

CHAPTER XVIII: MINISTRY OF TEXTILES

National Textile Corporation Limited

18.1 Non- availing option of negotiation resulted in sale of land at lower rates

National Textile Corporation concluded the sale of land of Bharat Textile Mills at rate lower than the rate for a sale concluded a week earlier for an adjacent land resulting in loss of opportunity to earn ₹ 156.97 crore more in sale of land

As per approved Revival Scheme, 2002 of Board for Industrial and Financial Reconstruction (BIFR), Bharat Textile Mills and Podar Mills (Process House), two adjacent mills of National Textile Corporation Limited (the Company), located in Upper Worli Mumbai, were identified as unviable mills and were ordered to be closed and sold in order to fund the revival of other viable mills. The reserve price for Bharat Textile Mills was fixed at ₹ 750 crore based on the highest rate considered by Government approved valuers on commercial usage basis. Reserve price for Podar Mills was ₹ 250 crore. E-auction was conducted from 29 July - 31 July 2010 for sale of 2.39 acres land of the Podar mills (Process House) and from 4 August - 6 August 2010 for sale of 8.38 acres land of the Bharat Textile Mills.

BIFR approved (September 2010) the sale of land of Podar mills (Process House) for ₹ 474 crore (at the rate of ₹ 198.32 crore per acre) in favour of Indiabulls Infratech Limited and Bharat Textile Mills for ₹ 1,505 crore (at the rate of ₹ 179.59 crore per acre) in favour of Indiabulls Infraestate Limited, the H-1 bidder in both e-auctions. No reasons for accepting a lower unit rate for Bharat Textile Mills were found on record. As per BIFR guidelines (August 2009), the bid of the highest acceptable responsive bidder was normally to be accepted. However, if the price offered by that bidder was not acceptable, negotiation could be held with that bidder only. In case such negotiation did not provide the desired result, reasonable or acceptable price could be counter-offered to the next highest responsive bidder(s).

Examination in Audit revealed that-

- The Company, instead of exploring the option of negotiating with the highest bidder, concluded (September 2010) sale of land of Bharat Textile Mills at the rate of ₹ 179.59 crore per acre despite having received a rate of ₹ 198.32 crore per acre in the then recently concluded sale of land of Podar Mills (Process House) only a week ago. The Company, thus, lost an opportunity to earn ₹ 156.97 crore[^] more in sale of land.

[^] (₹474 crore/2.39 acres x 8.38 acres) – ₹1505 crore = ₹156.97 crore

- Ignoring the option of negotiation was not a prudent decision especially in view of the fact that Bharat Textiles Mills and Podar Mills were adjacent mills and H-1 bidders of both the land sales were from the same group company i.e. India Bulls.

The Company stated (February 2014) that:

- BIFR guidelines state that bid of highest reasonable responsive bidder should normally be accepted.
- The Company had got a very good price for the property being more than double the reserve price and as such never thought of negotiating anymore.
- Normally small plots are sold at higher price vis-a-vis big chunk of land.

Reply needs to be viewed against the following facts:

- Though BIFR guidelines state that bid of highest reasonable responsive bidder should normally be accepted, right to negotiate has also been provided in the guidelines as well as tender conditions (Clause 9). The Company had a valid ground in this case for negotiation in view of the fact that it had received a higher price for the adjacent land only a week ago.
- The Reserve Price was fixed considering the valuations done by Government approved valuers based on the currently existing Floor Space Index (FSI) of 1.33 only. As per clause 1.3 (vi) of the Tender, however, mill land had higher FSI potential for various usages. This was not considered for fixation of Reserve Price. Further, the very fact that Company received more than double the reserve price in auction indicated that reserve price did not reflect fair market value.
- The Company had received post-bid offers of upto ₹ 1602 crore for the land which confirms that this land had potential to realize higher value.

Thus, the Company's decision to conclude the sale of land of Bharat Textile Mills, at a rate lower than the sale concluded a week earlier, without exercising the option of negotiation as per BIFR guidelines, resulted in loss of opportunity to earn ₹ 156.97 crore more from sale of land of Bharat Textile Mills.

The matter was reported to the Ministry in November 2013; their reply was awaited (March 2014).