

CHAPTER – III

**Public Sector Undertakings
and Government
Commercial & Trading
Activities**

CHAPTER-III

PUBLIC SECTOR UNDERTAKINGS AND GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

3.1 Functioning of State Public Sector Undertakings

3.1.1 Introduction

There were 16¹ State Public Sector Undertakings (PSUs) as on 31 March 2020 which were related to sectors other than Power Sector². These State PSUs were incorporated during the period 1965 and 2016 and included 14 Government Companies and two Statutory Corporations *i.e.* Goa Industrial Development Corporation and Goa Information Technology Development Corporation. The Government Companies further included one active subsidiary company (*i.e.* Goa Electronics Limited). The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 16 State PSUs, the State Government invested funds in 15 State PSUs excluding the one subsidiary of Economic Development Corporation Limited (EDCL) (*i.e.* GEL).

3.1.2 Coverage of this Chapter

This Chapter contains the result of compliance audit on the functioning of the State PSUs and Electricity Department. The audit comments on the accounts of the State PSUs are incorporated in the Audit Report on the State Finances for the year 2019-20 separately. For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2020, two compliance audit paragraphs were issued to the Secretaries of the respective departments with request to furnish replies within six weeks. The replies were awaited from the State Government (March 2021). The total financial impact of these compliance audit paragraphs is ₹ 22.57 crore.

3.1.3 Lack of responsiveness of Government to Audit

Inspection reports outstanding

The Accountant General (AG) arranges to conduct periodical inspections of PSUs and auditable units under Electricity Department to test-check their transactions. The AG also verifies the maintenance of important accounting and other records as per prescribed rules and procedures. These are followed up with inspection reports (IRs) which are issued to the heads of the PSUs inspected with copies to the Administrative departments. Half yearly reports of pending IRs are sent to the Secretaries of the concerned departments. This will facilitate monitoring of the action taken on the audit observations included in these IRs.

As of June 2020, 120 IRs (606 paragraphs) were outstanding for want of compliance from the PSUs and Electricity Department. Details of IRs and paragraphs outstanding are detailed in **Table 3.1**.

¹ Excluding Goa Auto Accessories Limited, which has been handed over to the Liquidator for conducting liquidation process as per Insolvency & Bankruptcy Board of India (Liquidation Process) Regulations, 2016, as per NCLT order delivered on 20/08/2019

² The State Government's Electricity Department executed the functions of power purchase, distribution and maintenance

Table 3.1: Details of IRs and paragraphs outstanding

(Figures in numbers)

Name of PSU/Department	Jun-2018		Jun-2019		Jun-2020	
	IR	Para	IR	Para	IR	Para
EDCL	06	27	07	33	04	21
GSIDCL	03	16	03	16	04	23
GAAL	01	04	01	04	01	04
GSTFDCL	00	00	01	07	00	00
GEL	01	08	01	08	02	13
GFDCL	03	17	03	17	03	06
GSSCOBCFDCL	02	19	02	19	00	00
GHRSSIDCL	01	09	01	09	01	08
GMCL	00	00	00	00	01	02
GSHCL	03	12	03	09	03	09
ITCGL	03	17	03	16	03	16
SIDCGL	02	05	02	05	03	10
GTDCL	02	08	03	14	04	18
GIDC	06	43	07	58	08	83
GITDC	00	00	00	00	01	02
Electricity Department	65	287	68	307	76	353
River Navigation Department	05	21	05	21	06	38
Total	103	493	110	543	120	606

(Source: Compiled from Audit records)

3.1.4 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is therefore, necessary that they elicit appropriate and timely response from the executive. All the Administrative departments of PSUs need to submit the explanatory notes indicating the corrective/remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports. The Finance Department, Government of Goa issued every year, instructions to all Administrative departments to submit replies/explanatory notes within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table 3.2: Position of explanatory notes not received (as on 31 March 2021)

Year of the Audit Report (PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2016-17	03/08/2018	0	4	0	0
2017-18	07/02/2020	1	1	0	1
2018-19	29/01/2021	1	1	1	1
Total		2	6	1	2

(Source: Compiled based on explanatory notes received from respective Departments)

Explanatory notes on one Follow up audit of 'Estate Management of Goa Industrial Development Corporation' and three compliance audit paragraphs, one each from Sewerage & Infrastructural Development Corporation of Goa Limited, Goa Industrial Development Corporation and Goa Electricity Department is pending.

Discussion of Audit Reports by COPU

The status of discussion of Performance Audits and paragraphs that appeared in Audit Report (PSUs) by the Committee on Public Undertakings (COPU) as on 31 March 2021 is given in the **Table 3.3**.

Table 3.3: PAs and paragraphs appeared in Audit Reports vis-à-vis discussed as of 31 March 2021

Year of the Audit Report (PSU)	Number of PAs/Paragraphs			
	Appeared in Audit Report		Discussed by COPU	
	PAs	Paragraphs	PAs	Paragraphs
2016-17	0	4	0	4
2017-18	1	1	0	0
2018-19	1	1	0	0
Total	2	6	0	4

(Source: Compiled based on the discussions of COPU on the Audit Reports)

The discussion on Audit Reports (PSUs) up to 2015-16 has been completed.

Compliance to Reports of COPU

Action Taken Notes (ATNs) on five reports of the COPU presented to the State Legislature in February 2011, December 2018, January 2019 and January 2021 are awaited (31 March 2021) as indicated in **Table 3.4**.

Table 3.4: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
2009-11	1	4	4
2014-15	1	8	8
2017-18	1	6	6
2018-19	2	12	12
2019-20	1	4	4

(Source: Compiled based on recommendations of COPU)

These Reports of COPU contained recommendations in respect of paragraphs which appeared in the Audit Report of the CAG of India for the year 2003-04, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively.

The State Government may ensure replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU are furnished as per the prescribed time schedule.

DEPARTMENT OF INDUSTRIES

GOA INDUSTRIAL DEVELOPMENT CORPORATION

3.2 Avoidable payment of ₹ 17.32 crore to erstwhile SEZ allottees

As part of the compromise formula for refund of amounts received from seven allottees on cancellation of allotment of land in Special Economic Zone, Goa Industrial Development Corporation worked out a settlement amount of ₹ 256.57 crore. The amount however included construction licence fee and interest charged for delay in receipt of licence fee from allottees, totaling ₹ 17.32 crore, which was paid to local bodies on behalf of allottees.

Goa Industrial Development Corporation (GIDC) allotted (April 2006 – April 2007) land admeasuring 38.41 lakh square metre to seven industrial units³ in Special Economic Zone (SEZ). Following several complaints and public interest litigations filed by non-government organisations, GIDC revoked (June 2008) the allotments. This was challenged (2008-09) by allottees before the Hon'ble High Court of Bombay at Goa. The court observed that the allotment of SEZ land was illegal and quashed (November 2010) the allotment orders issued by GIDC. Aggrieved, the SEZ allottees approached (March 2013) the Hon'ble Supreme Court of India.

Pending disposal of case by the Supreme Court, under the initiative of Government, the allottees approached (February 2018) GIDC and agreed to give up the land, provided GIDC refunded the amount paid⁴ by them on allotment along with interest. As a compromise formula, GIDC, with the approval of Government, agreed to refund the amount along with interest at the rate of 8.25 *per cent* which worked out to a total sum of ₹ 256.57 crore⁵. The Supreme Court disposed (July 2018) of the appeals on the basis of Government decision and directed GIDC to make refund within three months.

Pursuant to the Apex Court's order, five⁶ out of seven SEZ allottees submitted applications to GIDC for refund of the agreed amount and communicated their willingness to return the allotted land. Accordingly, GIDC paid as on March 2021, ₹ 231.61 crore to five allottees and took possession (April/May 2019) of the land and executed deeds of surrender with the allottees.

Audit observed that GIDC worked out (July 2018) the refundable/settlement amount (₹ 256.57 crore) by considering receipts from seven SEZ allottees towards security deposit, premium, lease rent, interest for late payment of premium/lease rent, construction licence fee, interest on construction licence fee and interest on interest received for late payment of premium/lease rent. The calculation was approved by State Government and submitted to the Apex Court for compromise settlement of appeals preferred by SEZ allottees.

Post Apex Court's direction, GIDC reviewed its calculation and realised that the construction licence fee alongwith delayed payment interest was collected (from allottees) on behalf of local bodies⁷ and remitted to Government. Since the amount was not in possession of GIDC this amount with further interest thereon totaling ₹17.32 crore⁸ was not refundable by GIDC. The refundable

³ Meditab Specialities Pvt. Ltd., Peninsula Pharma Research Centre Pvt. Ltd., K. Raheja Corp Pvt. Ltd., Paradigm Logistics & Distribution Pvt. Ltd., Planetview Mercantile Co. Pvt. Ltd., Inox Mercantile Co. Pvt. Ltd. and Maxgrow Finlease Pvt. Ltd.

⁴ Meditab Specialities Pvt. Ltd. (₹ 10.56 crore), Peninsula Pharma Research Centre Pvt. Ltd. (₹ 6.88 crore), K. Raheja Corp Pvt. Ltd. (₹ 50.55 crore), Paradigm Logistics & Distribution Pvt. Ltd. (₹ 18.15 crore), Planetview Mercantile Co. Pvt. Ltd. (₹ 9.11 crore), Inox Mercantile Co. Pvt. Ltd. (₹ 30.30 crore) and Maxgrow Finlease Pvt. Ltd. (₹ 7.54 crore). Total ₹ 133.09 crore

⁵ The amount was calculated by GIDC and approved by State Government for out-of-court settlement with the allottees. The amount constituted ₹ 133.09 crore received on allotment of land by GIDC towards principal (premium, interest on premium/ lease rent, lease rent, licence fee and interest on licence fee) and ₹ 123.48 crore towards interest thereon (calculated at 8.25 *per cent per annum*).

⁶ Meditab Specialities Pvt. Ltd. and Maxgrow Finlease Pvt. Ltd. reserved their rights and claims in appeals pending before the Apex Court.

⁷ Municipal Council and Village Panchayat

⁸ (₹ 256.57 crore – ₹ 239.25 crore = ₹ 17.32 crore) = (₹ 6.58 crore + ₹ 6.11 crore + ₹ 4.63 crore)

amount as per revised calculation of GIDC was ₹ 239.25 crore. GIDC made a request to Government for refund of licence fee and interest, which was rejected (March 2019) stating that licence fee had already been distributed to local bodies. Further, Government directed GIDC to bear the liability as the settlement calculation was done by GIDC.

It is pertinent to note that GIDC had initially withheld the payment of licence fee and interest amount to allottees but subsequently released it citing probable contempt of Court's orders. The erroneous inclusion of licence fee and interest on licence fee in the original calculation of pay-out was known to GIDC at a later stage. However, it/Government did not appeal to the Apex Court for submission of the revised calculation and thereby seek modification of the earlier order. Thus, the faulty calculation of settlement amount and further non-rectification through legal route led to avoidable payment of ₹ 17.32 crore by GIDC.

The matter was referred to the Government in November 2020 and reminder issued in February 2022; however, the Government did not offer its comments (February 2022).

FINANCE DEPARTMENT

ECONOMIC DEVELOPMENT CORPORATION LIMITED (EDCL)

3.3 Non-utilisation of allotted plot for over three decades and non-recovery of transfer fee of ₹ 5.04 crore

EDCL allotted a plot in 1986 to Hindustan Hotels Ltd., on lease for construction of a hotel building. The Plot was subsequently transferred twice but none of the transferees made any investment for completion of the project and the plot remained unused even after three decades. EDCL also short-collected transfer fee to the tune of ₹ 5.04 crore on the second transfer.

EDCL a company⁹ established by State Government to promote and assist in economic development and rapid and orderly industrialisation, developed land admeasuring 1.78 lakh square metre at Patto Plaza, Panaji and allotted plots therefrom to various persons and agencies in auction. Accordingly, it allotted (December 1986) a plot admeasuring 1,992.50 square metre to Hindustan Hotels Ltd. (HHL) on perpetual lease¹⁰ for a premium of ₹ 40.05 lakh for construction of a multi-storeyed building comprising hotel and commercial complex.

HHL constructed (between 1988 and 1995) a structure of ground plus seven floors with basement but did not complete it. In June 1995, EDCL approved the transfer of plot and incomplete building to Peerless General Finance & Investment Company Ltd. (PGFICL) on HHL's request and executed (June 1995) a tripartite deed of lease with HHL and PGFICL. PGFICL too did not complete the construction of building despite being granted (January 2004/September 2004/May 2005) extension of time till May 2008 by EDCL. Its request (March 2008) for transfer of leasehold rights over the plot to Aman Buildtech Pvt. Ltd. (ABPL) was not considered by EDCL due to

⁹ The Memorandum of Association of EDCL enables it *inter-alia* to purchase or resell land or other property, to construct, sell and deal in freehold and leasehold ground rents, and to sell or lease immovable/movable property

¹⁰ EDCL allots land on perpetual lease on terms and conditions mentioned in the lease deed

non-compliance of terms and conditions¹¹ of the lease and non-furnishing of details of shareholding pattern of ABPL. Notwithstanding the rejection of transfer request, PGFICL sold (March 2008) the leasehold rights and handed over (June 2010) physical vacant possession of the plot and building to ABPL. Much later, the Board of Directors of EDCL decided (September 2017) to reconsider the transfer request by charging a transfer fee of ₹ 11.75 crore¹² based on current market valuation of the plot, and sent (December 2017) an offer letter to PGFICL for payment of requisite transfer fee. On behalf of PGFICL, ABPL countered the offer with details stating that it had knowledge (through regular visits to EDCL office) that the transfer fee considered by EDCL on its earlier proposal (March 2008) was ₹ two crore and accordingly, they are willing to pay ₹ two crore along with interest, which was accepted by EDCL. As of February 2021, ABPL paid ₹ five crore towards transfer fee and interest to EDCL and dues of ₹ 6.03 crore¹³ were pending recovery.

Audit observed that:

- As per the lease deed executed (March 1988), HHL was required to complete the building within five years (by March 1993), failing which EDCL would cancel the lease and re-enter upon the demised plot. Records indicated that after getting allotment of plot, HHL transferred (June 1995) the site along with incomplete building to PGFICL for a consideration of ₹ 11 crore. However, PGFICL, after having possessed the plot for a period of 13 years without making any investment/additions thereupon, sold the site to ABPL for a consideration of ₹ 20 crore. Despite knowledge of unauthorised sale of plot and disapproval of transfer to ABPL, EDCL did not cancel lease and repossess the site for a further period of 11 years. Thus, the plot initially allotted at a premium of ₹ 40.05 lakh in December 1986 for development was used mainly for trading and did not contribute to any economic development envisaged by EDCL.
- As per the policy for transfer of leasehold rights, EDCL may permit transfer or sale of leasehold rights over a plot subject to payment of 50 per cent of the difference between the premium paid and the market value of the demised plot at the time of transfer. EDCL permitted (1995) transfer from HHL to PGFICL without charging any transfer fee as the building work was substantially completed by HHL. After rejection of PGFICL's transfer request in 2008, EDCL reconsidered the transfer request in December 2017 for a transfer fee of ₹ 11.75 crore, levied in accordance with the prevailing market valuation. However, EDCL finally settled for a fee of ₹ two crore and interest thereon (at the rate of 10 per cent per annum compounded quarterly with effect from March 2008) which works out to ₹ 6.71 crore as on October 2018. By settling for a lesser amount of transfer fee than the amount worked out as per market valuation chargeable as per the policy of transfer the EDCL deprived itself of legitimate income of ₹ 5.04 crore¹⁴ (excluding interest/penal interest recoverable for delayed payment).

¹¹ PGFICL was required to complete the construction of building and commence business but did not do that. It was required to pay the dues towards transfer fee, ground rent and extension fee within the prescribed period to EDCL but did not pay.

¹² 50 per cent of the difference between market value of plot (₹ 23.91 crore) and lease premium received from HHL (₹ 0.40 crore)

¹³ Transfer fee (with interest) of ₹ 2.41 crore, extension fee of ₹ 3.62 crore

¹⁴ ₹ 11.75 crore – ₹ 6.71 crore

EDCL stated (October 2020) that it was not a party to its actual transfer of plot from PGFICL to ABPL and the leasehold rights remained with PGFICL. It stated that there was no laxity on its part and that a notice was issued in November 2019 to PGFICL for cancellation of lease and directed to deliver possession of plot and structure standing thereon within three months. After completion of three months, the matter has been referred (July 2020) to Estate Officer for eviction of unauthorised occupants.

The reply is not tenable as the EDCL did not take any concrete action to repossess the plot from unauthorised occupation till 2019 despite its knowledge of transfer of physical possession of the plot by PGFICL to ABPL in 2008. Its attempt to issue the notice of termination was mainly on the ground of non-payment of transfer fee without considering the idling period of plot for more than 30 years. Thus the laxity of EDCL in terminating the lease and repossessing the unutilised plot allowed illegal transfer of the plot besides failure of stated objective of providing economic and industrial development at the site for over three decades. The possibility of eviction of unlawful occupants of the plot was bleak as EDCL accepted part payments towards transfer fee (₹ five crore) from ABPL for the unapproved land transfer.

The matter was referred to the Government in December 2020, however, it did not offer its comments (November 2021).

Panaji
The 21 March 2022


(ANITHA BALAKRISHNA)
Accountant General

Countersigned

New Delhi
The 24 March 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

