

EXECUTIVE SUMMARY

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Uttar Pradesh State Industrial Development Authority

Uttar Pradesh State Industrial Development Authority (UPSIDA) was formed (5 September 2001) under the Uttar Pradesh Industrial Area Development Act, 1976 (UPIAD Act) to overcome the difficulties experienced by U.P. State Industrial Corporation Limited (UPSIDC)¹ in its status as a Company in development and management of Industrial Areas (IAs). Subsequently, GoUP issued (27 June 2018) an ordinance² called “The Uttar Pradesh State Industrial Development Corporation Limited (Transfer of Assets and Liabilities) Ordinance, 2018” to provide for the transfer of properties, powers, functions, liabilities, assets, duties and personnel of UPSIDC to UPSIDA. As per the ordinance, consequent upon such transfer UPSIDC shall remain as a shell company. Later, GoUP through notification (4 March 2021) rescinded Lucknow Industrial Development Authority (LIDA) and included villages of Lucknow and Unnao district in UPSIDA. There were 154 IAs of UPSIDA covering approximately 49,395.20 acres of land across the State of Uttar Pradesh as on 31 March 2022.

Why did we take up this audit?

The objective of UPSIDA is to secure the planned development of the industrial development area. It is responsible for preparation of Plan for development of the industrial development area and providing infrastructure for industrial, commercial and residential purposes and regulating the erection of buildings and setting up of industries.

The Performance Audit on the Working of Uttar Pradesh State Industrial Development Authority was undertaken to assess whether: (i) Land acquisition, development and construction activities were carried out in an economic, efficient and effective manner; (ii) Allotment of plots was done in a fair and transparent manner and in accordance with the prescribed procedure; and (iii) Systems of internal control were efficient and effective.

What audit found and what do we recommend?

Audit found lapses in planning of development of notified IAs, infrastructure development in acquired land, allotment of plots and system of internal control. The shortcomings are outlined in the succeeding paragraphs.

Planning and Acquisition of Land

UPSIDA was managing its affairs without approved regulations from IIDD, GoUP and it could not finalise its Perspective Plan, Development/ Redevelopment plans for development of notified areas since its constitution. It did not prepare a perspective plan at the State level to promote prospects of productivity and employment for identifying growth-centers, promulgating planned industrial development and curbing unplanned/sporadic industrial growth. UPSIDA informed that there were 154 IAs situated in 55 districts of Uttar Pradesh in small groups and there was different geographical situation of IAs. Thus, no single plan could be implemented in every IAs.

¹ Incorporated on 29 March 1961 as a wholly owned Company of Government of Uttar Pradesh (GoUP) under the Companies Act, 1956. Later, the name was changed to Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC) on 21 February 1973.

² Notification issued on 10 September 2018 after approval of legislature on the ordinance.

It did not finalise Zonal plans for three zones (*viz.* a multi-functional zone near Lucknow, an Industrial Zone near Unnao and a Tourism and Nature Conservation Zone near Nawabganj) even after lapse of more than five years of approval of the Ex-LIDA Master Plan 2031 for 29,996 hectares of land in Lucknow and Unnao districts. Out of six years from 2017-18 to 2022-23, land acquisition targets were achieved only in 2020-21. The shortfall in achievement of targets ranged between 27.60 *per cent* to 100 *per cent* with no land being acquired in two years (2019-20 and 2022-23). UPSIDA stated that targets could not be achieved due to Covid-19 and fixation of ambitious targets. GoUP stated (July 2024) that targets could not be achieved due to protest of farmers and local residents.

Infrastructure Development in Acquired Land

UPSIDA did not achieve its targets for development of land in any year out of the six years from 2017-18 to 2022-23. The shortfall in achievement of targets ranged between 24.67 *per cent* to 92.70 *per cent*. However, there was improvement visible in achievements (*i.e.* achieved 75.33 *per cent* in 2020-21 and 50.44 *per cent* in 2022-23) of targets for development of land. Instances of award of 15 contracts valuing ₹ 255.75 crore without verifying the documents of the bidders were noticed. Later, these documents were suspected fake resulting in cancellation of awarded contracts. 27 contract bonds with value ranging from ₹ 1.01 crore to ₹ 63.41 crore were awarded to contractors without assessing the bidding capacity of the bidders resulting in significant delays in execution of work. Instances of short recovery of Liquidated Damages (LD) of ₹ 13.71 crore in 16 cases and not recovering quality test fee of ₹ 1.63 crore from the bills of the contractors in 34 works were noticed. UPSIDA incurred avoidable expenditure of ₹ 7.67 crore from its own funds on maintenance of IAs falling under the jurisdiction of municipal bodies.

Allotment of Plots

UPSIDA did not achieve its targets for land allotment and recoveries to be made from the allottees. Land allotment achievement ranged from 27 to 58 *per cent* of the target and recoveries from allottees ranged from 47 to 96 *per cent* of the amount targeted for recoveries during the six years from 2017-18 to 2022-23. Instances of allotment of industrial plot measuring 3,929 sqm for an amount of ₹ 93.08 lakh without obtaining complete financial details, allotment of plot measuring 5,018.65 sqm for ₹ 1.10 crore to ineligible applicant due to incorrect evaluation and allotment of four amalgamated plots measuring ranged from 674 sqm to 17,042.92 sqm without obtaining required public objections were noticed. There was absence of criterion for evaluation of financial strength of applicant with respect to the project cost and minimum qualifying benchmark in marking system. UPSIDA did not evaluate the maximum eligibility of area of land in case of allotment of three plots which resulted in allotment of excess land ranging from 1,992 sqm to 10,542 sqm to three allottees. E-auction was carried out without adhering to the Board approved procedure resulting in short recovery of e-Auction price by ₹ 58.98 lakh. Instances of grant of permission for start of production before issuing completion / occupancy certificate were noticed in 37 cases.

System of Internal Control

UPSIDA did not exercise adequate internal financial controls. Instances of decision-making deficiencies were noticed in loans taken (₹ 41 crore from

GoUP and ₹ 450 crore from NOIDA³) and unsecured loans (₹ 52.84 crore) granted to two state Public Sector Undertakings. Assets and liabilities of UPSIDC and Ex-LIDA were not transferred to UPSIDA as annual accounts of UPSIDC were not prepared from the year 2014-15 and annual accounts of LIDA were not finalised from the year 2019-20. Annual accounts of UPSIDA were not prepared since inception and as a result were not laid in the Legislature. UPSIDA did not obtain tax exemption under Section 10 (46) of Income tax act, 1961. Guidelines were not adhered to in investment of ₹ 57.23 crore in fixed deposits. Appropriate Fixed deposit register to ensure effective control over the investments was not maintained. UPSIDA did not claim TDS refunds amounting to ₹ 60.33 lakh timely.

Recommendations

Audit recommends that:

- **UPSIDA should prepare Perspective Plan, Development plans/ Re-development plans and Zonal plans. GoUP should also expedite approval of all submitted regulations.**
- **UPSIDA should ensure proper verification of bid documents to avoid awarding contracts on the basis of suspected fake documents. Furthermore, action should be taken against officials responsible for the same.**
- **UPSIDA should ensure assessment of the bidding capacity of the bidders to avoid awarding contracts to bidders not capable of efficiently executing the work.**
- **UPSIDA should ensure retention of delay LD at appropriate rates from the bills of the contractor to safeguard its interests. Further, UPSIDA should recover quality inspection fee from the contractor as per agreed terms and conditions.**
- **UPSIDA should establish a minimum benchmark in the marking system for qualification of the allottees. UPSIDA should fix a criterion for evaluation of financial strength of applicant with respect to project cost.**
- **UPSIDA should ensure assessment of the eligibility of area of the land to be allotted as per fixed parameters. Furthermore, UPSIDA should conduct e-auction as per Board approval.**
- **UPSIDA should ensure that before granting permission for start of production, allottee has been issued with completion/occupancy certificate.**
- **GoUP should ensure that pending annual accounts of UPSIDC, Ex-LIDA and UPSIDA are finalized at the earliest to enable merger of assets and liabilities of UPSIDC and Ex-LIDA with UPSIDA. Furthermore, the GoUP should ensure that annual report of UPSIDA is laid before both Houses of the Legislature.**
- **UPSIDA should ensure that a digitisation of fixed deposits register duly certified by competent authority is prepared at the earliest and**

³ New Okhla Industrial Development Authority.

monitor it at all times. Fund investment policy needs to be formulated as per direction of GoUP from time to time.

- **UPSIDA may fix responsibility on officials for not providing records/information during the course of audit.**