



सत्यमेव जयते

Report of the Comptroller and Auditor General of India

Performance Audit on Role of Maharashtra Industrial Development Corporation (MIDC) in the industrial development of Maharashtra



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest



Government of Maharashtra
Report No. 5 of the year 2023

**Report of the
Comptroller and Auditor General of India**

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(MIDC)
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Preface

1. This Report has been prepared for submission to the Governor of Maharashtra under Comptroller and Auditor General's (Duties, Powers and Conditions of Service Act) Act, 1971.
2. The Report contains the results of Performance Audit on 'Role of Maharashtra Industrial Development Corporation (MIDC) in the industrial development of Maharashtra' covering the period 2014-15 to 2020-21.
3. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Government of Maharashtra (GoM) established (August 1962) Maharashtra Industrial Development Corporation (MIDC) under Section 3 of Maharashtra Industrial Development Act, 1961 (MID Act) to promote and assist in the rapid and orderly establishment, growth and development of industries in the State of Maharashtra. MIDC is under the administrative control of Industries, Energy and Labour Department of the GoM. The Board of MIDC presently consists of eight members. Minister (Industries), GoM is the *ex-officio* Chairman, Minister of State (Industries), GoM is the *ex-officio* Vice-Chairman and Chief Executive Officer (CEO) of MIDC, is the *ex-officio*, Secretary. The day-to-day operations of MIDC are looked after by the CEO.

The Performance Audit (PA) was conducted to cover the aspects of MIDC related to corporate governance, planning, development of industrial areas (IAs), land acquisition, pricing and allotment, recovery of charges and monitoring system for development and utilisation of plots during the period 2014-15 to 2020-21.

Audit observed that during the period 2014-21, GoM did not appoint seven out of 15 members to the Board of MIDC. *GoM may ensure that vacancies of Board members of MIDC are filled up without delay.*

The Board of MIDC took important decisions having financial implications overriding the extant rules/policy in cases of land allotment, levy of lease premium/transfer charges/extension charges and sub-letting charges in favour of private parties. Relaxation in rules/policies on a case to case basis, lacked transparency and brought in arbitrariness in decision making and governance-causing loss to public exchequer. *MIDC may ensure strict implementation of regulations and laid down policies in land allotment and recovery of charges.*

MIDC did not formulate any programme/plan for achievement of targets set in the State Industrial Policy (SIP). MIDC also did not have a perspective plan for land acquisition, development and allotment activities in IAs detailing physical targets to be achieved. Land acquisition and industrial development activities of MIDC, thus, did not emerge out of a systematic and comprehensive plan. In the absence of any physical targets, there was no benchmark to assess performance of MIDC. *MIDC may prepare Perspective Plan and Annual Plan as per the SIP, quantifying physical targets to be achieved.*

MIDC allotted land to prospective entrepreneurs considering, *inter alia*, proposed investment and employment generation mentioned in the Detailed Project Reports (DPR). There was, however, no database/system to ascertain/record allottee wise details regarding actual employment generated and investment made by an allottee *vis-a-vis* the DPR. MIDC, thus, confined its role to development/allotment of land in IAs and outcome based approach to industrial development (investment and employment generation) was lacking. *MIDC may evolve a system of recording/monitoring of actual investment and employment generation by allottees vis-a-vis their DPRs to ensure that expected outcomes of industrial development from such land allotment are achieved.*

MIDC had not formulated any action plan/system for acquisition of surplus/unutilised land with the allottees, for allotment to new entrepreneurs as envisaged in Section 42A of the MID Act. Thus, MIDC did not ensure optimal utilisation of IAs as mandated in the MID Act. *Action as stipulated under MID Act for reporting and acquisition of surplus/unutilised land with allottees may be initiated.*

Four policies implemented by MIDC for development/disposal of plots in IAs (allotment rate, grant of possession of plot, mixed land use on industrial plot and recovery of arrears as land revenue) contravened express provisions of the MID Act, MIDC Disposal of Land Regulations, 1975 (DLR) and Development Control Regulations (DCR), 2009. *MIDC may ensure that all policies adhere to the statutory provisions.*

MIDC did not ensure timely finalisation of tenders within the validity period as per delegation of powers which resulted in cancellation of tenders and re-tendering at extra cost. *MIDC may ensure timely finalisation of tenders within the validity period in accordance with delegation of powers to avoid re-tendering of works.*

Policy of fixation / revision of land rates was not appropriate. Systemic delays in implementation of revised land rates were observed leading to loss to MIDC. *MIDC may ensure that revised land rates are implemented immediately after approval of the Board and a suitable clause regarding recovery of lease premium at revised rates may be incorporated in the offer letters.*

MIDC made direct allotment of plots to ineligible allottees contrary to the laid down policies (e-bidding, waiting list, priority and expansion). Further, allottees were issued offer letters for allotment of land despite non-availability of carved out plots in violation of MIDC Regulations. Instances of undue concession to allottees in recovery of revenue from lease premium, transfer charges, Urban Land Ceiling (ULC) Exemption transfer charges, extension charges and sub-letting charges were observed. Irregular grant of instalments for payment of lease premium and non-forfeiture/refund of lease premium in violation of regulations/policy were also observed. *MIDC may ensure prompt recovery of dues from allottees as per laid down policies and responsibility needs to be fixed for granting undue concessions to allottees.*

Lack of system for periodic revision of water charges and service charges from the allottees was observed which led to short recovery of expenses. *MIDC may ensure timely revision of water charges and service charges and responsibility needs to be fixed for non-implementation/withdrawal of revised rates leading to financial loss to the Corporation.*

MIDC had not levied and recovered Goods and Services Tax on non-exempted services from the plot holders leading to non-payment of statutory dues.

There was absence of an effective system to monitor cases of non-development of plots/obtaining Building Completion Certificate (BCC) within the stipulated time limit. MIDC also did not initiate prompt action for resumption of plots and timely issue of notices for recovery of extension charges. *MIDC may implement*

an efficient and effective Information Technology (IT) based monitoring system for automatic generation of notices to allottees who had failed to develop plots/obtain BCC within the stipulated development period.

Instances of unauthorised sub-lease and change in use of allotted plots, lack of system for monitoring, removal of encroachments and irregular allotment of land to encroachers was observed. *MIDC may formulate time bound action plan for eviction of encroachments and demolition of illegal constructions from encroached properties and responsibility needs to be fixed for failure to prevent/demolish encroachments and irregular allotment of land to encroachers.*

Chapter I

Introduction

Chapter I

1.1 Introduction

Government of Maharashtra (GoM) established (August 1962) Maharashtra Industrial Development Corporation (MIDC) under Section 3 of Maharashtra Industrial Development Act, 1961 (MID Act) to promote and assist in the rapid and orderly establishment, growth and development of industries in the State of Maharashtra. The main activities of MIDC are:

- preparation of a plan for systematic development of Industrial Areas (IAs) on land placed at disposal of MIDC by the GoM (as well as land acquired by MIDC). It included preparation of layout by carving out demarcated plots in IAs for industrial and supporting activities (including amenities) as prescribed in Development Control Rules (DCR);
- development of IAs through construction of roads, water supply system, drainage system, street light, waste/effluent treatment plants, fire station *etc.*;
- allotment of plots/sheds to entrepreneurs on lease for specified purpose (Industrial/commercial/residential/amenities) *etc.* and granting permission for transfer, sub-letting, extension of development period *etc.*;
- regulating setting up of industries and construction of buildings by allottee as a Special Planning Authority in the IAs; and
- maintenance of infrastructure provided in the IAs and providing water supply to allottees/consumers.

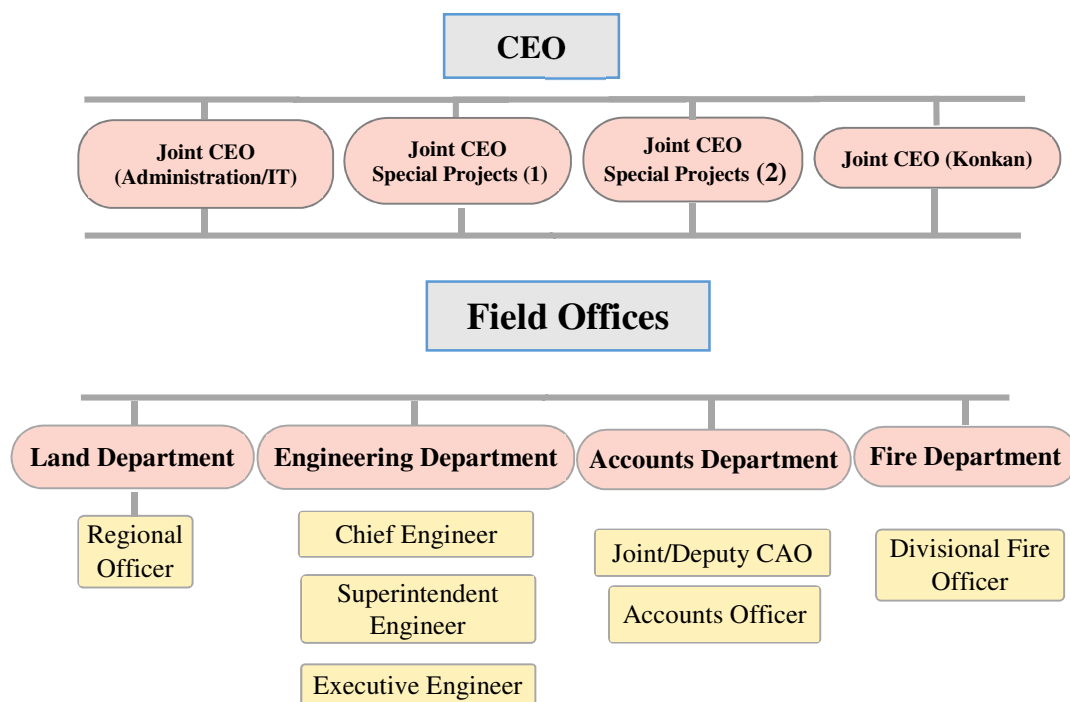
As on March 2021, MIDC was in possession of land admeasuring 79,317 hectare (Ha) and had established 289 IAs, which included Special Economic Zones (SEZs) and specialized parks for different industrial sectors like Biotechnology, Information Technology (IT), Textile, Wine (Grape processing), Floriculture *etc.*

1.2 Organisational set-up

MIDC is under the administrative control of Industries, Energy and Labour Department of the GoM. The Board of MIDC presently consists of eight members. Minister (Industries), GoM is the *ex-officio* Chairman, Minister of State (Industries), GoM is the *ex-officio* Vice-Chairman and Chief Executive Officer (CEO) of MIDC, is the *ex-officio*, Secretary. The day-to-day operations of MIDC are looked after by Chief Executive Officer (CEO) with assistance of Joint CEOs, Deputy CEOs, General Managers, Chief Planner, and Chief Accounts Officer *etc.* MIDC has 16 Regional Offices (ROs) in the State, which are entrusted with the activities of land acquisition, preparation of layout of IAs, allotment of plot and post allotment activities and monitoring. There are 28 Division Offices (DOs) which are responsible for execution of infrastructure works, maintenance and recovery of service/water charges, granting building plan approval and Occupancy Certificates to allottees in the IAs.

The organisational structure is depicted in **Chart 1.1**:

Chart 1.1: Organisational structure MIDC



1.3 Audit objectives

The Performance Audit was conducted to assess whether:

- MIDC was able to achieve its objective of planned and systematic industrial development through creation of IAs;
- Proper system existed for fixation of price and land allotment was fair and transparent in line with prevailing policies/rules/regulations;
- Internal control system was effective to ensure timely recovery of revenue/ dues at appropriate price; and
- Monitoring system was adequate and effective in ensuring utilisation of land for the intended purposes.

1.4 Audit criteria

The audit criteria were adopted from the following sources:

- Maharashtra Industrial Development Act, 1961 (MID Act), Maharashtra Industrial Development Rules, 1962 (MID Rules), MIDC Disposal of Land Regulations, 1975 (MIDC DLR) and Development Control Regulations (DCR), 2009;
- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LARR Act);
- Industrial Policy of the GoM of 2013 and 2019;

- Government Resolutions, notifications and directives issued;
- Policy, Manual, Circulars, Regulations and Guidelines issued by MIDC;
- Term and conditions of allotment/agreement to lease;
- Minutes/decisions of Land Allotment Committee (LC/LAC) and delegation of powers; and
- Agenda notes/Resolutions of Board Meetings.

1.5 Scope and Methodology of Audit

The Performance Audit (PA) was conducted in two phases; between May-December 2019 and August to October 2021 covering the period 2014-15 to 2020-21. Apart from the Head Office, 11 ROs¹ out of 16 ROs of MIDC were selected considering revenue earned and geographical representation of all the five regions of the State.

Performance of MIDC was earlier reviewed and included in Report of the Comptroller and Auditor General of India (PSUs), GoM for the year ended 31 March 2013. The Committee on Public Undertakings (COPU) discussed the Report (January-June 2019) and their recommendations were awaited (August 2022).

An Entry Conference was held in May 2019 with Management of the MIDC, where audit methodology, scope of audit, audit objectives and criteria thereof were explained. Exit conference was held on 20 December 2021, with Additional Chief Secretary (Industries), GoM and CEO, MIDC, wherein audit findings were discussed. Replies of the MIDC/GoM (December 2021/ August 2022) have been suitably incorporated in the Report.

The GoM stated (December 2021) that all the audit findings in the Audit Report except the audit observation of non-appointment of Board members, were within the jurisdiction of MIDC and action was being taken by Board of MIDC under their powers and, hence there were no comments of GoM on the same.

1.6 Acknowledgement

Audit acknowledges co-operation and assistance extended by MIDC at various stages of conducting the Performance Audit.

¹ Amravati, Aurangabad, Kolhapur, Mahape, Nagpur, Nanded, Nashik, Pune-I, Pune-II, Thane-I and Thane-II.

Chapter II

Corporate Governance and Planning

Chapter II

Corporate Governance and Planning

During the period 2014-21, GoM did not appoint seven out of 15 members to the Board of MIDC. The Board of MIDC took important decisions having financial implications overriding the extant rules/policy in cases of land allotment, levy of lease premium/transfer charges/extension charges and sub-letting charges in favour of private parties. Relaxation in rules/policies on a case to case basis, lacked transparency and brought in arbitrariness in decision making and governance-causing loss to public exchequer.

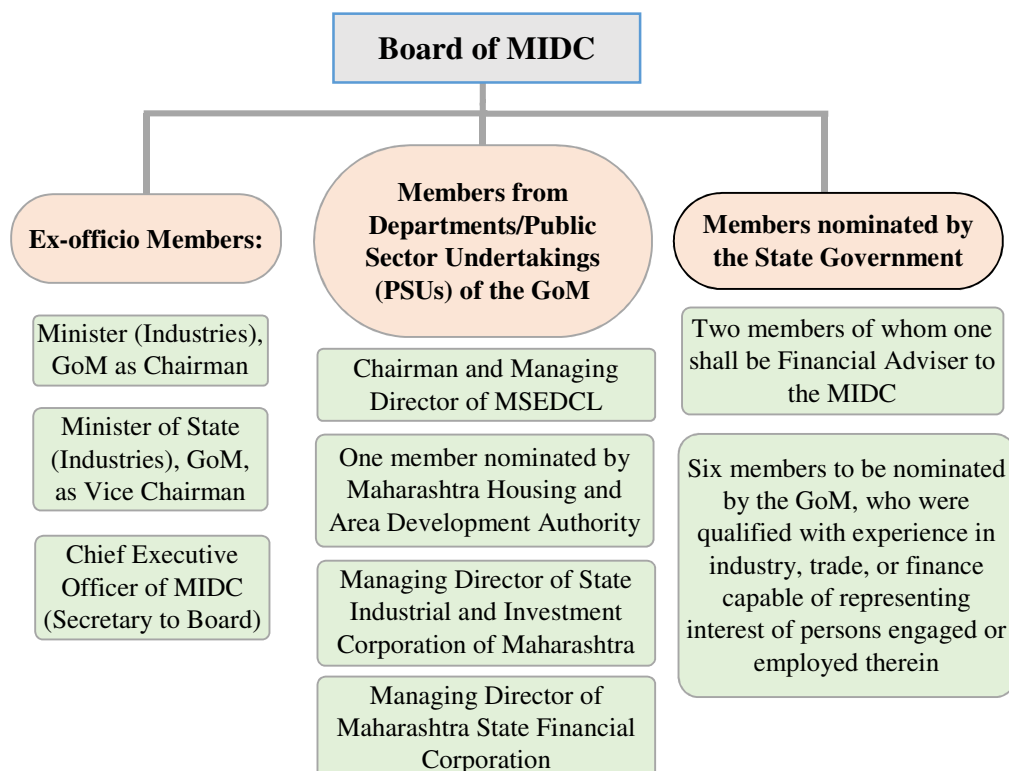
MIDC did not formulate any programme/plan for achievement of targets set in the State Industrial Policy (SIP). MIDC also did not have a perspective plan for land acquisition, development and allotment activities in Industrial Areas (IAs) detailing physical targets to be achieved. Land acquisition and industrial development activities of MIDC, thus, did not emerge out of a systematic and comprehensive plan. In the absence of any physical targets, there was no benchmark to assess performance of MIDC.

2.1 Corporate Governance

As per Section 3(2) the MID Act, MIDC shall be a body corporate with perpetual succession. As per Section 4 of the MID Act, MIDC shall consist of 15 members (herein referred to as Board²) as depicted in the **Chart 2.1**.

² As per MID Act, Board is not defined, however, meetings of the Members are being referred as meetings of the Board by MIDC.

Chart 2.1: Composition of Board of MIDC



Audit observed lack of effective corporate governance in the following areas:

Non-appointment of members

2.1.1 During the period 2014-21, the Board comprised of only eight³ members. Other seven members (six members to be nominated by GoM and one member as a Financial Advisor of MIDC) were not appointed to the Board. It is pertinent to note that Section 9 of the MID Act stipulated that any vacancy of a member of the MIDC shall be filled as early as practicable, which was, thus, not ensured.

GoM stated (December 2021) that action for appointment of members of MIDC would be taken as per provisions of the MID Act.

Recommendation No. 1: GoM may ensure that vacancies of Board members of MIDC are filled up without delay.

³ Chairman, Vice-Chairman, CEO of MIDC; Principal Secretary (Industries), GoM; Chairman and Managing Director of Maharashtra State Electricity Distribution Company Limited, nominated member of Maharashtra Housing and Area Development Authority and Managing Directors of State Industrial and Investment Corporation of Maharashtra Limited and Maharashtra State Financial Corporation.

Decisions of MIDC overriding laid down policies and Regulations

2.1.2 As per section 64 (1) of the MID Act, 1961, the MIDC may, with the previous approval of the State Government, make Regulations consistent with this Act and Rules made thereunder, to carry out purposes of this Act. Accordingly, MIDC with previous approval (January 1975) of GoM, framed MIDC Disposal of Land Regulations, 1975 (MIDC DLR) in exercise of powers granted under section 64 (1) of the Act, which were applicable to all lands transferred to or placed at disposal of MIDC by State Government. Further, as per Regulation 35 of MIDC DLR, MIDC may delegate any of its powers under these regulations to the CEO or any other officer for efficient working and for the purpose of achieving the objects of the Act.

As per provisions of MIDC DLR, MIDC was empowered to allot plots (Regulation 8 and 12) and grant permission for transfer/subletting (Regulation 29) to an allottee on recovery premium/charges as fixed by MIDC from time to time. Further, MIDC was entitled to resume possession of plot in case of contravention of any terms and condition of agreement to Lease by an allottee (Regulation 17). In this regard, MIDC had issued various policy circulars, whereby powers were delegated to the CEO/Joint CEO/Deputy CEO/Regional Officers (including committees constituted under their chairmanship) for allotment of land and granting permission of transfer/subletting/time limit extension to an allottee subject to fulfilment of laid down conditions and levy/recovery of prescribed premium/charges.

Audit, however, observed that the Board of MIDC as well as Chairman, MIDC and CEO took important decisions having financial implications-overriding the extant rules/policy in cases of land allotment, levy of lease premium/transfer charges/extension charges and sub-letting charges which led to undue benefit to various private parties. Relaxation in rules/policies on a case-to-case basis, lacked transparency and brought in arbitrariness in decision making and governance-causing loss to public exchequer as discussed *infra* in paragraphs 4.2.5, 4.2.7, 4.2.9, 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.1.5, 5.2.1, 5.2.2.1, 5.2.2.2, 5.2.3 and 5.2.4.

2.1.3 The statutory mandate of MID Act and MID DLR has to be followed by MIDC while making allotment of land. As per Regulation 10 of MIDC DLR, on receipt of any application for allotment of land, the CEO shall make such enquiries as he deems necessary and place it before the Land Allotment Committees (LCs) with his recommendations and LCs may either sanction or reject such application.

The MIDC DLR does not mention any provision regarding composition/constitution (members, chairman *etc*) of LCs. MIDC issued policy circulars whereby LCs were constituted at Head Office and Regional Office level and composition (members/chairman) of LCs were laid down. The LCs at Head Office and Regional Office level, under the chairmanship of Joint Chief Executive Officers/ Deputy Chief Executive Officers and Regional Officers respectively, were granted powers of land allotment depending upon extent of area of the plot to be allotted.

The LCs were thus empowered to allot available plots considering prevailing policies, viability of projects, projected investment and employment, availability of land *etc.*

Audit observed that land allotment in five cases⁴ were placed before the LCs in accordance with the directions of the Chairman MIDC; while 100 cases⁵ were on directions/approval of the Board, as discussed *infra*. Thus, land allotments in these 105 cases vitiated the laid down procedures and authority granted to LCs under Regulation 10 of MIDC DLR.

MIDC stated (December 2021) that;

- As per clause 15(a) of the MID Act, the MIDC shall have the power to acquire and hold such property, both movable and immovable as the MIDC may deem necessary for the performance of any of its activities, and to lease, sell, exchange or otherwise transfer any property held by the MIDC on such conditions as may be deemed proper by the MIDC. As per clause 15(k), the MIDC has the power to do such other things and perform such acts as it may think necessary or expedient for the proper conduct of its functions, and carrying into effect the purpose of this Act. In essence, the Board of Directors (BoDs) is the MIDC as per Sections 2(d), Section (3) and Section (4) with full authority under Sections 14 and 15 for allotment of property or undertaking any activity which it deems fit for fulfilling its duties as per the Act. Although, some power is delegated to administration, it doesn't preclude the MIDC from allotment of land to any investor or to decide matters placed before it to serve the purpose of the Act.
- The policy framework is put in place so that delegated powers of the MIDC are exercised in an efficient and systematic manner. However, as the industrial ecosystem is essentially complex in nature in which all situations cannot be reflected in policies, thus necessitating customised solutions. MIDC has to act in a collective wisdom to respond to emerging scenario to the investors to give customised solution to maintain the momentum of business in the State. To create this balance, MIDC does take decisions from time to time to relax such conditions in the policies of priority allotment/auction policy/expansion policy/time extension policy, *etc.* based on local needs and demands and to maintain inclusive development. It is this proactive decision making, which has put the State at forefront in the industrial scenario in India. In the light of above discussion, Board decision making needs to be seen and to be considered.

MIDC further stated (August 2022) that the policy decisions and all other decisions taken are as per the policy in its meeting upholding the objective of securing orderly establishment of industrial areas and industries in the State of Maharashtra. After thorough discussion of all agenda, resolutions get passed unanimously, as such transparency gets maintained and the areas/situation wherein industries face problems and need solution get addressed in the meetings of the Corporation. It was further stated that verdicts pronounced by

⁴ Refer para 4.2.2.

⁵ Refer para 4.2.1, 4.2.3, 4.2.4, 4.2.5, 5.1.2 and 6.4.2.

the courts of Law are binding on MIDC and the Supreme Court of India and Bombay High Court have upheld policy/ decisions taken by the MIDC.

Reply is not tenable for reasons stated below:

- As per Section 2(d) of the MID Act, Corporation means MIDC established under Section 3. Section 4 merely laid down composition of its members. As per Section 66 of MID Act, all members, officers and servants of the MIDC shall, when acting or purporting to act in pursuance of any of the provisions of this Act, be deemed to be public servants⁶. Thus, contention of the management that 'the BoD is the MIDC' is not correct considering that its members are deemed as public servants and not MIDC *per se*. It is also pertinent to note that MID Act has not defined the term 'Board' nor laid down powers of members of the MIDC.
- Powers granted to MIDC under Section 15 of the MID Act must be strictly exercised in accordance with express provisions of Act, Rules/Regulations and laid down policies without any deviations/discrimination. Contention of MIDC regarding relaxation of policies in certain cases depending on prevailing circumstances/situations was against the mandate of Article 14 (equality before law) of the Constitution of India. Further, Regulations specifically empowered CEO/LCs to take decisions of land allotment and not to the Board.
- Decisions of MIDC which were in deviation from extant policies/statutory provisions and hence lacked transparency have been noticed during Audit as referred above. As such, contention of MIDC that decisions of MIDC were as per the policies and transparent, was factually incorrect.
- In this regard, Supreme Court of India and High Courts through various judgements have laid down principles for exercise of power by the State/ Statutory Authorities like MIDC as well as Board in disposal of public property. As such, contention of MIDC regarding courts upholding various decisions was also factually incorrect. Some relevant court judgments in this regard are discussed below:
 - In two cases of land allotment by MIDC, the Bombay High Court held (February 2014⁷/June 2016⁸) that allotments made in violation of prevailing policies/procedures of MIDC were illegal/unlawful. The Bombay High Court while taking a serious view (February 2014) on Board's decision by overruling the views of the management had observed that 'MIDC must strictly abide by its policy and circulars issued and in force so also the mandate of Article 14 of the Constitution of India and act fairly, reasonably and in a non-arbitrary and non-discriminatory'.
 - Earlier, in another case⁹, the Bombay High Court had granted (February 2010) an order whereby a decision/resolution of MIDC Board related to allotment of land was quashed and set aside on the grounds of being arbitrary, unreasonable and against principles of natural justice and fair play. It was

⁶ Public servant within the meaning of Section 21 of Indian Penal Code.

⁷ Real Team Systems Private Limited *versus* the State of Maharashtra (Chikalthana IA).

⁸ Somnath Gangadhar Karale *versus* the State of Maharashtra (Nagapur-Ahmednagar IA).

⁹ Patni Computers System Limited *versus* MIDC.

further observed that being an instrument of the State, it must have its actions judged on the criteria of being fair, bona-fide and unbiased.

Recommendation No. 2: MIDC may ensure strict implementation of regulations and laid down policies in land allotment and recovery of charges.

2.2 Planning

The GoM had formulated a State Industrial Policy (SIP), 2013, which was valid for the period up to March 2019. Subsequently, new SIP, 2019 was declared (March 2019) by the GoM, which was valid for a period of five years (April 2019 to March 2024).

Lack of system to correlate/monitor achievement of State Industrial Policies

2.2.1 The SIP, 2013, *inter alia*, focused more attention on less developed regions of the State to bring them on par with mainstream industrial development, initiatives to encourage employment intensive industries, optimal utilisation of land for industrial development and strengthening of industrial infrastructure *etc.* Further, specific targets¹⁰ were set under SIP, 2013 for manufacturing sector growth, job creation and investment in the State. MIDC was directed to make efforts to acquire additional land, where 75 *per cent* plots have been allotted in the existing IAs. Audit, however, observed that MIDC had neither formulated any programme/plan for achievement of targets set in the SIP nor devised any system for monitoring/reporting progress and to review gaps in identified focus areas.

The SIP, 2019 stipulated 12 issues for implementation with regards to MIDC as shown below:

Promote setting up of flatted galas for the micro and small enterprises under Special Purpose Vehicle model;	Considering the upcoming futuristic Industry 4.0 and hi-tech projects such as air taxi, drone, driverless vehicles, <i>etc.</i> necessary industrial infrastructure shall be planned;	Creation of land bank across the State based on demand assessment considering the future industrial land requirement to facilitate ₹ 10 lakh crore of investment;	Land owned by State Government or State Government organisation if required by MIDC for planned development will be made available at no cost;
Reserve minimum 500 acre industrial area for development of warehousing and logistics facilities in the State);	Setup a dedicated Biotechnology Parks at suitable locations in the state (Aurangabad, Nagpur, Nashik and Pune among others);	In new MIDC industrial estates, 20 <i>per cent</i> area shall be reserved for Small and Medium Enterprises (MSMEs) with reservations for entrepreneurs from SC/ST category, Ex-servicemen, women and industrial units of women's Savings Groups, for which modifications will be made in the Land Allocation Rules of MIDC;	Develop State of the art Exhibition cum Convention Center at the appropriate location in the State;

¹⁰ To achieve manufacturing sector growth rate of 12-13 *per cent* per annum and share of 28 *per cent* of State GDP, create new jobs for two million persons and attract investment of ₹ 5 lakh crore.

• For units that are closed for a continuous period of more than 5 years and have a minimum of 20,000 sqm contiguous land in MIDC areas shall be allowed to develop such land for setting up industrial cluster;	• In order to promote walk to work concept and decongest the cities, satellite offices shall be developed in the State for which MIDC shall be the planning authority;	• 'Excluding Urban Local Bodies Area', MIDC shall be declared the Special Planning Authority (only for permission purposes and no infrastructure support shall be provided by MIDC in such areas) for industrial land above 10 acre for multiple industrial units with single developer for a contiguous land of more than 10 acre and for all the Industrial clusters approved under Government of India and State Government schemes; and	• MIDC shall be the planning authority for these private industrial estates with focus on MSMEs.
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Audit observed that MIDC had implemented (August 2019) only two of the 12 issues of SIP, 2019 which were relating to reserving land for development of warehousing and logistics facilities in the State and reservation of plots for Micro, MSMEs entrepreneurs.

MIDC in its reply (August 2022) while elaborating on action taken in respect of only one issue (development of warehousing and logistics facilities) stated that observation of the audit is noted and suitable proposal for preparation for policy will be submitted before Board for taking suitable decision.

Absence of Perspective Plan

2.2.2 MIDC manual provided for preparing a Perspective Plan (PP) covering a five-year plan period of the State Plan. Further, depending upon potential of various locations in the developing parts of the State, Annual Plan (AP) was to be worked out for acquisition and development of land at various locations. The SIP, 2019 declared (March 2019) by the GoM also provided that MIDC would continue to be the dedicated agency for developing industrial infrastructure. Further, it shall plan and develop new industrial estates and prepare PP in order to promote systematic and regionally balanced industrial development across the State in the next five to 10 years, including initiatives to promote green industrialization in these areas.

Audit observed that during the audit period MIDC did not prepare a Perspective Plan for land acquisition, development and allotment activities and to upgrade infrastructure facilities in IAs detailing physical targets to be achieved. Land acquisition and industrial development activities of MIDC, thus, did not emerge out of a systematic and comprehensive plan. In the absence of any physical targets, there was no benchmark to assess the performance of MIDC.

MIDC stated (December 2021) that it was in the process of preparing a perspective five-year plan for systematic and regionally balanced industrial development across the State.

Recommendation No. 3: MIDC may prepare Perspective Plan and Annual Plan as per the SIP, quantifying physical targets to be achieved.

Chapter III

Land acquisition and development of industrial areas

Chapter III

Land acquisition and development of industrial areas

MIDC allotted land to prospective entrepreneurs considering, inter alia, proposed investment and employment generation mentioned in the Detailed Project Report (DPR). There was, however, no database/system to ascertain/record allottee wise details regarding actual employment generated and investment made by an allottee vis-a-vis the DPR. MIDC, thus, confined its role to development/allotment of land in IAs and outcome based approach to industrial development (investment and employment generation) was lacking.

MIDC had not formulated any action plan/system for acquisition of surplus/ unutilised land with the allottees, for allotment to new entrepreneurs as envisaged in Section 42A of the MID Act. Thus, MIDC did not ensure optimal utilisation of IAs as mandated in the MID Act.

Four policies implemented by MIDC for development/disposal of plots in IAs (allotment rate, grant of possession of plot, mixed land use on industrial plot and recovery of arrears as land revenue) contravened express provisions of the MID Act, MIDC Disposal of Land Regulations, 1975 (DLR) and Development Control Regulations (DCR), 2009.

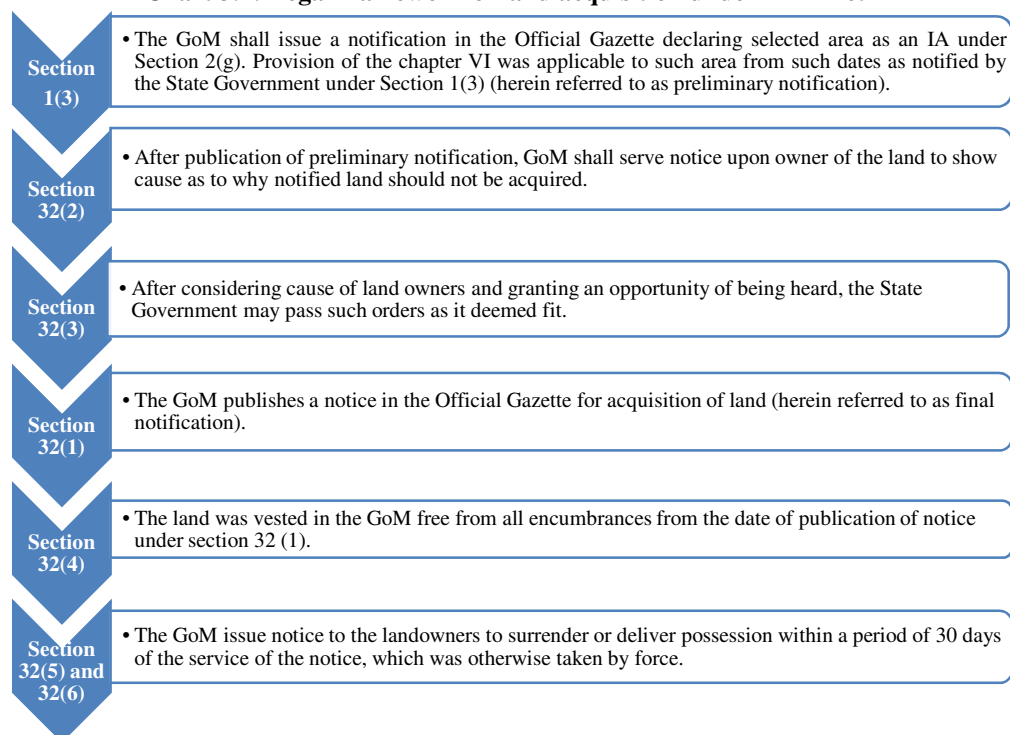
MIDC did not ensure timely finalisation of tenders within the validity period as per delegation of powers which resulted in cancellation of tenders and re-tendering at extra cost.

3.1 Land acquisition

Overview of legal framework for land acquisition

The GoM acquires land under chapter VI of the MID Act and places it in possession of MIDC for establishment of IAs. The GoI notified (September 2013) Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LARR Act). The GoM notified (April 2018) that the provisions of the LARR Act, 2013, would however, not be applicable for acquisition of land under the MID Act. Subsequently, the GoM amended the MIDC Act 2019 (April 2019) which provided that the State Government shall adhere to the provisions of LARR Act, 2013 relating to the determination of amount of compensation in accordance with first schedule and rehabilitation and resettlement specified in second and third schedules, being beneficial to affected families, in land acquisition cases which are referred to Collector for determination of compensation under section 33 (3) of the MID Act.

The legal framework for various stages involved in land acquisition as provided in the MID Act under chapter VI is depicted in **Chart 3.1**.

Chart 3.1: Legal framework of land acquisition under MID Act

(Source: MID Act, 1961)

The procedure for land acquisition is as follows:

The Land Selection Committee headed by concerned Deputy CEOs is entrusted with preliminary selection of land for IAs. The proposals with approval of CEO are submitted to the High Power Committee (HPC) headed by Principal Secretary (Industries) of the GoM. The proposals approved by the HPC are submitted to the GoM for issue of preliminary notification of IA under Section 1(3) and final notification under Section 32(1) of the MID Act after completing land acquisition process including public hearing. Apart from this procedure, MIDC is also empowered to purchase land by agreement under section 15(b) of the MID Act from the concerned land owners.

Details of land acquired, in possession and allotted during 2014-2021 are shown in **Table 3.1**.

Table 3.1: Status of land acquired and allotted during 2014-21*(In hectare)*

Year	Land in possession at beginning of the year	Land acquired during the year	Total land in possession at end of the year	Land allotted during the year
2014-15	63,357	3,762	67,119	1,153.76
2015-16	67,119	3,333	70,452	506.04
2016-17	70,452	1,275	71,727	429.56
2017-18	71,727	3,544	75,271	720.31
2018-19	75,271	1,418	76,689	847.84
2019-20	76,689	921	77,610	231.00
2020-21	77,610	1,707	79,317	432.00

(Source: Information furnished by MIDC)

Timelines for completion of acquisition of land

3.1.1 MIDC was established under Section 3 of MID Act to promote and assist in the rapid and orderly establishment, growth and development of industries. Therefore, it was of utmost importance to complete process of land acquisition, including cancellation/de-notification of proposed IAs, if any, within a reasonable time. Audit, however, observed that MID Act did not provide for any timelines for completion of land acquisition. Further, as per rule 30 of MIDC Rules, 1962; de-notification (withdrawal of notified land from acquisition) was not permissible after a period of 35 years.

MIDC stated (December 2021/August 2022) that a proposal for amendment of MID Act for automatic lapse of notification after 18 years has been submitted (April 2021) to GoM, which was under their active consideration.

Non-recovery of compensation amount for denotified land

3.1.2 MIDC transferred land compensation amount to concerned State Land Acquisition Officers (SLAOs) for payment to landowners. As on 31 March 2021, an amount of ₹ 4.31 crore was not recovered from SLAOs concerned in respect of five IAs which were de-notified during 1985 to 2005.

MIDC stated (August 2022) that there is an effective system for reconciliation and monitoring of unspent amount. Reply is not tenable as despite lapse of considerable period after de-notification, recovery of balance amount lying with the SLAOs had not been effected.

Discrepancies in land acquired by MIDC at Adali, Sindhudurg

3.1.3 The GoM issued notification (December 2013) for acquisition of land for development of an IA in Adali (Sindhudurg district) under MID Act and the Board approved (February 2014) acquisition under Section 15(b) of the MID Act. Subsequently, MIDC executed/registered (April 2014 to January 2017) agreements with private owners for acquisition of land in Adali.

Audit observed that:

- MIDC, while preparing layout for development of Adali IA, carried out (January-March 2016) detailed survey and contour survey of IA, wherein discrepancies in land areas were observed in a particular portion (Gat No. 665 A). Actual measurement of land carried out (September-November 2018) by competent authority of GoM revealed that land area was only 230.55 hectare against land area of 264.74 hectare mentioned in 7/12 extract¹¹ (*i.e.* lower by 34.19 hectare and valuing ₹ 4.85 crore¹²). MIDC preferred (September 2021) an appeal to GoM for reconciliation of 7/12 extracts, which was pending (August 2022). This indicated systemic flaw in land acquisition as final notification was issued for acquisition of land and payment made of compensation even before carrying out survey and actual measurement of land and reconciliation thereof.

¹¹ The 7/12 extract is an information document prescribing details about a specific piece of land such as survey number, area, date and more particulars about the existing owner's name.

¹² Acquisition cost of ₹ 14.20 lakh per hectare x 34.19 hectare.

- As per the contour map of Adali IA prepared by MIDC, land admeasuring 52 hectare (steep slope/thick forest land) was adjoining one boundary/outskirts of the IA. Hence, it should not have been acquired as it was unsuitable for development.

MIDC accepted (December 2021/August 2022) that detailed measurement was not carried out before issue of final notification/ registration in the instant case in deviation from prevailing procedure. MIDC further stated that sometimes they had to acquire such land, even if some part of the land comes under landlocked *i.e.* not approachable, due to development of IA or to maintain the continuity in land acquisition.

Reply of MIDC is not tenable as it had acquired 52 hectare land on boundary/outskirts of IA despite having the knowledge that it was not suitable for development of an IA.

3.2 Development of industrial areas

As per MIDC DLR, MIDC is required to prepare layout of the land transferred/ placed at its disposal by the State Government for development as IA and dispose of plots of land in such IAs to allottees for development of allotted plots. MIDC carries out developmental/infrastructure works in IAs like construction of roads, water supply system, drainage system, street lights, waste/effluent treatment plants, fire station *etc.* as well as operation and maintenance thereof. Audit scrutiny revealed the following:

Lack of outcome based approach to industrial development

3.2.1 MIDC allotted land to prospective entrepreneurs considering, *inter alia*, proposed investment and employment generation mentioned in the Detailed Project Report (DPR), which was a mandatory requirement for land allotment. Audit observed that there was no system in MIDC for recording/compiling and reviewing actual employment generated and investment made by an allottee *vis-a-vis* DPR. Further, there was no database/system to ascertain/record allottee wise details regarding commencement of activity as proposed in the DPR and for closed/sick units. In the absence of such a system, actual employment generated/ investment made by allottee in IAs of MIDC was not ascertainable.

MIDC, thus, confined its role to development/allotment of land in IAs and outcome based approach to industrial development (investment and employment generation) was lacking.

MIDC accepted (December 2021/August 2022) that it would develop a provision in the existing customer portal for customers to upload audited self-declaration document stating the actual investment made in a unit and number of employees working.

The Economic Survey (ES) of Maharashtra prepared annually by GoM, *inter alia*, contained details of investment and employment generation by industrial units in MIDC, which was compiled on the basis of information

submitted by MIDC. As there was no system/database in MIDC for recording/compilation of actual employment generated and investment made by an allottee, relying on such figures for preparation of ES may not be appropriate.

Recommendation No. 4: MIDC may evolve a system of recording/monitoring of actual investment and employment generation by allottees vis-a-vis their DPRs to ensure that expected outcomes of industrial development from such land allotment are achieved.

Failure to ensure optimum utilisation of land with allottees

3.2.2 Section 42A of the MID Act provided for acquisition of unutilised surplus lands with the allottees in IAs and accommodating another industry on such unutilised portion for enabling MIDC to properly discharge its functions of promoting rapid growth and development of industries.

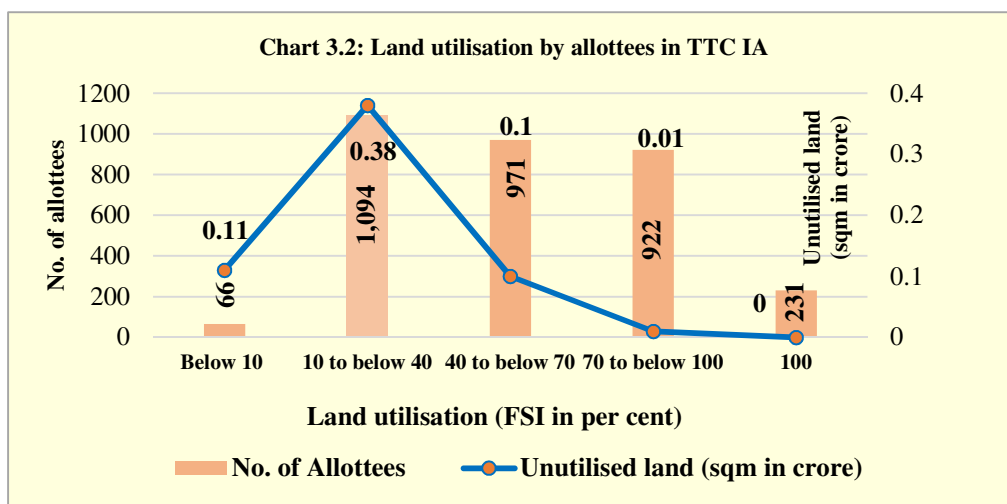
As per Section 42A(1) of the MID Act, with a view to ascertain whether any industrial area developed by the MIDC has been fully utilised for industrial purposes or not, GoM may direct the MIDC to submit a six-monthly report. Further, Section 42A(4) provided that if upon the report submitted by the MIDC and after giving reasonable opportunity of being heard, the State Government was satisfied that any plot holder did not utilise the maximum buildable area of his plot for a period of five years or more from the date on which possession of the plot was delivered to him or not likely to utilise the unutilised portion for industrial purposes within a reasonable period, the State Government may acquire such unutilised portion as per laid down procedure.

Audit observed that GoM neither directed MIDC to submit six-monthly report nor MIDC had prepared any report in this regard during the audit period. In 187 IAs, MIDC had already allotted more than 80 *per cent* of plots and hence there was limited scope or no scope for further industrial development in these IAs. MIDC had no action-plan/system for acquisition of surplus/unutilised land with the allottees in these IAs, for allotment to new entrepreneurs as envisaged in Section 42A to ensure optimal utilisation of IAs.

Audit further observed that:

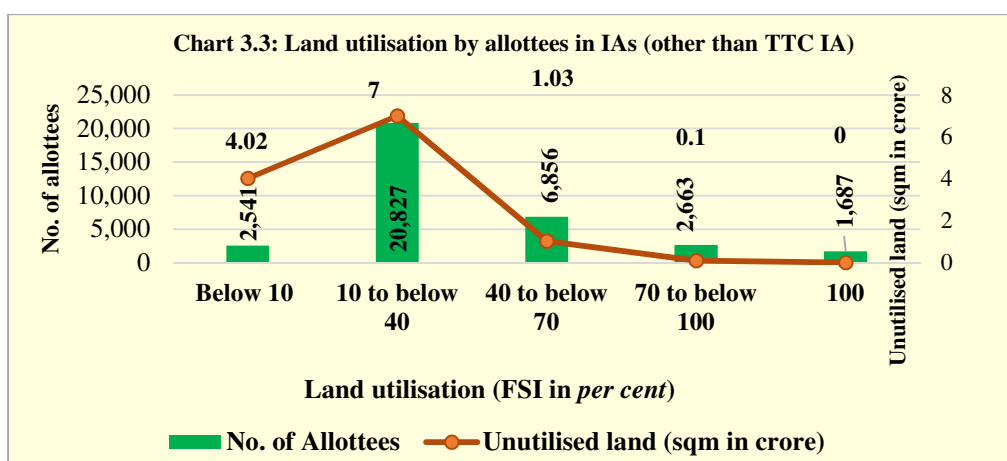
- As per Regulation 18.1 of Development Control Regulations (DCR), 2009 of MIDC, an industrial allottee was eligible to develop plot with maximum Floor Space Index (FSI) of one (100 *per cent*). MIDC granted Building Completion Certificate (BCC)/Occupation Certificate (OC) to allottees on utilisation of FSI upto 0.20 (20 *per cent*) within development period of three to five years, which was revised (June 2019) to 0.40 (40 *per cent*) FSI in respect of new plots only. MIDC, however, had not incorporated provision in the allotment order and/or lease deed, regarding maximum FSI to be achieved, as may be reasonable, considering nature/activity of unit and provisions of DCR. MIDC policy was, therefore, not in line with provisions of Section 42A of the MID Act and consequently there was no legal binding on an allottee to utilise the maximum buildable area of his plot within stipulated period.

- MIDC had decided (June 2017) to implement scheme in one IA (Trans Thane Creek (TTC)), whereby allottees (including closed industries) were granted opportunity to return excess/untilised land. It was further directed to take action against that allottee, who did not participate in the scheme as per Section 42A of the MID Act. Audit observed that none of the allottees participated in the said scheme and MIDC had not taken any action for acquisition of unutilised portion of plot till date (December 2021). Data analysis in respect of TTC IA revealed that only 231 (seven *per cent*) out of 3,284 allottees had fully utilised their plots. In case of remaining 3,053 allottees, land admeasuring 60.51 lakh sqm was lying unutilised as given in **Chart 3.2**.



(Source: Information furnished by MIDC)

Data analysis in respect of allottees from the other 158 IAs revealed that 1,687 (five *per cent*) out of 34,574 allottees had utilised maximum FSI. There was unutilised land admeasuring 12.15 crore sqm with 32,887 allottees as given in **Chart 3.3**.



(Source: Information furnished by MIDC)

MIDC stated (December 2021/August 2022) that utilisation of the entire plot could not be achieved by all plot holders considering nature of industrial activity and requirement of open spaces/marginal space as per DCR/other statutory norms and hence maximum 60 *per cent* of plot area was consumed. It was also

stated that a plot holder could consume 100 *per cent* FSI but it could not be considered as a target considering that plot was developed in phased manner considering their requirements, finance and market conditions and hence all plots could not achieve optimal utilisation. Further, a revised policy had been implemented in June 2019, whereby it was made compulsory for allottees to consume minimum 40 *per cent* FSI to obtain BCC on the plot with provision for extension of additional two years on payment of non-utilisation charges, failing which procedure had to be initiated to resume non-utilised land from the plot as per Section 42A of the MID Act.

Reply of MIDC is not tenable on the following grounds:

- MIDC amended (November 2019) the policy regarding 40 *per cent* FSI whereby plot holders, who had obtained BCC prior to June 2019 (and in production) be excluded from requirement of 40 *per cent* FSI. Such policy was based on the date of BCC obtained, besides being discriminatory and was in violation of express provisions of Section 42A, which provided for acquisition of unutilised land from all plot holders without any such classification based on date of BCC.
- The Policy of uniform consumption of lower percentage of 40 *per cent* FSI to be achieved by all the new allottees also lacked justification because MIDC itself stated that FSI consumption varied considering type of industry/phase wise development programme and maximum 60 *per cent* to 100 *per cent* of the plot area could be consumed.
- Reply is silent on the issue of not incorporating condition regarding achievement of maximum FSI in the lease deed/allotment order and lack of system for identification/reporting of unutilised buildable area in each plot, thereby failing to ensure compliance with Section 42A of the MID Act.
- Reply is silent on the issue of failure to acquire possession of unutilised land with allottees as per Section 42A in TTC IA despite clear directions of the Board. Further, reply is silent on lack of action against allottees having less than 40 *per cent* FSI in other IAs, which constituted 68 *per cent* of total allottees analysed.

Recommendation No. 5: Action as stipulated under MID Act for reporting and acquisition of surplus/unutilised land with allottees may be initiated.

Policies in violation of provisions of MIDC Act/Regulations

3.2.3 The GoM notified MID Rules, 1962 under Section 63(1) of the MID Act for implementation of this Act. Further, GoM notified MIDC Disposal of Land Regulations (DLR), 1975 and Development Control Regulations (DCR), 2009 as per powers conferred under 64(1) of the MID Act. Audit observed that four policies implemented by MIDC were contrary to the provisions of the MID Act/Regulations and thus, these policies were invalid/*ultra vires* as given in **Table 3.2**.

Table 3.2: MIDC policies in violation of express provisions of MID Act/Regulations

Sl. No.	Description	Applicable provision of MID Act/ Regulations	Policy of MIDC	Audit remarks
1	Allotment rate	As per Regulation 9 of MIDC DLR, payment of Earnest Money Deposit (EMD) was not to be construed as any commitment or obligation on the part of MIDC that a particular plot or any plot shall be allotted to applicant at the rate prevailing at the time of payment of deposit.	As per MIDC policy (January 2012), land allotment was made at rates prevailing on the date of issue of offer letter provided EMD was paid within stipulated period of 15 days as per condition incorporated in the offer letter.	As per policy implemented, offer letters thus provided an obligation for allotment at rate prevailing on the date of payment of EMD which contradicted statutory provision as EMD was not to be construed as any commitment to allot a plot at the rate prevailing at the time of payment of Deposit. Audit observed instances where offer letters were issued though demarcated plots were not available for allotment in the layout of IAs. Subsequently, allotment orders were issued on demarcation of plots when land rates were revised. Similarly, instances of delay in issue of circulars for revised rates after approval of Board decision were observed. In above cases, MIDC had liberty to charge lease premium as per rates applicable as on the date of allotment order as per provision of the MIDC DLR. This was not ensured which resulted in loss to MIDC as discussed <i>infra</i> .
2	Grant of possession of plot to an allottee	As per Regulation 13 of MIDC DLR, no allottee shall be given possession of the plot allotted to him before execution of lease agreement. The GoM had also directed (October 2006) that possession of Government land shall not be given unless the agreement was executed and registered.	As per MIDC policy (May 1998), advance possession could be granted to allottees before execution of Agreement to lease.	During April 2014 to March 2021, MIDC granted advance possession of plots admeasuring 74.17 lakh sqm to allottees in 2,264 out of 3,302 cases (69 per cent). This was in violation of MIDC DLR.

Sl. No.	Description	Applicable provision of MID Act/ Regulations	Policy of MIDC	Audit remarks
3	Mixed land use on industrial plot	There was no provision for mixed land use on an industrial plot in MIDC DCR, 2009 (<i>i.e.</i> support services, commercial <i>etc.</i> on a part/portion of plot).	MIDC policy allowed mixed land use to following categories of industrial plot holders: • Micro and Small Enterprises were granted (July 2012) utilisation of 20 <i>per cent</i> of built up area for support services/ commercial purpose excluding residential/ educational use. • Automobile Body Building (ABB)/spare parts permitted (November 2014) to utilise (self/sub-letting) built up area of 10 <i>per cent</i> for related commercial activity of Garage, Workshop and showroom. • Mega projects for automobile industry granted (November 2019) permission to utilise (self/sub-letting) built up area of 10 <i>per cent</i> for all commercial purposes related to original activity of ABB/spare parts including Garage, Workshop, showroom and financial services.	Permission of mixed use without amendment of DCR was irregular.
4	Recovery of arrears as land revenue	As per Section 51 of the MID Act, all sums payable/ recoverable from any person and all charges/expenses incurred in connection therewith was recoverable as an arrear of land revenue.	As per MIDC policy, arrears/dues recoverable in excess of land premium amount paid was written off in respect of allottees who returned plot on their own or where possession of plots was resumed by MIDC.	During April 2014 to March 2021, MIDC had written off dues/arrears of ₹ 23.88 crore which was recoverable from 353 allottees in 11 ROs. MIDC policy was thus in violation of express provision of MID Act.

(Source: Information furnished by MIDC)

MIDC in its reply (August 2022) offered various justifications for implementation of above policies such as difficulties and delays in recovery of dues resulting in plots lying unused for long period of time, conscious decision to grant utilization for support services/commercial purposes, actual field situation, obligation to allot land at premium stated in offer letter etc.

Reply is not tenable as such policies were *ultra vires*, being contrary to the express provisions of the MID Act/Regulations as mentioned in table above.

Policy regarding grant of Occupation Certificate in violation of Regulations

3.2.4 As per DCR, 2009, an allottee was required to obtain Occupation Certificate (OC) from MIDC prior to any occupancy or use of the development so completed. The OC was granted only after the allottee complied with fire safety norms and obtained final No Objection Certificate (NOC) from fire authority of MIDC. Further, as per Section 3(2) of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006, no authority empowered to sanction construction plan of any building or part of a building and to issue certificate of completion thereof, shall issue any certificate of completion or part completion thereof, unless it was satisfied that the owner had complied with the specified requirements for fire safety.

Audit observed that MIDC implemented (September 2015) a policy, whereby allottees who had commenced production without obtaining mandatory Fire NOC and OC, could thereafter make application to MIDC for grant of OC without any restriction of time limit. The policy further provided for regularisation of such cases by granting free time limit extension of 90 days for obtaining OC from the date of approval of application for time limit extension. Thus, MIDC policy granted free regularisation in case of unauthorised commencement of operation/activity without mandatory fire NOC and OC without any deterrence to the requirement under DCR.

MIDC stated (January 2021) that OC was granted only after final NOC was issued by Fire Authority. MIDC reiterated (August 2022) provisions of the policy regarding grant of OC to allottees. Reply is not tenable as the prevailing policy of MIDC allowed commencement of production/activities without OC and fire NOC which also contravened statutory provisions.

Recommendation No. 6: MIDC may ensure that all policies adhere to the statutory provisions.

Extra expenditure on execution of development works in IAs

3.2.5 As per prevailing MIDC policy, Chief Engineer (CE)/CEO was the competent authority vested with powers for acceptance and rejection of tender for works having tendered cost more than ₹ one crore. It was further provided (November 2012) that all the tenders with tendered amount of more than ₹ one crore shall be submitted for perusal to Chairman, MIDC.

Audit observed that the competent authority did not approve the tenders and proposals were forwarded to the Chairman, MIDC without acceptance of offers. Audit observed that during the period from 2014-15 to 2020-21, 13 tenders were cancelled due to non-receipt of proposal from Chairman, MIDC within the validity period and delay ranged between seven to 406 days after lapse of validity period. In one tender, proposal was returned by Chairman, MIDC with remarks that difference between rates offered by L1 and L2 bidder was not practicable. These 14 tenders were subsequently re-tendered and awarded (August 2014 to January 2021) at an extra cost of ₹ 9.93 crore. It was further observed that another tender was not finalised at the level of Management within the validity period and re-tendered at an extra cost of ₹ 1.07 crore. Thus, non-finalisation of 15 tenders within the validity period resulted in extra cost of ₹ 11 crore, besides avoidable delay in execution of development work in IAs.

MIDC stated (December 2021/August 2022) that in future approval letter would be issued to the lowest bidder immediately after the approval of the competent authority.

Recommendation No. 7: MIDC may ensure timely finalisation of tenders within the validity period in accordance with delegation of powers to avoid re-tendering of works.

Chapter IV

Land pricing and allotment

Chapter IV

Land pricing and allotment

Policy of fixation / revision of land rates was not appropriate. Systemic delays in implementation of revised land rates were observed leading to loss to MIDC.

MIDC made direct allotment of plots to ineligible allottees contrary to the laid down policies (e-bidding, waiting list, priority and expansion). Further, allottees were issued offer letters for allotment of land despite non-availability of carved out plots in violation of MIDC Regulations.

4.1 Land pricing

MIDC allots plot of land on lease basis for a period of 95 years on recovery of upfront lease premium at rates fixed from time to time. Recovery of transfer fee, sub-letting charges, time limit extension charges, conversion charges, compounding charges *etc.* are also based on the land rates fixed by MIDC. It was, thus, essential to ensure proper pricing policies and periodic revision of land rates to protect financial interests of MIDC.

Deficient policy of fixation/revision of land rates

4.1.1 After fixation of industrial rates; commercial and residential rates in an IA were fixed. As per MIDC policy (March/June 1995), residential and commercial rates should be 1.5 times/2 times and 2.5 times of prevailing industrial rate respectively. Audit, however, observed that residential and commercial rates varied from 1.22 to 4.35 times (102 IAs) and 1.43 to 3.62 times (153 IAs) of the prevailing industrial rates respectively. The IA wise basis/rationale for adoption of applying such multiplying factors was neither available on record nor furnished to audit.

MIDC in reply (August 2022) stated that the rate fixation was as per June 1995 policy and variations in rates were observed in certain locations due to urbanization, transportation facilities *etc.* Reply is not tenable as rate fixation was in deviation of laid down policy in several IAs as stated above.

4.1.2 MIDC issued (September 2016) a circular implementing policy of e-bidding for allotment of plot where more than 80 *per cent* plots/plottable land had been allotted). As of September 2016, there were 187 IAs where more than 80 *per cent* plots/plottable land had already been allotted.

MIDC, subsequently, issued (August 2018) two circulars for revision of land rates. Out of 187 IAs, prevailing land rates were revised by a uniform rate of 10 *per cent* in 135 IAs while rates were uniformly increased to ₹ 100 per sqm in 52 IAs (where prevailing land rates were less than ₹ 100 per sqm).

Audit observed that MIDC had not devised any methodology/weightage formula for revision of land rates and rates were revised uniformly in all the IAs on an *ad hoc* basis without any cost analysis/justification on record. The relevant factors like rates received in e-biddings, Annual Statement Rate (ASR)/Ready Reckoner Rates of the GoM, fair transaction value based on registered sale deed, demand-supply position *etc.* could have been considered before fixation/revision of land rate in such 187 IAs.

In fact, the Management had submitted (April 2018) a proposal to the Board for increasing land rates by 20 *per cent* in 30 IAs on the basis of details of average rates received in previous e-biddings, which ranged between 27 *per cent* and 888 *per cent* above the prevailing land rates (fixed in January 2016). This was, however, not considered by the Board for reasons not on record and approval was granted (April 2018) for uniform revision of land rates by 10 *per cent* in all the IAs. Thus, the prevailing land pricing policy of uniform revision of land rates by 10 *per cent* was not appropriate.

MIDC stated (August 2022) that a suitable revision in the policy will be put in place.

4.1.3 Audit further observed that MIDC, without any cost analysis/justification, had increased land rates to ₹ 100 per sqm in 52 IAs where prevailing land rates were less than ₹ 100 per sqm (ranging between ₹ 20 and ₹ 95 per sqm). Reply of MIDC did not offer justification for fixation of rate in these IAs. In this regard, a case is discussed below;

Case Study 4.1:
MIDC issued (November 2014) offer letters to 33 applicants for allotment of industrial plot in Mhaswad IA in District Kolhapur at applicable rate of ₹ 40 per sqm. The applicants paid (November 2014 and September 2015) Earnest Money Deposit (EMD) (25 <i>per cent</i>) amounting to ₹ 13.64 lakh. After issue of offer letters to the applicants, Executive Engineer, Kolhapur informed (October 2015) the concerned RO that the allotment rate was very less and should be fixed at ₹ 550 per sqm considering the estimated cost of providing infrastructure in the IA. The matter regarding fixation of rate was pending separately at MIDC Head Office. Due to pending decision on land rate, the RO did not issue allotment order to these applicants till date (August 2022) despite lapse of nearly seven years since issue of offer letter. MIDC, revised rates to ₹ 50 per sqm (January 2016) and ₹ 100 per sqm (August 2018) on <i>ad hoc</i> basis. MIDC while reiterating (August 2022) the facts of the case, stated that rates were not decided on <i>ad hoc</i> basis and allotment was not done as per old rates. The reply is not tenable as MIDC themselves had realized that land rates were not appropriate and hence allotment was pending till date (August 2022).

Incorrect fixation of land rate at Adali, Sindhudurg

4.1.4 MIDC issued (February 2019) a policy circular for fixation of land rates in newly acquired IAs. The circular laid down detailed methodology and various elements to be considered before working out land rates in an IA. In this regard, discrepancies noticed in Adali, Sindhudurg are discussed below.

Case Study 4.2:

MIDC fixed (June 2019) land rates (for industrial plot) in Adali IA at ₹ 1,170 per sqm. The land rate fixed by MIDC was lower by ₹ 170 per sqm on account of the following:

- As per methodology, price escalation on infrastructure development cost is to be worked out at 10 *per cent* where period required for development was two years or more. However, in this case, price escalation was incorrectly worked out at 5 *per cent* though period of infrastructure development was more than two years.
- Goods and Service Tax (GST) at the rate of 18 *per cent* was not considered on total infrastructure development cost (including escalation and contingencies).

MIDC stated (August 2022) that there was no incorrect fixation of land rate. Reply is not tenable as the land rates were incorrectly fixed on the lower side as stated above.

Delay in implementation of revised land rate

4.1.5 Revision in land rate was a revenue sensitive decision, which should have been implemented immediately from the date of decision without any delay. Systemic delays in implementation of land rate revised were detrimental to financial interests of MIDC. During the audit period, the Board approved revision of land rate on two occasions *i.e.* on 30 November 2015 and 2 April 2018. MIDC, however, issued circulars for implementing revised rates on 7 January 2016 and 27 August 2018, after a delay of 38 and 146 days respectively from the date of Board decision. MIDC during the intervening period issued offer letters for allotment of 109 plots at pre-revised rates. The revenue foregone on this account worked out to ₹ 15.74 crore.

MIDC stated (December 2021/August 2022) that the issue has been noted and instructions would be issued to make the rates effective immediately along with mentioning the same in the offer letters.

Recommendation No. 8: MIDC may ensure that revised land rates are implemented immediately after approval of Board and a suitable clause regarding recovery of lease premium at revised rates may be incorporated in the offer letters.

Deficient fixation of compounding charges

4.1.6 As per prevailing MIDC policy, unauthorised construction carried out by an allottee was regularised on recovery of applicable compounding charges. MIDC uniformly fixed (September 2013) compounding charges for residential and commercial buildings in all the IAs at 1.5 and 2 times of prevailing industrial rates stating that land rate for residential and commercial plot was 1.5 and 2 times of prevailing industrial rates. Audit observed that residential rates were more than 1.5 times in 35 IAs (ranged between 1.52 to 4.35 times) while commercial rates were more than 2 times in 40 IAs (ranged between 2.09 to 3.62 times). Fixing of compounding charges without taking into account

the actual rates for residential and commercial properties in the IAs revealed the deficiencies in the process of determining the compounding charges.

MIDC stated (December 2021/August 2022) that audit observation has been noted and a suitable proposal for rectification in the policy would be submitted before Board for taking suitable decision.

4.2 Land allotment

Prior to September 2016, MIDC allotted plot on direct application basis to allottees¹³. As per revised policy (September 2016), plot for industrial purpose is to be allotted through e-bidding in IAs, where more than 80 *per cent* of plots/plottable land is already allotted; whereas in remaining IAs direct allotment of land is made by inviting online applications. Further, direct allotment of land is also permissible under priority category (mega projects, foreign direct investment, Defence, PSUs *etc.*) and expansion projects in all the IAs. Land for residential and commercial purpose is to be allotted through auction/e-bidding in all the IAs. In this connection, audit observed the following;

Allotment in violation of policy of tender/e-bidding

4.2.1 The Board approved (September 2015 to April 2021) allotment of plots admeasuring 0.78 lakh sqm to 66 parties in 10 IAs on direct allotment basis. As per prevailing policy, plots should have been allotted to these 66 parties through auction/e-bidding as they were not eligible for direct allotment under priority categories (**Annexure 1**).

Audit also observed arbitrary application of rates for recovery of lease premium in these 66 cases as given in **Table 4.1**.

Table 4.1: Land rates levied for allotment of plots

Sl. No.	Land rates applied	No. of parties
1	Prevailing rate in IA plus 10 <i>per cent</i> additional charges thereon.	62
2	Upset price for tender/auction.	1
3	Highest rates received in previous auction.	2
4	Highest rates received in previous auction plus 10 <i>per cent</i> additional charges thereon.	1

(Source: Information furnished by MIDC)

Audit further observed that out of above, 53 applicants (in TTC IA) were allotted plots of 100 sqm each. This was contrary to the provisions of Regulation 21.1.2 of DCR, which stipulated that the minimum size of plot that could be carved out and allotted in any IA was 200 sqm.

MIDC stated (December 2021/August 2022) that in essence, Board was the MIDC having full authority under MID Act for allotment of property or undertaking any activity, which it deemed fit for fulfilling its duties as per the Act. Reply is not acceptable as such arbitrary allotments were contrary to the laid down policies in various cases as shown in **Annexure 1**.

¹³ Except IAs at Pimpri Chinchwad and TTC where land was allotted on tender basis

Allotment in violation of policy of waiting list

4.2.2 As per the prevailing land allotment policy (prior to September 2016), MIDC maintained a waiting list of applications received from industries and allotment was made based on seniority as per the waiting list. Audit observed that in accordance with the directions (August 2014/October 2015) of the Chairman, LC allotted (September 2014 to April 2017) land admeasuring 31,779 sqm to five parties (Talegaon IA: one¹⁴ and Chakan-Phase II IA: four¹⁵) who were not in the waiting list. Audit further observed that there were 5,900 pending applications for allotment as per waiting list in Chakan IA and LAC decided (November 2014) to cancel applications of 5,764 parties while process of cancellation of remaining 136 applicants was in progress on the ground that plots were not available for allotment.

The CEO of MIDC, during processing of case in Chakan IA, had also submitted (October 2015) to Chairman, MIDC that applicant was not eligible for allotment under priority category as per MIDC policy. Thus, allotment of land to five parties without considering pending applications as per the waiting list and who were also not eligible for allotment under MIDC policy was irregular and lacked transparency.

MIDC stated (August 2022) that there was no waiting list in existence after approval (November 2014) in Chakan IA. It was further stated that application of the four parties were discussed on merit as per orders of Chairman, MIDC and allotment was done as per decision (November 2015) of LC. Reply in respect of allotment in Chakan IA was not factual as these applicants were allotted plots ignoring other 136 applications who were in the waiting list. In respect of applicant at Talegaon IA, MIDC stated (December 2021) that on the request of the applicant, Chairman, MIDC had ordered to make allotment.

Violation of policy for Allotment under priority category

4.2.3 Audit observed that Board approved (August 2019/February 2021) allotment of land to two¹⁶ parties under priority category¹⁷ overruling the management proposal that they were not qualified under priority category and land in the IAs were to be allotted through e-bidding only as per prevailing policy.

MIDC stated (December 2021) that in respect of the allottee in Additional Ambarnath IA, land demanded was on a hill and had no approach road, which could not be allotted to anyone because of lack of approach road. This plot was vacant for many decades and there was fear of encroachment on these plots. Further, the decision of allotment was not at concessional rate, hence there was no financial loss to the MIDC. It was further stated (August 2022) that in essence, the Board was MIDC having full authority under MID Act for allotment of property or undertaking any activity, which it deemed fit for

¹⁴ Nutri first Agro International Private Limited (19,279 sqm).

¹⁵ Ganesh Fabrotech Private Limited (6,000 sqm), CAM Tool Industries Private Limited (4,800 sqm), Shree Industries (1,000 sqm) and EnSys Engineers (700 sqm).

¹⁶ Dhoot Transmission Company Private Limited at Talegaon IA and SNP Project Private Limited at Additional Ambarnath IA.

¹⁷ Priority category included mega projects, foreign direct investment, defence, PSUs etc.

fulfilling its duties as per the Act and Board took conscious decision after due deliberation on merit. In respect of Talegaon IA, MIDC stated (December 2021) that the matter was deferred and allotment order was not issued as the applicant had communicated to MIDC that they were not pursuing the matter considering slowdown in market situations.

Reply of MIDC was incorrect in respect of allotment in Additional Ambernath IA. The management had submitted (February 2021) to the Board that the applicant was not eligible for priority allotment and land was to be allotted through e-bidding as per MIDC policy. The management also highlighted that highest rate of ₹ 15,000 per sqm was received in last e-tendering in March 2020 as against the prevailing MIDC land rate of ₹ 4,840 per sqm in this IA. Considering highest auction rate of ₹ 15,000 per sqm, undue benefit of ₹ 21.34 crore¹⁸ was granted on account of direct allotment (March 2021) of 21,000 sqm to the ineligible private party.

Violation of Allotment policy for expansion category

4.2.4 As per prevailing policy (January 2013), land could be allotted for expansion of existing operational industrial units provided that FSI utilisation on the existing plot was minimum 40 *per cent*. Expansion plots were allotted on recovery of prevailing industrial rate plus 10 *per cent* additional charges. Further, there was no provision in prevailing policy for allotment to a sub-lettee.

Audit observed that Board approved (July 2014 to April 2021) allotment of land admeasuring 25,036 sqm to six parties¹⁹ for expansion purpose in deviation of the prevailing policy. Although, only industrial allottees could be allotted plots for expansion under this policy, allotment in four cases was made for non-industrial purpose (hospitals and hotel). Further, one party was a sub-lettee, while in one case allotment of plot was made without ascertaining eligibility of the allottee as per laid down policy.

It was further observed that rates levied for allotment also varied in three cases of allotment of expansion plots to hospitals. While one allottee was granted land at commercial rate (VMFRC) other two were given at residential rates (AIMS) and residential plus 10 *per cent* additional charges (MHITC). All these cases revealed the arbitrary approach of the Board towards allotment of plots.

MIDC while citing various reasons²⁰ for allotment in these cases stated (December 2021/August 2022) that Board had taken conscious decisions and in essence, the Board was MIDC with full authority under MID Act for allotment

¹⁸ Area (21,000 sqm) x ₹ 10,160 per sqm (Auction rate of ₹ 15,000 per sqm less allotment rate of ₹ 4,840 per sqm).

¹⁹ Non-industrial purpose (Vivekananda Medical Foundation and Research Centre (VMFRC) in Latur IA, Asian Institute of Medical Science (AIMS) in Dombivli IA, Mahajan Hospital and Industrial Trauma Center (MHITC) in TTC IA and Trishul Buildtech and Infrastructures Private Limited (TBIPL) in TTC IA. Sub-lettee (Polycab Wires Limited (PWL)) for industrial purpose and Yash Industries in Nashik (Ambad) IA.

²⁰ For providing medical facilities (Hospitals), for utilisation of FSI on existing plot (Hotel), expansion of existing business on plot on rental basis and proposed electronic/electrical manufacturing (Industrial).

of property or undertaking any activity which it deemed fit for fulfilling its duties.

Reply is not acceptable as such arbitrary allotments violated the laid down policy pertaining to allotment of plots.

Case Study 4.3:

An applicant (Yash Industries in Nashik (Ambad) IA) requested (May 2020) for allotment of land under Mega Project (MP) category. The Management submitted (February 2021) to the Board that the applicant was not eligible for land allotment under MP category while highlighting prevailing policy for e-bidding. The Board, however, directed (April 2021) Land Allotment Committee (LC) to consider under expansion category based on their February 2019 circular which stated that the LC was required to ascertain eligibility of the applicant by obtaining/scrutinising mandatory documents like last three years audited annual accounts, orders in hand for original plot, documents regarding existing industry in production (on original plot) *etc.* In the instant case, the LC approved (May 2021) allotment of 6,000 sqm land to applicant under expansion category without ensuring eligibility of the applicant as it had neither obtained nor scrutinised mandatory documents in violation of February 2019 circular.

MIDC stated (August 2022) that applicant investor has filed all the relevant papers, explained to the LC and allotment was made as per MIDC DLR. Reply is not tenable as the mandatory documents submitted by applicant, if any, were neither recorded by LC nor made available to audit.

Allotment of land without carving out plots in layout of IAs

4.2.5 As per Regulation 3 of MIDC DLR; MIDC shall prepare a layout of the land transferred or placed at its disposal by the State Government for development as an IA. It was further provided in Regulation 4 that MIDC may dispose of plots of land for which layout was prepared by public auction or entertaining individual applications. Accordingly, MIDC implemented a policy (August 2012/ September 2016) directing the LC to allot available plot to applicant as per approved layout of that IA.

MIDC prepares layout of IA considering provisions of DCR. Accordingly, in the initial phase, plots are carved out after reserving minimum of 10 *per cent* as open space and five *per cent* for amenities, besides keeping land for roads, drainages, HT corridors, Hill areas, water bodies etc. Subsequently, plots are carved out from the remaining allottable land (including from open space/amenities in excess of minimum prescribed percentage).

Audit, however, observed that even before carving out plots in respective IAs, MIDC²¹ issued offer letters for allotment of land admeasuring 2.95 lakh sqm to

²¹ Allotment approved on directions of Board: 28 cases, Chairman of MIDC: 01 case and LC: 74 cases.

103 parties²² in eight IAs (**Annexure 2**). This was in violation of MIDC DLR and lacked transparency.

Audit observed that after issue of offer letters in 29 cases, plots were carved out from plottable land in respective IAs and allotment orders were issued. Out of these 29 parties, in 25 cases allotment orders were issued after a period ranging from 343 to 2,209 days from issue of offer letters. Meanwhile, land rates had increased in these IAs and lease premium at prevailing rates (on date of issue of allotment order) worked out to ₹ 19.93 crore as against ₹ 11.92 crore recovered (difference of ₹ 8.01 crore).

In respect of remaining 74 parties, Board had decided (October 2020) to allot land to 70 parties in Latur IA at rates prevailing (₹ 120 per sqm) on the date of issue of offer letter (December 2014 to February 2015). Accordingly, LC approved (December 2021) allotment of land admeasuring 1.87 lakh sqm to 70 allottees at old rates. Lease premium at prevailing rates (₹ 550 per sqm) worked out to ₹ 10.26 crore by Audit, as against ₹ 2.24 crore being levied as per Board directions (difference of ₹ 8.02 crore).

MIDC in respect of 29 allottees²³ stated (December 2021/August 2022) that though layout was under preparation (at the time of issuing offer letter), subsequently layout was prepared and plots were allotted as per policies, hence there was no financial loss to MIDC and no violation of DLR. In respect of 70 allottees in Latur IA, MIDC stated (August 2022) that Board has rectified the errors committed by Regional Office and approved the rates offered previously as per prevailing policy. In respect of remaining four allottees²⁴, MIDC reply failed to address the issue of offer letters despite non availability of carved out plots.

Reply is not tenable as such discretionary allotments in selective cases were contrary to Regulation 4 of MIDC DLR and Board was not empowered to take decisions in deviation of express provisions of the Regulations which had been notified by GoM with approval of State Legislature.

Allotment of land which was not encumbrance free

4.2.6 MIDC was granted possession (1995 to 1997) of land for development of two IAs at Newasa (Paandhripul) and Achalpur (Amravati). The land was duly acquired by GoM as per provisions of the MID Act and applicable compensation was paid to landowners. Audit observed that MIDC allotted (1999 to 2015) 130 plots admeasuring 86.30 hectare in these two IAs to various allottees. The allotted land was, however, not encumbrance free as original landowners/farmers continued to occupy the allotted land, which MIDC could not clear till date (August 2022).

MIDC stated (December 2021/August 2022) that due to strong agitation of local farmers, physical possession of land could not be taken in Newasa IA and encroachments could not be cleared in both the IAs. It was further stated that all

²² Out of this, allotment order issued in 29 cases and remaining 74 cases were under process.

²³ Ambernath/Additional Ambernath, Pale and Kalyan Bhiwandi IAs

²⁴ Kagal Hathkanangle, Shendra and Nashik (Ambad) IAs

possible efforts were being undertaken to remove said encroachments. MIDC also stated (August 2022) that changes were proposed (in 2020) in the layout of Newasa IA as regards shifting of open space to the encroached land and conversion of freehold land under open spaces to plottable area.

Allotment of plot for truck terminus

4.2.7 MIDC issued (August 2019) a revised policy for allotment of land for truck terminus. As per the revised policy, MIDC would develop the land and hand over the same to private parties selected through tender for operation, repair and maintenance of truck terminus on lease rent basis for a period of five years, for which priority was to be given to Industrial Associations.

Audit observed that MIDC, on directions of the Board, granted (September 2019/February 2021) lease of land to two parties²⁵ for truck terminus on direct allotment basis instead of tendering/lease rent basis in violation of laid down policy.

Case Study 4.4

MIDC issued (April 2016) an offer letter for allotment of land admeasuring 20,000 sqm to Lote Parshuram Industries Association (LPIA) for the purpose of truck terminus subject to payment of lease premium of ₹ 70.35 lakh considering prevailing industrial rates²⁶. After receipt of EMD (May 2016) of ₹ 16.75 lakh, allotment order was issued (September 2017) demanding balance lease premium amount of ₹ 53.60 lakh. The allottee, however, requested (September 2017) for concession in lease premium, which was rejected by MIDC. As the allottee did not deposit balance lease premium within the stipulated period, allotment order should have been cancelled and EMD forfeited, which was not done. The Board, after a lapse of two years, approved (September 2019) re-allotment of plot with 50 *per cent* concession in lease premium. MIDC issued a corrigendum (September 2019) to the party for allotment of land for 95 years for lease premium of ₹ 35.17 lakh (50 *per cent* amount) at pre-revised rates.

Allotment of land on lease of 95 years and financial concessions granted in deviation from prevailing policies was irregular. It is also pertinent to note that in a similar case of land allotment for truck terminus, MIDC approved (February 2021) allotment of land to an allottee (Roha Manufacturers Association (RMA)) on recovery of lease premium at prevailing industrial rates without any concession, which indicated lack of uniformity in decision for allotments.

MIDC stated (January 2021) that comparing huge expenditure for development of truck terminus, it was more beneficial to get it developed by the Industries Association by granting 50 *per cent* concession in land premium in return. Thus, MIDC saved on the expenditure on development which was more than the concession in land premium. MIDC further stated (August 2022) that Board had powers to take decisions considering the overall merit in the proposal by overruling management's observations as per

²⁵ Lote Parshuram Industries Association (LPIA) and Roha Manufacturers Association (RMA).

²⁶ Considering industrial rate of ₹ 335 per sqm with five *per cent* road width charges.

MID Act. It was also stated that Board took conscious decision after due deliberation on merit and there was no financial loss to MIDC. Reply of MIDC is not tenable as financial concessions were granted in violation of established policy.

Allotment of land without obtaining mandatory forest clearance

4.2.8 MIDC, without obtaining mandatory forest clearance, advertised (August 2009) allotment of forest land admeasuring 41,480 sqm in Taloja IA. MIDC executed (March 2011) an agreement with a party for development of a truck terminus and possession of the plot was handed over (November 2011). The development work was, however, stopped after objections were raised (February/April 2012) by the Forest department, GoM. Audit observed that the party filed (October 2014) an arbitration petition and MIDC was directed (December 2017) to return lease premium along with interest (₹ 13.23 crore calculated at 9 per cent per annum) citing that the agreement was illegal, null and void since its inception as the land was forest land and no development activities could be carried out.

MIDC stated (August 2022) that it was not aware of change in status of the land (*i.e.* forest land) as the land was in possession of MIDC. Reply is not tenable as MIDC allotted land without obtaining mandatory forest clearance.

Allotment of excess land

4.2.9 As per prevailing policy (October 2010), Project Affected Persons (PAPs) in Chakan IA were eligible for allotment of land equivalent to 15 per cent of land acquired from them at acquisition rate (₹ 400/460 per sqm). Audit observed that MIDC, on directions of the Board, approved (June 2019) allotment of land to five PAPs²⁷, in excess of their eligibility (15 per cent) to the extent of 20,469.60 sqm at acquisition rate. Considering prevailing land rate ₹ 4,770 per sqm for industrial plots in Chakan IA, MIDC incurred loss of ₹ 8.94 crore.

MIDC stated (December 2021) that land was sanctioned on priority basis at the land acquisition rate as these land owners had not given possession of the acquired land and continuously obstructed development of infrastructure work. MIDC further stated (August 2022) that Board had powers to take decisions considering the overall merit in the proposal by overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit and there was no financial loss to MIDC.

Reply is not tenable as the decision to allot excess land to these PAPs was in violation of laid down policies and also led to financial loss of ₹ 8.94 crore.

²⁷ Out of five PAPs, allotment orders issued to three PAPs. In respect of other two PAPs, offer letters issued and further action was in progress.

Chapter V

Recovery of revenue/dues

Chapter V

Recovery of revenue/dues

Instances of undue concession to allottees in recovery of revenue from lease premium, transfer charges, Urban Land Ceiling (ULC) Exemption transfer charges, extension charges and sub-letting charges were observed. Irregular grant of instalments for payment of lease premium and non-forfeiture/refund of lease premium in violation of regulations/policy were also observed.

Lack of system for periodic revision of water charges and service charges from the allottees was observed which led to short recovery of expenses. MIDC had not levied and recovered Goods and Services Tax on non exempted services from the plot holders leading to non payment of statutory dues.

MIDC recovers lease premium for allotment of plots besides charges for granting permissions for transfer/sub-lease, sub-letting, time limit extension for development of plot, water charges, service charges *etc.* from allottees.

5.1 Recovery of lease premium

Audit observed that MIDC granted unwarranted concessions in lease premium in cases of land allotment to various private parties as discussed in succeeding paragraphs.

Allotment of alternate plot at old rate in violation of directions of GoM

5.1.1 As per section 18 of the MID Act, the State Government may issue to the MIDC such general or special directions as to policy as it may think necessary or expedient for the purpose of carrying out the purposes of this Act and the MIDC shall be bound to follow and act upon such directions. The GoM had issued (January 1996) directions to MIDC that allotment of alternate land to an allottee due to ‘any reasons whatsoever’, should be made on recovery of lease premium at prevailing rates.

Audit observed that MIDC²⁸ granted (February 2016 to November 2019) alternate land to 23 allottees considering rate at which old plot was allotted. As per GoM directions, differential lease premium of ₹ 9.80 crore should have been recovered from these 23 allottees considering prevailing rates as on the date of allotment of alternate plots and rate at which old allotment was made. Thus, non-levy of prevailing rates for allotment of alternate plot was contrary to GoM directions which resulted in loss of ₹ 9.80 crore (**Annexure 3**). In two similar cases²⁹ of allotment of alternate plots, MIDC however, levied lease premium at prevailing rates based on same directions of GoM which indicated the lack of consistency on part of MIDC in implementing directions of GoM.

²⁸ Approving authority was Board (three cases), Joint CEO (18 case) and Dy CEO (two cases).

²⁹ Vedant Udyog in Akola Growth Center and Soujanya Colour Private Limited in Additional Lote Parshuram IA.

MIDC while citing various reasons³⁰ for allotment of alternate plots at old rates stated (December 2021/August 2022) that in essence, Board was the MIDC with full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. It was further stated that GoM directives pertain to cases where plot locations were changed according to choice of applicant.

Reply is not tenable as the directions of GoM did not mention that the lease premium was to be levied only when the plot location was changed according to the choice of the applicant.

Unwarranted concession in lease premium

5.1.2 Audit observed that MIDC granted unwarranted concession of ₹ 22.18 crore in lease premium to eight allottees in violation of laid down policies. These eight cases are elaborated in **Table 5.1** below:

Table 5.1: Unwarranted concession in lease premium

Sl. No.	Details of cases and MIDC's reply
1 and 2	Continental Surface Solutions Private Limited (CSSPL) in Khandala IA (Phase II) and Emitec Emission Control Technology Private Limited (EECTPL) in Talegaon IA (Phase II)
	As per prevailing policy, lease premium was recoverable from allottees at the rate prevailing on date of issue of offer letter. MIDC issued offer (27 August 2018) letter to two allottees (Continental Surface Solutions Private Limited (CSSPL) in Khandala IA (Phase II) and Emitec Emission Control Technology Private Limited (EECTPL) in Talegaon IA (Phase II)) at prevailing rates. The allottees subsequently requested (January 2019) for levy of pre-revised rate on the ground that the circular for revision in rates was issued (27 August 2018) on date of issue of offer letter to them. MIDC, on directions of the Board, granted (September 2019/January 2020) refund of 50 <i>per cent</i> of differential lease premium of ₹ 2.30 crore ³¹ in these two cases, in violation of prevailing policy of MIDC.
	MIDC stated (December 2021/ August 2022) that Board had taken conscious decision for giving 50 <i>per cent</i> discount instead of 100 <i>per cent</i> discount as requested by the allottees and there was no financial loss to MIDC. Reply is not tenable as such conscious decision in selective cases in violation of laid down policies resulted in financial loss to MIDC.
3 and 4	Shantidoot Solar Industries in Krushnoor IA and Laxmi Vynkatesh Paper Industries in Nanded IA
	As per MIDC policy (March 2016) applicants, who had executed Memorandum of Understanding (MoU) under 'Make in India' programme were eligible for concessional rate (pre-revised rates), if complete proposal with all necessary documents were submitted before 31 March 2016.

³⁰ Plot affected by natural nala, reserved land, obstructions raised by local farmers/residents, absence of basic infrastructure facilities, change in alignment of road *etc.*

³¹ CSSPL: 50 *per cent* of ₹ 11 crore less ₹ 10 crore = ₹ 0.50 crore and EECTPL: 50 *per cent* of ₹ 39.54 crore less ₹ 35.95 crore = ₹ 1.80 crore.

Audit observed that two allottees (Shantidoot Solar Industries in Krushnoor IA and Laxmi Vynkatesh Paper Industries in Nanded IA) were granted (July 2016/ January 2019) benefit of concessional land rate by RO, Nanded/CEO although they had submitted (June 2016/August 2016) proposals after the cut-off date of 31 March 2016. In both cases, MIDC had correctly applied non-concessional rates in the offer letters issued. However, MIDC granted *post facto* concession in lease premium on ground that parties had executed (February 2016) MoU under Make in India programme, which resulted in loss of ₹ 48.03 lakh³².

MIDC stated (December 2021/August 2022) that concessional rate were granted based on MIDC policy (March 2016) as MoU with GoM was executed within stipulated time limit (February 2016). Reply is incorrect as the allottees were not eligible for benefit under March 2016 policy on account of failure to submit proposal with all necessary documents within the stipulated time limit (31 March 2016).

5, 6 and 7	IFB Refrigeration Limited (IFBRL) in Ranjangaon IA, Hira Balaji Magasavargiya Sahkari Soot Girni Marayadit (HBMSSGM) in Umred IA and Dr. Babasaheb Ambedkar Sahakari Sootgirmi Maryadit in Butibori (Phase II)
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As per the policy of Make in India of MIDC stated above, there was no provision for grant of concession in land rates/lease premium beyond March 2016. Audit, however, observed that MIDC granted (August 2021/October 2020) concession in lease premium/land rates (25 and 50 *per cent*) to two parties (IFB Refrigeration Limited (IFBRL) in Ranjangaon IA and Hira Balaji Magasavargiya Sahkari Soot Girni Marayadit (HBMSSGM) in Umred IA) which resulted in loss of ₹ 15.16 crore. Further, in another case, MIDC, on directions of the Board, granted (June 2017) land admeasuring 60,000 sqm to an allottee (Dr. Babasaheb Ambedkar Sahakari Sootgirmi Maryadit in Butibori (Phase II)) at old land rates of ₹ 520 per sqm (as earlier application of August 2014 was cancelled) as against the prevailing rate of ₹ 1,150 per sqm in the IA resulting in loss of ₹ 3.78 crore³³.

MIDC stated (December 2021/August 2022) that Board has taken decision in two cases (Umred and Butibori IA) to assist and promote co-operative movement to support weaker society through industrial growth. In respect of IFBRL, conscious decision was taken with approval of Board to grant concessional rate to the allottee being an anchor unit, which was a requisite for sanction of proposed Electronics Manufacturing Cluster 2.0. It was further stated that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. MIDC further stated (August 2022) that there is no financial loss to MIDC.

Reply is not tenable as such decisions of allowing concession in land rates/lease premium in selective cases were unfair and in violation of laid down policies.

³² Shantidoot Solar Industries: ₹ 3.50 lakh (₹ 5.83 lakh less ₹ 2.33 lakh) and Laxmi Vynkatesh Paper Industries: ₹ 44.53 lakh (₹ 48.40 lakh less ₹ 3.87 lakh).

³³ 60,000 sqm x ₹ 630 per sqm (₹ 1,150 per sqm – ₹ 520 per sqm).

8	Orange City Laghu Audyogik Sahkari Sanstha in Hingna IA
	MIDC issued (August 2019) offer letter for land admeasuring 7,200 sqm in Hingna IA to Orange City Laghu Audyogik Sahkari Sanstha. Subsequently, based on request of the allottee (June 2019), MIDC sub-divided the allotted plot into 11 separate plots (5,424 sqm) and 1,775 sqm for internal roads (in the middle of sub-divided plots) and a separate demand letter was issued (September 2019) for payment of lease premium of ₹ 45.76 lakh towards internal roads in the allotted plot. MIDC submitted (October 2020) before the Board that there was no policy for waiver of charges for area under internal roads in the already allotted plot and hence charges could not be waived. The Board, however, directed (October 2020) for waiver of charges without any justification which resulted in loss of ₹ 45.76 lakh. It is also pertinent to note that Board had previously (March 2020) rejected the request for waiver of charges. MIDC stated (December 2021/August 2022) that Board had taken decision for financial support of small entrepreneurs and Board had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply is not tenable as the decision was taken in violation of prevailing policy.

Irregular grant of instalments for payment of lease premium

5.1.3 As per Regulation 12 of MIDC DLR; read with MIDC circular (January 2014), in case of direct allotment of land, lease premium was payable in two instalments as 25 *per cent* on issue of offer letter as Earnest Money Deposit (EMD) and balance 75 *per cent* within 30 days from date of receipt of allotment order. It was further stipulated that extension for a maximum period of six months (including 30 days) could be granted to an allottee for payment of lease premium on recovery of interest in advance at applicable rates.

Audit observed that MIDC granted permission (March 2021/August 2021) for payment of balance lease premium to India Jewellery Park (IJP) in TTC IA in three installments over a period of four years and to IFB Refrigeration Limited (IFBRL) in Ranjangaon IA in four installments over a period of two years. This led to undue favour of ₹ 68.01 crore³⁴ to the two allottees towards interest which was otherwise payable as per clause 12 of MID DLR.

MIDC stated (December 2021/August 2022) that Board had decided to grant revised schedule to IJP at their request considering Covid-2019 and need to encourage investment and promote employment. In the case of IFBRL, MIDC stated (December 2021/August 2022) that the Board granted concession and instalment facilities to Anchor unit to facilitate development of an Electronic Manufacturing Cluster, attract electronic giants in Maharashtra and also get assistance from Central Government by supporting the Anchor unit. It was further stated that in essence, the Board was MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

³⁴ IJP ₹ 62.09 crore and IFBRL ₹ 5.92 crore.

Reply is not tenable as allowing such benefit was in contravention of Regulation 12 of MIDC DLR and similar benefit was not granted to other allottees.

Non-forfeiting of lease premium

5.1.4 As per MIDC policy (January 2014) and terms and condition of offer letter/allotment order, if balance lease premium was not paid by the allottee within six months from the date of receipt of allotment letter, the allotment was automatically cancelled and lease premium paid as EMD was liable to be forfeited. Further, in case of e-bidding, applicants were required to make payment of five *per cent* of lease premium (at upset rate³⁵) as EMD, which was to be forfeited in case of withdrawal of offer.

Audit observed that MIDC did not forfeit EMD amounting to ₹ 9.24 crore of 32 parties who failed to make payment of 75 *per cent* lease premium within maximum permissible time limit of 180 days. The allotment orders should have been cancelled due to non-payment of lease premium. Instead, MIDC revived the allotment orders and adjusted EMD recovered earlier against lease premium for fresh allotments to these 32 parties (**Annexure 4**). The land rates charged for fresh allotment in these 32 cases also varied, as given in **Table 5.2**.

Table 5.2: Land rates applied for allotment of land

Sl. No.	Rates applied	No of parties
1	Prevailing industrial/commercial rates.	23
2	Highest rate received during e-bidding.	1
3	Prevailing rate or highest rate received in last auction, whichever is higher.	1
4	Highest rate received for commercial plot in e-bidding plus delayed payment charges on balance amount.	4
5	Prevailing rate plus 10 <i>per cent</i> thereon or highest rate in last e-bidding, whichever is higher.	1
6	Allotment rate plus 10 <i>per cent</i> plus payable interest at State Bank of India (SBI) Prime Lending Rate (PLR) or highest rate received in auction plus interest payable as per SBI PLR, whichever is higher.	1
7	Bid rate of the applicant as per allotment order plus interest at SBI PLR rate or last auction commercial rate whichever is higher, plus recovery of interest on BoP.	1
Total		32

(Source: Information furnished by MIDC)

MIDC while citing various reasons³⁶ for non-forfeiture of EMD in these cases, stated (December 2021/August 2022) that Board had taken conscious decision and in essence, Board was the MIDC and had complete authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

³⁵ Upset rate for e-bidding was worked out considering prevailing rate in IA plus 10 *per cent* increase thereon (along with applicable road width charges).

³⁶ Non-availability basic infrastructure in IAs, promotion of co-operative industrial society in larger public interest, natural justice to allottee and development of industry, economically backward/financial condition of applicant, triangular shape of plot, health/medical reason cited by applicant *etc.*

Reply is not tenable as decision in selective cases with different applications of land rates (as shown in **Table 5.2** above) was contrary to the MIDC policy as well as terms and condition of allotment order.

Refund of lease premium in violation of terms and conditions of offer letters

5.1.5 As per MIDC policy (January 2014) and terms and condition of offer letter/allotment order, if balance lease premium was not paid by the allottee within six months from the date of receipt of allotment letter, the allotment would be automatically cancelled and lease premium paid as EMD was liable to be forfeited. Audit observed that MIDC granted (October 2020) refund of EMD of ₹ 3.04 crore to two parties (₹ 1.95 crore to Elmont Infra Private Limited (EIPL) in TTC IA and ₹ 1.09 crore to Sterlite Technologies Limited (STL) in Shendra Five Star IA) instead of forfeiting the same.

MIDC, in respect of an allottee (STL) stated (December 2021/August 2022) that Board had taken the decision to refund the EMD since MIDC was not in a position to allot the required land to allottee for setting up of ultra mega project. Reply is not tenable as the STL had accepted area offered by MIDC for allotment as per offer letter (August 2018) and hence was bound by terms and condition thereof. As regards EIPL, MIDC stated (August 2022) that Board had taken conscious decision considering natural justice on request of the party to refund the amount paid without any deduction as it was not possible to run hotel business in future due to current economic downturn caused by covid-2019 pandemic. It was further stated that in essence, the Board was MIDC and had complete authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

Reply is not tenable as the plot was allotted for IT park, commercial buildings and office etc. and not for hotel business. Thus, the reply is factually incorrect and the decision of the Board was in violation of prevailing policy and conditions of offer letter/ allotment order.

5.2 Recovery of other revenue/dues

MIDC recovered charges due from allottees for granting permissions for transfer/sub-lease, sub-letting, time limit extension for development of plot *etc.* The audit observations in this regard are discussed in subsequent paragraphs.

Undue concession in charges for time limit extension

5.2.1 As per prevailing policy, an allottee could be granted time limit extension for development of plot on recovery of non-refundable additional premium at prescribed rates³⁷. Audit observed that MIDC granted undue favour of ₹ 11.08 crore to five private parties on account of unjustified waiver/exemption of applicable extension charges in violation of prevailing policies as detailed in **Table 5.3**.

³⁷ At 25 per cent and 40 per cent of prevailing land rates for first and second two year and at rate of five per cent for next four years (In IAs in A, B and C zone). In respect of allottees from other IAs (D and D plus zone), rate was 10 per cent for first two years and five per cent for next four years.

Table 5.3: Allottees granted unfair concession in extension charges in violation of laid down policy

Sl. No.	Details of cases
1	CEAT Limited (Plot No.G 2-Ambernath IA) As per MIDC policy (March 2013), extension charges were recoverable at 25 <i>per cent</i> of land rate on proportionate basis. Board approved (June 2015) recovery of extension charges for a period of four months from April to July 2016. Accordingly, Regional Office (RO) issued (July 2015) a demand letter to the party for payment of extension charges of ₹ 4.32 crore in accordance with MIDC policy. However, based on remarks of the CEO on the printed draft Board resolution, RO issued revised demand letter (August 2015) for payment of extension charges of ₹ 0.86 crore at lower rate of five <i>per cent</i>. Audit could not find the approval for grant of concessional rate in the confirmed minutes of the subsequent Board meetings. This resulted in loss of ₹ 3.46 crore to MIDC and undue benefit to the party concerned. MIDC stated (December 2021) that Board had taken (June 2015) decision to levy five <i>per cent</i> premium amount and further stated (August 2022) there was mention of recovery of extension charges at rate of 5 <i>per cent</i> in the confirmed minutes. After making necessary correction in minutes, the then CEO took approval for minutes and same is available in record with the MIDC. Reply is incorrect as there was no mention of recovery of extension charges at the rate of five <i>per cent</i> of prevailing rate in the confirmed Board minutes.
2	Phillips India Limited (Plot No.B 78-Chakan-Phase II IA) MIDC had no policy to grant waiver of extension charges. The Board, however, granted 50 <i>per cent</i> waiver (June 2019) in applicable extension charges to the allottee amounting to ₹ 3.54 crore. MIDC stated (December 2021) that Board, considering the effective steps taken by the plot holder for development of plot, resolved to waive 50 <i>per cent</i> of extension charges. It was further stated (August 2022) that the Board has discretionary power to decide cases on merit by overruling management's observations based on current policies under MID Act. Reply is not tenable as the decision was in violation of the prevailing policy and MID Act did not provide such discretionary power to the Board.
3	Damani Extrusion (Aluminum) Private Limited (Plot No.D-20/4-Wardha IA) The Environmental Clearance (EC) for the proposed activity (manufacture of aluminum extrusion products) was rejected (June 1991) by GoM in view of their policy, which restricted establishment of polluting industry. As such, the allottee should have either surrendered the plot or changed the activity to non-polluting industry, which was not done. Subsequently, after more than 26 years, the Board while considering request of the allottee, approved (November 2017) to recover only 25 <i>per cent</i> of applicable extension charges which resulted in waiver of ₹ 0.17 crore and also granted fresh time period of one year for commencement of new activity. MIDC stated (December 2021/August 2022) that decision was taken by MIDC for industrial growth and employment generation in the IA and considering issues of EC. Board was empowered to take such decisions under MID Act.

Reply is not tenable as the decision was in violation of the prevailing policy and resulted in financial loss to MIDC.	
4	Prabhat Dairy Private Limited (Plot No.E 1-Shrirampur IA)
As per MIDC policy (March 2013), free extension could be granted only in case of non-provision of approach road. Non-provision of other infrastructure facilities like water supply was not a ground for free time limit extension under prevailing policy.	
The allottee requested for free time limit extension on the ground that water supply was not provided. MIDC, however, noted that approach road was already provided up to the plot before allotment and hence allottee was not eligible for free time limit extension. MIDC accordingly approved (March 2016) time limit extension on recovery of applicable charges. The matter was placed before the Board with proposal of grant of one year time limit extension (March 2016 to March 2017) on recovery of applicable 10 <i>per cent</i> extension charges. The Board, however, overruled the management proposal and granted (March 2016) two years free time limit extension up to March 2018 (instead of applicable charges of ₹ 0.88 crore) for construction and obtaining BCC on ground that the allottee could not commence production as necessary water supply was not provided. Audit further observed that allottee, after obtaining free time limit extension, did not take any action for development of the plot and surrendered the vacant plot in February 2018. MIDC refunded the land premium of ₹ 1.52 crore after deduction of five <i>per cent</i> service charges. Thus, the allottee was granted undue benefit of ₹ 0.88 crore on account of free time limit extension for the period March 2016 to March 2018. MIDC stated (December 2021/August 2022) that Board had considered the request of free extension of time limit for promoting industry but investor had later on declined to move ahead which could not be anticipated in advance. Reply is not tenable as such subjective decision was in violation of the prevailing policy which resulted in financial loss to MIDC.	
5	Meyer Organics Private Limited (Plot No.B 7 and B 10-Thane IA)
MIDC granted (February 2015) transfer of a vacant plot to Meyer Organics Private Limited (MOPL) for construction of a private IT Park (third transferee).	
As per prevailing policy (June 2013), development period of two years (<i>i.e.</i> up to February 2017) was to be granted from date of transfer order. MIDC, however, granted development period upto May 2018, thereby granting free time limit extension of 15 months in violation to the prevailing policies as below:	
- Initially, three years development period was granted (February 2015) to MOPL for period up to February 2018 (which is to be granted to new allottees only). - At request (July 2018) of MOPL, MIDC granted (November 2018) revised development period of three years from May 2015 to May 2018 citing May 2015 policy. As per May 2015 policy, revised development period of three years was applicable from the date of issue of circular (May 2015) to those plot holders, who after obtaining BCC were in production and obtained	

demolition permission for redevelopment of plot. MOPL was however not eligible for benefit under the said policy as the plot was vacant and not in production.

Subsequently, MOPL failed to obtain BCC in the revised time limit (May 2018) also and further time limit extension was granted (November 2018) for a period of one year (27 May 2018 to 26 May 2019) on recovery of non-refundable additional premium of ₹ 1.81 crore and BCC was obtained in May 2019.

Audit observed that extension charges for the period from 20 February 2017 to 26 May 2019 worked out to ₹ 4.84 crore. Against this, an amount of ₹ 1.81 crore was recovered due to grant of revised development period which resulted in undue benefit of ₹ 3.03 crore to the party.

MIDC stated (December 2021/August 2022) that redevelopment period was granted as per May 2015 policy which stipulated grant of three years development period in case the development period was not indicated in the demolition permission and hence there was no violation of policy. Reply is not tenable as granting 15 months extension to MOPL was not as per MIDC policy and allottee was not eligible for re-development extension as their plot was vacant.

5.2.2 MIDC introduced two schemes viz. Revival Scheme and Udyog Sanjivani Scheme for facilitating development of non-developed plots.

Revival Scheme

5.2.2.1 MIDC implemented (December 2020/November 2021) a 'revival scheme' for promoting transfer of plots by allottees having land of 20,000 sqm or more for IT/ITES³⁸, Nano Technology, Bio-Tech, IIT Township and other important projects having investment of more than ₹ 500 crore. As per the scheme, allottees, who had requested for transfer of plots were eligible for grant of time limit extension on recovery of concessional extension charges to the extent of 30 *per cent* of applicable charges. Thus, the scheme was applicable only in case of transfer of plot.

Audit observed that Board granted (February 2021) unwarranted benefit of concession under the scheme to five ineligible allottees³⁹ in three IAs. There was no proposal for transfer of plot in these five cases and as the allottees were not eligible for benefit of the scheme, applicable extension charges were recoverable without any concession. Board, however, directed for recovery of 30 *per cent* of applicable extension charges⁴⁰ to five allottees which resulted in loss of ₹ 3.01 crore.

³⁸ Information Technology/Information Technology Enabled Services.

³⁹ Baramati Hi-tech Textile Private Limited (Baramati IA/plot no E 1/5: ₹ 0.40 crore), Mahendra Consultancy Services (Ambad IA/plot no 29/6: ₹ 0.94 crore), Shivraj Agro Estate Private Limited (SAEPL) (Baramati IA/plot no E/1/5/A: ₹ 1.09 crore), SAEPL (Baramati IA/plot no E/1/5/B: ₹ 0.40 crore) and Pravin Khodke Memorial Trust (Amravati IA/plot no P 22: ₹ 0.18 crore).

⁴⁰ Applicable charges ₹ 4.31 crore and charges collected ₹ 1.30 crore.

MIDC, while citing various reasons⁴¹ for deviations in these cases, stated (December 2021/August 2022) that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply is not acceptable as such decisions in selective cases were in violation of laid down policies and led to undue benefit to the private parties.

A case where unwarranted free time limit extension as well as undue concession in extension charges was granted under Revival scheme is elaborated below:

Case Study 5.1:

Bajaj Auto Limited (BAL) was eligible for development period upto November 2011 in respect of an allotted industrial plot⁴² admeasuring 7.63 lakh sqm (plot no E 2) in Chakan IA (Phase III). MIDC, with the approval (October 2015) of Chairman, MIDC granted time limit extension from November 2011 to August 2013 on recovery of extension charges of ₹ 24.05 crore (at 5 per cent of prevailing rate). Further, free revised development period from September 2013 to December 2016 was also granted citing reputation of BAL, project investment and employment generation based on commitment of the BAL to obtain BCC within a period one year. Grant of free time limit extension for period from September 2013 to December 2016 was thus contrary to the prevailing policy.

Audit further observed that BAL did not obtain BCC within the revised time limit and show cause notice was issued (April 2017) for surrender of plot. BAL filed (16 May 2017) a petition in Bombay High Court which granted (22 May 2017) stay on taking action as per notice till June 2017. BAL filed application (June 2017) in the Bombay High Court that they would submit request to Chairman, MIDC for not taking action till July 2017, which was granted by Bombay High Court. BAL submitted representation (June 2017) on which hearing was held (February 2019) by Chairman, MIDC and he directed for placing the matter before the Board. MIDC submitted (June 2019) to the Board that applicable extension charges for period from January 2017 to December 2019 was ₹ 233.04 crore as per MIDC policy. The Board, however, granted (June 2019) 50 per cent waiver in applicable extension charges. MIDC issued (August 2019) demand notice to the allottee for payment of extension charges of ₹ 143.83 crore. BAL requested (December 2020) to waive off penalty from the date of filing (May 2017) writ petition in the Bombay High Court against this notice of MIDC for returning of allotted land. The Board, citing delay in court decision as circumstances were beyond control of BAL and COVID 2019, approved (February 2021) benefit under revival scheme (for period from 1 January 2017 to 6 May 2017) and free time limit extension for period from 17 May 2017 to 31 December 2020. Board granted further two years' time limit extension from January 2021 to December 2022 without any justification.

⁴¹ To boost textile activity in Baramati IA, support social cause of educational institute, boosting economy on background of Covid-2019 etc.

⁴² BAL was originally allotted (March 2007) plot admeasuring 9.63 lakh sqm. Of this, 7.63 lakh sqm remained with BAL as balance land was taken back by MIDC.

Audit observed that there was no transfer of plot in the instant case and hence BAL was not eligible for benefit of 70 *per cent* concession in applicable extension charges under revival scheme (January 2017 to May 2017). Further, time limit extension for the period from September 2013 to December 2016 and January 2021 to December 2022 was in violation of prevailing policies. MIDC recovered extension charges of ₹ 9.30 crore (30 *per cent* of January 2017 to May 2017) as against applicable total extension charges of ₹ 217.36 crore for above period (17 May 2017 to 30 June 2021 excluding COVID period⁴³). MIDC thus granted undue concession of ₹ 208.06 crore to BAL in extension charges.

MIDC stated (December 2021/August 2022) that the mandate was not to let a reputed company like BAL move out of Maharashtra but to retain them so that BAL could start their new project so as to utilise their land parcel and bring in investment and generate employment. The decision was taken to hold back a reputed company in Maharashtra and there is no financial loss to MIDC. Reply is not tenable as the decision was in violation of laid down policies and caused loss of ₹ 208.06 crore to MIDC.

Udyog Sanjivani Scheme

5.2.2.2 MIDC implemented (October 2015) Udyog Sanjivani Scheme (USS) for allottees, whose development period had expired up to 31 August 2013. The eligible allottees were granted 50 *per cent* concession in applicable extension charges and were required to obtain Building Completion Certificate (BCC) within stipulated period failing which the land was to be resumed back by MIDC by forfeiting deposited amount. Further, clause 11 of the scheme elaborated that for allottees whose development period had expired after 31 August 2013, the concession in extension charges would not be applicable.

Case Study 5.2:

Audit observed that DLF Info Parks (Pune) Limited (DLF)⁴⁴ was granted revised time schedule for obtaining BCC within three years (by January 2015) from the date of issue of transfer order (January 2012). DLF requested (March 2015) for grant of time limit extension on the plot which was lying vacant. MIDC approved (August 2015) grant of one year time limit extension upto January 2016 subject to recovery of 25 *per cent* extension charges. Accordingly, Regional Office raised (September 2015) demand for payment of extension charges of ₹ 8.17 crore. DLF requested (December 2015) for waiver of extension charges till January 2018, particularly, considering the prevalent tough market conditions. Subsequently, DLF requested (January 2016) for grant of revised development period of three years from date of receipt of Maharashtra Pollution Control Board (MPCB) consent (June 2014 to June 2017) and waiver of extension charges.

⁴³ As per covid policy (24 May 2021) of MIDC, no extension charges were to be recovered for the period from 22 March 2020 to 30 June 2021.

⁴⁴ Land admeasuring 1.20 lakh sqm (plot no 29 and PL 2) at Rajiv Gandhi Information Technology Park, Hinjewadi, Pune (Phase II) was transferred to DLF.

The RO submitted (December 2015) to Head Office that concession under Udyog Sanjivani Scheme (USS) cannot be granted to DLF as per MIDC policy as their development period had expired (on 2 January 2015) after 31 August 2013 and recommended recovery of non-refundable additional premium of ₹ 21.24 crore for time limit extension for two years (January 2015 to January 2017). During processing of this case, CEO, MIDC had noted (January 2016) that allottee had not proved satisfactorily that there were unavoidable circumstances. It was also noted by the CEO that it was responsibility of the developer to obtain all Government approvals/NOC and MIDC was not concerned about whether consent of MPCB was received or not. Despite this, CEO granted (January 2016) concession in extension charges under USS stating that there was doubt whether the development period had expired before 31 August 2013 or later. Accordingly, MIDC granted (June 2016) time limit extension for two years (January 2015 to January 2017) on recovery of ₹10.62 crore under USS against ₹ 21.24 crore levied earlier. MIDC thus granted benefit of ₹ 10.62 crore (50 *per cent*) to the DLF under the USS in violation of laid down policy.

MIDC stated (December 2021/August 2022) the action of the CEO was as per the policies as he had opined that the delay was beyond the control of plot holder. It was further stated that CEO had levied 50 *per cent* applicable extension charges, though CEO had authority to grant extension without charges as per MIDC policy (June 2013).

Reply is not tenable as evident from the facts stated above that DLF was not eligible for concession under USS and the benefit was extended violating the laid down policy.

Undue concession in transfer charges

5.2.3 As per prevailing policies, transfer of plot was classified as formal⁴⁵ and non-formal⁴⁶. The formal transfer was granted free of cost or on recovery of Standard Transfer Fee (STF), while non-formal transfer was permitted on recovery of differential premium/STF respectively. In case of non-formal transfer/sub-lease, differential premium was recoverable at 30 *per cent* of prevailing rates in case plot was vacant or having construction less than 10 *per cent*/20 *per cent*⁴⁷ Floor Space Index (FSI), while differential premium was recoverable at 10 *per cent* in other cases.

Audit observed that MIDC granted undue favour of ₹ 32.33 crore to seven parties on account of ineligible concession in transfer/sub-lease charges in violation of prevailing policies as detailed in **Table 5.4**.

⁴⁵ Formal transfer included transfer due to death *i.e.* bequeath/will/heirship, change in shareholding of allottee Company less than 51 *per cent*, change in constitution on inclusion of persons in blood relations *etc.*

⁴⁶ Any other transfer which do not cover under formal transfers (as per list) will be treated as non-formal transfer which included inducting individual/change in partners not being blood relations, transfer from one limited Company to another limited Company, from Holding to subsidiary or vice versa, change in shareholding of original shareholders of allottee Company more than 51 *per cent* shareholding *etc.*

⁴⁷ Criteria of 20 *per cent* FSI was applicable in case of land allotted from 1 January 2013 onwards.

Table 5.4: Allottees granted undue concession in transfer/sub-lease charges in violation of prevailing policies

Sl. No.	Details of cases
1	Loma IT Park Developers Private Limited (Plot No. Gen 4/1-TTC IA)
	As per prevailing policy (March 2010), differential premium was recoverable considering the area of plot which is subleased as per transfer guidelines. The transfer guidelines stipulated recovery of 30 <i>per cent</i> differential premium in case the area to be transferred was having construction less than 10 <i>per cent</i> FSI. MIDC granted (May 2018) permission to the plot holder for sub-lease of area ad-measuring 13,900 sqm (Loma Co-Developers I Private Limited) and 18,600 sqm (Loma Co-Developers II Private Limited) for a period of thirty years on recovery of 10 <i>per cent</i> differential premium of ₹ 2.05 crore and ₹ 2.74 crore respectively. Out of this, plot area ad-measuring 18,600 sqm, sub-leased to Loma Co-Developers II Private Limited, was vacant and hence 30 <i>per cent</i> differential premium to the extent of ₹ 8.22 crore should have been recovered. MIDC, however, recovered, transfer charges of ₹ 2.74 crore considering 10 <i>per cent</i> differential premium, resulting in short recovery of ₹ 5.49 crore. MIDC stated (December 2021/August 2022) that the original plot holder obtained BCC for more than 20 <i>per cent</i> FSI for entire plot area. Therefore, as per circular guidelines (April 2012) MIDC recovered 10 <i>per cent</i> differential premium. Reply is not tenable as sub-leased plot was vacant and 30 <i>per cent</i> differential premium was recoverable as per MIDC policy.
2	CEAT Limited (Plot No.G2-Ambernath IA)
	As per prevailing policy (November 2013), in the case of a plot allotted to a Company incorporated under the Companies Act, transfer of vacant plot was permitted to its holding/subsidiary/sister Company on recovery of 30 <i>per cent</i> differential premium. The allottee requested for transfer of vacant plot to CEAT Specialty Tyres Limited (subsidiary Company), for which 30 <i>per cent</i> differential premium of ₹ 3.51 crore was recoverable. This was also proposed by Regional Officer, General Manager (Legal) and Dy CEO during processing of the case. The CEO, however, decided (October 2015) to grant permission for transfer on recovery of 10 <i>per cent</i> differential premium of ₹ 1.17 crore which was a deviation from prevailing policy. This resulted in loss of ₹ 2.34 crore to MIDC. MIDC stated (December 2021/August 2022) that it was an administrative decision taken by CEO to levy 10 <i>per cent</i> differential premium with the condition that if the allottee failed to develop the plot within the specific time limit, remaining 20 <i>per cent</i> premium will be charged. The allottee completed construction of 20.30 <i>per cent</i> FSI within the stipulated time limit. Reply is not tenable as the instant case was a deviation from the prevailing policy and hence irregular.

3	Mahindra Heavy Engines Public Limited (Plot No.A 1/1- Chakan Phase IV IA)
As per prevailing policy (January 2013), in case there was change in shareholding pattern beyond 51 <i>per cent</i> of original shareholders of allottee Company, it was treated as non-formal transfer and was permitted on recovery of applicable differential premium. The existing shareholder (Mahindra and Mahindra Limited) of the allottee Company transferred 100 <i>per cent</i> shares to a new legal entity (Mahindra Vehicle Manufacturers Limited) and requested (April/May 2016) MIDC for noting change in name to Mahindra Heavy Engines Public Limited without recovery of any transfer charges. The Legal department of MIDC opined (May/June 2016) that shareholding of the allottee Company had changed beyond 51 <i>per cent</i> and hence MIDC was entitled to recover differential premium being a non-formal transfer. MIDC, however, decided (April 2018) to record change in name without recovery of charges contrary to prevailing policy and legal opinion in the case. This resulted in loss of ₹ 3.24 crore to MIDC. MIDC stated (December 2021/August 2022) there was no change in the shareholding pattern as new shareholder was a subsidiary Company of outgoing majority shareholder which held 100 <i>per cent</i> shares in the new shareholder. Reply is not tenable as shareholding of the allottee Company had changed beyond 51 <i>per cent</i> and hence MIDC was entitled to recover differential premium of ₹ 3.24 crore.	
4	JCB Manufacturing Limited (Plot No.A and B-Talegaon IA)
As per MIDC policy (1998), all involuntary transfers including amalgamation, demergers <i>etc.</i> under the directions of competent court/Tribunal/appropriate Government were treated as formal transfer and STF was to be recovered. Subsequently in August 2011, the Board decided that any scheme of amalgamation framed between entities shall not be treated as formal transfer and shall be permitted on recovery of differential premium. It was also decided that the revised policy would be applicable to all transfer applications received after 12 August 2011. Accordingly, MIDC issued (December 2011) a circular for implementation of revised policy for all transfer applications received after 12 August 2011. The allottee applied (November 2011) for transfer of plot to JCB India Limited as per their scheme of amalgamation. Joint CEO directed (August 2013) to recover differential premium of ₹ 9.41 crore and Regional Office raised (July 2015) the demand. The allottee, however, requested (August 2015) for levy of STF as per 1998 policy on the ground that revised policy was not applicable in their case as their scheme of amalgamation was approved in February 2010. MIDC decided (February 2019) that recovery of differential premium was as per prevailing policy and legal advice. However, the matter was placed before the Board for its decision. The Board approved (February 2019) transfer on recovery of STF on the grounds that amalgamation order and transfer application were prior to date of issue of circular (December 2011). Accordingly, MIDC recovered STF of ₹ 0.80 crore as against differential premium of ₹ 9.41 crore recoverable as per prevailing policy. This resulted in loss of ₹ 8.62 crore to MIDC.	

MIDC stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal by overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit and there is no financial loss to MIDC. Reply of MIDC is not tenable as the transfer application was received from the allottee after 12 August 2011 and hence differential premium was recoverable instead of STF.

5	Firth India Steel Company Limited (Plot No. Gen-40-Hingna IA)
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The allottee had obtained (January 1993) BCC for 0.096 FSI. The Debt Recovery Tribunal (DRT) auctioned (August 2017) the plot on account of default of the allottee in repayment of loan of a Bank. The DRT handed over (March 2018) possession of the plot to the highest bidder, namely Goldchip Infraventure Private Limited (GIPL) for their proposed commercial project against the bid amount. GIPL also requested (August 2019) for waiver of transfer charges and interest on outstanding service charges, and Chairman, MIDC directed to place the matter before Board. GIPL also requested (September 2019) MIDC to record their name on the plot.

As per prevailing policy, transfer was permissible on recovery of 30 *per cent* differential premium amounting to ₹ 7.95 crore as FSI was less than 10 *per cent*. Accordingly, the management submitted proposal to the Board for granting transfer permission on recovery of 30 *per cent* differential premium. The Board, however, directed (September 2019) to grant permission for transfer on recovery of differential premium of 10 *per cent* amounting to ₹ 2.65 crore without assigning any reasons for the same. MIDC thus granted undue concession of ₹ 5.30 crore to the party. MIDC issued demand notice (January 2020) to the allottee for payment of differential premium of ₹ 2.65 crore which was also not paid till date (August 2022).

MIDC stated (December 2021) that Board has taken decision for recovery of 10 *per cent* differential premium considering Nagpur region was one of the most economically backward areas of Maharashtra and to boost the economic growth of this region for which industrialization was required. It was further stated (August 2022) that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply of MIDC is not tenable as decision was taken in violation of the laid down policy.

6	Mercedes Benz Education Academy (Plot No. P-26/Rajiv Gandhi Information Technology Park Phase I, Hinjewadi IA)
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The plot was allotted to Mercedes Benz Education Academy, a registered public charitable trust for educational purpose. The allottee was running a school on the land and requested (September 2019) for change in name to Mahindra International School Academy. MIDC observed that there was change in Managing Committee of the allottee and it was non-formal transfer as per MIDC policy (1998/2013) which attracted recovery of differential premium. Accordingly, MIDC issued (November 2019) demand letter for payment of transfer charges of ₹ 41.52 lakh.

The allottee, however, represented (December 2019) to MIDC for grant of free transfer on the grounds that there was no share transfer and financial consideration. Accordingly, the case was re-examined by MIDC and authority (Legal) opined that there was change/transfer of plot from one legal entity to

another legal entity even though there was no financial consideration/ transaction, which amounted to non-formal transfer and attracted recovery of differential premium. MIDC accordingly, issued (May 2020) demand for payment of transfer charges of ₹ 41.60 lakh with interest at rate of 16.05 *per cent* (from November 2019 till the date of actual payment). The allottee, however, did not make payment and instead requested (June 2020) for grant of free of cost transfer. The CEO stating (September 2020) that there was no policy for grant of waiver of transfer charges to non-profit organization, directed to place the matter before the Board for decision. The Board approved (October 2020) noting the change in name/transfer free of cost on the grounds that there is no transfer of shares in the form of percentage and exchange of financial consideration. This was in violation of prevailing policy and led to short recovery of ₹ 0.42 crore.

MIDC stated (December 2021/August 2022) there was no transfer of shares in the form of a percentage, and as well financial consideration had not been exchanged. Decision had been taken on this issue in the interest of the MIDC and for development of social infrastructure of the region. Board was empowered to take such decisions under MID Act. Reply of MIDC is not tenable as decision violated the laid down policy.

7	Mahindra Gears and Transmission Private Limited (MGTPPL) (Plot No.C-23-Chakan Phase II IA)
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As per the Clause 19 of terms and condition of Agreement to Lease executed (January 2013), plot could be transferred only after five years by recovery of 100 *per cent* differential premium. MGTPPL requested (November 2015) for change in their shareholding pattern. There was change (June 2013) in shareholding beyond 51 *per cent* which amounted to non-formal transfer permissible on recovery of 100 *per cent* differential premium. MIDC, after obtaining (May 2016) legal opinion, issued (April 2018) demand letter for payment of transfer charges of ₹ 7.90 crore (100 *per cent* differential premium) as per terms and condition of the lease agreement. MGTPPL, however, requested (May 2018) for levy of transfer charges considering 10 *per cent* differential premium. The Board, while accepting (April 2021) that 100 *per cent* differential premium (₹ 7.90 crore) was demanded as per the then prevailing policy of January 2008, directed (April 2021) for recovery of transfer charges as per revised policy (July 2020) which provided that only 10 *per cent* differential premium was applicable. Accordingly, MIDC noted (June 2021) change in shareholding pattern and name of allottee on recovery of differential premium of ₹ 97.61 lakh. Thus, undue concession of ₹ 6.92 crore was granted to the party.

MIDC stated (December 2021) that Board, considering allottee was subsidiary of a Fortune 500 listed company, had taken conscious decision to waive off the applied charges and recover 10 *per cent* differential premium as per the prevailing policy. Board was empowered to take such decisions under MID Act. MIDC stated (August 2022) that merits on which the Board took this conscious decision was mentioned in the earlier reply and there is no financial loss to MIDC.

As the demand was already issued (April 2018) as per terms and conditions of the agreement to lease, application of revised policy in this case was not justified.

Transfer of plot without recovery of applicable Urban Land Ceiling (ULC) exemption transfer charges.

5.2.3.1 SI Group India Private Limited (formerly Schenectdy Herdillia Chemicals Limited) submitted (November 2021) an application to Maharashtra Industrial Development Corporation (MIDC) for transfer of their industrial plot (Gen 2/1/A) admeasuring 3.07 lakh sqm in Trans Thane Creek (TTC) Industrial Area to Gramercy Trade Industries Private Limited (transferee). Chairman, MIDC decided (December 2021) to grant permission for transfer of plot to the transferee for undertaking petrochemical and specialty chemicals activities subject to payment/fulfilment of the following conditions and post facto approval of the Board:

- Payment of differential premium⁴⁸ of ₹ 6.37 crore for proposed current transfer and balance amount of ₹ 21.83 crore for differential premium of previous transfers (total differential premium ₹ 28.20 crore).
- Submission of one-year Bank Guarantee from transferee for an amount of ₹ 77.66 crore towards ULC exemption transfer charges which was to be encashed in case of order of GoM. The transferee was liable to pay differential amount, if ULC premium was more than the amount of Bank Guarantee furnished; and
- Submission of indemnity bond from transferee regarding payment of ULC exemption transfer charges for earlier transfers as per final decision of the GoM.
- Withdrawal of all court cases filed by allottee⁴⁹ in the High Court, Mumbai and/or any court of Law by the allottee.

The transferee submitted undertaking cum indemnity Bond (December 2021) regarding payment of ULC transfer charges as per final order of GoM. The Board granted approval for transfer of plot in January 2022. The transferee paid (3 February 2022) the differential premium of ₹ 28.20 crore and also submitted Bank Guarantee (8 February 2022) of ₹ 77.66 crore towards ULC exemption transfer charges. MIDC issued (8 February 2022) a transfer order granting permission to the plot holder to transfer plot in favour of transferee. The transferee also withdrew unconditionally the writ petition filed in the Hon'ble High Court, Mumbai.

⁴⁸ Differential premium means difference between land rate prevailing as on the date of application of transfer of plot and rate at time of allotment/last transfer of plot. As per prevailing MIDC policies, transfer of plot are classified into two categories namely formal (such as transfer due to death *i.e.* bequeath/will/heirship, change in constitution on inclusion of persons in blood relations *etc.*) and any other transfer which do not cover under formal transfers (inducting individual/change in partners not being blood relations, transfer from one limited Company to another limited Company, from Holding to subsidiary or vice versa, change in shareholding of original shareholders of allottee Company *etc.* The formal transfer are granted either free of cost or on payment of Standard Transfer Fee (STF).

⁴⁹ The allottee had filed (July 2016) a writ petition in High Court, Bombay against the demand order issued by MIDC (June 2010) (reminded in December 2015) for payment of differential premium for non-formal transfer as per prevailing MIDC policy (change in name of the allottee Company and change in shareholding). The final order/decision from High Court, Mumbai in this regard was pending as on the date of transfer order issued (8 February 2022) by MIDC.

It was observed that;

- MIDC had granted (May 1978/February 1980/July 1993) exemption under section 20 of the Urban Land Ceiling (Ceiling and Regulation) Act, 1976 to M/s Herdilia Chemicals Limited for the allotted plot. The GoM had issued (23 June 2021) a Government Resolution (GR) whereby it was directed that ULC exemption transfer charges were not recoverable in case the exempted land was transferred for industrial purpose. The GoM further directed (August 2021) MIDC to recover ULC exemption transfer charges in case of transfers of exempted plot prior to June 2021 GR, as per the then prevailing policy/GRs of the GoM⁵⁰ as on the date of transfer (along with interest) where such ULC charges were not previously recovered by MIDC. Accordingly, ULC exemption transfer charges of ₹ 77.66 crore (along with interest) were recoverable from the plot for the earlier transfer (June 2010) *i.e.* prior to June 2021, as per GoM GR (23 November 2007), which were not recovered by MIDC prior to issue of transfer order.
- Subsequently, Board of MIDC directed (December 2022) to recover outstanding ULC exemption transfer charges with interest thereon from the plot holder. Accordingly, MIDC issued (23 February 2023) a demand letter to SI Group India Private Limited and Gramercy Trade Industries Private Limited for payment of ULC exemption transfer charges of ₹ 77.66 crore along with interest of ₹ 149.16 crore for the period from June 2010 to February 2022 plus GST ₹ 40.83 crore, amounting to ₹ 267.65 crore. The charges were, however, not paid till date (June 2023) and the validity of the BG had expired (4 February 2023).
- MIDC, on the directions (March 2023/May 2023) of GoM, had submitted (March 2023/June 2023) a detailed report to GoM for orders/directives regarding recovery of ULC transfer charges. Final decision of the GoM in this case regarding recovery of ULC exemption transfer charges was awaited (June 2023).

MIDC stated (8 June 2023), that Board had passed a Resolution (January 2022) to transfer the plot by taking BG in lieu of ULC transfer exemption charges to be paid therein. Also indemnity was taken from the entity so it would deposit entire amount of charges levied as per directives sought from the GoM. Further, MIDC, as per directives of Board (December 2022) had raised (23 February 2023) a revised demand of ₹ 267.65 crore (inclusive of interests and GST) thereon. MIDC has also submitted a detailed report to the GoM (March 2023/June 2023) and demand was kept in abeyance till receipt of Government clarification/guidance in this regard.

Thus, ULC exemption transfer charges for the transfer prior to June 2021 were recoverable as per the then prevailing GRs/orders of the GoM, which should have been recovered prior to granting permission for transfer of plot. Hence, transfer of the plot without recovery of due charges, and obtaining Bank Guarantee/Indemnity bond in lieu thereof, was an undue favour to the plot holder.

⁵⁰ As per applicable GoM GRs (November 2007/February 2018), ULC exemption transfer charges were recoverable at 100 *per cent* and 25 *per cent* of market rate/Ready Reckoner rate respectively.

Short recovery of sub-letting charges

5.2.4 MIDC granted permission (February 2008) for sub-letting of plot/built up area in building for industrial/commercial purpose and Information Technology (IT)/IT enabled services (ITES) units on payment of applicable⁵¹ sub-letting charges for a maximum period of 10 years. Unauthorised sub-letting attracted penalty at five *per cent* per annum per sqm of prevailing land rate. Audit observed that MIDC granted ineligible concessions in sub-letting charges to the extent of ₹ 48.94 crore to five parties in violation of prevailing policies as detailed in **Table 5.5**.

Table 5.5: Allottees granted undue concession in sub-letting charges

Sl. No.	Details of cases
1	Reliance Corporate IT Park Limited (Plot No.5, 6 and R 801-TTC) MIDC observed (May 2010) that 10 Affiliate Companies of the allottee were utilizing plot/built up area of 1.11 lakh sqm in Trans Thane Creek (TTC) IA for their activities without obtaining prior permission on payment of applicable sub-letting charges. Accordingly, MIDC issued (December 2010) demand notice for payment of sub-letting charges for the period from April 2008 to March 2009 to the extent of ₹ 7.69 crore. The allottee, however, requested for exemption from levy of sub-letting charges. The management submitted a proposal to the Board stating that it was essential to recover sub-letting charges along with penalty from the allottee and there was no policy for granting waiver. The Board, however, considering request of the allottee, overruled management's proposal and permitted (April 2011) utilisation of plot by Affiliate Companies without recovery of sub-letting charges on the ground that the allottee was not recovering any rent from them. The Board also stated that said decision was limited to this case. Further, as per the Board decision, the allottee was mandatorily required to submit a certificate from Chartered Accountant (CA) regarding non-recovery of rent from Affiliated Companies as per audited Balance Sheet (for past as well as in future), which was not submitted. Thus, granting concession of sub-letting charges to the allottee was irregular and resulted in loss of revenue of ₹ 41.18 crore for the period upto December 2021.
2	Arpee Consultants Private Limited (Plot No.D-406-TTC) MIDC noticed (February 2016/May 2016) that there was no industrial activity of the allottee and plot was sublet to SAP Holdings and Leasing Private Limited (Sharyau Motors) for commercial use as showroom and repairing/servicing activities. As per prevailing policy, RO issued (October 2018) a demand notice for payment of ₹ 5.89 crore towards unauthorised sub-letting charges for the period from January 2008 to September 2018. The allottee, however, requested (July 2019) for waiver of sub-letting charges on the ground that sub-lettee was their affiliate Company and they were not getting any charges from them against the area utilised by them. The management submitted (October 2020) a proposal to the Board with recommendations that demand was raised as per prevailing policies and charges for unauthorised sub-letting for further period from October 2018 onwards may also be recovered. The Board, overruling

⁵¹ At the rate of three *per cent* per annum of prevailing land rates for industrial plots and 0.5 *per cent* per annum for IT/ITES units.

management proposal, granted (October 2020) sub-letting permission on recovery of 50 *per cent* of applicable sub-letting charges and penalty as per prevailing policies. The Board justified the decision as there was no rent receipt and occupant was a sister concern of the allottee. It was further directed that this case should not be used as an example in similar cases (for recovery of sub letting charges). The RO issued (January 2021) revised demand for 50 *per cent* thereof amounting to ₹ 3.34 crore (for period up to September 2018). This included demand for period from October 2018 to December 2020 where sub-letting charges were worked out without considering penalty. As per prevailing policy, sub-letting charges with penalty worked out to ₹ 8.65 crore for period from January 2008 to December 2020. Thus, there was short recovery of sub-letting charges to the extent of ₹ 5.31 crore. It was further observed that the allottee had neither paid the demanded amount nor taken any permission for further sub-letting from January 2021 onwards. MIDC, however, had not taken any action against the allottee.

MIDC stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal by overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit and there was no financial loss to MIDC. Reply of the MIDC is not tenable as decision of the Board was contrary to the laid down policy.

3 | Sudarshan Flexible Packaging Private Limited (Plot No.D-4-Satpur)

MIDC allotted (February 2013) a plot to the allottee for undertaking industrial activity. MIDC observed (March 2018) that there was commercial use on 80 *per cent* of the plot for which show cause notice was issued to the allottee. Subsequently, a demand notice was raised (May 2019) for payment of ₹ 1.36 core towards unauthorised commercial utilisation of plot, which was not paid by the allottee. The Vice-Chairman, MIDC directed to place the matter before the Board regarding waiver of demanded charges. The management submitted (April 2021) to the Board that request of the allottee may not be accepted as there was no policy for waiver of sub-letting charges. The Board, however, approved continuation of commercial use on 15 *per cent* of the plot with conversion of plot for commercial use beyond 15 *per cent* on recovery of additional premium. It was further directed that as allottee had utilised the plot for commercial use, one time charges at three *per cent* of prevailing rates be recovered for period of unauthorised commercial use.

Audit observed that as per prevailing policy (October 2009), in cases where the plot was allotted on concessional basis, sub-letting permission could be granted on maximum 15 *per cent* built up area, for supporting/related activities. The plot in question was neither allotted on concessional basis nor was commercial sub-letting permissible on such kind of industrial plots as per prevailing policies. Interestingly, the Board also stated that this case should not be used as a precedent in similar cases.

MIDC replied (December 2021/August 2022) that it had charged unauthorised sub-letting charges at commercial rate, which was not paid by plot holder. It was further stated that Board was empowered to take such decisions under MID Act. Reply of the MIDC is not tenable as the Board's decision was not in line with laid down policy.

4 and 5	Nand Kumar Infotech Private Limited (NKIPL) (Plot No.D 507, 507 part 1 and 2-in TTC) and Aurum Platz IT Park Limited (APITPL) (Plot No. Gen 4/1 in TTC)
MIDC implemented a policy (September 2014) which stipulated that sub-letting charges in respect of Financial Institutions such as Banks, Insurance Companies providing ITES services of data conversion, data mining, digitization, data entry, data processing, data warehousing would be recovered at 1.5 <i>per cent</i> of prevailing industrial rate. Accordingly, MIDC granted (August 2020/September 2020) permission to APITPL and NKIPL for sub-letting in their Information Technology (IT Park) buildings to financial institutions subject to payment of ₹ 54.72 lakh and ₹ 1.09 crore respectively worked out at 1.5 <i>per cent</i> of prevailing industrial rate. Both parties requested (August 2020/October 2020) for charging sub-letting charges at rate of 0.5 <i>per cent</i> of prevailing industrial rate as per June 2019 circular on the grounds that the proposed sub-lettee were registered as ITES unit. MIDC accepted their request and issued (October 2020) revised demand letter to APITPL and NKIPL of ₹ 18.24 lakh and ₹ 36.34 lakh at rate of 0.5 <i>per cent</i> by cancelling previous orders. Audit observed that sub-letting charges for Financial Institutions providing IT/ITES services were recoverable at 1.5 <i>per cent</i> as expressly provided in September 2014 policy, which was also correctly applied initially. The June 2019 circular was applicable for sub-letting of built up galas for IT/ITES units except Financial Institutions providing ITES services. Thus, revision in subletting charges led to grant of concession of ₹ 1.09 crore to two allottees. MIDC stated (August 2022) that considering request of allottees, directives were issued for recovery of subletting charges at 0.5 <i>per cent</i> as per June 2019 circular as it can be made applicable in such cases. Reply of MIDC is not tenable as sub-letting charges were recoverable at 1.5 <i>per cent</i> as per September 2014 policy.	

Recovery of charges from gala holders

5.2.5 MIDC allotted galas (built up area) in constructed buildings to various parties on monthly rental basis. Audit, however, observed that there was no system to monitor and recover dues from the gala holders. As on 31 January 2021, rent of ₹ 14.53 crore was outstanding in respect of 187 galas in seven⁵² ROs.

MIDC stated (December 2021) that due care would be taken to recover rent by issuing rental bills regularly and constant follow up.

Recommendation No. 9: MIDC may ensure prompt recovery of dues from allottees as per laid down policies and responsibility needs to be fixed for granting undue concessions to allottees.

⁵² Dhule, Kolhapur, Latur, Nashik, Panvel, Pune-II and Thane-I.

5.3 Recovery of Service charges and Water charges

MIDC raised monthly bills for providing water supply to allottees in IAs as well as consumers from nearby areas (outside IAs). Further, MIDC recovered service charges on monthly basis from allottees in IAs to cover its expenses on maintenance of roads, drainage, water supply, street lighting and such other services/amenities provided to allottees.

Lack of system for periodic revision

5.3.1 Audit observed that there was lack of system for periodic revision of Water Charges (WC) and Service Charges (SC) as discussed below:

Water charges

5.3.1.1 WC constituted 28 *per cent*⁵³ of total revenue receipts of MIDC. As per Section 17 of MID Act, notwithstanding anything contained in any contract or in any law for the time being in force, MIDC had powers to levy fees to cover its expenses on water supply. As per Board's decision (July 2007/November 2012), the CEO was granted power to revise water rates in proportion of increase in rates of royalty/WC, electricity charges and other charges to ensure recovery of increased expenditure in operation and maintenance for water supply on this account. Audit, however, observed lack of system for prompt revision of water rate in line with proportionate increase in costs as per the Board decision. In fact, there was no revision in WC since March 2013 till December 2021 though there was substantial increase in operation and maintenance expenditure on water supply on account of the following factors:

- During April 2013 to December 2021, electricity tariff consisting of demand charges and energy charges increased by 116 *per cent* and 20 *per cent* respectively.
- The establishment cost of MIDC employees were increased with effect from 1 January 2016.
- Bulk water rates for water supplied to MIDC was being increased by 10 *per cent* from July 2018 to June 2019 and 20 *per cent* every year from July 2019 to June 2020 by Water Resources Department of the GoM.

MIDC had submitted (November 2019) to the GoM a proposal for increase in water rates (minimum 45 *per cent* of prevailing rates), which has not been approved (August 2022). It was further stated (August 2022) that water rates are being reviewed almost every five years or as required and revision shall be made applicable after approval of the Government.

The reply is not tenable as MIDC was empowered as per Section 17 of the MID Act to levy water charges. Hence, there was no necessity to forward the proposal to GoM for approval.

Service charges

5.3.1.2 The Board, after a lapse of more than 11 years since last revision (2008), approved (February 2019) revision of SC, which was notified by the GoM in

⁵³ Average for last three years during 2018-19 to 2020-21.

October 2019. MIDC issued the circular for implementation of revised rates from 1 November 2019. The Chairman, MIDC, however, directed (November 2019) not to implement the revised rates till further orders considering representation from various Industrial Associations. This action of the Chairman, MIDC to withhold implementation of revised rates which was duly notified by the GoM was irregular.

Accordingly, MIDC decided (December 2019) to withdraw implementation of revised rates. As a result, old rates fixed in 2008 were still in force even after lapse of more than 13 years, despite notification issued by the GoM (December 2021). During the period from 2014-15 to 2020-21, MIDC incurred expenditure of ₹ 1,737.34 crore on providing facilities and maintenance of IAs while realising only ₹ 629.67 crore through SC. Lack of system for periodical revision of SC and non-implementation of revised charges thus resulted in non-recovery of expenses to the extent of ₹ 1,107.67 crore during April 2014 to March 2021.

MIDC stated (December 2021/August 2022) that timely review was being taken for revision of WC/SC and revision would be made applicable after approval from Government.

Non-fixation of water rates for commercial users

5.3.2 MIDC allotted 6,614 plots admeasuring 1.16 crore sqm upto September 2021 to various parties for commercial use. Audit observed that MIDC had not fixed water rates for commercial users. In absence of rates for commercial users, WCs were being recovered at rates fixed by MIDC for industrial use.

MIDC accepted (August 2022) that no independent category existed for commercial plot holders as their business activity is operation based (*i.e.* other than goods manufacturing or production) and water use is mainly for drinking/sanitation. The reply is not tenable as separate rates should have been fixed for commercial users.

Arrears in water charges

5.3.3 As per Regulation 36 of the MIDC Water Supply Regulations, 1998; if the consumer fails to pay the WCs, the arrears on account of WCs, delayed payment charges and any other expenses incurred by MIDC shall be recoverable as arrears of land revenue. It was further stipulated (Regulation 44) that in case of failure on part of the consumer to pay his bill within 15 days from the date of its issue, interest at 18 *per cent* per annum shall be charged from the 16th day onwards upto a further period of one month and if the consumer fails to pay the bill along with interest payable within a grace period of one month, water connection shall be severed.

Audit observed that MIDC did not take timely action for disconnection and recovery of dues towards WC, SC and other miscellaneous charges⁵⁴, which resulted in accumulation of arrears of ₹ 4,149.40 crore upto March 2021 (including delayed payment charges). The major non-payers were other Government agencies and Local Bodies which had arrears amounting to

⁵⁴ Environment charges, fire charges, taxes *etc.* which were recovered along with WC and SC through a single monthly bill.

₹ 3,397.23 crore (82 per cent). Audit, further, observed that MIDC billing system did not have any provision for ascertaining/reporting age wise dues from consumers.

MIDC stated (August 2022) that disconnection of defaulters will be implemented in a timely and effective manner and that shortcoming of the billing system would be rectified.

Recommendation No. 10: MIDC may ensure timely revision of water charges and service charges and responsibility needs to be fixed for non-implementation/withdrawal of revised rates leading to financial loss to the Corporation.

5.4 Non-recovery/remittance of Goods and Services Tax on non-exempted receipts

The Government of India (GoI) issued (June 2017) notification granting exemption of Goods and Services Tax (GST) on taxable service provided by State Government Industrial Development Corporations (IDC)/Undertakings to industrial units by way of granting long term lease of industrial plots (thirty years or more) on recovery of one-time upfront amount.

Audit observed that MIDC, during July 2017 to March 2021, had neither recovered from allottees nor remitted to Government, GST to the extent of ₹ 144.30 crore on revenue (₹ 801.69 crore) collected from supply of services which were not specifically exempted like lease premium from allotment of non-industrial plots (commercial, residential, amenity *etc.*), extension charges, sub-lease charges, plot transfer, additional FSI premium, development charges *etc.*

MIDC belatedly issued a circular (September 2022) for recovery of GST on all the non-exempted services as pointed out above at the applicable rate of 18 per cent from the date of issue of circular.

Thus, MIDC while implementing recovery of GST prospectively on non-exempted services had not recovered/remitted GST on receipts collected during July 2017 to August 2022 leading to non-payment of statutory dues.

Chapter VI

Monitoring system

Chapter VI

Monitoring system

There was absence of an effective system to monitor cases of non-development of plot/obtaining Building Completion Certificate (BCC) within the stipulated time limit. MIDC did not initiate prompt action for resumption of plots and timely issue of notices for recovery of extension charges.

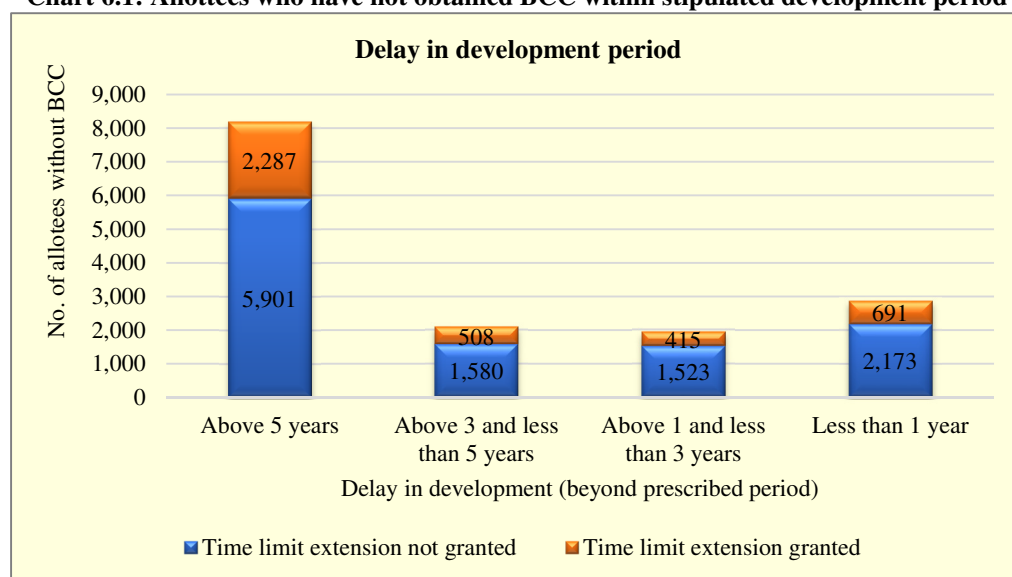
Instances of unauthorised sub-lease and change in use of allotted plots, lack of system for monitoring, removal of encroachments and irregular allotment of land to encroachers was observed.

6.1 As per prevailing policy, an allottee was required to develop allotted plot and obtain Building Completion Certificate (BCC)/Occupancy Certificate (OC) within prescribed development period as per the industrial zone. In case of non-development of plot, MIDC was required to take action for resumption of plots where time limit extension was not granted.

Lack of monitoring system for non-development of plots by allottees

6.1.1 As per information made available to Audit, it was observed that 15,078 allottees in 225 IAs had not obtained BCC (upto March 2021) within the prescribed development period as depicted in **Chart 6.1**.

Chart 6.1: Allottees who have not obtained BCC within stipulated development period



(Source: Information furnished by MIDC)

As could be seen from the table above that while 3,901 allottees had obtained time limit extension, there were 11,177 allottees who did not develop the plots, but continued to occupy the plots without obtaining any time limit extension. This included 5,901 allottees, whose development period had expired for a period beyond five years from the stipulated date. Audit observed that MIDC had not taken action for resumption of plots in these cases. Thus, there was lack

of an effective system to monitor such cases and initiate prompt action for resumption of plots.

MIDC stated (December 2021) that a periodic review of such cases was taken at higher level and MIDC had resumed back 1,492 plots during May 2016 to November 2021. Reply indicated that no action was taken in remaining 9,685 cases, although prescribed development period had expired.

Case Study 6.1:

MIDC executed (April 2007) a MoU with Indiabulls Real Estate Limited for development of a multiproduct SEZ on Joint Venture (JV) basis within a period of five years in Additional Sinnar IA. Accordingly, a special purpose vehicle (Indiabulls Industrial Infrastructure Limited (IIIL)) was formed and land admeasuring 1,047.82 hectare was allotted (September 2007 to February 2012) to IIIL. The GoI notified (October 2009/April 2012) 1,011.26 hectare land, which included processing area of 512.07 hectare and non-processing area of 499.19 hectare.

Audit observed that no development was carried out in the processing area of 512.07 hectare, which was lying vacant till date (October 2021). Though MIDC had issued (July 2014) a show cause notice for resuming possession of undeveloped land, no further action for re-possession of land was taken till date (August 2022). Further, in respect of non-processing area, IIIL sub-leased (October 2010) 433.04 hectare for setting up thermal power plant and constructed buildings on 14.17 hectare land without approval of MIDC. MIDC, however, did not initiate any action for recovery of sub-letting charges including penalty and compounding charges for unauthorised sub-leasing and construction respectively till date (August 2022).

MIDC stated (December 2021) that in principle decision for resumption of plot had been taken and this issue would be brought to logical conclusion at the earliest. It was further stated (August 2022) that resumption notice has been issued (February 2022) and process will be completed in due course of time.

Lack of system for timely issue of notices for recovery of extension charges

6.1.2 Audit observed that there was no provision in the LMS for automatic generation of show-cause notices/demand notices to the allottees for payment of extension charges immediately on expiry of stipulated development period. There was also no policy for recovery of interest/ penalty in case of delayed applications. During the period from 2014-15 to 2020-21, MIDC granted time limit extension in 2,236 out of 2,848 cases analysed (78.50 *per cent*), where applications were made by allottees after expiry of stipulated development period (delay upto 1,870 days).

MIDC stated (December 2021/ August 2022) that proposal would be submitted before Board to make it mandatory for allottee to apply for time limit extension prior to expiry of development period with provision for recovery of interest/penalty for delay and provision for issue of automated show cause notices to allottees will be made in LMS.

Case Study 6.2:

MIDC executed (July 2004) a lease agreement with International Biotech Park Limited (IBPL) for allotment of land admeasuring 4.13 lakh sqm at Rajiv Gandhi Information Technology Park (RGITP), Hinjawadi, Pune (Phase-II) on Joint Venture basis. The allottee, however, failed to develop residential buildings within the prescribed milestones⁵⁵ besides unauthorisedly sub-leasing plots to third parties. The RO, Pune-II submitted (December 2016) a proposal to MIDC Head Office for recovery of charges of ₹ 13.09 crore towards time limit extension and unauthorised sub-lease of plots. Audit, however, observed that MIDC did not recover applicable charges till date (August 2022) despite lapse of nearly five years since the date of proposal.

Recommendation No. 11: MIDC may implement an efficient and effective IT based monitoring system for automatic generation of notices to allottees who had failed to develop land/obtain BCC within the stipulated development period.

Unauthorised change in use of allotted plots

6.2 MIDC allotted (August 1978) land admeasuring 133 acre in Nashik (Satpur) IA to Nashik Industrial Co-operative Estate Limited. As per terms and conditions of lease agreement, land was not to be used for any other purpose except as a factory for manufacturing. In this respect, Audit observed the following irregularities:

MIDC noticed (May 2016) that there was unauthorised residential use on 33 plots sub-leased by the allottee. While MIDC had filed legal cases against 15 plot holders (pending before courts) for unauthorised use, no action was taken against remaining 18 plot holders. Audit observed that the Board approved (April 2021) regularisation of residential use on such plots and authorised CEO to take final decision in the matter after due scrutiny as per Development Control Regulations (DCR), 2009. Thus, approval of Board for regularisation of residential use on plots allotted for industrial use was irregular and in violation of terms and conditions of lease agreement.

The allottee constructed an unauthorised commercial complex consisting of 46 commercial galas on a plot admeasuring 3,824 sqm allotted for providing common amenities⁵⁶ and created third party interest. RO, Nashik issued (October 2018) a notice to the allottee regarding termination of lease for unauthorised commercial galas. Audit observed that no further action was taken in this matter for unauthorized commercial use on industrial plot.

⁵⁵ Complete development of land during the period from 2004 to 2017 in three phases of four year (Phase I), four year (Phase II) and five year (Phase III) respectively.

⁵⁶ Banks, police out posts, canteen post and telegrams office and such other amenities.

Audit observed that the allottee without obtaining prior permission also constructed 183 industrial galas on two industrial plots and created third party interest which was not allowed as per lease agreement.

In the above cases, MIDC had not taken action for termination of lease and resumption of possession of these plots as per terms of lease agreement and prevailing policies. Reply of MIDC while reiterating the facts was silent (August 2022) on the lack of action against the allottee for irregularities pointed out above.

6.3 MIDC granted (August 1991) possession of land admeasuring 77,435 sqm in Dombivali IA to Kalyan Dombivali Municipal Corporation (KDMC) for the purpose of playground and sports complex. KDMC, however, apart from sport complex constructed a commercial complex (14,795 sqm) having a hotel, mall, theaters, shops *etc.* in violation of terms of allotment. MIDC granted (October 2014) *post-facto* approval to KDMC for change in use on the plot on recovery of applicable charges. During measurement of land, MIDC observed that actual area in possession of KDMC was 79,810 sqm and decided (May 2017) to grant permission for commercial use on increased land area of 2,375 sqm, subject to recovery of applicable compounding charges on construction carried out thereon. Audit observed that MIDC did not take any further action for recovery of compounding charges as well as lease premium for land being used for commercial purpose till date (August 2022). Besides, permission for sub-lease/sub-letting of galas in the commercial complex admeasuring 14,795 sqm was also not sought by KDMC. MIDC had not taken any action for unauthorised commercial utilisation (since 2003) in this regard till date (December 2021).

MIDC stated (December 2021/August 2022) that detailed survey would be conducted and necessary action would be taken for recovery of applicable charges as per policy at the earliest.

Lack of system for monitoring and removal of encroachment

6.4 The GoM acquired land under provisions of the MID Act and placed them at disposal of MIDC for establishment/development of IAs. The MID Act provided for eviction/demolition of unauthorised encroachments/ constructions. There was no provision for regularising encroachment on land acquired for industrial purpose.

As per Section 44 and 45 of the MID Act, MIDC was required to institute prosecution proceedings against such persons who at their own instance or at the instance of other persons undertook or carried out unauthorised construction of buildings in the IAs. MIDC was also required to issue order to such persons to demolish unauthorised buildings within a period not exceeding two months and in case of failure thereof, demolish buildings with recovery of expenses of demolition from such persons.

6.4.1 As per MIDC policy circular (1999), concerned Regional Officers and Area Managers were primarily responsible for identification and removal of encroachments on plots in IAs. The Division Offices (Deputy Engineers/

Executive Engineers) were solely responsible for identification and removal of encroachments on roads, road sides, pipeline roads *etc.* Further, MIDC issued a policy circular (January 2020) which provided that joint responsibility will be fixed in case of fresh/new encroachments on concerned Regional Offices, Area Managers, Surveyors, Executive Engineer, Deputy/ Assistant Engineer and Technical Assistant.

Audit observed that as on 31 January 2021, 37.09 lakh sqm land in 39 IAs (valuing ₹ 4,614.40 crore⁵⁷) was encroached by illegal occupants. Of this, 31.41 lakh sqm land was in 34 developed IAs having shortage of plots, which could have been allotted to prospective entrepreneurs for industrial development in the State. MIDC did not initiate any action for removal/recovery of fines in respect of existing encroachments till date (August 2022).

MIDC stated (December 2021/August 2022) that a policy had been framed (January 2020) for removal of encroachment and fixing joint responsibility on officers of concerned industrial area. Further MIDC was taking all efforts towards protecting the land from encroachments.

Irregular allotment of land to encroachers and regularisation of illegal constructions

6.4.2 Audit observed that MIDC approved (September 2015 to August 2019) allotment of encroached land admeasuring 8,553 sqm to the encroachers⁵⁸ and regularised unauthorised buildings constructed thereon which were being used for residential/educational and commercial purposes.

MIDC, in respect of Bhartiya Gramin Punarachna Sanstha (Aurangabad IA) and Savitribai Phule Sikshan Sanstha (Thane IA) stated (December 2021/August 2022) that Board being empowered to take such decision had approved allotment considering the fact that educational institutes were constructed on the land. No reply is received in respect of Shri Chhatrapati Shivaji Maharaj Sahkari Gruhnirman Santhsa, Khalapur case.

Reply is not acceptable as MIDC was not empowered to allot land to encroachers and regularize unauthorised buildings constructed thereon in violation of express provisions of the MID Act.

Recommendation No. 12: MIDC may formulate time bound action plan for eviction of encroachments and demolition of illegal constructions from encroached properties and responsibility needs to be fixed for failure to prevent/demolish encroachments and irregular allotment of land to encroachers.

⁵⁷ At prevailing industrial rates.

⁵⁸ Shri Chhatrapati Shivaji Maharaj Sahkari Gruhnirman Santhsa, Khalapur for residential purpose (Offer letter issued), Savitribai Phule Sikshan Sanstha, Thane (allotment letter issued) for school and Bhartiya Gramin Punarachna Sanstha, Aurangabad for school (offer letter issued).

Deficiencies in Management Information System/Information Technology System

6.5 The Management Information System (MIS)/Information Technology (IT) System in MIDC was deficient in the following areas:

- Land Management System (LMS) implemented (January 2010) by MIDC recorded plot wise history of all transactions of allottees from date of issue of offer letters. MIDC also implemented two independent systems namely Building Plan Approval Management System (BPAMS) and Single Window Clearance (SWC) System for processing of applications of allottees for grant of BCC and plot related permissions (time limit extension, sub-letting, transfer, sub-lease *etc.*) respectively.

Audit observed that SWC and BPAMS were not integrated with LMS. Consequently, plot wise details of BCC and various permissions granted to the allottees were not automatically updated in the LMS.

MIDC stated (December 2021/August 2022) that integration of LMS with SWC is almost completed.

- The LMS did not record/update details of plot wise encroachment in the IAs. Details of land acquisition (in progress/completed), compensation amount paid to State Land Acquisition Officers (SLAO) and land owners as per court awards were not recorded in the MIS. No effective mechanism was in place for ensuring timely payment of compensation to the land owners.

MIDC stated (August 2022) that facility to mark plot status as encroached has been made available in LMS and Regional Offices are updating the status of such plots in LMS. It was further stated that MIDC is exploring a new system for Land Acquisition which will have updated database regarding land under various stages of acquisition and payments made by MIDC to SLAOs for reconciliation thereof.

- Database of plots allotted on lease rental basis and galas given on monthly rental basis in the buildings constructed by MIDC were also not maintained in the system. There was no database of galas/units which were sub-leased/sublet in IT Parks.

MIDC stated (December 2021) provision of updation of IT Parks galas was made in LMS and data was being updated by the respective ROs. Further, provision to enter details of rented properties will be developed in LMS.

Non-submission of statutory progress reports

6.6 As per Section 26 of the MID Rules, the annual report detailing programme of work of MIDC for the year *vis-a-vis* progress thereof with particular reference to the land acquired, development carried out, amenities provided, industries established in the IAs *etc.* was required to be submitted to GoM within three months of the date of closing of each year.

The annual reports were, however, not submitted regularly and was last submitted (September 2020) for the year upto 2016-17. Similarly, quarterly reports containing progress report based on its working were to be submitted to GoM which were not submitted during the period 2014-15 to 2020-21.

MIDC stated (December 2021/August 2022) that due care would be taken in future to submit the statutory annual and quarterly Reports to the Board/GoM in time.



Nagpur
The 07 August 2023

(R. THIRUPATHI VENKATASAMY)
Accountant General (Audit)-II, Maharashtra

Countersigned



New Delhi
The 08 August 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Annexures

Annexure 1
Statement showing land allotted on direct basis instead of auction/e-bidding in violation of prevailing policy
(Referred to in Paragraph 4.2.1)

Sl. No.	Name of allottee/ Area of plot/Name of IA/purpose	Management proposal/Justification given by Board for decision	Reply of MIDC	Further audit remarks
I	Prevailing rate in IA plus 10 per cent additional charges thereon with applicable road width charges			
1	Orange City Laghu Audyogik Vasahat, Nagpur/7,200 sqm/ Hingna/Industrial	Management stated direct allotment of land cannot be made to applicant considering prevailing policy of e-bidding in the IA. The Board while stating (September 2018) that land is allotted through e-bidding directed management to verify and allot land to such applicants whose industries were in running condition and were willing to accept allotment considering recent highest auction rates plus 10 per cent. Subsequently, on request of the applicants and citing non availability of recent auction rates, Board directed (July 2019) for allotment of land at prevailing industrial rate plus 10 per cent additional premium.	MIDC stated (December 2021) that to achieve equitable distribution of wealth and opportunities and to support small entrepreneurs, the Board has taken decision to allot the plot directly. These plots were given to small entrepreneurs, who are financially weak. MIDC reiterated (August 2022) that in essence, the Board is the MIDC with full authority for allotment of property or undertaking any activity which it deems fit for fulfilling its duties as per the Act.	Reasons cited in reply were at variance with that recorded during decision making in Agenda Note/Board resolution. Further, decision was taken by Board overruling management proposal which were in line with laid down policy.
2	Deepak Fertilizers and Petrochemicals Corporation Limited /8,000 sqm/Additional Patalganga (Bhokarpada)/Skill Development centre	Management had highlighted that land in IA was to be allotted through e-bidding in the IA. Board approved (March 2019) allotment citing proposed investment and employment generation as per project report of the applicant.	MIDC stated (December 2021/ August 2022) that it took a conscious decision considering demand from local residents and industrialists to provide skill development centre. The allotment is not at concessional rate and hence there is no financial loss to MIDC.	Decision was taken by Board overruling management proposal which were in line with laid down policy.
3	40 persons under MSME category (100 sqm each)/4,000 sqm/ TTC/Industrial	Management submitted that land was allotted through tender in the IA and independent plot of 100 sqm cannot be allotted. Board approved (September 2015) allotment on the grounds to facilitate small scale industries	MIDC stated (December 2021 / August 2022) that it took a conscious decision to give encouragement for new MSMEs to establish their own units and employment generation potential. The allotment is not at concessional rate and hence there is no financial loss to MIDC.	Decision was in violation of the laid down policy of e-bidding. Further, reply is silent on the issue of allotment of 100 sqm plots each in violation of DCR.
4	13 persons under MSME category (100 sqm each)/1,300 sqm/ TTC/Industrial	Management proposed allotment of land as per similar decision of Board in respect of 40 persons as mentioned above at SI No.3. Board approved (February 2016) allotment on the grounds to facilitate small scale industries.		

Sl. No.	Name of allottee/ Area of plot/Name of IA/purpose	Management proposal/Justification given by Board for decision	Reply of MIDC	Further audit remarks
5	Micromaster Laboratories Private Limited (A 51)/17,733 sqm./Gane Khadpoli/ Industrial	Management submitted that applicant was not eligible for allotment under priority category while highlighting policy of e-bidding in IA. At same time, management also recommended allotment stating that proposed project was new/novel (Covid-19 testing and other medical equipment). Board approved (February 2021) allotment considering proposed activity of the applicant (manufacturing of microbiological products, pharmaceutical, biotech, cosmetic food and life sciences application).	MIDC stated (December 2021/ August 2022) that it took a conscious decision considering as a novel and unique project useful for Covid-19 testing kits and manufacturing of medical equipment. The allotment is not at concessional rate and hence there is no financial loss to MIDC.	Allotment was made on selective basis without framing a policy for land allotment for the stated purpose, which would have enabled all interested applicants to avail benefit of direct land allotment.
6	Shree Krishna Enterprises/4,030 sqm. /Additional Ambernath /Industrial	Management proposed for rejection for land allotment on the grounds that applicant was not eligible for allotment under priority category and prevailing policy of e-bidding in IA. Board approved (October 2020/February 2021) allotment citing proposed investment and employment generation from project of the applicant.	MIDC stated (December 2021) that it took a conscious decision considering that no bids were received for these plots which were lying vacant for many decades and there was fear of encroachment on these plots as well as to make maximum use of land available in IA. During this unprecedented situation created by Covid-19, there was a need to encourage investment to promote employment. The allotment is not at concessional rate and hence there is no financial loss to MIDC. MIDC further stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit.	Decision was taken by Board overruling management proposal which were in line with laid down policy.

Sl. No.	Name of allottee/ Area of plot/Name of IA/purpose	Management proposal/Justification given by Board for decision	Reply of MIDC	Further audit remarks
7	Ganesh Raghunath Kotekar, Promoter of Proposed Private Limited Company/ 2,500 sqm./Additional Ambernath Pale/ Industrial	Management submitted that both applicants were not eligible for allotment under priority category while highlighting prevailing policy of allotment through e-bidding in the IA. Board approved (April 2021) allotments citing proposed investment and employment generation from project of the applicant.	MIDC stated (December 2021) that it took a conscious decision considering a need to encourage investment to promote employment during this unprecedented situation created by Covid-19. The allotment is not at concessional rate and hence there is no financial loss to MIDC. MIDC while reiterating its earlier reply stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit	Decisions were taken by Board overruling management's proposal which were in line with laid down policy.
8	Bhusan Ganesh Kotekar, Promoter of Proposed Private Limited Company/ 2,500 sqm./Additional Ambernath Pale/ Industrial			
9	Dinesh Agrawal, Promoter of Proposed Private Limited Company/ 2,500 sqm./ Additional Ambarnath Pale/Industrial			
10	Amit Agrawal, Promoter of Proposed Private Limited Company/2,500 sqm./ Additional Ambarnath Pale/Industrial			
11	Omkar Educational Trust,/3,030 sqm./ Dombivali/School	Management proposed for allotment with recovery of differential lease premium between plots for residential and industrial purpose in the IA. Board approved (October 2020) land allotment as per management proposal.	MIDC stated (December 2021) that it took a conscious decision in view of increasing need for educational facilities in the IA due to increasing urbanization and lack of new educational facilities elsewhere in the IA. The allotment is not at concessional rate and hence there is no financial loss to MIDC.	Decision was in violation of the laid down policy of e-bidding.

Sl. No.	Name of allottee/ Area of plot/Name of IA/purpose	Management proposal/Justification given by Board for decision	Reply of MIDC	Further audit remarks
II	Upset price for tender/auction			
12	Echar Elevator Fixtures/2,500 sqm./ TTC /Industrial	Management submitted that direct allotment of land cannot be made to applicant in view of prevailing policy of tender. Board approved (February 2016) land allotment citing there was no response from bidders in auction on four occasions.	MIDC stated (December 2021/ August 2022) that it took conscious decision considering that plot was vacant for many decades and there was fear of encroachment on this plot and make maximum use of land available in IA. The allotment is not at concessional rate and hence there is no financial loss to MIDC.	Decision was taken overruling management's proposal which were in line with laid down policy.
III	Highest rates received in previous auction			
13	Vedant Dyestuff Intermediates Private Limited/14,468 sqm/ Additional Mahad/ Industrial	Management submitted that applicant was not eligible for allotment under priority category. It was further stated that as there was policy of e-bidding in IA, it was necessary to participate in e-bidding. Board approved (September 2019) land allotment citing expansion of project and height restriction for construction on original plot.	MIDC stated (December 2021) that there was an increase in demand for their product and they were in need of more land for the project, considering their difficulties and the capacity of an unit to being an anchor unit, in changing global scenario for chemical industries where other state governments are attracting chemical sector investments. As the old allotment was via auction and new allotment was at the highest rate in the previous auction held in IA, there is no financial loss.	Decisions were taken by Board overruling management's proposal which were in line with laid down policy.
14	Sua Automation/ 854.76 sqm./Pimpri/ Industrial	Management submitted that it would not be proper to allot land to applicant as it was not eligible under priority category. Further, land was allotted in IA through tenders. Board approved (February 2016) land allotment citing there was no response from bidders in previous auction held in November 2014.	MIDC stated (December 2021) that the party was the sole bidder for plot in e-bidding, whose offer was not opened as per prevailing policy and therefore the same plot was not allotted. As per the applicant's request, decision was taken to allot the plot at the rate quoted in the e-bidding process. MIDC had taken all the efforts to dispose this plot through auction, but there was no response except the above bidder company.	Decision was taken by Board overruling management's proposal which were in line with laid down policy.

Sl. No.	Name of allottee/ Area of plot/Name of IA/purpose	Management proposal/Justification given by Board for decision	Reply of MIDC	Further audit remarks
IV	Highest rates received in previous auction plus 10 per cent additional charges thereon			
15	Astec Life Sciences Limited (Godrej Agrovet Limited)/ 4,500 sqm./Mahad/ Residential	Management proposed land allotment at highest rates received for residential plot in previous e-bidding. Board approved (October 2018) land allotment for workers of the applicant Company.	MIDC stated (December 2021) that it had taken conscious decision for allotment of plot considering the need of residential plots of the plot holder. In the present case the applicant has been allotted the plot at the rate of more than 3 times the prevailing rate and therefore MIDC has not suffered any loss. MIDC further stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit	Decision was in violation of the laid down policy of e-bidding.

Annexure 2
Statement showing allotment of land despite non-availability of plots in layout of industrial areas
(Referred to in Paragraph 4.2.5)

Sl. No.	Name of Industrial Area	No of parties	Name of parties
1	Ambernath	15	Sai Foods, Shreeya Engineers, Condist Chemicals, Omkar Dal & Besan Mill, Uttar Packaging Private Limited, Gopal Dairy, Swastik Engineering, Smt. Sonal R. Thakare & Jigar A. Chandan partners of proposed partnership Firm, Jai Baba Textile Industries, Shri Vijay P Ganwani Promoter of Proposed Private Limited Company (PPPLC), Gokul Engineers Private Limited, Yashoda Organic Food Private Limited, V S Construction, Sparklet Engineers Private Limited and Oilex Engineers (India) Private Limited.
2	Additional Ambernath	9	Shree Mahadav Lubricants, Karuna Enterprises, Satguru Trailers, Modern Industrial Gases Private Limited, CS Engineering, AC Chemi Equipments, Neeraj Enterprises, Shri Jatin K Doshi Promoter of Proposed Private Limited Company (PPPLC), Sachin Enterprises
3	Additional Ambernath Pale	4	Ganesh Kotekar, PPPLC, Bhushan Ganesh Kotekar, PPPLC, Dinesh Agrawal, PPPLC and Amit Agrawal, PPPLC.
4	Kalyan Bhiwandi	1	Kamal Specialty Chemicals Private Limited.
5	Kagal Hathkangle	1	VP Industries.
6	Shendra	1	Mathoshri Audyogik Sahkari Sanstha.
7	Additional Latur	70	RMT Paints, Kishor Agro Industries, Balaji Industries, Harikrushna Industries, Tirupati Plastics, A-One Offset Industries, Pandurang Industries, Tirupati Agro Products, Sadgurukrupa Products, Shriram Agro Industries, Oswal Food Products, Aradhana Agro Products, R A Food Products, Matoshri Garments, Laxmi Agro Industries, Multi Alloy Industries, Kamal Fabrication & Furniture, Jai Bhavani Industries, Govind Industries, Vedant Agro Industries, Maheshwari Industries, Maheshwari Agro Industries, Laxmi Pulses Industries, Yamuna Industries, Abhijeet Enterprises, Katariya Industries, Siddharudh Offset, Daily Yashwant, Amit Publications, Daily Aapale Man, Hansraj Fabrication, Snehal Garments, Swami Samarth Industries, Ajay Industries, Samarth Industries, Sadguru Agro Industries, Khinoor Agro Industries, Anagha Industries, Kavita Agrotech Industries, Dhanshree Industries, Sneha Dall Industries, V K Oil Industries, Mathura Industries, Nagesh Industries, Kishor Udyog, Raj Udyog, Vishal best Chiwada, Rathod Steel Udyog, Namrata Shaleya Vastu Utpadan Kendra, Joshaba Central Consumer Co-Operative Society Limited, Matoshri Udyog, Kundan Agro Industries, Pramod Roller & Flour Mill, National Plastics, Shabnam Industries, Prabhat Industries, Ishwari Udyog, Juned Engineering Works, Samrudhi Agro Company, Shri Gurukrupa Food Industries, Ajinta Industries, Sagar Industries, Swami Samarth Industries, Pathak Food Products, Mauli Fabrication, Ajay Steel Industries, Priya Food Products, Vivek Printing, Pawan Printing and Expert Printers & Manufacturer.
8	Nashik (Ambad)	2	Yash Industries and LCG Aluminum Industries Private Limited.
	Total	103	

Annexure 3
Statement showing allotment of alternate plots at old rates
(Referred to in Paragraph 5.1.1)

Sl. No.	Plot No.	Name of allottee	Name of IA	Allotted area (In sqm)	Land rate per sqm (In ₹)	New/alternate plot area (In sqm)	Prevailing land rate per sqm (In ₹)	Land premium recovered	Land premium to be recovered	Difference
								(₹ in lakh)		
1	H-14/2	Core Drivelines India Private Limited	Additional Murbad	5,500	500	5,500	1,540	27.50	84.70	57.20
2	PL-6	Ashwin Kumar Nangia and others	Ambernath	250	300	250	12,000	0.75	30.00	29.25
3	SZ-22, SZ-23, SZ-24, SZ-2, SZ-3	Ramson Industries Limited	Butibori	37,500 628	400 1,450	38,128	1,450	162.05	553.31	391.26
4	N-39	Shree Enterprises	Additional Patalganga	2,000	2,660	2,000	4,000	53.20	80.00	26.80
5	G-1	Shri Deepak Sardana	Additional Ambernath	5,000	2,660	5,000	4,400	133.00	220.00	87.00
6	G-23	Salim Papa Momin	Additional Ambernath	5,000	2,660	5,000	4,400	133.00	220.00	87.00
7	G-30	Sunworks Chemicals Private Limited	Additional Ambernath	4,496	2,660	4,496	4,400	119.59	197.82	78.23
8	G-9	GK Industries	Additional Ambernath	658	2,395	658	4,000	15.76	26.32	10.56
9	M-281	Lakson Industries	Akola Growth Center	1,800	351.75	1,800	703.5	6.33	12.66	6.33
10	M-255	Vilas Dall Mill	Akola Growth Center	4,000	335	4,000	670	13.40	26.80	13.40

Sl. No.	Plot No.	Name of allottee	Name of IA	Allotted area (In sqm)	Land rate per sqm (In ₹)	New/alternate plot area (In sqm)	Prevailing land rate per sqm (In ₹)	Land premium recovered	Land premium to be recovered	Difference
								(₹ in lakh)		
11	M-248	Paras Marble	Akola Growth Center	4,550	385.25	5,325	770.5	20.51	41.03	20.52
12	M-268	GN Enterprises	Akola Growth Center	2,341	351.75	2,341	703.5	8.23	16.47	8.24
13	M-242	Khandelwal Agro Industries	Akola Growth Center	4,000	385.25	4,000	770.5	15.41	30.82	15.41
14	M-250	Satish oil Mill	Akola Growth Center	3,500	335	4,144	670	13.88	27.76	13.88
15	M-257	Jai BabariAgro	Akola Growth Center	3,999.6	351.75	3,999.6	703.5	14.07	28.14	14.07
16	U-20	Ayush Industries	Akola Growth Center	7,779	351.75	7,779	703.5	27.36	54.72	27.36
17	M-264	Alfiya Udyog	Akola Growth Center	4,474	351.75	4,474	703.5	15.74	31.48	15.74
18	M-267	Fatema Ginning & Pressing	Akola Growth Center	2,641	351.75	2,641	703.5	9.29	18.58	9.29
19	M-263	KT Corporation	Akola Growth Center	3,400	351.75	3,400	703.5	11.96	23.92	11.96
20	M-266	Om Industries	Akola Growth Center	3,719	351.75	3,719	703.5	13.08	26.16	13.08
21	N-166	Laxmi Agro Industries	Akola Growth Center	5,300	351.75	5,300	703.5	18.64	37.28	18.64
22	M-282	Chhaya Industries	Akola Growth Center	1,925 525	351.75 703.50	2,450	703.50	6.77 3.69	17.24	6.78
23	M-285	LT Agro	Akola Growth Center	4,991	351.75	4,991	703.5	17.56	35.12	17.56
						Grand Total		860.77	1,840.33	979.56

Annexure 4
Statement showing re-allotment of plots and non-forfeiture of EMD
(Referred to in Paragraph 5.1.4)

Sl. No.	Name of allottee	Name of industrial area	Plot No.	EMD amount (₹ in lakh)	Rate for allotment
I	Re-allotment in IAs having policy of direct allotment				
1	Kalika M Ispat Private Limited	Additional Jalna Phase 3	C-2	490	Prevailing industrial rates.
2	Vinod Enterprises	Umred	D-58	1.01	Prevailing industrial rates.
3	Mukul Enterprises	Umred	D-14/50	1.08	Prevailing industrial rates.
4	Damoder Industries	Umred	D-49	0.68	Prevailing industrial rates.
5	Naresh Industries	Umred	D-48	0.68	Prevailing industrial rates.
6	Sumit Industries	Umred	D-14	0.54	Prevailing industrial rates.
7	Shri Salasar Packing Industries	Umred	D-13/1	2.70	Prevailing industrial rates.
8	Sara Chemicals	Umred	D-14/19	0.54	Prevailing industrial rates.
9	Ambika Udyog	Umred	D-14/38	0.54	Prevailing industrial rates.
10	Chandak Trading Company	Umred	D-14/63	2.03	Prevailing industrial rates.
11	Nitin Industries	Umred	D-14/37	0.54	Prevailing industrial rates.
12	Rakesh Industries	Umred	D-50	0.68	Prevailing industrial rates.
13	Ranjeet Industries	Umred	D-45	0.68	Prevailing industrial rates.
14	Panchsheel Mahila Bachat Gat	Umred	D-54	1.35	Prevailing industrial rates.
15	Shrushti Schedule Caste Garment Industrial Co-op Society Limited	Umred	D-14/6	1.01	Prevailing industrial rates.
16	Sagar Biomass Briquetting Plant	Umred	D-40	0.68	Prevailing industrial rates.
17	Vishnudas Industries	Umred	D-61	0.68	Prevailing industrial rates.
18	Ishwar Industries	Umred	D-38	0.68	Prevailing industrial rates.
19	Shiv Polymers	Umred	D-37	0.68	Prevailing industrial rates.
20	Gurudev Udyog	Umred	D-60	0.68	Prevailing industrial rates.
21	Rami Industries	Akola growth centre	M-288	6.70	Prevailing industrial rates.
II	Re-allotment in Industrial areas having policy of auction/e-bidding				
22	Matoshri Audyogik Sahkari Sanstha	Shendra	P-24 and P 24 part 1	280.50	Prevailing land rate or highest rate received in last e-bidding of nearby IA, whichever is higher.
23	M/s PVSS Cranes and Components	Chakan Phase 2	C1/2	24.93	Prevailing rate plus 10 <i>per cent</i> thereon or highest rate received in last e-bidding plus applicable road width charges, whichever is higher.

Sl. No.	Name of allottee	Name of industrial area	Plot No.	EMD amount (₹ in lakh)	Rate for allotment
24	Mittal Industries	Chakan Phase 2	D-78	33.25	Allotment rate plus 10 <i>per cent</i> with road width charges plus payable interest at SBI PLR rate or highest rate received in auction plus interest payable as per SBI PLR, whichever is higher.
25	Vitthal Industries	Akola growth centre	T 42/3	25.12	Prevailing industrial rate
26	Smt. Priyanka Dilip Chede	Paithan	X-10	2.20	Highest rates received for commercial plot in e-bidding plus delayed payment charges on balance premium amount.
27	Shreyas Enterprises	Paithan	X-9	3.34	
28	Kaushalya Packaging Industry	Additional Jalgaon	S-90-91	1.66	Prevailing industrial rate
III	Applicants issued allotment order through auction/e-bidding				
29	Nandan Petrochem	Additional Patalganga	E-155	19.33	Highest rate received during e-bidding.
30	Sainath Mohan Solat	Paithan	X-6	4.87	Highest rates received for commercial plot in e-bidding plus delay payment charges on balance amount.
31	Proposed Private Limited	Lote Parshuram	P-1/1	11.27	Highest rates received in e-bidding plus delay payment charges on balance amount for 153 days.
32	Rudranee Infrastructure Limited	Shendra	P-14	3.13	Bid rate of the applicant as per allotment order plus interest at SBI PLR rate or last auction commercial rate whichever is higher, plus recovery of interest on BoP.
Total				923.76	

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