

## Chapter V

### 5. Compliance Audit Observations relating to State Public Sector Undertakings (other than Power Sector)

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies.

#### Government Companies

#### Rajasthan State Industrial Development & Investment Corporation Limited

##### 5.1 *Systemic lapses in monitoring of completion of construction and commencement of production activities and recovery of retention charges*

###### 5.1.1 *Introduction*

Rajasthan State Industrial Development and Investment Corporation Limited (Company) was incorporated (March 1969) with the main objective to acquire land, develop industrial areas and allot the plots to entrepreneurs on lease so as to promote overall industrial development of the State. The Company, wholly owned by Government of Rajasthan (GOR), is the nodal agency responsible for promoting industries in the State of Rajasthan through setting up of industrial areas as per the provisions of "RIICO Disposal of Land Rules, 1979" (Rules) framed by the Company.

The Company had acquired 84,441 acre of land, developed 342 industrial areas under jurisdiction of 27 Regional Offices and allotted 54,955 plots developed by it in various parts of the State as on 31 March 2018. Of these allotted plots, production activities commenced in 47,576 plots, construction was underway in 2,213 plots and there was no activity in the remaining 5,166 plots<sup>1</sup> which were vacant.

#### Audit Objectives & Scope

5.1.2 The objectives of audit was to assess whether the Company has evolved an efficient and effective system to ensure that:

- the entrepreneurs adhered to the time schedule prescribed for starting and completion of construction activities and commencement of production activities,
- Extension of time for completion of construction activities and commencement of production activities was granted as per Rules,
- recovery of retention charges was ensured according to the rules and

1 Total Plots allotted (54,955) - {Plots in production (47,576) + Plots under construction (2,213)} = Plots lying vacant (5,166).

- Appropriate action was taken against the defaulting entrepreneurs as per rules.

The audit (February 2018 to April 2018) involved scrutiny of records for the period 2013-14 to 2017-18 at the Head Office and six<sup>2</sup> selected unit offices out of 27 unit offices of the Company. Of these selected units, three units were those which were selected in a previous audit<sup>3</sup> and remaining three were units which recovered higher retention charges during 2013-17. Further, 95 cases among selected units were randomly selected for detailed analysis.

### Framework of RIICO Disposal of Land Rules, 1979

5.1.3 The RIICO Disposal of Land Rules, 1979 (Rules) framed by the Company for stipulation and extension of time schedule and relaxation/waiver of retention charges are as under:

- Rule 3(W) provides for preferential allotment of industrial land in certain special cases viz. industrial projects envisaging minimum fixed capital investment and minimum direct employment specified in the rule, project being set up by Non Resident Indians/Persons of Indian Origin, Other Corporate Body and IT industry (manufacturing and software development) and projects being set up with 33 *per cent* or more Foreign Direct Investment in total investment on '*on-going basis*' in all the industrial areas, dispensing with the requirement of inviting expression of interest/ applications *etc.* through advertisements. The rule provided that the time limit of three years stipulated for commencement of production would be reckoned from the date of allotment which should be specified in the letter of allotment. It authorized the Managing Director of the Company to grant extension of time for commencement of production activity on payment of prescribed additional cost of land and retention charges.
- Rule 21 provides that an allottee would be required to commence production/utilise the plot within a period of three years (except allotments made under Rule 3W) from the date of handing over possession of the allotted land or declaration of area as developed whichever is later. Further, the allottee would be required to carry out minimum requisite construction<sup>4</sup> for considering the plot as utilized. Prior to it (upto 2012-13), the rule provided that an allottee was required to complete construction activity within a period of two years and commence production/utilise the plot within a period of three years from the date of possession or of lease deed whichever is earlier.
- Rule 23-C provided that extension of time for completion of construction and commencement of production activity (except allotments made under Rule 3W) would be allowed beyond stipulated period at the request of the allottee upon payment of retention charges.

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2 EPIP Sitapura, Jaipur (Rural), Neemrana, Bhiwadi-I, Bhiwadi-II and Kota.

3 A Paragraph (4.6) on similar issue was incorporated in the Report of the Comptroller and Auditor General of India (PSUs) for the year ended 31 March 2013 and recommendation given by the Committee on Public Undertakings (COPU) on the paragraph are detailed in *Annex-19*.

4 20 *per cent* of the plot area on ground or Floor Area Ratio (FAR) for industrial plot and 20 *per cent* of the standard/ prescribed FAR for commercial, residential and institutional plot

The rule was amended (25 August 2014) and provided that in respect of land allotment cases wherein the period of five years or more for completion of construction and commencement of the activity had already expired (as on 31.07.2014) and the plot had not been utilized by the allottee, time extension/regularization of delay would be considered on payment of retention charges at the rate of one *per cent*, 1.5 *per cent* and two *per cent* of prevailing rate of development charges for the first year, for next two years and for further period respectively. The rule also provided that the rate of allotment for computing retention charges would be two times for commercial plots.

- Rule 23-D stipulated the procedure of waiver/reduction of charges. Rule 23D-1 provided that the retention charges for the period during which the allottee could not commence or carry the activities on the plot in view of court stay or decision given by a competent court, would be waived with the approval of the CMD.
- Rule 24(1) provided that the Company would be entitled to cancel allotment of plot after issuing a 45 days show cause notice to the allottee for breach of rules, conditions prescribed in the allotment letter or terms of lease agreement.

### **Audit Findings**

#### ***5.1.4 Deficiencies in the rules regarding grant of extension of time and recovery of retention charge***

During review of rules in audit, we observed that the rules framed by the Company for grant of extension of time and recovery of retention charges were deficient due to following reasons:

- In case of cancellation of plots after expiry of scheduled period, the rules did not provide for charging of retention charges from the date of expiry of scheduled/extended period to the date of cancellation of plot in those cases where the allottee did not apply for extension.
- The rules do not specify the maximum time limit for granting extension of time for commencement of production activity.

Government stated (July 2018) that:

- (i) after cancellation of a plot, either the cancelled plots is restored by recovering the applicable retention charges from the concerned allottee or re-allotted to other allottee on the rate higher as compared to the original allotment rate. Thus, provision for recovery of retention charges in such cases is not required to be included in the Rules. The fact, however remains that non-charging of retention charges in cases where the defaulting allottees did not seek extension of time during the period of default as compared to those defaulting allottees who had previously sought extension of time on payment of retention charges had unduly benefitted the defaulters. Further, this deficiency also encourages the tendency by defaulting allottees to not to apply for extension of time.

- (ii) the Rules provided for allowing extension of time upto five/seven years<sup>5</sup> by the Unit Head/ Managing Director of the Company. Further extension of time beyond this limit would be allowed by the IDC on the merit of the cases. However, we observed that IDC granted extension in all cases instead of considering extension on the basis of merit of the case.

#### **5.1.5 Non-adoption of uniform/computerized mechanism for maintenance of records/ data bank**

The Company was expected to develop a mechanism to maintain data bank of production activities and recovery of retention charges. The Company was also required to prescribe uniform format for maintenance of information by the Unit offices. The COPU of Rajasthan Legislature also recommended<sup>6</sup> that the Company should adopt an appropriate IT solution to ensure proper monitoring of defaulting units and timely issue of notices to entrepreneurs.

During scrutiny of records, we observed that the Company did not:

- Prescribe a standard format to maintain information for monitoring status of production and recovery of retention charges. The six unit offices selected for detailed scrutiny adopted different formats for recording status of production and monitoring the recovery of retention charges.
- Maintain data bank containing plot-wise details as regards date of allotment and stipulated date of commencement/ completion of construction and commencement of production activities to ensure adherence of stipulated time period by the allottees and timely recovery of retention charges in cases of default. The database prepared by the unit offices indicates only number of vacant plots and number of plots where production had not been commenced.
- Prescribe a standard procedure for issue of notices to defaulting units. As a result, the six unit offices selected, issued notices to defaulting units as per their convenience.
- Operationalise the IT Solution for issue of notices and monitoring of units defaulting in construction/production activity as discussed in subsequent paragraph.

Government stated (July 2018) that the Company has a system wherein party wise ledger and plot wise data sheet are prepared to monitor the time schedule for completion of construction and commencement of production activity. The reply is not factually correct as no such records were provided to audit during the course of audit. Non-maintenance/preparation of any such records was also admitted by the unit offices as well as head office of the Company during the course of audit.

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5 Five years in those cases where a total period of five years or more for utilization of plot has been expired on 31 July 2014 and seven years in other cases.

6 Recommendation No. 4 of Report No. 102 of the COPU.

### 5.1.6 Deficiencies in maintenance of MIS

The status of production and construction activity on allotted plots as per Management Information System (MIS) of the Company and information provided by the selected Unit offices as on 31 March 2018 is shown below:

*(In numbers)*

| Selected Unit office | Status of production as per MIS |                     |                          | Plots on which production has not commenced as derived from the data available in MIS <sup>7</sup> | Plots on which production has not commenced as per information provided by the Unit office |
|----------------------|---------------------------------|---------------------|--------------------------|--|--|
|                      | Plots allotted                  | Plots in production | Plots under construction |  |  |
| EPIP, Sitapura       | 2324                            | 2203                | 25                       | 121  | 35   |
| Jaipur (Rural)       | 2086                            | 1996                | 83                       | 90   | 16   |
| Neemrana             | 955                             | 921                 | 15                       | 34   | 50   |
| Bhiwadi-I            | 1917                            | 1773                | 80                       | 144  | 66   |
| Bhiwadi-II           | 2671                            | 2365                | 228                      | 306  | 200  |
| Kota                 | 3677                            | 3119                | 222                      | 558  | 358  |
| <b>Total</b>         | <b>13630</b>                    | <b>12377</b>        | <b>653</b>               | <b>1253</b>  | <b>725</b>   |

It would be seen from the above table that MIS of the Company depicted allotment of 13630 plots by selected Unit offices upto 31 March 2018. Further, 12377 and 653 plots were in production and under construction respectively and on 1253 plots, no production has commenced by 31 March 2018. However, as per information provided by the selected Unit offices, production on 725 plots had not commenced by 31 March 2018. This indicates the differences in information mechanism and that the MIS data was not reconciled with the records of the Unit offices.

Government stated (July 2018) that the Company had issued (June 2018) directions to the unit office to reconcile the data of MIS and send correct information for compilation in future.

### 5.1.7 Implementation of IT module

The Company executed agreements (August 2014 and July 2015) with *Rajcomp Info Services Limited (RISL)* for implementation of Integrated Software Solution for automation of its business processes and development of software for Geographic Information System (GIS) based Land Bank Management Application. RISL outsourced (July 2014) the work of development & maintenance of software and supply of hardware under this project to *M/s E-connect Solutions Private Limited*. The work of preparation of software and supply of hardware was awarded at a cost of ₹ 830 lakh. According to the agreement, seven modules including Accounts & Finance Management, Term Loan Management, CPF Management, Work monitoring & Project Management, Human Resources Management system were to be developed in Phase-I ending July 2015 and other seven modules including Web Portal, Land Management, Unit Management, Fixed Assets Management etc. to be developed in Phase-II ending in March 2016. We observed that the

<sup>7</sup> Plots allotted – Plots in production

modules for land management, work monitoring and project management, HR management, term loan management and CPF management were completed but the Land Management module could not be operationalised (July 2018) despite lapse of more than two years from stipulated schedule of implementation due to non-verification of legacy data of land files. Thus, in the absence of Land Management module, the Company could not prepare the data base of the allotted plots and hence, it could not take follow up action e.g. issue of notices to allottees for non-completion of construction activities and non-commencement of production activities.

Government accepted (July 2018) that the Company could not operationalise the land management module due to non-verification of legacy data of land files and that the work of verification of data is under progress.

#### **5.1.8 Failure to take action against defaulting allottees**

The following table indicates status of plots on which production had not commenced upto 31 March 2018 (as per information provided by selected Unit offices):

*(In numbers)*

| Selected Unit office | Plots on which production has not commenced as per the Unit office | Plots where production period has not expired | Status of plots on which commencement of production became due but not commenced/verified |                          |  |            |
|----------------------|--|---|---|--------------------------|--|------------|
|                      |  |   | Plots lying vacant  | Plots under construction | Plots on which production commenced but not verified | Total      |
| EPIP, Sitapura       | 35   | 9   | 0   | 17                       | 9  | 26         |
| Jaipur (Rural)       | 16   | 2   | 0   | 9                        | 5  | 14         |
| Neemrana             | 50   | 9   | 6   | 34                       | 1  | 41         |
| Bhiwadi-I            | 66   | 25  | 11  | 25                       | 5  | 41         |
| Bhiwadi-II           | 200  | 45  | 80  | 75                       | 0  | 155        |
| Kota                 | 358  | 88  | 165   | 89                       | 16   | 270        |
| <b>Total</b>         | <b>725</b>   | <b>178</b>                                    | <b>262</b>  | <b>249</b>               | <b>36</b>  | <b>547</b> |

It could be seen that out of 547 plots where commencement of production became due, 262 plots were vacant without any activity, construction was underway in 249 plots whereas in 36 plots, production had commenced but the same was not verified by the concerned Unit office due to non-submission of requisite documents.

The table below indicates the status of the 547 plots pertaining to defaulting allottees by depicting period of allotment, actual/extended schedule for commencement of production and status of initial/further extension of time as on 31 March 2018:

(In numbers)

| Status of activity on allotted plots                 | Total plots | Period during which these plots were allotted | Period during which production was scheduled to commence as per allotment/extension order | Plots for which extension of time was allowed | Plots for which extended time has also expired | Plots for which initial/further extension of time was not sought |
|--|-------------|---|---|---|--|--|
| 1  | 2           | 3   | 4   | 5   | 6  | 7 (2-5+6)  |
| Plots lying vacant without any activity              | 262         | May 1985 to February 2015                     | September 1996 to March 2018  | 94  | 57   | 225  |
| Plots under construction activity                    | 249         | August 1983 to August 2014                    | February 1994 to March 2018   | 116   | 96   | 229  |
| Plots on which production commenced but not verified | 36          | June 1990 to July 2014                        | March 2013 to March 2018  | 18  | 13   | 31   |
| <b>Total</b>   | <b>547</b>  |   |   | <b>228</b>                                    | <b>166</b>                                     | <b>485</b>   |

It could be seen from the above table that in case of 262 plots lying vacant without any activity and 249 plots under construction activity, allottees of 85.88 per cent and 91.97 per cent plots respectively did not seek initial/further extension of time despite expiry of original/extended schedule for commencement of production activity. Besides, in case of 36 plots where production had commenced but were not verified, allottees of 86.11 per cent plots did not seek initial/further extension of time despite expiry of original/extended schedule for commencement of production activity.

We observed that the Company did not take prompt and timely action against the defaulting allottees for non-commencement of production activity in the scheduled/extended period without seeking further extension of time. The Company did not also make proper efforts to obtain requisite documents in support of commencement of production from the allottees to ensure prompt verification of production activity in cases where production was already claimed to have commenced before March 2018.

Government stated (July 2018) that the Company had laid down procedures and issued periodic directives for ensuring timely utilisation of allotted plots and cancelling the allotment of plot of defaulting allottees. However, it would not be appropriate to take harsh action of cancellation of plot due to non-submission of requisite documents. The reply is not acceptable as the Company did not take prompt action against defaulting allottees and did not verify commencement of production by obtaining requisite documents from the allottees.

### 5.1.9 Undue extensions of time and non-cancellation of allotment of un-utilized plots

Rule 24(1) provided that the plot could be cancelled for breach of the rules and terms and conditions of the allotment letter/lease deed. The unit heads are responsible for monitoring the construction and production activities and in case of non-compliance with the terms and conditions of the allotment letter/lease deed, they are empowered to cancel the allotment. The default can be condoned only after payment of retention charges.

We observed that in following cases the allottees did not adhere to the terms and conditions of the allotment letter such as completion of construction activities within scheduled period, utilised the plots for purpose other than specified in agreement, did not submit the requisite documents for committed investment, environment clearance and consent to establish and could not commence proposed activities etc. However, the Company did not cancel the allotments. Besides, undue extensions of time were granted without any justified reasons.

#### (a) M/s Allen Carrier Institute

The Company transferred (May 2002 to September 2004) four plots from the original allottee to M/s Allen Carrier Institute (allottee) for Industrial and Commercial use<sup>8</sup> with scheduled completion period between May 2005 and September 2006. However, it was noticed that the Company extended (April 2006 to June 2017) period for commencing production activity for all the four plots upto July 2018, February 2018, January 2019 and January 2019 respectively.

We further observed that the allottee did not carry out construction on these plots and all the four plots were lying vacant (March 2018) despite lapse of more than 13 years from the date of transfer of these plots. Besides, we also noticed the following deficiencies on the part of the Company:

- The Unit office, Kota noticed (June 2008 and April 2009) that the allottee was conducting marriage functions (*Utsav Vatika*) on two plots (SPL-H1 and E-18) and was using the third plot (SPL-1) for parking of vehicles instead of utilising the plots for the intended purpose. However, the Unit office cancelled (April 2009) allotment of one plot (E-18) only. Further, the Unit office did not take possession of the cancelled plot (E-18) by ensuring refund of the cost of the land. It was further noticed that the allotment of plot E-18 was subsequently restored in June 2014. Despite non-utilisation of these plots for the purpose specified in the allotment letter, the Company continuously granted extension of time without any justifiable ground and without restricting the use of these plots for authorised activity only.
- The Company recovered retention charges of one plot (E-18) on industrial rate despite utilisation of the plot for commercial activity. Thus, there was under recovery of ₹ 38.77 lakh.
- The Unit office, Kota did not seek any site report, issue any show cause notice (SCN) or initiate any action for cancellation of the second plot (F-24) during 2010-16 despite lapse of the schedule period for commencing production activity in September 2006. This indicated that system of monitoring was weak. Further, the extended period of the plot also expired in February 2018.

The following pictures shows the utilisation of three plots (E-18, SPL-H1 and SPL-1) for unauthorised purposes:

8 E-18 (data processing unit) and F-24 (Computer data processing unit) for Industrial purposes, SPL-H1 (Hotel activity) and SPL-1 (Hospital services) for Commercial purposes.



Lawn developed on E-18 & SPL-H1 for marriage garden and Parking of vehicles on SPL-1

Government stated (July 2018) that the Company did not recover retention charges for the first plot (E-18) at commercial rates as no commercial activities were noticed on the plot after 31 March 2015. However, the reply is silent on non-recovering retention charges at commercial rates for the period 18 May 2005 to 31 March 2015. In respect of plot SPL H-1 and SPL-1, the Government stated that wake-up notice have been issued (15 June 2018) to commence the commercial activity within the extended period (18 January 2019) and in case of non-utilization of the plot for the allowed purpose till 18 January 2019, the action for cancellation will be initiated. In case of fourth plot (F-24), Government stated that the stipulated time period mentioned in the allotment letter was only symbolic one as the original allottee had started production activity on the allotted plot before transfer of lease rights to M/s Allen Career institute and at that time there was no provision in rules for re-starting the production activity by the transferee. The reply is not acceptable as the allottee was required to commence production activity and utilised the plot for the purpose for which it was allotted within the scheduled time period but the same was not done. Resultantly, the plot remained unutilised despite allowing several extensions of time for a period of more than 13 years and the Company could not ensure utilisation of these plots. (Kota Unit)

**(b) M/s JBS alloy**

The Company merged (January 2011) two plots (SP 227 and 228) and allotted them (total size 161706 sqm) to M/s JBS Alloys (allottee). The production activity on these plots should have commenced by October 2013. However, the allottee did not commence production activity till the scheduled date and the Company issued (October 2013) a show cause notice to the allottee. The allottee sought extension of time upto 31 December 2017 without levying retention charges on the ground of non-receipt of required environment clearance. The Infrastructure Development Committee (IDC) granted (May 2014) extension of time without levy of retention charges from 19 October 2013 upto two years from the date of issuing consent to establish by the concerned authority considering the grant of customized package of incentives by the Government of Rajasthan for the project and non-receipt of environment clearance.

We observed that the allottee neither sought further extension of time nor commenced production activity till March 2018. The allottee also did not respond to the notices issued by the Company. Further, the allottee did not furnish documents relating to receipt of environment clearance and consent to establish and investment made in the project. We observed that the Company allowed open approval for extension of time which was two years from the date of issuing consent by the concerned authority. The Company also waived retention charges without ensuring commitment of the allottee for the project. The Company also did not cancel the allotment despite lapse of more than four years from expiry of originally scheduled period for commencement of production as the allottee could not produce the requisite documents before the Company.

Government stated (July 2018) that the allottee had submitted representation alongwith details of efforts made for obtaining environmental clearance and consent to establish from concerned authorities. The Government further assured to examine the matter and take required action accordingly. Further progress is awaited (November 2018). (Abu Road Unit)

**5.1.10 Undue relaxation in levy of retention charges/additional cost of land**

During review of records relating to selected cases, seven instances were noticed where the allottees could not complete construction/commence production/proposed activities or ensure minimum committed investment

within scheduled period/ extended period. The allottees did not apply for further extension of time in five cases of allotment. This included two cases of allotment under Rule 3(W) where the allottees did not ensure minimum capital investment within the scheduled/ extended period and two cases where the allottees requested for extension of time but did not deposit the due retention charges amounting to ₹ 1.28 crore till march 2018. This resulted in non-recovery of retention charges amounting to ₹ 13.93 crore as detailed in *Annex-20*.

In case of the two allotments under Rule 3 (W), the Government stated (July 2018) that in the first case (JBM Auto Limited), the allotment was made prior to May 2012 i.e. before when the criteria of investment for treating unit under production for the plots allotted under 3 (W) was introduced. The allottee had commenced trial production within the extended period by completing the required minimum construction. The IDC after reviewing one similar case of Suncity Sheet Private Limited, directed (February 2018) to examine all the cases of allotment made prior to the decision (May 2012) of IDC for considering investment as criteria of commencement of production with a view whether the decision was communicated timely to the concerned allottee and its applicability. Further, this case is accordingly being examined as per the general policy decision taken by the IDC. In second case, the Government accepted (July 2018) that the allottee did not commence production activity with minimum committed investment and action for cancellation of allotment would be taken against the allottee. The reply is not acceptable since the allottees could not commence production activities within the scheduled period, the Company should have inserted a specific clause at the time of granting further extension of time stating that the production will be treated as commenced only after meeting the envisaged committed investment in accordance with the revised rule which was in existence at the time of granting extension of time, which was not done in these two cases by the Company.

In the three cases, the Government accepted (July 2018) that Rico Auto Industries Limited did not commence production activity and action would be taken for cancellation of allotment whereas Pushpa Industries had commenced production activity in July 2018 and decision for regularising the delay would be taken after verification of production. In the case of Neemrana Education & Research Charitable Trust, required action could not be taken as the matter is sub-judice which was not acceptable as the court did not impose any stay on recovery of retention charges/cancellation of the allotment.

In case of remaining two allotment cases, the Government accepted (July 2018) that these allottees did not commence production activity and action would be taken for cancellation of allotment if the allottees would not deposit the retention charges.

Besides the above mentioned seven cases, we also observed the following significant instances:

- four<sup>9</sup> cases where the allottees did not deposit the retention charges/additional cost of land of ₹ 16.80 crore as per prescribed rules,

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<sup>9</sup> M/s Birla Corporation Limited (₹ 1.06 crore), M/s Fin Project India Private Limited (₹ 4.58 crore), M/s Sandhar Technologies Limited (₹ 10.30 crore) and M/s Zucchini India R&D Chemicals (P) Limited (₹ 0.86 crore)

- one case (i.e. M/s B.K. Gears Private Limited) where the Company did not work out the amount recoverable from the allottee towards retention charges/ additional cost of land and
- one case (i.e. M/s Stride Auto Parts Limited) where the Company allowed undue relaxation of ₹ 3.87 crore in retention charges/additional cost of land by considering the capital advances for working out the minimum committed investment.

Details of these significant cases are detailed in *Annex-21*.

#### **5.1.11 Short Recovery of retention charges**

In the following two instances the Company did not apply the correct rate/provision for computing retention charges as per the Rules which resulted in short recovery/non-recovery of ₹ 3.86 crore<sup>10</sup> towards retention charges:

##### **(a) M/s Parsvnath Developers Limited**

**M/s Parsvnath Developers Limited** (allottee) was allotted (July 2005) a commercial plot at industrial area, Bhiwadi for the purpose of Commercial/ city centre. The allottee was required to utilise the plot before 5<sup>th</sup> October 2008. The allottee could not ensure completion of construction activity and utilisation of the plot within the stipulated time schedule. On request of the allottee (April 2008), the Company granted (February 2010) extension of time upto July 2010 on payment of retention charges of ₹ 38.11 lakh. The Company granted (October 2011) further extension of time upto July 2012 on payment of retention charges of ₹ 43.55 lakh. However, the allottee completed construction activities only on 15 September 2014 and requested (June 2014 and December 2014) for further extension of time. The unit office again granted (March 2015) extension of time upto the date of completion of construction on payment of retention charges of ₹ 146.99 lakh.

We observed that the Company applied incorrect rate of retention charges for the extension period (October 2008 to September 2014) and recovered ₹ 228.65 lakh against actual recoverable amount of ₹ 405.58 lakh<sup>11</sup> as per rules which resulted in short recovery of ₹ 176.93 lakh. Further, the Managing Director was the competent authority for granting time extension which was also not ensured.

Government stated (July 2018) that matter of short levy of retention charges would be examined and recovery would be made accordingly. Further progress is awaited (**November 2018**). (**Bhiwadi-I Unit**)

##### **(b) M/s Rajtech Automotives Private Limited**

**M/s Rajtech Automotives Private Limited** (allottee) was allotted (July 2007) a plot under rule 3 (W) for setting up manufacturing of automobile parts. The allottee was required to commence production activity with committed investment of ₹ 25 crore before 19 August 2011. The allottee could not commence production activity within the stipulated time schedule. The allottee sought (April 2012) time extension upto December 2013 with a request to change the usage from industrial to warehousing. The unit office forwarded (September 2012) the matter to the Head office and apprised that the plot was vacant and that the allottee requested time extension to utilize the plot for warehousing purpose which was not permissible as per rules. As per directions of the Head office (October 2012), the unit office cancelled the allotment and took possession of the plot on 7 November 2012 and 19 November 2012 respectively. However, the unit office did not ensure refund of the land cost. On further request of the allottee (November 2012), the Company granted (March 2013) extension of time upto November 2014 on payment (April 2013 and June 2013) of retention charges ₹ 66.53 lakh. Further, the allottee could not commence production activity with committed investment till March 2018.

10 M/s Parsvnath Developers Limited (₹ 1.77 crore) and M/s Rajtech Automotives Private Limited (₹ 0.48 crore + ₹ 1.61 crore = ₹ 2.09 crore)

11 worked out at the applicable rates of 0.75 per cent, one per cent and two per cent instead of 0.50 per cent, 0.50 per cent and one per cent respectively)

We observed that the Company recovered retention charges only of ₹ 66.53 lakh against actual recoverable amount of retention charges of ₹ 114.21 lakh as per applicable rules resulting in short recovery of ₹ 47.68 lakh. Despite non-commencement of production activity within extended period, the Company did not take action for cancellation of the allotment/ granting further time extension by recovering requisite retention charges amounting to ₹ 161.51 lakh.

Government stated (July 2018) that as the allottee failed to submit the desired documents, the Company has decided to cancel the allotment and served (June 2018) a show cause notice upon the allottee in this regard. Further progress is awaited (November 2018). (Bhiwadi-II Unit)

### **Conclusion and recommendations**

The Report of Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2013, Government of Rajasthan (Report No. 1 of the year 2014) highlighted systemic lapses in monitoring the progress of construction/production activity and resultant delayed/non recovery of retention charges. The present study however showed that similar deficiencies still persist. The Company did not ensure prompt issue of notices to allottees who defaulted in completion of construction activities and/or commencement of production activities. The unit offices did not maintain proper data base to monitor and ensure that the allottees commenced construction and production activities as per schedule. Instances were noticed where the Company did not recover retention charges as per Rules and waived/ short recovered retention charges without justified reasons. The Company has initiated steps for implementing IT solution to manage its business processes but due to non-integration of modules the system is not contributing significantly to enhancing the efficiency of the Company.

**We recommend that the Company evolve an efficient and effective system of monitoring to ensure that the entrepreneurs adhere to the time schedule for completion of construction and commencement of production activities. The Company should grant extension of time, levy the required retention charges and take effective action against defaulting entrepreneurs as per rules. The Company should also take immediate steps to complete the incomplete modules of the IT applications on priority so as to achieve the intended purposes.**

## 5.2 Avoidable loss due to unjustifiable allotment of land below cost

### Loss of ₹ 4.50 crore to RIICO due to allotment of land below the cost based on the decision of the Department.

A meeting of the representatives<sup>12</sup> of the Government of Rajasthan (GoR) (including Department of Industries) and the Rajasthan State Industrial Development & Investment Corporation Limited (RIICO) with the representatives of Shri Vallabh Pittie Group (SVPG) was held (18 March 2015) wherein the following *in principle* decisions were taken:

- To allot 25 hectare industrial land to SVPG at the lump sum amount of ₹ five crore at industrial area, Dhanodi, Jhalawar.
- RIICO would assess the actual cost incurred in industrial area, Dhanodi and after calculating the rate per square metre, cost of 25 hectare land would be worked out. In case the actual cost worked out is more than ₹ five crore, the differential cost would be reimbursed by the GoR.
- SVPG would apply for customized package for availing benefits *viz.* interest subsidy, reimbursement of Value Added Tax paid, exemption of stamp duty and electricity duty *etc.* and proposal would be processed by the Bureau of Investment Promotion and the Finance Department, GoR.

The aforesaid decisions were taken subject to approval at appropriate levels of the GoR/RIICO.

SVPG accordingly submitted (19 March 2015) four applications to RIICO for allotment of total 25 hectares of land in favour of its four group companies<sup>13</sup> for setting up a textile project at Jhalawar with proposed project cost of ₹ 1000 crore. In view of requirement of SVPG, RIICO re-planned (20 March 2015) the concerned industrial area and revised its cost assessment by reducing from ₹ 13.19 crore<sup>14</sup> to ₹ 12.86 crore on the basis of actual and committed expenditure on the area till March 2015. On the basis of revised cost assessment, the land allotment rate of the area was reduced from ₹ 600 per square metre to ₹ 380 per square metre. Accordingly, the total cost of proposed allotment was worked out to ₹ 9.50 crore<sup>15</sup>. In view of revised planning and cost assessment, RIICO decided (25 March 2015) to allot 25 hectares of land in favour of the four group companies of SVPG on preferential basis for ₹ five crore by relaxing the existing rules/procedures<sup>16</sup> of land allotment and requesting the GOR for reimbursement of differential cost of ₹ 4.50 crore. RIICO accordingly issued (26 March 2015) orders for

12 Chief Secretary (CS), Principal Secretary (Finance), Principal Secretary (Industries), Secretary Finance (Revenue) of the GoR and Advisor (Infra) of the Company (RIICO).

13 Shri Vallabh Pittee Industries Limited, Akash Ganga Industries Private Limited, Platinum Textile Limited and SVP Global Venture Limited

14 Estimated cost of the area finalised in May 2013 on the basis of PWD BSR-2012 (civil works) and PWD BSR-2008 (electrical works)

15 250107.81 square metre at the rate of ₹ 380 per square metre

16 Issuing advertisement in newspaper, allotment of land/plots through draw of lot and adopting auction process beyond 60 *per cent* saleable land *etc.*

allotment of 250107.81 square metre land in favour of the four group companies of SVPG for ₹ five crore<sup>17</sup>.

The issue of reimbursement of differential cost was discussed (15 April 2015) before the State Empowered Committee<sup>18</sup> (SEC) wherein the SEC recommended for reimbursement of differential cost by the GoR under the Customized Package. However, pursuant to State Cabinet order (3 June 2015), the Finance Department, GoR did not allow any benefit on account of reimbursement of differential cost of allotted land to RIICO.

In absence of approval from the GoR, RIICO decided (30 October 2015) to recover the differential cost of ₹ 4.50 crore from the four group companies of SVPG and accordingly demands were raised (November 2015 and January 2016). However, these four group companies of SVPG did not deposit the demand amount. Subsequently, the SEC recommended (17 June 2016) that RIICO should bear the differential cost itself and this recommendation of SEC was approved (3 August 2016) by the State Cabinet, GoR. RIICO accordingly withdrew (October 2016) the demands of ₹ 4.50 crore raised on the group companies of SVPG and decided (December 2016) to write off the differential cost of ₹ 4.50 crore from its books of accounts.

We noticed that the *in principle* decisions (18 March 2015) to allot land to SVPG at lump sum amount of ₹ five crore and in case the actual cost worked out on higher side, to reimburse the differential cost to RIICO by Government of Rajasthan were taken in presence of representatives of RIICO as well as concerned administrative department *i.e.* Department of Industries. We observed that the commitment to allot the land for lump sum amount of ₹ five crore was made without assessing the actual cost incurred on the land. Further, the commitment of allotting the land below the cost subject to reimbursement of differential cost by the Government of Rajasthan was agreed by the Department of Industries despite the fact that there was no provision for allowing benefit on account of concessional land in the Rajasthan Investment Promotion Scheme (RIPS) 2014. Further, neither the Department nor RIICO ensured prior approval of the Government of Rajasthan for reimbursement of differential cost before issuing the orders for allotment of land to SVPG at a value which was substantially below (52.63 *per cent*) the actual cost. The Government of Rajasthan was belatedly approached to grant approval for reimbursement of differential cost. The Department of Industries did not object to the advice of the Finance Department that RIICO should bear the additional cost of the land. The Department also did not brought out the issue of allotment of land at subsidised cost not being covered under RIPS 2014. Resultantly, RIICO had incurred loss of ₹ 4.50 crore due to allotment of land below the cost.

The Department of Industries (GoR) while accepting the facts stated (September/October 2018) that the industrial area has been declared as saturated in May 2018 and remaining land will be allotted through auction.

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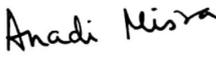
17 250107.81 square metre x ₹ 200 per square metre

18 The State Empowered Committee consisted of one Chairman (Chief Secretary of the State Government), 11 members (Additional Chief Secretaries/Principal Secretaries/Secretaries of eight departments of the State Government *viz.* Finance, Environment and Forest, Urban Development & Housing Development, Industries, Labour & Employment, Mines & Petroleum, Revenue, and Energy department, Principal Secretary to the Chief Minister, Managing Director of RIICO and Commissioner-Industries) and one member secretary (Commissioner, Bureau of Investment Promotion).

The reserve rate of remaining land will be fixed with a view to recover the remaining development cost of the area to avoid any losses. It further stated that RIICO is a 100 *per cent* Government owned Company and the motive of RIICO as well as the Government is to catalyse investment in the State so as to generate employment in backward/ most backward districts of the State.

The reply is not acceptable as allotment of major part of the area below the cost and charging/loading the differential cost on the balance area with a view to recover from small entrepreneurs would be against the motive of catalysing investment and generating employment. The objective of RIICO should not be to recover the cost of land by way of putting burden on smaller entrepreneur in view of losses it incurred on single substantial allotment.

**JAIPUR**  
The 25 June, 2019

  
**(ANADI MISRA)**  
Accountant General  
(Economic and Revenue Sector Audit), Rajasthan

Countersigned

**NEW DELHI**  
The 26 June, 2019

  
**(RAJIV MEHRISHI)**  
Comptroller and Auditor General of India

