

PRESS RELEASE

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CAG AUDIT REPORT ON RAILWAYS PRESENTED IN PARLIAMENT

Audit Report No. 26 of 2025 – ‘Union Government (Railways) – Compliance Audit Report’ on ‘Development of Multi-Functional Complexes and Commercial sites by Rail Land Development Authority’ for the period ended March 2023 was laid on the table of both Houses of the Parliament here today.

The Audit Report contains results of the compliance of the rules and regulations of Rail Land Development Authority and instructions of Ministry of Railways (MoR) for development of commercial and Multi-Functional complex (MFC) sites to achieve the objective of generating non-fare revenue. This Report covers the mechanism of entrustment of sites, pre-leasing activities such as engagement of consultants, valuation of sites and post-leasing activities such as selection of developer and revenue earnings. Audit focussed on two activities of RLDA i.e., commercial development of vacant railway land and construction of Multi-Functional Complexes (MFC) during the period of five years from 2018-19 to 2022-23.

Brief of the audit observations:

As on March 2023, Railways owned a total of 4,88,336.82 hectares of land out of which 62,740.44 hectare (13 *per cent*) land area was vacant. RB entrusted a vacant area of 997.83 hectare including colony development (1.59 *per cent* of vacant land) to RLDA and out of this entrusted area RLDA could award only 87.76 hectare (8.80 *per cent* of entrusted land) of land for commercial and MFC development.

Non-achievement of Five-year Plan 2017-22 target

Audit noticed that during the FYP 2017-22 prepared by RLDA, there was a shortfall of 94.17 *per cent* in earnings due to non-entrustment of sites to RLDA, cancellation of awards, litigation, de-entrustment etc. RLDA had not prepared FYP for the period 2022-27. Analysis of the expected earnings of 16 out of 26 selected commercial sites for the five-year plan period 2017-2022 showed that against the expected earnings of ₹ 3,281.32 crore, RLDA earned only ₹ 332.79 crore.

Pendency in approval of proposals of commercial sites by MoR

RB has not prescribed any timelines for approval of the proposals. It was observed that out of 188 (65.71 lakh sqm) proposals received by MoR, only 59 commercial sites (20.38 lakh sqm) were entrusted to RLDA. The remaining 129 commercial sites (45.33 lakh sqm) viz., 69 *per cent* of proposals were still (March 2023) pending for entrustment at MoR. The reasons for pendency of proposals at MoR for more than one year were non-receipt of requisite certificates (non-encumbrance/title and land not required for use) from concerned Zonal Railways and non-receipt of feasibility report from RLDA.

Entrustment of sites to RLDA despite having encroachments, encumbrances and without clear land title resulting in non-monetisation of sites

Zonal Railways were primarily responsible for ensuring encumbrance and encroachment free sites before sending proposals to RB for entrustment to RLDA. Audit noticed that 15 out of 26 sampled sites were having land related issues like encroachment, encumbrance, land title/mutation etc., and the issues were identified after entrustment of the sites to RLDA indicating failure at all levels i.e., Zonal Railways, RLDA and MoR to ensure availability of clear land for development.

Non-preparation of revenue sharing model by consultants in commercial sites

The terms and conditions of RFP for F&M consultancy for commercial sites provided that the consultant had to suggest the most suitable project model among the list provided in the RFP which also included revenue sharing model. Audit observed that in all 19 sampled sites evaluated by the consultant, revenue sharing model was not considered

by consultants. Due to non-preparation of revenue sharing model, RLDA could not assess the most suitable model to get maximum earnings through non-fare revenue.

Irregularities in application of rates, area, Floor Area Ratio (FAR) etc.

Audit observed irregularities in applying rates, area, FAR etc. to arrive at guidance value/reserve price of a site resulting in undervaluation of the sites as mentioned below.

- In three out of 19 selected commercial sites evaluated by the consultants, residential circle rates were considered for valuation of both residential and commercial portion of land for valuation. This had resulted in undervaluation of three sites by ₹ 287.76 crore.
- In Bandra East (Small), Mumbai site, the consultant had applied incorrect circle rate which resulted in undervaluation of reserve price by ₹ 1.84 crore.
- In Ashok Vihar, Delhi site, F&M consultant had valued the site on the basis of average unit sale prices of residential units of DDA, Cooperative Society and private developers by market rate method instead of valuating the site on the basis of private developer's unit sale price. This resulted in undervaluation of the reserve price by ₹ 204.22 crore.
- In Raxaul, Bihar site, F&M consultant had considered FAR of 2.0 for valuation of the site instead of 1.52. The consultant had also considered an area of 7291 sqm instead of area of 9271 sqm for evaluating the site. This resulted in undervaluation of the site by ₹ 0.83 crore.
- In 14 commercial sites and 16 MFC sites, neither spot committee nor consultants kept on record the authenticated documents in support of market rates and rental rates having cumulative weightage of ₹ 1,674.63 crore for valuation of the sites.

Irregularities in application of discounts in valuation of Commercial sites

For realistic assessment of a site, RLDA considers various types of discounts for computation of guidance value of site. Audit noticed irregularities in application of discounts in valuation of sites as under:

- RICS Graph of Relativity describes the leasehold discount based on lease period for valuation of residential properties in UK. However, RLDA applied it on commercial properties without examining the impact of this graph in Indian conditions. RLDA also changed the methodology of RICS and used construction cost instead of leasehold value of land to derive the leasehold discount factor for valuation of its sites. In 14 out of 21 sites valuated, RLDA had applied this modified RICS graph methodology based on RICS and allowed a discount of ₹ 135.76 crore.
- Audit also noticed that there were inconsistencies in application of the discount for shape factor for valuation of commercial sites. Against the norms of *+/- 5 per cent* shape factor discount, RLDA allowed shape factor discounts of *10 per cent* and *15 per cent* in five sites. . Inconsistencies in application of plot size discounts were noticed in 10 sites. Additional discounts of ₹ 41.77 crore were allowed by RLDA in Ashok Vihar, Delhi site on the basis of discussions which were not recorded

Unjustified discounts given on guidance value while finalising reserve price of commercial sites

RLDA Board in May 2019 decided to declare the reserve price in the bidding documents/NIT and do away with the practice of consideration of tenders up to a limit of *5 per cent* below the guidance value. However, RLDA allowed further discounts on guidance value for finalising the reserve price in seven (*63.64 per cent*) sites. It was observed that in three sites the discounts on guidance value were in contravention of RLDA Board's decision. On comparison of the guidance value and H1 offer received for these three sites, it was observed that H1 offers received were more than the guidance value by ₹ 3.12 crore to ₹ 7.79 crore.

Non-consideration of Minimum Guaranteed Annual Payments clause in RFP while awarding MFC sites to private developers

Audit findings revealed that in seven out of 16 selected MFC projects, the value of ULP and ALR was ₹ 102.11 crore (₹ 20.54 crore in terms of Net Present Value) whereas the value of MGAP, as calculated by audit, during the same lease period was ₹ 866.21 crore

(₹ 34.75 crore in terms of Net Present Value). However, RLDA did not explore the more remunerative model such as the MGAP with private developers as provided in the RLDA regulations.

Delay in execution of lease agreement with the developers (Commercial/MFC sites)

There was an average delay of 118 days in execution of agreement by RLDA in eight sampled commercial sites while as delay in execution of agreement by RLDA in 14 MFC sites ranged between one month and seven years & four months. Due to delay in execution of the lease agreement on the part of the developer, the lease period was reduced to the extent of delay. This had resulted in non-monetisation to the extent of reduced lease period in commercial sites. In MFC sites also there was a delay in execution of lease agreement in 14 out of 17 sampled sites which resulted in non-monetisation of ₹ 3.49 crore.