

## Chapter IV: Management of Leases

### 4.1 Dismal state of management of leases

Vacant or unused land is often leased out to various public and private users at different locations on a rent and premium for a fixed term subject to renewal at enhanced rent as per the terms and conditions of the lease agreement.

The management of these leases is extremely important as failure to renew the leases in time can lead to loss of substantial revenue to Government and can jeopardize Government's claim on the land. Often, lack of proper contract in matters of land leads to protracted litigation. In pursuance of the guidelines of March 1995 of the Ministry regarding the procedure for expeditious renewal of leases, the DEOs were required to inform the lessees well in advance about the expiry of lease as well as the necessity of making up to-date payments of rentals and initiate action to process cases for renewal.

**As of March 2010, 2500 acres of land valuing ₹ 11,033 crore was on lease for an annual rent of ₹ 2.13 crore which is negligible given the present market value of the land. There was no progress in renewal of 3780 leases. Requests for renewal were received only in 899 cases. In 1800 cases, where no requests for renewal were received, the cases had not been pursued for eviction of lessees. In respect of remaining 1081 cases the status was not clearly known.**

The above indicates the Defence Estates Organisation's failure to ensure even a minimum level of management over such leases. The DGDE stated in March 2010 that instructions for adopting a calendar by the field offices had been issued and 464 leases had been renewed involving an area of 220 acres. An amount of ₹ 3.39 crore had been recovered. The responsibility for delay could not be fixed due to involvement of various agencies. The position of outstanding lease cases as of March 2010 was as indicated in Table 4.

**Table 4**  
**Command-wise and age-wise delay in renewal of leases**

Sl. No.	Command	0-1 Year	2-5 Years	6-10 Years	> 10 Years	Total	Total area (in acres)
1.	Central	37	125	219	1542	1923	} 2500
2.	Southern	12	87	169	1112	1380	
3.	Western	30	50	27	204	311	
4.	Eastern	4	5	21	116	146	
5.	Northern	Nil	Nil	1	19	20	
6.	South-Western	Nil	Nil	Nil	Nil	Nil	
	Total	83	267	437	2993	3780	2500

### 4.2 Cases of delay in renewal of leases

Audit observed in three Commands<sup>7</sup> that land in various cases of expired leases were under unauthorized occupation for the period from 1942 to 2009. A few such individual cases of expired leases as observed by Audit are as follows:-

- Four cases of lease of land involving 3.33 acres in Pallavaram under DEO Chennai were under unauthorized occupation of ex-lessees for the period from 1971 to 1996. The leases had not been renewed and the ex-lessees had resorted to commercial activities on the land. These cases for eviction had been pending with the Ministry since long, resulting in non-recovery of rent of ₹ 3.60 crore.
- Lease of land measuring 6.20 acres to **UP State Electricity Board** in Central Command had not been renewed for periods ranging from 23 to 43 years. No action had been taken either for eviction or for recovery of rent. No reply was furnished by DEO Agra as of September 2010.
- 23.97 acres of land was in continued unauthorized occupation of **Hyderabad Cricket Association and Sports Authority of Andhra Pradesh** without the execution of any lease agreement and rent amounting to ₹ 3.66 crore was outstanding. After the matter was taken up in audit, the entire rent was recovered in December 2009.
- **Maharashtra State Electricity Board** continued to occupy 4.08 acres of land since 1994 without paying annual lease rent amounting to ₹ 18.60 lakh, pending finalization of lease agreement. In reply to an audit query DEO Pune stated in August 2009 that draft lease agreement had been forwarded to DGDE in 1994 and approval was awaited.
- In December 1994, 25.58 acres of B-3 land in Pune was voluntarily ceded by Poona Club and re-classified from into A-1 as per the Ministry's sanction. The resumed land was occupied by **Rajendra Singhji Institute Pune**, a Club which was also running a Golf Course on Defence land. As per records of GE (N), Pune an amount of ₹ 16.11 lakh was outstanding against this Institute on account of rent and allied charges as of August 2009.
- The Ministry in May 2000 leased a land measuring 0.53 acre to **Indraprastha Gas Limited, New Delhi** for a period of five years with effect from May 2001 on an annual rent of ₹ 8.43 lakh and a premium of ₹ 42.15 lakh. The lease expired in May 2006. The Ministry accorded sanction only in July 2009 for renewal of lease for a period of five years with effect from May 2006 to May 2011 on payment of annual rent of ₹ 24.09 lakh and premium of ₹ 1.20 crore. Audit noticed that apart from delay of over three years in the Ministry's sanction for renewal of lease, lease rent amounting to ₹ 16.86 lakh only was received from IGL for the period from May 2006 to May 2008. As a result, the lease rent and premium of ₹ 1.76 crore was still due from IGL (September 2009). No reply was furnished by DEO Delhi Cantt.
- The Ministry accorded sanction for execution of lease of 6.70 acre of land in favour of **UP Food Grain Department Kanpur** for a period of 30 years with

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<sup>7</sup> Central, Southern and Western

effect from May 1949 on a rent of ₹ 0.16 lakh *per annum*. The lease was renewable up to 90 years. The first term of the lease expired in May 1978 and second term on rent of ₹ 0.24 lakh expired in May 2007. However, the Defence Estates Organization failed to execute a formal lease deed even after expiry of 60 years and in effecting recovery of ₹ 7.20 lakh on account of rent for the second term.

- 5.212 acres of **B-3 land** known as “**West View and West Mount**” at Ranikhet Cantonment was held by private parties<sup>8</sup> on lease since January 1918 for 66 years for **residential purpose** on payment of annual rent of ₹ 155.31. In 1942, HQ Lucknow District granted NOC for use of the bungalows on the land as “**Hotel for Europeans**” for five years, which expired in December 1948. Since then the property was being used as hotel. Thus, land with an estimated value of ₹ 4.21 crore as per STR granted on lease for residential purpose was being misused as a hotel since 1948 without payment of commercial rent and has remained under unauthorized occupation of private persons since 1948. The rent for commercial use of the land for the period 2004-2009 alone worked out to ₹ 2.11 crore.
- The Ministry accorded permission to **North Delhi Power Ltd. (NDPL)** in July 2003 for laying underground electric cables of approximately 4 km in length on Defence land from Naraina grid substation to the grid substation at Kirby Place. The Ministry accorded sanction in April 2009 for the lease at a rent of ₹ 15.09 lakh *per annum* after a lapse of six years from the date of permission of carrying out the work on Defence land. The premium of ₹ 75.47 lakh for licence fee was, however, not reflected in the sanction. As a result the amount of lease rent and premium for five years (2003-2008) amounting to ₹ 1.51 crore had not been recovered from NDPL (September 2009).

Audit concluded that despite guidelines for expeditious and timely renewal of leases, the cases were not being given due priority. The handing over the land to lessees without lease agreement and also continued possession of Defence land by the lessees after expiry of lease agreements resulted in inability of the DEOs and the LMAs to get their own land vacated. Besides the revenue loss in all such cases, this deprived the LMAs of their legitimate resources to meet their strategic and operational needs.

### 4.3 Irregular sub-leasing by the lessees

- **Institute for Defence Studies Analysis (IDSA)** Delhi was given 6.5 acres of Defence land on lease for 30 years in April 2002 on payment of a token rent of ₹ 1 *per annum* with the condition that this land would not be subleased. However, IDSA subleased 0.55 acre to M/s Residency Hotel in February 2008 for three years at a rent of ₹ 78.00 lakh *per annum*. Moreover, the amount of ₹ 1.17 crore inclusive of security deposit of ₹ 19.50 lakh realized from February 2008 to July 2009 was not deposited into the Consolidated Fund of India.

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- For construction of club & recreational ground, 17.5 acres of A-1 land was leased out to **Defence Services Officers' Institute**, New Delhi (DSOI) with effect from March 1964 for 30 years at a nominal rent of ₹ 1000 *per annum*. The lease with the Institute had expired 15 years ago and had not been renewed further as of September 2009. The Institute had, meanwhile, sublet a portion of land to a bank and a few shops. Damage rent to the tune of ₹ 65.78 crore had accrued from April 1994 to March 2009, which remained unrealized as of September 2009. The Ministry stated in August 2010 that proposal for renewal of lease from February 1994 was under consideration with DGDE and Army HQ.
- Lucknow Race Fund (LRF), Lucknow** is a registered society for giving instructions and to spread knowledge in horse breeding. The LRF was granted on lease the buildings / lands mentioned in Table 6 on **B-3 land** in Lucknow Cantonment.

**Table 5**  
**Land on lease with Lucknow Race Fund**

Sy No	Area (in acre)	Description	Nature of lease	Period of lease
178	2.62	Race Club Office	Cantt Code 1899 lease	23.11.1911 to perpetuity
307	56.3	Race course		23.11.1911 to perpetuity
309	3.35	Subsidiary Race Course building	Cantt Code 1912	01.09.1923-31.12.1978
310	10.84	Approach way		

Survey No. 309 & 310 was on lease for a period of 49 years from September 1923 at an annual rent of ₹ 220. The lease was further renewed from September 1972 to December 1978 on the same terms and conditions of original lease except renewal clause i.e., it could be renewed thereafter. No renewal was done after December 1978. A portion of the said land was subleased by the LRF to a Society called Programme Support Unit Foundation since November 1993 on monthly charges of ₹ 1650. Thus, land costing ₹ 43.06 crore (as per STR for the year 01.07.2008 to 30.06.2009) was under occupation of the LRF for 31 years, without payment of any rent/damage rent. The rent for commercial use of the land for the period 2004-2009 alone worked out to ₹ 10.76 crore (as per current STR).

#### 4.4 Loss due to delay in fixation / non-recovery of rent from private parties

The cases where there was substantial loss of revenue to the Government of India due to delay or non-leasing or leasing at lower rates, etc. noticed during audit are as follows:

- Hotel Clark Shiraz, Agra**

The Ministry in January 1961 accorded sanction to construct Hotel Clark Shiraz in Agra Cantonment on 5.68 acres of Defence land on payment of rent of ₹ 2840 *per annum* and a premium of ₹ 56,800. A lease agreement was executed in April 1961 for a term of 30 years renewable at option of lessee up to 90 years on payment of a rent of ₹ 3977 *per annum*. For the second or third term the lease rent

could be enhanced up to fifty *per cent* of the rent of a property which had been resumed for any lease (either original or renewed) immediately preceding the renewal of this lease. In 1991, 100 additional rooms were constructed by the lessee against approval of 90 rooms given by Cantonment Board increasing the number of rooms to 237. The daily room rent charged by the hotel was between ₹ 5800 and 8500 during October 2009 to August 2010.

On expiry of the first lease term of 30 years in 1991, rent was revised to ₹ 11,931 *per annum* whereas it should have been fixed four times of the residential rent as per the Ministry's order of January 1968. Non revision of rent in accordance with the Govt. provision resulted in loss of ₹ 8.08 crore for the period from 2001-2009.

- **Grand Hotel Agra**

The Ministry in July 1968 accorded sanction for leasing of Old Grant site measuring 1.40 acres at Agra for construction of a hotel, at an annual rent of ₹ 1260.90 and premium of ₹ 25,218. An agreement was entered into between DEO Agra and lessee (Shri Ranjit Rai Dang) in February 1969 which was subsequently renewed in July 1993 and rent was revised to ₹ 1891.35 *per annum*, as per the lease.

However, as per the Ministry's order of January 1968 rent at four times the rate of residential rent was recoverable from site leased for the purpose of hotels. Considering the above rate of rent actual amount recoverable worked out to ₹ 1.03 crore from 2001-02 to 2008-09 resulting in loss to the public exchequer. In May 2008 DEO Agra also intimated Grand Hotel that market value of the site was ₹ 2491 per sq.metre and rent based on STR recoverable from them was ₹ 14.12 lakh *per annum*.

### Other cases

- 25 acres of A-1 land was given to **State Forest Department** for Herbal Park on lease for five years at Ambala station in Western Command in May 2006 at rates lower than prevailing STR rates causing loss of ₹ 7.24 lakh. No reply was furnished by DEO to the audit observation that pointed out the loss.
- 317.63 acres of Military Farm land which was vacant was leased to **Shri Methilesh Ratten** of Hoshiarpur from 1.10.2006 to 30.9.2007 for a sum of ₹ 40.35 lakh per year, for agriculture. The land was actually utilized for 18 months (1.4.2006 to 30.9.2007) while the lessee paid only one six monthly installment of ₹ 20.17 lakh resulting in loss of ₹ 40.35 lakh. Further, the land could not be given on lease between October 2007 and March 2009 due to withholding of permission by Army authorities, involving loss of ₹ 60.54 lakh. No reply for reasons on withholding permission was furnished by Station HQ Jalandhar.
- DEO Meerut executed (February 1936) a lease for a period of thirty years with the owner of **Nataraj Cinema Hall Bareilly** for a plot of land measuring 1.24 acres. The lease was renewable at the option of lessee up to ninety years on payment of annual rent of ₹ 255 and premium of ₹ 1600. As per the lease, the renewal was to be granted only at such rents within a

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percentage of enhancements of 50 *per cent* of the lease rent of any lease, either original or renewed, immediately preceding the renewal of the lease.

According to the policy issued in January 1968, four times of the residential rent was recoverable for the sites given for highly lucrative businesses. It was, however, seen that while renewing the lease in October 1998 the rent was fixed only at ₹ 574 *per annum*, whereas as per STR it worked out to ₹ 26.10 lakh *per annum*, resulting in substantial loss to the Government.

### 4.5 Follow up of cases raised in earlier Audit Reports

Mention was made in Paragraph 2.6 of C&AG's Report No. 6 of 2003 regarding instances of non-execution and non-renewal of lease agreements. The progress of cases was examined during the current Performance Audit. Out of 10 cases relating to lease, follow up action was not complete even in a single case as discussed below:

- Defence land measuring 34.66 acres and 12 buildings at 3 stations were under unauthorized occupation of private agencies for educational and training purposes without any lease agreement with the Government. A rent of about ₹ 3.58 crore for the period July 1994 to June 2002 was outstanding against them as per details shown in Table 6.

Table 6

#### Unauthorized occupation of buildings / lands by ex-lessees

Name of the agency	Defence land/ buildings occupied	Outstanding rent/ premium (₹ in crore)	Period of outstanding rent	Amount recovered (₹ in crore)
Army Wives' Welfare Association (AWWA), Kolkata	12 buildings	0.45	March 1996 to March 2002	0.80
Private Engineering College, Dighi-Pune	34.15 acres	0.62	July 1994 to June 2002	-
Jawahar Training Ship, Mumbai	0.51 acres	2.51	January 1995 to June 2002	-
<b>Total</b>	<b>34.66 acres +12 buildings</b>	<b>3.58</b>		<b>0.80</b>

- In one case, a sum of ₹ 0.80 crore for the period from November 1997 to August 2009 had been recovered. However, regularization for running National Institute of Management by AWWA was awaited as of September 2009. In the remaining two cases, there was little progress in regularization/ recovery of rent. While in one case (Dighi-Pune) the liability of rent from July 1994 to June 2009 had risen to ₹ 0.86 crore the progress of the other case was not intimated by DEO Mumbai.

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- Two Clubs at Chennai, two units of IOC, i.e. one each at Chennai and Kochi, some private parties at Ambala and a private tea estate at Jorhat were in occupation of 510.2 acres of Defence land even after expiry of respective leases involving outstanding rent of ₹ 63.56 crore against them for the period ranging from March 1963 to June 2002 as tabulated in Table 7.

**Table 7**

### Position of non-renewal of leases

Agency	Land (in acres)	Outstanding rent (₹ in crore)	Period	Present position
Gymkhana Club, Chennai	44.13	33.10	December 1991 to June 2001	The Ministry accorded extension in August 2006 of lease and revision of rent upto November 2003, ₹ 0.16 crore out of ₹ 33.10 crore was deposited in December 2003. Sanction beyond November 2003 was awaited as of September 2010.
Cosmopolitan Club, Chennai	2.33	4.00	July 1970 to June 2001	The Ministry accorded sanction in June 2008 to regularize lease from July 1970 to March 2008. Lease rent of ₹ 4.61 crore up to March 2008 remained unpaid and club unauthorisedly occupied an additional area of 3.92 acres from April 1993. Sanction beyond March 2008 was awaited as of September 2010.
IOC, Chennai	0.36	0.41	1978-79 to June 2002	The Ministry renewed lease in September 2008 upto 2003-04. Accumulated rent and premium of ₹ 6.94 crore was outstanding.
IOC, Kochi	0.92		The Ministry renewed lease in January 2006 upto May 2007 on payment of rent and premium of ₹ 3.24 crore. IOC deposited ₹ 1.27 crore and balance amount of ₹ 1.97 crore was pending.	
Private parties at Ambala	162.26	0.29	May 1975 to March 2002	Lease pending since 1975 and a further liability of ₹ 53.79 lakh from April 2002 to March 2009 had accumulated.
Bagradaia Tea Estate, Jorhat	300.20	25.76	March 1963 to January 2001	The case was <i>sub judice</i> since 2007.
<b>Total</b>	<b>510.20</b>	<b>63.56</b>		

Evidently, despite issue of Government sanctions for renewal of leases, the parties concerned were still not liquidating their rental liability. While both the clubs were running on commercial lines, a negligible amount had been deposited by one club and the entire amount of rent from 1970 to 2008 in respect of second club was outstanding. Similar was the position in other cases. Consequently, there was substantial increase in outstanding rent and premium after 2002.

- In two cases relating to Cricket Association of Bengal, Kolkata and Naval Institute of Technology (NIT) Mumbai covering 14.99 acres and 2057 square metres of land respectively lease rent was fixed considerably at lower rates resulting in loss of ₹ 7.39 crore (₹ 6.67 + ₹ 0.72) during the period 1996-

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2002. In the case of former the Ministry sanctioned rent on the basis of income of the Cricket Association, i.e. ₹ 6.5 lakh plus one *per cent* of the amount of income exceeding ₹ 13 crore rather than based on STR and area of the land occupied, which worked out to ₹ 17.99 crore *per annum*. In the latter case, the Navy was recovering rent at a rate of ₹ 43.47 per square metre from NIT whereas payment was made to the Railways (as the land was taken on lease from Western Railways) at a rate of ₹ 640 per square metre.

### **Recommendation 11**

**The Ministry should institute a mechanism for monitoring the timely renewal of leases. The rent due but not recovered should be worked out and recovered in a time bound manner. Eviction proceedings for unauthorized occupation, construction, utilization, non-payment of rent, etc. should be followed up and taken to a logical conclusion in a time bound manner. Duties and responsibilities should be specified and the officers concerned should be made accountable for any lapse on their part.**