

CHAPTER-VII: COMPLIANCE AUDIT OBSERVATIONS

Chhattisgarh State Industrial Development Corporation Limited

7.1 Short recovery of service charges and lease rent from a Private party

The Company did not consider rehabilitation grant as part of value of land to recover service charges on allotment of land to a private party on lease for 99 years. This resulted in short recovery of service charges of ₹ 34.39 lakh and land lease rent of ₹ 23.78 lakh up to 31 March 2020 (₹ 1,473.52 lakh for remaining lease period) from the private party

Chhattisgarh State Industrial Development Corporation Limited (Company) acquires land¹ on receipt of application of entrepreneurs for allotment of land outside the industrial areas. For allotment of land, the Company collects the land premium equal to the amount of land compensation awarded by Land Acquisition Officer (LAO) and service charge at the prevailing rate. The Company also collects annual lease rent at the prevailing rate from the allottees outside the industrial area. After receipt of total amount of land premium and one year advance deposit towards lease rent, land allotment order is issued. The possession of land is transferred in favour of allottees after execution of lease deed.

For setting up a Railway siding, a Private party² requested (January 2018/ August 2018 and March 2018) the Company for allotment of 23.199 hectares of land at village Kunkuni, Raigarh District. Accordingly, the Company acquired (December 2017, March 2018 and August 2018) 23.199 hectares of private land through LAO, Kharsia under Raigarh District Collector. LAO decided the amount of rehabilitation grant in November 2017 (₹ 2.60 crore for 18.558 hectare) and March 2018 (₹ 83.36 lakh for 4.641 hectare) covering the entire extent of 23.199 hectare under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (Rehabilitation Act, 2013). This amount was recovered by the Company from the Private party and paid to the LAO. The Company allotted (January 2018, March 2018 and August 2018) 23.199 hectare of land to the private party at a total land premium of ₹ 22.69 crore and annual lease rent of ₹ 68.06 lakh and also executed (February 2018, April 2018 and September 2018) the Lease deeds with the private party for 99 years. These Lease deeds were registered in February, April and September 2018.

Audit scrutiny of the above transactions revealed (January 2019) that while calculating the service charges for the above land, the Company did not consider the amount of rehabilitation grant of ₹ 3.44 crore under Rehabilitation Act, 2013 as part of value of land acquired, although the same was already computed by the LAO (November 2017/March 2018) and collected by the Company from the Private party. Consequently, Company's

¹ Company acquires Government land through transfer from Revenue Department, Government of Chhattisgarh (GoCG) and private land through Land Acquisition Officer (LAO).

² D.B. Power Limited, Raipur.

service charges to be recovered at the rate of 10 *per cent* on total land value was fixed at lower value resulting in short recovery of ₹ 34.39 lakh. Further, annual lease rent, which was required to be recovered at three *per cent* of land premium (land value *plus* service charges) was also fixed at a lower amount which would result in short recovery of lease rent by ₹ 1,497.30 lakh (₹ 23.78 lakh up to March 2020 and ₹ 1,473.52 lakh for remaining period) over the lease period of 99 years. This may also impact recovery /payment of Goods and Service Tax (GST) on service charges and lease rent over the lease period of 99 years to the Government.

Government stated (June 2020) that the Company issued (May 2020) a letter to the Collector (Land Acquisition Branch), Raigarh District to communicate the amount of rehabilitaiton award under Rehabilitation Act, 2013 so that the premium of land may be revised and differential amount may be recovered.

Reply is not acceptable. The Company issued the letter to LAO only after audit pointed out the issue of short recovery. Since LAO had already decided (November 2017/ March 2018) the amount of land compensation under the Rehabilitation Act, 2013, which was paid by the allottee, the Company should have recalculated the service charges accordingly to recover shortfall in service charges and lease rent from the Private party to safeguard its financial interest.

7.2 Short collection of land premium and lease rent from a Private party

The Company allotted land on lease to a private party for 99 years for commercial purpose and adopted incorrect land rate for assessment of Land premium and annual lease rent thereon. This resulted in short collection of land premium by ₹ 1.37 crore and consequent short assessment of land lease rent by ₹ 5.42 crore for 99 years of lease period

Chhattisgarh State Industrial Development Corporation Limited (Company) allots land to industries within the industrial areas as well as outside the industrial areas on receipt of specific request of entrepreneurs for establishing their projects as per Chhattisgarh Land and Building Management Rule, 2015 (Land Allotment Rule, 2015). For allotment of land to the industries outside the industrial areas, the Company collects land premium equal to value of land assessed as per the annual Central Valuation Board (CVB) guidelines of Government of Chhattisgarh (GoCG) *plus* Solatium at the rate of 100 *per cent*, interest at the rate of 12 *per cent* and service charge at the prevailing rate. In addition, the Company also collects annual lease rent equal to three *per cent* of the land premium.

For setting up a fly ash brick plant, a Private party³ requested (October 2017) the Company to allot 16,697.50 Sq. feet (1,551.24 square meters or 0.1551 hectare) of land at *Kohadiya* in Korba District. The Company allotted (June 2018) 1,551.24 Sq. meters of land available with it⁴ to the Private party at a total land premium of ₹ 11.76 lakh and annual lease rent of ₹ 35,267 under Chhattisgarh Land and Building Management Rule, 2015. Accordingly, a lease deed for 99 years was executed (June 2018).

Audit scrutiny revealed (January 2019) that the said land was situated at Ward No. 16 of *Kohadiya*, which was within 20 meters from the main road and within the jurisdiction of Municipal Corporation, Korba. According to CVB Rules 2017-18 for valuation of land situated in Municipal Corporation, Korba the applicable rate was ₹ 5,400 per sq. meter for 0.202 hectare (or less than 0.202 hectare) of land. As the allotted land was 0.1551 hectare, which was less than 0.202 hectare and within Municipal Corporation area, rate of ₹ 5,400 per sq. meter was applicable. However, the Company did not consider the rate applicable for the plot (₹ 5,400 per sq. meter) and the nature of land (Commercial) for calculating land premium to be recovered from the Private party. Instead, land premium was calculated by adopting the land rate applicable to non-irrigated agricultural land in *Kohadiya* on hectare basis at the rate of ₹ 325 per sq. meter. As a result, the Company short collected land premium of ₹ 1.37 crore. As the annual lease rent was calculated based on the land premium, incorrect calculation of land premium will also result in short

³ M/s. Krishna Bricks, Korba.

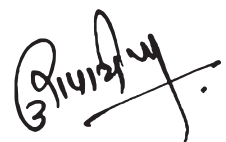
⁴ Erstwhile Chhattisgarh State Electricity Board having 4.729 hectare of Government land at village *Kohadiya* in Korba District transferred (July 2005) the same to District Trade and Industries Centre, Korba (DTIC, Korba) for allotment of land to entrepreneurs for construction of fly ash bricks. DTIC, Korba transferred (April 2008) it to the Company for subsequent allotment to entrepreneurs for subject purpose.

assessment of lease rent over the lease period of 99 years by ₹ 5.42 crore (considering 25 per cent increase for interval of every 30 years as per lease deed). Details are given below:

Particulars	Land Value and calculation of Premium and Lease Rent (Amount in ₹)		
	Rate of land as non-irrigated Agriculture land on Hectare basis (As per Company)	Rate of land situated within 20 meters of main road and within the Municipal Corporation area (As per CVB Guidelines)	Shortfall/ Difference
1. Land Rate per square meter	325	5,400	5,075
2. Area of Land allotted (Square Meters)	1,551.24	1,551.24	1,551.24
3. Value of land	5,04,098	63,74,268	58,70,170
4. Add: Solatium @ 100% of Sl. No. 3	5,04,098	63,74,268	58,70,170
5. Interest @12% p.a. on Sl. No. 3	60,492	7,64,912	7,04,420
6. Total value of land (Sl. No. 3+4+5)	10,68,688	1,35,13,448	1,24,44,760
7. Add: Service Charge @ 10% on Sl. No. 6	1,06,869	13,51,345	12,44,476
8. Land Premium (Sl. No. 6 + 7)	11,75,557	1,48,64,793	1,36,89,236
9. Annual Lease Rent @ 3 per cent of Sl. No. 8	35,267	4,45,944	4,10,677

Government stated (April 2020) that the said land was situated at village and was 170 meters from the main road. It was further stated that the revenue authorities had also registered the lease deed of the land for commercial purpose, while the purpose of allotted land was industrial; therefore land premium was calculated as per Chhattisgarh Land and Building Management Rules, 2015.

Reply is not acceptable because the lease deed registered with Stamps and Registration Department of Chhattisgarh Government clearly showed that the said land was situated at Ward No. 16 of *Kohadiya* within 20 meters of main road and within the Municipal Corporation area. Further, CVB Guidelines did not specify a separate rate for industrial or commercial purpose, whereas registered lease deed showed the purpose as commercial. Thus, incorrect adoption of land rate and consequently under assessment of land premium and annual lease rent resulted in undue benefit to the Private party.



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Raipur

The: 17 June 2021

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi

The: 23 June 2021