

CHAPTER–V (5.4)
Allotment of Industrial Properties

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5.4 Allotment of Industrial Properties

Introduction

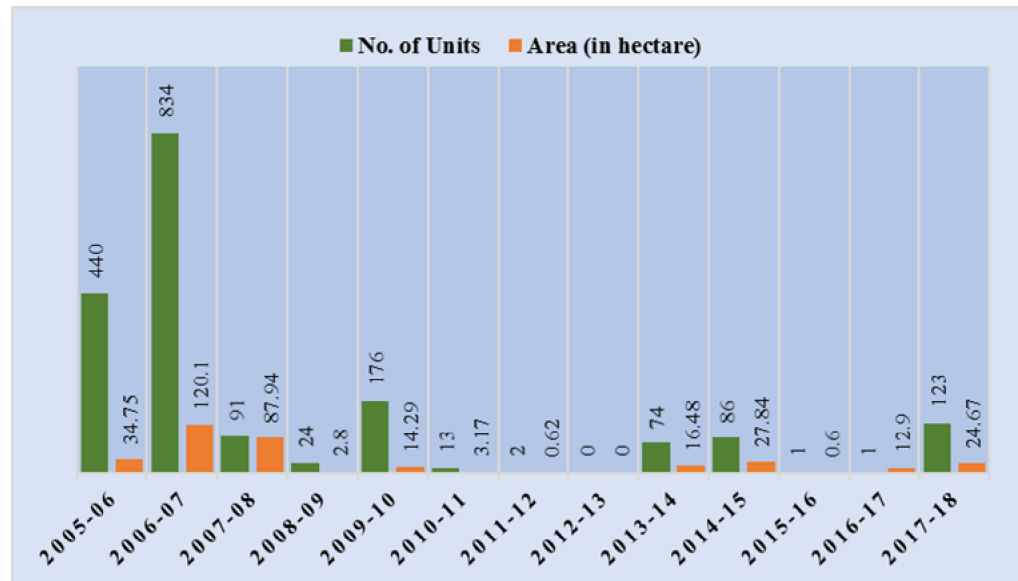
5.4.1 The main objective of NOIDA is to develop industrial areas for which industrial plots are allotted by the Authority. Allottees have to establish industrial units within the period prescribed as per the terms and conditions of the plot allotment scheme brochure. Failure in establishing industrial units in the allotted plots defeats the objective of industrial area development.

Industrial wing of NOIDA deals with the allotment of industrial plots and follow-up of the post-allotment compliances. The Planning wing of NOIDA is responsible for monitoring building completion whereas Finance wing is responsible for maintaining financial records related to recovery of premium and other revenue dues from allottees. The stages involved from launching of the scheme till follow-up of the post allotment compliances is depicted in **Chart 5.3 in Chapter 5**.

Status of allotment of industrial plots in NOIDA

5.4.2 During the audit period from 2005-06 to 2017-18, 1,865 plots (346.15 hectare) were allotted as shown in **Chart 5.4.1**.

Chart 5.4.1: Year-wise allotment of Industrial Plots during 2005-06 to 2017-18



Source: Information furnished by NOIDA.

As per information furnished, maximum area was allotted in the year 2006-07 whereas no industrial plot was allotted in the year 2012-13.

As per the MP-2031, NOIDA planned to develop an area of 2,806.52 hectare as industrial area. As of 31 March 2018, NOIDA had developed 2,418.90 hectare, out of which only 1,150.03 hectare (47.54 per cent) was allotted. From the allotted area, only 796.10 hectare (32.91 per cent of developed area) could be made functional upto March 2020.

Scope of Audit

5.4.3 NOIDA allotted 1,865 plots measuring aggregate area of 346.15 hectare during the period covered in the Performance Audit *i.e.* 2005-06 to 2017-18. Out of the 1,865 plots allotted, 83 plots (61 larger plots¹ and 22 smaller plots) were selected on the basis of stratified random sampling for detailed examination in Performance Audit. Discrepancies noticed in audit have been discussed in the succeeding paragraphs.

Audit findings

5.4.4 The audit findings, as a result of examination of sampled cases as well as result of physical verification wherever carried out, and analysis of outcome of allotment of industrial plots are discussed in the succeeding paragraphs. These audit findings have been grouped as under:

- Systemic and procedural deficiencies (Paragraphs 5.4.5 to 5.4.5.6)
- Irregularities in screening of applications and allotment, violation of post allotment compliances (Paragraphs 5.4.6 to 5.4.6.5)
- Violation of Policy and Procedure for Industrial/Institutional Property Management and scheme brochure (Paragraphs 5.4.7 to 5.4.7.2)
- Case study of Industrial plot allotted to CBS International Projects Limited (Paragraphs 5.4.8 to 5.4.8.1)
- Outcome of allotment of industrial plots (Paragraphs 5.4.9 to 5.4.9.1)

Systemic and procedural deficiencies

5.4.5 Audit noticed that certain systemic deficiencies persisted in the working of NOIDA, which led to failure in monitoring, extension of undue benefits to allottees and financial losses to NOIDA. These are discussed in the subsequent paragraphs.

Allotment of underdeveloped plots/allotment without site plan

5.4.5.1 After completion of the land acquisition process, NOIDA develops the acquired land for various sectors as per the approved site plan. The allotment wings dealing with various categories of properties allot such developed land/plots under various schemes launched for different categories. As per the terms and conditions of the brochures, the allottee is required to get the lease deed executed within three months of the date of allotment and thereafter take possession within 15 days after issue of possession letter. Hence, NOIDA was required to give the possession of plot within 3.5 months from the date of allotment letter. Accordingly, NOIDA should ensure that plots to be allotted to the applicants are free from all encumbrances, site plan of plots has been received and all infrastructure amenities are well developed to enable the allottees to establish their industrial projects within the time prescribed in the policy/rules of NOIDA.

Audit noticed that NOIDA does not have a system to ensure the intactness of the plots (*i.e.* free from all encumbrances) before issuing allotment letters to the allottees. Instead, NOIDA had been allotting undeveloped industrial plots,

Due to allotment of industrial plots without receipt of site plan, NOIDA suffered loss of ₹ 18.58 crore in 16 cases.

¹ Plots larger than 2,000 sqm (for schemes upto 2013-14) and Plots larger than 4,000 sqm for schemes launched with effect from 2017-18). No new industrial allotment scheme was launched during 2014-15, 2015-16 and 2016-17.

even without receipt of site plan, which led to non-establishment or delayed establishment of the industrial units besides financial loss to NOIDA itself.

NOIDA had allotted industrial plots without development of site and receipt of site plan in 16 cases out of 83 sampled plots. As a result, NOIDA failed to execute the lease deed within the stipulated time due to absence of site plan. This resulted in financial loss to NOIDA to the extent of ₹ 18.58 crore in 16 cases (**Appendix-5.4.1**) as the rates of plots by the time of receipt of site plan were revised whereas allotted plots were sold at old rates which were on the lower side. Had NOIDA allotted these plots after receipt of site plan/development of site, it could have avoided the aforesaid loss.

In its reply, NOIDA stated (August 2020) that due to non-development of basic infrastructure in the proposed sectors, the site plans were received with delays. The reply of NOIDA confirms the audit observation that the allotment of plots was done before adequate development resulting in loss to NOIDA itself. Moreover, NOIDA did not submit any reason for doing this or propose any remedial plan for the future.

Lack of parameters for evaluation of industrial project proposals

5.4.5.2 NOIDA issued 'Policy and Procedure for Industrial Property Management' in August 2004, April 2005, April 2006, November 2008 and October 2012 which mainly provide guidelines for transfer of industrial plots, change in shareholding, change in constitution, renting of industrial premises, declaration of industrial premises as functional, time extension *etc.* Till May 2017, NOIDA had not prescribed any criteria for evaluation of industrial project proposals such as financial health of the applicant, experience in the industry for which the applicant has applied, written questionnaire for interview, parameters (minimum turnover, minimum net worth, minimum liquidity *etc.*) for examination of the project report submitted by the applicant and linkage of size of plots with the size of the proposed project. In the absence of any prescribed criteria for selection/rejection of proposals, the PAC recommended/rejected allotments at its own discretion.

The evaluation parameters for allotment of industrial plots of size of more than five acres (20,234 sqm²) were approved by the Board³ in June 2017. The evaluation parameters for plot size of more than 4,000 sqm up to five acre was approved by the Board in January 2020⁴ after being pointed out by Audit. It is also worth mentioning that out of 1,865 plots allotted during 2005-06 to 2017-18, only 123 plots were allotted during 2017-18 i.e. after approval of evaluation parameters.

NOIDA accepted the audit observation and stated (August 2020) that the parameters for evaluation of industrial project proposal for more than five acres have already been approved by the Board (June 2017) whereas the parameters for plot area of more than 4,000 sqm but less than 5 acres have been framed by the Board in January 2020.

The reply confirms that till May 2017, evaluation of the projects for allotment of plots was done without any defined parameters and was left to the

² 1 acre = 4,046.86 sqm

³ 192th Board meeting date 23 June 2017.

⁴ 198th Board meeting date 31 January 2020.

discretion of PAC. Moreover, parameters for evaluation of industrial projects for plot area of less than 4,000 sqm are yet (August 2020) to be formulated.

Non-preparation of detailed notes of rejection and its communication to applicant

5.4.5.3 NOIDA rejects applications with the remarks, “समिति आवेदक के परियोजना क्रियान्वयन, वित्तीय स्रोतों की उपलब्धता तथा भूमि की आवश्यकता से संतुष्ट नहीं हो सकी” (Committee was not satisfied with the project execution, availability of financial resources and land requirement of the applicant). Despite a decision of Hon’ble High Court⁵ (15 November 2007) against NOIDA that ‘a person has a right to know the reasons for which his application/case has been rejected’ NOIDA neither prepares a detailed note explaining the reason for non-selection/rejection of allotment application, nor communicates the reasons for rejection to the applicant, which reduces transparency of the allotment procedure. Therefore, the possibility of undue favour to particular applicant(s) during allotment of plots cannot be ruled out.

In its reply, NOIDA stated (August 2020) that the parameters for evaluation of industrial project proposals for plot area of more than 4,000 sqm have already been approved by the Board. The reply of NOIDA is not acceptable as it does not address the issue raised by Audit i.e. non-preparation of detailed note of reasons for rejection and non-communication of reasons to the applicant. Moreover, even the evaluation parameters approved by the Board (June 2017/January 2020) does not provide for formal communication of reasons for rejection of the application.

Non-existence of enforcement wing in NOIDA

5.4.5.4 Audit noticed that an enforcement wing was not established in NOIDA to restrict unauthorised construction⁶ and unauthorised utilisation of industrial property for other purposes which is prohibited as per terms of allotment. Non-existence of an enforcement wing has not only weakened the monitoring mechanism of NOIDA and led to extension of undue favour to various allottees but also resulted in financial loss to NOIDA for not being able to impose penalty in case of violation of terms of allotment.

In its reply, NOIDA accepted (August 2020) that the system of enforcement was not effective in NOIDA. In order to make it effective, an office order was issued (21 October 2019) by NOIDA which *inter alia* stipulates that ‘joint inspection will be done by concerned Work Circle and Planning wing. Demolition of unauthorised buildings will be done by Works Circle with the help of police and administration.’

The compliance will be reviewed in next audit.

Deficiencies in verification of payments made by allottee

5.4.5.5 The payment in respect of allotted plots is made by the allottee in the bank account of NOIDA through three copies of challans. One copy of the challan is retained by the allottee, the second copy remains with the bank and the third copy is sent to NOIDA by the bank. The third original copy of the

NOIDA did not establish enforcement wing which has weakened the monitoring mechanism.

⁵ Civil Writ Petition No. 55429 of 2007; Vinod Kumar Jain Vs NOIDA, the CEO, NOIDA & the state of U.P. through Secretary Industries Department Civil Secretariat, Lucknow.

⁶ Construction not as per approved map

challan should have been placed by NOIDA in the file of the concerned allottee maintained by the Industrial Accounts wing.

On scrutiny of files of allottees maintained by the Industrial Accounts wing, Audit noticed that deposits made by the allottees were not being reconciled with the challans and bank statements. Besides this, Audit observed that only a few challans in each file were original. Most of the challans were photocopies of the applicant's copy and original copies were not found on record. NOIDA was considering payments made by the allottee without obtaining original challans, based on photocopies submitted to it. However, there was no authorisation to consider the payment without original challans. Audit verified the status of challans in five cases and found that 20 challans of ₹ 4.85 crore were original and 66 challans of ₹ 10.91 crore were photocopies as detailed in **Appendix-5.4.2**. Thus, in the absence of a robust reconciliation system and original copies of challans, the accuracy and correctness of the deposited amount shown in the records of NOIDA pertaining to allottees cannot be ensured and chances of fraud/misappropriation cannot be ruled out.

NOIDA stated (August 2020) that original challans were kept in the Industrial Accounts wing's records and in administrative files photocopies are kept which would be got certified from the Accounts wing in future.

The reply of NOIDA is not acceptable as the original challans were not available in the records of the Industrial Accounts wing and only photocopies of challans of applicants' copy were provided to the Audit.

Lack of co-ordination between Planning wing and Industrial wing

5.4.5.6 Completion Certificate⁷ for completion of the building on industrial plot is issued by the Planning wing and Functional Certificate⁸ is issued by the Industrial wing of NOIDA. Neither did the Planning wing send information of completion to the Industry wing nor did the Industrial wing make efforts to obtain information from the Planning wing regarding completion certificate so as to reconcile the status and issue notices to the allottee to obtain Functional Certificate which is essential under the terms and conditions of the brochure.

Audit noticed that efforts were not made by NOIDA to evolve a procedure to address the above systemic deficiency so as to streamline the process of imposition of penalty on account of delay in completion and making the industrial projects functional or for cancellation of the plot in case it remained non-functional.

In its reply, NOIDA accepted the audit observation and stated (August 2020) that in order to make better coordination between Planning and Industrial wing, a Standard Operating Procedure (SOP) has been prepared which will be issued through office order.

The compliance of the audit observation and the effectiveness of the SOP will be reviewed in next audit.

⁷ A certificate regarding completion of building.

⁸ A certificate for commencement of business activities.

Irregularities in screening of the applications and allotment and violation of post allotment compliances

5.4.6 Audit noticed irregularities committed at the stage of screening of the applications/allotments and cases where undue favour was extended to applicants/allottees. These have been discussed in succeeding paragraphs:

Engagement of an outside agency for scrutiny and screening of the applications

5.4.6.1 Prior to launch of OES 2008-09 (NOIDA/IP/2008-09/OES/01) of industrial plots, applications received were scrutinised by NOIDA’s own staff to see whether the applicant had submitted all documents as per requirement of the terms and conditions of the scheme. After scrutiny, PAC ensured correctness of scrutiny results as it was responsible for proper screening of the applications. For the scrutiny of applications under NOIDA/IP/2008-09/OES/01, the CEO decided (September 2008) that evaluation of the applications would be done by an outside agency ‘U.P. Industrial Consultants Ltd.’ (UPICO) which was a joint venture of Government of Uttar Pradesh (GoUP), IDBI, ICICI, and banks⁹. UPICO submitted its proposal (25 September 2008) at the rate of ₹ 10,000 per application plus taxes which was approved. Audit observed that UPICO, an outside agency for scrutiny/evaluation of applications, was engaged without obtaining competitive rates.

NOIDA accepted the audit observation and stated (August 2020) that the appointment of UPICO was made due to non-specialisation of members of PAC of NOIDA. However, after being pointed out by Audit, presently (August 2020) the scrutiny of the applications is being done by the external agencies engaged after obtaining competitive rates.

The compliance of the audit observation will be reviewed in next audit.

Undue favour in screening of the applications

5.4.6.2 As per terms of the scheme brochure, the applicants were required to submit various information and documents with the application form. These included project report, background of promoters/directors, land required and its use pattern, projected cash flow for three years (depicting sources of inflow), balance sheets and profit and loss account for the last three years (duly certified by the Chartered Accountant), statement of net worth and financial capability/liquidity certificate from any nationalised/scheduled bank. The brochure clearly mentioned that the application must be complete. Application forms submitted with incomplete information(s)/ enclosure(s) shall be rejected.

Audit noticed that the screening committee/PAC did not ensure compliance of the above provisions of the brochures and recommended plots for allotment, thereby extending undue favour to the allottees as illustrated in the following case.

A plot (C-01, Sector 67) measuring 1,00,000 sqm was allotted to OSE Infrastructures Limited on 22 May 2006 at a premium of ₹ 40.21 crore for an IT project. The plot was subsequently notified (14 May 2007) for an IT SEZ

⁹ Bank of Baroda, Allahabad Bank, State Bank of India, SIDBI, Union Bank, Bank of India, Syndicate Bank, Punjab National Bank, Central Bank and Canara Bank

by the Gol. The applicant company was not eligible for allotment, as the object clause of the Memorandum of Association (MoA) of the Company did not cover the project it had applied for. Further, it did not submit any document regarding financial arrangements and its paid up capital was only ₹ 10 lakh, yet the aforesaid plot was allotted.

In its reply, NOIDA stated (August 2020) that serial no. 26 of the MoA described that the Company may execute any work/production in favour of the Company. The Company proposed the investment in four phases from 2006 to 2011. The group company (OSE Pvt. Ltd.) earned a profit of ₹ 56 crore during the year 2004-05 in addition to the net worth of directors/shareholders. In view of the net worth of the applicant Company and directors/shareholders, the investment proposed was sufficient.

The reply is not acceptable as the objective described at serial no. 26 of the MoA covers works which can be undertaken to fulfill the objectives described at serial no. 1 to 25, whereas the Government of India had notified the allotted plot for IT/ITES specific purpose. Further, financial credentials of the group companies/directors/shareholders were not found in the allotment file at the time of audit. Moreover, 100 *per cent* shareholding of the allottee company has been transferred in July 2019.

Discretionary allotment of Industrial plots

5.4.6.3 NOIDA launched (1 March 2006) an OES (NOIDA/IP/OES/2005-06) for allotment of industrial plots (larger than 2,000 sqm). PAC, under the chairmanship of the Dy. CEO, NOIDA, held interviews of 265 applicants¹⁰ in which 39 applicants were allotted plots (as per minutes of meeting of PAC held on 8 May 2006). Another set of interviews for 100 applicants was held in which only five allotments were made (as per minutes of meeting of PAC held on 22 May 2006). The scheme was declared closed on 19 May 2006.

PAC recommended 39 allotments as per the notings made and minutes of the meeting held on 08 May 2006. While approving the allotment, the CEO remarked (8 May 2006) ‘reconsider serial numbers 238, 118, 111 and 265; rest approved’. In this regard Audit noticed that:

- PAC did not recommend allotment of industrial plot to Star Applied Mechanics Pvt. Ltd. (Sl. No. 238 of list of applicants who applied for 4,000 sqm) and A.K. Mittal (S. No. 265, who applied for 4,000 sqm) as it was not satisfied with the implementation plan, land requirement and availability of financial resources. Further, representatives of National Co-operative Union of India (S. No. 111, who applied for 3,200 sqm) could not clarify the land requirement before PAC, therefore, allotment of plot was not recommended in its favour, whereas Esteem Finvest Private Limited (Sl. No.118, who applied for 2,200 sqm) was recommended for allotment of plot size of 4,000 sqm by PAC, though the applicant had applied for only 2,200 sqm.

After the remarks of the CEO, Star Applied Mechanics Pvt. Ltd. (Sl. No. 238) and National Cooperative Union of India (Sl. No. 111) were allotted plots (22 May 2006) of 4,000 sqm and 3,000 sqm respectively. However, PAC again recommended (22 May 2006) allotment of a plot of size 2,100 to 3,200 sqm in favour of Esteem Finvest Private Limited (S. No. 118) who was

¹⁰ Applications received up to 8 April 2006.

allotted a plot size of 2,100 sqm. Further, Shri A.K. Mittal (S. No. 265, who applied for 4,000 sqm) was not allotted the plot and his registration money was returned.

- Allotment of a plot to Applied Electro Mechanics Pvt. Ltd. (Sl. No. 329 who applied for 4,000 sqm), was not recommended (22 May 2006) by the PAC as it was not satisfied with the implementation plan and land requirement. Audit observed that the applicant had represented to Chairman, NOIDA against rejection on which Chairman directed the CEO to reconsider and give personal hearing to the applicant. Accordingly, the CEO had noted that ‘the applicant appeared and gave details of his project. A plot of 2,100 sqm be reserved for the applicant and PAC may consider in next meeting.’ After the remarks of the CEO, plot no. B-6 measuring 2,100 sqm in Sector 68 was allotted to the applicant.

Audit observed that inspite of negative recommendations of PAC, the plot allotments were reconsidered on the orders of the CEO, although there was no system in NOIDA for redirecting cases back to PAC after it had given its recommendations. NOIDA was unable to explain the reasons for according a special dispensation in these cases by the CEO.

In its reply, NOIDA stated (August 2020) that all the powers pertaining to allotment of properties are vested with the CEO, NOIDA. Clause 34 of the brochure of the scheme stipulates that “the CEO reserves the right to make amendments, additions, alterations, from time to time in the terms of allotment without any information and decision of CEO shall be final”.

The reply of NOIDA is not acceptable as there was no procedure for reconsideration of applications by PAC. Moreover, the absence of defined parameters for evaluation of the applications and exercising of discretion by the CEO of NOIDA against the recommendations of PAC confirms the lack of transparency and possible misuse of authority vested in officials of NOIDA, including the CEO. In fact, the instructions of the CEO were to reserve the plot along with giving the applicant another chance for presenting his case. At the very least, the CEO ought to have issued a speaking order while overruling PAC’s recommendations which was not the case.

Violation of post allotment compliances

Mixed land use Policy

5.4.6.4 The MP-2031 stated that NOIDA has introduced the policy of mixed land use in MP-2021 and allowed a mix of commercial, residential and institutional activities on the designated large size residential or institutional plots. NOIDA may decide the architectural controls, procedure of allotment, reserve prices and other requirements as per the proposed mix of activities on a plot or scheme. Specific areas of mixed land use have not been proposed in the MP. However, NOIDA may identify such land or plot for mixed land use schemes at the time of detailed layout plan of a particular sector or area.

Accordingly the Board of NOIDA introduced (29 November 2013) a mixed land use policy (Policy) in order to regularise the unauthorised use of industrial plots (180th Board meeting). The said Policy *inter alia* allowed use of a portion of industrial plots for other than industrial purposes with the following conditions:

Due to under-recovery/non-recovery of mixed land use charges, NOIDA extended undue benefit of ₹ 333.17 crore to 36 allottees for use of industrial property for commercial purpose.

- Plots/buildings should be situated on 24 metre or more wide road and there shall not be any building between the plot and main road except sector road/service road/green belt;
- Mixed land use facilities shall be available as auto showroom/art gallery/museum activities on the ground floor of industrial plots on 25 *per cent* of permissible FAR. As per prevailing Building Regulations and Zoning Regulations of MP-2031, additional support facilities¹¹ such as office, bank, showroom for display/sale of industrial products manufactured in the units, gym/health club, creche and day care centre, internet centre, dispensary, taxi/auto/auto rickshaw stand would be permitted;
- Conversion charges/impact fee for mixed land use was decided as 50 *per cent* of the differential value of commercial and industrial property whereas the value of commercial property was much higher;
- After deposit of conversion charges/impact fee for mixed land use, the map was to be approved by the Planning wing.

In accordance with the provisions of Plan Regulations, 2010, NOIDA invited comments and suggestions from the public and after considering the suggestions, the Board reduced (12 February 2014) the conversion fee to 25 *per cent* of differential value of commercial and industrial property. The above proposal was approved by GoUP on 27 March 2015.

The condition regarding deposit of conversion charges were further eased by the Board (December 2017). Instead of full charges, 20 *per cent* of charges were to be deposited initially and balance 80 *per cent* were to be deposited in 10 six monthly instalments. Further, this facility was retained only for auto showroom/art gallery/museum and withdrawn for support facilities.

Audit observed that NOIDA had identified 36 cases where the allottees were using the properties for other than allotted activities. Amongst them 10 car showrooms were identified who were using industrial properties for showrooms. NOIDA issued notices to these allottees for removing the unauthorised construction and usage of industrial plot. As of August 2020, only 10 allottees had applied and deposited the conversion fee and no maps were approved under Mixed Land Use Policy.

Audit analysed the formulation of the Policy by NOIDA and observed:

(a) The objective of the Policy was to authorise the inclusion of commercial and institutional activities in residential areas but with the amendments made in December 2017, its application has essentially entailed regularisation of commercial activities of three types *viz.* auto showroom, art gallery and museum in industrial areas. Thus, the wider objective of providing institutional and support facilities got ignored.

(b) The charges were reduced from 50 *per cent* to 25 *per cent* on the basis of suggestions from the public and thereafter the proposal was approved by GoUP. However, the charges were subsequently reduced to 10 *per cent* in the 186th Board meeting (18 September 2015) citing public demand for reduction. Audit observed that the subsequent reduction was irregular and lacked

¹¹ Support facilities as mixed land use were withdrawn in 193th Board meeting (27 December 2017).

justification as the suggestions of the public had been invited at the time of initial reduction and duly considered and on basis of the same, conversion charges had been reduced earlier. All reductions to revenue stream of NOIDA should have been made after careful consideration and accepted after detailing the larger public interest that would be served. Thus, the restricted applicability of the scheme along with reduction of charges in an arbitrary manner clearly indicates that special dispensation was extended to the allottees of auto showroom, art gallery and museum only.

Audit calculated the monetary difference between actual benefits to the allottees¹² and the charges levied for using industrial plots for commercial purposes. This worked out to ₹ 333.17 crore¹³ {Appendix- 5.4.3 (i) & (ii)}.

(c) The allottees, who opted to pay conversion charges/impact fee under mixed land use policy, were required to submit revised map, restricting commercial utilisation to 25 per cent of permissible FAR on ground floor of industrial plots, but the same was not submitted by any allottee till date (August 2020). Audit observed that since only 25 per cent FAR on ground floor was convertible, in absence of approved maps, NOIDA could not assess the magnitude of unauthorised use. In such cases, NOIDA has failed to take any action for delays and as a consequence, has allowed unauthorised use.

(d) Although NOIDA issued notices to most of these allottees yet it did not take necessary steps to recover conversion charge/impact fee from them. Moreover, NOIDA has neither stopped the unauthorised commercial activities nor cancelled such allotments for violation of terms and conditions of the allotment for industrial land use.

A joint physical verification was conducted (06 December 2019) by the Audit team along with the representatives of NOIDA. Photographs were also taken during joint survey which confirmed instances of commercial activities being performed in industrial plots. These instances are as under:

Photograph 5.4.1: Auto Showrooms in Industrial Sector



¹² Difference between commercial allotment rate and industrial allotment rate for commercial portion

¹³ Appendix- 5.4.3 (i) & Appendix – 5.4.3 (ii) (₹ 97.53 crore + ₹ 235.64 crore = ₹ 333.17 crore).

Photograph 5.4.2: Auto Showrooms in Industrial Sector



Industrial Plot No.: A-9, Sector-2, Area: 1,110 sqm

Photograph 5.4.3: Auto Showrooms in Industrial Sector



Industrial Plot No.: B-123, sector-5, Area: 2,158 sqm

During the physical verification, it was confirmed that most of the allottees (including those who opted to pay conversion charges under mixed land use policy) were utilising the entire portion/maximum portion of the industrial plot for commercial purpose.

Thus, failure of NOIDA to determine correct conversion charges as per FAR/area used for commercial purpose and its recovery from allottees who were using their industrial plot for commercial use without paying any money, has not only resulted in loss to NOIDA but also extended undue favour to the allottees.

In its reply, NOIDA stated (August 2020) that the conversion charges were comparatively higher than the mixed land use rates prevailing in Delhi. The decision for reduction of conversion charges was taken by the Board on the basis of continuous pressure from the stakeholders. It was also decided during the 193rd Board meeting (27 December 2017) to utilise 25 per cent FAR for auto showroom and museum only and the activities allowed under support facilities have also been discontinued. It further stated that action against allottees who have not deposited the due charges/instalments is in process. Moreover, the allottee units are bound to utilise the land as per the norms.

The reply is not acceptable in view of the fact that auto showroom and museum are using 25 per cent of FAR on paying only 10 per cent of differential value of Industrial and Commercial plots. Moreover, the Scheme was brought out to regularise unauthorised uses and was applicable only to a selected category but even their requests for dilution were heeded at the expense of NOIDA’s interest. Consequently, only two per cent charge was payable upfront out of 10 per cent differential charges on account of arbitrary decision by NOIDA. The remaining eight per cent was to be paid over a period of five years. Hence, the provisions of conversion charges and its deposit conditions were gradually diluted on the request made by the public and Automobile Dealers Welfare Association.

The Government, in the Exit Conference (30 September 2020), directed NOIDA that in no case an industrial plot shall be allowed for use other than permissible industrial activities as per the allotment conditions.

NOIDA’s failure to restrict the unauthorised use of industrial properties resulted in extension of undue favour of ₹ 335.86 crore to 42 allottees.

5.4.6.5 In the absence of any mechanism for regular watch on authorised use, various industrial allottees of smaller size plots, mostly situated on narrow roads (less than 24 meter), have also started using their properties for commercial purposes. However, no commercial activity was allowed even in the mixed land use policy on narrow roads (less than 24 meter).

Further, the area of NOIDA falls under the jurisdiction of Paschimanchal Vidyut Vitran Nigam Limited (PVVNL) for the purpose of supply of electricity under various categories based on applied and declared uses defined in tariff orders issued by Uttar Pradesh Electricity Regulatory Commission from time to time.

Audit cross-verified the industrial allottees data given by NOIDA with the consumer database maintained by PVVNL and found that there were many commercial connections (supply type 20 and 22)¹⁴ on the addresses of industrial allottees. These connections have been released by PVVNL to the applicants based on applied category and actual use.

Audit noticed that 42 commercial connections (whose addresses were complete and clear in the database of PVVNL) were released on the addresses of industrial properties which clearly indicates that the industrial properties were being used for commercial purposes. Thus, NOIDA’s failure to issue notices and restrict unauthorised utilisation of industrial properties has resulted in extension of undue favour of ₹ 335.86 crore¹⁵ to such industrial allottees in these 42 cases as detailed in **Appendix-5.4.4**.

A joint physical verification of some of these properties was conducted (6 December 2019) by the audit team alongwith representatives of NOIDA. Photographs taken during joint survey showing unauthorised commercial utilisation of industrial properties are as under:

¹⁴ Consumers getting supply as per urban schedule for non-domestic purposes with loads less than 75 KW.

¹⁵ Being the differential value of commercial rate and industrial rate of the properties in the respective sectors.

Photograph 5.4.4: Unauthorised Commercial utilisation of Industrial Properties



**Industrial Plot No. C-12, Sector 9, Area 55.75 sqm
Cement and Steel Shop being run on industrial plot**

Photograph 5.4.5: Unauthorised Commercial utilisation of Industrial Properties



**Plot No. H-155, Sector 63, Area 1,800 sqm
Showroom of “Mahindra First Choice” being run on industrial plot**

Thus, failure of NOIDA in restricting unauthorised commercial activities on industrial plots has resulted in extension of undue benefit to allottees in 42 cases. NOIDA should verify all such cases to check the unauthorised use of industrial properties.

In its reply, NOIDA stated (August 2020) that the list of such allottees has been sent to the Chief Engineer, PVVNL, Gautam Budh Nagar for verification so that appropriate action may be initiated against unauthorised use.

The reply confirms lack of monitoring and enforcement mechanism by NOIDA. The action taken by NOIDA will be watched in next audit. A robust mechanism of verification needs to be put in place by NOIDA together with effective enforcement in case of non-compliance.

Violation of Policy and Procedure for Industrial/Institutional Property Management and scheme brochure

5.4.7 The Management of NOIDA failed to ensure compliance of the provisions of the Policy and Procedure for Industrial/ Institutional Property Management¹⁶ (issued by NOIDA from time to time) as discussed in the following paragraphs.

Non/short recovery of Change in Shareholding Charges

NOIDA suffered a loss of ₹ 7.92 crore in 20 allotments due to withdrawal of Change in Shareholding (CIS) charges whereas the change of shareholding also indirectly resulted into change of ownership of plot.

5.4.7.1 As per the Policy and Procedure for Industrial Property Management (November 2008) and Policy and Procedure for Institutional Property Management (March 2009), charges for ‘Change in Shareholding’ (CIS) from any existing shareholder(s) to any shareholder(s) within the same firm/company were eight *per cent* and 10 *per cent* respectively on 100 *per cent* change in shareholding. For less than 100 *per cent* change, CIS charges were proportionate to the change in shareholding.

In case of non-functional units, change in shareholding was permitted only upto 49 *per cent* while in case of functional units, there was no limit on change in shareholding. Moreover, in case of non-functional unit, if the change in shareholding (not between blood relations) was carried out, the CIS charges were fixed 50 *per cent* higher *i.e.* 1.5 times of the normal charges. Thereafter the CIS charges were to be increased at the rate of 50 *per cent* of the normal charges for every subsequent change in shareholding.

Further, NOIDA issued an office order on 27 October 2010 abolishing the CIS charges and the requirement of deed for registering changes in shareholding. This order was based on GoUP order (11 October 2010) which stated that the changes in shareholding could not be considered as transfer of property of a company.

Audit noticed that the above order of NOIDA allowed the allottees to transfer ownership of companies holding allotted plots without payment of any charges to NOIDA. Thus, through this order NOIDA not only suffered loss of revenue but it also facilitated the allottee company to transfer the plot in favour of another set of shareholders without any cost who otherwise may not have been qualified for the allotment of plot. The said GO was rescinded by GoUP in 2020 to stop tax evasion through this route.

Audit further noticed that the order of NOIDA not levying CIS charges was against the basic principles of company limited by shares as the change of shareholding also indirectly resulted into change of ownership of plot. NOIDA, based on the aforesaid order, had given approval for change in shareholding without levying any charges which resulted in loss of ₹ 7.92 crore in case of 20 allottees. Out of these 20 cases, in three cases, ownership/shareholding of the company was transferred within one year from the date of execution of lease deeds and in one case, ownership/shareholding was changed even prior to execution of lease deed through 100 *per cent* change in shareholding as detailed in **Appendix-5.4.5**. One of these cases is elaborated below:

¹⁶ Applicable on IT/ITES units allotted by Industrial wing on the terms and conditions framed by Institutional Wing.

Case Study

Non-recovery of Change in Shareholding charges

A plot No. C-17-18, measuring 8,100 sqm was allotted to Delta Soft Pro Pvt. Ltd. (17 December 2007) in Sector 85 under the industrial allotment scheme NOIDA/IP/2007-08/OES/(01) at a cost of ₹ 40.48 crore for IT/ITES purposes. The lease deed of the plot was executed (28 July 2011) and possession was handed over (01 August 2011). At the time of allotment, there were three shareholders Shri Ranjeet Singh (33.34 *per cent*), Smt. Gurvinder Kaur (33.33 *per cent*) and Shri Harish Panwar (33.33 *per cent*) who were also working as directors. The allottee, within one year of the lease deed, applied (27 July 2012) for change in directorship and shareholding which was approved (01 August 2012) by NOIDA without charging fee of ₹ 66.59 lakh. New directors were Shri Ajay Mankotia, Anoop Singh Juneja and Basker Kashinathan who were not shareholders. However, 100 *per cent* shareholding was transferred in favour of NDTV Limited and its nominees. Thus, ownership was transferred within a year of handing over of possession of the land.

In its reply, NOIDA stated (August 2020) that the CIS issue was covered under office order (May 2010), hence no charges were recovered.

Thus, NOIDA not only remained deprived of revenue from CIS charges due to this order but also facilitated allottee companies to sell/transfer the plots in favour of another set of shareholders without any cost, who may not be qualified (eligible) for allotment of the plot.

In its reply, NOIDA stated (August 2020) that as per Section 17 of Registration Act, there is no need to get CIS registered and as per clause 23 of schedule 1B of Stamp Act 1899, stamp duty is not chargeable. Hence, on the basis of the above order, NOIDA decided (October 2010)¹⁷ to withdraw charges pertaining to CIS.

The reply is not acceptable as the GO dated 11 October 2010 was regarding non-levy of stamp duty and nothing was mentioned in the order about CIS charges. The contention of Audit is further reconfirmed by the fact that the GoUP had rescinded the order in February 2020 stating that this resulted in decrease of revenue of the Government. In continuation of this, Director General, Stamp and Registration directed NOIDA to identify the properties which are covered under CIS so that the stamp duty payable to the Government can be recovered.

Thus, the withdrawal of the earlier GO by GoUP confirms the audit contention of loss of revenue to NOIDA on account of non-levy of CIS charges for which liability needs to be fixed.

Non-compliance of engagement of local labour

5.4.7.2 As per terms of every scheme brochure/allotment letter, 'In employing skilled and unskilled labour for his industry on the allotted premises the allottee shall employ five *per cent* employees out of total labour force from the villages whose land has been acquired for the purpose of said industrial area'.

Audit observed that NOIDA has neither maintained any database for compliance of the aforesaid condition nor it had asked the allottees to submit

¹⁷ In 170th Board meeting dated 26.10.2010.

information in this connection. This indicates the lackadaisical approach of NOIDA towards compliance of its own condition which was inserted as a welfare and employment generation measure for the local people who were affected due to land acquisition.

In its reply, NOIDA stated (August 2020) that from time to time notices for employment are placed by the industrial units for skilled and unskilled labor and employment is provided on the basis of such applications. Additionally, no such complaints have been received in this regard from any villager.

The reply is not acceptable as NOIDA neither has any system to ensure that the industrial allottees are complying with this brochure condition of five *per cent* employment to local labour nor verified the same from any allottee.

Case study of industrial plot allotted to CBS International Projects Limited

Discrepancies in allotment of industrial plot to CBS International Projects Ltd.

5.4.8 NOIDA launched (05 August 2007) a Scheme¹⁸ for allotment of industrial plots above 2,000 sqm in Industrial Area Phase II/III at the rates applicable for IT/ITES plots. It was also provided in condition 2(B) of the scheme that for IT/ITES projects the terms and conditions prevailing in Institutional areas shall be applicable. On the application made under the Scheme by CBS International Projects Limited (CBS), a plot (No. 01/90) measuring 1,02,949 sqm was allotted (03 September 2007) at a premium of ₹ 52.77 crore to it for establishment of IT Park on the recommendation of PAC. The allottee, CBS, was a consortium of three companies (Burchill VDM, Carnoustie Management and RS Resource Management Consulting).

From scrutiny of records Audit noticed the following irregularities in respect of the project:

NOIDA’s failure to restrict sale of commercial and residential portion for non-captive use has resulted in undue benefit to the allottee to the extent of ₹ 745.56 crore.

(a) Audit cross verified the data submitted by CBS in NOIDA with the data filed in Registrar of Companies (RoC) and it was noticed that only Carnoustie Management and RS Resource Management Consulting were the shareholders in equal ratio on the date of the application (06 August 2007). Further, it was also noted that Burchill VDM, an overseas company, was not the shareholder in CBS but was shown as a shareholder in CBS to present a better picture of its financial health in order to qualify for allotment of the plot in favour of CBS. These wrong facts were not verified and were accepted by NOIDA without any documentary evidence. This indicates that PAC recommended the allotment of the plot to CBS without proper scrutiny and examination of documents, resulting in allotment to an ineligible applicant of a plot worth ₹ 52.77 crore.

(b) In their mutual MoU¹⁹, it was stated that in the event of allotment of land, the project shall be executed by a JV Company in which shareholding of these three companies will be in the ratio of 34:33:33 and any change in membership of the consortium shall be done with the consent of NOIDA.

¹⁸ NOIDA/IP/2007-08/OES-I.

¹⁹ MoU executed on 21.05.2007 among Burchill VDM Pty Limited, Carnoustie Management Private Limited and RS Resource Management Consulting Private Limited.

Audit observed that the project registered in RERA on the plot has shown 'Bhutani Group' as the promoter of the project, which has registered four commercial projects with an area of 38,152 sqm, whereas CBS has registered only 11,823 sqm area in five phases (four commercial and one residential project). The projects were advertised as 'Alphathum' and NOIDA World One, respectively wherein residential studio apartments and commercial spaces were being sold to non-IT/ITES units whereas the same was to be given to only IT/ITES units for their captive use.

As per the allotment letter issued (03 September 2007), the terms and conditions laid down for IT/ITES were binding. In the lease deed executed (26 May 2008) for the plot, a clause (II-1) was included which *inter alia* stated that a maximum of 30 per cent ground coverage and a total 2.00 FAR is permissible. Out of total FAR, 75 per cent would be permitted for IT/ITES, and remaining 25 per cent would be permitted for institutional facilities (5 per cent), residential and commercial (10 per cent each) use.

Despite wide publicity/advertisement of the project, NOIDA did not take steps to issue a public notice that the project was meant only for IT/ITES units. Thus, inaction on the part of NOIDA for stopping sale of commercial and residential portion for non-captive use has resulted in undue benefit to the allottee to the extent of ₹ 745.56 crore²⁰.

A joint physical verification of the site was conducted (06 December 2019) by the members of the audit team and representatives of NOIDA. During the physical verification, it was noticed that two towers of the allottee were fully constructed and the third one was in the process of completion. Further, on the other side of the road, the fully developed residential Sector 137 was in existence which was helpful in attracting purchasers/sub-lessees. Photographs showing the status of construction of property of the allottee and neighboring towers in the residential sector taken during the joint survey are shown below:

Photograph 5.4.6: Status of construction on Plot No. 1 in Sector 90



²⁰ Being the differential value of commercial property and industrial property as on 31 March 2020.

Photograph 5.4.7: Showing neighboring residential Sector 137



Thus, NOIDA’s failure in basic monitoring of projects allowed the allottee to sell the space for non-captive use and has resulted in allotment of the plot to an ineligible allottee and creation of third party interest for unauthorised use.

In its reply (October 2020) regarding inclusion of Burchill VDM as shareholder, NOIDA accepted that the applicant stated misleading facts which could not be detected by NOIDA and the plot was allotted, thereby confirming the audit finding. It further stated that the plot (No. 01/Sector 90) was allotted to CBS International and the lease deed and approval of the map have been executed with this name only. The project name Alphathum and promoter as Bhutani Group is not available in the departmental documents. There may be a possibility of MoU among the parties for which the allottee himself is responsible. As per available records in NOIDA, the allottee has not applied for partial sale of IT/ITES facilities.

NOIDA further stated that as per available records in NOIDA, sub-lease of any type of commercial/residential area will be executed for only IT/ITES project. The verification of sub-lease will be done as per NOIDA’s norms. There are no documents available in the records of NOIDA for sale of any commercial/residential area, nor has the allottee applied for the same till date. In a subsequent reply (March 2021), NOIDA stated that CBS International had intimated that commercial units were sold only to IT/ITES entities.

Though NOIDA has accepted the deficiency in allotment, it has not fixed any responsibility in the matter involving allotment made on misleading facts that remained unverified. The fact of execution of the project by the third party has also not been taken cognisance of despite continued and widespread promotion for sale of space in the property even to non-IT/ITES entities by the aforesaid third party. The photographs taken during joint physical verification clearly bring out the fact that three high-rise towers in a fully developed sector have come up, while NOIDA has remained a mute spectator to the continuing and flagrant violations. Thus, NOIDA appears to have deliberately abdicated its responsibility for enforcement thereby extending huge undue benefit to the allottee.

Discrepancies in approval of map of CBS

5.4.8.1 The allottee submitted (March 2013) a map of the building plan for approval by NOIDA, which was approved (27 June 2014) with the condition of submission of environment clearance certificate. The allottee submitted (13 June 2016) revision of its building plan, on which 25 objections were communicated (23 June 2016) to the allottee which included the objection that 10 *per cent* residential and commercial area was provisioned for regular employees only (captive use only) and villa and swimming pool was not permissible.

The allottee was again intimated (31 March 2017) the shortcomings. Subsequently, the revised map was submitted (29 August 2017) by the allottee which was approved (18 September 2017) with FAR utilisation of 1,95,321.14 sqm (residential 14,256.75, commercial 20,083.38, institutional facilities 10,237.01 and IT/ITES 1,50,744.00).

Audit observed that NOIDA issued (18 June 2013) a clarification regarding residential/ commercial/institutional use in IT/ITES plots which stated that the allottee will not be able to sell the space allowed for residential/commercial/institutional use in IT/ITES plots after approval (May 2013) of the Board²¹. Audit noticed that NOIDA approved (September 2017) residential/commercial/institutional use in the plot, but the condition regarding captive use of residential and commercial space was not mentioned in the letter approving the map. Further, while approving the map, it was stated in the noting that provision for swimming pool has been removed from the drawing. The approved map (September 2017) of the project included provision for ‘water body’ of one-meter depth on terrace. Audit noticed that the advertisement²² issued by the builder however showed that it is marketing the project with infinity pool (on the terrace).

Thus, the omission of the condition of “captive use of residential and commercial space” in approval of map by NOIDA reflects dereliction of duties on the part of the concerned officials of NOIDA. Moreover, NOIDA was negligent in reviewing and monitoring the construction of the project for the purpose approved in the map.

In its reply, NOIDA stated (August 2020) that the allottee is bound to follow the brochure condition/building laws/MP-2031/orders passed by NOIDA/State Government/Central Government and Hon’ble Court even if the condition is not written in the map approval letter, hence no financial loss to NOIDA is visible. With respect to the swimming pool, NOIDA stated that if the allottee publishes the advertisement for sale of the project against the conditions of brochure/allotment/lease deed, it will be responsible.

The reply is not tenable as NOIDA till date has failed to take any corrective action for inclusion of the clause for captive use of such residential and commercial units. No explanation has also been provided by NOIDA as to how the condition of captive use of residential and commercial space was omitted and whether responsibility has been fixed for this omission, which was required to enforce the extant condition. Further, NOIDA failed to

²¹ 179th Board meeting dated 27 May 2013.

²² As noticed by Audit during physical verification along with officials of NOIDA on 6 December 2019

develop any system to check misleading advertisement by developers (allottee) and make public aware of contraventions by developers so as to safeguard the interests of prospective buyers in future.

The above issues reinforce the audit contention about the need for a dedicated and effective enforcement wing in NOIDA to check violations by the allottees.

Outcome of allotment of industrial plots

5.4.9 The main objective of NOIDA is industrialisation of its notified area, which cannot be fulfilled without actual establishment of the industrial units on the allotted plots within the prescribed time.

Audit noticed that 20.73 *per cent* industrial units on the allotted plots were non-functional defeating the objective of industrialisation. These are discussed in the following paragraphs.

Failure of NOIDA in achieving its main objective of industrialisation

5.4.9.1 The main objective of NOIDA is development of industrial area and development of residential, commercial and institutional areas is a subservient objective. Therefore, NOIDA should ensure that industrial units are established on the allotted industrial plots within the prescribed period. Details of industrial allotment since inception to 31 March 2018 and status of functional and non-functional units as on 31 March 2020, are summarised in **Table 5.4.1**.

Table 5.4.1: Status of completion and functionality

| Sl. No. | Particulars | No. of plots/units | Area (in Ha.) |
|----------------|--|---------------------------|----------------------|
| 1. | Total area of NOIDA as per MP- 2031 | - | 15,279.90 |
| 2. | Total area allocated for Industry | - | 2,806.52 |
| 3. | Total allotments since inception to March 2018 | 10,233 | 1,150.03 |
| 4. | Functional units as on 31 March 2020 | 8,112 | 796.10 |
| 5. | Non-functional as on 31 March 2020 | 2,121 | 353.93 |

Source: MP- 2031 and data/ information furnished by NOIDA.

In order to promote industrialisation, the rates of industrial plots were kept less than the basic rates. However, NOIDA was required to ensure that the benefit of these subsidised rates was passed on to genuine industrialists who were interested in establishing industries at the earliest and not to investors or traders of land. However, the following decisions of NOIDA defeated the objective of industrialisation:

- Prior to 15 June 2009, transfer of plots (allotted after 16 August 2004) was permitted only after the unit was declared functional. This condition was relaxed during the period of applicability of GO (06 January 2009) related to recession *i.e.* upto 30 September 2010 when transfer of non-functional plots was also allowed. However, NOIDA had not restored the previous order after 30 September 2010 and continued to allow transfer of non-functional plots which promoted trading of non-functional plots.
- Removal of change in shareholding charges (since 27 October 2010) in case of companies promoted trading/transfer of plots from one company to another through change in shareholding, without paying any fee.

- As per terms of the brochures, the allottees of industrial plots were required to make their unit functional within three years from the date of allotment/lease deed whereas the industrial allottees of IT/ITES units were required to make their unit functional within five years from the date of allotment/lease deed. Completion/functionality period was extendable on payment of extension charges. Maximum time extension period available on payment of extension charges for all sizes of plots upto October 2008 was 10 years. However, NOIDA revised (November 2008) the rules and the maximum extension period as per size of the plots which are detailed in **Table 5.4.2**.

Table 5.4.2: Revision of the rules and maximum extension period as per size of plots by NOIDA

| Sl. No. | Area of Plot | Minimum percentage of total FAR to be constructed | Time limit for obtaining completion certificate of first phase of the project (from the date of lease/possession) | Time limit for obtaining completion certificate of full project (from the date of lease/possession) |
|---------|----------------------|---|---|---|
| 1. | Up to 4000 sqm | 50 | 03 years | 05 years |
| 2. | 4001 to 10000 sqm | 40 | 03 years | 05 years |
| 3. | 10001 to 20000 sqm | 35 | 03 years | 06 years |
| 4. | 20001 to 100000 sqm | 30 | 03 years | 07 years |
| 5. | 100001 to 200000 sqm | 25 | 03 years | 08 years |
| 6. | 200001 to 400000 sqm | 20 | 03 years | 09 years |
| 7. | Above 400000 sqm | 15 | 03 years | 10 years |

Source: Information furnished by NOIDA.

Audit noticed that no limit was fixed for maximum time extension allowed for IT/ITES plots. Further although NOIDA reduced the maximum time extension period, yet it was on a very high side as compared to GNIDA where maximum time extension period for industrial plots was only three years.

- NOIDA reduced (11 February 2013) the rates of time extension charges of industrial plots of different sizes, which are as shown in **Table 5.4.3**.

Table 5.4.3: Rates of time extension charges w.e.f. 11 February 2013

| Year Details | 1 st Phase rates | | 2 nd Phase | | 3 rd Phase | |
|------------------------------------|-----------------------------|----------|-----------------------|----------|-----------------------|----------|
| | Old rate | New rate | Old rate | New rate | Old rate | New rate |
| For 1 st year extension | 50 | 50 | 25 | 15 | 35 | 25 |
| For 2 nd year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 3 rd year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 4 th year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 5 th year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 6 th year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 7 th year extension | 150 | 100 | 50 | 25 | 100 | 50 |
| For 8 th year extension | 200 | 150 | 75 | 50 | 120 | 100 |

Source: Information furnished by NOIDA.

The new rates of extension charges for industrial plots were lower (16 per cent to 50 per cent) than the previous rates. Moreover, since 2004-05, plots have been allotted only in the second and third phases, where new rates of extension charges from second to seventh year were only ₹ 25/sqm and ₹ 50/sqm per annum. These new rates were abysmally low as compared to rates of

extension charges in GNIDA, where such charges were four *per cent* of the total premium of property per annum. Moreover, extension charges have not been increased till date (December 2019) despite increase in allotment rates in the years 2014, 2015 and twice in 2016. Lower rates of extension charges have reduced the pressure on allottees to establish the industry at the earliest. The allottee(s) instead of establishing the industry, preferred to pay extension charges, which were nominal as compared to increase in market value of property and earned profit through transfer of plots.

These were the main reasons for delayed/non establishment of industries on the allotted plots. Thus, only 69.22 *per cent* (796.10 hectare) of the allotted area could be made functional upto 31 March 2020.

In its reply, NOIDA stated (August 2020) that out of total allotted 10,156 industrial plots upto 2018, 8,440 (83.10 *per cent*) are functional, however, online entries of many functional units is under process. Notices are being served on non-functional units.

The Government, however, in the Exit Conference held on 30 September 2020, accepted the audit contention on utilisation of industrial plots and stated that the development has been as per plans but the utilisation has not been upto targets due to various reasons which were being addressed by the Government by bringing in a new Act.

Conclusion

The system and procedures of NOIDA were deficient as regards allotment under Industrial category. Allotment without receipt of site plan and lack of parameters for evaluation of industrial projects, which also led to financial losses to NOIDA, were observed.

Irregularities in screening of applications, discretionary recommendation for allotment of industrial plots and irregular allotment to ineligible applicants were also noted.

Non-recovery/short recovery of mixed land use charges, non-recovery of Change in Shareholding (CIS) charges, failure to stop commercial activities on industrial plots/IT plots led to undue benefit being extended to allottees and resulted in loss to NOIDA. Failure of NOIDA to check the use of industrial plots for commercial purposes without payment of appropriate charges has not only resulted in loss to NOIDA but also extended undue favour to allottees. A total 1,150.03 hectares of industrial area was allotted upto 31 March 2018 which is only 47.54 *per cent* of the developed 2,418.90 hectare area under this category. Out of allotted area of 1,150.03 hectares, only 796.10 hectare has been made functional up to 31 March 2020, which translates to only 32.91 *per cent* of the developed area and indicates that NOIDA has failed to achieve its main objective of industrialisation.

| Recommendations | | |
|------------------------------|--|---|
| Recommendation Number | Recommendation | Response of the Government |
| 20 | The Government/NOIDA should develop clear cut guidance on mixed land use, so that the sanctity of individual categories of land use is maintained, in the overall context of development of NOIDA. | Accepted. The Government directed NOIDA to bring a compounding scheme with a definite window for conversion and to avoid post allotment changes. |
| 21 | The Government/NOIDA should undertake a thorough review of its existing policy which has not borne its desired results with respect to utilisation of areas designated in the MP-2021 for industrial purposes. | Accepted. It was stated that the Government has already enacted legislation in the matter and will issue further direction. |

