

CHAPTER-IV

Pricing of Properties

CHAPTER-IV

Pricing of Properties

Introduction

Costing System in NOIDA

4.1 Pricing of properties for allotment by the Industrial Development Authorities (IDAs) is a crucial aspect as this gives NOIDA a critical input about the cost of the property and how it can be sold at a rate sustainable for NOIDA.

For taking appropriate decision in this regard, NOIDA must keep an account of all the costs incurred and to be incurred in the acquisition of land, on internal/external development, on maintenance etc. For pricing to be sustainable for NOIDA, it must also include:

- a. future maintenance cost as NOIDA has to undertake the maintenance works,
- b. interest cost for return on own funds deployed on land acquisition and development,
- c. a shield over and above to reduce the risks due to unforeseen expenditures and
- d. pricing should be based upon the development norms {Floor Area Ratio(FAR) and Ground Coverage (GC¹)} being allowed.

Thus, these elements form the basis of pricing. In addition, premium/reserve prices are fixed and the allotment of properties is made based on these prices, either at a prefixed price or at the highest bid offered over and above the reserve price. Nature of properties for which these two types of prices are applied are:

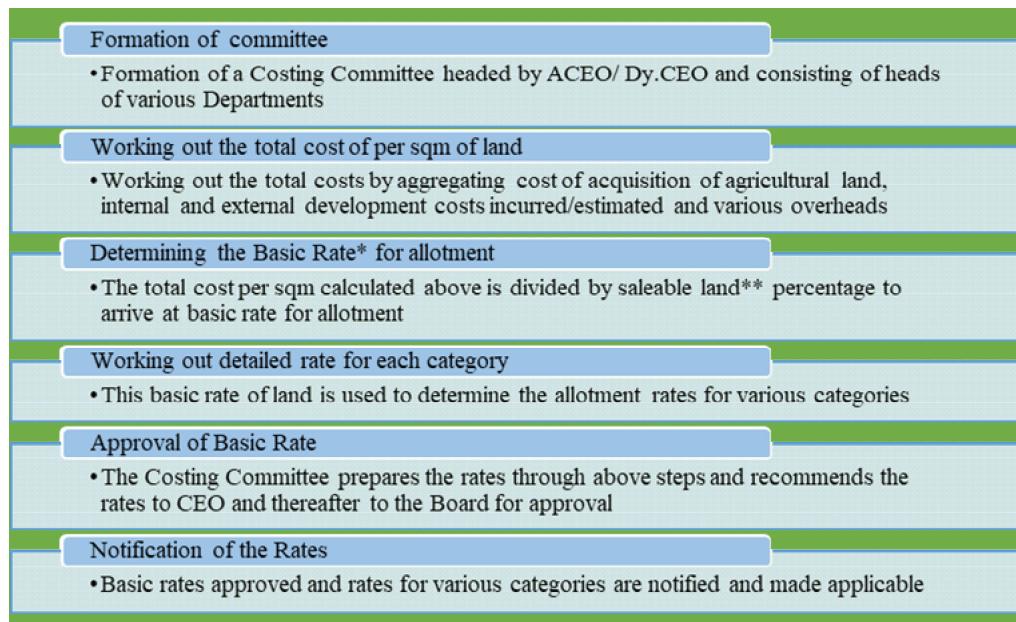
- Premium (price) for allotment of industrial, institutional and farm houses is fixed where allotments are made on the basis of recommendations of a Plot Allotment Committee (PAC) which evaluates the applications. In case of residential plots and flats, allotments are made on the basis of draw of lot manually or by computer processing.
- Reserve prices are fixed for allotment of commercial plots/shops, group housing/builder plots and plots for sports cities, where allotment is made to the highest bidder over and above the reserve price.

Process of price fixation

4.2 NOIDA carries out annual costing of land for the purpose of determination of allotment rates. This process begins with considering the basic rate of land acquisition and adding thereto the related development costs and other overheads to arrive at the basic land rate for allotment. The process of price fixation by NOIDA is depicted in **Chart 4.1**.

¹ FAR is the quotient of total covered area (plinth area) on all floors divided by the total area of plot. Higher FAR means more covered area is allowed to be constructed on a given area of the plot and *vice versa*. GC is the ground area of the plot which can be covered for construction. It is the area other than open space. Higher GC means more ground area can be covered on a given area of plot.

Chart 4.1: Flowchart showing process of price fixation by NOIDA



* Basic rate for allotment represents the total cost for the year divided by saleable area. At this rate, allotments were made for E category residential properties.

** Saleable land is that portion of land which can be sold by NOIDA after appropriating land for infrastructure, facilities, amenities etc.

Status of costing in NOIDA

4.3 Trend of basic rates for land allotment: After determining the basic rate for allotment through the costing process, NOIDA notifies the basic rates for allotment. The rates as notified by NOIDA for the audit period from 2005-06 to 2017-18 are shown in **Chart 4.2**.

Chart 4.2: Basic rate for land allotment notified by NOIDA



Source: Information furnished by NOIDA.

Analysis of the chart above revealed the following:

(i) During the period 2005-06 to 2017-18, the increase in basic rate for land allotment was 651.11 *per cent* entailing an annual average increase of 54.26 *per cent*.

(ii) If the 13 years period from 2005-06 to 2017-18 is broken into four parts viz. 2005-06 to 2007-08, 2008-09 to 2010-11, 2011-12 to 2013-14 and 2014-15 to 2017-18, and the increase within the period is analysed, it is observed that the increase in basic rate for land allotment ranged from 10 *per cent* (2008-09 to 2010-11) to 166.67 *per cent* (2005-06 to 2007-08) between 2005-08 to 2014-17.

In reply NOIDA stated (August 2020) that it is not justified to compare difference of every three year duration because land cost was prepared as per the prevailing situation at that time and the same had been approved by the Board.

(iii) It was also observed that there was no increase in land rates for allotment for the years 2009-10 and 2017-18.

Basic Rates for allotment by categories²: Based on the basic rates for allotment fixed, NOIDA fixes the rates for various categories of land use. An overview of correlation between basic rate and category-wise rates, in 2016-17³ is depicted in **Table 4.1**.

Table 4.1 (i): Coefficient of Residential and Group Housing rates to Basic Rate for allotment

	Category A	Category B	Category C	Category D	Category E
Residential	2.75	1.92	1.40	1.17	1.00
Group Housing	3.75	2.50	2.25	2.00	1.42

Table 4.1 (ii): Coefficients of Industrial rates to Basic Rate for allotment

Industrial	Upto first 4000 sqm	Next 4001 to 20000 sqm	Next 20001 to 60000 sqm	Next above 60001 sqm
Phase I	0.91	0.84	0.77	0.70
Phase-II	0.32	0.29	0.28	0.27
Phase-III	0.33	0.32	0.31	0.31

Table 4.1 (iii): Coefficients of Institutional rates to Basic Rate for allotment

Institutional	R&D/ Film Audio/video studio/ IT, ITES Sector 1, 16A and Sector 24	R&D Software/ Service, Film audio/video studio phase II, III, Expressway	IT Park/ ITES/ Biotech Park Phase-II, III	Govt/Semi Govt Hospital/ dispensary	Superbazar/ Milk, Fruit & Vegetable Distribution Centre	Farm House on Agriculture Land
	1.5	0.54	0.41	0.29	0.29	0.22

Source: Information compiled by Audit.

² NOIDA categorises sectors on the basis of geographical location, availability of land and market value.

³ Basic rate for allotment was not revised in the year 2017-18. Hence, correlation between basic rate for allotment and category-wise rates for allotment were same in 2016-17 and 2017-18.

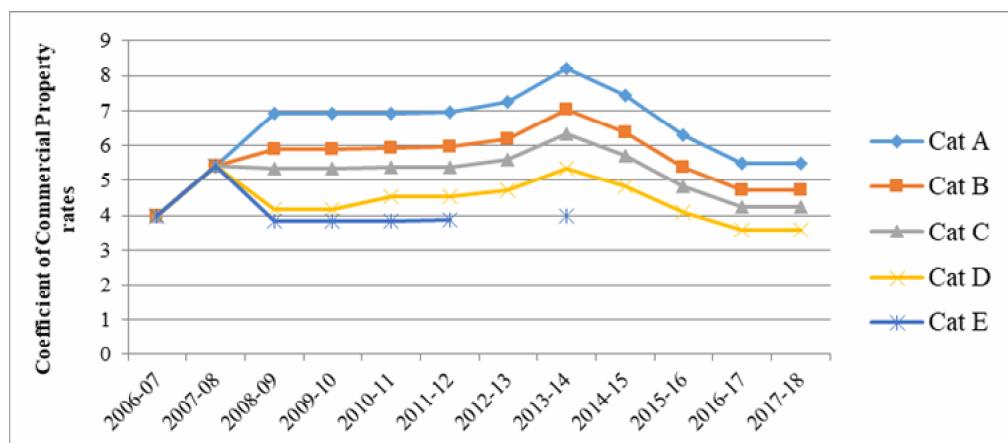
The above tables and **Appendix 4.1** indicate the following:

(i) Analysis of the relation between basic rates for allotment and category-wise rates for allotment revealed that the coefficient between the basic rates for allotment and category-wise rates for allotment has remained consistent during the period 2007-08 to 2016-17 except for the commercial category.

(ii) Amongst the Residential, Group Housing, Industrial and Institutional categories and their sub-categories, the rates fixed for Farm Houses were the lowest and those of category ‘A’ sectors in Group Housing were the highest.

(iii) The rates for allotment decided for Commercial category kept increasing upto 2013-14 and thereafter showed a decline, thereby exhibiting an inconsistent trend. **Chart 4.3** shows the coefficient of Commercial category rates for allotment (for plots above 10,000 sqm).

Chart 4.3: Coefficient of Commercial category rates for allotment (for plots above 10,000 sqm) to the Basic Rate for allotment



Source: Information compiled by Audit.

Once the basic rates for allotment were decided, the rates of these categories and their sub categories were fixed as a coefficient of the basic rate for allotment (as depicted in **Table 4.1** above).

Audit approach

Audit Objectives

4.4 Audit was conducted with the objectives of assessing whether:

- guidelines were prepared and approved for determination of sale price of properties;
- the pricing of properties was done in accordance with the approved guidelines, if any;
- all costs incurred were considered adequately in pricing of properties; and
- pricing of properties was done on a consistent basis.

Scope of audit

4.5 Audit evaluated the costing system for the period 2005-06 to 2017-18. In this evaluation, the various components of costing carried out were analysed as well as the expenditures incurred but not considered in costing were also examined.

Audit Findings

4.6 Audit evaluated the process of pricing of properties during the period 2005-2018 and the deficiencies observed are discussed in the succeeding paragraphs. These observations have been grouped as follows:

- Systemic deficiencies (discussed in Paragraphs 4.7 to 4.7.2)
- Inconsistencies observed in costing (discussed in Paragraphs 4.8 to 4.8.8)
- Non-recovery of costs (discussed in Paragraphs 4.9 to 4.9.3)
- Excess allowance of FAR and GC resulting in lower fixation of reserve price (discussed in Paragraph 4.10)
- Injudicious reduction in rates for office allotments (discussed in Paragraph 4.11)

Systemic deficiencies

NOIDA did not prepare any guideline for pricing of the properties due to which there was no streamlined method of pricing.

4.7 The costing procedure being followed by NOIDA entailed working out the basic rate for allotment for saleable land on the basis of input costs like land acquisition costs, external and internal development costs, interest cost and various overheads. The rates for various categories were then calculated from these basic rates for allotment by applying respective coefficients. Audit observed the following deficiencies in the costing procedure prevalent in NOIDA:

- (i) NOIDA had neither framed any costing guidelines of its own nor adopted guidelines of any other similar Authority/organisation for costing and fixing of premium/ reserve prices for various land uses. Thus, the system of costing mainly depended on past practices.
- (ii) There was no laid-down manual or procedure for inclusion/exclusion of the heads of expenditure and the manner in which such expenditure was to be calculated.
- (iii) The basic rates for allotment were decided by NOIDA's Board and category-wise rates for allotment were fixed as a multiple/factor of these basic rates for allotment, which was a consistent practice. No formal document was produced for fixing of these category-wise multiples/factors.
- (iv) There was no system of costing of entire sector, where allotment of entire sector was made and for defining the saleable and non-saleable area.

As a result, Audit observed that though the broad costing elements remained the same, the constitution of specific input costs kept varying from year to year as discussed in the succeeding **Paragraph 4.8**. The costing system was based on practices rather than being a well laid down mechanism. In the absence of any costing guidelines, there was no streamlined method for fixing of premium and reserve prices for properties. Further analysis revealed that category-wise and sector-based costing kept varying, which has been discussed in detail under relevant paragraphs.

In reply, NOIDA stated (August 2020) that the system for costing of properties in NOIDA is neither laid down by NOIDA itself nor specified by Government of Uttar Pradesh (GoUP) and therefore, NOIDA does the costing of the properties as per its own process. The primary objective of this costing is to recover the costs incurred on land acquisition, development and construction

activities and the fact that NOIDA had ‘excess of income over expenditure’ in various financial years indicates the adequacy of pricing of NOIDA. NOIDA stated (September 2020) that it had also requested GoUP through various letters to issue costing guidelines. NOIDA further stated that in view of the recommendations of Audit, the process to appoint a cost accountant for streamlining the costing process in NOIDA is being started.

It is evident from the reply that the cost exercise was carried out based on past practices instead of any laid-down system and as a result, the shortfalls mentioned above, and discussed in the Chapter, continue to persist. NOIDA’s contention of excess of income over expenditure, indicating adequacy of pricing, is no substitute for a rationalised and well thought-out guideline for pricing. NOIDA has since (September 2020) agreed that a cost accountant would be appointed to review its costing practices.

Mis-categorisation of Sectors for Allotment of Group Housing Plots

Due to mis-categorisation of sectors for allotment of Group Housing plots, NOIDA had to bear loss of possible revenue of ₹ 798.69 crore.

4.7.1 NOIDA divided sectors for land use of commercial, residential and Group Housing into A to E categories based on the level of development of the sectors. Audit analysed the categorisation of all 178 sectors under the Group Housing category *vis-à-vis* the categorisation under Commercial category. It was observed that over the audit period (2005-2018) while the category allotted to the sectors had generally been upgraded with development, however, in 11 cases⁴ of Group Housing, the category of the sectors was increased from category E/D/C to A but later downgraded to category B on 4 June 2014 after two years. During 2009-10 and 2010-11, out of 178 sectors, 96 sectors were categorised at par in both the categories, in 41 sectors Group Housing categorisation was higher than the Commercial category and in 41 sectors, the Group Housing category was lower. In the latter category, it was observed that in six sectors⁵, allotments were made for Group Housing projects in lower categories and subsequent to allotment, the categorisation was upgraded to category B/C in the year 2012-13 and in two cases (sectors 108 and 110) it was brought at par (category B in sector 108 and category C in sector 110) with categorisation under commercial category. No justification was found on record regarding allocating the same sector in the same year in different categories of development for different land use. Audit observed that six allotments were made in Group Housing category in 2009-10 and 2010-11 in these six under categorised sectors as depicted in **Table 4.2**.

Table 4.2: Mis-categorisation of Sectors for Allotment of Group Housing Plots

Sector	2009-10		2010-11		Scheme (Allotment detail given in footnote)	Year
	Commercial Category	Group Housing Category	Commercial Category	Group Housing Category		
135	B	E	B	E	2009(III) ⁶	2009-10
110	D	E	D	E	2009 (VI) ⁷	2009-10
168	B	E	B	E	2010(III) ⁸	2010-11

⁴ Sectors 15, 15 A, 16, 16A, 16B, 25A, 32, 41, 44, 50 and 51.

⁵ Sectors 108, 110, 135, 143B, 144 and 168.

⁶ M/s Today Homes Noida Pvt. Ltd – 51,900 sqm.

⁷ M/s Granite Gate Properties Pvt. Ltd – 1,64,120 sqm.

⁸ M/s Three C Projects Pvt. Ltd. – 69,998.73 sqm, M/s Opulent Infradevelopers Pvt. Ltd. – 19,998.78 sqm, M/s Sunworld Residence Pvt. Ltd. – 40,331.26 sqm, M/s Paras Seasons Haven Pvt. Ltd. – 29,998.97 sqm, M/s Capital Infraprojects Pvt. Ltd. – 39,999.76 sqm.

Sector	2009-10		2010-11		Scheme (Allotment detail given in footnote)	Year
	Commercial Category	Group Housing Category	Commercial Category	Group Housing Category		
108	B	D	B	D	2010(IV) ⁹	2010-11
143B	B	E	B	E	2010(IV) ¹⁰	2010-11
144	B	E	B	E	2010(V) ¹¹	2010-11

Source: Information compiled by Audit.

The above allotments in Group Housing category at reduced rates on account of lower reserve prices based on lower sector categorisation resulted in loss of possible revenue of ₹ 798.69 crore as depicted in **Table 4.3**.

Table 4.3: Loss due to mis-categorisation of Sectors for Allotment of Group Housing Plots

Scheme	Plot no. and sector	Total area allotted sqm)	Allotment rate of the plot (in ₹ per sqm)	Reserve price of the plot for respective sector (in ₹ per sqm)	Difference of allotment rate and reserve price for respective sector per sqm (5-4)	Undue benefit to allottee (₹ in crore) (3x6)
1	2	3	4	5	6	7
GH-2009 (III)	GH-01/135	51,900	21,121	36,000	14,879	77.22
GH-2009 (VI)	GH-05/110	1,64,120	22,700	28,800	6,100	100.11
GH-2010 (III)	GH-01/168	2,00,217.5	23,601	39,600	15,999	320.33
GH-2010 (IV)	GH-01,02,03/108	44,280	33,247	39,600	6,353	28.13
GH-2010 (IV)	GH-01/143B	73,945.53	23,575	39,600	16,025	118.50
Total						798.69

Source: Information compiled by Audit.

In reply it was stated (August 2020) that NOIDA classifies the sectors according to geographical location, availability of land and demand of land in the sector and market rate. Therefore, it is not necessary that if any sector is in higher category in residential use then the same sector should be in the same category for commercial use. It was also stated that since commercial and Group Housing properties are auctioned, the rates realised are reflective of market price, hence there was no financial loss.

The reply is not acceptable as the lower classification led to lower fixation of reserve price based on which bids were finalised in auction. Further, the lower classification was done in only two years in only six sectors where allotment was done, out of 178 sectors analysed by Audit over 13 years. Such categorisation of sectors in costing indicates deliberate under categorisation of these sectors. This is also evident from the fact that subsequent to allotment the categorisation of sectors under Group Housing category had been upgraded and in two cases was brought at par with categorisation under Commercial category. The anomaly lies in the fact that commercial properties

⁹ M/s Laureate Buildwell Pvt. Ltd. – 44,280 sqm.

¹⁰ M/s Sikka Infrastructure Pvt. Ltd. – 50,308.92 sqm, M/s GSS Procon Pvt. Ltd. – 10,306.12 sqm, M/s Rani Promoters Pvt. Ltd. – 13,330.49 sqm.

¹¹ M/s Unitech Ltd.- 30,247.90 sqm and 21,494.80 sqm, M/s Gulshan Homes & Infrastructure Pvt. Ltd. – 23,504.50 sqm and 21,494.80 sqm.

command greater premium *vis-a-vis* Group Housing properties. Hence, categorisation of the same sector in lower category in Group Housing, as compared to Commercial, was indicative of incorrect classification which translated in benefit being provided to builders at the expense of NOIDA, and thereby resulted in loss of potential revenue. Further, the subsequent upgradation of the sectors after allotment is a clear indication that the under categorisation of the sectors was deliberate.

Non-revision of sale price during 2009-10 citing global economic slowdown

NOIDA did not increase the rate of land in 2009-10 stating economic slowdown which was not found correct in Audit analysis. Audit also noted that allotment of Group Housing plots and Institutional plots during 2009-10 were more than yearly average of 2005-06 to 2017-18.

4.7.2 NOIDA, as per adopted practice, annually revises the allotment/sale price of various land use (different categories of property) *viz.*, Residential, Builder/Group Housing, Commercial, Industrial, Institutional, Information Technology and Recreational. Audit noticed that during the year 2009-10, allotment rates of land were not increased by NOIDA stating that due to economic slowdown in the market, rates of 2008-09 would remain effective and thus, there was no rate increase during the year 2009-10.

Audit, however, noticed that the ground of economic slowdown was taken without any analysis in its support on record. The decision of the Board for not revising the sale price on the ground of economic slowdown was not justified as analysed by Audit from the empirical data on Gross Domestic Product (GDP) growth of India and the Gross State Domestic Product (GSDP) growth of Uttar Pradesh during that period and the trend of sale of properties in NOIDA itself as discussed below:

Growth rate of GDP of India and GDP of Uttar Pradesh: The quarter-wise growth rate of GDP of India and Uttar Pradesh at *constant prices* during 2008-09 and 2009-10 as per data published by Ministry of Statistics and Programme Implementation, Government of India (GoI) is summarised in **Table 4.4.**

Table 4.4: GDP growth rate of India (at constant prices)

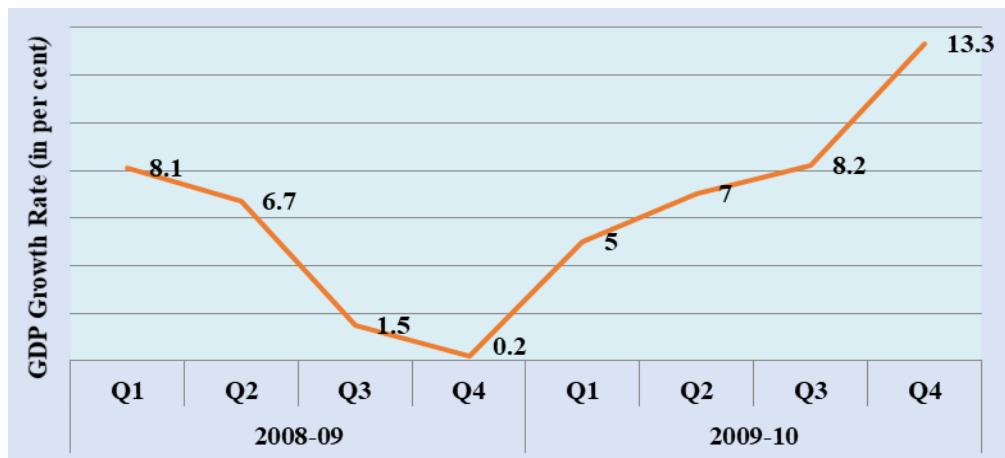
Particulars	2008-09 (in per cent)	2009-10 (in per cent)
Quarter 1 (April to June)	8.1	5.0
Quarter 2 (July to September)	6.7	7.0
Quarter 3 (October to December)	1.5	8.2
Quarter 4 (January to March)	0.2	13.3

Source: Ministry of Statistics and Programme Implementation, GoI.

It could be seen from the above that:

- The GDP growth rate of India was higher during the three quarters (July 2009-March 2010) of 2009-10 than the corresponding quarters of the previous year (2008-09), in fact significantly higher in the last two quarters.
- The GDP growth rate of India at *constant prices* started increasing continuously from five *per cent* in the first quarter of 2009-10 to 13.3 *per cent* in the last quarter of 2009-10 as depicted in **Chart 4.4.**

Chart 4.4: GDP Growth Rate of India at constant prices



Source: Ministry of Statistics and Programme Implementation, GoI.

- The quarter-wise GDP showed an increasing trend from the first quarter of 2009-10. NOIDA launched nine¹² group housing schemes during 2009-10 and allotted 31 plots measuring 30,52,679.78 sqm. In spite of this, NOIDA failed to analyse the increasing trend and review the decision of no change in the sale price of properties for the year 2009-10 before launch of these schemes and made 31 allotments during this period.

GSDP growth of the State: The growth of GSDP of Uttar Pradesh at *constant prices* during the period 2008-09 to 2013-14 as per data published by Ministry of Statistics and Programme Implementation, GoI is summarised in **Table 4.5**.

Table 4.5: GSDP growth rate of Uttar Pradesh

Year	GSDP growth rate of Uttar Pradesh (at constant prices) in per cent
2008-09	6.99
2009-10	6.58
2010-11	7.86
2011-12	5.57
2012-13	5.92
2013-14	5.14

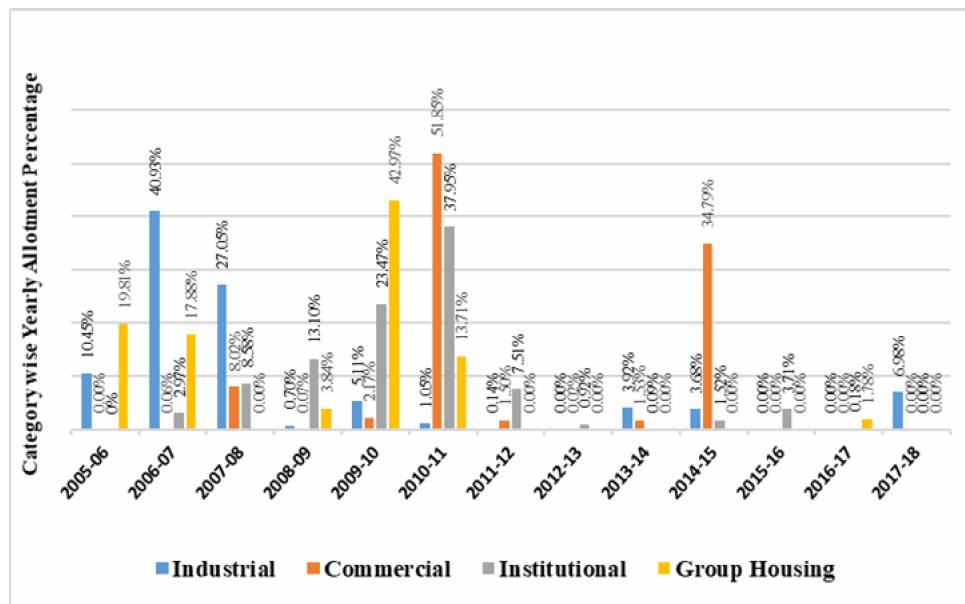
Source: Ministry of Statistics and Programme Implementation, GOI.

It is evident that the GSDP of Uttar Pradesh was 6.58 *per cent* during 2009-10 which was marginally lower than the growth rate of 6.99 *per cent* during the previous year 2008-09. Notably, the GDP growth rate of India and GSDP growth rate of Uttar Pradesh during 2009-10 were higher than the corresponding growth rates in the years 2011-12, 2012-13 and 2013-14 when the prices of properties were revised upwards.

Trend of sale of properties in NOIDA: Audit also analysed the trend of sale of Industrial, Commercial, Institutional and Group Housing plots during 2005-06 to 2017-18 which is shown in **Chart 4.5**.

¹² One scheme each in June 2009, December 2009, January 2010, February 2010 and March 2010, two schemes each in July 2009 and November 2009.

Chart 4.5: Year-wise position of allotments



Source: Information furnished by NOIDA.

From the above it is observed that in group housing plots, out of total allotments (71,03,427.19 sqm in 113 cases) made during the period 2005-06 to 2017-18, 42.97 *per cent* (30,52,679.78 sqm in 62 cases including sub-divisions) was made during the year 2009-10. Similarly, in the Institutional category, out of total allotments (33,70,469 sqm in 511 cases) made during the period 2005-06 to 2017-18, 23.47 *per cent* (7,90,916 sqm in 163 cases) was made during the year 2009-10. Thus, though rates were not revised citing recession in the market, the actual allotments were more than the yearly average. In fact as far as Group Housing was concerned it was the highest for any year in the entire 13 year period, which clearly establishes that the ground of recession for non-review of rates in 2009-10 was not a valid one.

The above facts indicate that there was no lack of demand during 2009-10. Instead, the Group Housing and Institutional plots sold during 2009-10 were above the yearly average of plots sold during the period 2005-06 to 2016-17.

Thus, the basis of considering economic slowdown was neither based on empirical data nor borne out by the facts of actual sale of properties in NOIDA itself. It is evident that NOIDA overlooked its own interest by failing to revise the rates of land.

In reply NOIDA stated (August 2020) that the GoUP had issued various Government Orders to facilitate the industrial/institutional/commercial units and to attract investors due to economic slowdown. It was also stated that deriving conclusions on Real Estate (Market) based on GDP is not reasonable as real estate is a very small component of GDP.

As evident from GDP data in **Chart 4.4** and **Table 4.4**, the cited recession, based on which rates were not revised, was not a factually acceptable reason for not revising rates. Further, as borne out by the data from NOIDA, allotment was much higher than the average which was a clear evidence of robust demand for real estate. By failing to revise rates, inspite of demand, NOIDA lost out on substantial revenue.

Inconsistencies observed in costing

4.8 Audit noted that NOIDA normally considered the following factors in costing viz. land acquisition cost, internal and external development costs, administrative expenses, maintenance expenses, contingencies, interest cost etc. as detailed in **Table 4.6**.

Table 4.6: Summary of Costing elements of NOIDA

Sl. No.	Particulars of Costing Elements (in ₹ per sqm)
A:	Basic Land Acquisition Rate
	Add: Related costs of acquisition cost such as acquisition expenses, rehabilitation charges, additional compensation, annuity, no litigation bonus, stamp/registration charges, <i>abadi</i> land cost, provision for open space, interest cost on land acquisition cost etc.
	Total Land Cost (A)
B:	Add: Development Cost such as internal development cost, external development cost and interest cost on internal and external development cost etc.
C:	Add: Maintenance Cost such as maintenance work, village development cost, health and sanitation cost etc.
D:	Add: Contingency Expenditure/special expenditure
E:	Add: Administrative Expenditure
F:	Add: Reserve for state of the art facilities
G:	Total cost of land
H:	Basic rate for allotment (After dividing up the above calculated total cost of land by saleable land percentage)

Source: Information furnished by NOIDA.

However, in absence of a laid-down procedure for pricing, these factors were not uniformly applied by NOIDA in all the years. The deviations/omissions by NOIDA as observed by Audit have been discussed topic-wise in the succeeding paragraphs (tabulated in **Appendix-4.2**). The aggregate impact of all these deviations is ₹ 1,316.51 crore which has been reflected in terms of revised basic rates for allotment calculated by audit and discussed in the concluding **Paragraph 4.8.8**.

Issue-wise analysis of deviations is as under:

Arbitrary reduction of rates during the period 2006-07 to 2009-10

4.8.1 The basic allotment rates are determined by a Costing Committee headed by the Additional Chief Executive Officer (ACEO) and consists of heads of various Departments. The rates recommended by this committee are first approved by the CEO and then by NOIDA's Board and thereafter made applicable. However, it was observed that the calculated rates proposed to the Board and approved by the latter were arbitrarily fixed downward during the period 2006-07 to 2009-10 as discussed below:

- **2006-07:** The Costing Committee calculated the basic rates for land allotment for the year 2006-07 at ₹ 8,500 per sqm. The proposal for increase in rates was placed in the 131st Board meeting (25 January 2006). The basic rate for allotment was approved by the Board who directed that before implementing, it may be examined in the light of calculation process adopted by other authorities. No further action was found to have been taken on the direction of the Board and the matter was again put up in the 133rd Board meeting (20 March 2006) and basic land rate for allotment approved by the Board was ₹ 7,500 per sqm. However, no justification was found on record regarding downward fixation of the basic land rate for allotment.

During 2006-07 to 2009-10, the basic rates for allotment were arbitrarily fixed downwards.

In reply, NOIDA stated (August 2020) that the basic rate for allotment of land for the year 2006-07 was calculated to ₹ 8,500 per sqm and placed in the 133rd Board meeting of NOIDA for approval and after deliberation the Board approved ₹ 7,500 per sqm as basic land rate for the year 2006-07.

The reply of NOIDA that rates were approved after due deliberation by the Board fails to bring out the specific input costs that were reduced to arrive at the rate of ₹ 7,500 per sqm. In the reply they have elaborated reasons stated for proposing the rate of ₹ 8,500 per sqm but not specified the grounds on which duly calculated rates were decreased. Hence the reduction lacked justification and was arbitrary.

- **2007-08:** The basic land allotment rate fixed for the year 2007-08 in the 145th Board meeting (25 June 2007) was ₹ 13,200 per sqm which was later revised downwards to ₹ 12,000 per sqm in the 146th Board meeting (10 September 2007) on the grounds that the Residents Welfare Associations (RWA) and Entrepreneur Association of NOIDA (NEA) had opposed increase in the rate. Reduction of rates on the basis of what was sought by RWA/NEA, without taking cognisance of the costing, entailed providing the allottees undue benefits. Thus, the views of interested parties were given precedence over the prevalent system, giving benefit to the allottees at the cost of NOIDA.

In reply, NOIDA stated (September 2020) that RWA/NEA were displeased due to increase in the land rates in 2007-08. The Costing Committee reconsidered the rates (₹ 13,200 per sqm) and reduced the rates (₹ 12,000 per sqm) by reducing ‘Reserve from State of the Art Facilities’ cost from 45 *per cent* to 35 *per cent* which was also approved by the Board and therefore NOIDA did not bear any loss.

The reply is not acceptable as reduction was carried out at the instance of interested parties i.e. RWAs and NEAs and not in the larger public interest. Further, NOIDA has stated that Reserve for State of the Art Facilities was increased from 30 *per cent* to 45 *per cent* due to extraordinarily heavy expenses in this head as well as shrinking saleable area of land and thereafter it was reduced to 35 *per cent* from 45 *per cent*. In this connection it is notable that though the increase was approved in the 145th Board meeting, however, while reducing it, no justification was found on record. Moreover, the effect of reduction of 10 *per cent* in Reserve for State of the Art Facilities comes to only ₹ 589 per sqm while the rate was reduced by ₹ 1,200 per sqm, which is not explained in the reply.

- **2008-09:** The basic land allotment rate of ₹ 17,700 per sqm was proposed for the year 2008-09 in the 149th Board meeting (08 April 2008). In the Board meeting it was decided that revision in the rates was required and the proposal was to be finalised after perusal of the rates of Greater NOIDA. The revised proposal for reduction of rates to ₹ 16,000 per sqm (as per 150th Board meeting held on 01 May 2008) was justified on the ground of corresponding increase in land use in commercial category to offset the reduction in basic rates for allotment. The Board also authorised the CEO to increase the rate upto 20 *per cent* from the previous year and the rate finally approved was ₹ 14,400 per sqm on the basis of 20 *per cent* increase on the previous year’s rate of ₹ 12,000 per sqm. The overall reduction in rates and corresponding measures proposed to offset the reduction are shown in **Table 4.7**.

Table 4.7: Table showing reduction made in overall rates vis-à-vis corresponding increase in elements

Details	Rate per sqm (In ₹)
Rate proposed in 149 th Board meeting	17,700
Rate proposed in 150 th Board meeting	16,000
Measure proposed in 150 th Board meeting to offset the reduction: - Increasing land use of commercial category -	650
Rate finally notified as per decision taken in 150 th Board meeting	14,400
Reduction in rates (17,700-14,400)	3300
Effective reduction in rates (3300-650)	2650

Source: Minutes and agenda of the Board Meetings.

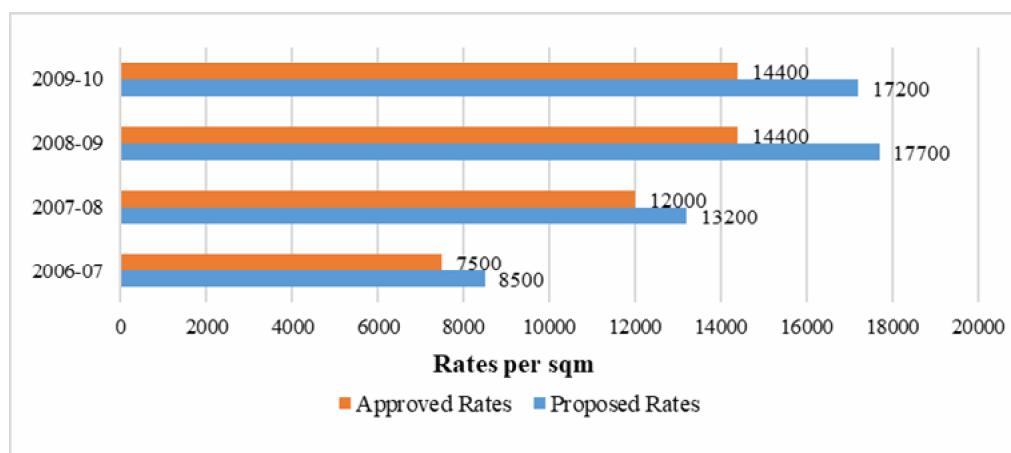
Thus, the rate reduction of ₹ 3,300 per sqm (₹ 17,700 - ₹ 14,400) was effected by considering alternative arrangement for ₹ 650 per sqm. Further, the amount to be recovered/compensated through commercial category was not placed on record.

In reply, NOIDA stated (August 2020) that the Costing Committee had recommended the rate for the year 2008-09 as per the decision taken in the 149th Board meeting of NOIDA.

The reply does not address the issue of reductions made by the Board without considering the rates recommended by a duly appointed Costing Committee after detailed consideration of costs and hence the reduction was arbitrary.

- **2009-10:** The basic land rate for allotment calculated for the year 2009-10 and mentioned in the agenda for the 162nd Board meeting (03 July 2009) was ₹ 17,200 per sqm. However, the rate finally approved was ₹ 14,400 per sqm i.e. without revision in the rates on the ground of worldwide economic recession as discussed in detail in **Paragraph 4.7.2**.

Summary position: The above arbitrary fixation of the basic rates is depicted in **Chart 4.6**.

Chart 4.6: Chart depicting arbitrary fixation of Basic Rates

Source: Information compiled by Audit.

Thus, it is evident from the above that the Board ignored the costs as worked out by the Costing Committee and rates were arbitrarily fixed downward without any justification on record during the period 2006-07 to 2009-10. In cases where some justification was recorded, those were either factually not

correct¹³ or involved a clear case of conflict of interest¹⁴. Failure to take cognisance of incurred costs and costing principles was detrimental to NOIDA’s interests as it resulted in lower fixation of reserve price and undue benefit to the allottees. The facts brought out provide credence to the observation of the Hon’ble Supreme Court¹⁵ in Amrapali case which held that action of the officials of NOIDA led to unjust enrichment of builders and that the interest of NOIDA was overlooked.

In reply, NOIDA stated (August 2020) that no undue favour was given to the allottees as NOIDA had earned surplus through sale of properties in these years.

The contention of NOIDA is not acceptable. The basic rate for allotment of land needs to be done on the basis of rationalised and well thought out guidelines for pricing. The occurrence of surplus earned by NOIDA would be based on a composite of factors and cannot be a substitute for a laid down guideline for pricing.

Pricing based on lower acquisition rates

4.8.2 Audit observed that the rates considered by NOIDA for the purpose of calculation of basic land acquisition cost were lower than the land acquisition rates approved by the Board for 6 years out of total 13 years analysed by the audit as shown in **Table 4.8**.

Table 4.8: Land acquisition rates during the period of audit

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Basic rates for land acquisition approved by the Board (in ₹ per sqm)	486.71	503.94	1000	1000	1000	1100	1240	1240	1490	2640	2640	2640	2640
Basic rates for land acquisition considered by NOIDA for costing (in ₹ per sqm)	469.41	486.51	503.73	1000	1057	1087	1239	1240	1495	1495	2640	2640	2640
Difference (in ₹ per sqm)	17.3	17.43	496.27	0	-57	13	1	0	-5	1145	0	0	0

Source: Information compiled by Audit.

No justification was found on record regarding adopting different rates of land in costing than the Board approved rates of land acquisition. This resulted in inaccurate calculation of basic land cost for allotment, and in effect meant that in these years the land cost taken was lower than the acquisition cost of land and hence there was a corresponding understatement of basic rates for allotment. This translated in lower realisation from the allottees and therefore was against the interest of NOIDA.

In reply, NOIDA stated (August 2020) that the basic reason for difference in these years was approval of basic land rates for allotment before approval of rates for acquisition of land by the Board/CEO. NOIDA further stated (September 2020) that in view of recommendations of the Audit, the process

¹³ In 2008-09.

¹⁴ In 2007-08.

¹⁵ Bikram Chatterjee & others Vs Union of India and others, writ petition (C) 940/2017.

to appoint a cost accountant for streamlining the costing process of NOIDA is being started.

The reply is not convincing as the yearly rates for land acquisition are worked out by NOIDA through a mechanism (approved by the Board) wherein previous year rates were adjusted for current year Cost Inflation Index (CII). Thus, NOIDA could have calculated the rate of acquisition of land through the above mechanism on the basis of the land rates for the previous year and CII. In its further reply, NOIDA has agreed to get the process reviewed by a cost accountant.

Delayed inclusion of rehabilitation cost

4.8.3 GoUP through its order of 10 August 2004 outlined the facilities to be provided to the families affected on account of land acquisition for their rehabilitation under the Rehabilitation Policy, 2003 of GoI. During the period 2006-07 to 2013-14 (till the implementation of the new land acquisition act), while calculating the basic land rate for allotment, NOIDA included an element of two *per cent* for meeting this expenditure. But for costing for the year 2005-06 (finalised in March 2005), this element was not included resulting in downward calculation of basic land cost of 2005-06.

In reply, NOIDA accepted the observation and stated (August 2020) that rehabilitation cost could not be included in the costing of the year 2005-06 due to lack of awareness of the related Government orders (GOs).

The reply is self-explanatory that the rehabilitation cost was not included in the costing for the year 2005-06 even though the GOs was issued in August 2004 resulting in failure to earn revenue.

Considering higher percentage of saleable area

4.8.4 NOIDA works out cost of land by including cost of acquisition, internal and external development costs and various overheads as per convention. The aggregated rate so arrived is divided by the saleable percentage of land to work out basic rate for allotment. The saleable area¹⁶ from 2004-05 to 2009-10 was 50 *per cent* which was revised to 55 *per cent* from the years 2010-11 onwards without any justification on record. This resulted in lower fixation of land cost for the years 2010-11 to 2017-18.

In reply, NOIDA stated (September 2020) that the saleable area was increased from 50 *per cent* to 55 *per cent* keeping in view the present practice of planning and allotment of properties which was approved by the Board of NOIDA. Further, inspite of global economic recession, rates were revised upwards in 2010-11 by 10 *per cent*, which was higher than the rise in CII in that year. The decision of the Costing Committee was thereafter approved by the Board. In view of recommendations of the Audit, a process to appoint a cost accountant for streamlining the costing process of NOIDA is being started.

While Audit notes the decision of NOIDA to get the process of costing of properties reviewed by a cost accountant, it may be noted that details and basis of stated changes made to planning or allotment areas were not placed before the Board nor furnished in the reply. Increase, if any, in saleable area should

¹⁶ Saleable area refers to land planned for allotment, excluding the areas planned for parks, roads and other amenities.

increase the area available for allotment and should be duly reflected in the Master Plan. However, despite specific request by Audit, NOIDA did not clarify whether saleable area was increased as 55 *per cent* in Master Plan 2021/2031.

Reduction of tenure for interest cost

4.8.5 While determining the basic rate for allotment, NOIDA includes a component of interest on the land cost and development cost respectively as its fund is deployed for land acquisition and development. This is to be recovered subsequently by allotment of the property as this is an element of cost for NOIDA. NOIDA charged interest cost for 1.5 years on land cost and development cost upto 2009-10 and 2011-12 respectively. However, from 2010-11 interest cost for one year on land cost has been considered and similarly, from 2012-13 interest cost for one year on development cost has been considered. No justification was found on record for reducing the 1.5 years period to one year in the calculation, which has resulted in reduction of the overall basic rate.

In reply, NOIDA stated (September 2020) that the interest cost on land acquisition cost was changed from 1.5 years to 1 year keeping in view the planning and allotment of properties at that time which was approved by the Board of NOIDA. Further, in spite of global economic recession, rates were revised upwards in 2010-11 by 9.83 *per cent*, which was higher than the rise in CII in that year. The decision of the Costing Committee was thereafter approved by the Board. In view of the recommendations of the Audit, the process to appoint a cost accountant for streamlining the costing process of NOIDA is being started.

While Audit notes the decision of NOIDA to get the process of costing of properties reviewed by a cost accountant, it may be noted that details and basis of stated changes made to planning or allotment of areas were not placed before the Board nor furnished in the reply.

Reduction in cost for open space

4.8.6 NOIDA charged 10 *per cent* for open space on acquired land as per Master Plan 2021 with effect from 2008-09. It was observed that NOIDA had not taken this element in the costing for the years 2015-16 and 2016-17 which was not justified, even though the same Master Plan was in operation.

In reply, NOIDA stated (September 2020) that 10 *per cent* for open space was included in 45 *per cent* non-saleable area and green areas being developed through Sports City upto 2015-16. Therefore, 10 *per cent* green area was not included in the land cost. The process to appoint a cost accountant for streamlining the costing process of NOIDA is also being started.

Audit notes the decision of NOIDA to get the process of costing of properties reviewed by a cost accountant. At the same time it may be pointed out that the provision for open space was being separately considered upto 2014-15, however, it was merged with non-saleable area from 2015-16 without assigning the reasons behind the merger and is thus a departure from the established practice. Further, Sports City Schemes were initiated from 2010-11, but costing has been revised from 2015-16 and such reasons were not even submitted to the Board.

Non-inclusion of cost of abadi plots against acquisition of land

4.8.7 The Board of NOIDA decided (January 1998) to allot developed land/plots equivalent to five *per cent* of land acquired to the original landowners. Thereafter, in pursuance of the High Court judgement in case of Gajraj Singh vs. State of U.P. and others, 2011 and the Supreme Court judgement on the SLP of Savitri Devi vs. State of U.P., 2012, it was directed that there should be allotment of developed *abadi* land to the extent of 10 *per cent* of land acquired. This was to be made applicable from 2002-03. The Board, after considering the issue¹⁷, decided (December 2016) a normative rate of ₹ 22,000 per sqm for evaluating land to be given against acquisition, whether in the form of plot or its monetary equivalent. This benefit would be extended to all farmers. Thus, accordingly ₹ 2,200 per sqm should have been charged to costing as expenditure on this head which was however not included while working out the land rates.

In reply, NOIDA stated (September 2020) that as per the order of the High Court, five *per cent* additional *abadi* land was to be distributed to only those farmers who have filed a case in the court. Therefore, only five *per cent* *abadi* land cost was taken into consideration while calculating the land rates. Additional amount paid was to be loaded on the forthcoming schemes. Further, the process to appoint a cost accountant for streamlining the costing process of NOIDA is also being started.

Audit notes the decision of NOIDA to get the process of costing of properties reviewed by a cost accountant and load the amount on the forthcoming schemes. The audit contention is based on the Hon'ble High Court's judgement. In the case of Gajraj Singh vs. State of U.P. and others, 2011, whereas it had directed allotment of 10 *per cent* developed *abadi* plots and the Board of NOIDA had decided to extend the benefit to all farmers. Accordingly, cost for 10 *per cent* developed *abadi* plot instead of 5 *per cent* should have been included in costing.

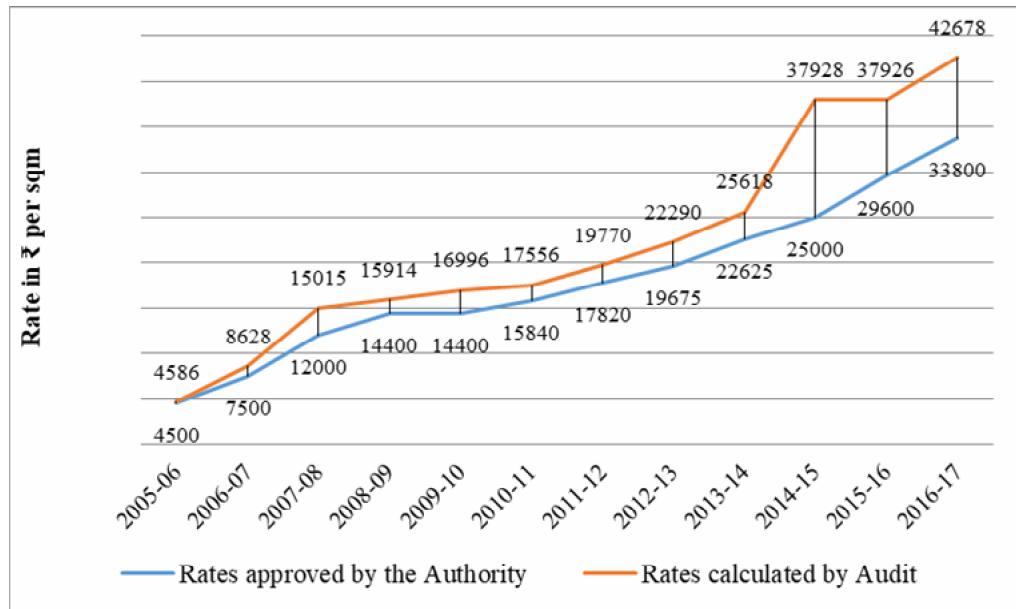
Impact of deviations

NOIDA had not followed consistency in the pricing nor did it include all the input costs which resulted in under pricing of the rates ranging 1.91 *per cent* to 51.71 *per cent* and loss of possible revenue of ₹ 1,316.51 crore.

4.8.8 An analysis of inconsistencies in costing during the audit period 2005-2018, as pointed out in **Paragraphs 4.8.1 to 4.8.7**, brings out the fact that the procedure adopted by the Board was completely arbitrary and discretionary. Pricing decisions were made on the basis of requests from interested parties, NOIDA overlooked the applicable orders in respect of key costing components, cost elements were revised without justification and the entire procedure appeared *ad-hoc* in absence of established guidelines. After considering the inconsistencies noticed in the costing exercise (**Paragraphs 4.8.1 to 4.8.7**) conducted by NOIDA during the audit period, the impact of these issues has been depicted in **Appendix-4.2**. Accordingly, Audit has re-calculated the basic rates for allotment for the audit period after assessment of the impact of the above-stated inconsistencies, which is depicted in **Chart 4.7**.

¹⁷ In its 191st meeting dated 21 December 2016.

Chart 4.7: Pricing of land



Source: Information compiled by Audit.

Analysis of these rates revealed that the under-pricing in the rates ranged between 1.91 *per cent* in 2005-06 to 51.71 *per cent* in 2014-15.

Audit observed that on account of the above-stated inconsistencies, NOIDA failed to earn revenue¹⁸ to the tune of ₹ 1,026.24 crore, ₹ 164.06 crore and ₹ 126.21 crore in the Group Housing, Institutional and Industrial categories, respectively.

In reply, NOIDA stated (August 2020) that it was constituted for planned development of its notified area and providing infrastructure facilities and not for earning money. It is registered as a charitable organisation with the income tax authorities keeping in view its activities and if it enters into commercial activities, the registration will be cancelled and it will be liable for heavy amount of income tax.

The reply of NOIDA does not address the issue in the audit paras. The audit objective in evaluation of pricing practices adopted by NOIDA is to bring out deviations from the established practices for costing. Moreover, inconsistent pricing practices also have the effect of unequal treatment on the prospective allottees. Even after 44 years, NOIDA has been unable to put in place a defined procedure, leading to inconsistent practices and resultant loss of revenue.

Non-recovery of costs

4.9 Audit observed that the Costing Committee, responsible for preparing cost data, failed to include the following costs while determining the allotment rates, which led to price fixation at lower levels as discussed hereunder:

Non-recovery of ex-gratia payments for land acquisition

4.9.1 The Board¹⁹ approved (April 2010) payment of *ex-gratia* for land acquired in 2006-07 and 2007-08 on mutual agreement basis. This *ex-gratia*

¹⁸ Area of the respective plots * (Rate calculated by Audit – allotment rate of the plot).

¹⁹ In their 167th meeting dated 28 April 2010.

NOIDA did not factor-in the cost of *ex-gratia* payments for land acquisition in the costing of the properties which resulted in loss on account of under-recovery of ₹ 210.82 crore.

payment approved was over and above the declared rates for land acquisition of NOIDA and as such was a special case where higher rates were awarded. Under this special payment, ₹ 210.82 crore was paid for acquisition of seven villages at the rate of ₹ 310 per sqm as *ex-gratia*. Since the costing exercise should cover all elements of expenditure, this *ex-gratia* payment should have been included in the calculation of basic rate. Non-inclusion thereof has resulted in loss on account of under-recovery of ₹ 210.82 crore.

In reply, NOIDA stated (September 2020) that *ex-gratia* payment for land acquired was made for only 2006-07 and 2007-08 in the year 2010-11 after approval of the Board and no *ex-gratia* payment was made thereafter. Therefore, it was not included in the calculation of land cost. However, NOIDA has agreed to charge the amount to forthcoming schemes for recovery.

NOIDA has accepted the audit observation and agreed to take corrective action. This aspect will be verified in future audit of NOIDA.

Non-recovery of additional compensation paid on land acquisition

4.9.2 The Hon'ble High Court in Gajraj Singh vs. State of U.P. and others (writ petition no.37443) directed in its judgement (21 October 2011) that '*After considering all aspects of the matter including the amount which has been paid by NOIDA as additional compensation, we are of the view that payment of amount to the same extent i.e. 64.70 per cent of what has already been paid under agreement or award shall meet the ends of justice which payment of compensation shall be in addition to other directions which hereinafter shall be issued.*'

In pursuance, the CEO, NOIDA instructed (30 November 2011) disbursement of additional compensation. Subsequently, the CEO, NOIDA directed (March 2016) that under the head additional compensation ₹ 1,811.90 crore had been disbursed out of which ₹ 891.20 crore should be recovered from allottees of plots, ₹ 198.63 crore from forthcoming schemes and ₹ 722.07 crore from areas which are to be brought under planned development. Accordingly, the latter two elements totaling ₹ 920.70 crore were to be recovered through costing for plots.

Audit observed that during the period 2012-13 to 2014-15, this element was included in the costing and following amounts were recovered as detailed in **Table 4.9**.

Table 4.9: Details of Additional Compensation recovered²⁰

Sl. No.	Year	Industrial	Commercial	Institutional	Group Housing	Total Additional Compensation recovered ₹ in crore)
1.	2012-13	0.00	1.30	1.47	0.00	2.77
2.	2013-14	4.06	27.95	0.26	0.00	32.27
3.	2014-15	3.37	144.43	1.43	0.00	149.23
		7.43	173.68	3.16	0.00	184.27

Source: Information compiled by Audit.

²⁰ Total amount recovered from allotment of properties of each category during a year was divided by total allotment area during the year for the respective category and the basic land rate to get the coefficients of respective categories. Thereafter total allotment area of respective categories was multiplied with these coefficients and per sqm additional compensation rate to obtain recovery of additional compensation.

But from the year 2015-16, after recovery of ₹ 184.27 crore only, NOIDA stopped charging the additional compensation expenses in its cost without any reason on record. Thus, ₹ 736.43 crore was under-recovered, resulting in loss to NOIDA.

In reply, NOIDA stated (September 2020) that the additional compensation component was included in the costing until 2014-15. Thereafter, land is being acquired through mutual consent due to which new rates were applied which was approved by the Board. As per the decision of the Board, ₹ 920.70 crore was to be recovered proportionately from future schemes. NOIDA has made a plan to recover ₹ 276.21 crore from upcoming Group Housing schemes in sectors 145 and 146. Efforts have been made by NOIDA for recovery of amount of additional compensation. The matter will be reviewed further and intimated to Audit.

In reply NOIDA had accepted the fact that ₹ 920.70 crore was to be recovered and from 2015-16 this element has been removed from costing. Despite the orders of the CEO (March 2016) directing recovery of ₹ 198.63 crore from forthcoming schemes and ₹ 722.07 crore from areas which are to be brought under planned development, this element was excluded from costing. Recovery remains pending and NOIDA had intimated the plan for recovery of only ₹ 276.21 crore with assurance to review the matter.

Non recovery of payments for abadi plots due to non-framing of policy

NOIDA has distributed enhanced compensation in lieu of *abadi* plot amounting to ₹ 477.31 crore and had yet not formulated the policy for recovery of this cost.

4.9.3 In pursuance of the High Court judgement in case of Gajraj Singh vs. State of U.P. and others, 2011 it was directed that all the petitioners shall be entitled for allotment of developed *abadi* plot to the extent of 10 *per cent* of their acquired land subject to a maximum of 2,500 square meter.

The Court however, left it open to NOIDA in cases where allotment of *abadi* plots to the extent of six *per cent* or eight *per cent* had already been made either to make allotment of the balance area or to compensate the landowners by payment of an amount equivalent to the balance area as per the average rate of allotment made of developed residential plots. NOIDA was also allowed to take a decision as to whether the benefit of additional compensation and allotment of *abadi* plot to the extent of 10 *per cent* be also given to (a) those land holders whose earlier writ petition challenging the notifications have been dismissed upholding the notifications; and (b) those land holders who have not come to the Court, relating to the notifications which were subject matter of challenge in writ petitions mentioned.

The 191st Board meeting of NOIDA (21 December 2016) in compliance with the above order, approved monetary compensation for litigating petitioners against 10 *per cent* residential plot by giving remaining amount at the rate of ₹ 1,100 per sqm owing to non-availability of residential land. NOIDA in compliance of the above has distributed enhanced compensation to the eligible petitioners amounting to ₹ 477.31 crore to landowners of 12 villages.

A policy for recovery of the above amount from allottees was yet to be formulated according to the Board decision for payment. Thus, it is evident that NOIDA has distributed ₹ 477.31 crore to petitioners without formulating the recovery policy till date, resulting in loss of sum involved with remote chances of any recovery.

In reply, NOIDA stated (August 2020) that the Board has decided (December 2016) that the financial burden borne would be recovered from the allottees. Further, NOIDA had distributed ₹ 541 crore and allotted 27,580 sqm land (worth ₹ 60.68 crore) which is to be recovered from the allottees. For recovery of this amount a letter was issued by the ACEO to GM (Planning) on 30 April 2020. It was also stated that recovery of the amount of pending cases would be informed after completion of the process. The process of distribution of amount in respect of *abadi* plot is still going on due to which amount to be recovered from the allottees could not be calculated.

Thus, NOIDA has agreed to the audit observation and also initiated steps for recovery in this matter. This aspect will be verified during future audit of NOIDA.

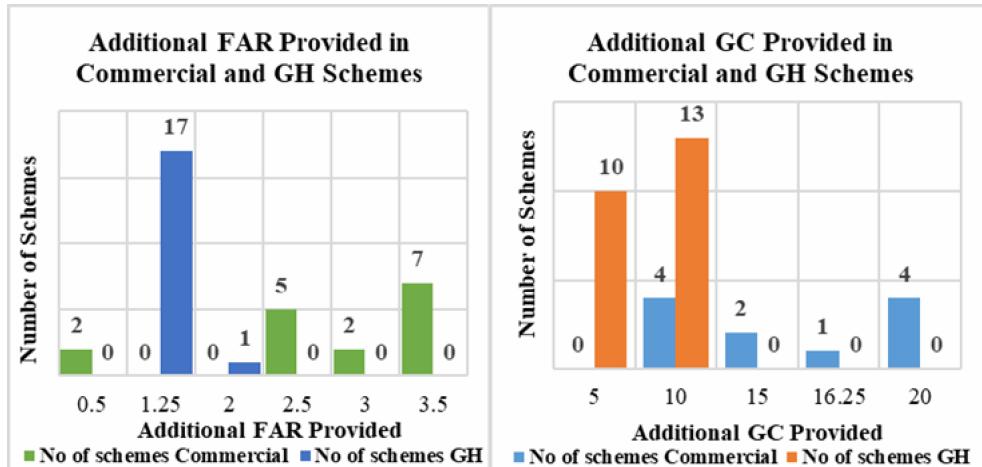
Excess allowance of FAR and GC resulting in lower fixation of Reserve Price

Benefits of extra development norms allowed were not included in the reserve price fixed in 75 Commercial and Group Housing plots which resulted in loss of potential revenue amounting to ₹ 13,968.49 crore.

4.10 FAR is the quotient of total covered area (plinth area) on all floors divided by the total area of plot. Higher FAR means more covered area is allowed to be constructed on a given area of the plot and *vice versa*. GC is the ground area of the plot which can be covered for construction. It is the area other than open space. Higher GC means more ground area can be covered on a given area of plot. Thus, higher FAR and GC allow the allottee to construct more covered area. Therefore, with the allowance of increased FAR and GC, the sale price should accordingly be revised upwards. Audit noticed that NOIDA did not consider FAR and GC while determining the sale price. In this context it is pertinent to mention that the Development Authorities (DAs) under Housing and Urban Planning Department in U.P. followed the practice of factoring in the extra FAR allowed in pricing of their properties.

Audit analysed the cases of excess FAR and GC with respect to base FAR and GC applicable for the year 2005-06 as the audit period is from 2005-06. NOIDA provided increased FAR and GC to the allottees of 23 Group Housing schemes and 11 Commercial Builder Plots schemes wherein allotments were made with higher FAR and GC as detailed in **Appendix 4.3** and depicted in **Chart 4.8**.

Chart 4.8: Details of schemes with increase in FAR and GC



Source: Information compiled by Audit.

Thus, FAR of 50 to 350 per cent and GC of five to 20 per cent were allowed in Group Housing and Commercial Builder plots in the schemes launched

during the period May 2006 to August 2016 without corresponding increase in rates for additional FAR and GC allowed.

Audit noticed that NOIDA, on its own volition, irregularly allowed higher FAR and GC to the allottees under Commercial category by including them in the brochure for allotment even prior to their notification by the GoUP. In eight out of nine plots in Scheme 2010-11/Commercial Builder Plot-VI, NOIDA provided higher FAR and GC than that approved by Government by adding a statement ‘**subject to the approval of State Government**’. The excess FAR of 100 *per cent* to 150 *per cent* and GC of 10 to 15 *per cent* were allowed in the said scheme launched in March 2011 with the approval of the CEO. Even the *post facto* approval of the scheme was not obtained from the Board.

Further, Audit observed that in 14 cases out of 20 plots in five²¹ schemes, when NOIDA allowed higher GC and FAR than the prevailing building regulations, it charged a corresponding value as per the formulae of purchasable FAR as given in the Building Regulations.

The sale price as worked out by Audit for each category after considering the input costs and FAR/GC were compared with the sale price/bid price (where higher than the sale price) at which the allotments were made by NOIDA. The amount of short recovery from the allotments made under various categories due to non-consideration of FAR/GC and fixation of sale price on the lower side worked out to ₹ 13,968.49 crore as brought out in **Table 4.10**.

Table 4.10: Loss due to non-consideration of FAR and GC in fixation of sale price

Sl. No.	Category	Period		No. of Allotments	Difference (₹ in crore)
		From	To		
1	Group Housing	May 2006	August 2016	55	4,546.35
2	Commercial Plots	February 2008	February 2014	20	9,422.14
Total		75		13,968.49	

Source: Information compiled by Audit.

Thus, it is evident from the above that due to non-consideration of FAR and GC in fixation of sale price, NOIDA suffered loss of ₹ 13,968.49 crore in respect of 75 allotments under different categories during the period 2006-07 to 2016-17 for Commercial and Group Housing as detailed in **Appendix 4.4** and **Appendix 4.5** respectively.

The excess allowance of FAR and GC over and above what the Building Regulations allowed for is yet another case of the Authority causing undue enrichment of the allottees overlooking its own interests.

In reply, NOIDA stated (September 2020/January 2021) that as per Section 7 of Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976, the Authority was empowered to decide such terms for allotment, auction or sale by other means, as it deemed fit. Except for Commercial and Group Housing plots, NOIDA was making allotments in other categories at subsidised rates, with deductions ranging from 25 *per cent* to 75 *per cent*. These deductions are being compensated from Commercial and Group Housing plots. The schemes for Commercial and Group Housing plots are prepared according to market

²¹ 2008-09 (Commercial Builder Plot-III), 2009-10 (Commercial Builder Plot-I) and 2010-11 (Commercial Builder Plot-I, III and IV).

conditions to make them attractive as NOIDA also competes with other DAs in the area. Reserve price is minimum price and allotment was done on highest bid which yields market price.

NOIDA further stated that reserve price of Commercial land was not determined on the basis of FAR. It stated that to promote works like I.T., Hospitals, etc, additional FAR is allowed at lower rates. It is noted that Audit has calculated loss taking 1.5 FAR as base while at that time admissible FAR was 3 to 4 which was increased upto 5 and the Board had the power to determine the FAR as per the prevalent Building Regulations. In case of increase of FAR in commercial schemes, higher FAR was granted by fixing reserve price as per the principle for purchasable FAR. In view of this, NOIDA has agreed that in future it will be fair to determine the reserve price on the basis of FAR *i.e.* higher the FAR, higher the reserve price.

Though NOIDA has accepted the audit contention of raising rates with increase in FAR and has also charged for excess FAR in certain cases, NOIDA also stated that the Board is empowered to determine the development norms as per Building Regulations. In this connection it may be mentioned that the Building Regulations are enforceable only with the prior approval of Government, as evident from a perusal of Section 9(2) of the UPIAD Act, 1976 which states that '*the Authority may by notification and with prior approval of the State Government make regulations to regulate the erection of buildings*'. This practice of taking prior approval was in vogue in case of other DAs as well as IDAs. It has been observed by Audit that there exists instances when FAR and GC have been reckoned by NOIDA while working out the sale price. The above cases involving a loss of ₹ 13,968.49 crore to NOIDA needs to be investigated and action taken against those responsible.

Injudicious reduction in rates for office allotments

4.11 The Board of NOIDA, in its 154th Board meeting (18 September 2008), approved a proposal to remove the existing two bid system for allotment of office plots and authorised the Chief Executive Officer to formulate the conditions and rules for the forthcoming scheme for allotment of office plots. The CEO formed a committee headed by the Dy. CEO for deciding the terms and conditions for implementation of the scheme for office spaces. It was decided that the plots for office use were to be sold on interview basis at the rate of ₹ 7,800²² per sqm (at par with the rates of plot for other institutional activity) instead of ₹ 14,400 per sqm (as approved by the Board earlier) as office use is also covered under Institutional activity. Although the committee took note that NOIDA was already an attractive destination for setting up offices, yet it proposed the rate reduction on the grounds that markets were going through a phase of economic recession and the demand was also on the lower side. These changes were approved by the CEO of NOIDA on 06 October 2008.

Accordingly, an Open Ended Scheme- III (2008-09) for allotment of office plots was launched by NOIDA during the period 11 October 2008 to 09 April 2010. Under the scheme a total of 233 applications for allotment of land were received and allotments were made to 134 applicants on the basis of interviews conducted by Plot Allotment Committee headed by the Dy. CEO.

²² ₹ 21,600 for phase I in Sector 1, 16A and 24.

Audit noticed that though the justification given for rate reduction was recession in the market, however, the above justification was not acceptable as the rate reduction was provided in only one sub-category (office plots) of institutional use and not in other categories. Also, office use did not fall under the promotional category of the Government. The justification provided by the committee regarding economic recession and market slowdown, was not valid as it was seen that during the period 2005-06 to 2017-18, a total of 203 allotments covering 4,37,101 sqm of area for office uses were made in which 134 allotments covering an area of 2,41,072 sqm were made in this scheme (OES-III 2008-09) only. Thus, 66.01 *per cent* of the total allotment by numbers covering 55.15 *per cent* area were done only in one scheme during the years 2008 to 2010. This indicates that the decision by NOIDA for reducing the rates of office plot from ₹ 14,400 per sqm to ₹ 7,800 per sqm was injudicious, selective and without basis.

On account of the injudicious decision, NOIDA suffered a loss of ₹ 161.75 crore as land premium on allotment of 134 office plots. Details of the cases are in **Appendix-4.6**.

No reply was furnished by NOIDA on this para.

Loss to exchequer due to under levy of Stamp Duty

4.12 Provisions of GoUP notification no. SR-5-2756/11-2008-500 (165)-2007 dated 30.06.2008 provide that on every transfer of property of more than ₹ 1000, stamp duty was applicable at the rate of ₹ 50 on every ₹ 1,000 or part thereof *i.e.* at the rate of five *per cent* of value of property. Audit observed that due to under recovery of rates, NOIDA not only lost potential revenue amounting to ₹ 16,245.44 crore (as discussed in **Paragraph 4.7.1, 4.8.8, 4.10 and 4.11**) but it also resulted in short realisation of stamp duty amounting to ₹ 812.27 crore on the allotments which was a loss of income to the Government exchequer.

No reply was furnished by NOIDA on this para.

Conclusion

NOIDA did not prepare any guidelines for pricing of the properties due to which there was no streamlined method of pricing. The method of pricing was not found to be consistent across the years and prices were fixed arbitrarily without consideration of all input costs. Benefits of additional FAR/GC were allowed in many cases without corresponding increase in rates. Further, no mechanism was developed to ensure recovery of the costs which could not be factored in the sale prices of the properties. Lower fixation of sale price not only resulted in loss of revenue to NOIDA but also resulted in loss of stamp duty to the State exchequer.

Recommendations

Recommen- dation Number	Recommendation	Response of the Government
6	Guidelines should be prepared by NOIDA, with advice of professional costing experts, so as to ensure that all costs incurred toward acquisition, development of land and other expenses are factored.	Accepted
7	NOIDA should develop a mechanism to ensure that the sale prices are fixed in strict compliance of the recommendation and any unwarranted deviation causing loss to NOIDA should not be allowed.	Accepted

