2.2 Rajasthan State Industrial Development and Investment Corporation Limited

Review on Industrial Promotion and Infrastructure Activity

Highlights

Rajasthan State Industrial and Mineral Development Corporation Limited was incorporated in March 1969 as a wholly owned State Government company covering the activity of industrial development as well as development of minerals in the State. After transfer of mineral development activity to a new company, it was renamed (January 1980) as Rajasthan State Industrial Development and Investment Corporation Limited, with the main objectives to develop industrial areas, to aid and assist industrial undertakings and to prepare and run the schemes as directed by the State Government from time to time.

(Paragraph 2.2.1)

Land admeasuring 239.63 acres valuing Rs.1.23 crore remained under encroachment for last six to 25 years.

(Paragraph 2.2.12)

Injudicious acquisition of land without assessing feasibility and availability of water and electricity led to blocking of funds of Rs.2.74 crore.

(Paragraph 2.2.15)

The Company developed three new industrial areas (comprising 382 plots in 173.16 acres land) without assessment of demand for plots, which caused blocking of funds of Rs.3.80 crore.

(Paragraph 2.2.18)

Improper selection of site for Abu Road growth centre and strategy to compete with nearby industrial estates of Gujarat resulted in slow pace of allotment of plots and blocking of funds of Rs.30.80 crore.

(Paragraph 2.2.20)

Acquisition of land for Phase-I at higher rate and improper planning to acquire the land for Phase-II resulted in blocking of funds of Rs.8.09 crore.

(Paragraph 2.2.21)

The Company's fund of Rs.2.08 crore and Rs.4.23 crore were blocked in development of Jhalawar and Bhilwara growth centres respectively due to non-assessing the potential of the area and dispute about the rate of compensation declared by the Land Acquisition Authorities.

(Paragraphs 2.2.22 and 2.2.23)

Introduction

2.2.1 Rajasthan State Industrial and Mineral Development Corporation Limited was incorporated in March 1969 as a wholly owned State Government company covering the activities of industrial development as well as development of minerals in the State. After transfer of mineral development activities to a new company, it was renamed (January 1980) as Rajasthan State Industrial Development and Investment Corporation Limited (Company) with the main and allied objectives:

- To develop industrial area/estates/parks on its own or getting it developed on turnkey basis.
- To aid, assist and finance industrial undertakings, projects or enterprises.
- To promote, establish and execute industries, projects or enterprises which are likely to promote or advance the industrial development of the State.
- To promote other companies, firms, establishments, concerns or undertakings for any purpose to the benefit of the Company.
- To prepare, frame, implement, operate, run, carryout schemes, activities under Village Amenities Fund Scheme, Skill Development Scheme and any other scheme as may be directed by the State Government from time to time.

Organisational set up

2.2.2 The management of the Company vests with a Board of Directors consisting of 10 directors as on 31 March 2003. The Managing Director is the Chief Executive of the Company. The decisions of development of industrial areas, allotment of plots *etc.* are taken by Infrastructure Development Committee (IDC) comprising Chairman and five directors, nominated by the Board. The decision taken by the IDC is placed before the Board for its information/noting. During 1998-2003, there were changes in incumbency of the Chief Executive seven times, of which only one incumbent remained for a period of more than one year.

Scope of Audit

2.2.3 The performance of industrial promotion and infrastructure (IPI) activity was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1998, Government of Rajasthan. The review was discussed (June 2001) by Committee on Public Undertakings (COPU) and their recommendations were awaited (March 2004).

The present review conducted from August 2003 to March 2004 covers the performance of IPI activity of the Company for the period 1998-2003. The audit findings based on test check of records of head office and 15[@] regional offices (out of 24) consisting of 147 industrial areas have been discussed in subsequent paragraphs.

The audit findings were reported to the Government/management in July 2004 with a request to attend the meeting of Audit Review Committee for Public Sector Enterprises (ARCPSE) so that the viewpoint of the Government/ management was taken into account before finalising the review. The meeting of the ARCPSE was held on 4 August 2004 where Government was represented by the Secretary (Industries) and the Company was represented by the Executive Director, Financial Advisor and Advisor (Infra). The viewpoints of Government/management have been considered while finalising review.

Audit objective

2.2.4 The present sectoral review evaluates the performance of IPI activity with reference to its objectives, the system/procedure adopted to carry out IPI activities, formulation of policies and strategies in consonance with the Industrial Policy of the State Government and Central Government Sponsored Schemes.

Industrial Policy

2.2.5 The State Industries Department announced (1998) the new Industrial Policy-1998 with the objective to accelerate the overall pace of industrial growth, increasing employment opportunities, improving productivity, ensuring sustainable development and strengthening the small scale industry, tiny and cottage industry sector, special industrial complexes for hosiery, auto ancillary, software technology *etc.*

[@] Alwar, Banswara, Bharatpur, Bhiwadi, Bikaner, Sitapura, Jaipur (North), Jaipur (South), Jaipur (Rural), Jhalawar, Kota, Pali, Sawai Madhopur, Sikar and Udaipur.

Funding

2.2.6 The Company undertakes the IPI activity by its own funds, borrowed funds and grants/subsidy/equity received from Central/State Government. The Company received Rs.7.35 crore as equity from Central/State Government for development of growth centres, Rs.30.82 crore as grant/subsidy for various schemes from Central/State Government, Rs.37.04 crore as loans from National Capital Region Planning Board/State Government. The Company utilised these funds and own funds of Rs.169.47 crore on development of industrial areas between 1998-99 and 2002-03.

Working results of IPI activity

2.2.7 The working results of IPI activity of the Company under broad headings at the end of the five years up to 31 March 2003 are given in **Annexure - 10**. Major parameters of working results are as under:

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
1.	Income from IPI activity	136.63	80.41	99.31	94.46	57.26
2.	Other misc. income	6.42	4.64	12.44	8.16	9.80
3.	Total income	143.05	85.05	111.75	102.62	67.06
4.	Total expenditure	139.85	82.05	79.07	71.38	62.15
5.	**Profit**	**3.20**	**3.00**	**32.68**	**31.24**	**4.91**

As observed from the working results, the Company earned a profit of Rs.3.20 crore in 1998-99, Rs.3.00 crore in 1999-2000, Rs.32.68 crore in 2000-01, Rs.31.24 crore in 2001-02 and Rs. 4.91 crore in 2002-03. The profits in these five years were mainly attributable to the other miscellaneous income of Rs.6.42 crore, Rs.4.64 crore, Rs.12.44 crore, Rs.8.16 crore and Rs.9.80 crore respectively. The other miscellaneous income contains income of retention charges *i.e.* levy for extension of period for establishment of industry on industrial plot.

Government stated (August 2004) that these charges have been levied to prevent mis-utilisation and for early utilisation of the land for setting up a project at the earliest.

Plan projections

2.2.8 Targets for the acquisition of land, development of land/plots and allotment of plots were fixed in annual plan of the Company. Table given below indicates the year wise plan projections *vis-a-vis* achievements of the Company for last five years up to 2002-03:

Year	Acquisition of land (acres)		Development of land (acres)		Development of plots (in numbers)		Allotment of plots (in numbers)	
	Targets	**Achieve-ments**	**Targets**	**Achieve-ments**	**Targets**	**Achieve-ments**	**Targets**	**Achieve-ments**
1998-99	2500	1358.81	2000	826.46	3500	142	1500	842
1999-2000	500	999.83	1200	1169.27	500	1436	800	955
2000-01	500	331.69	750	1811.81	700	2072	750	1769
2001-02	400	1813.86	700	360.63	Not available	1975	1500	1163
2002-03	425	314.74	750	627.10	Not available	421	1500	1039
Total	**4325**	**4818.93**	**5400**	**4795.27**	**4700**	**6046**	**6050**	**5768**

It would be seen from the above that the land acquisition during 1998-99, 2000-01 and 2002-03 was lower than the targets, whereas in 1999-2000 and 2001-02, it was more than the targets. In all, the Company acquired 4818.93 acres land during five years against targets of 4325 acres land.

Reference is invited to Paragraph 2B.8.1 of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1998, wherein it was pointed out that 21,168.71 acres (excluding 424.44 acres land of transferred industrial areas) acquired land remained undeveloped as on 31 March 1998. The Company further acquired 4,818.93 acres of land during 1998-2003. Audit observed that out of available land of 25,987.64 acres, the Company fixed target for development of 5,400 acres of land only during five years ending upto March 2003. Thus, the low targets for development of land defeated the objective of acceleration of industrial growth in the State, as envisaged in State Industrial Policy, 1998.

Audit also analysed that: -

Development of six industrial areas without assessing demand of plots caused blocking of funds of Rs.6.07 crore.

- Over 60 *per cent* of state area lies in Thar desert. During five years up to 2002-03 the Company acquired 680.52 acres of land for development of seven new industrial areas* in Thar desert area, without assessing the feasibility and demand of industrial plots. Out of above, the Company could develop six industrial areas (354.50 acre) at a cost of Rs.7.43 crore, of which only 34.73 acres land (99 plots) were allotted at Rs.1.36 crore up to March 2003. Thus the decision to

* Deedwana, Neem-ka-Thana Phase-II, Ajitgarh, Falna Zadri, Gharsana Phase-II, Raisingnagar, Bidasar.

develop six industrial areas without assessing the demand of plots caused blocking of funds of Rs.6.07 crore. For the development of remaining one industrial area (Bidasar), the Company acquired (September 1998) land at a cost of Rs.10.51 lakh. Audit observed that no development activity was commenced up to March 2003.

- The State Industrial Policy 1998 envisaged that all industrial areas on rural power feeder would be connected with urban/industrial power feeder in a phased manner for better power supply in these areas. Audit observed that eight industrial areas[#] (616.42 acres land) were yet to be connected with urban/industrial power feeder. Resultantly the Company could sale only 287 plots (93.95 acres) out of 680 plots (310.27 acres). Non-initiation of action for connecting these areas with urban/industrial power feeder by the Company defeated the object of industrial policy to accelerate the pace of industrial growth.

Special industrial complexes

2.2.9 As per State Industrial Policy 1998, special industrial complexes *viz.* hosiery complex at Chopanki (Bhiwadi) and auto ancillary complex at Ghatal (Bhiwadi) were to be developed by the Company to meet the requirements of specific industries. The Company was having 825.20 acres of land at industrial area Chopanki and 54.78 acres of land at industrial area, Ghatal as on March 1998. Audit observed that the Company did not initiate any action to develop these thrust sectors/areas, as envisaged in industrial policy. Thus, non-development of such sectors/ areas as envisaged in industrial policy defeated the object of industrial policy to accelerate the pace of industrial growth.

Information Technology Park

Construction of modular units without assessment of future demand resulted in blocking of funds of Rs.2.03 crore.

2.2.10 State Industrial Policy envisaged to provide built up space at Information Technology Park (ITP). The Company constructed 20 modular units at a cost of Rs.2.38 crore in 1999-2000 and decided to allot these modular units on rental basis instead of out right sale. Initially 17 modular units were allotted on rental basis since incentives were allowed by Central Government only to entrepreneurs who established their units in designated ITP. However, later on State Government vide its Information Technology Policy 2000 extended the concessions to IT units established any where in urban areas. After implementation of new policy against 17 modular units only three modular units remained on rental basis as on March 2003. Audit observed that State Government intention of permitting concession to IT units without location restriction in urban areas was already envisaged in the State Industrial Policy 1998. Thus construction of modular units without assessment of future demand resulted in blocking of funds to the extent of Rs.2.03 crore.

[#] Bigod, Kanya Kheri, Manpura, Bichhiwara, Bar, Sardana, Samdari and Mokalsar.

Land acquisition

2.2.11 The Company constituted (June 1986) a committee for selection of site and assessment of feasibility for development/expansion of industrial area. After acquisition of land, layout plan, administrative sanction for estimates for providing basic infrastructure facilities, time schedule for development of the industrial area and the rate of development charges to be recovered from entrepreneurs are approved by the IDC.

Land under encroachment / in possession of khatedars*

2.2.12 Position of land acquired and land under encroachment/in possession of khatedars there against was as under: -

The Company could not take benefit of land valuing Rs.1.23 crore due to encroachments.

Sl. No	Name of Area	Land acquired (In acres)	Land under encroachment (In acres)	Cost of land encroached/in possession of khatedars (Rs. In lakh)
1	Bichhiwara (Banswara)	201.00	122.70	63.21
2.	Khara (Bikaner)	726.91	11.79	1.28
3.	Aklera (Jhalawar)	12.31	3.54	0.12
4.	Baran(Kota)	197.58	1.61	0.66
5.	Manpur Macheri (Jaipur Rural)	97.31	3.33	5.09
6	Boronada (II Phase)	104.01	12.50	0.90
7.	IID Newai (Tonk)	155.44	84.16	51.36
	Total	**1,494.56**	**239.63**	**122.62**

It would be seen from above that 239.63 acres of land valuing Rs.1.23 crore was under encroachment/in possession of khatedars for last six to 25 years.

Audit observed that in Bichhiwara, land compensation of Rs.51.18 lakh (86.74 acres) was lying with Land Acquisition Officer since the related land owners disputed the compensation amount. The Company could not initiate any development activity on the remaining 35.96 acres land valuing Rs.12.03 lakh as the same was situated amidst the land for which land owners have not accepted compensation. Thus the Company was deprived of benefit of its investment of Rs.63.21 lakh for more than five years.

Difference in land records

2.2.13 A mention was made in the Para 2B.8.1.1 of the Report of Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1998 regarding difference in land records. Audit observed that the Company did not

* Khatedar means land owners.

make any efforts to reconcile the difference. As on 31 March 2003, there was a difference of 4,001.24 acres of land in the books of accounts (51,131.16 acres) compared to land acquisition records (47,129.92 acres), which has not been reconciled (March 2003).

The Government stated (August 2004) that the Company has initiated action of re-survey of each industrial area.

Non-development of land

2.2.14 A reference is invited to para 2B.8.2.1 of the Report of Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1998, wherein it was pointed out that 21,168.71 acres of undeveloped land valuing Rs.254.66 crore was lying as on March 1998. Out of which 15,272.23 acres undeveloped land was allotted during 1998-2003. Remaining 5,896.48 acres of land valuing Rs.70.93 crore was not taken up for development even after expiry of more than five years of its acquisition. Besides, out of 4,818.93 acres land acquired during 1998-2003, 374.01 acres land was developed leaving 4,444.92 acres valuing Rs.43.40 crore as undeveloped on 31 March 2003.

The Government stated (August 2004) that during last 5-6 years the State experienced recession, which in turn adversely affected the demand hence it was considered prudent to take up development in phased manner depending on the immediate demand.

The Government's reply is not tenable in view of the fact that industrial areas developed during 1998-2003 could not be sold out due to insufficient infrastructure facilities, as discussed in paragraphs 2.2.15 and 2.2.18 infra.

Development of industrial areas

Injudicious development of Sadulpur Phase-III and Taranagar industrial areas

2.2.15 At the request (June 1995) of the General Manager, District Industries Centre, Churu, the Company, without preparing feasibility report and assessing source of water supply, acquired 72.84 acres (February 1997) of land for development of industrial area, Sadulpur Phase III. The compensation of Rs.42.55 lakh was paid in March 1997 and additional compensation of Rs.9.06 lakh was paid in March 2001. Though it was known to the Company that most of the units in Phase-I and Phase-II were facing power shortage and water problem in the area, the Company decided (December 1997) to develop Phase-III and incurred expenditure of Rs.1.27 crore (March 2003). Out of 142 plots planned in Phase-III only one plot had been allotted for Rs.0.50 lakh (March 2003) against total expenditure of Rs.1.79 crore.

Similarly in January 1996 the Company, without preparing feasibility report and assessing the availability of water, acquired 62.50 acres land (December 1995) at Taranagar at a cost of Rs.13.50 lakh. The Company incurred

Rs.93.11 lakh for development of industrial area (March 2003). Audit observed that out of 80 developed plots, the Company could sell 12 plots only for Rs.10.31 lakh against total expenditure of Rs.1.06 crore due to water scarcity.

Injudicious acquisition of land without assessing feasibility and availability of water and electricity led to blocking of fund of Rs.2.74 crore.

Thus injudicious acquisition of land and development activity at both the places without assessing the availability of water and electricity, led to blocking of the Company`s funds of Rs.2.74* crore.

The Government while accepting the facts stated (August 2004) that the land developed at these areas would be allotted after solving the water problem with Public Health and Engineering Department.

Development and allotment of plots

2.2.16 Position of development of plots available for allotment as on 1 April 1998, plots developed for allotment, plots allotted between 1998-99 and 2002-03 and plots remained un-allotted as on 31 March 2003 was as under: -

Sl. No.	Particulars	Number of plots	Area in acres
1.	Developed plots for allotment as on 1 April 1998	11,026	6,295.69
2.	Plots planned for development / allotment	6,425$	2,105.72
3.	Total	17,451	8,401.41
4.	Plots allotted	5,768	1,734.22
5.	Plots remained un-allotted as on 31 March 2003	11,683	6,667.19

It would be seen from the above that the Company could allot 1,734.22 acres (20.64 *per cent*) land against 8,401.41 acres land available for allotment. Audit observed that against land acquired (6,295.69 acres) prior to April 1998, the Company could allot 298.72 acres (4.74 *per cent)* land during five years period ended March 2003, which indicates that lands were developed without assessing potentiality of industrial areas.

The Government stated (August 2004) that industry has undergone heavy recession during last five years. The reply is not tenable in view of the fact that industrial areas developed during 1998-2003 could not sold out due to insufficient infrastructure facilities as discussed, in paragraph 2.2.18.

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* Rs.1.79 crore + Rs.1.06 crore – (Rs.0.50 lakh + Rs.10.31 lakh) = Rs.2.74 crore.
$ Include 379 undeveloped plots.

Allotment of plots below the rate of development charges

Allowing further concession without approval of the competent authority caused loss of Rs.21.63 lakh in allotment of 12 plots.

2.2.17 In terms of note-IV below Rule-3 of RIICO Disposal of Land Rules, 1979 no concession would be allowed in allotment of plots in the industrial areas, which are exclusively developed for specific type of industries and/or particular category of entrepreneurs. The industrial area Manpur Machedi was developed by the Company for the leather industry. The rate of development charges was fixed at Rs.150 per square meter (September 1995) against actual cost of Rs.242 per square meter. Audit observed that despite fixation of rates for development charges lower than the actual cost, the unit incharge allowed (November 1995 to February 1999) further concession of Rs.21.63 lakh while allotting 12 plots without obtaining approval of the competent authority. This has resulted in loss of revenue of Rs.21.63 lakh.

The Government stated (August 2004) that the concessions were allowed as per Rule 3 (v) of the RIICO Disposal of Land Rules 1979. The reply is not tenable since the area was developed for specific industries *i.e.* leather industries for which further concession was not permissible under the rules, *ibid*.

Un-sold plots in new industrial area

Improper assessment of demand and site selection caused blocking of funds of Rs.3.80 crore.

2.2.18 The Company developed 173.16 acres (382 plots) of land in three industrial areas (Sheoganj Extension, Sarneshwar (Abu Road) and Bassi Extension (Jaipur South)) at a cost of Rs.3.89 crore during 1998-2003. Of 382 plots, only 52 plots (14.37 acres) were allotted for Rs.8.98 lakh up to March 2003.

Audit observed that Sheoganj Extension and Sarneshwar industrial areas were developed without assessing the demand of industry as well as availability of un-allotted plots (227 plots) at adjacent growth centre (Abu Road). Similarly, Bassi extension (Jaipur South) industrial area was also developed at a site, which had a link to National Highway through an unmanned railway crossing, which generally remained closed. Moreover, the power supply was also not connected from urban/industrial power feeder.

Thus, improper assessment of demand for plots and site selection caused blocking of funds of Rs.3.80 crore.

The Government while accepting the facts stated (August 2004) that efforts are being made to allot the plots.

Growth centres

2.2.19 With a view to reduce regional imbalance and secure the industrialisation in backward areas, the GOI issued (September 1990) guidelines for setting up growth centres in backward areas. As per scheme, each growth centre was to be developed on 988 - 1976 acres within five years in two phases (Phase-I in three years from the date of sanction and Phase-II in two years after completion of Phase-I). The growth centre was to be developed at an estimated cost of Rs.25 crore – Rs.30 crore, out of which Rs.10 crore was to be contributed by Central Government, Rupees five crore by State Government as equity and remaining amount was to be incurred by nodal agency by own/borrowed funds.

Accordingly, the Company initiated action for development of five growth centres at Abu Road, Bikaner, Jhalawar, Dholpur and Bhilwara between March 1992 and December 1997. The Company received Rs.44.05 crore (Rs.35.55 crore as equity and Rs.8.50 crore as grant) from Central/State Government up to March 2003. The Company spent Rs.64 crore upto March 2003 on development of three growth centres.

The details of land projected to be acquired, actual land acquired, land developed, allotable land/plots, awaiting allotment and actual land/plots allotted are given below:

Sl. No	Name of growth centre	Land projected to be acquired (in acres)	Land actually acquired (in acres)	Land developed (in acres)	Allotable land/plots		Actual land/plots allotted		Awaiting allotment	
					Land (in acres)	Plots (in Nos.)	Land (in acres)	Plots (in Nos.)	Land (in acres)	Plots (in Nos.)
1.	Abu Road	1000.00	960.15	907.50	464.14	296	42.16	53	421.98	243
2.	Bikaner (Khara/Karani)	1368.22	852.46	726.91	373.56	896	157.50	299	216.06	597
3.	Jhalawar (Chandrawati/ Palsana)	1459.75	519.54	-	197.03	388	40.28	118	156.75	270
4.	Dholpur (Dholpur/ Parbatsar	1003.95	728.26	237.75	170.62	337	59.06	117	111.56	220
5.	Bhilwara	732.14	724.41	-	253.63	414	9.88	4	243.75	410
	Total	**5564.06**	**3784.82**	**1872.16**	**1458.98**	**2331**	**308.88**	**591**	**1150.10**	**1740**

Abu Road

2.2.20 The Government of India sanctioned (March 1992) the development of growth centre at an estimated development cost of Rs.30 crore. Growth centre was completed on 960.15 acres of land (Phase-I in June/July 1996 and Phase-II in December 1999) at a total cost of Rs.30.01 crore. Besides, expenditure of Rs.1.58 crore was incurred on development of indirect services (March 2003).

Improper selection of site for Abu Road growth centre and strategy to compete with nearby industrial estate resulted in slow pace of allotment of plots and blocking of funds of Rs.30.80 crore

The Company planned/developed 296 industrial plots (63 plots in Phase-I and 233 plots in Phase-II), of which 53 plots (42.16 acres) (45 plots in Phase-I and eight plots in Phase-II) were allotted at a value of Rs.78.94 lakh up to March 2003. Audit observed that 168.17 acres of saleable area was already available for allotment in seven* industrial areas around the site of growth centre at Abu Road. Further Gujarat State also developed growth centres at adjoining areas of Abu Road with extra facilities/concessions. The Company organised several campaigns at Ahmedabad and Mumbai to attract entrepreneurs wherein the entrepreneurs asked to provide extra facilities at Abu Road, as provided by Gujarat State. However, the same were not provided by the State Government. Thus, due to improper selection of site and strategy to compete with nearby industrial estate of Gujarat State resulted in slow pace of allotment of plots of growth centre and blocking of funds of Rs.30.80 crore as on 31 March 2003.

The Government while accepting the fact stated (August 2004) that present allotment of developed land was little slow but in time to come good progress was anticipated.

Dholpur

2.2.21 The Company acquired (May 1995) 237.81 acres of land for Phase-I at a cost of Rs.2.18 crore (129.47 *per cent* higher than the estimated cost) for development of growth centre at Dholpur. The Company fixed (September 1999) the rate of development charge at Rs.70 - Rs. 150 per square meter, further revised to Rs.150 - Rs.225 per square meter (January 2002). Audit observed that as on 31 March 2003, the Company incurred Rs.4.12 crore on development of growth centre and could sell 95 plots (Rs.2.63 crore) out of 212 plots. Though the Company was facing problem in Phase-I yet, the Company further acquired (October 2002) 215.36 acres of land for Phase-II at Dholpur for Rs.4.42 crore, which was yet to be developed (March 2003). Thus, acquisition of land for Phase-I at higher rate and improper planning to aquire the land for Phase-II resulted in blocking of funds of Rs.8.09 crore.

Acquisition of land for Phase I at higher rate and improper planning to acquire the land for Phase II resulted in blocking of funds of Rs.8.09 crore.

- Sirohi, Sirohi Road I & II, Sheoganj Phase-I & II, Arbuda, Mandar, Swaroopganj and Ambaji.

Jhalawar

Acquisition of land without assessing the potentiality of the area resulted in blocking of funds of Rs.2.08 crore.

2.2.22 The Company acquired (January 1993/November 1995) 437.94 acres of Government land at a cost of Rs.56.56 lakh for development of growth centre at Jhalawar. The Company incurred Rs.3.62 crore for development of 238 acres land up to March 2003 (including cost of land). No activity was started on balance 199.94 acres of land (March 2003). Out of 388 developed plots the Company could allot 118 plots (40.28 acres) for Rs.1.54 crore up to March 2003. Thus, acquisition of land without assessing the potentiality of the area for growth centre resulted in blocking of funds of Rs. 2.08 crore.

Government stated (August 2004) that efforts are being made for disposal of plot.

Bhilwara

2.2.23 The Company acquired 724.41 acres of land at a cost of Rs.4.23 crore between January 1999 and October 2001. The development activity on the land could not be started due to dispute about the rate of compensation declared by the Land Acquisition Authorities. Thus, the Company blocked funds of Rs.4.23 crore on acquisition of land defeating the objective of the scheme to generate employment and industrial growth even after more than six years of its sanction.

Development of Integrated Infrastructural Development Centres

2.2.24 Pursuant to policy measures for promotion and strengthening of small, tiny and village enterprises in rural/backward areas, the Government of India, Ministry of Industries sanctioned (March 1994) a scheme to set up Integrated Infrastructural Development (IID) centres with the objectives to promote:

- Clusters of small scale and tiny units to create employment opportunities and linkage between agriculture and industry.
- Common service facilities and technological backup services.
- Infrastructural facilities like power, water, communication *etc*. in the new/existing industrial areas.

The salient features of the scheme were as under:

- The selection of centres was to be preceeded by a comprehensive industrial potential survey of the area. Potentiality for small scale and tiny industries be clearly established with organise linkage between agriculture and industry.
- Cost of each IID centre to the extent of rupees five crore (excluding cost of land) was to be contributed by Central Government as grant-in-aid and Small Industries Development Bank of India as loan in the

ratio of 2: 3. Cost in excess of rupees five crore was to be met by the State Government.

- Area of each IID centre would be about 37-50 acres.
- In each IID centre 250/450 plots of 200 sqm. and 200 plots of 300 sqm., were to be developed.
- Facilities like effluent treatment and disposal system, raw materials depot, marketing outlets, common service centres including technological backup services were to be provided.

Accordingly the Company had undertaken development of four IID centres at Sangaria, Gogelao, Newai and Kaladwas at a projected cost of Rs.19.94 crore excluding cost of land of Rs.2.48 crore. The details of land as per scheme, land actually acquired, allotable land/plots, actual allotment of land/plots and awaiting allotment of land/plots in the IID centres up to (March 2003) are given in **Annexure – 11.**

It would be seen from the annexure that:

- Acquisition of land in all four IID centres was 2 - 3 times more than the area prescribed in the scheme, whereas development expenditure (excluding cost of land) on each centre was in the range of Rs.3 crore - Rs.6 crore only. Due to excess land acquisition and limitation in development expenditure i.e. Rs. five crore, the Company could not provide facilities like effluent treatment and disposal system, raw material storage depot, marketing outlets, building, machinery and equipment for common services including technological backup services, as envisaged in scheme for development of industrial area.
- The Company incurred Rs.12.11 crore on development of IID centre; however, Rs.2.75 crore towards grant was not received from GOI (August 2004).
- The Company planned/developed plots of 500 to 2000 sqm.at Newai and Gogelao against the size prescribed in the scheme (250 to 300 sqm). Out of 52 plots (12.98 acre) allotted up to March 2003 at Newai, two plots (7.39 acre) were allotted to two large entrepreneurs with 20 *per cent* rebate of Rs.15.12 lakh in development charges. The development of bigger size of plots and allotment to large entrepreneurs at Newai defeated the objective of the scheme to promote and strengthening the tiny enterprises.

Government stated (August 2004) that maximum size of IID centre and allotable plot was no where provided, it was illustrative/indicative only and small scale unit is to be seen as per definition of Government of India *i.e*. Rupees one crore investment.

The reply is not tenable as the size of 37-50 acres area for IID centre and 250-300 sqm. of each allotable plot was prescribed in the scheme. Moreover large size plots being costlier deprived development of tiny industries.

Non-recovery of development charges/economic rent/service charges

2.2.25 The regional offices of the Company raise demands for recovery of development charges, economic rent and service charges *etc*. from the entrepreneurs. As per terms of allotment of plots, development charges for industrial plot were to be recovered in two parts *i.e*. 25 *per cent* along with the application for land allotment and balance 75 *per cent* within 90 days from the date of issue of allotment letter.

Managing Director has powers to grant extension for payment of development charges with interest. In case the allottee fails to deposit the dues, the plot shall be cancelled immediately on the expiry of due date or the extended period.

The economic rent and service charges are payable annually before 31 July every year. In case of default the interest at prescribed rate is to be charged from first April of the year. On failure to pay these charges, the service charges shall be paid at higher rate by 10 *per cent* along with interest.

Non recovery of dues as per prescribed procedure resulted in accumulation of dues of Rs.5.85 crore for more than five years.

As on 31st March 2003, total dues outstanding were Rs.63.56 crore. In test check of 13 regional offices, Audit observed that the Company could not recover development charges / economic rent and service charges of Rs.5.85 crore outstanding for more than five years. Moreover the Company had not initiated any action against allottees who defaulted in payment of development charges for cancellation of their allotment.

Of the outstanding amount of Rs.5.85 crore, Rs.23.88 lakh (including interest of Rs.8.79 lakh) were outstanding against 101 sick/closed and evicted units where chances of recovery were remote.

The Government while accepting the fact stated (August 2004) that action is being initiated under Rajasthan State Industrial Development and Investment Corporation Limited Disposal Rules, 1979 and Public Premises (Eviction of un-authorised occupants) Act, 1964.

Conclusion

The Company had failed to achieve its primary objective of promoting industries in the State with a view to accelerate industrial growth as envisaged in the industrial policy. The Company could not market the industrial plots developed so far, mainly because of improper selection of location, failure to conduct preliminary survey and non-preparation of feasibility report. Further, undertaking of infrastructure development work in desert areas resulted in blocking of funds. The Company also failed to achieve the targets of Central/State Government Scheme.

The Company should prepare proper plan for development of industrial areas commensurate with State Industrial Policy. Concerted efforts need to be made to have proper system for selection of site and to market the area of developed land remaining unsold. Further, the Company should strengthen the internal control system to reconcile the differences in the area of land as per books of accounts and land records.