

Chapter III

Performance Audit relating to Statutory Corporations

3.1 Development and Maintenance of Industrial Infrastructure in the State of Kerala by Kerala Industrial Infrastructure Development Corporation

Executive Summary

Introduction

Kerala Industrial Infrastructure Development Corporation (Corporation) was set up under the Kerala Industrial Infrastructure Development Act, 1993 for establishing industrial estates equipped with infrastructure facilities. The Corporation acquired 3,151.44 acres of land and developed 22 industrial parks in the land so acquired including 12 Standard Design Factories till December 2017.

Identification of land for Industrial Development Zone

During the five-year period ending 31 March 2017, the Corporation obtained Administrative Sanctions from Government of Kerala (GoK) for acquisition of 4,087 acres of land for development of Industrial Development Zone. GoK dropped acquisition of 1320 acres of land as the land identified was either not in conformity with the Corporation's selection criteria or with the Kerala Conservation of Paddy Land and Wetland Act, 2008.

Development of land and infrastructure

Comprehensive Rehabilitation and Resettlement Policy of GoK for land acquisition stipulated utilisation of land within three years. Development activities in 233.62 acres of land acquired during 2010-11 to 2013-14 was not yet completed.

GoK placed (2009 to 2017) 173.57 acres of land belonging to seven Companies/Societies at the disposal of the Corporation for industrial development. The Corporation was yet to utilise the industrial land on account of encroachment, delay in applying for exemption from various Acts, rules, notifications, etc.

Infrastructure development works

The Corporation undertakes infrastructure development works on the land acquired for allotment to entrepreneurs. Audit of 23 contracts out of 104 contracts under execution during 2012-13 to 2016-17 in respect of development works revealed that three works were awarded on single bid basis without valid justification (₹2.08 crore).

Engagement of Project Management Consultants

The Corporation engaged Project Management Consultants (PMC) for infrastructure development works from a panel constituted in June 2012. Audit observed that the Corporation appointed three PMCs from the panel after its expiry in June 2016. The Corporation did not invite competitive offers from other members in the panel to ensure competition in violation of GoK guidelines.

The Corporation also engaged three PMCs from the GoK accredited panel for five projects. In one project, the Corporation awarded PMC work to INKEL, a member in the GoK accredited panel, disregarding the technical and financial advantage from the offer of a member from its own panel leading to commitment of extra expenditure of ₹3.46 crore.

Allotment and post allotment monitoring

Details of availability of plot/space along with site location and applicable rate within a particular park were not available in public domain. This has deprived prospective entrepreneurs the required information to apply for allotment.

As per conditions of allotment, the allottee will have to commence commercial production within two years. Out of 1,779.18 acres of land allotted, an area of 215.66 acres remained unutilised without commencement of production.

Fixation of price for allotment of land

The Corporation approved pricing policy stipulating basis and guidelines for fixing lease premium. Audit noticed instances of imbalance in pricing.

Sharing of accumulated expenditure of the Industrial Park as a whole to future allotments alone led to increase in lease premium per acre ranging from ₹0.11 lakh to ₹32.26 lakh in eight parks.

Implementation of Infrastructure projects with assistance of GoI

The Corporation was the nodal agency for implementation of scheme under 'Assistance to States for Developing Export Infrastructure and Other Allied Activities (ASIDE)'. The Corporation met administrative expenses of ₹96 lakh from ASIDE fund in violation of the scheme guidelines. Even after release of funds of ₹46.18 crore under ASIDE scheme for four projects, necessary infrastructure was not created resulting in non-achievement of scheme objectives.

Introduction

3.1.1 Kerala Industrial Infrastructure Development Corporation (Corporation) was set up (February 1993) under the Kerala Industrial Infrastructure Development Act, 1993. The Corporation was set up for rapid and orderly establishment and organisation of industries in Kerala by establishing industrial estates equipped with infrastructure facilities such as developed land, built-up space, continuous power and water supply, effluent treatment plant, common facility, etc. These facilities would provide ready

manufacturing environment for easy start-up of industrial units with minimum time and cost. For this purpose, the Corporation acquires land, develops land and infrastructure, constructs Standard Design Factory (SDF) buildings, *etc.*, for allotment to entrepreneurs on lease, sale, exchange or transfer basis.

As of December 2017, the Corporation acquired 3,151.44 acres¹ of land at a cost of ₹492.31 crore². Besides, Government of Kerala (GoK) placed at the disposal of Corporation 173.57 acres of land belonging to non-working Public Sector Undertakings (PSUs) and co-operative societies. The Corporation developed the land so acquired by spending ₹195.61 crore and created 22 industrial parks till December 2017. Besides developing land, the Corporation constructed 12 SDF buildings in 12 of the above industrial parks. The Corporation had five subsidiaries and nine joint venture companies as on 31 March 2017 to carry out its business. The Corporation was also functioning as nodal/implementing agency for schemes of Government of India (GoI) and GoK in infrastructure development.

As on 31 March 2017, 685 industrial units with total investment of ₹1,458.85 crore were functioning in the industrial parks and SDF buildings of the Corporation. These industrial units provided direct employment to 35,311 persons.

Audit Objectives

3.1.2 The Performance Audit was conducted to ascertain whether:

- proper planning was in place for taking up industrial infrastructure development projects;
- development and management of industrial infrastructure facilities and other assets were efficient and economic; and
- the objectives of rapid and orderly establishment and organisation of industries in the State by providing adequate infrastructure facilities were achieved.

Audit Criteria

3.1.3 The audit criteria considered for assessing the achievement of audit objectives were derived from the following sources:

- The Kerala Industrial Infrastructure Development Act, 1993;
- The Kerala Industrial Infrastructure Development Corporation, Disposal of Land Regulations, 1995;
- The Land Acquisition Act, 1894 and 2013;
- The Kerala Industrial Infrastructure Development Rules, 2008;
- Industrial Policies/plans of GoK, guidelines of GoI on implementation of schemes/projects;

¹ The Corporation acquired 3,020.16 acres of land prior to 2012-13 and 131.28 acres thereafter till December 2017.

² ₹286.73 crore during 2012-13 to 2017-18 till December 2017.

- Lease deeds/agreements between the Corporation and allottees;
- Resolutions of Board of Directors/sub-committees, pricing policy;
- Tender conditions, work contracts, terms and conditions for hiring of consultants;
- Kerala Conservation of Paddy Land and Wetland Act, 2008; and
- Guidelines of Central Vigilance Commission, Kerala Financial Code and Stores Purchase Manual of GoK.

Scope of Audit

3.1.4 Working of the Corporation was last reviewed and audit results included in the Report (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2006, GoK. The Committee on Public Undertakings discussed (November 2017) the Report and its recommendations were awaited (December 2017).

The present Performance Audit covered overall performance of the Corporation during 2012-13 to 2016-17 in identification and acquisition of land, planning and development of land and infrastructure, allotment of land and built-up space, post allotment monitoring and performance of industrial parks, implementation of schemes and other developmental activities entrusted by GoI, *etc.*

Audit Methodology

3.1.5 Methodology adopted for attaining the audit objectives, with reference to audit criteria, consisted of review of files and records relating to land identification and acquisition, land allocation, pricing, project implementation, *etc.*, maintained by the Corporation, Government decisions on industrial development and various schemes, *etc.*

A sample of 94 land allotment cases (34.69 *per cent*) out of 271 cases and 23 contracts (22.12 *per cent*) for infrastructure development including construction of Standard Design Factory buildings out of 104 contracts were examined in audit.

Audit objectives, audit criteria and scope of Performance Audit were discussed with the Management and Government in an Entry Conference held on 7 June 2017. Audit was conducted during April to September 2017. Draft Performance Audit Report was issued to GoK/Corporation in December 2017. The reply furnished by the Corporation was discussed in an Exit Conference (9 January 2018) attended by Additional Chief Secretary, Department of Industries and Commerce, GoK and Managing Director of the Corporation. Replies of GoK were received in February 2018. The views expressed by the GoK and the Corporation were duly considered while finalising the Report.

Acknowledgement

3.1.6 Audit acknowledges the co-operation and assistance extended by the management and staff of the Corporation, Department of Industries in the conduct of this Performance Audit.

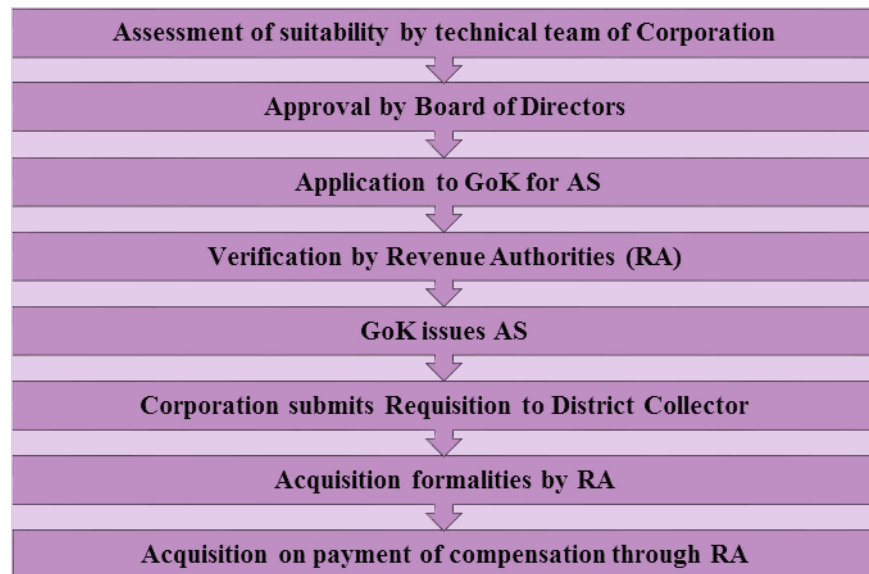
Audit findings

3.1.7 Audit findings are discussed in succeeding paragraphs.

Identification and acquisition of land for industrial development

3.1.8 Land for public purpose in the State was acquired under the provisions of the Land Acquisition Act, 1894/2013³. In pursuance of provision 25 (1) of the Kerala Industrial Infrastructure Development Act, 1993, the Corporation identifies land for industrial development and submits land acquisition proposals to GoK for obtaining Administrative Sanction (AS) for acquisition. The activities involved in the land identification and acquisition process are given in the **Chart 3.1**:

Chart 3.1: Activities involved in the land identification and acquisition process



The Corporation framed (March 1993) norms for selection of sites, which include availability of transportation facility, labour, power, water, nature and likely cost of land, *etc.*, to streamline the process of identification of land. The Corporation modified (October 2011) the norms and issued guidelines incorporating requirements as per provisions of Coastal Regulation Zone Notifications, 1991, Biological Diversity Act, 2002, Kerala Conservation of

³ Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

Paddy Land and Wetland Act, 2008, etc. GoK also brought out (November 2011) a comprehensive Rehabilitation and Resettlement Policy for land acquisition, which *inter alia* stipulated utilisation of land acquired within three years. Audit examined the process of identification and acquisition of land against these norms.

Acquisition of land for Industrial Development Zone

3.1.9 In the Industrial and Commercial Policy, 2007, GoK strategised to develop world class industrial infrastructure in the State through various PSUs, including the Corporation. GoK in their budget (2012-13) announced establishment of large scale industrial and commercial zone through the Corporation by setting up Industrial Development Zones (IDZs). IDZs envisaged acquisition and development of land, providing basic infrastructure facilities like road, power, water, sanitation and drainage for onward leasing to interested parties in the targeted industries⁴ with development potential on a long-term basis.

During the five-year period ending 31 March 2017, the Corporation identified 6,459 acres of land for implementing IDZs and submitted proposals for Administrative Sanction (AS) for acquisition of land, the status of which is given in **Appendix 6**. Out of this, the Corporation received AS for 4,087 acres of land as shown in **Table 3.1**:

Table 3.1: Details of proposals submitted to GoK for land acquisition

Period	Identified and proposals submitted to GoK		AS obtained from GoK		Acquisition in progress	
	Number	Acre	Number	Acre	Number	Acre
2012-13	3	393	3	393	1	63
2013-14	5	1,270	5	1,270	4	970
2014-15	3	838	2	238	2	238
2015-16	6	2,686	5	2,186	4	1,496
2016-17 ⁵	3	1,272	0	0	0	0
Total	20	6,459	15	4,087	11	2,767

(Source: Data furnished by the Corporation)

Out of 4,087 acres of land for which AS was obtained, the Corporation did not acquire any land so far (December 2017). Acquisition proceedings were progressing in respect of 2,767 acres of land. GoK dropped acquisition proceedings in respect of 1,320 acres of land due to unsuitability of land for industrial development as discussed below:

- As per the Kerala Conservation of Paddy Land and Wetland Act, 2008; the owner, occupier or person in custody of any paddy land shall not undertake any activity for the conversion or reclamation of such paddy land except in accordance with provisions of this Act. It was also

⁴ Food-Agro based, Engineering, Gems and Jewellery, Information Technology and Information Technology Enabling Services, Electronic Hardware Segment, etc.

⁵ The Corporation identified all three cases during 2016-17 and submitted acquisition proposals to GoK in May 2017. GoK is yet (November 2017) to give AS.

provided that wet land of the State shall be maintained as such and there shall be total prohibition on reclamation of such wet land. Therefore, the modified guidelines (2011) for selection of sites stipulated that the land should not contain areas covered under Kerala Conservation of Paddy Land and Wetland Act, 2008.

Land at Karumaloor, Ernakulam (300 acres) and Ayyampuzha, Ernakulam (250 acres) identified by the Corporation were paddy land. For its acquisition and development, obtaining exemption from GoK was necessary under the provisions of the Kerala Conservation of Paddy Land and Wetland Act, 2008 which was not granted.

Similarly, the land identified (February 2013) at Edathirinji, Thrissur (80 acres) was falling under wet land, conversion of which was prohibited under the provisions of the Kerala Conservation of Paddy Land and Wetland Act, 2008.

In the Exit Conference (January 2018), Additional Chief Secretary, Department of Industries and Commerce, GoK stated that violation of provisions of Kerala Conservation of Paddy Land and Wetland Act, 2008 in land identification should have been avoided.

- As per the norms of the Corporation for site selection (1993), the Corporation was to assess nature of land such as terrain conditions and the likely cost of land and development while identifying a particular location to assess its viability.

The Corporation identified (February 2016) land at Mankada, Malappuram (690 acres) with steep terrain conditions. As development of land would increase the cost of land, GoK considered its acquisition uneconomical and dropped (May 2017) the land acquisition proceedings.

Thus, identification of land by the Corporation without adherence to its own norms and provisions of the Kerala Conservation of Paddy Land and Wetland Act, 2008 led to non-acquisition of land so identified, entailing wastage of limited human and financial resources.

Development of land and infrastructure

3.1.10 The Kerala Industrial Infrastructure Development Act, 1993, empowers the Corporation to develop the land acquired by providing amenities and common facilities. Project Implementation Committee was responsible to conceive, plan, execute and monitor infrastructure development works and also to ensure their timely implementation. Out of 3,325.01 acres of land acquired/ possessed by the Corporation, the Corporation transferred 285.75 acres of land to three Government agencies⁶. Out of the balance 3,039.26 acres of land, the Corporation developed 2,496.79 acres of land for

⁶ Rubber Park (109.12 acres) a Joint Venture with Rubber Board, Coast Guard Academy (164.22 acres) and National Institute of Fashion Technology (12.41 acres).

creating 22 industrial parks. Balance land to be developed as of December 2017 was 542.47 acres. Audit observations on development of 407.19 acres⁷ of land are discussed below:

Non-development/delay in development of land acquired

3.1.11 As per the Comprehensive Rehabilitation and Resettlement Policy of GoK (November 2011) for land acquisition, the land acquired should be utilised within three years.

Audit observed that the Corporation did not complete/carry out developmental activities in respect of 233.62 acres of acquired land as shown in **Table 3.2**:

Table 3.2: Details of land acquired and under development

Sl. No.	Location	Total area (in acre)	Purpose of acquisition	Year of acquisition	Amount incurred up to December 2017 (₹ in crore)	Status of development
1	Beyepore	22.40	Marine Park	2010-11	36.19	Pending for CRZ clearance
2	Ranni	1.41	Apparel Park	2010-11	0.02	No activities
3	Ottappalam	82.00	Satellite City	2011-12 to 2012-13	35.40	Development not completed within the stipulated three years.
4	Mattannur	127.81	Industrial Park	2012-13 to 2013-14	81.04	
Total		233.62			152.65	

(Source: Information furnished by the Corporation)

Audit observed that:

- Coastal Regulation Zone (CRZ) Notification, 1991 prohibits new construction in the CRZ –III category area. As per the notification, development works such as construction of building on the landward side of the existing and proposed roads or existing structures subject to existing local town and country planning regulations are permissible under category II area, *i.e.*, within the municipal/urban limit that were developed up to or close to the shoreline.

The Corporation submitted (December 2007) a proposal to GoK for setting up a marine park at Beyepore, Kozhikode. The project envisaged development of 25 acres of land close to Beyepore fishing harbour. Estimated cost of the project was ₹10 crore, 90 per cent of which was available under Assistance to States for Developing Export Infrastructure and Other Allied Activities (ASIDE) scheme⁸. GoK

⁷Audit observations on land development activities at three locations (80.61 acres) have been included in the earlier Reports of CAG. In respect of 40 acres of land at Puzhakkalpadam, development work is in progress. In respect of 14.67 acres of land at Thodupuzha, there were no audit observations.

⁸ A scheme of Government of India (GoI) that envisages financial assistance to State Governments for creating appropriate infrastructure for the development and growth of export.

accorded (July 2008) sanction to set up Marine Park at Beypore under ASIDE scheme.

The Corporation acquired (April 2010) a site measuring 22.40 acres owned by private individuals lying at a distance of 50 metres from seashore. As the land was falling under CRZ-III category, the Corporation did not commence any activities. GoK notified (June 2010) this area as urban by including this area under the Kozhikkode Corporation. Categorisation of land under CRZ-II, however, was possible only if Ministry of Environment and Forest (MoEF), GoI approved amended Coastal Zone Management Plan and revised CRZ Map of the area, which was pending (December 2017).

Audit observed that acquisition was done without ascertaining the environmental status of land leading to non-achievement of intended objective of setting up Marine Park. In the absence of clearance from MoEF, GoI, the Corporation did not commence any developmental activities so far. The Corporation also could not propose the case for assistance under ASIDE scheme and thus, lost the opportunity of availing assistance amounting to ₹9 crore.

While noting the audit findings, the GoK stated (February 2018) that efforts were being made to categorise the land under CRZ-II category so that permissible industrial activities connected with Marine Park could be initiated.

The reply was not acceptable because the land acquired in 2010-11 could not be utilised for the intended purpose even after seven years.

- As per the norms of the Corporation for selection of sites (1993), the Corporation was required to assess availability of skilled and unskilled manpower/cost of labour, *etc.*, with reference to the specific projects. Based on a proposal from the Corporation, GoK accorded (March 2011) sanction to acquire 1.41 acres of Government land in Ranni, Pathanamthitta for an apparel park on lease basis subject to the condition that construction activities should commence within one year. The Corporation acquired the land in 2011 on lease⁹ for 30 years.

The Corporation subsequently reassessed (July 2014) the project and observed that the land was unsuitable for apparel park since low cost labour was not available and there were no potential takers for apparel industry. The land was, therefore, kept idle for six years.

The Corporation stated (January 2018) that a decision was taken in May 2017 to develop the land for general industrial purposes and accordingly, decided to construct Standard Design Factory for small industrial units.

The reply was not acceptable as acquisition of land, without conducting feasibility for the apparel industry beforehand and without adherence to

⁹ Annual lease at the rate of two per cent of market value of ₹12.42 lakh.

the Corporation's own norms resulted in stalemate in development of the land for six years and it was still lying undeveloped (March 2018).

- Norms of the Corporation for selection of sites (1993) for development of industrial area stipulated assessing likely cost of developed land before identifying a particular location. The Corporation identified land at Ottappalam (Palakkad) at the instance of GoK on the basis of representation from Member of Legislative Assembly (Ottappalam constituency). The Corporation, on inspection of land assessed that it would be difficult to market the land since prevailing land cost was ₹20 lakh to ₹25 lakh per acre. GoK, thereafter directed (April 2008) the Corporation to ascertain marketability of land through investors' meet and submit the proposal for acquisition.

The Corporation went ahead with acquisition of 82 acres of land without conducting marketability analysis. Further, development of land and infrastructure was not completed within three years as required in the Comprehensive Rehabilitation and Resettlement Policy of GoK (November 2011) for land acquisition.

GoK, while noting the audit findings stated (February 2018) that the Corporation usually conducted stakeholders' meet locally to assess the marketability of the land. The reply was not acceptable as the Corporation did not ascertain marketability of land before acquisition of this land.

Thus, land identification and acquisition without adherence to the Corporation's own norms for selection of sites coupled with absence of marketability analysis through investors' meet as suggested by GoK led to acquisition of unsuitable land and delay in development of land acquired.

Non-development of land placed at the disposal of the Corporation

3.1.12 Industrial and Commercial Policy, 2007 (Policy) of GoK envisaged transfer of assets including land pertaining to closed down or unviable State Level Public Enterprises for infrastructure development for industrial purposes. In line with the Policy, GoK placed 173.57 acres of land belonging to seven companies/societies at the disposal of the Corporation between 2009 and 2017 for industrial development. The Corporation incurred ₹49.26 crore for acquisition and development of the land as shown in the **Table 3.3:**

Table 3.3: Details of land placed at the disposal of the Corporation by GoK

Sl. No.	Name of Company/ Society	Year of Government Order for transfer of land	Area (acre)	Cost incurred up to December 2017 (₹ in crore)
1	Kerala Soaps and Oils Limited	2009	3.37	0.12
2	Kerala State Detergents and Chemicals Limited	2009	18.88	3.70
3	Travancore Plywood Industries Limited	2010	57.00	19.97
4	Kazhakkootam Co-operative Spinning Mills Limited	2012	7.58	2.60
5	Kunnathara Textiles Limited	2014	12.65	0.11
6	Travancore Rayons Limited	2014	68.00	1.08
7	The Kerala Ceramics Limited	2017	6.09	21.68
	Total		173.57	49.26

(Source: Information furnished by the Corporation)

The Corporation was yet to utilise the industrial land as discussed below:

- Kerala Soaps and Oils Limited (KSOL) transferred (November 2009) possession of 3.37 acres of land at Kozhikode to the Corporation as per GoK order (July 2009). After taking possession, the Corporation conducted (May 2010) survey of the land and found that actual extent of land was 2.41 acres. The balance 0.96 acre of land was encroached by a religious institution and value of land encroached worked out to ₹2.40 crore.

The Corporation stated (August 2017) that they requested District Collector, Kozhikode to evict the encroachment and take back the balance land of 0.96 acre from the encroacher.

The fact, however, remains that encroachment was not removed and the Corporation did not prepare a definite plan to utilise the entire land of 3.37 acres.

- Out of the land taken over from Travancore Plywood Industries Limited at Piravanthur, Kollam, the Corporation utilised 14 acres of land for construction of Standard Design Factory building with 64,398 sq. ft. built-up area at a cost of ₹14.53 crore for housing a general industrial park.

Meanwhile, MoEF notified (November 2013) the area as Ecologically Sensitive Area (ESA) and prohibited new/expansion project activities in the area. Since the area was declared ecologically sensitive, Grama Panchayat did not allot building number to the SDF building and hence, the Corporation could not commence any activity. GoK requested (April 2017) MoEF for exemption of the area after a delay of more than three

years and approval from MoEF was awaited. The SDF building and the balance land, therefore, was not used for its intended purpose.

- The Corporation took possession (August 2013) of 7.58 acres of land at Thonnakkal, Thiruvananthapuram belonging to Kazhakkootam Co-operative Spinning Mills Limited (KCSM). At the time of taking possession, the title of the land was not with the KCSM. The KCSM obtained title of land in July 2017. Transfer of title in the name of the Corporation was completed in December 2017.

Owing to delay in completing the formalities for obtaining the title, the Corporation could not develop the land taken over at ₹2.13 crore for allotment to entrepreneurs.

- The Corporation could not complete acquisition and hence, could not carry out development activities in respect of four parcels of land (serial numbers 2,5,6 and 7 of **Table 3.3**) due to delay in winding up/settlement of dues/ transfer of title, *etc.*, as detailed in **Appendix 7**.

The Corporation stated (January 2018) that after the completion of transfer of title and mutation process, the developmental activities at the land of Kerala State Detergents and Chemicals Limited, Kunnathara Textiles Limited, Travancore Rayons Limited and the Kerala Ceramics Limited would be initiated.

Infrastructure Development Works

3.1.13 The Corporation undertakes infrastructure development works on the land acquired for allotment to entrepreneurs. The Corporation recovers cost of land and expenditure incurred for its development from entrepreneurs at the time of allotment. Therefore, in order to keep the developed land attractive to prospective entrepreneurs, it is important that utmost economy is maintained in development work. Audit noticed instances of non-compliance to codal provisions leading to extra expenditure as discussed below.

Non-compliance with Stores Purchase Manual/Kerala Financial Code/ guidelines of Central Vigilance Commission in award of work

3.1.14 Conditions of release of grants/loans from GoK *inter alia* require the Corporation to observe tender and other required formalities as per Stores Purchase Manual (SPM) while executing its projects. The Kerala Financial Code and Central Vigilance Commission (CVC) guidelines reiterate the requirement of adopting tender procedure. GoK also directed (October 2013) that single bid shall be accepted only after re-tendering and subject to a detailed justification in support of acceptance.

Audit of 23 contracts out of 104 under execution during 2012-13 to 2016-17 revealed that in three cases, work was awarded on single bid basis without valid justification as discussed below:

- As discussed in **Paragraph 3.1.12**, the development of KINFRA Small Industries Park at Piravanthur was stalled as MoEF had declared (November 2013) the area ecologically sensitive. Despite this, work order for supply, installation and commissioning of elevators in the building at KINFRA Small Industries Park, Piravanthur was issued (September 2014) to the single bidder, Omega Elevators Limited¹⁰, citing urgency. The work was completed in November 2016 at a cost of ₹56 lakh.

GoK stated (February 2018) that the work was taken up (September 2014) on urgency as providing lift to the four storied building was a statutory requirement.

The reply was not acceptable since award of work citing urgency was not correct as development of the area was stalled as per orders (November 2013) of MoEF declaring the area ecologically sensitive. The Corporation was not able to get clearance from Grama Panchayat and power connectivity to the building was not available. Thus, the award of work to single bidder was not in order.

- Project Implementation Committee approved (August 2009) estimated cost of ₹9.74 crore for construction of SDF building at Nellad including certain essential peripheral works¹¹. The Corporation, however, excluded peripheral works from the estimate and awarded (April 2010) the work at ₹10.43 crore. The work was completed in March 2013. The Corporation subsequently tendered peripheral work and awarded (May 2014) the work to the lone bidder¹² at negotiated rate of ₹70 lakh without retendering. Exclusion of peripheral work and subsequent award to single bidder was not prudent and lacked justification. The work was completed in November 2014 at a cost of ₹93.52 lakh.

GoK stated (February 2018) that peripheral work was awarded on urgency as the work was to be completed before monsoon season.

The reply was not acceptable as the work was awarded (May 2014) with scheduled completion time of six months (November 2014), which was beyond the monsoon (June/July to September) season. Hence, reason of urgency of completion before monsoon season was not correct and lacked justification which calls for fixing of responsibility.

- GoK issued AS for setting up Industrial Park at Mattannur in June 2014. The Corporation, however, tendered the work for barbed wire fencing at the estimated cost of ₹58.03 lakh in April 2015. The Corporation awarded (June 2015) the work to the single bidder at the estimated cost without re-tendering. The work was completed in February 2016 at a cost of ₹58.22 lakh.

¹⁰For supply, installation and commissioning of elevators at a cost of ₹56 lakh.

¹¹Retaining wall, *pucca* drains, mandatory firefighting underground tank, effluent collection tanks, pump rooms for the firefighting activities and effluent pumping, dedicated water line from overhead tank, etc.

¹²Rightedge Infrastructure Private Limited.

GoK stated (February 2018) that the work was awarded (June 2015) to single bidder as there was urgency to protect the land. GoK also stated that the above works were awarded through e-tender and under which all registered bidders would receive notification whenever a tender was uploaded. Therefore, reasonable participation was assured.

The reply was not acceptable on the ground that as per direction of GoK (2013), single bid/single tender shall be accepted only after re-tendering and subject to a detailed justification in support of acceptance. The directions of GoK were applicable to e-tendering also. Thus, the award of work to a single bidder was not in order.

Engagement of Project Management Consultants from Corporation's own panel

3.1.15 As per CVC guidelines, selection of Project Management Consultants (PMCs) should be made in a transparent manner through competitive bidding. The scope of work and role of consultants should be clearly defined. GoK issued (July 2014) guidelines aimed at ensuring equity, transparency and prudence in selection of consultants for execution of public works. According to these guidelines, departments/organisations may entrust consultancy works to agencies empanelled by GoK. Selection would be made on the basis of their technical expertise and capability to execute the proposed work and suitability of the agency to the specific project. Competitive offers for centage charges¹³ may be obtained from the agencies before selection.

The Corporation empaneled (June 2012) 12 firms for PMC for a period of four years to execute development works. Consultancy fee/centage charge for PMC was 0.98 *per cent* of estimate or actual cost, whichever was lower plus monthly salary of ₹71,250 for three personnel. All the panel members agreed to execute the work at this rate.

The Corporation engaged PMCs for 23 works since constitution of panel till 31 March 2017. Audit observed that:

- validity of panel for PMC expired in June 2016 and no extension was given. The Corporation, however, appointed three PMCs¹⁴ for three projects from the expired panel.
- the Corporation did not invite competitive offers from other members in the panel though GoK guidelines suggested to obtain competitive offers from members in the panel to ensure competition.
- there were no specific criteria for selection of firm from the panel to ensure transparency in selection.

The Corporation stated (October 2017) that a PMC was selected from the panel at the agreed rate and hence, ensured competitiveness.

¹³ Consultation charges.

¹⁴ Promax Management Consultants, Rigtedge Project Management Consultants and Ansons Group.

The Corporation's reply was not acceptable on the ground that the idea behind selection of a panel of consultants was to avoid delay in selecting a consultant through tendering process. It, however, did not prohibit the Corporation to obtain competitive offers from the enlisted members. Thus, award of work to expired panelists without assessing comparable rates resulted in non-adherence to the transparent system of selection as envisaged in the CVC guidelines.

Engagement of Project Management Consultants from the panel of GoK

3.1.16 The Corporation engaged three PMCs¹⁵ from the accredited panel of GoK for five projects till March 2017. In respect of one project, Audit observed that:

The Corporation invited (February 2016) Request For Proposal (RFP) for selection of PMC for setting up Defence Park Project¹⁶. Board sub-committee observed (April 2016) that Srihande Consultants Private Limited (SCPL), one of the Corporation's empaneled PMCs was suitable to undertake PMC work for the project as they were familiar to the topography and terrain of the work site. The rate of 0.98 *per cent* of estimate or actual cost whichever was lower plus monthly salary of ₹71,250 for three personnel was economical too.

The Corporation, however, cancelled the RFP and invited (April 2016) technical and financial quotes from GoK empanelled consultants. Seven parties from the panel submitted documents and the Corporation awarded (July 2016) PMC work to INKEL Limited (INKEL) at the rate of 3.75 *per cent* of the estimated cost or actual cost, whichever was lower. The project commenced in March 2017 with the scheduled date of completion by 31 October 2018. The Corporation incurred ₹13.16 crore so far (September 2017) on the project including ₹11 crore deposited with INKEL towards 20 *per cent* of work order value.

Audit observed that award of work to INKEL disregarding the technical and financial advantage of SCPL for the work resulted in commitment to extra expenditure ₹3.46 crore¹⁷ on PMC charges.

GoK replied (February 2018) that Corporation's decision was to utilise the service of GoK empanelled PMC selected through transparent process. Reply was not correct as there were lapses in the process of selection of INKEL from the GoK panel as indicated below:

- The terms of reference in RFP *inter alia* specified that PMC shall be entrusted with rendering services with respect to technical, financial and management aspects of the project. Technical services covered 'preparation of detailed estimates based on the broad concept design and cost details provided by the Corporation'. As the Corporation already

¹⁵ KITCO (₹2.97 crore), BSNL (₹3.37 crore), INKEL (₹4.91 crore).

¹⁶ A GoI assisted project under Department of Industrial Policy and Promotion (DIPP) with a grant of ₹50 crore.

¹⁷ ₹4.91 crore (being work order value at 3.75 *per cent* of estimated cost) less ₹1.45 crore (agreed PMC charges).

prepared Detailed Project Report (DPR) in-house, this condition was changed subsequently to 'preparation of detailed drawings and detailed estimates in conformity with approved DPR'. The fact about preparation of DPR, was not brought out in the terms of reference in RFP to avoid ambiguity.

- Intent of the Corporation to execute the project as deposit work was incorporated in the agreement with INKEL. This was not in order as post RFP/tender changes with financial implications was not permissible. As the original participants were not aware of these subsequent changes, the tender lost impartiality and competitiveness.

Non-compliance to statutory requirement

3.1.17 The National Building Code, 2005 (Part 4-Fire and Safety), stipulates that automatic water sprinklers shall be installed on all floors of buildings other than residential and educational building, if the height of the building exceeded 15 metres (High rise buildings).

The Corporation, as a provider of infrastructure facilities in the industrial area was responsible for providing safe environment for industries. The Corporation initially obtained (November 2006) No Objection Certificate (NOC) from Fire and Rescue Department (F&RD) for the Standard Design Factory buildings under construction at KINFRA Park, Kakkanchery subject to providing all firefighting arrangements as per the existing relevant rules. Fresh NOC was also to be obtained from F&RD after completion of construction and before occupying the building.

Audit observed that the Corporation allotted entire space in the SDF building to industrial units. The F&RD, however, was yet to issue final NOC to SDF building as the firefighting system installed was not as per the specification of National Building Code, 2005.

The Corporation stated (October 2017/January 2018) that at the time of applying for initial NOC, and as per the Building code of India, 1983 including amendments, the then proposed building did not fall under the relevant category where sprinkler system was mandatory. Hence, the same was not provided in the building.

The view of the Corporation was not acceptable as issue of initial NOC (2006) was subject to the condition that the construction should adhere to all existing rules. Functioning of industrial units in the building without compliance to the statutory requirement on fire and safety was not correct, which calls for urgent rectification to avoid any risk associated with it.

Allotment and post allotment monitoring

3.1.18 A land allotment committee constituted (May 1999) by GoK allots developed land/built-up spaces to entrepreneurs/providers of common amenities as per conditions set out in The Kerala Industrial Infrastructure

Development Corporation, Disposal of Land Regulations, 1995 (Regulation). Land allotment was done on leasehold basis for a period of 30 years, renewable for further terms at the end of the lease period. Lease premium was fixed for each park on a case-to-case basis by a Pricing Committee¹⁸. The allottee was to execute a License Agreement to take possession of land. On production of Building Completion Certificate, the allottee was entitled to execute Lease Deed.

As on 31 December 2017, out of the 2,067.14 acres¹⁹ of allotable land, the Corporation allotted 1,779.18 acres of land. Similarly, out of 11.05 lakh sq. ft. allotable built-up space, the Corporation allotted 7.61 lakh sq.ft. as of December 2017. Audit observations on allotment and utilisation of land are discussed below:

Absence of information about availability of land and built-up space

3.1.19 Development of infrastructure for industries would attain the desired objective only when industrial plots/built-up space were allotted to entrepreneurs. A system to provide information regarding availability of plots/space, rate with location, *etc.*, in public domain was necessary for the information of potential entrepreneurs.

Major industrial infrastructure providers like, Andhra Pradesh Industrial Infrastructure Corporation and Maharashtra Industrial Development Corporation provide online application system with Geographical Information System enabled plot locator facility and online information system for land rates respectively to the potential entrepreneurs.

Review of prevailing system and detailed examination of a sample size of 113 cases of allotment by the Corporation revealed that:

- Although 287.96 acres (*Appendix 8*) of developed land and 3.44 lakh sq.ft. of built-up space was available for allotment as of December 2017, details of availability of plot/space along with site location and applicable rate within a particular park were not available in public domain.
- The Corporation was yet to introduce online application system for allotments to ensure transparency in allotments.

Thus, absence of information about availability of land and built-up space deprived prospective entrepreneurs of the required information to apply for allotment.

¹⁸ Comprising Managing Director, General Manager (Planning and Business Development), Managing Director of the respective subsidiary company, Manager –Finance and other members nominated by the Corporation.

¹⁹ During the five-year period ending 31 March 2017, the Corporation allotted 313.99 acres of land and 4.16 lakh sq. ft. built-up area to 276 and 44 entrepreneurs respectively.

GoK stated (February 2018) that as a part of introducing transparency in the allotment matters, GoK was proposing to introduce web based portal for allotment and the Corporation had initiated steps in this direction.

Underutilisation of land by allottees

3.1.20 As per conditions of allotment, the allottee will have to commence commercial production within two years. As per Section 10 (k) of the Kerala Industrial Infrastructure Development Act, 1993, the Corporation shall have power to evict any entrepreneur or person and resume the land, shed or building allotted in the event of allottee not adhering to the terms and conditions of allotment. The Corporation was to ensure adherence to the conditions of allotment by allottees to achieve desired industrial development. Resumption of unutilised land from the allottees and re-allotment was necessary as the effort of the Corporation to acquire fresh land for allotment was not successful.

Audit observed that the system of periodical review of the status of allotted land at Park was not effective as an area of 215.66 acres of land in 13 industrial parks remained unutilised for more than two years (December 2017) by 122 allottees (**Appendix 9**). In all these cases, the Corporation was yet to resume the land by invoking provisions of Kerala Industrial Infrastructure Development Act, 1993.

Availability of built-up space in Standard Design Factory buildings

3.1.21 The Corporation constructed 12 Standard Design Factory buildings with built-up area of 13.49 lakh sq.ft. for leasing to industrial units. Out of the total built-up area, the total allotable area was 11.05 lakh sq.ft. (81.91 *per cent*). In respect of four buildings at Koratti, Piravanthur, Nellad and Thalassery, the *percentage* of allotable area to built-up area was in the range of 52 to 62 *per cent* as given in **Appendix 10**.

Audit observed that maximisation of allotable area was essential to provide most economical rate per sq.ft. to allottees. GoK in its guidelines for land acquisition directed (May 2017) all land developing agencies that land with at least 75 *per cent* allotable area could be acquired. No such guidelines, however, were in place in case of allotable space in Standard Design Factory buildings. In the absence of a benchmark regarding *percentage* of allotable space in a building, there was wide variation in allotable built-up space to total built-up space in such buildings.

GoK stated (February 2018) that the extent of allotable area was more in buildings where sector specific industries were housed whereas allotable area was less where general sector industries were housed. The extent of availability of allotable area varied from location to location. GoK also stated that the Corporation recovered the entire amount spent for construction from allottees through pricing.

The reply may be viewed against the fact that providing maximum allottable space in a building will reduce rate per sq. ft. for allottees. Therefore, it was essential to frame guidelines for maximising allottable area in a building similar to the GoK guidelines for land acquisition to provide built-up space at economical rate to entrepreneurs.

Fixation of price for allotment of land

3.1.22 One of the objectives of the Corporation was to provide manufacturing environment for easy start-up of industrial units with minimum cost. Therefore, the pricing policy was to ensure balanced pricing.

The Kerala Industrial Infrastructure Development Corporation, Disposal of Land Regulation, 1995 (the Regulation) *inter alia* stipulated that lease premium for allotment of land will be fixed for each park on a case-to-case basis by a Pricing Committee. GoK constituted (May 1999) Pricing Committee to fix lease premium of land/building. The Corporation's approved (September 1999) Pricing Policy stipulated basis and guidelines for fixing lease premium.

As per Pricing Policy, cost relating to land²⁰, development cost²¹, cost of other facility/infrastructure, which will be commonly shared were added for pricing of land. For built-up space, elements of cost include cost of land, land development, construction, electrical installations, operating and maintenance for internal water supply, *etc.* Administrative overhead at the rate of 15 *per cent* on land cost and five *per cent* on development cost were also included for pricing. As per the pricing policy, any grant received from GoI for a project will be deducted from the total cost of the project. The cost so arrived at would be divided by the total allottable area.

Audit observations on pricing of developed land were discussed below:

- According to the provisions of the Regulations/lease deed/license agreement, lease premium shall be revised in the event of the Corporation having paid enhanced land compensation or for any other reason.

Audit observed that accumulated common development expenditure such as additional development expenditure on land, online monitoring system for effluent treatment plant, *etc.*, amounting to ₹34.81 crore in eight parks were allocated only for future allotments. This resulted in passing on entire liability of common expenditure to future land allottees with resultant increase in lease premium per acre ranging from ₹0.11 lakh²² to ₹32.26 lakh²³.

²⁰ Land acquisition cost/purchase cost/transfer cost/establishment charges/stamp duty and registration, other direct charges, *etc.*

²¹ Cost of internal roads, compound wall, landscaping, administrative building area which are not taken as profit centers, drainage, electrification of buildings not taken as profit centers, street lighting.

²² KINFRA Textile Centre, Nadukani.

²³ KINFRA Hi-tech Park, Kalamassery.

The GoK stated (February 2018) that common expenditure is incurred for the total allotable area within the park and sharing of the same only with entrepreneurs operating in the park lead to high amount of monthly billing of Common Facility Charges. To avoid this, portion of common expenditure is also taken while pricing the cost of balance land area.

Reply was not correct because in the above cases, common development expenditure was apportioned only for future allotments.

- The Regulations stipulated that in case of plots with frontage to National/State Highways or having any other advantage over other plots, additional lease premium will be charged, as decided by the Managing Director.

In KINFRA Techno Industrial Park at Kakkancheri, Malappuram, out of 72 acres of land, the Corporation earmarked 2.25 acres of land as prime commercial area as it was adjacent to National Highway for development through private participation. The Corporation invited (April 2008) Expression of Interest (EoI) with criteria for selection as minimum tangible net worth of ₹3 crore. As response to EoI was poor, matter was kept in abeyance. In May 2012, the Corporation invited Request for Information (RFI) for development of the same parcel of land. The criteria regarding net worth, however, was enhanced to ₹100 crore.

Only one party, Malabar Gold (P) Limited (MGL), submitted (August 2012) proposal and the Corporation allotted (July 2013) the plot on lease for 30 years at the prevailing lease premium of ₹1.38 crore per acre.

Audit observed that even though the land was kept for allotment as prime land, no additional lease premium was collected. There was also no justification for enhancement of eligible criteria of net worth from ₹3 crore in 2008 to ₹100 crore in 2012. Allotment to MGL was also not in order as net worth of MGL as on 31 March 2011 and 31 March 2012 were ₹19.05 crore and ₹10.74 crore, respectively.

GoK stated (February 2018) that as per the general policy, all industrial parks would have only one entrance and all allottees would have equal access to the frontage. Hence, pricing committee never opted for special pricing for plots with frontage advantage. GoK further stated that the Corporation floated EoI and Request for Proposal from developers/firms, for which only one firm showed interest. Further, the criteria regarding net worth was erroneously mentioned as ₹100 crore instead of ₹10 crore.

The reply was not acceptable on the ground that no additional lease premium was charged for the land earmarked as prime plot. Further, reply of the GoK that criterion regarding net worth was erroneously mentioned as ₹100 crore instead of ₹10 crore was not justifiable as the Corporation did not issue any corrigendum to rectify the error.

Thus, non-issue of corrigendum and not going in for re-tender deprived potential bidders of an opportunity to participate in the tender, which calls for fixing responsibility.

- The Regulation permitted the Corporation to include interest cost as an element for computation of lease premium. The Corporation availed investment loans (₹365.87 crore under 54 loans) from GoK since October 2007 to March 2017 for meeting expenses towards land acquisition, creating infrastructure facilities in parks, construction of SDF buildings, etc. As per conditions of sanction, investment loan along with interest (11.50 per cent) was repayable in equal quarterly instalments commencing from first anniversary of drawal.

Audit observed that as of March 2017, the Corporation had accumulated interest bearing loan of ₹365.87 crore with annual average interest burden of ₹42.07 crore. Against this, the average annual income of the Corporation was only ₹25.75 crore which was not adequate to service the interest liability. The Corporation did not repay the principal according to the schedule and consequently, there was interest burden of ₹170.10 crore²⁴ on overdue principal as on 31 March 2017.

Audit observed that in respect of 13 loans (₹47.60 crore), the Corporation included interest (₹20.31 crore) in lease premium in five parks, out of which, ₹5.03 crore was for the period beyond the repayment schedule of loan. This led to passing on additional interest burden of ₹5.03 crore to entrepreneurs in five²⁵ parks. Thus, the objective of providing manufacturing environment for easy start-up of industrial units with minimum cost remained unachieved to this extent.

GoK stated (February 2018) that the Corporation charged a proportionate interest component in the balance land as they could not recover the entire lease premium within the loan repayment period. GoK also stated that the request of the Corporation to convert all investment loans as interest free corpus fund was under the consideration of GoK.

Fact, however, remains that charging of interest on loan beyond its repayment schedule was not correct as it led to undue burden on entrepreneurs.

- Lease premium of land was payable in lump sum or in instalments. In case of payment of lease premium in instalments, the allottee would remit 10 per cent along with application for allotment and balance²⁶ with annual interest. The Corporation revised (October 2011) interest rate on all outstanding payment on lease premium from 11.75 per cent to 14.75

²⁴ Excluding penal interest of ₹5.43 crore.

²⁵ KINFRA Food Processing Park and KINFRA Small Industries Park (Adoor), KINFRA Small Industries Park (Kunnamthanam), KINFRA Hi-Tech Park (Kalamassery), KINFRA Integrated Industrial Park (Ottappalam) and KINFRA Small Industries Park (Thalassery).

²⁶ Minimum 50 per cent as down payment within 30 days of receipt of allotment letter and balance in two equal instalments with annual interest.

per cent based on benchmark Prime Lending Rate (PLR) of State Bank of India.

Audit observed that levy of interest at 14.75 *per cent* on instalment facility was on the higher end as the maximum rate of interest on the loan availed by the Corporation was 11.50 *per cent*²⁷. Thus, levy of interest in excess of borrowing cost resulted in charging excess interest of ₹2.22 crore²⁸ from October 2011 to March 2017.

GoK stated (February 2018) that the Corporation had since decided (November 2017) to reduce interest rate on lease premium from 14.75 *per cent* to 12.50 *per cent*.

Thus, action of the Corporation to charge interest at higher rate led to additional burden on entrepreneurs.

- The Regulations stipulated that if additional compensation becomes payable in respect of land in a particular park by way of Court order pursuant to the provisions of the Land Acquisition Act, the premium payable will be enhanced proportionately and the lessee across the park (existing as well as future) shall be liable to pay differential premium.

Based on the decree of Court, additional land acquisition cost will be first paid by the Corporation to Special Tahsildar (Land Acquisition). This amount together with 15 *per cent* administrative overhead was recoverable from the existing and future allottees in proportion to the extent of their land holding. The Corporation based on the Court directives paid ₹26.75 crore as additional land compensation.

Audit observed that as against ₹26.75 crore of additional compensation paid, an amount of ₹3.61 crore was recovered from allottees leaving a balance of ₹23.14 crore to be recovered from 215 allottees (March 2017).

GoK stated (February 2018) that the Corporation started adding up to 150 *per cent* of land cost in pricing in order to recover possible additional land acquisition cost. GoK also stated that the Corporation was now focussing on negotiable purchase to the extent possible to avoid additional land compensation claims.

Reply was not acceptable as the Corporation did not recover the dues from the existing allottees.

Disparity in assessing lease premium

3.1.23 As per pricing policy, the total cost of land in respect of Government land transferred to the Corporation was arrived at by including actual transfer cost, stamp duty and registration charges, other miscellaneous expenditure and

²⁷ Investment loan from GoK for various projects.

²⁸ (₹10.09 crore (total lease premium interest)/14.75 *per cent*) X 3.25 *per cent*.

15 per cent of all these components along with five per cent on development cost as administrative overheads.

GoK transferred (1999) 240 acres of land at Kalamassery (KINFRA Hi-tech Park) to the Corporation free of cost. Pricing Committee considered ₹32.37 lakh per acre as certified (June 2005) by the District Collector as cost of land for arriving at lease premium. The land cost was enhanced every year by 12 per cent for allotment of balance land. This way, the land value for the balance allotable land was worked out to ₹1.31 crore per acre²⁹ for the period from September 2012 to March 2013. The Corporation allotted 17.83 acres³⁰ of developed land between April 2013 and March 2017 by adding 12 per cent per annum.

Audit observed that charging 12 per cent annual increase on land cost was not justified as this rate of interest specified in the Land Acquisition Act was for arriving at the compensation payable in case of land acquisition. Moreover, this is the only case where the land was transferred by GoK free of cost to the Corporation for industrial development. The Corporation did not charge the incremental rate in any other case. This resulted in increase in land cost by ₹75 lakh³¹ per acre over a period of four years till 2016-17 with resultant additional burden of ₹4.20 crore on entrepreneurs during the period.

GoK stated (February 2018) that the land at KINFRA Hi-tech park is situated in an area where market value was very high and existing market price was three to four times higher than the value arrived at by the Corporation. Twelve per cent increment per annum on the District Collector's valuation was only to ensure a reasonable value on the land and thereby to ensure a transparent procedure in pricing.

Fact, however, remains that charging of 12 per cent on price of land acquired free of cost from GoK was not investor friendly and was against the basic objective of providing manufacturing environment for easy start-up of industrial unit with minimum cost. Thus, charging of 12 per cent increment on land value per annum was not justified.

Anomaly in recovery of development cost

3.1.24 GoK accorded (April 2013) sanction to establish a Technology Innovation Zone in the KINFRA Hi-Tech Park, Kalamassery and designate the Technopark Technology Business Incubator society (T-TBI) as the agency to set up and operate it.

As per the order, the Corporation was to lease land along with existing structure to T-TBI without lease premium. The Cost of structures and cost of land development, however, was payable by T-TBI. The Corporation leased out (August 2014) 13.20 acres of land and T-TBI reimbursed (March 2016)

²⁹ Upon apportioning the cost of additional land (10.30 acres) for road.

³⁰ Out of 199.88 acres of allotable area, the Corporation allotted 157.98 acres till March 2013 and 17.83 acres between April 2013 and March 2017. The balance allotable area is 24.07 acres.

³¹ ₹2.06 crore (land cost per acre in 2016-17) – ₹1.31 crore (land cost per acre in 2012-13).

₹20.32 crore to the Corporation towards actual cost of structures and proportionate cost of development.

Audit observed that while computing proportionate cost of land development, the land leased was taken as 10 acres instead of the actual lease of 13.20 acres. The omission led to short recovery of ₹1.26 crore³² from T-TBI.

GoK stated (February 2018) that the additional area of 3.20 acres was part of the unallotted area, the proportionate cost of which, was recovered from other allottees at the time of pricing of developed land.

The reply of GoK was not acceptable as recovery of proportionate expenditure of ₹1.26 crore on 3.20 acres of land from other allottees instead of recovering from T-TBI was not correct as this led to increase in lease premium to other allottees.

As such, the amount of ₹1.26 crore short recovered from T-TBI may be recovered and benefit passed on to other allottees proportionately.

Implementation of infrastructure projects with assistance of GoI

3.1.25 Besides creation of infrastructure for industrial development on its own, the Corporation was to create industrial infrastructure using funds of GoI. Audit observation on this are discussed below:

Implementation of Assistance to States for Developing Export Infrastructure and Other Allied Activities as Nodal Agency

3.1.26 Assistance to States for Developing Export Infrastructure and Other Allied Activities (ASIDE), a scheme of GoI envisages sanction of grants to State Governments for creating appropriate infrastructure through entrepreneurs for development and growth of export. State Level Export Promotion Committee (SLEPC) headed by Chief Secretary was responsible for scrutiny, selection and approval of projects. GoK nominated (April 2002) the Corporation as nodal agency for implementation of scheme.

Guidelines for the Scheme *inter alia* stipulated that:

- annual appraisal and midterm evaluation of implementation of the project/scheme at the end of three years should be conducted; and
- all administrative expenses connected with the implementation of the scheme would be met by the State Governments concerned from their own budget and no part of the scheme funds would be used to meet such expenditure, *etc.*, as criteria for this scheme.

Since GoI delinked assistance under ASIDE in 2014-15, GoK provided funds from State Budget from 2015-16 onwards. SLEPC sanctioned 44 projects and

³² Land development cost ₹74.19 lakh plus cost of infrastructure for Hi-tech park ₹51.88 lakh.

released ₹177.84 crore so far (March 2017) out of which, 35 projects were completed.

Audit reviewed system of evaluation of project proposals and release of funds to the beneficiaries, utilisation of funds, monitoring mechanism, etc., in respect of 12³³ projects and observed as follows:

- The Corporation met administrative expenses of ₹96 lakh from ASIDE fund in violation of guidelines. This reduced ASIDE fund to eligible entrepreneurs to this extent. The Corporation stated (October 2017) that the matter would be taken up with GoK.
- Even after release of funds (₹46.18 crore) under ASIDE, necessary infrastructure for promotion of export was not created/not utilised so far in four projects resulting in non-achievement of objective as indicated in *Appendix 11*.

Thus, due to delay in completion of projects sanctioned under ASIDE Scheme, the objective of creation of infrastructure for export oriented industries remained unachieved.

Conclusion

Land identification without adherence to its own norms and provisions of relevant Acts led to non-acquisition of land for industrial development or acquisition of unsuitable land. Absence of information in public domain about availability of land and built-up space deprived prospective entrepreneurs of the required information to apply for allotment. Deficiency in award of Project Management Consultancy led to commitment of extra expenditure. Audit noticed lapses in post allotment monitoring and consequent idling of allotted land. Deficiencies in pricing methodology led to instances of over pricing of plots. Delay in implementation of projects under Assistance to States for Developing Export Infrastructure and Other Allied Activities scheme resulted in non-creation of envisaged infrastructure for export oriented industries.

Recommendations

- 1. The Corporation should identify the land and carry out land development work on acquired land without delay by ensuring that the land is acquired after complying with provision of relevant Acts and Rules.*
- 2. The Corporation should provide Geographical Information System enabled online information system regarding location-wise availability of plots/space, rate, etc., for the benefit of potential entrepreneurs.*

³³ Including nine projects for which SLEPC clearance obtained and assistance were released during 2012-13 to 2016-17, one project for which fund was released in 2012-13, but SLEPC clearance obtained prior to 2012-13 and two ongoing projects for which SLEPC clearance obtained prior to 2012-13.

3. *The Corporation should streamline the pricing policy by ensuring balanced pricing among all allottees in a particular park.*
4. *The Corporation may ensure timely creation and utilisation of the infrastructure created with assistance of GoI.*