Section-2C

Haryana State Industrial Development Corporation Limited

Setting up of industrial estates

Highlights

The Haryana State Industrial Development Corporation Limited, incorporated in 1967 was entrusted (1971) with the function of developing industrial estates. It was declared (August 1997) as a nodal agency for development of industrial infrastructure in the State.

(Paragraph 2C. 1)

The Company had not fixed any physical targets for development of industrial estates. As regards financial targets, the total inflow was less than budgeted figures by Rs 515.99 crore during the five years up to 1999-2000 mainly due to shortfall in recovery from allottees, raising of loans and short receipt of grants due to non-execution of works as envisaged.

(Paragraph 2C.4)

The Company did not prepare a time schedule for development of estate after acquisition of land. Out of total acquired land measuring 6249.59 acres, the Company had so far developed 1590.30 acres of land in 25 industrial estates, work on 4270.29 acres of land was in progress and work on 389 acres of land at Saha was not started (February 2001).

(Paragraph 2C.8)

Investment of Rs 10.29 crore on setting up of two integrated infrastructure development centres at Sirsa and Manakpur despite apprehension of poor sale and without proper survey had proved unfruitful as the Company could allot only 35 out of 338 plots available for allotment.

(Paragraph 2C.8.1)

The Company suffered a loss of revenue of Rs 4.04 crore due to delay in execution of lease agreement with a private firm for Udyog Minar at Gurgaon, constructed at a cost of Rs 10.21 crore.

(Paragraph 2C.8.5)

Despite the decision of the Board (July 1997) to fix the rates for allotment of plots/sheds on actual cost basis, the Company continued to fix rates on estimated expenditure basis. Audit analysis of seven completed estates revealed that the Company had overcharged the allottees between Rs 47 and Rs 354 per square metre.

(Paragraph 2C.9(a))

The Company extended undue favour by allotting a plot measuring 17.75 acres at Udyog Vihar Phase-V, Gurgaon at a concessional rate for setting up a holiday health resort, which was not only ultra vires of the objects of the Company, but also violated the industrial policy of the State.

(Paragraph 2C.10.1)

The Company suffered a loss of Rs 16.38 crore due to short/non-inclusion of land acquisition price, licence fee, scrutiny fee, service charges and water charges etc on the allotment of 40 plots at IMT Manesar.

(Paragraph 2C.10.2)

2C.1 Introduction

Haryana State Industrial Development Corporation Limited was incorporated in the year 1967 for promoting medium and large scale industries in the State. The Company was also entrusted (1971) with the function of developing industrial estates in the State with the objectives, *inter alia*, to:

- acquire lands, develop them suitably by providing infrastructure facilities and make them available for the purpose of establishing a new industrial undertaking or for shifting of existing industrial undertakings from a congested area; and

- promote and operate schemes for the purpose of managing and administering well planned industrial areas in the state.

The State Government widened its activities by declaring (August 1997) the Company a nodal agency for development of industrial infrastructure in the State with the aims, *inter alia*, of securing balanced industrial growth of the State in relatively backward areas, providing eco-friendly environment conducive to healthy growth of industries in the State and channelising flow of foreign investment and technology.

2C.2 Organisational set-up

The Company is managed by a Board consisting of eleven directors. The Managing Director, who is the Chief Executive of the Company is assisted by a Divisional Town Planner and two General Managers who supervise the Infrastructural Planning Cell, Industrial Area Division and Estate Division respectively at head office. The Company is having nine field offices in the State.

2C.3 Scope of Audit

The general working of the Company including setting up of industrial estates was reviewed by the Committee on Public Undertakings (COPU) during 1987-88 in their 27th report presented in the State Legislature on 29 March 1988. The present review conducted during November 2000 and March 2001 covers the performance of the Company in setting up of industrial estates during the five years up to 1999-2000.

2C.4 Sources and uses of finance

The Company failed to achieve the targets for development expenditure due to non-fixation of overall and stage-wise physical targets

The Company arranges funds for setting up of industrial estates through grants from Government and loans from financial institutions besides recovery from allottees. The budgeted and actual figures of inflow and outflow of funds during the last five years up to 1999-2000 are summarised in Annexure-14.

It would be seen from Annexure-14 that during 1995-96 to 1999-2000, the total inflow compared to the budget was less by Rs 515.99 crore, which was mainly on account of shortfall of Rs 98.94 crore in recovery from allottees, Rs 378.70 crore in raising loans and Rs 33.10 crore in receipt of grants due to non-execution of works as envisaged. The Management attributed (February 1999 and January 2000) less recoveries from allottees to recession and market conditions.

The Company also could not achieve the targets for development expenditure for any of the years due to non-fixation of overall and stage-wise physical targets though it had surplus funds during four out of five years. It was noticed that the Company set up overall financial targets without setting up the physical targets for development expenditure, in the absence of which the physical achievements thereagainst could not be analysed in audit.

2C.5 Working results

Working results of Industrial Estates activity are not being prepared

The Company is stated to have been operating the activity ‘Industrial Estates’ on ‘no profit no loss’ basis as per its accounting policy declared in the annual accounts. However, it has not been preparing working results for this activity separately to know the actual state of affairs. Instead, net development expenditure was being shown in the accounts as current assets, which was arrived at by adding expenditure incurred during the year and deducting recoveries made from allottees. As a result, development expenditure

(Rs 175.50 crore) as on 31 March 2000 represented cost of land, amount spent on development thereof and salaries and other expenses, reduced by recoveries made from allottees of plots. Such accounting had deprived the management from knowing the cost and benefit of establishing industrial estates. It was observed in audit that the Board of Directors also desired (June 1996) preparation of estate-wise accounting to ascertain cost benefit analysis of this activity. But the Company had not taken any action for preparation of separate working results of this activity so far (July 2001).

It was noticed that public sector undertakings of some other States viz., Tamilnadu, Andhra Pradesh, Rajasthan and Punjab engaged in the similar activities prepare separate working results of this activity disclosing the expenditure and income distinctly in order to arrive at the profit/loss.

2C.6 Procedure for acquisition/development of land and allotment

Based on the feasibility reports, land is acquired from the State Government and its agencies viz., Haryana Urban Development Authority (HUDA) and Haryana State Agricultural Marketing Board as well as from private parties through Land Revenue Authorities for development of industrial estates. The lay out plan and estimates of expenditure for providing basic infrastructural facilities of each industrial estate are prepared by the Infrastructure Planning Cell of the Company. After development of industrial plots/sheds, the same are allotted to the allottees at the estimated rates worked out at the time of floating the scheme. The Price Fixation Committee periodically reviews the prices fixed for the plots/sheds and revises the rates for the unallotted plots/sheds.

2C.7 Acquisition of land

The Company has not maintained any consolidated record regarding acquisition of land, payment made, date of acquisition, etc. However, from the various records/information supplied, it was noticed that since inception uptill June 2001, the Company had taken possession of 6249.59 acres of land valued at Rs 273.34 crore for development of 34 industrial estates all over the State.

2C.8 Development of land

Out of total acquired land measuring 6249.59 acres, the Company had developed 1590.30 acres of land only in 25 industrial estates

Before floating an industrial estate, the Company is required to provide four basic facilities viz. roads, water supply, sewerage and electrification. It was noticed that the Company neither prepared time schedule for development of estate nor maintained complete details of completion of development work. As a result, Audit could not analyse the time lag between acquisition of land and completion of development work. However, it was noticed that in 389 acres of land (valued at Rs 10.91 crore), acquired (July 1999) in Saha, development work was yet to commence (February 2001) due to some left out land pockets, which could not be acquired due to court case. Out of total acquired land measuring 6249.59 acres, the Company had developed only 1590.30 acres of land in 25 industrial estates and the work on 4270.29 acres was in progress (February 2001).

Some of the interesting points noticed in development of land are discussed in succeeding paragraphs.

2C.8.1 Setting up of integrated infrastructure development centres

The Government of India (GOI) formulated (August 1991) scheme of Integrated Infrastructure Development Centre (IIDC) for development of small scale industries and industries in rural/backward areas during Eighth Five Year Plan 1992-97. The guidelines of the scheme, *inter alia*, provided as under:

(i) Cost of each project should not exceed Rs 5 crore (excluding cost of land). GOI was to provide up to Rs 2 crore as grant-in-aid and the balance was to be arranged as loan.

(ii) Suitable land would be provided by the State Government free of cost.

(iii) Potentiality survey should precede the location of the Centre.

The Company developed two centres at Sirsa and Manakpur under the scheme, the working of which is discussed as under.

(a) IIDC Sirsa

An amount of Rs 3.26 crore incurred on 108 unsold plots was lying blocked

After identifying the site at Khairpur (Sirsa) in backward area, the State Government asked (June 1992) the Company to prepare a project report and the consultants, appointed (September 1993) by the Company for the purpose, observed that the sale of plots was expected to be tardy in the initial years. However, the Company decided to set up the Centre at village Khairpur (Sirsa). The Company approached (August 1994) the State Government to provide suitable land free of cost for the IIDC as per the scheme. The State Government, however, refused (September 1994) to provide land and asked the Company to arrange it from its own sources. This decision of the State Government was against the guidelines of the scheme and had resulted in increase in the cost of developed plots. Therefore, the Company took possession (March 1996) of land measuring 63 acres at a cost of Rs 3.05 crore (from its own sources) and spent Rs 2.41 crore on development. The GOI released Rs 1.34 crore up to June 2001 to the Company as per the scheme even though the cost was more than Rs 5 crore. It was, however, noticed that the Company could sell only 16 plots (28,800 square metres) up to 30 June 2001 out of 124 developed plots of different size (1,37,700 square metres) due to poor response from the public. Thus, expenditure of Rs 3.26 crore incurred on remaining 108 plots (1,08,900 square metres) was lying blocked as on 30 June 2001 due to selection of an unsuitable site.

(b) IIDC Manakpur

An amount of Rs 7.03 crore incurred on 195 unsold plots was lying blocked

Similarly, GOI sanctioned (May 1999) the setting up of IIDC at Manakpur (Yamunanagar) on land measuring 135 acres already acquired in October 1997 by the Company and the development work was started in the same month. The Company spent Rs 9.38 crore; cost of land (Rs 4.85 crore) and cost of development (Rs 4.53 crore) of 214 plots of different sizes (total area 3,07,086 square metres). Out of total expenditure incurred, Rs 1.20 crore were received from GOI under the scheme though the same was against the terms of the scheme as project expenditure exceeded Rs 5 crore. It was noticed that the Company could allot (June 2001) only 19 plots (43,087 square metres) due to poor response. Thus, selection of sites without proper survey, and non-provision of land free of cost by the State Government had led to high cost of plots which defeated the very purpose of providing plots to the entrepreneurs at reasonable rates. It also resulted in unfruitful investment of Rs 7.03 crore, being the cost of 195 plots (2,63,999 square metres), which could not be sold so far (June 2001).

The Management stated (July 2001) that efforts were being made to attract investment in IIDCs at Sisra and Manakpur.

2C.8.2 Export Promotion Industrial Park (EPIP) Kundli

With a view to involve the State Government in creation of infrastructural facilities for export oriented production, the Government of India (GOI) introduced (August 1994) a centrally sponsored Export Promotion Industrial Park (EPIP) scheme. The GOI approved (September 1994) setting up EPIP at Kundli (Sonepat) under the scheme. The salient features of the scheme, *inter alia*, provided as under:

(i) The State Government was to arrange land and size of each industrial park was to be not less than 100 acres and not more than 200 acres.

(ii) Central assistance in the shape of grant was available to finance creation of infrastructural facilities up to 75 *per cent* of the cost, which was limited to Rs 10 crore per park. The remaining 25 *per cent* was to be contributed by the State Government.

(iii) Only those units were to be allowed in the park that give a legal undertaking to the State Government to export not less than 33 *per cent* of their total production in value terms.

Keeping in view the State Government decision (September 1994) that the Company has to acquire land for setting up industrial parks/IIDCs from its resources, the Company did not approach the State Government for providing land free of cost and acquired 107.90 acres of land (February 1995) at Rs 5.27 crore at Kundli under the scheme. The decision of the State Government in not providing land free of cost had led to increase in cost of plots.

Audit scrutiny disclosed the following points:

(a) The Company envisaged development of 181 plots (2,66,733 square metres) in the park at an estimated cost of Rs 31.81 crore (including Rs 13.58 crore for expansion programme to provide certain additional facilities). The Company incurred expenditure of Rs 17.96 crore up to June 2001 and allotted 161 plots between April 1998 and June 2001. It was, however, noticed that only 3 units commenced commercial production after August 1999 and exported items worth Rs 64.71 lakh only during 1999-2000.

The Company overcharged the allottees Rs 5.70 crore due to exclusion of grants in the calculation of sale rate

(b) The Company allotted 161 plots of different sizes measuring 2,02,930 square metres up to June 2001 at the rate of Rs 1500 per square metre. An audit analysis of the cost sheet disclosed that the management, while working out the sale rate, had not deducted from the cost of plots the grant of Rs 7.50 crore received from GOI. Consequently, the allottees were overcharged by Rs 281 per square metre. This resulted in overcharging of Rs 5.70 crore on the sale of 161 plots (2,02,930 square metres).

2C.8.3 Setting up of Udyog Kunjs (mini industrial estates)

The Company could allot 121 plots and 52 sheds in seven Udyog Kunjs against the planned 731 plots and 239 sheds in 13 districts

A scheme was formulated (1993) by the State Government for setting up of Udyog Kunjs in various districts of the State to provide employment to educated unemployed rural youth through the medium of tiny and village industries. As per the scheme, the land was to be provided by the respective Panchayat and funds by the State Government from central grants. The scheme envisaged development of mini industrial estates by the Company and allotment of plots and sheds to eligible entrepreneurs.

The Company developed 19 Udyog Kunjs in the State by the end of March 2000 at an expenditure of Rs 3.22 crore. As against the planned 731 plots and 239 sheds in 13 districts, the Company could develop 591 plots and 130 sheds of which the Company allotted 121 plots and 52 sheds in case of seven Udyog Kunjs only (March 2000). The Company received total amount of Rs 61.91 lakh as on 31 March 2000 on account of allotment of plots. Further, letters of intent were issued for 40 plots and one shed in case of five Udyog Kunjs. Out of 222 plots and 50 sheds developed in five Udyog Kunjs (Naseebpur, Rasulpur, Shadipur, Mundhal-Khurd and Bahudin) at a cost of Rs 1.06 crore, not even a single plot or shed was allotted (March 2001). Thus, the purpose of generating employment for unemployed rural youth was defeated to a large extent.

The Management attributed (July 2001) the non-allotment due to poor response of rural entrepreneurs.

It was further noticed that out of Rs 4 crore (Rs 2 crore in 1993-94 and Rs 2 crore in 1995-96) received as a central grant, the Company spent Rs 2.92 crore only up to March 2000 leaving a balance of Rs 1.08 crore with the Company, which was kept in current account with a schedule bank. This had resulted in loss of interest of Rs 43.15 lakh (calculated at the rate of 10 *per cent* from April 1996 to March 2000) due to non-keeping the unspent amount in interest generating account. The Company, however, discontinued the development work on the plea of non-utilisation of already developed Kunjs by the rural entrepreneurs and remitted (May 2000) the balance (Rs 77.87 lakh) along with recoveries from allottees (Rs 61.91 lakh) to Director of Industries after retaining Rs 30 lakh for discharging past liabilities. The Company, however, spent Rs 31.64 lakh up to 31 March 2001 against the retained amount of Rs 30 lakh.

2C.8.4 Setting up an industrial estate at Tohana

Without working out requirements, the Company developed 78 plots, out of which only 38 plots could be allotted

The Director of Industries allotted (May 1985) a piece of land measuring 16 acres in Tohana (District Hisar) at a cost of Rs 6.89 lakh to the Company for setting up an Industrial Estate. Without working out the requirements, the Company developed (1987) 78 plots for setting up industries. However, the Company could allot only 38 plots up to October 1992 out of which three allottees surrendered their plots. As there was no demand for remaining 40 plots, the Company took up (October 1992), the matter with the Director Town and Country Planning (DTP) Haryana for change in land use from industrial to commercial. The DTP informed (November 1993) the Company that the proposal was not acceptable as per the policy of the Department.

Thus, on 30 June 2001, there were 43 plots (valuing Rs 43.64 lakh), which could not be allotted, out of which 40 plots have been lying idle for more than eight years. The Management stated (July 2001) that all out efforts were being made to sell the plots during the next financial year.

2C.8.5 Udyog Minar building

In contravention of the objects clause, the Company decided (September 1991) to construct a commercial-cum-office complex (Udyog Minar) at Vanijay Nikunj Phase V, Gurgaon to be used by offices of the State Government Undertakings and other promotional agencies.

In contravention of the objects clause, the Company constructed Udyog Minar at a cost of Rs 10.21 crore, which could not be put to use

Keeping in view the good demand of commercial property, the Board decided (March 1997) that the Management should think of selling the Udyog Minar after completing its frame structure and the returns from sale be utilised for taking up other works. The Company invited (June 1997) offers from interested parties through publicity in newspapers for sale of the building, to which 16 offers were received, the highest being Rs 30.55 crore. The Board, however, reconsidered (June 1997) its decision and decided to prepare two comparative financial models, one for outright sale and another for providing on lease basis. Of the two financial models, the Company considered that revenue generated from leasing the Udyog Minar was higher than that generated against outright sale after 9-10 years and the property would still remain with the Company. The Board approved (July 1997) the second option and accordingly, the Company invited offers in August 1998, but no offer was received. The Board approved (February 1999) leasing out the building at Rs 40 per square feet of carpet area per month with a provision of 5 *per cent* increase in lease rentals every year. The Company, however, could not locate any lessee. In the meantime, the Company completed (June 1999) the nine storied building at a cost of Rs 7.81 crore with its built up area of 1,04,850 square feet. The Management again proposed (January 2000) that the Board may consider to slash down the lease rental of Rs 40 per square feet to a rate ranging between Rs 27 and Rs 35 per square feet per month as per prevailing market scenario. Finally, the Company decided (July 2000) to lease out the building to M/s Air InfoTech (P) Limited, Delhi who agreed to take whole of the building on lease at Rs 35 per square feet per month for a period of three years renewable for a further period of three years with increase of 20 *per cent* in lease rent. The agreement had not been signed so far and building was still lying vacant (June 2001).

Thus, by constructing the Udyog Minar, the Company had deviated from its objects clause and indecisiveness and unwarranted delay on the part of the Management in signing the lease agreement thereafter, had resulted in revenue loss of Rs 4.04 crore on lease rentals from August 2000 to June 2001 besides locking up of funds of Rs 10.21 crore (Rs 7.81 crore on civil works and Rs 2.40 crore on ceiling, fire fighting, air conditioning, and installation of lifts etc.) for two years.

The Management stated (July 2001) that efforts were being made to pursue the party to enter into an agreement and simultaneously efforts were being made to invite fresh offers.

2C.8.6 Vacant sheds - Sector 59, Faridabad

Though the Company claimed to have firm demand, it could allot only 44 sheds out of 77, which resulted in blockage of funds of Rs 1.36 crore

The Company took (May 1992) possession of land from HUDA, for construction of 197 sheds of four sizes varying from 82.20 square metre to 312 square metre on an area of 9.69 acres at Sector 59, Faridabad. The Management informed (February 1993) the Board that it had firm demand from 69 entrepreneurs for sheds and 8 entrepreneurs had applied in response to an advertisement. Therefore, the Company decided (February 1993) to construct 77 sheds which were constructed at a cost of Rs 3.17 crore (including enhanced compensation of Rs 1.36 crore paid for land in October 1996). Though, the Company claimed to have had firm demand, it could allot only 44 sheds during 1994-95 to 1999-2000 and thereafter (up to June 2001) no sheds were allotted. Thus, the non-disposal of 33 sheds had resulted in blockage of funds amounting to Rs 1.36 crore for more than four years. The Management attributed (July 2001) the reasons for non-disposal of sheds to delay in supply of drinking water by HUDA and poor response due to allotment through auctions.

2C.9 Fixation of allotment price

The Company had not framed its own policy to fix the allotment price but the rates were being fixed on the pattern of HUDA i.e. on estimated basis. However, in July 1997, the Board while proposing the norms for fixation of rates, decided that rates should be on actual cost basis.

It was noticed that the Company had been working out these rates by aggregating the development expenditure, interest cost, land cost on estimated basis divided by the area to be allotted. The rates are, however, periodically reviewed by the Price Fixation Committee. At no stage, the Company had ever compared the actual expenditure on completion of an industrial estate with estimated expenditure so as to ensure the strict adherence of its declared policy of 'no profit no loss' basis.

(a) A test-check of records of 7 estates, which were shown as completed, revealed wide differences in the rates charged from the allottees and actual rates worked out on purchase of land and development expenditure. The table below indicates the estimated expenditure on estates, rates charged from allottees and actual rates worked out after development of estates as on 31 March 2000.

Sl. No.	Name of industrial estate	Estimated expenditure (Rs in crore)	Plottable area (in square metres)	Rate charged (Rs per square metre)	Actual expenditure (Rs in crore)	Rate worked out as per actual expenditure (Rs per square metre)	Rate extra charged (Rs per square metre)
1.	Barwala	13.66	230243	600	5.66	246	354
2.	Karnal	11.55	154297	800	7.21	467	333
3.	Manakpur	20.85	307086	600	8.75	285	315
4.	Smalkha	3.03	60750	500	1.17	193	307
5.	Sonepat	0.89	14393	700	0.68	473	227
6.	Tohana	0.46	30800	200	0.47	153	47
7.	Jind	1.54	61400	300	1.44	234	66

The Company had overcharged the allottees ranging between Rs 47 and Rs 354 per square metre in seven estates test-checked in audit

It would be seen from the above table that the Company had overcharged the allottees ranging between Rs 47 and Rs 354 per square metre which could have adversely affected the industrialisation momentum in the State due to high costs of industrial plots/sheds. Analysis revealed that following factors had contributed to fixation of higher rates.

(1) The Company has been charging 24 *per cent* of the development cost outrightly on account of administrative charges, contingency, cost escalation, advertisement, etc. and 17 *per cent* interest on cost of land for two years in addition to actual heads of expenditure.

(2) The Company had overestimated the expenditure on various heads viz. roads, drainage, electrification, boundary walls, water supply, treatment plants, etc. as the actual expenditure incurred thereagainst was quite low, which led to overcharging. During test-check in audit, it was noticed that against the

expenditure of Rs 50.82 lakh, Rs 10.67 lakh and Rs 50.26 lakh incurred on roads, water supply and electrification at Manakpur, the Company charged from allottees Rs 1.10 crore, Rs 1 crore and Rs 1.50 crore respectively. Similarly, at Barwala, against the expenditure of Rs 12.16 lakh on boundary wall, the Company charged from allottees Rs 82.40 lakh and without incurring any expenditure on storm water drainage, the Company charged Rs 77.25 lakh from allottees.

The Management stated (July 2001) that it had to incur capital expenditure, maintenance and indirect expenditure afterwards and as such there was no overcharging. The reply was, however, not tenable as these estates had been declared as completed and expenditure on maintenance and indirect expenditure is treated as revenue expenditure recoverable from allottees.

(b) During August 1996 to May 1999, the Company sold 60 plots measuring 30100.18 square metres and 46 sheds through open auction for Rs 27.16 crore and Rs 5.58 crore against the realisable cost of Rs 3.98 crore and Rs 1.88 crore respectively at Gurgaon and Faridabad by deviating from its policy to provide plots/sheds on ‘no profit no loss’ basis.

The Management stated (July 2001) that auctions were conducted as per industrial policy of the State Government.

2C.10 Allotment of plots/sheds

As per industrial policy issued (September 1991) by State Government, the agency promoting industrial estate/area, would ensure that the land has been acquired, lay out/zoning plans prepared, cost of development is worked out and is in a position to deliver the possession of plots with all the basic infrastructure within a period of six months of the last date from the receipt of applications. The work of allotment starts with the inviting of applications for allotment, interviewing the applicants to know the background (project to be set up, means of finance etc.) and issue of Regular Letter of Allotment (RLA) to the successful entrepreneurs.

The Company had carved out 7581 plots and 594 sheds, out of which 5758 plots and 507 sheds were allotted up to February 2001

It was observed that the Company had not fixed any time frame for inviting applications for allotment after development and for finalisation of allotment. The Company had carved out 7581 plots and 594 sheds, out of which 5758 plots and 507 sheds were allotted up to 28 February 2001 leaving balance of unallotted 1823 plots (valuing Rs 227.02 crore) and 87 sheds (valuing Rs 7.99 crore). Besides, during 2000-01, the Company also allotted mostly undeveloped plots at Bawal (86), IMT Manesar (783) and Phase-V Kundli (799) to the displaced industries which were forced to shift from Delhi due to the decision of the Supreme Court, which was against the requirement to allot fully developed plots.

It was observed in audit that the Company had to grant extensions for setting up units to the allottees due to allotment of underdeveloped plots in contravention of the policy, *ibid*, which delayed the industrialisation process in the State. A few such cases noticed in audit are discussed below:

(i) The Company granted (March 1999) extension of one year to 10 shed holders at Udyog Vihar phase-VI, Gurgaon allotted in 1996-97 as the complete infrastructure facilities were not available to the allottees to enable them to implement their projects.

(ii) The Company granted (March 1999) extension of one year to 33 allottees of sheds in Sector-31, Faridabad, auctioned in August 1996 and November 1997 as the Company failed to provide electrification.

(iii) 19 allottees of plots (allotted in 1993) in Udyog Vihar Phase-VI, Gurgaon could not implement their projects as a 33 KV High Tension (HT) electricity line was passing through these plots and thus the Company could not provide plots free from all encumbrances. The Management granted (February 1998) extension for a period of two years from the date of shifting of HT lines.

(iv) 196 allottees (for 119 plots and 77 sheds) to whom allotment was made during 1993 in Sector-59, Faridabad, could not implement their projects, as water and electricity could not be provided. The Management had to grant (July 1996) extension up to August 1997.

2C.10.1 Undue favour and irregular allotment of plot

The Orbit Resorts (Pvt.) Ltd. Chandigarh (promoted by Shri Sukhbir Singh) approached (October 1988) the State Government/Company to allot required area for setting up of holiday health resort complex at Gurgaon. The Company sought relaxation from State Government for:

- allotment of land to a non-manufacturing unit;
- selling at concessional rate which is less than the cost; and
- allotting land without calling for advertisement.

On obtaining relaxation, the Company allotted (September 1989) a piece of land (17.75 acre) at Udyog Vihar Phase-V, Gurgaon at the rate of Rs 341 per square metre. It was noticed that contrary to its own policy of providing plots at cost, the Company allowed concession of 25 *per cent* to the allottee in its estimated rate of Rs 455 per square metre and recovered the same from other allottees to whom the Company charged the rate of Rs 520 per square metre. Further, according to the Industrial Policy of the State Government and main objectives of the Company, the plots in the Industrial Estates are to be allotted only for setting up industrial undertakings engaged in manufacturing activities. Thus, the Company has not only favoured to the extent of Rs 80.94 lakh in allotment of land for holiday health resort, but also violated the guidelines contained in the Industrial Policy of the State. Besides, this allotment of land was also ultra vires of the objects of the Company.

The Management stated (July 2001) that plot was allotted as per directions of the State Government.

2C.10.2 Loss due to incorrect computation of sale price

Due to omission of certain cost elements while working out the sale rate for plots at Manesar, the Company was put to a loss of Rs 16.38 crore

The Company allotted (June 1997) 40 industrial plots, measuring 4,09,500 square metres at the rate of Rs 1100 per square metre at Manesar (Gurgaon). Subsequently, the Company discovered (February 1998) that the allottees were under charged on account of various heads viz. land acquisition price, licence fee, scrutiny fee, service charges, water supply etc. and the actual cost worked out to Rs 1500 per square metre. The Company, however, decided (February 1998) to charge the increased rate of Rs 1500 per square metre from the future allottees ignoring the short recovery from these allottees.

Thus, the Company suffered a loss of Rs 16.38 crore on account of incorrect fixation of rate, for which no responsibility has been fixed so far (September 2001).

2C.11 Status of industrialisation

In order to know the status of industrialisation on the plots/sheds sold by the Company, it engaged (December 1996) a firm of Chartered Accountants for conducting survey on the status of plots/sheds. The firm conducted three surveys of 19 industrial estates during 1996-97, 1998-99 and 2000-01.

The survey revealed that only 38 to 56 *per cent* of the units were in production during the period of survey. It was observed in audit that 369 plots in twelve industrial estates were allotted without holding interviews with the entrepreneurs and ascertaining their backgrounds in order to generate more funds. Poor implementation of projects by allottees indicated that the Company could not identify genuine entrepreneurs for its industrial estates. Thus, the objectives of the Company to promote industrial growth in the State as well as to generate employment were not fully achieved. The COPU had also recommended (March 1988) to take steps to ensure employment of maximum number of people from the State by the units in the industrial estates of the Company. The Company had, however, not taken any steps in this regard and no such clause had been inserted in the agreement with the allottees.

2C.12 Recoveries from allottees

The Company had adopted cash system of accounting. As such, the recoverables from allottees on account of cost of plot (including enhanced cost) maintenance charges, water charges were not being disclosed in annual accounts. The age-wise analysis of recoverables had also never been done by the Company. A test-check of records in the field offices disclosed the following points.

(a) Maintenance of industrial estates

The Company has been adding maintenance charges for a period of five years in the development charges itself while working out the rate for allotment. After completion of five years, the maintenance of estates was to be transferred to local body/Municipality. In case the estates remained under the control of the Company, the maintenance charges were to be recovered from the allottees. The Company decided in 1991 to recover the maintenance charges at 2 *per cent* of the cost of plot/shed per annum. Further, it was decided (June 1997) that the recovery of maintenance charges should be based on actual expenditure divided proportionately on the saleable area with effect from the year 1998-99.

Accordingly, demand notices were issued (May/June 1999) against Udyog Vihar, Gurgaon at the rate of Rs 10 and Rs 11 per square metre for 1998-99 and 1999-2000 respectively. Against the total projected recovery of Rs 1.43 crore and Rs 1.58 crore for 1998-99 and 1999-2000 respectively, the recovery of Rs 58.36 lakh and Rs 54.18 lakh (up to 30 September 1999) respectively could be made.

In other estates, the recovery on actual basis could not be initiated due to resentment by Industrial Associations against the sudden upsurge in the charges. In order to recover the amount, meetings with Industrial Associations were held (October 1999) and a new formula (sum of cost of dedicated staff, proportionate cost of common staff, maintenance cost of service and recovery of water charges divided by plotable area) was devised which was acceptable to the Association. Further developments were awaited (June 2001).

An amount of Rs 3.45 crore was recoverable from allottees in five industrial estates on account of maintenance charges

(b) During the course of audit of Karnal, Gurgaon, Samalkha, Jind and Faridabad Industrial Estates, it was seen that an amount of Rs 3.45 crore was recoverable from the allottees (December 2000). Age-wise analysis of amount recoverable from defaulters had not been made by the Company. An attempt made in audit to work out age-wise analysis of above recoverable amount disclosed that Rs 88.61 lakh, Rs 45.68 lakh and Rs 2.11 crore were five to 12 years, three to five years and less than three years old respectively.

Further, it was also observed that there were 522 allottees in Gurgaon who had not paid even a single rupee since the recovery had become due. Amount due from them was Rs 1.99 crore which worked out to 61.56 *per cent* of the amount recoverable (Rs 3.24 crore) at Gurgaon up to January 2001. The Company had not taken any action to resume the plots/sheds of such allottees.

(c) Enhanced compensation[*]

An amount of Rs 8.02 crore was overdue for recovery at three estates test-checked in audit on account of enhanced compensation

A test-check of records of Karnal, Gurgaon and Faridabad estates revealed that an amount of Rs 8.02 crore on account of enhanced compensation of land was overdue for recovery as on 31 January 2001 from 261 allottees. An audit analysis disclosed that 206 allottees involving Rs 7.17 crore (including interest) had filed cases against the recovery in the courts. The Company had not taken any action against another 12 and 30 allottees at Gurgaon and Karnal from whom Rs 18.21 lakh and Rs 57.49 lakh respectively were recoverable and cases are not in the court. The plots could have been resumed or the arrears could have been recovered as arrears of land revenue under Haryana Public Premises Act, 1972 as per terms of agreement entered into with allottees in case of non-payment of dues. But there was nothing on record to indicate whether any such action was ever initiated.

2C.13 Management information system (MIS)

The Company had not evolved an efficient and reliable management information system for reporting to the Board of Directors, the status of acquisition of land, development thereof and allotment of plots/sheds to the allottees, amount recoverable from allottees etc. from time to time for suitable remedial measures. Authentic records to show the milestones achieved by the Company with reference to the time frame set under industrial policy had also not been maintained. As such, the information regarding underdeveloped land, time taken in development of land, allotment, and time taken in handing over possession etc. was not known to the top management.

Conclusion

The Company had been declared as a nodal agency for development of industrial infrastructure in the State. The Company had, however, not fixed any physical targets for development of industrial estates by setting a fixed time frame. The rates for allotment of plots/sheds were being fixed on the estimated cost basis without recourse to actual cost. Plots had also been allotted to ineligible allottees/purposes and undue concessions extended. Its own declared policy of providing plots/sheds on ‘no profit no loss’ basis, had also not been observed by the Company. Certain industrial estates were developed without proper survey for demand, which led to blockage of huge funds.

[*] Enhanced compensation means the increase in price of acquired land awarded by the courts on appeal by the land owners.

The Company needs to fix physical targets, work out allotment price on actual cost basis and adopt a system to monitor the actual implementation of the projects with a view to achieve the main objectives of industrialisation in the State.

The matter was referred to the Government in May 2001; the reply had not been received (September 2001).