CHAPTER–IV
Pricing of Properties

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Introduction to Costing System in GNIDA

4.1 Pricing of properties for allotment by the Industrial Development Authorities (IDA) is a crucial aspect of development as this gives the Authority knowledge about the cost of the property and how it can be sold at a fair rate. The cost incurred on creation of properties in an IDA includes costs of land acquisition, additional property[1], rehabilitation and resettlement, external and internal development, special projects[2], establishment, maintenance and unforeseen expenditure, loading for non-saleable areas of transport and recreational green, interest on above costs and allotment of developed *Abadi* plots[3].

GNIDA being a public entity, and in order to have consistent system of pricing of properties, policy/standard guidelines should be framed so that GNIDA has account of all the costs incurred/to be incurred in the acquisition of land, on internal/external development, *etc.,* along with the value of inherent benefits, *viz.,* Floor Area Ratio (FAR[4]), Ground Coverage (GC[5]) and Preferential Location Charges (PLC), *etc.,* and these are passed to the buyer at times of sale of properties. For pricing to be sustainable, it must also include:

- **a.** future cost of maintenance,
- **b.** interest cost for funds deployed on land acquisition and development,
- **c.** margin over defined cost to take care of the risks due to unforeseen expenditures, and
- **d.** pricing should be based upon the development norms (FAR, GC and PLC, *etc.*) being allowed.

Thus, all these elements form the basis of pricing. Premium and 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. These prices are applied for the following categories of properties:

- Premium (price) is fixed for allotments of industrial and institutional plots where allotments are made on the basis of recommendations of an Allotment Committee which evaluates the applications. In case of residential plots/flats and *Krishi* Farm House, allotments are made on the basis of draw of lot.

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[1] Constitutes immovable property standing on the land being acquired, *i.e.,* standing trees, tube well, constructed or semi-constructed building, *etc.*

[2] Projects such as rapid transit system/metro rail, Ganga water project, fire stations, police stations, hospitals, schools, university and educational institutions, Railway over bridge, Expressways, stadium and irrigation system for green belts, *etc.,* developed for the benefit of habitants at large.

[3] Plots for allotment to the families affected by the land acquisition which were dependent on the traditional farming and were residing in the respective villages prior to the establishment of GNIDA.

[4] 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*.

[5] 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.

- Reserve prices are fixed for allotment of Commercial, Builder/Group Housing, Institutional Farm Houses[6] and Sports City plots, where allotment is made to the highest bidder normally above the reserve price.

Process of price fixation

The process of pricing of properties by GNIDA is depicted in the **Chart 4.1.**

Chart 4.1: Process of price fixation

Formation of Committee

- Formation of a Committee headed by ACEO/Dy.CEO and consisting of heads of various Divisions for determination of sale price.

Works and Profitability-cum-Capital Budget

- Preparation of 'Works and Profitability-cum-Capital Budget' for determination of basic cost each year by including input costs, *viz.,* cost of land acquisition, additional property, rehabilitation and resettlement, external and internal development, special projects, establishment, maintenance and unforeseen expenditure, loading for non-saleable area of transport and recreational green, interest on above costs and allotment of developed *Abadi* plots.

Consideration of saleable area

- Rate so arrived is spread over the saleable percentage of land to arrive at sale price for various land uses.

Recommendation and approval

- Sale price, as determined by Capital Budgting or worked out on the basis of increase in Cost Inflation Index, is recommended by the Committee for the approval of the CEO and thereafter by the Board of GNIDA.

Notification

- Sale price approved are notified and made applicable.

Source: Files related to Pricing of Properties in GNIDA.

Determination of sale price

For determining the sale price[7] through the process of capital budgeting, GNIDA included various components of costs. The cost so arrived was spread over the saleable percentage of land for the applicable category of land use (55 *per cent* saleable land for the residential, builder and commercial categories; 70 *per cent* for industrial and institutional categories; 70 *per cent* for farm house having area below 75 acre and 80 *per cent* for farm house with area of 75 acre and above) to arrive at the sale price. In respect of industrial and institutional categories, incremental slab-wise rates were fixed for different area slabs at the rate above/below the basic rate.

The sale price was determined on the basis of capital budgeting[8] during 2007-08 to 2010-11. It was, however, fixed on the basis of rise in Cost Inflation Index (CII) over previous year during the period 2011-12 to 2014-15. It was

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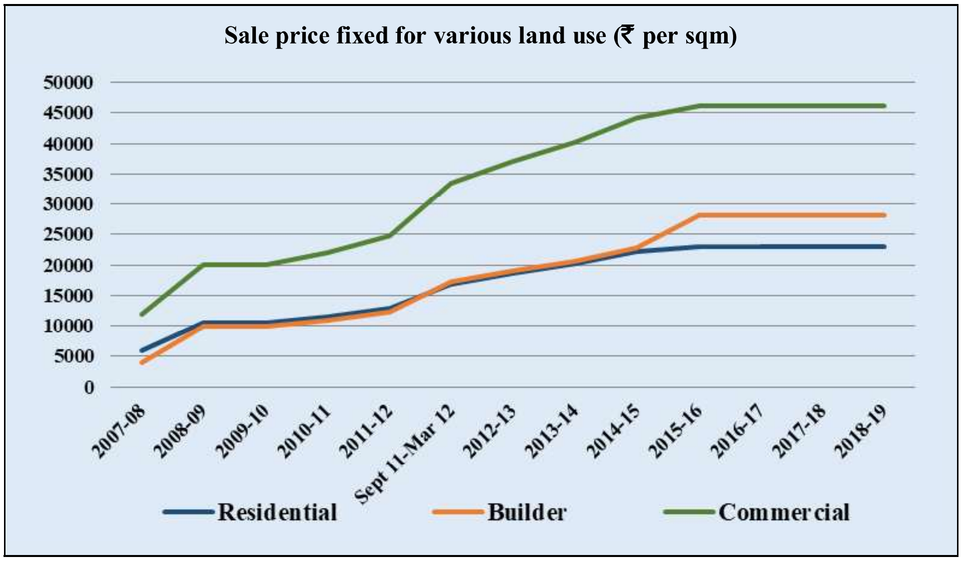
6 Farm House Plots allotted in the agricultural green sector with permissible activities (one dwelling unit, staff/servant quarter, guard room, swimming pool, dairy/poultry farming, orchard, parks and play grounds, parking facilities and plant nursery) restricted for personal use only.

7 Fixed premium in case of allotment by 'draw of lot' and reserve price in case of allotment through bids.

8 Including input costs, *viz.,* cost of land acquisition, additional property, rehabilitation and resettlement, external and internal development, special projects, establishment, maintenance and unforeseen expenditure, loading for non-saleable area of transport and recreational green, interest cost of on above costs and allotment of developed *Abadi* plots.

again determined on the basis of capital budgeting during 2015-16. The prices were not revised for the year 2009-10 and during the period 2016-17 to 2018-19. The sale prices approved by GNIDA for Residential, Builder and Commercial categories[9] during 2007-08 to 2018-19 are depicted in **Chart 4.2.**

Chart 4.2: Sale prices approved by GNIDA for Residential, Builder and Commercial categories



Source: Files relating to pricing of properties in GNIDA.

It could be seen from the above chart that sale prices for the Builder/Group Housing were fixed at the rates marginally lower than residential category during the years 2007-08 to 2011-12 whereas it was fixed at higher rates during the years 2012-13 to 2018-19.

Audit Coverage

4.2 Audit evaluated the costing system for the period 2007-08[10] to 2018-19. Audit observations for 2005-06 to 2007-08 are based on the sale price documents as the costing files for the same period were not provided to Audit.

Audit Findings

The audit findings related to the pricing of properties during the period 2007-08 to 2017-18 are discussed in the succeeding paragraphs under the following broad categories:

- Deficiencies in the system of price determination ***(Paragraphs 4.3 to 4.3.5);***
- Inadequate consideration of essential inputs of costs ***(Paragraphs 4.4 to 4.4.3);***
- Floor Area Ratio and Ground Coverage not considered in fixation of sale price ***(Paragraph 4.5);***
- Failure in recovery of other costs ***(Paragraphs 4.6 to 4.6.4); and***
- Loss of stamp duty to State exchequer due to incorrect fixation of sale price ***(Paragraph 4.7).***

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[9] Sale price for Industrial and Institutional categories was not depicted in the Chart 4.2 since slab-wise sale prices were fixed for these categories.

[10] On the basis of previous year's figures in costing file of 2008-09.

Deficiencies in system of price determination

GNIDA did not frame standard costing guidelines due to which there was no streamlined method for fixing sale prices of different properties.

4.3 GNIDA neither adopted 'model directive principles' issued (November 1999) by the GoUP to determine the cost of properties nor framed any standard costing guidelines of its own nor did it adopt guidelines of any other similar Authority/Organisation for costing and fixation of premium/reserve prices for various land uses. In the absence of pricing guidelines, there was no streamlined method for fixing the sale prices for allotment of properties in GNIDA as discussed in succeeding paragraphs.

Arbitrary fixation of sale price

4.3.1 The basis of determining sale price was not consistent during the period of review. While it was determined on the basis of capital budgeting by including various cost inputs during 2007-08 to 2010-11, it was determined during 2011-12 to 2014-15 by increasing the sale price of the previous year on the basis of rise in Cost Inflation Index (CII) without any reason on record for the change in the method of determination. It was, however, again determined on the basis of capital budgeting during 2015-16. The prices were not revised in 2009-10 and during the period 2016-17 to 2018-19.

4.3.2 The sale price for various categories of land use were not fixed strictly at the prices worked out after considering various input costs in the capital budgeting. The sale price worked out as per capital budgeting and the sale price approved by the Board for the residential, builder and commercial categories during the period 2007-08 to 2016-17 are given in **Table 4.1.**

Table 4.1: Approved sale price of various land use and their ratio to capital budgeting/ other categories

Year	Sale price (per sqm) as per Capital Budgeting (₹)	Sale Price (per sqm) approved by GNIDA for various land use						
		Residential		Builder		Commercial		
		Sale Price (₹)	Ratio to Capital Budgeting	Sale Price (₹)	Ratio to Capital Budgeting	Sale Price (₹)	Ratio to Residential	Ratio to Builder
1	2	3	4=col.3/ col.2	5	6=col.5/col.2	7	8=col.7/col.3	9=col.7/ col.5
2007-08	5320	5900	1.11	4000	0.75	12000	2.03	3.00
2008-09	10418	10500	1.01	10000	0.96	20000	1.90	2.00
2009-10	10727	10500	0.98	10000	0.93	20000	1.90	2.00
2010-11	11658	11550	0.99	11000	0.94	22000	1.90	2.00
2011-12	13756	13000	0.95	12400	0.90	24750	1.90	2.00
September 2011- March 2012	17888	16900	0.95	17300	0.97	33500	1.98	1.94
2012-13	13142	18660	1.42	19100	1.45	36990	1.98	1.94
2013-14	16180	20250	1.25	20730	1.28	40145	1.98	1.94
2014-15	24842	22320	0.90	22850	0.92	44245	1.98	1.94
2015-16	23096	23100	1.00	28230	1.22	46190	2.00	1.64
2016-17	23718	23100	0.97	28230	1.19	46190	2.00	1.64
2017-18	23718	23100	0.97	28230	1.19	46190	2.00	1.64
2018-19	23718	23100	0.97	28230	1.19	46190	2.00	1.64

Source: Files relating to Pricing of Properties in GNIDA.

It is clear from the above table that sale prices were fixed arbitrarily without any justification on record as:

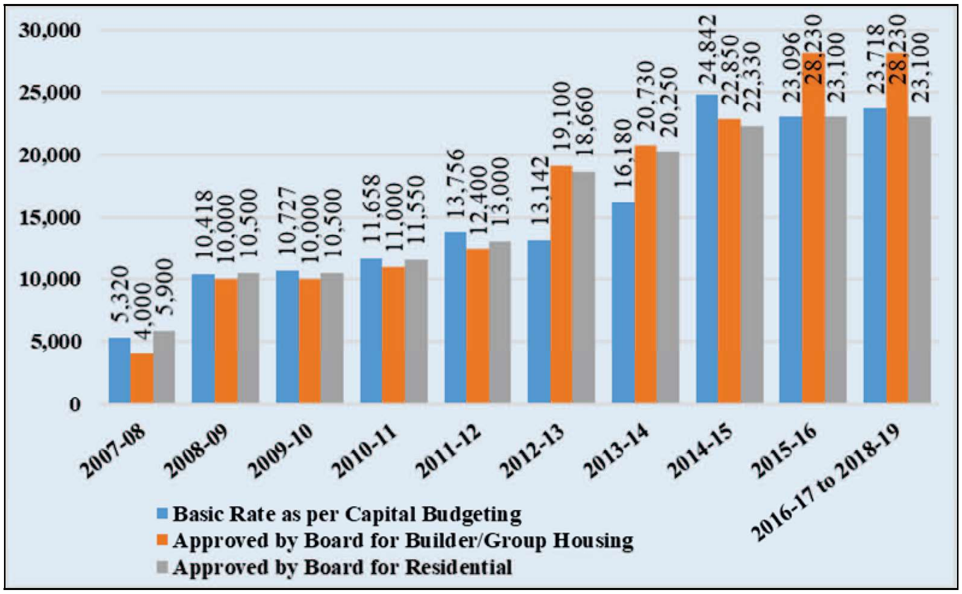
- the sale price for residential and group housing/builder were fixed at 0.90 times to 1.42 times and 0.75 times to 1.45 times respectively of the above sale price as per capital budgeting during the period 2007-08 to 2018-19; and

The sale prices were fixed arbitrarily as neither the method of fixation (capital budgeting/CII basis) of sale price was consistent nor the ratio of sale price to the rate determined in the capital budget was uniform across the years.

- the sale price for commercial category was fixed at twice/approximately twice the sale price of builder or residential category whichever was lower. It was fixed at twice/approximately twice the sale price of residential category during the years 2007-08 and 2012-13 to 2018-19 and twice of builders/group housing category during the years 2008-09 to 2011-12.

The arbitrary fixation of sale price for residential and builders/group housing against the rate determined as per capital budgeting is depicted in **Chart 4.3.**

Chart 4.3: Arbitrary fixation of sale price (₹ per sqm)



Source: Files relating to Pricing of Properties in GNIDA

- The builders are allotted large pieces of land for development of flats and its ultimate sale by the builders to the individual allottees/dwellers. The builders develop the property with a motive of earning profit. Despite this, the sale prices for the builder/group housing were fixed at the rates lower than the residential category during the period 2007-08 to August 2011.

Thus, the method of fixation (capital budgeting/CII basis) of sale price was neither consistent nor was uniform in the ratio of sale price fixed for residential/group housing categories to the rate determined in the capital budget and in the ratio of sale price fixed for commercial category to the sale price of residential/group housing category across the years.

During the Exit Conference (January 2021), the State Government accepted the facts and stated that a Committee will be constituted with one of the Terms of Reference based on audit observation to evolve a standard costing guidelines which the Authority will adopt. Status regarding constitution of the committee has not been received (March 2022).

Sale price not revised during 2009-10 citing global economic slowdown

4.3.3 GNIDA, as per the adopted practice, revises annually the allotment/sale price of various land use (different categories of property), *viz.,* Residential, Builders/Group Housing, Commercial, Industrial, Institutional, Information Technology and Recreational categories. The Board of GNIDA[11] decided

[11] In 77th Board meeting dated 20 February 2009.

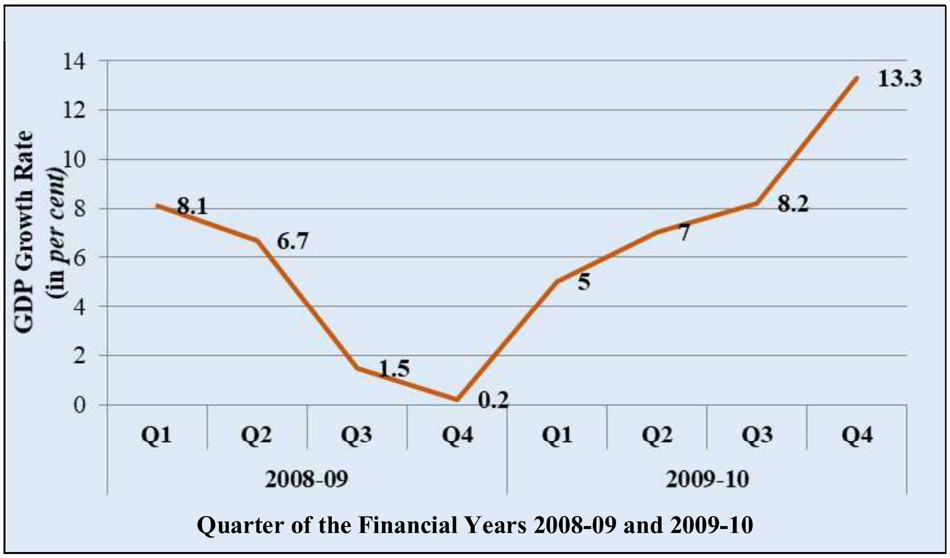
Contrary to the adopted practice of revising the sale prices annually, GNIDA without any analysis and empirical data on economic slowdown decided not to revise the sale prices for the year 2009-10 and suffered loss of ₹ 112.15 crore on allotment of 2,031 residential plots and 38 builder plots under the schemes launched in 2009-10.

(February 2009) not to revise sale price during 2009-10 on the ground of global economic slowdown.

Audit, however, noticed that the rationale of economic slowdown for not revising price was taken without any analysis in its support on the record. The decision of the Board for not revising the sale price on the ground of economic slowdown was not justified 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 GNIDA as discussed below:

Growth rate of GDP of India: The quarter-wise growth rate of GDP of India at *constant prices* during the period 2008-09 and 2009-10 as per data published by Ministry of Statistics and Programme Implementation, Government of India is depicted in **Chart 4.4.**

Chart 4.4: GDP Growth Rate of India at *constant prices*



Source: Ministry of Statistics and Programme Implementation, Government of India

It could be seen from 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 (Q1) of 2009-10 to 13.3 *per cent* in the last quarter (Q4) of 2009-10.
- The quarter-wise GDP showed increasing trend from the first quarter of 2009-10. GNIDA launched three schemes (RTS 01/2010, BRS 1/2010 and BRS 2/2010) during 2009-10 all of which were launched in the fourth quarter of 2009-10 and allotted 38 plots (including sub-divided plots) measuring 30,85,384 sqm. Inspite of this, GNIDA 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 38 allotments against these schemes.
- ***Growth rate of GSDP of Uttar Pradesh***: The growth rate 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, Government of India is summarised in **Table 4.2.**

Table 4.2: 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, Government of India

As 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 GSDP growth rate of Uttar Pradesh during 2009-10 was higher than the corresponding growth rates in the year 2012-13 and 2013-14 when the prices of properties were revised upwards on the basis of rise in CII.

Trend of sale of properties in GNIDA: Audit also analysed the trend of sale of Builder and residential properties during the period 2005-06 to 2017-18 which is shown in **Table 4.3.**

Table 4.3: Trend of sale of Builder and Residential properties

Sl. No.	Particulars	Number of Plots	Area (in sqm)
A	**Builder/Group Housing Plots**		
1.	Sale during 2005-06 to 2014-15[12]	175[13]	76,07,618
2.	Yearly average sale (10 Years) (Sl. No.1/Sl. No. 2)	17.5	7,60,762
3.	Sales during 2009-10 (Schemes launched during year: RTS 01/2010, BRS 1/2010 and 02/2010)	38	30,85,384
4.	Percentage of sales in 2009-10 to total sales during 2005-06 to 2014-15 (Sl. No. 3/Sl. No. 1x 100)	21.71	40.56
5.	Sale during 2009-10 above yearly average (Sl. No. 3- Sl. No. 2)	20.50	23,24,622
6.	Percentage sale during 2009-10 above yearly average (Sl. No. 5/Sl. No. 2 x 100)	117.14	305.57
B	**Residential (Plots and Flats)**		
1.	Sale during 2005-06 to 2016-17[14]	31,906	2,848,798
2.	Yearly average sale (12 Years) (Sl. No. 1/Sl. No. 2)	2,659	2,37,400
3.	Sales during 2009-10	5,749[15]	487,072
4.	Percentage of sales in 2009-10 to total sales during 2005-06 to 2016-17 (Sl. No.3/Sl. No. 1x100)	18.02	17.10
5.	Sale during 2009-10 above yearly average (Sl. No. 3-Sl. No. 2)	3,090	2,49,672
6.	Percentage sale during 2009-10 above yearly average (Sl. No. 5/Sl. No. 2 x 100)	116.21	105.17

Source: Data obtained from System Department of GNIDA

From the **Table 4.3**, it is observed that in Builder/Group housing category, 38 plots (area: 30,85,384 sqm) were sold during the schemes launched in 2009-10 which was 117.14 *per cent* (area-wise 305.57 *per cent*) above the yearly average of 17.5 plots (area-wise 7,60,762 sqm) sold during 2005-06 to

[12] Includes schemes launched during 2005-06 to 2014-15. No scheme was launched thereafter.

[13] Total allotment during 2005-06 to 2014-15 was 184. However, nine allotments were excluded from the analysis as these allotments were made against the schemes launched prior to 2005-06.

[14] No allotment made thereafter.

[15] This includes 2,031 plots and 3,718 flats.

2014-15. Similarly, in the Residential category 5,749 properties (area: 4,87,072 sqm) were sold during 2009-10 which was 116.21 *per cent* (area-wise 105.17 *per cent*) above the yearly average of 2,659 properties (area-wise 2,37,400 sqm) sold during the period 2005-06 to 2016-17.

The above facts indicate that there was no lack of demand during the year 2009-10 as more builder and residential properties were sold than the yearly average for 2005-06 to 2016-17.

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

GNIDA allotted 2,031 residential plots and 38 builder plots under the schemes[16] launched in 2009-10. Thus, due to not revising the sale prices[17] during the year 2009-10 without any justified ground as discussed above, it suffered loss of ₹ 112.15 crore on these allotments.

In its reply, GNIDA stated (October 2020) that the Board decided not to increase the sale price in 2009-10 as it linked the market scenario to global slowdown and not to the local economy. This attracted the builders to invest and boosted the sale volume significantly. The Board's forecast was correct in predicting the slowdown as there was significant slowdown in real estate sector since 2014-15.

The reply of GNIDA is not acceptable as:

- the basis of linking global economic performance with real estate sector of GNIDA does not stand to reason especially when actual sale of plots was above the yearly average; and
- key economic indicator, *i.e.*, GDP started showing a clear revival of the economy from the first quarter of financial year 2009-10. In fact, all the Builder schemes (BRS 1/2010, BRS 2/2010 and RTS 1/2020) launched in the year 2009-10 were launched during the last quarter of the year 2009-10 when the economy was growing at 13.3 *per cent*.
- notably, despite the prediction of slowdown in real estate sector since 2014-15, the Board decided to raise the sale price during 2014-15 by 10.22 *per cent* for the residential, builder and commercial categories and further by 23.55 *per cent* for builder category in 2015-16. Thus, the justification provided in the reply for not increasing the sale price in view of the prediction of slowdown in economy is not consistent with the fact of the actual increase in sale price during 2014-15.

Deficiency in fixation of slab rates for industrial allotments

4.3.4 Large size plots carry premium and the rate of the industrial plots is determined on the basis of the slab rates applicable for the different slabs. The rate for a plot size in succeeding slab is calculated after adding the rate of preceding slabs and adding a premium. The terms and conditions of the

[16] RTS 01/2010 launched in January/February 2010, BRS 1/2010 launched in January/ February 2010 and BRS 02/2010 launched in March 2010.

[17] Calculated on the rates proposed by GNIDA on the basis of capital budgeting for the year 2009-10.

scheme for allotment of industrial plots launched in 2005-06 provided slab-wise sale price as shown in **Table 4.4.**

Table 4.4: Slab rates for industrial allotments

Sl. No.	Size of Plot	Rate
1	For plot size 250 sqm	₹ 2,590 per sqm
2	For plot size 450 to 1,000 sqm	₹ 2,010 per sqm
3	Above 1,000 sqm up to 5 acre	₹ 20,10,000 + (₹ 1,680 per sqm for addition to 1,000 sqm)
4	Above 5 acre and upto 30 acre	₹ 3,43,24,800 + (₹ 990 per sqm for addition to 5 acres)
5	Above 30 acre	₹ 13,44,88,050 + (₹ 930 per sqm for addition to 30 acres)

Source: Sale price list approved by the Board

Audit noticed that there was a gap in the slab for the plot size above 250 sqm and below 450 sqm. In its absence, GNIDA charged the lower rate of ₹ 2,010 per sqm for plot size above 250 sqm to below 450 sqm. Further, while prescribing the rate for plot size 450 sqm to 1,000 sqm, it was not specified that the rates for this slab would be in addition to the cost of the plot at the rates for the preceding slab. This had a cascading effect on the succeeding slabs. The rates for various slabs to be specified should have been as depicted in the **Table 4.5.**

Table 4.5 Calculation of slab rates

Sl. No.	Size of Plot	Rate
1	For plot size 250 sqm	₹ 2,590 per sqm
2	For plot size 450 to 1,000 sqm	₹11,65,500[18] + ₹ 2,010 per sqm for plots above 450 sqm
3	Above 1,000 sqm to 5 acres	₹ 22,71,000[19] + ₹ 1,680 per sqm for plot size beyond 1000 sqm
4	Above 5 acres to 30 acres	₹ 3,45,85,800[20] + ₹ 990 per sqm for plot size beyond 5 acres
5	Above 30 acres	₹ 13,47,49,050[21] + ₹ 930 per sqm for plot size beyond 30 acres

Source: Compiled by Audit on the basis of approved sale price list

Due to gap in the consecutive slabs of plot size and deficiency in specification of the rates for the year 2005-06, the plots of Industrial category were sold at a loss of ₹ 9.58 crore.

Due to the above deficiency in the determination of slab and respective rates, the amount of land premium for allotment of 1,000 sqm by way of illustration worked out to ₹ 20,10,000 (at the rate of ₹ 2,010 per sqm) instead of ₹ 22,71,000[22]. Notably, the above deficiency was removed in the slab rates notified for the year 2006-07 onwards.

Thus, due to negligence on the part of the Finance Division, GNIDA in fixation of various slabs, GNIDA suffered loss of ₹ 9.58 crore on allotment of 251 industrial[23] plots (12,66,843 sqm) during the year 2005-06.

In its reply, GNIDA stated (October 2020) that rates were decided for specific plot sizes and generally the plots of the same size were allotted in case of Toy City and Mahila Park Scheme and these allotments were not on the basis of slab rates.

The reply does not address the audit observation as the plots allotted under Toy City and Mahila Park schemes are excluded from the calculation of loss.

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[18] ₹ 2,590 per sqm upto 450 sqm.

[19] ₹ 11,65,500 for plot size upto 450 sqm + ₹ 2,010 per sqm for 450 sqm to 1,000 sqm, *i.e.,* ₹ 11,05,500.

[20] ₹ 22,71,000 for plot size upto 1,000 sqm + ₹ 1,680 per sqm for 1,000 sqm to 5 acre, *i.e.,* ₹ 3,23,14,800.

[21] ₹ 3,45,85,800 + ₹ 990 per sqm for five acres to 30 acre, *i.e.*, ₹10,01,63,250.

[22] ₹ 2,590 x 250 sqm *plus* ₹ 2,590 x 200 sqm *plus* ₹ 2,010 x 550 sqm.

[23] Excluding four plots allotted under Toy city and one plot allotted under Mahila Udhyami Park.

Additional burden on allottees

4.3.5 GNIDA decided (October 1997[24]) to make the provision for *Abadi* plots to the families affected by the land acquisition which were dependent on the traditional farming and were residing in the respective villages prior to the establishment of GNIDA.

GNIDA while working out the standard cost for allottees, other than *Abadi* plots allottees, considered the cost of land towards allotment of *Abadi* plots, but, failed to adjust amount of ₹ 464.93 crore actually recovered from *Abadi* allottees.

GNIDA recovers amount of land cost comprising land rate (original land rate of compensation as well as additional rate of compensation) and acquisition expenses thereon along with development charges from the *Abadi* allottees. Therefore, the amount so recovered from them should be deducted from the cost of acquisition and development while determining the sale price for allotment of properties under various categories to allottees other than *Abadi* plots.

Audit noticed that GNIDA recovered an amount of ₹ 464.93 crore towards land cost and development charges from the 8,038 *Abadi* allottees during May 2013 to January 2019 but did not devise any mechanism to adjust such cost recovered while determining the sale price for other allottees which resulted in additional burden to this extent on the allottees other than *Abadi* plots.

In its reply, GNIDA stated (October 2020) that any recovery on the account of cost of land and development charges recovered from *Abadi* allottees was not built in standard cost as the same was recovered from the *Abadi* allottees before signing of their lease deed. Therefore, the cost was neutral from the point of view of standard cost.

The reply of GNIDA is not acceptable as the cost was not neutral from the view point of standard cost as the cost of land towards allotment of *Abadi* plots was considered in the standard cost. Therefore, any recovery from the *Abadi* allottees should have been adjusted from the standard cost. Not adjusting the amount recovered from the *Abadi* allottees in the standard cost has resulted in excess recovery from the allottees other than allottees of *Abadi* plots.

Inadequate consideration of essential inputs of costs

Inadequate consideration of essential input costs in determining the sale price resulted in undercharging by ₹ 1,839.83 crore from 1,278 allottees during the period 2007-08 to 2016-17.

4.4 The sale price of the properties should be determined in a manner to ensure recovery of all input costs. The input costs include costs of land acquisition, additional property, rehabilitation and resettlement, annuity, external and internal development, present and future maintenance, establishment, finance (interest)/return on capital employed, special projects, allotment of *Abadi* plots and non-saleable area for transport/recreational.

Audit noticed that GNIDA did not consider essential input costs adequately such as additional property, rehabilitation and resettlement, payment of annuity, *Abadi* allotments, interest expenses and internal development expenses as discussed below:

- ***Cost of additional property not considered***: GNIDA considered cost of additional property at the rate of one *per cent* towards expenses payable for reimbursement/damage of immovable property (standing trees, tube well, constructed building) on the acquired land from the year 2011-12 to 2013-14. It, however, failed to consider cost towards additional property in the costing for the years 2007-08 to 2010-11 and 2014-15 to 2016-17 although the cost towards additional property was payable in addition to the land compensation during the entire period.

[24] 26th Board meeting dated 28 October 1997.

In its reply, GNIDA stated (October 2020) that it did not incur any cost towards additional property, therefore the same was not considered in the cost during the period 2007-08 to 2010-11.

The reply is factually incorrect as out of the sample files of 38 villages[25] submitted by GNIDA to Audit, it was observed that letters of award were placed in files of 26 villages. Of these, 16 letters of award were related for the period 2007-08 to 2010-11. In five out of the above 16 awards, GNIDA incurred ₹ 55.68 lakh towards cost of additional property during 2007-08 to 2010-11. Further, it was also specified in the letters of award that additional property forms the part of award and after the receipt of valuation of additional property, the compensation would have to be paid to the farmers in future.

- ***Delayed inclusion of rehabilitation and resettlement cost:*** Government of Uttar Pradesh (GoUP) adopted National Policy for Rehabilitation and Resettlement (NPRR), 2003 of Government of India (GoI) and directed (August 2004) for providing facilities to the families affected by land acquisition. GNIDA, however, included the cost towards rehabilitation at the rate of one *per cent* during the period 2011-12 to 2013-14 although it was payable from August 2004. Further, GNIDA irregularly included cost of ₹ 70 per sqm in the costing for the year 2016-17 towards rehabilitation and resettlement although it was not payable in case of direct purchase made during this year after the notification of new Land Acquisition Act, 2013.

In its reply, GNIDA stated (October 2020) that rehabilitation and resettlement cost was made applicable from April 2011 and the same was accordingly included in the cost. It, further, accepted the error of incorrect inclusion of ₹ 70 per sqm in the standard cost for the year 2016-17.

The part of reply of GNIDA is factually incorrect as the rehabilitation and resettlement cost was made applicable by the GoUP from August 2004 and Finance Division of GNIDA itself had made the payments under the head of 'Rehabilitation' in compliance of NPRR 2003 during 2005-06 to 2010-11 for acquisition of land.

- ***Inadequate consideration of cost towards payment of annuity:*** GoUP directed (September 2010) payment[26] of annuity[27] or a lump sum payment in lieu of annuity to the landowners at the rate of ₹ 2.40 lakh per acre (₹ 59.30 per sqm) which was increased (June 2011) to ₹ 2.76 lakh per acre (₹ 68.20 per sqm). GNIDA did not include cost towards payment of annuity at the rate of ₹ 59.30 per sqm in capital budgeting during the period October 2010 to March 2011. It, however, short provided at the lower rates of ₹ 60.00 per sqm instead of applicable rate of ₹ 68.20 per sqm during July 2011 to March 2012.

In its reply, GNIDA stated (October 2020) that the order for annuity was received late and hence could not be included in the standard cost which is calculated once a year before the start of financial year.

The contention of GNIDA that standard cost is calculated once a year before the start of financial year is not correct as on the contrary to above statement, it had revised the standard cost in September 2011 during the course of the financial year 2011-12.

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[25] Out of 39 villages selected in sample for detailed examination.

[26] At the rate of ₹ 20,000 per acre per year for 33 years which was to be increased every year by ₹ 600 per acre.

[27] An annual or a lump sum one-time payment to landowners affected by land acquisition in addition to the compensation.

- ***Inadequate provision for cost of Abadi plots:*** GNIDA decided (February 2006) to increase the allotment of developed land as *Abadi* land to landowners from whom the land was acquired from the existing five *per cent* to six *per cent* of the acquired area subject to ceiling of 2,500 sqm with effect from 1 April 2003. The allotment of developed *Abadi* area in lieu of acquisition was further increased (November 2011) to 10 *per cent* of the acquired area. GNIDA, however, provided four *per cent* towards *Abadi* land in the costing for the year 2007-08 instead of the applicable six *per cent*. Further, although the *Abadi* plot was to be allotted after its development, cost towards its allotment on percentage basis (five, six or 10 *per cent* as applicable) was provided prior to loading of all the cost of acquisition and development (external and internal). Provision for cost of *Abadi* plots should have been made after loading all the expenses of acquisition and development in order to recover all the expenses.

In its reply, GNIDA stated (October 2020) that the actual cost of land and development charges are recovered from the *Abadi* allottees at the time of allotment of *Abadi* plots. Thus, the cost was neutral from the point of view of standard cost. The cost of four *per cent* of land cost considered in the standard cost for 2007-08 was towards the difference between the recovered cost and apportioned *Abadi* land that was necessarily required for the development of land.

The reply of GNIDA does not address the issue raised by Audit as the gross land required to allot six and ten *per cent* developed *Abadi* plot works[28] out in actual to 10.91 *per cent* and 18.18 *per cent* respectively. Thus, loading for *Abadi* plots in the standard cost should either be made at the rate of 10.91 or 18.18 *per cent* of cost of land acquisition[29]or six and ten *per cent*, as the case may be, of cost of developed land (*i.e.,* after loading cost of special projects, recreational and transport facilities, internal and external development charges). Further, the fact regarding the recovery of the actual cost of land and development charges from the *Abadi* allottees against allotment of *Abadi* plots to them is also not correct as GNIDA had reduced the development charges to be recovered from the *Abadi* allottees by 50 *per cent* after May 2013.

- ***Short provision of Interest expenses:*** Interest should be provided in the costing to cover the cost towards financing the expenses incurred on acquisition and development. Audit noticed that while working out the cost of land for sale to allottees, GNIDA included the component of interest on the compensation amount payable to landowners. It did not provide interest[30] on the acquisition charges (at the rate of 10 *per cent* of land acquisition rate paid to landowners) payable to the Additional District Magistrate (Land Acquisition), amount payable for additional property on the acquired land, external and internal development expenses, allotment of developed land for *Abadi* and expenses towards construction of special projects such as hospital, educational institutions, *etc.,* although these expenditure were either incurred on or were incidental to acquisition of land and development of property.

In its reply, GNIDA stated (October 2020) that the acquisition charges at the rate of ten *per cent* is towards establishment cost of the State Government and its final decision is pending with the Government, hence provision of interest

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[28] At 55 *per cent* saleable land as adopted by GNIDA.

[29] It includes cost of land, acquisition charges, cost of additional property, rehabilitation/ resettlement and annuity charges and interest thereon.

[30] Provision for interest on amount payable for acquisition charges, additional property, rehabilitation charges and annuity charges was made in the years 2012-13 and 2013-14.

on acquisition charges was not made in the standard cost. As regards interest on other expenses, GNIDA stated that it did not incur major expenses on interest till the year 2010-11.

The reply of GNIDA is not acceptable as it was financially prudent for any entity to provide for return on investment in the standard cost on the amount invested by GNIDA when GNIDA bears burden of interest on loan taken by it. Moreover, GNIDA had itself made provision for interest on acquisition charges in the years 2012-13 and 2013-14.

- ***Internal development cost not considered:*** The internal development cost was not included while determining the sale price for the Residential Township Scheme (RTS) (launched in January/February 2010) having mixed land use.

In its reply, GNIDA stated (October 2020) that no internal development cost was incurred on plots under RTS as they were of big size and were allotted on an as is where is basis.

The reply of GNIDA is not acceptable as it allots the plots under all the categories on an 'as is where is basis' and loads internal development cost even in the standard cost for builders and residential plots at the same rate despite the fact that the builders' plots are bigger in size as compared to residential plots. Further, against the size of two plots measuring 4,14,353 sqm and 4,83,245 sqm allotted under RTS scheme launched in January/February 2010, GNIDA allotted three plots[31] of similar size measuring 4,00,000 sqm to 4,54,168 sqm under the builder schemes BRS 2/2010 and BRS 3/2010 launched in the same year (2009-10)/subsequent year (2010-11) where the internal development cost was loaded in the standard costing.

Impact of input costs not considered for the sale price

4.4.1 As discussed above, the input costs were not considered adequately by GNIDA while determining the sale price. Audit, therefore, worked out the sale prices for the period 2007-08 to 2016-17 in respect of various categories (Builder/Group housing, Industrial and Institutional[32]) of allotments by considering the essential inputs in a uniform manner in reference to deficiencies discussed above. In case of commercial category, the sale prices of builder/group housing were doubled as per the practice adopted by GNIDA. In case of industrial and institutional categories, the slab rates were determined by taking the same ratio to the basic rate as applied by GNIDA.

In case of RTS under builder category, the allottees were allowed mixed use of land, *viz.,* commercial, residential, institutional and recreational as the case may be in prescribed proportions. For such category, the sale price calculated for the respective categories were applied in the proportion of the use allowed to arrive at the composite sale price as per the practice adopted in GNIDA.

The basic rates calculated by GNIDA as per capital budgeting and the basic rate reworked by Audit after considering all the above input costs in a uniform manner are given in ***Appendix 4.1***. A summarised position is given in the **Table 4.6.**

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[31] BRS 2/2010 (Launched in March 2010): Plot no. GH-2, sector Tech zone and Plot no. GH-1, Sector 16 B; BRS 3/2010 (Launched in June 2010): GH-3, sector 16 C.

[32] Institutional category also includes IT, Nursery/*crèche* and electric sub-station.

Table 4.6: Comparison of basic rates (₹ per sqm)

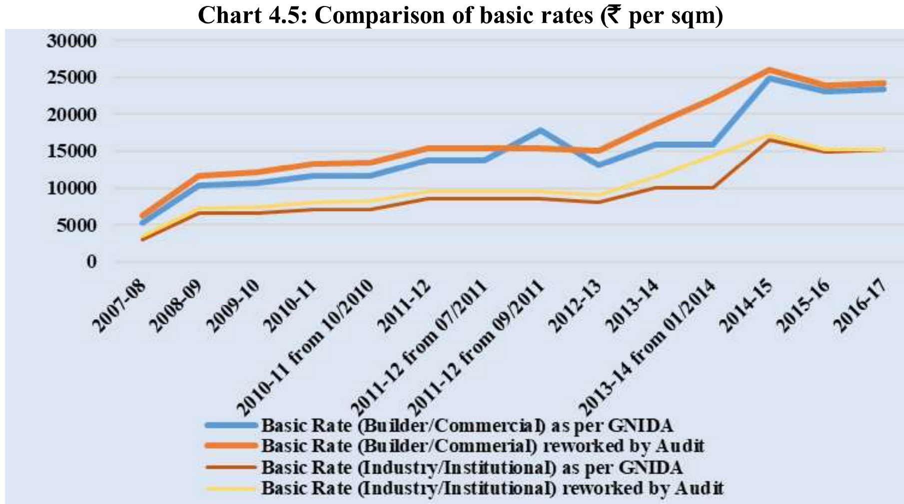
Year	Basic rate calculated by GNIDA as per capital budgeting	Basic rate reworked by Audit after considering all input costs	Basic rate calculated by GNIDA as per capital budgeting	Basic rate reworked by Audit after considering all input costs
	(Builder/Commercial)		(Industry/Institutional)	
2007-08	5320	6264	3014	3563
2008-09	10418	11622	6629	7299
2009-10	10727	12192	6609	7419
2010-11	11658	13232	7157	8020
2010-11 (from October 2010)	11658	13403	7157	8155
2011-12	13756	15458	8556	9471
2011-12 (from July 2011)	13756	15484	8556	9491
2011-12 (from September 2011)	17888	15484	8556	9491
2012-13	13142	15165	7999	9048
2013-14	16180	18698	10099	11471
2013-14 (from January 2014)	16180	22057	10099	14402
2014-15	24842	25968	16633	17171
2015-16	23096	23930	15004	15282
2016-17	23718	24190	15301	15272

Source: Basic rate as per files relating to Pricing of Property in GNIDA

It is evident from the above Table that the basic rates calculated by GNIDA in capital budgeting were at lower side due to not considering/inadequate consideration of input costs except in September 2011[33].

The comparative position of basic rate calculated by GNIDA against the rate reworked by the Audit after considering all the relevant input costs uniformly is depicted in **Chart 4.5**:

Chart 4.5: Comparison of basic rates (₹ per sqm)



Source: Basic rate as per files relating to Pricing of Property in GNIDA

The details of prices calculated on the basis of cost inputs by GNIDA as per capital budgeting, sale price approved by it there against and the sale price reworked by Audit after considering all the above input costs in a uniform manner for various categories are given in ***Appendix-4.2.***

Due to inadequate consideration of essential inputs, *viz.,* additional property, rehabilitation and resettlement, payment of annuity, *Abadi* allotments, interest

[33] Due to incorrect addition of 30 *per cent* of existing rate towards recovery of additional compensation.

expenses and internal development in a uniform manner in fixation of sale price, the sale price were fixed at lower side. The amount of short recovery from the allotments made under various categories due to inadequate consideration of input costs and fixation of sale price at lower side is given in **Table 4.7.**

Table 4.7: Short recovery due to lower fixation of rates

Sl. No.	Category	Period		No. of Allotments	Total value as per Audit	Total value as per GNIDA	Difference
		From	To		(₹ in crore)		
1	2	3	4	5	6	7	8 (6-7)
1	**Builder**						
i	BRS Scheme	March 2009	August 2014	160	9069.48	7836.21	1233.27
ii	RTS Scheme	March 2010	April 2010	7	753.01	541.54	211.47
	Sub Total 1			**167**	**9822.49**	**8377.75**	**1444.74**
2	Commercial Plots	November 2010	December 2016	18	282.68	250.80	**31.88**
3	Industrial	January 2008	December 2016	820	**1439.85**	**1232.25**	**207.60**
4	**Institutional**						
i	IT	April 2007	June 2015	189	931.00	803.52	127.48
ii	Nursery/ Crèche	December 2010	September 2016	53	56.99	50.42	6.57
iii	Electric Sub-station	March 2008	August 2016	31	85.44	63.88	21.56
	Sub Total 4			**273**	**1073.43**	**917.82**	**155.61**
Grand Total (1 to 4)				**1278**	**12618.45**	**10778.62**	**1839.83**

Source:* *Compiled by Audit on the basis of Data obtained from System Department of GNIDA

Thus, it is evident from above that the sale price were fixed at lower side due to which GNIDA undercharged ₹ 1,839.83 crore from 1,278 allottees under different categories of allotments during the period 2007-08 to 2016-17.

During the Exit Conference (7 January 2021), the State Government accepted the audit observations and stated that a Committee will be constituted to evolve a standard costing guidelines. Status regarding constitution of the committee has not been received (March 2022).

Cost components not included in pricing of Sports City and Recreational Entertainment Park plots

4.4.2 GNIDA decided (February 2011) to develop Sports City as an integrated mini township with all modern and world class sports and other related facilities by adopting development plan similar to that of NOIDA. Subsequently, scheme of Recreational Entertainment Park (REP) was launched (June 2014) in recreational green area of Master Plan 2021.

Audit noticed that GNIDA fixed the reserve price for the Sports City plots by taking a weighted average of the reserve prices for the three categories of land uses allowed in Sports City plots, *viz.,* group housing, commercial and recreational. In case of REP plots, the reserve price of recreational green was applied, as detailed in **Table 4.8**.

Table 4.8: Reserve price of Sports City and REP plots as fixed by GNIDA

Particular	Weighted Average (*per cent*)	Sports City -01 (launched in March 2011)		Sports City-02 (launched in June 2014)		REP-01 (launched in June 2014)
		Land rate (per sqm)	Weighted price	Land rate (per sqm)	Weighted price	Land rate (per sqm)
Recreational	70	4000	2800	7725	5407	7725
Commercial	2	22000	440	44245	885	Not included
Residential (Group Housing)	28	11000	3080	22850	6398	Not included
		Total	6320		12690	7725
Reserve Price (₹ per sqm) fixed by GNIDA			**6400**		**12690**	**7725**

Source: Information provided by GNIDA

GNIDA extended undue benefit of ₹ 690.76 crore due to inadequate consideration of components of essential input cost while determining the cost of land of sports city and REP scheme.

As discussed in ***Paragraph 4.3.2***, GNIDA arbitrarily fixed sale price for residential (group housing) and commercial category plots. Besides essential input costs, *viz.*, additional property, rehabilitation and resettlement, payment of annuity and interest expenses, were also not adequately included in their pricing. Since the sale price of residential (group housing) and commercial plots were the basis for fixing reserve price for Sports City plots, it led to less fixation of reserve prices of Sports City/REP plots as detailed in ***Appendix 4.3***. It is also seen from the Table above that in the reserve price of REP plots, residential component was not included however residential construction of 25 *per cent* was allowed in the brochure without including its weighted cost. This gave undue benefit of ₹ 319.36 crore to the allottees of REP as explained in ***Paragraph 5.4.7.2***.

Further, GNIDA did not revise the sale price of Recreational Green plot for the year 2010-11, which was kept same (₹ 4,000 per sqm) as in the previous year 2009-10. For the year 2014-15, GNIDA had computed the sale price of Recreational Green plot as ₹ 7,210 per sqm under capital budgeting, however, it was fixed at ₹ 7,725 per sqm on the basis of cost inflation index (*i.e.,* increased by 10.211 *per cent* over the previous year's sale price of ₹ 7,010 per sqm). The sale price has been reworked by Audit for the year 2010-11 and 2014-15 considering all inputs (***Appendix 4.4***), which indicate that the sale price of recreation green should have been taken as ₹ 5,709 per sqm for the year 2010-11 and ₹ 12,020 per sqm for the year 2014-15.

The net impact of less fixation of sale price of recreational, commercial and residential (group housing) resulted in less fixation of reserve price of plots of Sports City-01 (by ₹ 1885 per sqm), Sports City -02 (by ₹ 4034 per sqm) and REP-01 (by ₹ 4295 per sqm) as worked out in ***Appendix-4.3***. As a result, the allottees had undue benefit of ₹ 690.76 crore.

In its reply, GNIDA stated (October 2020) that the reserve price of plots is fixed every year after approval of Board by considering the expenditure incurred on land acquisition, development expenditure on special projects and keeping in view of market condition.

During the Exit Conference (January 2021), the State Government agreed to the need for corrective action and stated that a Committee would be constituted to evolve a standard costing guidelines which the Authority would adopt.

Loss due to incorrect fixation of reserve price of Farm Houses plots

In case of determination of reserve price of Institutional Farm Houses plots, GNIDA did not include some input costs. Further, in case of *Krishi* Farm Houses, GNIDA did not include the input costs on account of stamp duty on acquisition of land, interest and establishment charges. As a result, undue benefits of ₹ 495.33 crore were extended to 12 allotees of Farm Houses plots.

4.4.3 Zoning regulations of Master Plan 2021 of GNIDA provides for 'agriculture use zone' outside the urbanisable area which can be used *inter alia* for developing farm houses. GNIDA rolled out two schemes for allotment of plots for farm houses, *viz.*, Institutional Farm Houses scheme and *Krishi* Farm Houses scheme.

As discussed in ***Paragraph 4.4***, the sale price of the properties should be determined in a manner to ensure recovery of all input costs. However, in case of determination of reserve price of Institutional Farm Houses plots, GNIDA did not include some input costs, *viz.*, costs for additional property[34], rehabilitation and resettlement[35], special projects and interest on external development expenses. GNIDA had fixed reserve price of ₹ 2,600 per sqm for Institutional Farm Houses plots without considering above input costs. However, as worked out in Audit, the reserve price for Institutional Farm Houses plots (launched in January 2011) should have been fixed as ₹ 6,350 per sqm after taking into account all input costs[36].The incorrect fixation of reserve price led to loss of ₹ 484.32 crore to GNIDA in allotment of three Institutional Farm Houses plots, as detailed in **Table 4.9**.

Table 4.9: Incorrect fixation of reserve price of Institutional Farm Houses plots

Plot number	Area in sqm	Reserve price as per scheme brochure (₹ per sqm)	Rate worked out in Audit (₹ per sqm)	Bid Price (₹ per sqm)	Difference in bid price and land rate worked out in Audit (₹ per sqm)	Loss (₹ in crore)
FH-01	3,77,000	2,600	6,350	2,730	3,620	136.47
FH-02	4,04,879	2,600	6,350	2,785	3,565	144.34
FH-03	5,66,103	2,600	6,350	2,755	3,595	203.51
Total	**13,47,982**					**484.32**

Source: Data and information furnished by GNIDA.

In case of *Krishi* Farm Houses, GNIDA kept the reserve price of plots as ₹ 5,010 per sqm. However, while computing the reserve price, GNIDA did not include the input costs on account of stamp duty on acquisition of land, interest and establishment charges. As a result, GNIDA fixed lower rate (by ₹ 1,310 per sqm) for these plots, thereby resulting in loss of ₹ 11.01 crore on allotment of nine farm houses measuring 84,047 sqm land.

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[34] Constitutes non-movable property standing on the land being acquired, *i.e.,* standing trees, tube well, constructed or semi-constructed building, *etc*.

[35] Additional benefits beyond monetary compensation to the families affected adversely affected by involuntary displacement due to acquisition of land.

[36] In Paragraph 4.4.1, the basic rate for land (January 2011) has been worked out by Audit as ₹ 8,155 per sqm considering saleable area as 70 *per cent* for Institutional category. In case of farm house, the saleable area has been taken as 80 *per cent* (as computed by GNIDA). Further, internal development (₹ 625 per sqm), which was included in case of Institutional category plots in Paragraph 4.4.1, has been excluded in Farm House plots due to the fact that internal development of Farm House plots was the responsibility of allottee.

Thus, GNIDA incurred loss of ₹ 495.33 crore[37] on account of premium due to incorrect fixation of reserve price on allotment of 12 farm houses plots.

In its reply, GNIDA stated (January 2021) that cost of special projects was not loaded in the allotment of Farm Houses as it was under the category of agriculture green. It was further stated that the cost of special projects was recovered from the categories of residential, commercial, industrial and institutional allotments.

The reply is not acceptable, as there was absence of any rationale for not including the cost of special projects as input cost for Institutional Farm Houses scheme. The allottees of Institutional Farm Houses scheme were allowed to construct one dwelling unit, staff/servant quarter, guard room, swimming pool and parking facilities, *etc.* Thus, unlike *Krishi* Farm Houses scheme that did not allow construction of residential facilities, the allottee of Institutional Farm House plots had permission to construct residential facilities and as such, they shall avail the benefit of special projects established by GNIDA. Therefore, cost of special projects should have been loaded in the reserve price of Institutional Farm Houses.

During the Exit Conference (January 2021), the State Government agreed to the need for corrective action in pricing of properties and stated that a committee would be constituted to evolve a standard costing guideline.

Floor Area Ratio and Ground Coverage not considered in fixation of sale price

GNIDA did not consider FAR and GC while determining the sale price due to which it was deprived of extra revenue of ₹ 3,385.37 crore in respect of 1,296 allotments under different categories during the period 2007-08 to 2016-17.

4.5 Floor Area Ratio (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*. Ground Coverage (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 which can be sold. Besides, increase in FAR and GC puts more burden on the available resources and infrastructure. Therefore, with the allowance of increased FAR and GC, the sale price should accordingly be revised upwards.

In this context, it is pertinent to mention that the Development Authorities (DAs) under Housing and Urban Planning Department in Uttar Pradesh followed the practice of factoring in the higher FAR allowed in pricing of properties.

Audit noticed that GNIDA did not consider FAR and GC while determining the sale price. Audit analysed the cases of higher FAR and GC with respect to the base FAR and GC applicable for the year 2007-08. GNIDA provided increased FAR and GC to the allottees in the subsequent schemes as detailed in **Table 4.10.**

[37] Institutional Farm Houses Plots: ₹ 484.32 crore and *Krishi* Farm Houses Plots: ₹ 11.01 crore.

Table 4.10: Details of increase in FAR and GC

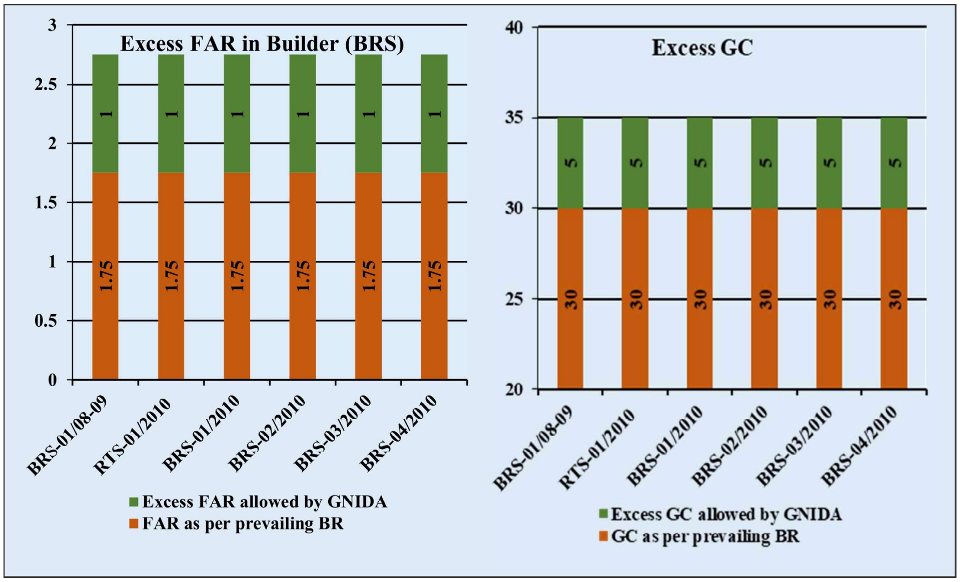
Sl. No.	Category/Years	Period of operation of the scheme	FAR		GC (in *per cent*)	
			Allowed in the scheme brochures	Increase as compared to base year	Allowed in the scheme brochures	Increase as compared to base year
1.	**Builder**					
	2007-08 (Base year)	-	1.75	-	30	-
	BRS 1/2008-09	16-01-09 to 06-02-09	2.75	1	35	5
	BRS 1/2009-10	22-01-10 to 16-02-10	2.75	1	35	5
	RTS 1/2009-10	22-01-10 to 15-02-10	2.75	1	35[38]	5
	BRS 2/2009-10	06-03-10 to 23-03-10	2.75	1	35	5
	BRS 3/2010-11	22-06-10 to 16-07-10	2.75	1	35	5
	BRS 4/2010-11	11-11-10 to 10-12-10	2.75	1	35	5
	BRS 5/2010-11	24-02-11 to 18-03-11	2.75	1	35	5
	BRS 1/2014-15	05-06-14 to 26-06-14	3.50	1.75	35	5
2.	**Commercial**					
	2007-08 (Base year)	-	1.20 and 1.50	-	40	-
	Commercial Plot 1, 2, 3, Commercial Builder Plot 4,5, 7	November 2010 to December 2016	2 and 4	0.80 and 2.50	40	-
	2007-08 (Base year)		0.30	-	40	-
	Petrol Pump-2		0.50	0.20	30	-
3.	**Institutional (Nursery/Crèche)**					
	2007-08 (Base year)	-	0.85	-	40	-
	Open ended schemes	January 2011 to date (as per Building Regulations)	1.50	0.65	40	-

Source: FAR and GC as per scheme brochures provided by GNIDA

Audit further noticed that GNIDA irregularly allowed higher FAR and GC over and above what was allowed in Building Regulation (BR) 2005 to the allottees by including them in the brochures in the cases depicted in **Chart 4.6.**

[38] The scheme brochure provided GC at the rate of 30 *per cent* as per the Bye Laws (Building Regulation 2005, effective from 9 January 2006) applicable at time of launch of the scheme. GC of 35 *per cent* was, however, sanctioned (September 2010) in the building plan of the allottee (Gaursons Hi-Tech Infrastructure Limited; Plot no. GH-01, Sector 4) while sanctioning the Building Plan in September 2010 as per the tender conditions of the allotment.

Chart 4.6: Irregular allowance of excess FAR and GC to Builders



Source: FAR as per Building Regulations notified by the Government of Uttar Pradesh

The excess FAR of one and GC of five *per cent* were allowed in Builder plots, excess FAR by 0.80 and 2.5 over permissible FAR was allowed in commercial builder plots and excess FAR of 0.20 was allowed in petrol pump plots during the schemes launched in April 2006 to December 2010. The excess FAR/GC was allowed mainly during the period January 2009 to December 2010 with the approval of CEO and with the *ex-post facto* approval of the Board. In case of BRS 01/2008-09 launched in January 2009 even the *ex-post facto* approval of the Board was not obtained by the GNIDA.

Audit analysed the sale price for the categories of builders/group housing, commercial, industrial, and institutional after considering the effect of the increase in FAR and GC allowed as compared to the year 2007-08[39] on the sale price arrived at after considering all inputs costs as discussed under ***Paragraph 4.4***. The details of the sale price calculated for above categories after considering FAR and GC[40] are given in ***Appendix-4.2***.

The amount of short recovery by GNIDA from the allotments made under various categories due to not considering input costs and FAR/GC and fixation of sale price at lower side is given in **Table-4.11.**

[39] On the basis of previous year's figures in the costing file of 2008-09 as the files prior to it were not furnished to Audit.

[40] The impact of higher GC was calculated by using the formula of purchasable GC given in the BR under the commercial category which provides that factor for purchasable ground coverage shall be constant at 0.30.

Table 4.11: Loss due to not considering input costs, FAR and GC in fixation of sale price

Sl.No.	Category	Period From	Period To	No. of Allotments	Total value as per Audit	Total value as per GNIDA	Difference (₹ in crore)
1	2	3	4	5	6	7	8 (6-7)
1	**Builder**						
i	BRS Scheme	March 2009	August 2014	160	11471.76	7836.21	3635.55
ii	RTS Scheme	March 2010	April 2010	7	964.30	541.54	422.76
Sub Total 1				**167**	**12436.06**	**8377.75**	**4058.31**
2	Commercial Plots	November 2010	December 2016	36	**1517.74**	**910.15**	**607.59**
3	Industrial	January 2008	December 2016	820	**1628.82**	**1232.25**	**396.57**
4	**Institutional**						
i	IT	April 2007	June 2015	189	931.00	803.52	127.48
ii	Nursery/ *Crèche*	December 2010	September 2016	53	64.11	50.42	13.69
iii	Electric Sub-station	March 2008	August 2016	31	85.44	63.88	21.56
			Sub Total 4	**273**	**1080.55**	**917.82**	**162.73**
			Grand Total (1 to 4)	**1296**	**16663.17**	**11437.97**	**5225.20**

Source: Compiled by Audit on the basis of data obtained from System Development of GNIDA

Thus, it is evident from above that due to the combined effect of inadequate consideration of essential inputs in a uniform manner (as discussed in ***Paragraph 4.4***) and not considering FAR and GC in fixation of sale price, GNIDA was deprived of extra revenue of ₹ 5,225.20 crore[41] in respect of 1,296 allotments under different categories during the period 2007-08 to 2016-17.

The excess allowance of FAR and GC over and above what the Building Regulations allowed for is yet another case of the Authorities causing undue enrichment of the allottees overlooking its own interest and ignoring regulations. In light of the huge losses of over ₹ 5,200 crore caused to GNIDA, the Government may consider fixing responsibility on the concerned officials of GNIDA.

During the Exit Conference (January 2021), the State Government agreed that higher FAR means more infrastructure and therefore should translate in higher prices and stated that a Committee will be constituted to evolve a standard costing guidelines whose Terms of Reference (ToR) would keep in view the Audit observations. Status regarding constitution of the committee is awaited (April 2022).

Failure in recovery of other costs

4.6 All the costs incurred by GNIDA in acquisition and development should be recovered from the allottees by including the cost elements in the sale price. The nature of costs which are specific to certain allottees and the costs which are not in the nature of regular feature or which cannot be apportioned to all the allottees should, however, be recovered specifically and

[41] Inadequate consideration of input cost: ₹ 1,839.83 crore and FAR and GC not considered: ₹ 3,385.37 crore.

separately from the respective allottees. Audit noticed the following cases of short recovery of such costs from the respective allottees:

Additional compensation paid on land acquisition not recovered

4.6.1 The Hon'ble Allahabad High Court in Gajraj and Others *vs.* State of Uttar Pradesh and Others directed in its judgment (October 2011) that "the petitioners (landowners) were entitled for payment of additional compensation to the extent of the same ratio, *i.e.,* 64.70 *per cent* as already paid for village *Patwari* in addition to the compensation received by them under 1997 Rules/award. The landholders were also entitled for allotment of *Abadi* plot to the extent of 10 *per cent*". It also allowed GNIDA to take decision to extend the above benefit to petitioners whose petitions were dismissed earlier and to those land holders who had not filed the Writ Petition. The Hon'ble High Court also allowed GNIDA to take a decision as to what proportion of additional compensation is asked to be paid by the allottees.

In compliance of the above judgment, Board of GNIDA decided (25 November 2011/20 November 2013) to pay additional compensation and additional *Abadi* plot (four *per cent* being the difference of 10 *per cent* and existing six *per cent*) to all the landowners where notification under Section 6(17) was published after 1 April 2007.

GNIDA also decided (9 November 2011) to recover the cost towards payment of above additional compensation from the allottees as allowed by the Hon'ble Allahabad High Court while directing payment of additional compensation to the farmers. It worked out the rate of recovery from different categories of allottees on the basis of area allotted which was later on revised (31 May 2019) in proportion to their value of allotment.

Due to lackadaisical approach in issuing notices for recovery of amount paid as additional compensation, out of total recoverable amount of ₹ 5,983.63 crore, notices for ₹ 2,697.04 crore were not issued and ₹ 1,219.24 crore could only be recovered (February 2022).

Audit noticed that GNIDA had issued notices for recovery of ₹ 3,286.59 crore only against the recoverable[42] amount of ₹ 5,983.63 crore. Notices for the remaining amount of ₹ 2,697.04 crore were not issued so far (February 2022) despite decision taken for recovery in November 2011. Further, out of ₹ 3,286.59 crore for which notices for recovery were issued, only an amount of ₹ 1,219.24 crore was recovered from the allottees during the period of 2013-14 to February 2022. The remaining amount of ₹ 2,067.35 crore is yet to be recovered.

Thus, due to failure of Finance Division in working out the desired amount for recovery and lackadaisical approach of the respective Property Divisions[43] in issuing notices for ₹ 2,697.04 crore[44], out of the total recoverable amount of ₹ 5,983.63 crore, GNIDA could not recover ₹ 4,764.39 crore[45] even after the lapse of eight years from the decision of the Hon'ble Allahabad High Court.

In its reply, GNIDA accepted (October 2020) the Audit contention and stated that at present many allottees have filed petitions at the Hon'ble Allahabad High Court against recovery of the additional amount. The decision of the court is pending and future recoveries have been installed due to these litigations.

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[42] Includes amount of additional compensation, additional area of *Abadi* Plot and unrecovered portion of development charges against the development of the *Abadi* plot.

[43] Builder, Commercial, Institutional/IT and Industry Departments.

[44] Amount recoverable: ₹ 5,983.63 crore *minus* Notices issued: ₹ 3,286.59 crore.

[45] Notices not issued: amounts to ₹ 2,697.04 crore *plus* Notices issued but amount pending for recovery: ₹ 2,067.35 crore.

Short recovery of cost of additional Abadi plots from other allottees

4.6.2 For allotment of *Abadi* plot, the *Abadi* allottee is required to deposit land cost and development charges for the allotted plot size. The land cost comprises the amount of compensation paid towards land rate to him and acquisition expenses (payable to the ADM-LA) at the rate of 10 *per cent* thereon. The development charges were levied at the rate equivalent to the compensation of land rate or the actual development charges for the year worked out by GNIDA, whichever was higher.

GNIDA, in view of the Hon'ble Allahabad High Court order in case of Gajraj and Others vs. State of Uttar Pradesh and Others which allowed it to recover the cost of additional compensation/additional *Abadi* plot, decided (9 November 2011/31 May 2019) to recover the cost of ₹ 5,983.63 crore from the existing (other than *Abadi)* allottees towards payment of above additional compensation and allotment of *Abadi* plot.

While determining the sale price for allottees of other than *Abadi* plots, GNIDA adjusted the cost recoverable from the *Abadi* allottees twice which led to short recovery of ₹ 372.54 crore.

Audit noticed that while determining (May 2019) the cost of additional four *per cent* developed *Abadi* land (27,13,698 sqm) recoverable from other allottees, GNIDA deducted area of additional four *per cent Abadi* land (cost of which is recoverable from the landowners) from the grossed up[46] area of undeveloped land (49,33,996 sqm) and multiplied the difference by the rate of *Abadi* land. Again, GNIDA adjusted the cost recoverable from the landowners towards allotment of developed *Abadi* plot. Thus, while working out the cost of additional *Abadi* land recoverable from allottees other than *Abadi* plots, GNIDA adjusted the cost recoverable from the landowners twice. This resulted in short recovery of ₹ 372.54 crore from allottees other than *Abadi*.

In its reply, GNIDA stated (October 2020) that in calculating the cost of *Abadi* plots on account of additional compensation, the cost of additional land (four *per cent*) has already been loaded by using the formula[47] for grossing up the land and deducting four *per cent* towards land cost recoverable from *Abadi* allottee.

The reply of GNIDA is not acceptable as the land cost recoverable from *Abadi* allottees was adjusted twice as detailed above.

Short recovery of cost of land from allottees of Abadi plots

4.6.3 GNIDA prescribed that the *Abadi* land shall be allotted to the landowners on deposit of the land rate for the area allotted at the rate of compensation actually paid to him. The amount of additional compensation (64.7 *per cent*) of the original land rate was also a part of the compensation paid to such allottee. Therefore, the rate of additional compensation was also to be recovered from the *Abadi* allottee. GNIDA, however, did not recover additional compensation of ₹ 13.93 crore from 1,005 *Abadi* allottees during the period November 2011 to December 2017.

Further, a development charge was to be recovered from the *Abadi* allottees at the rate equivalent to the land rate, which should not be lower in any case than the development cost fixed on the basis of cost of the development works, in respect of the allotments upto May 2013 and thereafter at the rate of 50 *per cent*. Since additional compensation was a part of the land rate, the

[46] Grossing up due to 55 per cent saleable land.
[47] (Four *per cent* x 100/55) *minus* four *per cent.*

GNIDA failed to recover additional compensation and proportionate development charges from the *Abadi* allottees to the extent of ₹ 20.02 crore.

development charges should also have been increased by the rate of additional compensation (50 *per cent* of rate of additional compensation from May 2013). GNIDA failed to levy development charges on the additional compensation. Resultantly, GNIDA was unable to recover at least[48] ₹ 6.97 crore (being 50 *per cent* of additional compensation of ₹ 13.93 crore) from 1,005 *Abadi* allotees during the period November 2011 to December 2017.

Thus, GNIDA failed to recover ₹ 20.90 crore from the *Abadi* allottees due to not recovering additional compensation and development charges on the additional compensation.

In its reply, GNIDA stated (October 2020) that it has recovered ₹ 83.71 lakh (additional compensation: ₹ 64.21 lakh and development charges: ₹ 19.50 lakh) from 106 *Abadi* allottees. It further stated (August 2022) that an additional amount of ₹ 3.92 lakh (additional compensation: ₹ 2.98 lakh and development charges: ₹ 0.94 lakh) has been recovered.

Thus, even after considering recoveries made by GNIDA, an amount of ₹ 20.02 crore on account of land rate and development charges towards payment of additional compensation remained unrecovered.

Recovery of ex-gratia payments for land acquisition not done

4.6.4 With a view to resolve the issue of demand for increase in compensation by the farmers in case of eight villages (*Surajpur, Ajayabpur, Gharbhara, Ghodi Bachheda, Saini, Dadha, Mathurapur* and *Dabra*), GNIDA decided (23 December 2008) payment of an *ex-gratia* amount of ₹ 431.82 crore.

GNIDA failed to recover *ex-gratia* of ₹ 307.37 crore from the allottees as it did not include this amount in the standard costing from the year 2015-16.

GNIDA paid (January 2009 and February 2011) ₹ 431.71 crore to the ADM (LA) for onward payment to the affected farmers. The recovery of expenditure incurred on the above head from allottees was made by considering it in the standard cost under the head 'recovery for special projects'[49]. Therefore, in order to recover the full amount of expenditure incurred on various special projects, the cost of such projects was required to be included during the year of its occurrence and each succeeding year till the total cost of all such projects was recovered. Audit noticed that GNIDA included the expenditure incurred on *ex-gratia* under the cost of special projects during the years 2009-10 to 2014-15. Thereafter, from the year 2015-16, such amount was not included in the cost of special projects. Due to this, the expenditure incurred on *ex-gratia* was not recovered in full. Out of ₹ 431.71 crore incurred on *ex-gratia*, GNIDA could recover ₹ 124.34 crore[50] ***(Appendix 4.5)*** during the years 2009-10 to 2014-15 from sale of properties and the remaining amount of ₹ 307.37 crore could not be recovered due to exclusion of this head from the cost of special projects.

In its reply, GNIDA stated (October 2020) that the cost of ₹ 431.32 crore on account of *ex-gratia* payment was loaded in the standard cost under special projects from the year 2009-10 to 2013-14 and the total cost recovered during

[48] Since the date of allotments of *Abadi* plot to allotees not available to levy amount equivalent to rate of additional compensation for allotments prior to May 2013.

[49] The rate of recovery for special projects was calculated for each year by dividing the total projected cost of special projects undertaken up to date remaining for recovery by the balance gross area to be developed for sale.

[50] *Ex-gratia* recovered in 2009-10: ₹ 9.01 crore, 2010-11: ₹ 44.37 crore, 2011-12: ₹ 0.02 crore, 2012-13: ₹ 0.63 crore, 2013-14: ₹ 37.66 crore and 2014-15: ₹ 32.65 crore.

the above period was ₹ 3,445.66 crore which includes the cost on account of *ex-gratia* payments.

The reply of GNIDA is not acceptable as the remaining amount of *ex-gratia* of ₹ 307.37 crore could not be recovered by GNIDA due to not including this head under the special projects from the year 2015-16 and onwards.

Loss of stamp duty to State exchequer due to incorrect fixation of sale price

4.7 Section 17 read with Section 78 of the Registration Act, 1908 provided that the leases of immovable property for any term exceeding one year shall be required to be registered at the fee determined by the State Government. Further, Section 3 of the Indian Stamp Act, 1899 prescribed the quantum of duty payable on the execution of lease deed. The GoUP exercising the powers given under the Indian Stamp Act, 1899 revised vide order[51] (June 2008) and prescribed payment of stamp duty[52] at the rate of five[53] *per cent* of consideration amount of property being registered.

Due to incorrect fixation of sale price, the State exchequer was put to loss of stamp duty of ₹ 320.56 crore on amount of ₹ 6,411.29 crore less recovered by GNIDA.

Audit noticed that due to incorrect fixation of sale prices, GNIDA suffered loss of ₹ 6,411.29 crore[54] towards short recovery of land premium (consideration) from the allottees as discussed in ***Paragraphs 4.4 and 4.5 of Chapter-IV: Pricing of Properties***. Consequently, the State exchequer was also put to loss of stamp duty of ₹ 320.56 crore[55] on the above amount of land premium short charged by GNIDA.

In its reply, GNIDA stated (October 2020) that the amount of loss of stamp duty does not seem to be logical.

The reply of GNIDA is not acceptable since the stamp duty is payable to the GoUP under Section 3 of the Indian Stamp Act, 1899 on the amount of consideration (land premium) of the immovable property being transferred at the rate prescribed by the GoUP. Had GNIDA fixed the sale prices appropriately for allotment of properties, the GoUP would not have been put to loss of stamp duty on the amount of consideration (land premium) of ₹ 6,411.29 crore short recovered from the allottees as discussed in detail in ***Paragraphs 4.4 and 4.5***.

4.8 Conclusion

GNIDA did not prepare any guidelines for pricing of the properties due to which method of pricing was not well structured. The method of pricing was not consistent across the years and prices were fixed arbitrarily without consideration of all the input costs and the benefits of Floor Area Ratio/Ground Coverage. 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 substantial loss of revenue to GNIDA but also resulted in loss of stamp duty to the

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[51] SR-5-2756/11-2008-500(165) – 2007 dated 30 June 2008.

[52] On leases for period exceeding thirty years.

[53] Eight *per cent* applicable earlier vide notification no. KSB-5-3706/11-1998 dated 31 August 1998.

[54] ₹ 5,225.20 crore (Paragraph 4.5) *plus* ₹ 690.76 crore (Paragraph 4.4.2) *plus* ₹ 495.33 crore (Paragraph 4.4.3)

[55] At the rate of five *per cent.*

State exchequer. Thus, undue benefits were factored in the pricing of different categories of plots.

4.9 Recommendations

Recommendation Number	Recommendation
9.	**GNIDA should prepare guidelines for pricing of properties to streamline the method of pricing. The State Government has accepted the recommendation.**
10.	**GNIDA should consider all the input costs and factor in the benefits of FAR and GC in pricing of the properties. The State Government has accepted the recommendation and assured that a Committee will be set-up by the Government to recommend costing guidelines which *inter alia* will keep in view the observations made by Audit.**
11.	**GNIDA should develop mechanism for recovery of other costs which are not a component of the sales price but to be recovered separately from the specific allottees. The State Government has accepted the recommendation.**
12.	**Undue benefits given by way of excess FAR, excluding input costs and through gaps in slab rates should be separately investigated and responsibility fixed.**