DEFORE THE APPELLATE AUTHORITY CONSTITUTED UNDER THE MADHYA PRADESH NIJI VYAVSAYIK SHIKSHAN SANSTHA (PRAVESH KA VINIYAMAN AVAM SHULK KA NIRDHARAN) ADHINIYAM, 2007 AS AMENDED IN 2013.

- Appeal No. 58/2016
 Shri Aurobindo Instt. of Medical Sciences, Indore Vs.
 Admission and Fee Regulatory Committee (AFRC)
 against AFRC Order No. 3883/2016 Dated 02.09.2016
- Appeal No. 60/2016
 Chirayu Medical College and Hospital, Bhopal Vs. AFRC against AFRC Order No. 3881/2016 Dated 02.09.2016
- Appeal No.73/2016
 R.D.Gardi Medical College, Ujjain Vs. AFRC
 against AFRC Order No. 3882/2016 Dated 02.09.2016
- Appeal No. 74/2016, Sakshi Medical College and Research Centre, Guna Vs. AFRC against AFRC Order No. 3884/2016 Dated 02.09.2016
- Appeal No. 75/2016,
 Amaltas Institute of Medical Science, Dewas Vs. AFRC against AFRC Order No. 3886/2016 Dated 02.09.2016
- Appeal No. 76/2016,
 Modern Instt. of Medical Sciences, Indore Vs. AFRC.
 against AFRC Order No. 3887/2016 Dated 02.09.2016
- Appeal No. 82/2016,
 Sukhsagar Medical College and Hospital, Jabalpur Vs. AFRC.
 against AFRC Order No. 3885/2016 Dated 02.09.2016

ORDER (Date 17.11 2016)

1. The above mentioned appeal cases are filed by appellants under Section 10 of Madhya Pradesh Niji Vyavasayik Shikshan Sanstha, (Pravesh Ka Viniyaman Avam Shulk ka Nirdharan), Adhiniyam, 2007 ('The Act', for short) and Sec. 10

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(1) & (2) of Sansodhan Ahiniyam 2013 against AFRC's orders as mentioned above, fixing fee for MBBS course for academic sessions 2016-17, 2017-18 & 2018-19. Appeal No.s 58, 60 and 73 pertain to three Established Medical Colleges ('EMCs' for short) and Appeal No.s 74,75,76 and 82 pertain to four New Medical Colleges ('NMCs' for short). Since the major grounds of appeal in all the seven appeal cases are common, the cases are clubbed together and are being disposed off herewith by a common order.

2. Brief Facts:

- **2.1** AFRC is vested with powers to fix fee for private unaided professional educational institutions (hereinafter called 'institutions') under the provisions of the Act and the Regulations for fixation of fee in Private unaided Professional Institution Regulation 2008 dated 15.04.2008 ('The Regulations' for short).
- **2.2** For fixing fee for the institutions for academic sessions 2016-17, 2017-18 & 2018-19, AFRC issued public notice dated 28.01.2016 and several O.M.s thereafter inviting fee proposals from concerned institutions. Fee proposals alongwith required documents and audited accounts were required to be submitted by institutions by 26.05.2016. Subsequently, AFRC in its meeting dated 26.05.2016 decided to allow institutions to submit fee proposals even after 26.05.2016 without any cut-off date on request basis.
- **2.3** AFRC prepared a 'Framework for Fee Regulation' dated 06.04.2016 ('The Framework' for short) wherein details of methodology to be followed and norms for fixing fee for various professional courses were given.
- **2.4** Fee fixation proposals submitted by the appellant institutions were considered by AFRC in its meeting dated 27.08.2016. The Minutes of AFRC meeting dated 27.08.2016 ('The Minutes' for short) record the basis of fee fixation for the appellant institutions.

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- **2.5** In accordance with AFRC's decisions as recorded in the Minutes, fee fixation orders for appellant institutions were issued by AFRC, which are the impugned orders appealed against.
- **2.6** AFRC vide impugned orders fixed fee for the seven appellant institutions- a fee of Rs. 5.72 lacs per year for three EMCs and a fee of Rs. 5.00 lacs per year for four NMCs.
- 3. Appellants and respondent were heard. Director Medical Education (DME for short) (Member-Medical), a Member of AFRC, was also summoned to appear for these appeal proceedings and was directed to submit a written explanation regarding his observation during AFRC Meeting dated 27.08.2016 that cost per student per year in Government medical colleges was Rs. 5.00 lac in 2015-16. Though DME appeared before me on 18.10.2016, he failed to make a written submission in spite of specific direction to do so.
- **4. Contentions of Appellants:-** In their pleadings and submissions, appellants have mentioned the following major grounds of appeal:
- **4.1: Pleadings by EMCs:** The appellants have pleaded the following grounds of appeal:
- **4.1.1** AFRC's impugned fee fixation orders had been passed in violation of the provisions of the Act and the Regulations. Specifically, AFRC had not considered the factors for fee fixation mentioned under Section 9, Chapter IV of the Act.
- **4.1.2** AFRC had fixed fee on the basis of arbitrary, illogical and extraneous factors not provided under the Act and the Regulations. Specifically, fee for appellant Shri Aurobindo Instt. of Medical Sciences, (SAIMS) (Appeal No.58), Chirayu Medical College and Hospital (CMCH),(Appeal No. 60) and R.D.Gardi Medical College (RDGMC), (Appeal No. 73) had been fixed by AFRC with reference to 'prevailing base fee' which was not a factor provided under the Act and the Regulations.

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4.1.3 AFRC had not assigned any reason for rejecting fee proposal submitted by the appellants.

4.2 Pleadings by NMCs:

- **4.2.1** NMCs also pleaded that AFRC's impugned fee fixation order had been passed in violation of the provisions of the Act and the Regulations. NMCs further pleaded that AFRC had fixed fee on the basis of arbitrary, illogical and extraneous factors contrary to the provisions of the Act and the Regulation.
- **4.2.2** For New medical colleges i.e. Sakshi Medical College, Guna (Appeal 74), Amaltas Instt. of Medical College, Dewas (Appeal 75), Modern Instt. of Medical Science, Indore (Appeal 76) and Sukhsagar Medical College (Appeal 82), AFRC had fixed the fee with reference to 'basic cost' per student in Government Medical College and on the assumption that such cost was Rs. 5.00 lacs per year, as stated orally by DME. This factor was also not a factor permitted to be considered under the Act and the Regulations.
- **4.3** RDGMC pleaded that they had submitted fee proposal of Rs. 6.26 lacs on the basis of provisional accounts for 2015-16. However, subsequently on the basis of final audited accounts for 2015-16, they had submitted a revised fee proposal of Rs. 8,08,961.00 vide their written submission on 05.05.2016. Appellant RDGMC pleaded that their revised proposal dated 05.05.2016 had not been considered by AFRC in its meeting dated 27.08.2016.
- **4.4** CMCH pleaded that the Society running the college had substantial outstanding secured and unsecured loan which had been utilised for capital expenditure as well as operating expenditure and that the appellant institute had a substantial loan repayment liability, both principal and interest, which had not been considered by AFRC while fixing fee for the college.
- **4.5** SAIMS pleaded that they had submitted a revised proposal for fixing a fee of Rs. 10.93 lacs per year vide their submission to AFRC dated 5.8.2016 which had not been considered by AFRC.

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4.6 Sukhsagar Medical College and Hospital pleaded that they had submitted a fee proposal of Rs. 19.32 lac per year which had not been considered by AFRC.

5 Contentions of Respondent:-

Respondent has made the following submissions:

5.1 AFRC had passed the impugned orders as per provisions of the Act and the Regulations and the methodology and criteria mentioned in the Framework. The Framework is consistent with the provisions under the Act and the Regulations. AFRC had considered the audited accounts of the appellant institutions viz. SAIMS,CMCH and RDGMC while fixing fee for these institutions.

No NMC had submitted fee proposal alongwith accounts. Therefore, for new medical colleges AFRC had decided to fix fee of Rs. 5.00 Lacs per year since DME had informed orally during the meeting that the 'basic cost' in Government Medical Colleges was Rs. 5.00 lacs per year per student.

Respondent also mentioned that the appellant institutions had been given opportunity of hearing before fee fixation orders were passed.

6. Deliberation on key issues:

In light of the grounds of appeal preferred by the appellant and the respondent's reply, it is necessary to deliberate upon the following key issues:

- **6.1** Did AFRC fix fee for EMCs and NMCs vide impugned orders as per the provisions of the Act and the Regulations? Specifically, did AFRC consider the factors for fee fixation mentioned under Section 9, Chapter IV of the Act and Clause 4 of the Regulation and the procedure prescribed in Clause 5 of the Regulation while determining fee vide impugned orders?
- 6.2 Was there inordinate and avoidable delay in fee fixation for the appellant institutions? Could AFRC have passed fee fixation orders prior to 02.09.2016?

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- **6.3** Before proceeding with the deliberations, it is important to mention the following facts -
- (i) The impugned orders do not mention the reasons why fee proposals submitted by EMCs were rejected or the basis on which fee of Rs. 5.72 lacs had been fixed by AFRC.
- (ii) The Minutes also do not mention the reasons why fee proposals submitted by EMCs were rejected. However, the Minutes do mention the basis on which fee of Rs. 5.72 lacs had been fixed by AFRC. Copy of the Minutes had not been given to the EMCs. Hence, the EMCs were not privy to the basis on which AFRC had fixed the fee.
- (iii) The Minutes refer to the Framework, which was an internal document of AFRC, not shared with the appellants or any other stakeholder.

At the appellate stage, only upon demand of the appellants, Respondent provided copy of the Minutes and the Framework.

To sum up, while the impugned orders were non-transparent for reasons mentioned in (i) above, the Minutes and the Framework had not been shared with the appellants.

6.1.1 Fee Fixation for EMCs:

The Minutes mention that EMCs had submitted fee proposals as follows:

- 1. Shri Aurobindo Instt. of Medical Sciences Rs. 8,45,550.00
- 2. Chirayu Medical College Rs.14,61,000.00
- 3. R.D.Gardi Medical College Rs. 6,26,190.00

RDGMC had submitted a revised proposal on 5.5.2016 wherein fee of Rs.8,08,961.00 per year had been proposed. SAIMS had submitted a revised proposal dated 05.08.2016 wherein a fee of Rs. 10.93 lac per year had been proposed. Appellant colleges were permitted to submit fee proposals by 26.05.2016 as per AFRC's O.M. dated 17.05.2016. AFRC had also allowed submission of fee proposals even after 26.05.2016. Therefore, there was no reason

whatsoever for AFRC not to consider RDGMC's revised proposal dated 5.5.2016 and SAIMS's revised proposal dated 05.08.2016.

Each EMC had submitted a detailed break up of proposed fee alongwith justification. AFRC had rejected the fee proposed by the EMCs. However, no reason had been recorded in the Minutes by AFRC for rejecting the fee proposal submitted by the EMCs. Since fee proposals submitted by the EMCs were not found acceptable by AFRC and a lower fee was fixed, it was necessary for AFRC to mention in the Minutes as well as in the impugned orders the grounds on which the fee proposals had not been found acceptable.

6.1.2 Did AFRC consider audited accounts of the Institution and the Society to fix fee vide impugned orders on the basis of the financial position of the Institution and the Society as evident from the audited accounts? Did AFRC disallow any income and/or expenditure reported by the Institution and/or the Society in its audited accounts?

The Minutes record the summary of Income and Expenditure Account (IEA for short) of EMCs and the concerned Society as per their audited accounts for financial year 2015-16. AFRC had taken note of the IEA of the institution as well as of the Society running the institution. The audited accounts of the institution as well as of the Society had been authenticated by the Chartered Accountant (CA) of the concerned institution and the Society and had also been scrutinised and verified by the CA engaged by AFRC. There is no mention in the Minutes that any income or expenditure of any of the appellant institutions and/or the Society had been objected to or disallowed by AFRC. Thus, financial details as reported in the audited accounts of 2015-16 for each EMC had been accepted by AFRC.

AFRC vide its Public Notice dated 28.01.2016 had prescribed several formats for submission of fee proposal by concerned institutions. AFRC required each institution to submit vide Form — C, detailed financial information for each professional course, the Institution and the Society or Trust, including Income and

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Expenditure Account and Balance sheet for 2013-14, 2014-15 and 2015-16. However, AFRC in its meeting dated 27.08.2016 had not taken into consideration the financial standing of the appellant institution as available from the balance sheet certified by the concerned C.A. Since AFRC had solicited all these details from the appellant institutions, it is not clear why in its meeting dated 27.08.2016 AFRC chose to peruse only income and expenditure account of the institutions and of concerned Societies for financial year 2015-16 and not other relevant details such as the balance sheet of the institution and particularly the status of Assets, Liabilities and Equity. Since the overall financial standing of the institution was available in the balance sheet of the concerned institutions, it was obligatory on the part of AFRC to consider the overall financial standing of the institution while fixing fee, as mandated under the Act and the Regulations.

From the data available in the Balance Sheet and the IEA, it was feasible for AFRC to work out key financial ratios such as Debt-to-Equity, Return on Equity, Return on Assets etc. Such a simple analysis would have enabled AFRC to appreciate the overall financial standing of each EMC and whether any EMC had indulged in profiteering or commercialisation of education. AFRC had hired the services of a C.A. who could have easily provided, were he so directed by AFRC, such useful analytical report on each EMC.

Unfortunately, AFRC went through the motions of perusing the IEA and mechanically reproduced the data reported by EMCs without evaluating it to appreciate the financial standing of the institutions.

Key Financial Statements:

It is notable that while AFRC obtained income and expenditure account and balance sheet for each Course, Institution and the concerned Trust/Society, Cash Flow statements for the institution and the Society were not obtained. The complete financial standing of a Company or an institution or Trust/Society can be understood only by considering all three key Financial Statements, i.e.,

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- Balance Sheet which provides data for Assets, Liabilities and Equity as on 31st March.
- 2. Income and Expenditure Account which provides data for the Financial Year for income and expenditure.
- 3. Cash Flow Statement which provides data for cash inflows and outflows during the Financial Year for (i) Operating Activities, (ii) Investing Activities, and (iii) Financing Activities.

Thus, it is concluded that AFRC had failed to appreciate the overall financial standing of the institution and the Trust and the Society and therefore, had fixed fee vide impugned orders without proper appreciation of the financial standing of the institution as required by the Regulation.

Clause 5 of the Regulation provides detailed procedure for fixation of fee. Clause 5 (14) provides that "The Committee shall consider documents accompanying submissions, the Inspection Report submitted by the Inspection team, the verification report of the Chartered Accountant and the assessment made by the Committee Secretariat." (emphasis added). The Minutes do not mention why this procedure was not complied with by the Committee while fixing fee vide impugned orders. Specifically, the Committee was required to consider "the assessment made by the Committee Secretariat". During hearing, the respondent mentioned that no calculation sheet regarding appropriate fee as per assessment made by the Committee Secretariat had been prepared or put up to the Committee. It is clear that the Committee took the decision for fee fixation without considering the assessment made by the Committee Secretariat. Thus, the Committee's decision and the consequent impugned orders are found to be in violation of Clause 5 (14) of the Regulation.

6.1.3 Basis of Fee Fixation for EMCs:

What was the rationale and validity of fee fixation for EMCs by "giving hike of 10% per annum maximum on 'prevailing base fee'?" Is this methodology of fee fixation in accordance with the Act, the Regulations and the Framework?

Neither the Act (Clause 9, Chapter IV) nor the Regulation (Clauses 4 & 5) provide for fee fixation with reference to "prevailing base fee". In fact, there is no mention of any 'base' fee either in the Act or the Regulation. As per the Act (Chapter-I, Clause 3(e)- 'Fee' is defined as follows: - "Fee means all fees including tuition fee and development charges". During hearing the respondent explained that by "prevailing base fee" AFRC had meant the fee of Rs. 4.00 lacs per year fixed for R.D.Gardi Medical College for the previous 3 years block, i.e. 2013-14, 2014-15 & 2015-16. However, the Minutes neither define nor explain what AFRC had meant by "prevailing base fee." Hence, the appellants had no way of deciphering what AFRC had meant by "prevailing base fee" even though AFRC had used it as the only criterion for fixing fee for EMCs. Respondent further explained that over the fee of Rs. 4 lacs per year fixed for R.D.Gardi Medical College for the previous 3 years blocks, a 10% increase per year had been approved by AFRC. Since, fee in 2013-14 was Rs. 4 lacs, therefore, the calculation was - for 2014-15 - 4 lacs + 10% = Rs. 4.40 lacs, for2015-16 Rs. 4.40 lacs +10% = Rs. 4.84 lacs and for 2016-17 – Rs. 4.84 lacs +10% = Rs. 5.32 lacs.

Neither the Act nor the Regulations provide that fee fixed for one institution will be considered as 'base' fee for calculating the fee for other institutions. Even the Framework and the methodology and norms described in the Framework did not provide for such a criterion or procedure for fee fixation. Thus, it is clear that the decision to consider Rs. 4.00 lacs as 'base' fee and further decision to apply 10% increase per annum on the 'base' fee had been taken in AFRC meeting dated 27.08.2016 on an entirely adhoc basis, even when such a criterion or methodology had neither been provided in the Act nor in the Regulation nor in the Framework.



6.1.4 Cap on Fees:

The Minutes for MBBS courses (Page 8-9 Para (e)) mentions that the Committee is of the view that "fee should not be more than 5,32,000.00 per annum".

Neither the Act nor the Regulation nor the Framework provides for any ceiling or cap on fee to be fixed for private professional colleges. AFRC has no mandate or authority to fix a cap on fees for MBBS or any other professional course. In fact, AFRC is mandated to fix fee for a professional course as appropriate to each institution after considering the factors provided in the Act and by following the procedure provided in the Regulation.

6.1.5 On what basis was the same fee of Rs. 5.32 lacs was fixed for three EMCs who had submitted separate fee proposals alongwith their audited accounts?

Hon'ble Supreme Court in **T.M.A.Pai Foundation** had held that cost of education may vary from institution to institution and that many variable factors may have to be taken into account while fixing the fee.

AFRC in its meeting dated 27.08.2016 had fixed a uniform fee of Rs. 5.32 lacs for the three EMCs. In view of the significant differences in the financial standing and the sources of funding, particularly the substantial difference in outstanding secured and unsecured loan of the EMCs; it was required of the AFRC to apply its mind and fix the fee appropriate to each institution on the basis of the factors as provided in the Act. It is evident that AFRC had fixed a uniform fee for the three EMCs in complete disregard of the substantial differences in financial standing and sources of funding; without scrutiny and evaluation of fee proposals submitted by the EMCs and had passed the impugned orders without having regard to factors mentioned in Sec. 9, Chapter IV of the Act.

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6.1.6 Power of AFRC to fix fee in accordance with the Act and Regulation:

Section 9, Chapter IV of the Act provides for fixation of fee as under: "CHAPTER IV – FIXATION OF FEE:

9(1) Having regard to -

- (i) the location of the private unaided professional educational institution;
- (ii) the nature of the professional course;
- (iii) the cost of land and building;
- (iv) the available infrastructure, teaching, non teaching staff and equipments;
- (v) the expenditure on administration and maintenance;
- (vi) a reasonable surplus required for growth and development of the professional institution;
- (vii) any other relevant factor,

the Committee shall determine, in the manner prescribed, the fee to be charged by a private unaided professional educational institution.

(2) The Committee shall give the institution an opportunity of being heard before fixing any fee:

Provided that no such fee, as may be fixed by the Committee, shall amount to profiteering or commercialization of education."

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Status of each of the appellant colleges is different with regard to factors mentioned under 9 (1) (i to vi). The three EMCs are located in different towns viz. Indore, Bhopal and Ujjain. SAIMS and RDGMC are running PG Courses in addition to MBBS course whereas CMCH runs only MBBS course. RDGMC was set up in 2001. SAIMS was set up in 2003 and CMCH was set up in 2011. Thus, cost of land and building, equipments, machinery and fixtures for the appellant colleges as well as annual depreciation amount would be different. There is also significant difference in the salary paid by the three appellant colleges to their teaching and non-teaching staff, in operating deficit and cumulative deficit in income and expenditure account, the outstanding secured and unsecured loan of each appellant institution. Each EMC also has significant difference in liability to annually repay secured loans, both principal and interest amount.

It was possible for AFRC to evaluate the financial standing of each of the appellant institutions on the basis of detailed information submitted by them. Therefore, it was feasible for AFRC to determine a specific fee appropriate to each appellant institution after evaluating each institution with regard to the factors mentioned under 9(1).

Thus, AFRC failed to comply with the provisions of Sec. 9 Chapter IV of the Act.

6.1.7 On what basis did AFRC determine Growth and Development fee of Rs. 40,000.00 per student per annum for EMCs?

Sec. 9 (1) (vi) of Chapter IV of the Act provides that "reasonable surplus required for growth and development of professional institution" would be a factor for fixation of fee. As per the Minutes, AFRC had determined growth and development fee of Rs. 40,000.00 per student per year for the EMCs. AFRC had also ordered that the receipt from growth and development fee would be kept in a separate account and that the institution will not incur any revenue expenditure

from this account and further that AFRC would be competent to verify and ascertain that this fund had been utilised for capital expenditure only. Thus, AFRC had assumed that fee of Rs. 5,32,000.00 per student per year for EMCs would be sufficient to meet total expenditure of EMCs in the year 2016-17,2017-18 & 2018-19.

AFRC's assumption that a fee of Rs. 5,32,000.00 per year was sufficient to meet total expenditure of EMCs and therefore, the development fee of Rs. 40,000.00 per year would generate a reasonable surplus, was not based on any calculation. Once AFRC decided to fix fee of Rs. 5,32,000.00 per student per year; it was possible for AFRC to compute the total income which would accrue to these institutions from fee in years 2016-17, 2017-18 & 2018-19. Income and expenditure from the hospital attached to the medical college could also be estimated. Data for expenditure of each institution for years 2013-14, 2014-15 & 2015-16 was also available with AFRC. Thus, it was possible for AFRC to make projected calculation of income and expenditure for these institutions for years 2016-17, 2017-18 & 2018-19 and actually examine whether the fee of Rs. 5,32,000.00 per year enabled the institutions to meet their total expenditure and whether the above mentioned fee fixed by AFRC resulted in surplus or deficit for the institutions in 2016-17, 2017-18 & 2018-19.

A surplus would accrue to an institution only when its income is greater than its expenditure in a financial year. Further, a surplus in one or a few financial years had to be considered alongwith the cumulative deficit for a Course or institution over the years and the outstanding debt of the institution. From the balance sheet of these institutions for 2013-14, 2014-15 & 2015-16 AFRC could have evaluated whether these institutions had generated a reasonable surplus ever since inception. AFRC should have taken note of the financial situation of these institutions and should have fixed a fee that was adequate not only to meet operating expenditure of the institutes and loan repayment liability but also to generate a reasonable surplus.

Thus, AFRC's determination of Rs. 40,000.00 as an adequate fee for growth and development was without any calculation or basis.



6.1.8 Fee fixation for New Medical Colleges (NMCs):

AFRC in its meeting dated 27.08.2016 had fixed fee for NMCs as per the following procedure –

"As per the methodology, new institutions who had approached AFRC for the first time for MBBS course for academic session 2016-17 are awarded Rs. 5 lacs per annum (the basic cost incurred by the State on its students) for 2016-17."

Minutes dated 27.08.2016 have also recorded the following –

"Director, Medical Education (Member-Medical) informed the Committee that as per budgetary provisions of 2015-16 for Government and Medical Colleges, the expenditure was roughly around 5 lacs per student, per annum."

It is unclear whether DME's information referred to expenditure per student including MBBS, PG and MD students, or only MBBS students. It is also unclear whether DME's 'information' was based on the total budget (Plan and Non-plan, Capital and Revenue) for government medical colleges and hospital.

It is notable that neither the Act nor the Regulation nor the Framework prepared by AFRC provides for this criterion or methodology for fixation of fee for new medical colleges. Neither the Act nor the Regulation provides that cost of MBBS education in Government medical colleges would be a factor for fixation of fee for private medical colleges. Chapter IV, Clause 9 of the Act does not provide it as a factor for fixation of fee. Clause 9 (vii) of Chapter IV of the Act provides for "any other relevant factor". If AFRC in its wisdom considered that cost per MBBS student in Government Medical College was an essential factor for fixation of fee for new medical colleges, AFRC would have included this new factor in the Framework. Further, AFRC would have obtained statistical details regarding average cost per MBBS student in government medical colleges from the Department of Medical Education, Government of Madhya Pradesh. AFRC had neither considered this as a

relevant factor while deciding the methodology as per Framework dated 6.4.2016 nor had AFRC obtained relevant information from Department of Medical Education, Government of Madhya Pradesh. Director Medical Education's (DME) oral 'information' during deliberation in AFRC's meeting date 27.08.2016 was accepted as authentic and conclusive without any attempt at factual verification. During hearing the respondent concurred that no data or any other document had been submitted by DME in AFRC meeting dated 27.08.2016 to substantiate his opinion that cost per MBBS student in government medical colleges was around Rs. 5 lacs per annum, nor had AFRC on its own endeavoured to validate and authenticate DME's oral 'information'.

Appellant RDGMC, with reference to State Government's budget for Department of Medical Education, has claimed that cost per MBBS student in Government Medical College was Rs. 12.00 lac and not Rs. 5.00 lac. The respondent or DME has not rebutted RDGM's claim or calculation.

Appellate Authority directed DME to submit a written note on this matter. AFRC vide letter dated 26.09.2016 accordingly called for the written note from the DME. Since no reply had been received from DME, the Appellate Authority summoned the DME who appeared before the Appellate Authority on 18.10.2016. DME admitted that he had mentioned Rs. 5 lacs as average cost per student in Government Medical Colleges during the course of discussion in the AFRC meeting dated 27.08.2016, However, no written document had been submitted by him to AFRC in this regard. DME was directed to submit a written note in this regard with reference to B.E. 2015-16 of Department of Medical Education by 19.10.2016. DME failed to submit any note in this regard. Nor has he explained why he was unable to submit the desired note.

It is clear that DME's oral 'information' submitted to the AFRC regarding average cost per MBBS student in government medical colleges was not authentic, not based on budget document of the Department of Medical Education, Government of Madhya Pradesh and a mere personal opinion of the DME. Since

DME is the Head of Department of Medical Education, he was expected to discharge his responsibility as a Member of AFRC with due diligence. It was negligent and irresponsible of DME to submit oral 'information' in AFRC meeting which he failed to substantiate and corroborate even after due opportunity was given by the Appellate Authority. DME had misled the deliberations of AFRC by his irresponsible submission to AFRC. It is noted that DME, as a member of AFRC, had signed the Minutes dated 27.08.2016. DME was aware that fee for four new medical colleges had been fixed by AFRC on the basis of DME's claim regarding 'basic' cost per MBBS student in government medical colleges. Before signing the minutes, the DME should have verified the budgetary figures of Department of Medical Education to authenticate his opinion regarding 'basic' cost for MBBS students in government medical colleges.

Therefore, Principal Secretary, Medical Education, Government of Madhya Pradesh is directed to censure the DME in writing for his utter negligence and irresponsible conduct which includes wilful disobedience of Appellate Authority's specific order.

That AFRC accepted the oral statement by DME, did not bother to verify its authenticity and proceeded to fix fee for four new medical colleges on unsubstantiated opinion offerred by DME, shows lack of professional approach and decision on such an important matter on the basis of a casual and unverified opinion.

6.1.9 Cost of MBBS Course:

The more pertinent question is why should AFRC insist that private unaided professional educational institutions must charge a fee equal to the 'basic' cost for MBBS students in government medical colleges. It is known that the total capital expenditure as well as revenue expenditure for government medical colleges is provided as a grant by the State Government. The government medical colleges do not have to borrow funds from a bank nor have to pay any interest or EMI. All mandatory requirements for the college, whether it be building, equipment or

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required staff are met by the State Government from its own budget. Private institutions do not receive any such grant and are required to obtain both secured and unsecured loan for both capital and revenue expenditure. Also, government medical colleges do not have to provide for depreciation since all new capital expenditure requirements are also met by the State Government. Since private institutions have to repay their loan with interest and also have to provide for depreciation; therefore, the cost of MBBS course in private medical colleges would necessarily be much higher than that in a government medical college.

AFRC failed to appreciate this obvious difference between private institutions and government colleges.

6.1.10 Procedure for fee fixation for new institutions:

AFRC 's public notice dated 28.01.2016 inviting fee proposals from all eligible institutions made no distinction between existing institutions and new institutions. AFRC's subsequent memo dated 16.02.2016 provided that for such institutions which had received approval for commencing courses during academic sessions 2016-17 and were desirous of fee fixation for three years block (2016-17, 2017-18 & 2018-19) were also required to submit proposals as per procedure and formats already prescribed by AFRC. However, impugned orders mention as follows:

"Being a new institute, in the absence of account is awarded 'Rs. 5 lacs per annum inclusive of growth & development fee' (basic cost incurred by the State on its students)......"

It is notable that AFRC vide their notice dated 16.2.2016 had required the new institutions also to submit their accounts. The minutes do not mention why the new institutions were exempted from submission of audited accounts of previous years. A new medical college and hospital receives approval of Medical Council of India (MCI)/Government of India (GOI) to commence MBBS course only

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after establishing a hospital of the designated capacity, providing required infrastructure in the medical college as well as the hospital, and after recruiting required faculty to commence MBBS course. Therefore, the Society running the institute and the institute itself would have incurred substantial capital and revenue expenditure prior to commencement of academic session in 2016-17. AFRC notice dated 16.2.2016 required all institutions including new institutions to submit such audited accounts. Why these four new institutions were exempted from submission of audited accounts of previous years i.e. 2014-15 & 2015-16 is not clear.

Further, the new institutions could have been directed to submit Budget Estimates for 2016-17, 2017-18 & 2018-19. MCI/GOI approval requires new institutions to provide for additional faculty as well as infrastructure in year 2,3 and 4 after commencement of MBBS course. Thus, the capital expenditure and revenue expenditure pertaining to salary of staff for a new college can be estimated with reasonable accuracy for forthcoming years. AFRC could have therefore, considered the audited accounts of the Society and the institute for financial years 2014-15 & 2015-16 and the budget estimates for 2016-17, 2017-18 & 2018-19. Without obtaining audited accounts from the NMCs and scrutinising the accounts, AFRC fixed fee of Rs. five lacs on the assumption that 'basic' cost for a MBBS student in a government medical college was 5 lacs per year. Thus, AFRC's methodology for fee fixation for new medical colleges was not in accordance with provisions of Sec. 9, Chapter IV of the Act and therefore, was flawed.

- 7. Hon'ble High Court of Madhya Pradesh, Principal Bench at Jabalpur in their common judgement of 15.05.2009 in following WPs:
 - 1. Writ Petition No. 1975/2008
 - 2. Writ Petition No. 9496/2008
 - 3. Writ Petition No. 2732/2009
 - 4. Writ Petition No. 2764/2009

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- 5. Writ Petition No. 3732/2009
- 6. Writ Petition No. 3886/2009
- 7. Writ Petition No. 2880/2009 have held as follows:

Hon'ble Supreme Court in their judgement dated May 2, 2016 in Civil Appeal No. 4060/2009 have concurred with the order of Hon'ble High Court of MP, Principal Bench, Jabalpur. Hon'ble Supreme Court in their judgement dated 02.05.2016 have observed

'Discernibly, the Act does not give unbridled power to the Authority to determine the fee. Determination of fee has to be based on the factors stipulated in Sec. 9 of the Act." (Para 69). (emphasis added).

In the above mentioned cases Hon'ble Supreme Court have further held as follows:

"Regulation on fixation of fee has to protect the rights of students in having access to higher education without being subjected to exploitation in the form of profiteering." (Para 70).(emphasis added).

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Sec. 9, Chapter IV of the Act provides the Committee the power to fix fee for private unaided professional institutions. However, this power cannot be exercised in an arbitrary manner. Sec. 9, Chapter IV specifically mentions-"Provided that no such fee, as may be fixed by the Committee, shall amount to profiteering or commercialisation of education." Hon'ble Supreme Court in TMA Pai Foundation and P.A.Inamdar have held that private colleges have the right to fix their own fee, but the right would be subject to reasonable restrictions to ensure that the institutions do not charge a fee which is extortionary, amounting to profiteering or commercialisation of education. On the basis of detailed discussion in paras 6.1.1 to 6.1.10, it is concluded that the Committee failed to exercise its authority to fix fee keeping in view the above mentioned provisions of Sec. 9, Clause IV of the Act and the referred orders of Hon'ble Supreme Court which are law.

In which circumstances can the Committee reject the fee proposed by a private institution?

The Committee can rightfully reject an institution's fee proposal when and only when it has reason to believe that the fee proposed by an institution amounted to profiteering or commercialisation of education. The Committee can also raise red flags when it doubts the authenticity of the accounts submitted by the institution or when it has reason to believe that apportionment of cost for a particular Course by an institution running several courses with common infrastructure is not reasonable. The Committee can intervene when it has reason to believe that expenditure has been inflated or income has been underreported. In such circumstances the Committee would point out the inconsistency in accounts to the institution and give it an opportunity to submit correction and/or clarification and thereafter take appropriate decision.



In fact, Methodology-para 08 of the Framework specifically provided that "In order to arrive at the figure of fee to be considered by the Committee....." "allowable/disallowable expenditure/income" will be adjusted. Unfortunately, AFRC did not follow the Methodology mentioned in the Framework while fixing fee vide the impugned orders.

In the case of a Trust/Society running several institutions, several courses and also certain activities other than educational; the Committee has a right to ask for segregation of income and expenditure including apportionment of equity, loan, fixed assets, repayment of principal and interest and depreciation also. However, just because a Trust shows a surplus in its income and expenditure account, would not be sufficient ground for the Committee to reduce the fee proposed for a Course. Each Course/institution has to be adjudged as a separate accounting unit and costing unit to determine appropriate fee. For example, a Trust may run several professional courses and institutions some of which generate surplus whereas some others incur deficit. There cannot be cross subsidisation among Courses or institutions. Thus, surplus generated from an engineering college in the same campus or premises cannot offset the deficit of a medical college or an MBA college.

Hon'ble Supreme Court in the case of "Modern School" have held "..... that surplus/profit can be generated but they shall be used for the benefit of that educational institution. It was held that profits/surplus cannot be diverted for any other use or purposes and cannot be used for personal gains or for other business or enterprise......" Para 16 (emphasize added).

Similarly, deficit in MBBS course cannot be offset by surplus from PG Course. Each Course requires an investment to provide for the fixed assets and the operating expenditure. It is therefore, necessary to segregate accounts and also ensure that each course/institution breakeven in a reasonable time frame and thereafter generate a reasonable surplus to take care of future growth

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and development activity. For example, RDGMC has cited figures from its IEA since 2004-2005 to claim that the institution had incurred deficit of Rs. 57 crores of which the deficit for MBBS course was Rs. 44 crores and the balance deficit was for PG Course. Respondent has not contested RDGMC's claim. The Society running RDGMC also runs other institutions and activities, and the Society generates a surplus. However, it would be unreasonable to require the Society to perpetually fund the stubstantial deficit for RDGMC on a year-on-year basis from surplus generated from other institutions or activities or from donation from the Trust.

Therefore, in future AFRC should require private institutions, to begin with only such large institutions with annual expenditure of Rs. 10 crores or more, to submit a 'cost' sheet for each Course/Institution, certified by a qualified cost accountant.

Education is a 'service'. The institution charges a fee for the services provided. A medical college and hospital provides two categories of services — it provides 'educational service' to the students and 'healthcare services' to the patients. Since the Medical College and Teaching Hospital is an integrated unit, the accounts of the institution have to be integrated including all income and expenditure of both the college and the hospital. Even when a Medical College and Teaching Hospital furnish consolidated Income and Expenditure account, it is possible to work out separate 'cost' of educational service and health care service. Just as it is possible to determine "cost" of each product where the same factory manufactures a variety of products, similarly in an institution running several Courses, it is possible to work out the 'cost' for each Course e.g. MBBS or PG and also the 'cost' for health care services provided to the patients.

It is not unlikely that a Teaching Hospital may incur operating losses in its early years. However, a private medical college and hospital cannot claim that the hospital will perpetually run in loss and that the loss has to be funded

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through fee generated from the students. This would amount to medical students cross subsidising patients for their health care. This would be unreasonable. Therefore, for an integrated medical college and hospital, appropriate fee for the students as well as proper user charges for medical care services can be and must be calculated through professional cost accounting. AFRC should also engage a qualified cost accountant to scrutinise the apportionment of cost reported by institutions for medical college and hospitals to begin with and subsequently for other large institutions as deemed necessary by AFRC.

Private Professional Educational Institution as an Investment Project:

The object of the Act is to 'provide for the regulation of admission and fixation of fee in private professional educational institutions in the State of Madhya Pradesh' Over and above the regulatory aspect, there is a wider dimension of private investment in professional education. The demand for professional education is far in excess of the supply through public professional institutions. Therefore, private investment in this sector is not only necessary and welcome but should also be facilitated and supported. In fact, the State Government has invited reputed private institutions like Symbiosis and NMIMS etc. and has also facilitated these institutions to provide educational service in the State.

Therefore, it is necessary to appreciate the substantial investment of about 1000 crores that the seven appellant institutions have made to provide medical education in the State. These institutions provide 1050 MBBS seats, more than 3000 beds and treatment to thousands of OPD patients. They have created more than 5,000 direct and indirect jobs. Thus, these institutions have not only provided a much needed facility for medical education and health care, but have also contributed as a service industry to the economy.



All these institutions are funded through equity contributed by a Society and debt raised from banks and other sources. Thus, each institution is a major investment project with substantial equity of a Society or an entrepreneur at stake. The project needs to breakeven in a reasonable time frame and also to generate a reasonable surplus to meet the institution's needs for further growth and development.

These institutions do not receive any aid from the State Government. Their only sources of income are fee paid by students and user charges paid by patients. Therefore, it is necessary for AFRC to fix a reasonable fee for the institutions, and for the institutions to levy appropriate use charges for healthcare services.

To sum up, these institutions have a right to fix their own fees subject to reasonable restrictions by AFRC as provided under the Act. AFRC has no authority to impose unreasonable restrictions. Nor has AFRC authority to summarily and arbitrarily reject without assigning any reason, fee proposals submitted by the institutions.

8. Fee for students admitted in Academic Session 2016-17.

AFRC had rejected fee proposals submitted by EMCs without assigning any reason whatsoever. AFRC had not alleged or concluded that the fee proposals submitted by EMCs amounted to profiteering or commercialisation of education. AFRC had fixed fee for NMCs without complying with the provisions of the Act and the Regulations.

On the basis of detailed discussion and analysis in above mentioned paras, it is concluded that AFRC's orders fixing fee of Rs. 5.32 lacs + 0.40 lacs growth and development fee = Rs. 5.72 lacs per year for three EMCs and AFRC's order fixing fee of Rs. 5.00 lacs per year for four NMCs had been passed without considering the factors mentioned in Sec. 9, Chapter IV of the

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Act and specifically without considering the financial standing and other factors pertaining to each institution and hence, the orders were vitiated.

Since the impugned fee fixation orders had been passed without complying with the provisions of the Act and the Regulation, the impugned orders are vitiated and hence are liable to be rescinded. However, I refrain from completely rescinding the impugned orders for the following reasons:

- (i) Admission process for MBBS course for academic session 2016-17 was concluded on 07.10.2016. It is learnt that all the 1050 seats, including NRI seats, in the seven appellant colleges have been filled up. Students have taken admission in 2016 in three appellant colleges viz., SAIMS, RDG and CMC on the basis of information available to them at the point of taking admission that the fee payable by them was Rs. 5.72 lacs per year. Similarly, students have taken admission in 2016 in four new medical colleges on the basis of information available to them at the point of taking admission that the fee payable by them was Rs. 5.00 lacs per year. All these students had exercised their choice to opt for a seat and consequently had taken admission in a particular college on the basis of their ability to meet the cost of MBBS education through family support and/or loans.
- (ii) If the fee for these appellant institutions for academic session 201617 were to be revised upward, it would seriously jeopardise the financial situation of students who have already taken admission in 2016. Further, it is to be recognised that the students who have taken admission in 2016 exercised their choice on the basis of not only their rank in the NEET merit list but also on the basis of their assessment of the quality of education offered by a particular college and the fee charged by the college. If AFRC had fixed a different fee for each college, after evaluating the status of each



college with regard to factors mentioned in Sec. 9, Chapter IV; each student would have taken a conscious decision as to whether he or she would seek admission in a college where the cost is lowest or any other college where the cost is higher.

- (iii) Since 1050 students have already taken admission in 2016, they can no longer exercise the choice of withdrawing from a college and hence would be forced to pay higher fee if such a higher fee were considered appropriate by the Appellate Authority.
- (iv) Therefore, I conclude that any upward revision in the fee fixed for students already admitted in 2016-17, would be patently unfair to all these students and would seriously jeopardise their financial situation. Further, any upward revision of fee which adversely affects students already admitted in 2016 cannot be passed without providing the students an opportunity of hearing since they are vey important stakeholders, but not impleaded as a party in these appeal cases. Therefore, even though AFRC's impugned orders are bad in law, vitiated and liable to be set aside; I am constrained to maintain that the fee of Rs. 5.72 lacs per year would be paid by students admitted to MBBS course in 2016 to SAIMS, RDGMC and CMCH, for the entire duration of their 4½ years course. Similarly, on the same ground, the fee of Rs. 5.00 lacs per year would be paid by students admitted to MBBS course in 2016 to the four new medical colleges i.e. Sakshi Medical College, Amaltas Institute of Medical Science, Modern Institute of Medical Science and Sukhsagar Medical College for the entire duration of their course i.e. 4 ½ years.

9. Fee Fixation Calender:

(i) Even though AFRC's impugned orders have been found to be in violation of the provisions of the Act and the Regulation, the fee

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fixation order for academic session 2016-17 for both EMCs and NMCs could not be set aside for the reasons stated in Para 8 above. Such an anomalous situation arose because AFRC's impugned fee fixation orders were issued with unreasonable and avoidable delay on 02.09.2016 when the admission process for MBBS course had already commenced. Even though the institutions had a right to appeal against AFRC's order within 30 days, all the appellants filed appeal petitions soon after receiving AFRC's order. Even while these appeal cases were being heard, most of the students had already taken admission in the appellant colleges. Since AFRC's impugned order had come into effect so far as the students already admitted were concerned, therefore, the fee fixation order for academic session 2016-17 could not be set aside. Effectively, the inordinate delay by AFRC in issuing fee fixation order for MBBS course for academic session 2016-17 has resulted in denial of opportunity to the institutions to seek appropriate relief through appeal prior to commencement of admission.

(ii) Chapter 5 (1) of the Regulation provides the following procedure for fixation of fee:

"At the beginning of each calendar year i.e. in the month of January of each year the Committee shall issue an advertisement inviting applications in regard to determination of fees for admission in professional educational institution for forthcoming academic session."

Clause 5 (4) of the Regulation further provides as follows:

"The Committee shall require a private unaided professional educational institution or a deemed University to make submissions by the date prescribed in the advertisement. Any new professional institution that gets permission from appropriate authority after aforesaid prescribed dates should approach the committee for fixing their interim fee and thereafter for final fee structure as per calendar and procedure fixed by the Committee."

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Though the Act and the Regulation do not provide for an end date for fee fixation orders to be issued by AFRC, it is obvious that the fee fixation exercise is expected to be completed and fee fixation orders are required to be issued prior to commencement of admission for concerned professional course for the ensuing academic session. Each of the different professional courses follows a different admission calendar. For example, admission process commences in July and ends by mid-August for engineering course whereas admission process for MBBS course commences in August and ends by 30th September. Admission Calendar for different professional courses is well known to AFRC. For the current 3 years period commencing from 2016-17 AFRC issued advertisement on 28.01.2016 but the prescribed date for submission of fee proposal by private colleges were extended several times. Apparently, such extensions were given to enable private colleges to submit their audited accounts for financial year 2015-16. It is notable that neither the Act nor the Regulation nor the Framework required compulsory submission of audited accounts for financial year 2015-16. The Framework itself mentions that the fee proposal could be considered by AFRC on the basis of latest available audited accounts and not necessarily the audited accounts for 2015-16 of the institution. The Framework did not mention that fee proposal of an institution will not be considered in the absence of audited accounts of financial year 2015-16. Therefore, there was no justification for AFRC to grant multiple extensions of date to private unaided professional educational institutions for submission of their fee proposal and audited accounts.

It is also notable that though AFRC has been conducting fee fixation exercises since last several years, AFRC has not yet prescribed a Fee Fixation calendar. While public notice for the current 3 years period had been issued on 28.01.216, there was no end date for issuance of fee fixation orders for different professional courses. In the instant cases, AFRC had not issued fee fixation orders prior to commencement of admission which was unwarranted and unfortunate. The students have a right to know the fee fixed for each private college for their desired course so that they can

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make independent investigation and evaluation and exercise their choice to opt for a particular private professional college well before the admission process starts. Therefore, it is the bounden duty of AFRC to not only to initiate the fee fixation exercise in time but also to complete it and issue fee fixation orders well ahead of the start of the admission process.

(iii) How much in advance of the admission calendar should AFRC determine and issue fee fixation orders?

Since AFRC invites fee proposals in January it should be possible for AFRC to issue all fee fixation orders latest by 31st May. For this, AFRC may consider provisional unaudited income and expenditure data upto 31st December and Budget Estimate for January to March. In the instant case, AFRC, vide its memo dated 16.02.2016 had obtained from the institutions, by 21.03.2016 the audited accounts for 2013-14 and 2014-15 and Budget Estimate for 2015-16 (provisional income and expenditure data upto 31st December & B.E. for January to March 2016) which would have sufficed for fee fixation of appellant colleges as well as for all other colleges.

To ensure timely fixation of fees in future, AFRC is directed to forthwith frame a fee fixation calendar. AFRC can issue public notice in the first week of January, require submission of fee proposal by 31st January, scrutinise the proposal and give an opportunity of hearing to the parties during February to April and issue fee fixation orders latest by 31st May. Such fee fixation calendar would greatly facilitate students as well as the institutions by providing certainty about the fee payable by students and fee receivable by institutions for the forthcoming academic session.

10. Fee fixed by AFRC vide impugned orders for the three EMCs (Appeal No. 58, 60 and 73) for academic session 2017-18 and 2018-19 are set aside on the grounds discussed above. For the four NMCs, AFRC vide impugned orders had fixed fee only for 2016-17 and had decided to fix fee for academic session 2017-18 and 2018-19

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after submission of audited accounts for 2016-17 by NMCs. AFRC's impugned orders pertaining to fee fixation for NMCs for 2017-18 and 2018-19 are also annulled.

11. Fee fixation for Academic Sessions 2017-18 and 2018-19:

For all the seven appellant institutions i.e. three EMCs and four NMCs, AFRC is directed to determine fees for Academic Sessions 2017-18 and 2018-19 as per the following directions-

- 1. AFRC will obtain fresh fee proposal for MBBS Course from each appellant institution for Academic Sessions 2017-18 and 2018-19 latest by 31.12.2016.
- 2. Appellant institutions and the Societies would be required to submit all key financial statements i.e. (a) Balance Sheet (b) Income and Expenditure Account and (c) Cash Flow Statement for the Course, institution as well as for the Society for financial year 2014-15 and 2015-16 and the Budget Estimate (B.E.) for 2016-17. For B.E. 2016-17 provisional unaudited income and expenditure account and Cash Flow Statement of the Course, institution as well as of the Society/Trust for April to October 2016 and estimate for November 2016 to March 2017 will be provided.
- Annual Report of the Trust/Society providing details of all its activities will be provided.
- 4. Medical College and the attached Teaching Hospital are not two separate entities or units. Therefore, consolidated accounts of the Medical College and Teaching Hospital will be considered for fee fixation.
- 5. Each institution will submit fee proposal with detailed break up and justification.
- 6. Each institution will submit projections of income and expenditure for 2017-18 and 2018-19 on the basis of proposed fee for 2017-18 and 2018-19.
- 7. Should any institution fail to submit audited accounts for the institution as well as for the Society for 2014-15 and 2015-16 and B.E. for 2016-17, AFRC will proceed to fix fee under provisions of the Act and the Regulation.

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- 8. AFRC will scrutinise the proposal and after giving opportunity to each institution pass fee fixation order under the provisions of the Act and the Regulation for academic session 2017-18 and 2018-19.
- 9. AFRC's fee fixation orders for these seven appellant institutions will be issued latest by 28.02.2017.

(P.K.Dash)
Appellate Authority