	735.470	
D.F@16.52%	1	0.8582	0.7365	0.6321	
PVCF	83.000	-	(97.320)	464.890	450.570
Loss					**458.840**

2. Contract No. 09-805-2-0/A dated 27.05.2021 (DP 26.05.2022)

(Rupees in Million)

Years	**0 (27.05.2021)**	**1 (27.05.2022)**	**2 (27.05.2023)**	**3 (27.05.2024)**	**Total**
Cash Inflows	55.320 (Adv)	-	-	498.940 (Bal)	554.260
LD@10%	-	-	-	(55.426)	
Sales Tax Paid	-	-	(80.530)		
Net Cash Flows	55.320	-	(80.530)	443.510	
D.F@16.52%	1	0.8582	0.7365	0.6321	
PVCF	55.320	-	(59.310)	280.350	276.360
Loss					**277.900**

3. Contract No. 09-0795-1-0 dated 03.06.2021 (DP 02.06.2022)

(Rupees in Million)

Years	**0 (03.06.2021)**	**1 (02.06.2022)**	**2 (02.06.2023)**	**3 (02.06.2024)**	**Total**
Cash Inflows	-	-	-	165.382	165.382
LD@10%	-	-	-	(16.540)	
Net Cash Flow				148.840	
D.F@16.52%	1	0.8582	0.7365	0.6321	
PVCF	-	-	-	94.080	94.080
Loss					**71.300**

Annexure-IV

List of Para in Regularity Audit Report 2024-25

(*Rupees in Million*)

Sr. No.	Audit Report	Para No	Title of Para
1	Audit Report 2024-25 (Telecom Sector)	3.6.4	Non-replacement of rejected stores from the foreign supplier-Rs 33.273 million ($169,426)