

## Chapter III

### Performance review relating to Statutory Corporation

#### Gujarat Industrial Development Corporation

#### Functioning of the Gujarat Industrial Development Corporation

##### Executive Summary

###### *Introduction*

*The Corporation was incorporated in August 1962 for assisting in the rapid and orderly establishment of industries in Gujarat.*

###### *Industrial Policy*

*As per the Industrial Policy 2003, Government intended to convert the existing allotted leasehold land to freehold by charging appropriate premium and create the Industrial Estate Development Fund. The fund so created was to be utilised on upgradation of facilities in the existing estates. The policy was pending for implementation in absence of reasonable response from the allottees.*

###### *Land acquisition*

*The development of land was not commensurate with the land acquired though funds were available with the Corporation. During 2005-10, the percentage of land developed to land acquired at the end of each year ranged between 0.21 and 13.01.*

###### *Development of infrastructure, Special Economic Zones (SEZs) and Critical Infrastructure Project (CIP)*

*The Corporation did not prepare any detailed plan indicating the time schedule within which the developmental works in the estates were to be taken up and completed which had adverse effects on monitoring of execution of works.*

*The Corporation developed Ceramic and Glass SEZ, at Jhagadia without conducting any feasibility study, which led to its failure and blockage of funds spent on it. Further, out of the total plots allotted, 53 per cent of plots in Surat SEZ and 80 per cent of plots in Ahmedabad SEZ were lying unutilised by the allottees in absence of proper feasibility study.*

*The Corporation and Government of Gujarat had to bear extra financial burden of ₹ 118.47 crore and ₹ 142.41 crore due to splitting up of same kind of works into smaller segments with the intention of passing on maximum financial assistance to Industrial Associations under CIP.*

###### *Fixation of Premium Price (PP)*

*The Corporation sustained loss of ₹ 14.94 crore in two cases in absence of the enabling clause in land allotment agreement for recovery of compensation awarded by the court under Land Reference Cases. There were instances of huge revenue loss to the Corporation on account of erroneous fixation and abnormal delays in revision of PP.*

###### *Allotment and transfer of plots*

*The Corporation suffered a huge revenue loss of ₹ 44.85 crore due to various kinds of irregularities in allotment and transfer of plots viz., incorrect or non charging of applicable PP (₹ 31.61 crore), allotment of plots at concessional PP to ineligible allottee (₹ 8.46 crore), non recovery of transfer fee (₹ 1.11*

crore) and allotment of plots at lesser PP (₹ 3.67 crore).

#### **Maintenance of estates**

Fixation of water charges in violation of the Corporation's policy led to short recovery of water charges of ₹ 6.43 crore at Dahej and Vilayat estates. Further, in 171 out of 183 functional estates, none of the three systems for disposal of waste was provided.

#### **Unutilised plots and unauthorised use of plots**

The Corporation failed to take effective action against the allottees who did not utilise the plot beyond the stipulated period (1,868 plots with a total area of 50.85 lakh square metre) and also against the allottees who had unauthorisedly used the plots (153 plots with a total area of 3.69 lakh square metres) for commercial activities in the plots allotted to them for industrial use

#### **Utilisation of funds**

During 2005-09, there was a short fall in achievement of targeted expenditure on land acquisition and on infrastructure development activities by 73 and 62 per

cent respectively due to inadequate efforts of the Corporation.

#### **Conclusion and Recommendations**

The Corporation had no detailed plan fixing time frame for taking up and completing the work of setting up of estates and it did not focus more on the activities of land acquisition and infrastructure development. No proper adherence to policy/rules/methods was followed in fixation/revision of PP, allotment of plots, etc. Adequate systems for proper disposal of waste were not provided in the estates. Internal control and monitoring mechanism were not adequate considering the volume of activities related to development and maintenance of estates.

The review contained five recommendations which inter alia included formulating time frame for setting up of estates, devising suitable mechanism for ensuring compliance with policy, rules and methods relating to fixation/revision of PP, allotment of plots etc., and strengthening the internal control system looking at the volume of activities.

## **Introduction**

**3.1** Gujarat Industrial Development Corporation (Corporation) was incorporated on 4 August 1962, under section 3 of the Gujarat Industrial Development Act, 1962 for assisting in the rapid and orderly establishment of industries in the State. The main functions of the Corporation included acquisition of land, setting up and management of industrial estates, allotment of plots/sheds for industrial/commercial/residential purpose, recovery of Premium Price (PP) of plots/sheds and recovery of service charges from the allottees.

The Board of Directors (BoD) consisted of 12 directors and the Vice Chairman *cum* Managing Director (VCMD) who was the chief executive of the Corporation. As on 31st March 2010, the Corporation had 183<sup>┆</sup> functional industrial estates (67 saturated and 116 non saturated). It had 6<sup>┆</sup> Divisional Manager (DM) and 14<sup>o</sup> Regional Manager (RM) Offices for dealing with

<sup>┆</sup> Including three estates exclusively earmarked for Housing Estate (Atali-Bharuch, Umbergaon-Valsad and Hanspura-Ahmedabad).

<sup>┆</sup> Ahmedabad, Mehsana, Vapi, Rajkot, Ankleshwar, Bhuj.

<sup>o</sup> Ahmedabad, Vadodara, Rajkot, Ankleshwar, Surat, Junagadh, Bhuj, Mehsana, Surendranagar, Bhavnagar, V. U. Nagar, Gandhinagar, Jamnagar and Vapi.

administrative matters of the estates *i.e.* allotment of plots, recovery of dues from allottees, etc. It had four<sup>¥</sup> Circle and nine<sup>€</sup> Division offices for dealing with technical matters *i.e.* monitoring the development work of estates and also maintenance of the estates.

### Scope of Audit

**3.2** The performance audit conducted during January to May 2010 covers the activities of the Corporation in the development of infrastructure for industries in the State including Special Economic Zones (SEZs) during five years ended 31 March 2010. For the purpose, records of the Head Office (HO), seven\* out of 14 Regional Managers offices, three<sup>Σ</sup> out of four circle offices and five<sup>∅</sup> out of nine Division Offices of the Corporation were examined.

### Audit objectives

**3.3** The performance review relating to activities of the Corporation was conducted with a view to ascertain whether:

- there was a clearly laid down plan for acquisition and development of land;
- land procured was developed by establishing infrastructure facilities like roads, power, water supply, sewerage, communications, etc;
- proper allotment policy was in place and the allotment was made as per the laid down rules and rates;
- the funds received from Central/State Government (s) by way of grants and loans were utilised in an economic, effective and efficient manner;
- proper system was in place to effect timely recovery of dues (*viz.* capital and revenue receipts);
- the stated objective of industrial development in the State was achieved; and
- effective monitoring and internal control mechanism was in place.

### Audit criteria

**3.4** The following audit criteria were adopted for assessing the performance of the Corporation:

- Industrial policy of the State Government and directives issued thereto;

<sup>¥</sup> Ahmedabad, Rajkot, Bharuch and Surat.

<sup>€</sup> Ahmedabad, Mehsana, Rajkot, Vadodara, Ankleshwar, Vapi, Surat, Bhavnagar and Bharuch.

\* Gandhinagar, Ahmedabad, Vadodara, Ankleshwar, Surat, Vapi and Jamnagar.

<sup>Σ</sup> Ahmedabad, Bharuch and Rajkot.

<sup>∅</sup> Ahmedabad, Vadodara, Bharuch, Ankleshwar and Rajkot.

- Targets fixed for selection of areas for development of infrastructure;
- Laid down eligibility criteria and guidelines of the Corporation for allotment and transfer of land;
- Procedures prescribed for acquisition of land and payment of compensation to land owners;
- Agenda notes and resolutions of Board of Directors and approved budgets of the Corporation;
- Rules framed for fixation of allotment price, levy of penalty, recovery of dues, etc.

### Audit Methodology

3.5 The audit methodology involved review, scrutiny and analysis of:

- Relevant provisions in the Acts, policy, government instructions/approval/stipulated procedures applicable to the Corporation in performing its functions;
- The Plans, resolutions of BoD, approved budgets, instructions issued to field offices, internal rules and procedures framed for attending the works relating to allotment of plots/sheds, maintenance of estates, recovery of dues etc;
- Files, registers, financial records of HO and field offices;
- Tender files, works contracts, correspondence with contractors, measurement books, and Running Account (RA) bills, etc;`

### Financial position and working results

3.6 The financial position and working results of the Corporation for the last five years up to 31 March 2010 have been given in *Annexure-11*. From the annexure, it can be seen that revenue receipts increased from ₹ 191.39 crore in 2005-06 to ₹ 537.43 crore in 2009-10. There was consistent growth in surplus annually till 2008-09 on account of corresponding increase in the revenue receipts each year. During 2009-10, the surplus declined to ₹ 147.48 crore as compared to ₹ 165.06 crore earned during 2008-09 mainly because of disproportionate increase in the expenditure by ₹ 161.86 crore which included maintenance expenditure of ₹ 124.40 crore on power and street lights. The constant increase in the surplus of the Corporation over the years had contributed to corresponding growth in 'Reserves and Surplus' which reached ₹ 1,021.66 crore in 2009-10 from ₹ 508.79 crore in 2005-06. Further, 'capital expenditure on development of industrial estates' also increased substantially during last three years from ₹ 1,131.57 crore (2007-08) to ₹ 2,402.24 crore (2009-10) mainly on account of development works executed in Savli and Dahej estates during these years.

### Audit findings

**3.7** Audit findings were discussed with VCMD along with other officials of the Corporation in the ‘Exit Conference’ held on 14 July 2010 and the views expressed by them have been duly considered while finalising the performance review. Audit findings are discussed in the succeeding paragraphs.

### State Industrial Policy

**3.8** As per the Industrial Policy 2003, the Government had planned to convert the existing land allotted on leasehold basis to freehold basis to the allottees of industrial estates by charging appropriate premium. The premium so collected was to be credited into a fund ‘Industrial Estate Development Fund (IEDF)’ with a view to utilise the same for upgradation of facilities in the existing estates of the Corporation. Further, in case of allotment of plots within the Corporation’s estate, the industrial policy stipulated for switching over from the present method of fixing the cost of land at ‘Cost plus price’ by the Corporation to ‘Average Pricing’ principle so as to maintain uniformity in land price and generate demand for the development of estate at a price less than the actual cost.

We noticed that the policy was pending for implementation due to lack of reasonable response from the allottees.

**Government did not set any targets for the Corporation for industrialisation in the State**

We, however, observed that neither GoG had given any targets to the Corporation for the industrialisation nor the State had identified any ‘thrust sectors/industries’ to be focused by the Corporation. Further, the Corporation did not switch over to the ‘Average Pricing’ principle for allotment of plots (March 2010).

### Acquisition of land

**3.9** The Corporation did not have any policy for selection of land for purchase/acquisition with reference to nature of industries and suitability for creation of infrastructure facilities. The Corporation acquires both Private and Government lands for development of estates. During 2005-06 to 2009-10 the Corporation acquired 7,642.63 Ha. and developed 2,392.20 Ha. The land acquired and the development made at the end of each year for the period from 2005-06 to 2009-10 is tabulated below:

(in Ha.)

Year	Opening balance	Addition during the year	Total	Land developed during the year	Closing balance	Percentage of land developed against the land acquired
2005-06	8,686.51	36.72	8,723.23	64.80	8,658.43	0.74
2006-07	8,658.43	386.87	9,045.30	56.30	8,989.00	0.62
2007-08	8,989.00	601.37	9,590.37	19.90	9,570.47	0.21
2008-09	9,570.47	4,554.89	14,125.36	166.90	13,958.46	1.18
2009-10	13,958.46	2,062.78	16,021.24	2,084.30	13,936.94	13.01
<b>Total</b>		<b>7,642.63</b>		<b>2,392.20</b>		

(Source: the annual reports and the information furnished by the Corporation)

Percentage of land developed to total land available remained between 0.21 and 1.18 per cent during 2005-09

From the table above, it can be seen that the development of land did not commensurate with the acquired land even though funds were available with the Corporation (as discussed in paragraph 3.19 *infra*). During last four years up to 2008-09 (*viz.* 2005-09), the percentage of land developed to the total land available was extremely poor and remained between 0.21 and 1.18 *per cent*. However, during year 2009-10 the percentage of land developed to total land available increased to 13.01 *per cent* mainly because of development works executed by the Corporation in Savli and Dahej (SEZs) areas.

The Government/Management stated (August 2010) that the Corporation had issued a policy circular in January 1980 mentioning all the parameters for selection of land for setting up an estate. But due to some typical situations (*i.e.* delay in possession of land, pending disposal of land reference cases (LRC)), pending fixation of price for Government land, low demand in tribal areas and global industrial scenario discouraging the industries, the development works were delayed giving an illusion that there was lack of planning in selection and acquisition of land for the estates.

The contentions regarding typical situations cited in the reply are exceptional cases which should not be generalised. As seen from the above table, the abnormally low percentage of developed land to the total land available during 2005 to 2010 was indicative of deficiency in planning for selection and acquisition of land. Further, the Corporation did not provide copy of the policy circular for verification in support of the reply.

### Development of Infrastructure

For creation of infrastructure facilities, the Corporation undertakes development works like roads, power, water supply, sewerage, communications, etc in its estates, setting up of SEZ and development and upgradation of infrastructure in the industrial estates under Critical Infrastructure Project (CIP) of GoG. The deficiencies in the execution of works are discussed as under:

#### Absence of definite time schedule for development works

No detailed plan for development of infrastructure in the estates

**3.10** Before floating any industrial estate, Corporation was required to provide four basic facilities *viz.* roads, water supply, sewerage and electrification. During the period 2005-06 to 2008-2009, the Corporation incurred an expenditure of ₹ 340.89 crore towards development works. We observed that the Corporation did not prepare any detailed plan prescribing the time schedule within which the works were to be executed. In the absence of such schedule, the delay in taking up the works and reasons therefore could not be ascertained.

#### Deficiencies in tendering for development works

**3.11** The civil works for development of various estates were being awarded to different contractors selected through tendering process. We observed deficiencies in the tendering process adopted for award of development works as enumerated in succeeding paragraphs:

### ***Non recovery of third party inspection charges***

**Deficiency in the tender provision led to non recovery of inspection charges of ₹ 1.79 crore**

**3.11.1** The Corporation followed tender Form B-1 prescribed by the State Roads & Building (R&B) Department (Tender Form) for awarding the works based on percentage rate quoted by the bidder either above or below the estimated cost put to tender for work. The clause 77 of tender form stipulated that an amount equal to one *per cent* of estimated cost put to tender after deducting the cost of materials as per schedule-A (valued at the basic rate in the sanctioned estimate) shall be deducted from the running bill of the contractor towards quality testing charges of the material brought by contractor. Test check of the records of four division offices<sup>®</sup>, revealed that no such clause was inserted in tender form while inviting tenders for 66 works awarded and executed during the period 2005-06 to 2009-2010. As a result, an amount of ₹ 1.79 crore (***Annexure 12***) actually incurred towards inspection charges for quality testing of material through third party could not be recovered from the contractors.

The Government/Management stated (August 2010) that the Corporation had taken up the works fully funded under GoG scheme viz., Critical Infrastructure Project (CIP). As per guidelines of the scheme, Third Party Inspection Agency (TPA) was appointed for ensuring the quality of work during execution of the works. Whereas, testing charges as per clause 77 of tender Form B-1, was meant for the cost towards sampling and testing to be carried out during the course of execution as per the frequency mentioned in the tender documents. As such, the cost incurred for the work of TPA was mandatory and also different from the testing charges.

The reply is not tenable. Of the 66 works listed, 20 works were falling under the scheme of CIP. The scheme of CIP has been discussed in the paragraph 3.17 *infra*. As per CIP scheme, the total project cost was to be shared among GoG, the Corporation and the concerned Industrial Association of the estate in the ratio as stipulated by GoG while the Corporation was the nodal agency for implementation of the project. As such, the contention of the management that the works were fully funded under GoG scheme was not correct. Further, the objective of availing the services of TPA under scheme of CIP or conducting the testing as per clause 77 of tender Form B-1 was the same *i.e.* to ensure the quality of material and the work executed. Thus, by not inserting the provision for recovery of testing charges/cost of TPA as per clause 77, the Corporation was unable to recover the cost of ₹ 1.79 crore incurred including inspection costs to be passed on to GoG (₹ 0.28 crore) and Industrial Associations (₹ 0.08 crore) towards their share relating to 20 CIP works.

### ***Loss due to non-availing of Excise Duty Exemption***

**3.11.2** As per the Ministry of Finance, Government of India, notification dated 8 January 2004, payment of excise duty (ED) was exempted on "all items of machinery and their components/parts and pipes required for setting up the water supply plants and also on the pipes needed for delivery of water from its source to the end users for agricultural as well as industrial purposes.

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<sup>®</sup> Ahmedabad, Vadodara, Vapi, Mehsana.

**Not availed excise  
duty exemption of  
₹ 1.53 crore due to  
lack of efforts**

To avail this exemption, the user had to obtain a certificate from the concerned District Collector/ Deputy Commissioner / District Magistrate and produce the same to the Central Excise authority.

We observed that in respect of three<sup>¶</sup> works costing ₹ 107.55 crore awarded (August 2007 to February 2009) to two agencies at housing and chemical zones of the Dahej estate and also for the Lodhika estate, the Corporation did not take any steps to obtain exemption certificates from the competent authorities. This caused incurring of avoidable expenditure of ₹ 1.53 crore towards the component of ED on galvanised pipes costing ₹ 11.16 crore, utilised in three works eligible for exemption upto March 2010.

The Government/Management stated (August 2010) that as per amendment to the provisions *vide* notification no.06/2006 dated 1<sup>st</sup> March 2006, the ED exemption was restricted to the plant that intended to make the water for human or animal consumption and not for industrial purpose. Hence, in the contracts viz., Development of infrastructure at Chemical zone, Dahej and Upgradation of water supply facilities at Lodhika estate, the contracts were awarded inclusive of ED as the water supply systems being installed were meant for industrial use. It was further stated that the Corporation had issued ED exemption certificate for ₹ 2.47 crore to the contractor on extra items of works (related to component of water supply) under the main contract of development of infrastructure at Chemical zone, Dahej. It was also assured that the benefits already availed by the contractor against said ED exemption certificate would be recovered by the Corporation. As regards the work at Atali Housing zone, Dahej it was stated that the estimates for supply of pipes were correctly prepared without ED component, reckoning that these pipes would be used for supply of water for human consumption.

The reply is not correct. As per the notification of 1st March 2006, the exemption was denied for the plant and not for the pipes which were used for supply of water for industrial use. Further, issuing of ED exemption certificate by the Corporation to the contractor for ₹ 2.47 crore on extra items of works relating to Chemical zone, Dahej itself contradicts the contention of the Corporation regarding inadmissibility of ED exemption. As far as Atali housing zone, Dahej is concerned, the documents made available to us indicated that the award of work was inclusive of ED, which is contrary to the reply.

### **Development of Special Economic Zones (SEZs)**

**3.12** GoI introduced Special Economic Zone Act, 2005, to attract investments in export production and to boost exports. During the period 2005-10, the Corporation performed the role of developer in setting up the SEZs. Under the role, the Corporation was to identify the place and the kind of industries for SEZs, obtain approval from GoG and Ministry of Commerce

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<sup>¶</sup> Infrastructure facilities for Atali Housing at Dahej Estate costing ₹ 63.59 crore awarded (February 2009) and Development of infrastructure of Chemical zone Dahej Estate costing ₹ 31.51 crore awarded (September 2007) to M/s. Backbone Enterprise Limited, Work for upgradation of water supply facilities costing ₹ 12.45 crore in Lodhika Estate-awarded (August 2007) to M/s. Phoenix Projects Pvt. Limited.



and Industry (MoCI)/GoI, acquire land, develop infrastructure and allot plots. During April to August 2006, the Corporation planned for setting up of seven SEZs. Out of seven SEZs planned, two Apparel Parks set up at Ahmedabad and at Surat were functioning, one Glass and Ceramic SEZ at Jhagadia was defunct (since October 2006) and remaining four (*i.e.* Handicraft SEZ at Bhuj, Biotech SEZ at Savli, Electronics and Information Technology SEZ at Gandhinagar) were under planning/development stage. Our observations relating to three SEZs (*viz.*, Glass and Ceramic SEZ at Jhagadia and two Apparel Parks at Ahmedabad and Surat) are discussed below:

### ***Unviable Project at Jhagadia SEZ***

**3.12.1** The Corporation proposed (December 2005) to establish SEZ for Ceramic and Glass industry at Jhagadia (Bharuch) covering 170 Ha at an estimated cost of ₹ 80.35 crore. MoCI approved (August 2006) the proposal with validity of three years from the date of approval. Besides earmarking the land costing ₹ 3.94 crore already available for the SEZ, the Corporation had incurred an expenditure of ₹ 1.13 crore (up to September 2006) on development works. While setting up the SEZ, the Corporation found that it received lukewarm response from potential investors for the SEZ. Hence, the Corporation intimated (October 2007) the MoCI that it was examining the possibilities for converting the SEZ proposed for Ceramic and Glass industry to Dyes and Intermediates industries. However, the Corporation had not taken any further action in this regard (March 2010).

**Setting up of SEZ at Jhagadia without conducting feasibility study led to incurring of unfruitful expenditure of ₹ 1.13 crore**

We observed that the Corporation went ahead with the proposal for setting up of Ceramic and Glass industry, based on the interest shown by few potential investors instead of conducting detailed feasibility study in this regard. The Corporation also ignored the decreasing trend started from 2003-04 in the overall growth rate of country's share of export in this sector. Resultantly, the expenditure of ₹ 1.13 crore incurred in the SEZ remained unfruitful and the land earmarked for the SEZ was also lying unutilised since May 2006.

The Government/Management stated (August 2010) that after SEZ Act came into force in 2005, generally there were some enthusiasm for setting up of SEZ. So, during this period the Corporation had prepared the rough and ready project report by using some details available from the internet. Further, two to three potential investors were also pursuing the Corporation vigorously for setting up of such SEZ and hence, the Corporation had set up the SEZ. Regarding expenditure of ₹ 1.13 crore, it was stated that the expenditure was incurred for creation of common infrastructure which was intended to be used in future.

The reply was indicative of the fact that the SEZ was set up without conducting proper feasibility study. Further, the infrastructure created in the SEZ area remained unutilised since September 2006.

### ***Surat and Ahmedabad Apparel Park***

**3.12.2** The SEZ for apparel parks in Surat and Ahmedabad came into existence in June 2005 and April 2007 respectively. As of March 2010, the

Corporation incurred a total expenditure of ₹ 31.34 crore<sup>€</sup> on these SEZs. The status of these apparel parks is tabulated below:

Sl. No.	Particulars	Surat Apparel Park (56.64 Ha)	Ahmedabad Apparel Park (38.04 Ha)
1.	No. of plots developed	79	45
2.	No. of plots allotted	78	25
3.	No. of plots un allotted	01	20
4.	No. of plots units started working	30	02
5.	No. of plots factory set up but not working	07	03
6.	No. of unutilised plots	41	20
<b>Percentage of working units to total number of plots allotted</b>		38	08
<b>Percentage of unutilised to total number of plots allotted</b>		53	80

**Percentage of unutilised plots to total plots allotted was 53 in Surat and 80 in Ahmedabad apparel parks**

From the table above, it can be seen that in respect of Surat and Ahmedabad apparel parks, the percentages of working units to total no. of plots allotted were 38 and 8, whereas the percentages of unutilised plots to the total no of plots allotted were 53 and 80 respectively. In this regard, we observed the following:

- No feasibility study was conducted before setting up these SEZs with an aim to identify the investors genuinely interested in taking up the production of apparels, duly considering the objective and availing the benefit envisaged in the SEZ Act, 2005.
- In absence of any special provision with reference to assessing the professional and financial competency of the allottee, the allotment of plots were made in the SEZ merely based on the applications submitted by the applicants/investors in this regard. As a result, the plots allotted largely remained unutilised.

The Government/Management stated (August 2010) that as few potential investors and South Gujarat Chamber of Commerce were pursuing the Corporation for setting up of SEZ, it had prepared a rough project report and went ahead with setting up of SEZ. However, these SEZ did not succeed mainly because incentives offered to units of SEZ were not attractive in comparison to the apparel units setup in Domestic Tariff Area<sup>∇</sup> (DTA). The units set up in SEZ area were not entitled for the duty drawback, excise duty/VAT on fabric items etc., as were available to similar type of units set up in DTA.

The reply is not tenable. As proper feasibility study was not conducted, the Corporation was unable to assess the potential of the incentives offered under SEZ to accelerate demand for setting up of SEZ particularly when several incentives were already available to apparel units under DTA.

<sup>€</sup> Surat Apparel Park- ₹ 18.31 crore and Ahmedabad Apparel Park- ₹ 13.03 crore.

<sup>∇</sup> It is an area within India but outside the Special Economic Zone.

**The concession of ₹ 1.90 crore allowed was not withdrawn from the allottees who did not utilise the plots**

- In Surat Apparel Park, the Corporation made the allotment of plots at the concessional Premium Price (PP) rate of ₹ 650/Sq. Mtrs. against the normally applicable rate of ₹ 800/Sq. Mtrs. This concession of ₹ 150/Sq. Mtrs. was allowed with condition that the same would be withdrawn if the allottee did not utilise the plot within one and a half year of its allotment. Of the total 78 plots admeasuring 2.15 lakh Sq. Mtrs. allotted during 2005-06 to 2009-10, 41 plots admeasuring 1.27 lakh Sq. Mtrs. of land remained un-utilised for more than one and a half year of allotment. The Corporation, however, had not withdrawn the concession of ₹ 1.90 crore from the allottees.

The Government/Management stated (August 2010) that the Corporation had recovered ₹ 0.82 crore from the allottees and would initiate action under the Gujarat Public Premises (GPP) Act for recovery of balance amount of ₹ 1.08 crore.

### ***Non availment of Excise Duty Exemption benefits available for SEZ***

**Excise duty exemption of ₹ 0.79 crore was not availed by the Corporation being developer of SEZ**

**3.12.3** Under Section 26 (1) (c) the Special Economic Zone Act, 2005, every developer and entrepreneur shall be entitled for exemption of excise duty (ED) under the Central Excise Act 1944, Central Excise Tariff Act, 1985 or any other law for the time being in force. The Corporation, being the developer of the SEZs, was entitled to avail the ED exemption for the works carried out for the development of SEZs. The Corporation awarded (October 2005 to January 2007) four<sup>∇</sup> works amounting to ₹ 17.42 crore related to development of SEZs at Surat & Ahmedabad (Apparel Park) and Gandhinagar (Electronics SEZ). Though the Corporation got the approval (Surat-June 2005, Ahmedabad-April 2007 and Gandhinagar-December 2006) from MoCI for setting up of SEZs, the tenders for work were invited inclusive of ED on the materials to be used for the work. Further the Corporation had not obtained necessary exemption certificates from the concerned authorities of Excise Department. As a result, the Corporation incurred expenditure of ₹ 0.79 crore towards payment of ED (at the rate of 16 per cent) on excisable materials costing ₹ 5.47 crore utilised in the four works executed up to March 2010. No justification was forthcoming from the records for non-availing the ED exemptions.

The Government/Management stated (August 2010) that of the four works commented in audit, in case of CFC building work at Surat, the tender was invited in September 2004 *i.e* before the enactment of SEZ Act in May 2005 and in case of CFC building work at Ahmedabad, the major work was completed before the issue of the notification recognizing the SEZ set up at Ahmadabad. Hence, in these cases the benefit of excise duty exemptions was not availed. For the remaining two works, the Corporation was in the process of availing post construction benefits with the help of appointed consultant.

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<sup>∇</sup> Developing of Common Facility Centre (CFC) Building at Surat (M/s.Vinay Construction Co. ₹ 3.78 Crore- October 20 05) and Gandhinagar SEZ (M/s. J Mavani & Co. ₹ 1.83 crore- January 2007), Development of infrastructure facilities at Gandhinagar SEZ (M/s.KECL JV Aashish Construction, ₹ 8.23 crore-June 2006) and CFC building at Ahmedabad Apparel Park (M/s. N.P.Patel & Co, ₹ 3.58 crore- January 2006).

The reply is not correct. In case of CFC building work at Surat and at Ahmedabad, MoCI issued the notification approving the setting up of SEZ at Surat and at Ahmedabad in June 2005 and in September 2005 respectively. However, the work orders in these cases were issued only in October 2005 and January 2006. Hence, the Corporation could have promptly obtained the exemption certificates from the Excise Department. Thus, the fact remains that in none of the cases the exemption from payment of excise duty was availed.

### Implementation of Critical Infrastructure Project Scheme

**3.13** Government of Gujarat (GoG) announced (June 2004) a Scheme namely Critical Infrastructure Projects (CIP) for development and upgradation of infrastructure in the industrial estates. The scheme was to remain in force for five years and was to be implemented through Industrial Associations (IA) of the respective estates. Under the scheme, GoG was to contribute 50 per cent of the cost of infrastructure project subject to a maximum of rupees five crore and 20 to 25 per cent of the project cost was to be contributed by the respective IA and remaining 25 to 35 per cent subject to a maximum of ₹ 3.50 crore per project was to be contributed by the Corporation. The contribution of the Corporation was later (June 2009) increased from 35 to 45 per cent of the project cost subject to a maximum of ₹ 4.50 crore per project. The grant of approval, sanction of assistance for the project and monitoring the progress of implementation of the project was being done by an Implementation Committee<sup>∇</sup> formed (June 2004) by the GoG. The Committee entrusted (October 2008) the responsibility for implementation of the projects to the Corporation citing slow progress in the implementation of the 36 approved projects (approved-up to June 2004) related to 32 estates (under phase I) by IA. Accordingly, for implementing the projects, the Corporation was to get the contribution of both GoG and IA.

Under the scheme, 168 CIP projects (having approved cost of ₹ 1,210.10 crore) were sanctioned up to February 2009 for implementation in 87 estates of the Corporation in six phases. Out of 168 projects 46 number of projects (estimated cost ₹ 310.06 crore and actual cost ₹ 262.73 crore) were completed, 71 projects (estimated cost ₹ 544.66 crore and actual cost ₹ 134.07 crore incurred so far) were under progress, 44 projects were in tendering/planning stage (estimated cost ₹ 340.41 crore) and seven projects (estimated cost ₹ 14.97 crore) were to be dropped. The contribution of the respective agencies for CIP projects as on March 2010 is as under:

(₹ in crore)				
Particulars	Share of GoG	Share of Corporation	Share of Association	Total
Sanctioned	548.41	423.86	237.83	1,210.10
Expenditure incurred	170.39	137.81	92.39	400.59
<b>Balance Fund</b>	<b>378.02</b>	<b>286.05</b>	<b>145.44</b>	<b>809.51</b>

<sup>∇</sup> Minister for State for Industries –Chairman, Principal Secretaries of Industries, Finance , Ports, Road and Buildings, Water Resources Departments of GoG, Industries Commissioner, VC&MD of GIDC, Principal Chief Industries Adviser –Member , Joint/Dy. Industries commissioner –Member Secretary.

Extra expenditure of ₹ 260.88 crore was incurred due to splitting up of CIP works

Each project consisted of execution of various works mainly relating to road, sewerage water and drainage (SWD) lines, etc. A test check of records relating to the projects revealed that the works relating to widening of roads and SWD lines, though were awarded at a stretch to one contractor, the Corporation prepared the proposal for financial approval by splitting one work into smaller segments and grouped under various projects so as to keep the cost of each project well within the ceiling fixed for getting maximum amount of contribution from GoG for the projects. In one of the estates *i.e.* at Vapi, the work of widening of the road for a stretch of 10.79 kms, though was awarded at an estimated cost of ₹ 15.69 crore, the road work was split into 5.91 kms and 4.88 kms at an estimated cost of ₹ 8.60 crore and ₹ 7.09 crore respectively and shown under two projects *viz.*, Project 3 (Part 2) and Project 3 (Part 3). Similar cases noticed in respect of 41 projects executed in six estates\* are given in **Annexure 13**. As a result, both GoG and the Corporation had incurred extra financial burden of ₹ 142.41 crore and ₹ 118.47 crore respectively which ultimately benefited the IAs.

The Government/Management stated (August 2010) that by awarding the high value contracts after grouping the smaller value works, quality of works and timely implementation of the projects were ensured since it would attract well established agencies to participate in the implementation of the project.

The reply did not address our observation, which did not question awarding the works in one stretch but suggested for obtaining financial sanction for the high value projects without splitting the same in smaller segments so as to avoid passing of extra financial burden on GoG and the Corporation.

### Fixation of Premium Price (PP)

**3.14** The Corporation worked out the cost of the industrial plots on 'no profit no loss' basis. The Corporation fixed the allotment price, also called Premium Price (PP) for each estate. As per the established procedure, the PP per Square metre (Sq. Mtrs.) was fixed by taking into account the land cost, contingency, development cost of land, cost of developing infrastructure in the estate, provision for overhead and interest element and divided it by allottable areas in square metre, in the estate. No uniform system was followed as far as percentage to be adopted for calculation of element of contingency, overhead expenses and interest while fixing the PP for various estates was concerned. Following points relating to fixation of PP were noticed in audit.

#### ***Non provision for recovery of extra cost of land incurred as per court award***

**3.14.1** While fixing the PP for any estate, the Corporation was not taking into consideration the probable liabilities towards enhanced compensation which could become payable to the land owners in respect of the cases referred to court (Land reference Cases-LRC) depending upon court's decision. Further, the Corporation did not insert any enabling clause in the allotment letter for recovery of such extra cost from the allottee for the plots allotted from the land subjected to LRC. As a result, the Corporation was unable to recover from the

\* Panoli, Ankleshwar, Halol, Lodhika, Wadhwan and Vapi.

allottees the extra cost on account of payment of compensation made at the enhanced rate upon the receipt of judgment on the land which was already allotted. In some cases, while fixing the PP, the Corporation even ignored the enhanced compensation already paid before fixation of PP. Few cases, of this nature, noticed by us during test check are discussed below:

- The Corporation fixed (April 2007) the PP for Jhagadia Industrial Estate (Phase-I) at ₹ 500/Sq. Mtr. without considering the LRC liability of ₹ 12.06 crore (award dated 10 April 2006), ₹ 2.12 crore (award dated 29 June 2006) and ₹ 2.98 crore (award dated 31 July 2006) against which the payments had already been made. Thus, due to non-considering the payments made for LRCs, the Corporation fixed PP at lower rate of ₹ 500/Sq. Mtrs. instead of ₹ 536/Sq. Mtrs. resulting in loss of ₹ 36/Sq. Mtr. in fixation of PP. The Corporation suffered a loss of revenue to the tune of ₹ 1.92 crore on this account on allotment of 11 No<sup>o</sup> of plots admeasuring 5.33 lakh Sq. Mtrs during the period from May 2007 to March 2008.

The Government/Management stated (August 2010) that the payment of ₹ 12.06 crore (award dated 10 April 2006) was made towards the LRC liability related to Jhagadia industrial estate phase-II for which the PP was yet to be finalised and while fixing PP the payment would be considered.

The reply is not correct. The survey numbers mentioned in the LRC award and the survey numbers of detailed development plan (DDP) of the estate from where the 11 plots were allotted were the same. This clearly indicates that the LRC award of ₹ 12.06 crore related to those plots which were already allotted under Jhagadia Industrial Estate (Phase-I).

**Non provision of suitable clause in the allotment letters led to non recovery of enhanced land cost of ₹ 14.94 crore from the allottees**

- The allotment of all plots in the Lodhika Estate was completed prior to March 2007. As such, this was a saturated estate in which no fresh allotments of plots were taking place and only transfer of plots were made by the allottee due to sale. The land of the estate was subjected to LRC on which the award were received in March 2007 and in November 2008 the Corporation made the payments (till January 2009) of compensation at the enhanced rate to the land owners for ₹ 6.06 crore and ₹ 6.96 crore respectively. As the Corporation did not insert any enabling clause in the allotment letter for recovery of extra cost, it was unable to recover the amount of ₹ 13.02 crore paid towards the enhanced cost of land from 1,319 allottees.

The Government/Management stated (August 2010) that the full allotment of plots in Lodhika Estate was made in the year 2005 itself, where as the awards for the LRC liability were received only in March 2007 and October 2008. Hence, Corporation was not able to include the said liability in the PP. Reply confirms Corporation's inability to recover the extra cost from allottees in the absence of enabling clause in allotment letter.

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<sup>o</sup> Plot No. 11, 26, 39, 41/1, 678, 679, 680, 748/2-A, 763/2, 769/3-B and 769/8 at Jhagadia Industrial estate.

### ***Adoption of incorrect figure of land cost in fixing PP***

**3.14.2** The Corporation fixed (February 2009) PP for Chharodi estate at ₹ 2,980/Sq. Mtrs. While fixing the PP the Corporation erroneously adopted the land cost of ₹ 2,150.28/Sq. Mtr. instead of the correct figure of ₹ 2,676.82/ Sq. Mtr. In April 2009, based on the increase in development cost of the estate (*i.e.* ₹ 828.46/Sq. Mtr. to ₹ 1,425.89/Sq. Mtr.) the Corporation had re-worked the PP at ₹ 3,580/Sq. Mtr. In working out this new PP also, it had continued to adopt the erroneous land cost of ₹ 2,150.28/Sq. Mtr. Even while working out the new revised PP at ₹ 3,580/Sq. Mtr., the Corporation failed to rectify the mistake and again adopted incorrect land cost of ₹ 2,150.28/Sq. Mtr. instead of ₹ 2,676.82/Sq. Mtr.

**Adoption of incorrect figure of land cost led to erroneous fixation of premium price and loss of ₹ 10.35 crore.**

Even though six BoD meetings were held during the period from April 2009 to March 2010, the Corporation did not take the approval of BoD for fixation of new PP of ₹ 3,580/Sq. Mtr. Hence, the Corporation allotted (April 2010) land admeasuring 92,441 Sq. Mtrs to M/s. Alexandria Gujarat Tech Park Pvt. Ltd (AGTPL) at PP of ₹ 2,980/Sq. Mtr. instead of ₹ 4,100/ Sq. Mtr. (*i.e.* land cost ₹ 2,676.82/Sq. Mtr. *plus* development cost of ₹1,425.89/Sq. Mtr.). Due to this, the Corporation incurred a loss of revenue of ₹ 10.35 crore<sup>∇</sup>

The Government/Management stated (August 2010) that as per the development plan of the Chharodi estate, 43 *per cent* of land in the estate was to be utilised for development work *i.e* providing road and other common facilities at the cost of ₹ 828.46/Sq. Mtr. and the remaining 57 *per cent* of it was to be allotted. Accordingly, the PP rate was fixed at ₹ 2,980/Sq. Mtr. for the estate, but the allotment to M/s. AGTPL was made on "as is where is" basis (*i.e* without spending on the development work) whereby the Corporation had saved ₹ 828/Sq. Mtrs towards development cost.

The reply is not correct as the allotment letter issued to M/s. AGTPL did not contain any mention of sale of land on "*as is where is basis*" nor the Corporation had BoDs approval for the same. Further, the reply did not address the reasons for erroneously adopting lower land cost while allotting the land to M/s. AGTPL.

### ***Incorrect fixation of allotment price for Vilayat estate***

**3.14.3** The BoD of the Corporation prescribed (June 2006) a formula for fixing the PP on land to be allotted on 'as is where is basis'<sup>‡</sup> to private developers for setting up of private SEZs. As per the formula, the PP per Sq. Mtr. was to be fixed based on the cost of Land per Sq. Mtr. *plus* 35 *per cent* of land cost towards overheads *plus* 25 *per cent* of prevailing PP of the estate *plus* another five *per cent* of prevailing PP of the estate as transfer fee.

<sup>∇</sup> (₹ 4,100 - ₹ 2,980) X 92,441 Sq. Mtrs.

<sup>‡</sup> As per the allotment on 'as is where is basis', the land acquired would be simply allotted to the allottee who in turn would develop the plot suitably with necessary infrastructure work for setting up his business.

**Incorrect fixation of PP led to revenue loss of ₹ 6.85 crore at Vilayat estate**

During the period from January to July-2007, the Corporation allotted 42.15 lakh Sq. Mtrs. of land to two<sup>±</sup> developers for developing private SEZs at Vilayat estate. While allotting plots to these two developers PP at the rates of ₹ 160/Sq. Mtrs and 165/Sq. Mtrs. was charged instead of ₹ 180/Sq. Mtrs<sup>λ</sup> as per the formula. No reason was on record for not charging the PP as per the formula prescribed by the BoD. As a result, the Corporation suffered a revenue loss of ₹ 6.85 crore<sup>†</sup>).

The Government/Management stated (August 2010) that while working out 35 per cent (towards overhead) on land cost Audit reckoned the basic cost of land, interest on land cost, non-agriculture (NA) charges and interest on NA charges, whereas, the Corporation adopted the basic cost of land and NA charges only. The reply is not correct. We had considered all the four elements of cost including the interest element while working out the 35 per cent on land cost as per the practice of the Corporation. Even for the PP approved (16 September 2006) by the BoD for Savli Bio tech. park, the 35 per cent on land cost was worked out by reckoning all the four elements of cost. Thus, in the instant cases, undue benefit was passed on to the allottees by incorrectly fixing the PP.

#### **Non revision of PP for Savli Industrial estate**

**3.14.4** The Corporation developed Industrial Estate at Savli during 1993-94 with an allotable area of 38.50 lakh Sq. Mtrs. and fixed PP of ₹ 195/Sq. Mtr. which was subsequently revised to ₹ 250/ Sq. Mtr. in 1995-96.

Our scrutiny revealed that the development cost of the estate was increased from ₹ 25.05 crore in 1996-97 to ₹ 46.78 crore in 2005-06. The Corporation did not revise the PP despite increase in the expenditure on development cost over a period of 10 years. Reckoning the development cost incurred over the period of 10 years, the Corporation should have fixed PP of ₹ 360/Sq. Mtrs.<sup>Σ</sup> in 2006-07 itself. The Corporation, however, fixed PP of ₹ 800/Sq. Mtr. in April 2008 (i.e. after 12 years).

**Non revision of PP at Savli estate for 12 years led to revenue loss of ₹ 25.36 crore**

The Corporation allotted land admeasuring 23.05 lakh Sq. Mtrs. in Savli Estate at PP of ₹ 250/Sq.Mtrs. during 2006-08. Had the Corporation revised the PP to ₹ 360/Sq. Mtrs in 2006-07, it would have avoided a loss of revenue of ₹ 25.36 crore in this allotment. Due to non revision of PP over a long period, the Corporation was unable to recover the extra cost in an equitable and phased manner from all the allottees keeping pace with increased development cost and market demand prevailing from time to time.

<sup>±</sup> M/s. Jubilant Infrastructure Ltd, Noida- 10.65 Lakh Sq. Mtrs (allotted in April-2007 @ ₹ 160/Sq. Mtrs) and Assam Co. Ltd, New Delhi, 31.50 Lakh Sq. Mtrs (allotted in July-2007 @ 165/Sq. Mtrs).

<sup>λ</sup> ₹ 21.84 (land cost) + ₹ 49.14 (interest @15 per cent of land cost for 15 yrs) + ₹ 3.15 (NA Charges) + ₹ 2.41 (interest on NA charges) = ₹ 76.54 + ₹ 26.79 (overheads @35 per cent on ₹ 76.54) + ₹ 62.50 (25 per cent of prevailing PP of ₹ 250) + ₹ 12.50 (5 per cent of prevailing PP of ₹ 250) = ₹ 178.33 i.e. ₹ 180/Sq. Mtrs.

<sup>†</sup> M/s Jubilant Infrastructure - ₹ 2.13 crore and M/s Assam Company Ltd - ₹ 4.72 crore.

<sup>Σ</sup> As per the fixation procedure PP= land cost +5 per cent contingency on it, development expense + 12 per cent overhead+ 15 per cent interest on the cost of land and development expenses.



The Government/Management stated (August 2010) that at the end of the financial year the Corporation used to review the PP of the estates for revision. Though during the year 2000-01 to 2007-08 agenda was put to BoD for revision, the PP was not revised due to occurrence of earthquake, tsunami, drought, and recession in the market.

The reply lacked justification. During the year 2000-01 to 2007-08, the Corporation had revised PP of various estates four times (*i.e.* in 2003, 2004, 2006 and 2008) even though the reasons cited for non revision of PP were common affecting all the estates.

### Allotment of plots/sheds

**3.15** The Corporation allots plots to various Industrial units after scrutinizing their respective applications on ‘first come first serve basis’ depending upon the availability of plot/shed. The allotment of plots/sheds was made on lease basis for 99 years. On receipt of offer *cum* allotment letter, the allottee executes with the Corporation the agreement prescribed in this regard. The price for this allotment was fixed in the name of premium price (PP) consisting of cost of land and other development expenditure for setting up the estate. The Corporation recovers 30 *per cent* of PP as down payment and the remaining 70 *per cent* in 40 quarterly installments including interest.

As per the delegation of powers, the approval for allotment of the plots with sizes up to 20,000 Sq. Mtrs, 20,001 to 50,000 Sq. Mtrs. and above 50,001 Sq. Mtrs. could be granted by Regional Manager, Divisional Manager and Head Office respectively in the estates other than saturated one. In saturated estates<sup>∇</sup> the plots were allotted only with the approval of Head Office. Besides, the BoD also granted approval for allotment of bigger size of plots to be made on ‘as is where is basis’. Further, for each estate, there were different rates of premium price (PP) fixed for the plots to be allotted for various purposes, such as, industrial, commercial and residential use. As per the practice in vogue, the PP of the plots for commercial purpose would be two times of industrial rate or one and half time of residential rate, whichever was higher. If the plots earmarked for industrial purpose were to be converted into use for commercial purpose, then the rate of PP would be three times of industrial rate. We observed that the Corporation did not have any comprehensive and consistent long term policy covering various aspects relating to allotment of plots.

During the period 2005-10, the Corporation had allotted 6,164 numbers of plots (Residential-1,055, Commercial-89 and Industrial plots/Sheds-5,020) in respect of 112 estates<sup>∪</sup>. The instances of various irregularities in respect of allotments and transfer of plots made during the period as noticed by us are discussed in succeeding paragraphs.

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<sup>∇</sup> Saturated estate means the estate in which infrastructures are fully developed and allotment of plots are also fully made.

<sup>∪</sup> Information from RM office Surendranagar and Junagadh was awaited.

**Loss due to application of incorrect PP in allotment and transfer of plots**

**Incorrect application of rates in allotment and transfer of plots led to loss of ₹ 32.28 crore**

**3.15.1** Our scrutiny of records of 10 RM offices revealed that in 50 cases (**Annexure 14**) either the industrial plots were allotted for commercial use or approval was granted for transfer of such plots for taking up commercial activities without charging three times of the applicable PP for the industrial plots. Out of 50 cases, in 18 cases, plots were allotted/transferred to Automobile Showrooms and Service Stations (₹ 17.11 crore); in 16 cases to Steel/Wooden furniture dealers/establishments (₹ 7.80 crore) and in remaining 16<sup>⊗</sup> cases to Petrol Pump, Scarp Traders, Poultry Farm and Bakery etc. (₹ 7.37 crore). As a result of not recovering the prescribed charges for change of usage of plots in these cases, the Corporation suffered a total loss of ₹ 32.28 crore. A few of these cases are discussed below:

- M/s. J Hasmukhray & Co (firm A), who was holding an industrial plot no 364 (6,410.25 Sq. Mtrs.) since March 1982 at Aji Industrial Estate (Rajkot) requested (November 2003), RM, Rajkot of the Corporation for change of usage of his plot for commercial activity *i.e.* for setting up of an Automobile Showroom. However, no action was taken by the RM Rajkot for granting approval by charging the commercial rate of ₹ 9,000/Sq.Mtr. (three times of then prevailing industrial rate of ₹ 3,000/Sq. Mtrs) for the plot as per rules. At the instance of audit, the Corporation verified and confirmed (June 2010) the fact that firm A had been running an automobile showroom on the said plot without the Corporation's approval. Thus, due to not taking up the prompt action in granting approval for change in usage by charging appropriate fee, the Corporation suffered a loss of ₹ 5.77 crore<sup>Ⓝ</sup> as per the details given at Sl.no.28 of **Annexure 14**.
- The RM, Jamnagar had approved the transfer (February 2010) of industrial plot No.39 admeasuring 4,201.60 Sq. Mtrs. to firm B at Arambhada-II Industrial Estate for setting up of Poultry Farm which was a commercial activity, at industrial rate of ₹ 300/ Sq. Mts. instead of the commercial rates (*i.e.* three times of Industrial rate) of ₹ 900/ Sq. Mtrs. Hence, Corporation suffered a loss of ₹ 0.38 crore<sup>Ⓟ</sup> as per the details given at Sl.no.18 of **Annexure 14**.
- The RM Bhavnagar allotted<sup>Ⓞ</sup> two plots and approved transfer of four plots (February 2008 to January 2009) earmarked for industrial purposes at Vartej and Babra-I estates for setting up of Bakery and Scrap Trading which were identified as commercial activities. However, in these cases industrial rates were charged instead of commercial rates resulting in loss of revenue to the tune of ₹ 0.97 crore as per the details given at Sl.nos. 19 to 22, 44 and 45 of **Annexure 14**.

<sup>⊗</sup> 1-Petrol Pump, 5-Scrap Traders, 6-Storage, 1-Poultry Farm, 1-Grid centre and 2-Bakery.

<sup>Ⓝ</sup> 6,410.25 Sq. Mtrs x ₹ 9,000 (3 times x ₹ 3,000, Industrial rate) = ₹ 5,76,92,250.

<sup>Ⓟ</sup> 4,201.6 Sq. Mtrs. x ₹ 900 PP = ₹ 37,81,440.

<sup>Ⓞ</sup> Vartej- Plot No-163, 132, 129, 137 and 304 admeasuring 1,978.11, 2,377.79, 2,383.50, 931.19 and 1,332.99 Sq. Mtrs. respectively and Babra-I plot no 103 admeasuring 2,506 Sq. Mtrs.

The Government/Management stated (August 2010) that in five out of 50 cases (as referred at Sl. No.1, 4, 7, 10 and 12 of **Annexure 14**), notices were issued (July 2010) to the concerned allottees to stop the activity. In remaining 45 cases, activities for which the allotments had been made were for industrial purpose only. So, there was no incorrect application of PP and consequential revenue loss.

The reply is not tenable. Though the Corporation issued notices in five cases, it was not able to recover the prescribed charges for change in plot usage nor cancelled the allotment. The contention of reply regarding 45 cases<sup>⊗</sup> is also not acceptable as the activities involved in these cases though, were not appearing in the declared list of commercial activities, the very nature of these activities clearly indicated that these are commercial activities.

### ***Allotment of plot to an ineligible unit at concessional rate***

**3.15.2** The Corporation with the approval of BoD allotted (October 2007) land admeasuring 1.21 lakh Sq. Mtrs on 'as is where is basis' to M/s.ABG Shipyard Limited (ABG) for setting up of "Institute for Shipbuilding and Marine Technology" at Ichchapore Industrial Estate, Surat. The plot was allotted at a concessional rate of ₹ 700/Sq. Mtr which was 50 per cent of prevailing industrial PP of ₹ 1,400/ Sq. Mtr. on the plea that the plot was to be used for setting up of educational institution.

**Allotment of plot at concessional rate in violation of government guidelines led to loss of ₹ 8.46 crore**

We noticed that as per GoG guidelines (August 1991) Public Institutions, Trusts and Hospitals which were engaged in public service were only eligible to get the land at concessional rate. However, in instant case, ABG was not a public institution and as such, was not eligible to get the land at concessional rate. Hence, the allotment of the plot at concessional rate to ABG was irregular, which resulted in loss of revenue to the tune of ₹ 8.46 crore<sup>⊘</sup>.

The Government/Management stated (August 2010) that ABG had signed (2007) an MOU with Gujarat Maritime Board (GMB) for setting up of maritime training institute. So, at the request of ABG, the Corporation invited the views of GMB and allotted the land at concessional rate with the approval (August 2007) of its BoD. The reply is not tenable. The BoD was not empowered to take any decision in favour of a private institution which could override the provisions given in the GoG guidelines.

### ***Sale of lease hold plots by an allottee***

**3.15.3** The Corporation approved the transfer (August 2007) of industrial plot No. 155/C (7,650 Sq. Mtrs) at Ankleshwar Estate to M/s. Omkar Organisers Pvt. Limited (firm O), for the purpose of Engineering and Fabrication Jobs. Subsequently, on the request of the allottee (August 2008), the plot was converted (February 2009) for commercial use by recovering ₹ 2.30 crore

<sup>⊗</sup> Activities of bakery, warehousing, fabrication/gas welding, wooden furniture work, engineering automobile repowering job, cold storage and food activity, cleaning and packing of seeds/grains, poultry farm, scrap trading, tractor repairing and service station, timber/scrap trading and finishing job and activities related to wooden works.

<sup>⊘</sup> ₹ 700 PP x 1,20,927 Sq. Mtrs = ₹ 8,46,48,900.

(August 2008) as conversion fees. As per the terms and conditions of the conversion order, firm 'O' was required to form a co-operative society before construction of shops/showrooms on the plot. The shops/showrooms so constructed were then to be transferred to the members after paying the requisite transfer fees to the Corporation.

We observed that firm 'O' without formation of co-operative society started construction (May 2009) and selling shops/showrooms directly to individuals instead of giving it through transfer deed with the approval and after payment of transfer fee to the Corporation, in violation of the terms of conversion order. Further, clause 9 of the license agreement, executed between the Corporation and allottee, stipulated that the plot allotted was on lease basis for 99 years and as such, could not be sold by the allottee. The loss of transfer fee to the Corporation on this account worked out at ₹ 1.11 crore<sup>∇</sup>, besides violation of terms of the conversion order and license agreement by firm 'O'. No action was initiated by the Corporation against firm 'O'.

The Government/Management stated (August 2010) that no record was available on the file regarding firm O's activity of selling shops/showrooms. Therefore, whenever firm "O" would approach the Corporation for the said matter, the required procedures would be followed after charging transfer fee. The reply is not correct. From office of Sub-Registrar, Ankleshwar, we had obtained a copy of sale deed registered confirming the sale of shop by the firm 'O'. Though we had brought the matter to the notice of the Corporation, the Management had not initiated any investigation in this regard (September 2010).

***Loss due to hasty approval given to an allottee's proposal***

**3.15.4** On the request of (December 2004) L&T Limited (L&T) the BoD of the Corporation approved (May 2005) allotment of plots nos. 6, 7, 8, 9 and 10 (8.60 lakh Sq. Mtrs.) on 'as is where is' basis to L&T at Hazira Industrial Estate, Surat. Accordingly, the offer of the above plots with a PP fixed at ₹ 550/Sq. Mtrs. was (July 2005) made to L&T. L&T requested (July 2005) for reducing the PP fixed which was not accepted (August 2005) by the Corporation. L&T accepted and took possession (February 2006) of only one plot no. 9 (4.60 lakh Sq. Mtrs.) at fixed PP of ₹ 550/Sq. Mtr. L&T again requested (August 2006) for allotment of another plot (plot No. 10) measuring 1.10 lakh Sq. Mtrs. The Corporation responded to it by offering (August 2006) at prevailing PP of ₹ 1,000 per Sq. Mtr. But L&T insisted the Corporation for allotment of plot No. 10 at PP of ₹ 550/Sq. Mtrs. which was not accepted by GoG in October 2006.

L&T filed a special civil application (December 2006) in the court requesting for issue of direction to allot the plot at the previous PP of ₹ 550/Sq. Mtr. Pending final disposal of the case, L&T expressed (September 2008) its

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<sup>∇</sup> As per the building plan approved by the GIDC, there are 75 shops/showrooms measuring around 5,740.12 Sq. Mtrs were to be constructed and transferred to the members of society. So based on the sale deed of one shop of 31.50 Sq. Mtr., the sale price was ₹ 6.12 lakh. Therefore, price of carpet area comes to ₹ 19373/Sq. Mtr. x 5740.12 Sq. Mtr. (available carpet area) = ₹ 11.12 crore and transfer fees @ 10 per cent comes to ₹ 1.11 crore.

willingness to settle the case mutually, provided the Corporation agreed to reduce the PP from ₹ 1,000 to ₹ 700/Sq. Mtrs. In response, the Corporation allotted (November 2008) the plot No. 10 to L&T at the PP ₹ 700/Sq. Mtr. and the case was withdrawn by L&T (November 2008).

**Hasty approval on a proposal of L&T led to revenue loss of ₹ 3.30 crore**

We observed that against the original offer (July 2005) of the Corporation for allotment of five plots at a PP of ₹ 550/Sq. Mtr., L&T had accepted only one plot *i.e.* plot no. 9 and allotment was made. Thus, the validity of original offer of August 2005 had come to an end. Despite this, the Corporation neither took any legal opinion nor recorded any convincing reasons before agreeing to the proposal (September 2008) of L&T for out of court settlement, which was not in the interests of the Corporation. Thus, the allotment of plot no 10 at lesser PP of ₹ 700/Sq. Mtr. resulted in loss of revenue of ₹ 3.30 crore<sup>o</sup>.

The Government/Management stated (August 2010) that Collector, Surat requested (October 2008) the Corporation to allot the Government land at Suvali at PP of ₹ 700//Sq. Mtr. as other Government land in that region was allotted at the same rate. Accordingly, the Corporation's BoD considered (December 2008) this rate and allotted the land at the same rate to L&T.

The reply is not tenable as the land allotted to L&T by the Collector was at Suvali village but the plot under observation was situated at Mora village. The reply did not address the reasons for adopting the lower rate of ₹ 700/Sq. Mtrs pertaining to different location (Suvali Village) instead of the applicable rate of ₹ 1,000/Sq. Mtrs. prevailing in Mora Village falling under Hazira Industrial estate of the Corporation. Reply was also silent about not obtaining the legal opinion and not recording any convincing reasons before agreeing to the proposal (September 2008) of L&T.

### ***Loss due to undue benefit passed on to Torrent Power Limited***

**Allotment of plot in violation of BoD decision led to passing of undue benefit of ₹ 0.37 crore to Torrent Power Limited**

**3.15.5** As per the BoD decision (April 2001) plots were allotted to erstwhile Gujarat Electricity Board for the purpose of setting up of sub-stations for transmission of electricity at a concessional rate of 50 *per cent* of the prevailing PP. However, the Corporation allotted (June 2008) plot no. 23 (3,054.53 Sq. Mtrs.) in Gandhinagar SEZ to M/s. Torrent Power Limited (TPL), Ahmedabad on rental basis for the purpose of setting up of sub-station at a token rent of Rupee one per Sq. Mtr per year. The document made available to us neither indicated the approval, if any, obtained from BoD for allotting the plot to TPL, nor had any justification on record for allotting the plot at a token rent. As a result the Corporation suffered a loss of revenue towards unrecovered cost of plot to the tune of ₹ 0.37 crore<sup>xi</sup> after netting off the rental income received.

The Government/Management stated (August 2010) that originally the Corporation was to construct the building estimated to cost ₹ 0.45 crore as per

<sup>o</sup> Prevailing Rate *less* Rate Charged = ₹ 1,000 *less* ₹ 700 = ₹ 300 x 1,10,000 Sq. Mtrs. = ₹ 3,30,00,000.

<sup>xi</sup> ₹ 2,400/ Sq. Mtr. prevailing Industrial rate at Gandhinagar SEZ x 3,054.53 Sq. Mtrs x 50 *percent* = ₹ 36,65,436 *less* token rate Re. 1/ Sq. Mtr per x 3,054.53 Sq. Mtrs = ₹ 5,345 (proportional for 21 months during July 2008 to March 2010) = ₹ 36,60,091.

the design to be supplied by TPL on the plots for setting up the sub-station. But the Corporation handed over the land and the TPL had constructed the building on its own. As such, there was no loss due to allotment of plot at a token rent to TPL.

The reply is not tenable. As per practice, the Corporation was allotting plots at the concession rate of 50 *per cent* of PP to erstwhile GEB without constructing any building on it. Further, no documentary evidence was provided by the Corporation which could establish that the work of construction was Corporation's responsibility and it had actually saved the said costs by allotting land at token rent.

### ***Allotment of plots without getting the approval of BoD***

**Fresh allotment of plots was made without fixation of PP and also without obtaining the approval of BoD at Halol estate Phase-III.**

**3.15.6** Before going for fresh allotment of plots in the new estates, the Premium Price (PP) was to be fixed and BoD was to approve the PP. However, we noticed that in newly launched Halol estate Phase-III, the fresh allotment of plots was made without fixation of PP and also without obtaining the approval of BoD. In all, during 2008-09 and 2009-10, 75 industrial plots (56,464.44 Sq. Mtrs.) were allotted at a PP of ₹ 400/Sq. Mtr. (PP prevailed in phase I and II of the estate) with the approval of the Corporation's Divisional Manager concerned.

The details of expenditure other than the cost of land relating to Phase-III as made available to us clearly indicated that even without reckoning the land cost, the cost per square meter of plot worked out to ₹ 403.65/Sq. Mtrs<sup>9</sup>. In view of this, the fixation of PP at ₹ 400 /Sq. Mtr. was incorrect and irregular.

The irregularity in allotment of plots came to the notice of the Corporation's HO as late in April 2010 which was indicative of ineffective monitoring of the activities of its field offices. HO had not taken any action in the matter.

The Government/Management stated (August 2010) that the PP of ₹ 400/ Sq. Mtr. was fixed by the BoD for Halol estate in April 2008 and accordingly the allotment of plots were made and hence there was not any irregular allotment.

The reply is not correct. The approval of PP of ₹ 400/ Sq. Mtr. did not indicate that it was for Halol estate Phase III. On the contrary, the HO, Accounts Section note dated 6 April 2010 and the letter dated 17 April 2010 addressed to GM (Land and Allotment) clearly indicated that the above cited plots were allotted in Phase III of the estate without proper fixation of PP.

### ***Passing of undue benefit to the allottees of Savli Bio-Tech Park***

**3.15.7** The BoD of Corporation while fixing (September 2006) PP for plots at Savli Biotech Park decided that the PP of ₹ 165/Sq. Mtrs. would be charged on allotment of plots to be made against the applications received up to 15 May 2006 and and PP of ₹ 250/Sq. Mtrs. would be charged thereafter.

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<sup>9</sup> ₹ 227.92 lakh (Development Cost) divided by 56,464.44 Sq. Mtrs = ₹ 403.65/Sq. Mtr. (PP).

We observed that the Corporation allotted two plots to M/s. Gujarat State Biotech Mission, Gandhinagar admeasuring 55,440 and 20,880 Sq. Mtrs on 26 December 2006 and 27 April 2007 against the applications received on 24 August 2006 and 12 March 2007. As the application seeking allotment was received from the allottee after the cut of date of 15 May 2006, the applicable PP of ₹ 250/Sq.Mtrs.was chargeable. But the Corporation had allotted plot at PP of ₹ 165/Sq. Mtr. instead of the applicable PP of ₹ 250/Sq. Mtr. No reason was available on record for charging the lower PP resulting in loss of revenue of ₹ 0.65 crore<sup>N</sup>.

### Maintenance of estates

**3.16** The maintenance work of estates mainly included repairing roads, ensuring the proper functioning of water supply, underground drainage systems and street lights and also upkeep of all the places in the estate. The maintenance work of estates had been either managed by the Corporation or through Notified Area Authority<sup>o</sup> or Industrial Associations of the concerned estate, Municipal Corporation /Gram Panchayat under whose jurisdiction the estates were situated. The concerned authority as mentioned above, levied and recovered the service charges from the allottees towards cost of maintenance of the estates. The details related to management of maintenance works of all the estates carried out by various authorities as on 31 March 2010 are given below:

Sl. No.	Authority responsible for maintaining	Maintenance of			
		Road	Water Supply	U/G Drainage	Street Light
1	Gujarat Industrial Development Corporation	124	93	168	111
2.	Notified Area Authority, Municipal corporation, Gram Panchayat & others	36	41	12	39
3.	Industrial Associations	23	49	03	33
	<b>Total</b>	<b>183</b>	<b>183</b>	<b>183</b>	<b>183</b>

It can be seen from the table that in maximum number of estates, the Corporation had been looking after the maintenance activities through nine division offices headed by Executive Engineer and supervised by its four Circle offices headed by Superintending Engineer. The expenditure on the maintenance of the estates during 2005-06 to 2008-09<sup>o</sup> ranged from ₹ 60.08 crore to ₹ 93.45 crore per year.

Our observations in respect of maintenance of estate are discussed in succeeding paragraphs:

<sup>N</sup> 55,440 Sq. Mtrs + 20,880 Sq. Mtrs × ₹ 85 (₹ 250 less ₹ 165) = ₹ 64,87,200.

<sup>o</sup> Under Section 16 of the Gujarat Industrial Development Act,1962, GoG is empowered to notify certain areas through its official gazette, whereby the provisions of any other law relating to local authorities which is in force in that area will cease to apply in that area. GoG appoints either the Gujarat Industrial Development Corporation or the employee of the Corporation or any Committee for the purpose of assessment and recovery of taxes in that area.

<sup>o</sup> The figures for the year 2009-10 were not available in absence of the budget for 2011-12, which would be prepared and submitted by the Corporation to State Government after necessary regrouping of various figures from the accounts for the year 2009-10 under different heads of accounts.

***Incorrect fixation of water charges at Dahej and Vilayat Industrial Estates***

**Incorrect fixation of water charges led to passing of undue benefit of ₹ 6.43 crore to the allottees of Dahej and Vilayat estates**

**3.16.1** A scrutiny of cost sheets (2005 to 2010) related to levy and recovery of water charges from the allottees of Dahej and Vilayat revealed that the division office while working out the water charges for the year 2009-10, did not consider the element of depreciation (on the plant and equipment/assets of water supply system) and the penalty levied by the irrigation department (for over drawal of water) amounting to ₹ 2.16 crore and ₹ 4.29 crore respectively. Taking into account the above elements, the water charges leviable worked out to ₹ 23 per kilolitre (KL). The concerned division office with approval of circle office decided (June 2009) to ignore these elements and to charge only ₹ 19<sup>¶</sup> per KL towards water charges based on the representation (June 2009) made by the industrial association of the estate. As a result, the water charges during 2009-10 were short recovered to the extent of ₹ 6.43 crore on 160.65 lakh KL water supplied to the allottee units of these estates. The decision to short recover the water charges was not in order as it was not in consonance with the water charges policy of 1991 of the Corporation which stipulated that the water charges should be fixed on 'no profit no loss' basis after considering all the costs involved in supplying water to the allottee units.

The Government/Management stated (August 2010) that in view of the recession in the year 2009-10, the Corporation considered the request of the industrial association and deferred the recovery of depreciation element by not considering the element in fixation of the water charges fixed for the year 2009-10. But this deferred depreciation amount was being considered for inclusion in the water charges to be fixed for the year 2010-11. As far as non consideration of amount of the penalty levied was concerned, it was stated that the request was being made to Irrigation Department for waiver of the penalty. If the Irrigation Department would not consider its request, then amount of penalty would be recovered from the allottee in due course.

***Inadequate facilities for management of waste in the estates***

**3.16.2** For proper disposal of liquid and solid wastes<sup>†</sup> generated by the industrial units of the estates, the facilities such as Effluent Treatment Plants, Solid waste Management Plants and Sewerage Treatment Plant were required to be provided in the estates. As on 31 March 2010, of the 183 functional estates, 67 estates were saturated<sup>∇</sup> and remaining 116 were non- saturated<sup>§</sup>. The details of waste disposal system provided in saturated and non- saturated estates are given below:

<sup>¶</sup> Operating exp. ₹ 35.23 crore, Fixed exp. ₹ 34.81 lakh, Others, ₹ 1.39 crore, Total ₹ 36.97 crore less Depreciation ₹ 2.16 crore, Penalty ₹ 4.29 crore, Net exp. ₹ 30.52 crore divided by 160.65 lakh kilo litres.

<sup>†</sup> "Industrial Wastes" (Effluent) means the liquid wastes for industrial manufacturing process, trade, business or from any development, recovery or processing operation, as distinct from sanitary sewage. This shall not include solid wastes whatsoever.

"Garbage" means solid wastes from the domestic and commercial preparation, cooking & dispensing of food and from the handling storage and sale of produce.

<sup>∇</sup> Saturated estate is the estate in which infrastructures are fully developed and allotments of plots are also fully made.

<sup>§</sup> Non saturated estate is the estate in which infrastructures are not fully developed and plots are available for allotment.



Name of waste disposal system	No. of saturated estates	No. of non saturated estates
Common Effluent Treatment Plant	10 <sup>x</sup>	2 <sup>‡</sup>
Solid waste management plant	6*	-
Sewerage Treatment Plant	1 <sup>Σ</sup>	-

We noticed that except in one saturated estate *i.e.* at Ankleshwar industrial estate, no other estate was provided with all the three disposal systems. In 57 out of 67 saturated estates and in 114 out of 116 non-saturated estates, none of the above three disposal systems was provided which indicated the inadequate facilities for management of waste in the estates. Though the Corporation had provided funds amounting to ₹ 898.64 crore towards developing the infrastructure at various estates during 2005-06 to 2008-09, no expenditure was incurred as discussed in paragraph 3.19 *infra* for providing the facilities for management of waste in the estate which lacked justification.

The Government/Management stated (August 2010) that it was the responsibility of the pollutants to provide the facilities for effluent treatment, collection and conveyance and also treatment of solid waste. However, the Corporation had provided the effluent treatment plant and secured land fill sites for solid waste disposal in the estates having only chemical/polluting industries. Regarding sewerage treatment, it was stated that the necessary care was being taken by septic tank and sock pits and the local authority's conveyance net work provided in the estates.

The reply is not tenable. As per Section 13 (ii) (a) of The Gujarat Industrial Development Act, 1962, it was the responsibility of the Corporation to provide such structures and the facilities that were required for the orderly establishment, and the development of the industries. Thus, the fact remains that the Corporation had provided inadequate facilities for management of waste in the estates.

### Non utilisation of plots

**3.17** As per the terms and conditions of allotment of plots, the units should start the commercial production by utilising the plot within a period ranging from six months to three years depending upon the size of plots from the date of handing over the possession. The officials of division office visit the estate on *ad hoc* basis and report to RM on the number of plots that remained unutilised beyond the period allowed. In turn, the RM office issued notices to the concerned allottees intimating the non utilization of plots (NU) and penalty being chargeable at the rate of two to three *percent* of the prevailing PP of the estate concerned.

Our scrutiny of the records revealed that in eight<sup>⊕</sup> regions (53 estates) there were 1,868 number of plots with a total area of 50.85 lakh Sq. Mtrs. that

<sup>x</sup> Ankleshwar, Ranoli, Sachin, Sarigam, Vapi, Nandesari, Odhav, Vatwa, Naroda and Pandesara.

<sup>‡</sup> Dahej (General), Vilayat (General).

\* Naroda, Vatwa, Nandesari, Ankleshwar, Surat and Vapi.

<sup>Σ</sup> Ankleshwar.

<sup>⊕</sup> Ahmedabad, Vapi, Bhavnagar, Bhuj, Jamnagar, Baroda, Rajkot and Ankleshwar.

remained unutilised beyond the stipulated period, in this regards following observations are made:

- As per the terms and conditions of allotment, the Corporation was empowered to cancel the allotment made if the allottee did not use the plots within the stipulated time. However, in most of the instances, the Corporation did not cancel allotment even though re-allotment of such unutilised plots at prevailing PP could fetch more revenue to the Corporation.
- In case of unutilised sheds/plots though the notices were issued to allottees intimating the NU penalty chargeable, the charges were being recovered only at the time of transfer or conversion of plots instead of recovering it as and when it was levied.
- The Corporation had not adopted any consistent policy with regard to approving of the transfer of unutilised plots. During 2005-06 to 2009-10, the transfer of such plots were allowed by charging transfer fee at the higher rate ranging from 10 to 50 *per cent* of prevailing PP compared to transfer of utilised plots. During May to September 2008, the Corporation completely prohibited transfer of unutilised plots and later on, it again allowed transfer of unutilised plots by charging transfer fee at the rate of 25 *per cent* of prevailing PP. This inconsistency in the policy did not allow the Corporation to allot such unutilised plots to fresh allottees at prevailing PP by cancelling the original allotment of unutilised plots.

**Actions were not taken against the allottees who did not utilise the plots beyond the stipulated period.**

After being pointed out by us, the Corporation has completely banned the transfer of unutilised plots as well as allowing extension of time limit prescribed for utilising the plots w.e.f. 1<sup>st</sup> April 2010.

#### **Unauthorised use of industrial plots for commercial use**

**3.18** Our scrutiny of the records and field visits carried out by us during March to May 2010 to the Ankleshwar and Vapi regions revealed that in Ankleshwar region eight allottees having total plot area of 0.17 lakh Sq. Mtrs. and in Vapi region 145 allottees<sup>∇</sup> having total plot area of 3.52 lakh Sq. Mtrs. were unauthorisedly carrying out commercial activities in the plots allotted for industrial use. As per the license agreement, the Corporation had right to cancel the allotment in case of unauthorised use of plot by the allottee for the purpose other than for which it was allotted. However, as per the policy of the Corporation (July 2002), such unauthorised use of plots could be regularized after recovering four times of the prevailing industrial PP from the allottees. Non regularisation of such cases by the Corporation led to delay in recovery of

<sup>∇</sup> Vapi-120, Umbergaon-21 and Sarigam-4 cases.

revenue amounting to ₹ 255.63 crore<sup>3</sup>. In addition to above, unauthorised use of industrial plot for commercial use, one case each at Gandhinagar Electronics Estate<sup>4</sup> and at Lodhika Industrial Estate (Rajkot)<sup>5</sup> covering total areas of 0.11 lakh Sq. Mtrs., were also noticed. Non regularisation of these two cases also led to non recovery of revenue of ₹ 5.21 crore.

The Government/Management stated (August 2010) that the amount chargeable for regularising the unauthorised use of industrial plots for the commercial purpose was equal to four times of prevailing PP which was very high. Hence, the Corporation did not get adequate response from the allottees for regularising their cases. However, the Corporation had regularised those cases for which applications were received from the allottees.

The reply is not tenable. Despite the fact that the Corporation had adequate statutory powers, it had not taken effective actions against the allottees either for cancellation of allotment or for regularising the uses of plot by recovering the prescribed penalty.

### Utilisation of funds

**3.19** The sources of funds of the Corporation mainly consist of reserves and surplus, loans/subsidy from State Government and sale proceeds from sale of plots/sheds. The Corporations received total funds of ₹ 1,917.53 crore to ₹ 3,669.47 crore during 2005-06 to 2008-09<sup>6</sup> from the above sources. The Corporation prepares budget mainly indicating the estimated income viz., recovery installments (capital receipt) from the allottee towards the cost of plots allotted, revenue receipts etc., and the estimated expenditure viz., for land acquisition, infrastructure development, revenue expenditure.

As can be seen from the details provided in the **Annexure 15**, against the total estimated expenditure for land acquisition of ₹ 2,196.11 crore and for infrastructure development of ₹ 898.64 crore provided in the budget, the Corporation had spent only ₹ 591.83 crore and ₹ 340.89 crore respectively. Thus, there was a short fall in achievement of targeted expenditure on land acquisition and on infrastructure development by 73 and 62 per cent respectively compared with the projections made in the budget during the period. Though there was necessity for creating infrastructure in the estates for the management of waste (system for proper disposal of waste in the estates) as discussed in the preceding paragraph 3.16.2, the Corporation had not made adequate efforts in this regard despite provisions made in the budget. The

**There was huge shortfall in physical achievement of targets set for land acquisition and development expenditure**

<sup>3</sup> Ankleshwar = 16,890 Sq. Mtrs x 4000 (₹ 1000 - prevailing PP x 4 times) = ₹ 6,75,60,000 ; Vapi-3,42,503.44 Sq. Mtrs x ₹ 7200 (₹ 1800-prevailing PP x 4 times) = ₹ 246,60,24,768 ; Umbergaon (Vapi Region)-7972.40 Sq. Mtrs x ₹ 2400 (₹ 600 -prevailing PP x 4 times) = ₹ 1,91,33,760 ; Sarigam (Vapi region) -1501.29 Sq. Mtrs x ₹ 2400 (₹ 600 -prevailing PP x 4 times) = ₹ 36,03,096. Total = ₹ 2,55,63,21,624.

<sup>4</sup> Industrial plot admeasuring 2450 Sq. Mtrs being used for institute therefore ₹ 2400 (prevailing PP) x 4 (4 times in case of illegal use) x 2450 Sq. Mtrs = ₹ 2,35,20,000.

<sup>5</sup> Industrial Plot No G-509/1 admeasuring 8961 Sq. Mtrs has been used for shopping complex on the plot therefore ₹ 800x 4 = ₹ 3200 x 8961 sq. Mtrs = ₹ 2,86,75,200.

<sup>6</sup> The figures for the year 2009-10 were not available in absence of the budget for 2011-12, which would be prepared and submitted by the Corporation to State Government after necessary regrouping of various figures from the accounts for the year 2009-10 under different heads of accounts.

Corporation should have minimised the shortfall (₹ 2,162.03 crore) in achievement of targeted expenditure on land acquisition and infrastructure development at least to the extent of the surplus funds of ₹ 1,123.66 crore available at the end of 2008-09. The reason for non achievement of target as far as land acquisition concerned was not made available to audit.

The Government/Management stated (August 2010) that suitable provision was being made in the budget as soon as the Corporation decided to set up the estate. However, due to adherence of the lengthy procedures involved in acquisition of land and also due to court cases filed by the land owners against the award of acquisition of land, the funds provided in the budget could not be used in the same year leaving the impression that the Corporation did not make any efforts to use the funds provided in the budget.

The reply is not tenable. Reasons such as adherence to the lengthy procedures and delay due to court cases cited in the reply were incidental in the process of acquisition of land. As such, these factors were supposed to have been reckoned while making the provision in the budget. Further, the reply did not give specific cases in which abnormal time was taken resulting in under utilisation of the funds provided for it.

#### ***Avoidable payment of interest on enhanced compensation***

**3.19.1** As per Court awards, the Corporation was required to pay interest to the land owners under section 28 of the Land Acquisition Act, 1894 on the enhanced compensation awarded at nine *per cent* per annum for the first year, and thereafter at 15 *per cent* per annum, from the date on which the Corporation took possession of the land till the date of final payment.

Our scrutiny of 32 test checked cases where the court awards were received (April 2005 to March 2010) for payment of enhanced compensation revealed that in 10 cases the compensation payments amounting to ₹ 12.55 crore were made with a delay of one month to 26 months (after giving one month time for procedural formalities) to the land owners. Resultantly, the Corporation had incurred an avoidable payment of interest amounting to ₹ 0.53 crore during the period of delay, after reckoning the average return at nine *per cent* per annum earned by the Corporation on the surplus funds kept in deposits with Gujarat State Financial Services Limited.

The Government/Management stated (August 2010) that in the instant cases, the delay in payment of enhanced compensation occurred mainly due to late receipt of certified copy of court order and also in complying with other formalities such as, checking of arithmetical accuracy in the order, submission of demand note by the concerned officer to HO of the Corporation, passing of payment order by HO and depositing the amount with concerned court.

The reply is not tenable. Examination of the records revealed that the Corporation had taken a period of one to six months in getting the copy of the court order and further period of one month to one year in submission of demand note by the concerned field office to the HO of the Corporation which was abnormally excessive and clearly indicated the existence of weak internal

control system in the Corporation. Thus, these delays and consequential payment of interest were avoidable.

### **Internal Control and Monitoring Mechanism**

**3.20** The internal control and monitoring mechanism that existed in the Corporation was inadequate in view of the following:

- There were no comprehensive and consistent policy/guidelines covering various aspects viz., procedure for fixation of PP for allotment of plots in different estates, allotment of plots in saturated estates, non saturated estates, SEZ and allotment made on 'as is where is basis' etc.
- No mechanism in place to ensure proper application of PP in the cases of allotment and transfer of plots.
- No periodicity was prescribed for physically verifying the utilisation of plots by the allottees for the purposes for which it was allotted.
- No effective mechanism in place for ensuring the timely payment of compensations to the land owners so as to avoid penal interest liability.
- No monitoring system was adhered to by HO in compiling various data on the functioning of estates from its field offices. As a result, the Management Information System that existed with HO was not adequate. Important data showing year wise outstanding dues recoverable from allottees had not been maintained.
- No proper mechanism existed to ensure that the benefits available to the Corporation in the capacity of developer for SEZ were availed or not.

### **Acknowledgement**

We acknowledge the cooperation and assistance extended by different levels of the Management at various stages of conducting the performance audit.

### **Conclusion**

- **The performance of the Corporation with regard to setting up of industrial estates was deficient as it had no detailed plan fixing the time frame for taking up and completing the work of setting up of estates. There was huge shortfall in utilising the funds on land acquisition activities and infrastructure development works during 2005-06 to 2008-09 despite budget provisions and availability of funds.**
- **Only two SEZs completed by the Corporation failed due to absence of proper feasibility study before their setting up.**

**Instances of failure in availing the excise duty exemptions relating to SEZs were also noticed.**

- **No proper mechanism was devised to ensure the correct compliance with policy/rules/methods framed while performing the activities related to fixation/revision of PP, allotment of plots, charging of PP for the plots allotted for various purposes and recovery of conversion charges. Effective actions were not taken against the allottees for not utilising the plots or utilising the plots for the purpose other than for which these were allotted.**
- **In most of the estates, adequate systems for proper disposal of waste were not provided.**
- **Internal control and monitoring system were not commensurate with the volume of development and maintenance activities.**

### **Recommendations**

**The Corporation should consider:**

- **Formulating time frame for setting up of estates.**
- **Effective and efficient utilisation of funds for land acquisition and infrastructure development activities.**
- **Conducting proper feasibility study before setting up of SEZ and devising effective mechanism to ensure that all the benefits available to the Corporation in payment of statutory levies are availed promptly.**
- **Devising proper mechanism to ensure compliance with policy/rules/ methods relating to fixation/revision of PP, allotment of plots, charging of applicable PP, recovery of conversion charges and ensuring effective actions against the allottees not utilising or utilising plots for the purposes other than for which these were allotted; and**
- **Strengthening of internal control and monitoring mechanism to ensure development and maintenance of estates at minimal costs.**