

Chapter III

Performance Audit of Statutory Corporation

Chapter III

3 Performance Audit of Statutory corporation

3.1 Maharashtra Industrial Development Corporation

Executive Summary

Introduction

Maharashtra Industrial Development Corporation (Corporation) was established in 1962 under the Maharashtra Industrial Development Act, 1961 (MID Act) with the main objective of securing and assisting in the rapid and orderly establishment and organisation of industries in industrial areas in the State. The main function of the Corporation is development of industrial areas by creating infrastructure and allotment of plots/sheds and providing water supply and other facilities to industrial units. Performance Audit of the Corporation was conducted by covering period of five years ended 31 March 2013.

As on 31 March 2013, there were 282 industrial areas/estates located in developed and developing parts of the State. The Corporation allotted 31,235 Hectare (Ha) of land (58,660 plots) to industrial units by March 2013. The area remained to be acquired was 52,428 Ha at the end of 2012-13 of which 20,589 Ha was pending for more than five years. The Corporation paid compensation to Special Land Acquisition Officer (SLAOs)/Sub-Divisional Officer (SDO) for the land which was not completely handed over to the Corporation. The Corporation had however, not reconciled accounts with SLAOs/SDO. As a result, sizeable amount remained with SLAOs.

Imbalanced development

The objective of State Industrial Policy emphasising balanced development was not yet achieved. The investment by entrepreneurs in Western Maharashtra Region was 70 per cent of total investment of ₹1,90,971 crore up to 2012-13 followed by 13 per cent in Konkan Region. The lowest investment was in Marathwada

Region at two per cent followed by six and nine per cent in Vidharbha and Khandesh Regions respectively. The Konkan Region had not generated any additional employment during the period under review.

Allotment of land

The Corporation revised lease premium from time to time. Allotments of land in 47 cases (Mahape, Nasik and Pune) were however, made after revision of rates by recovering premium at pre-revised rates. As a result, there was short recovery of lease premium by ₹ 16.66 crore. The Corporation allotted two plots in Pimpri-Chinchwad Industrial area for the purpose of automobile repair and servicing at industrial rate though the activity was of commercial nature which resulted in short recovery of lease premium of ₹13.02 crore.

Subletting of plots

The Corporation recovered subletting charges at the rate for industrial use though the plots were sublet for commercial activity resulting in short recovery of subletting charges by ₹ 2.47 crore. The Corporation waived yearly subletting charges of ₹ 7.69 crore exclusively for Reliance Corporate Information Technology Park Limited, Navi Mumbai.

Allotment of land for residential use

The Corporation allotted 56 Ha of land to SPV for development of Integrated Township at Hinjewadi, Pune. The condition for sale of flats exclusively to persons working in IT/Bio Tech parks was waived and SPV was allowed to sell flats in the open market. The differential lease premium of ₹ 27.72 crore for use of land

for commercial purpose was recoverable. However, the Corporation had not recovered any such differential lease premium so far.

Utilisation of land

Section 42A of MID Act, contemplated that the State Government may obtain report on utilisation of plots and if satisfied that plot holders had not utilised the Floor Space Index (FSI) available and unutilised portion was capable of sub-division, may accommodate other industries. However, such exercise was not taken at any point of time so far. Test check of 88 lessees (above 10,000 square metre) from seven industrial area indicated that utilisation of FSI was 10.07 per cent of total permissible FSI.

Recovery of service charges

The data in Water Billing System (WBS) did not match with data of Land Management System (LMS) and Service Charges (SC) of ₹4.96 crore remained unrecovered. The Corporation had not ensured as to whether post tender Central subsidy of ₹ 74.92 crore for Common Hazardous Waste Treatment Storage and

Disposal Facilities at Ranjangaon, Pune and Butibori, Nagpur was passed on to the end users by way of reduction in processing charge.

Internal control and Monitoring system

The Corporation had not prescribed periodical returns to be submitted by ROs regarding total number of plots allotted, number of Building Completion Certificates (BCCs) due, and number of BCCs actually issued. The data base in LMS and WBS was incomplete, inaccurate and not matching with each other.

Recommendations

Audit has made seven recommendations which included minimising imbalance in industrial development, reconciling accounts with SLAOs, avoiding delay in issue of offer letters for allotment of land and finalisation of tenders, improving the surveillance on utilisation of plots to ensure recovery of subletting charges and transfer fee, recovery of differential lease premium for commercial use and submitting periodical return by ROs on important developmental activities.

Introduction

3.1.1 Maharashtra Industrial Development Corporation (Corporation) was established in 1962 under the Maharashtra Industrial Development Act, 1961 (Act) with the main objective of securing and assisting in the rapid and orderly establishment and organisation of industries in industrial areas and industrial estates in the State of Maharashtra. The main function of the Corporation was development of industrial areas by creating infrastructure in the land acquired and entrusted to it by the Government of Maharashtra (GoM), allotment of plots/sheds, maintenance of industrial areas and providing water supply as well as other facilities to industrial units. The Corporation has been declared as Special Planning Authority by GoM for the industrial areas.

The GoM acquired 64,062 Hectare (Ha) of land up to March 2013 and handed over to the Corporation for industrial development. The Corporation developed 282 industrial areas/estates of which 35 were located in developed and 247 in developing parts of the State as on 31 March 2013. The Corporation allotted 31,235 Ha (58,660 plots) by March 2013. The Corporation developed its own water supply schemes for supply of water to industrial estates/areas.

Organisational set up

3.1.2 The Corporation was constituted under Section 3 of the Act. The Board comprises of 15 members including the Minister for Industries as *ex-officio* Chairman, the Minister of the State for Industries as *ex-officio* Vice Chairman and the Chief Executive Officer (CEO) of the Corporation. The day-to-day operations are looked after by CEO who is assisted by Joint CEO, Deputy CEOs, Chief Planner, Chief Engineer and Chief Accounts Officer (CAO). As of March 2013, the Corporation had 16 Regional Offices (ROs) in the State dealing with land and 28 Division Offices (DOs) dealing with developmental works and maintenance of Industrial Areas/Estates including recovery of service and water charges from the industries established therein.

The operational performance of the Corporation in Mumbai and Pune Metropolitan Regions was reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial), GoM for the year ended 31 March 2001. The Committee on Public Undertakings (COPU) discussed the Report in September 2003 and recommended action on unutilised land, unsold leather and hosiery complex at Ambernath, Thane and recovery of arrears of water charges in its 12th Report dated 16 December 2003. The Action Taken Report submitted by the GoM was also discussed in August 2005.

Scope and Methodology of Audit

3.1.3 The performance audit conducted during March to August 2013 covered the overall performance of the Corporation during 2008-09 to 2012-13. Audit scrutiny covered various aspects such as planning, land acquisition, development and allotment of plots/sheds, maintenance of Industrial areas/estates, monitoring the utilisation of plots for intended purpose, management of funds, supply of water to industrial areas, billing and recovery of service/water charges *etc.* from industrial units.

Selection of six⁵⁵ ROs (38 *per cent*) for detailed audit was made by selecting two from developed and three from developing areas on the basis of the highest revenue and one RO having the lowest revenue from the developing area. The selection of nine⁵⁶ DOs (32 *per cent*) was made on the basis of the highest expenditure.

The audit methodology adopted for attaining the objectives involved explaining audit objectives to the top management during an Entry Conference, discussion with officials of the Corporation, analysis of data with reference to audit criteria, issue of audit enquires and draft Performance Audit Report to the Management/Government for their comments.

⁵⁵ Kolhapur, Mahape, Nagpur, Nanded, Nasik and Pune-I.

⁵⁶ E&M Divisions:-Ambernath, Nagpur and Pune, Civil Divisions:-Dombivali, Kolhapur, Nagpur, Nanded, Nasik and Project Division:-Pune.

Audit objectives

3.1.4 The audit objectives were to ascertain whether:

- There was rapid, orderly and balanced industrial growth in the State in line with MID Act and State Industrial Policy (SIP);
- The land acquisition was made as per laid down procedure, engineering operations for creating infrastructure facilities were taken up in line with the development plans and carried out economically, effectively and efficiently;
- There existed a pricing policy for plots and sheds;
- Land was utilised for the intended purpose, unutilised land was repossessed and transfer/subletting of allotted land was within the rules/regulations;
- Demand for the services charges/water charges was timely raised and recovered; and
- Proper management information/internal control system was in existence.

Audit criteria

3.1.5 The performance of the Corporation was evaluated against the audit criteria flowing from following documents:

- The MID Act, 1961, State Industrial Policy, Development Control Rules (DCR), Plan documents, Land Disposal Regulations and other specific directives issued by GoM;
- Agenda notes, Board Resolutions, delegation of powers and circulars issued by the Corporation;
- Annual Budgets, Financial Accounts, Annual Reports, Management Information System (MIS) reports and returns submitted or published by the Corporation;
- Pricing of plots, terms and conditions for allotment, transfer and subletting of plots; and
- Tender/bidding documents, works contracts, District Schedule of Rates (DSR) and Public Works Manual of GoM.

Audit findings

3.1.6 We discussed the audit objectives with the Corporation during an Entry Conference held on 15 March 2013. The draft Performance Audit Report was issued to the Management/GoM on 6 September 2013. The audit findings were also discussed in an Exit Conference held on 18 November 2013 which

Chapter-III-Performance review relating to Statutory corporation

was attended by the Principal Secretary (Industries), GoM and CEO of the Corporation. The management replied to the audit findings on 20 November 2013. The views expressed by the Management and the Government in the meeting/replies have been considered while finalising the Performance Audit Report. The audit findings are discussed below:

Planning

3.1.7 The GoM formulated (2006) its SIP with an objective of higher and sustainable economic growth with an emphasis on balanced regional development and employment generation. A target of achieving 10 *per cent* industrial sector growth annually and additional employment generation of 20 lakh by 2010 was fixed in the SIP. In conformity with the aforesaid objectives, it was required that the targets in quantitative and financial terms were set and monitored through a Long Term Plan (LTP) document with provisions for modifications to deal with the dynamic nature of the situations emerging in industrial sector. Audit, however, observed that the Corporation had not prepared LTP to implement its objectives.

The Management in the exit conference (November 2013) stated that Ernst & Young was appointed as consultants to assist in developing a vision plan for revenue enhancement and building land bank for the Corporation. The consultants submitted (May 2013) their Report suggesting the vision plan for ten years from 2013-14.

Operational performance

Industrial development

3.1.8 The GoM acquired 64,062 Ha of land up to March 2013 and handed over to the Corporation for development of Industrial Areas/Estates. The Compensation of land was assessed on the basis of valuation/negotiation and deposited the same by the Corporation with respective Special Land Acquisition Officers (SLAOs)/Sub-Divisional Officers (SDOs) for onward payment to land owners. The region wise details of land acquired, available for allotment, land allotted, investment made by entrepreneurs and employment generated during the five years ended March 2013 and

Audit Report No.2 of PSUs for the year ended 31 March 2013

cumulative achievement since inception till March 2013 were as under:

(Area in Ha)

Sl. No.	Particulars	Region					Total
		Western Maharashtra	Konkan	Vidarbha	Marathwada	Khandesh	
1.	Area acquired - During 2008-13	6,665	56	2,331	788	--	9,346 ⁵⁷
	Cumulative up to March 2013	18,261	12,634	17,019	8,514	7,634	64,062
2.	Total area available for allotment - During 2008-13	1,662	489	5,331	1,032	1,003	9,517
	Cumulative up to March 2013	7,895	8,662	9,963	5,375	4,088	35,983
3.	Area allotted - During 2008-13	988	656	3,933	862	745	7,184
	Cumulative up to March 2013	6,805	8,095	8,036	4,771	3,528	31,235
4.	Balance area available for allotment as on 31 March 2013	1,090	567	1,927	604	560	4,748
5.	Investment by industrial units - During 2008-13 (₹ in crore)	1,22,543	11,019	3,663	2,620	14,101	1,53,946
	Cumulative up to March 2013	1,34,632	24,210	11,975	3,877	16,277	1,90,971
6.	Employment generated - During 2008-13 (In number)	1,05,667	--	8,207	13,610	21,777	1,49,261
	Cumulative up to March 2013	3,74,199	3,36,923	92,339	64,243	70,933	9,38,637
7.	Number of Industrial areas/estates						
	- Developed parts	22	13	0	0	0	35
	- Developing parts	46	26	94	51	30	247
	-Total	68	39	94	51	30	282

(Source: Economic Survey of the State and information furnished by Corporation)

As per DCR approved by the State Government, the Corporation is required to reserve an area of 10 *per cent* as open space and five *per cent* for amenities. Besides, land required for infrastructure such as road, drainages, HT corridors, Hill area, water bodies *etc.* is also excluded from allottable area. Thus, the area available for allotment worked out to 64⁵⁸ *per cent* of the total area.

Analysis of cumulative position revealed the following:

- The investment by entrepreneurs in Western Maharashtra Region (WMR) was 70 *per cent* of total investment of ₹ 1,90,971 crore in the State up to 2012-13 followed by 13 *per cent* in Konkan Region (KR). The lowest

⁵⁷ 494 Ha de-notified.

⁵⁸ Total cumulative area available for allotment 35,983 Ha plus 5,060 Ha to be carved out divided by total area 64,062 Ha x 100.

Chapter-III-Performance review relating to Statutory corporation

investment was in Marathwada Region (MR) at two *per cent* followed by six and nine *per cent* in Vidharbha and Khandesh Regions (V&KR) respectively. Thus, the industrial development in the State was not balanced.

- The industrial development was not balanced even within the region. Out of total investment in WMR up to March 2013, investment of ₹ 1,12,676 crore (84 *per cent*) was in Pune District alone. Similarly, the investment in Thane District was 67 *per cent* of total investment of ₹ 24,210 crore in KR.

Further, analysis of industrial development during the five years ended March 2013 revealed the following:

- Out of total land acquisition of 9,346 Ha in the State, the maximum acquisition (71 *per cent*) was in the WMR and there was no acquisition in KR.
- The WMR had the highest investment of ₹ 1,22,543 crore (80 *per cent*) whereas the investment in MR was only ₹ 2,620 crore (two *per cent*) of the total investment.
- KR had not generated any additional employment during the period under review. Instead, there was reduction in employment from 3,68,270 persons at the end of March 2008 to 3,36,923 persons at the end of March 2013. The Corporation had neither maintained the data of industries closed and analysed the reasons for their closure nor had they taken corrective measures to minimise the imbalance in development.

The Principal Secretary/CEO explained during Exit Conference that the Corporation developed industrial estates and provided facilities for industrial development in all parts of the State. The State Government also provided different incentives based on classification of Talukas in A, B, C and D category and Naxalite prone and low Human Development Index (HDI) districts. It was also stated that investment decisions were taken independently by entrepreneurs based on various considerations and the Corporation had no role in their decision.

Acquisition of land

3.1.9 The GoM acquires land and entrusts the same to the Corporation for development of industrial area and subsequent allotment of plots to entrepreneurs. The details of area planned for acquisition after issue of

Audit Report No.2 of PSUs for the year ended 31 March 2013

notification, area actually acquired during five years up to 2012-13 and the area yet to be acquired as of March 2013 were as follows:

(In hectares)

Year	Area planned but acquisition pending at the beginning of the year	Additional area planned for acquisition during the year	Total area to be acquired	Area acquired during the year	Remaining area to be acquired at the end of year
2008-09	30,127	1,175	31,302	992	30,310
2009-10	30,310	5,711	36,021	--	36,021
2010-11	36,021	6,638	42,659	939	41,720
2011-12	41,720	5,258	46,978	3,141	43,837
2012-13	43,837	12,865	56,702	4,274	52,428
Total		31,647		9,346	

The land for industrial purpose is acquired by the State Government by issuing notification. Thereafter the area is measured and compensation for the same is finalised by the State Government. The Corporation has to deposit the amount of compensation for the area to be acquired with the respective SLAOs/SDOs. As seen from the above table, the area remained to be acquired increased from 30,310 Ha at the end of 2008-09 to 52,428 Ha at the end of 2012-13 out of which 20,589 Ha was pending acquisition for more than five years. The Corporation had however, not evolved a system to reconcile the amount paid with the amount due to be paid for the area actually handed over to the Corporation and to recover excess amount from the respective SLAOs/SDOs as seen from the following instances:

- Scrutiny of records at Pune and Nagpur ROs revealed that the Corporation paid (1984 to 1999) compensation of ₹ 1,051.47 crore for acquisition of land admeasuring 11,020.68 Ha at 22 locations. Out of the total area, the possession of land admeasuring 569.25 Ha had not been taken over so far (December 2013). After payment of compensation of ₹ 990.09 crore to the land owners, the remaining amount of ₹ 61.38 crore was lying with SLAOs/SDOs till date (December 2013).
- The Corporation paid ₹ 62.01 crore to SLAO, Nasik during 2002 to 2007 for acquisition of land admeasuring 1,505.70 Ha at Gulvanch and Musalgaon villages in Nasik district out of which, 139.86 Ha was de-notified in July 2009. The proportionate payment of ₹ 5.76 crore made for the de-notified area was not claimed by the Corporation from SLAO Nasik till date (December 2013). Similarly, the Corporation paid ₹ 1.24 crore in 1994 for acquisition of land admeasuring 154.90 Ha in Gadhinglaj, Kolhapur. Subsequently, 22.57 Ha was de-notified during 1994 to 2000. The proportionate amount of ₹ 18.06 lakh for de-notified area was not claimed from the SDO, Gadhinglaj, Kolhapur (December 2013).

Chapter-III-Performance review relating to Statutory corporation

- GoM notified (1988/2005) an area of 832.87 Ha in two industrial areas (Baramati and Ranjangaon Phase-II) and the Corporation received (Baramati September 1989/Ranjangaon Phase-II December 2006) the possession of 815.85 Ha. The Corporation had not taken over possession of the balance area of 17.02 Ha nor the refund of ₹ 0.98 crore⁵⁹ from the respective SLAOs so far (December 2013).

The Management stated (November 2013) that there was increased resistance from farmers since 2008-09 against the acquisition process. The Corporation therefore, had taken a policy decision to delete area of cash crops, irrigated land and the land under building and habitations. The Management further stated that detailed reconciliation programme with SLAOs would be undertaken.

Development of infrastructure

3.1.10 The Corporation executes various infrastructure works such as roads, water supply, effluent treatment plants *etc.* The Corporation executed total 76 high value contracts of ₹ 442.20 crore (valuing more than ₹ one crore each) for infrastructural works during 2008-13 in nine DOs selected for detailed audit. Of these, 37 contracts valuing ₹ 168.29 crore were reviewed. The following discrepancies were noticed:

Delay in finalisation of tenders

3.1.11 The works were executed through contractors selected by inviting tenders. The tenders were to be finalised within the validity period of 180 days. However, we noticed that there was delay ranging from one to 23 months in finalisation of 11 tenders during November 2008 to March 2012 for various works estimated at ₹ 97 crore. The delay was attributed to pendency at different levels of management. As the terms of contracts provided payment of escalation, the delay led to cost and time overruns.

⁵⁹ Baramati-9.17 Ha = ₹ 0.04 crore and Ranjangaon Phase-II-7.85 Ha = ₹ 0.94 crore.

Audit Report No.2 of PSUs for the year ended 31 March 2013

In another three cases, the Corporation invited tenders in April 2007, February 2008 and March 2010 for infrastructural works in Industrial area as detailed below:

(₹ in crore)

Name of Division	Name of the work	Original tender date	Re-tender date	Lowest offer in original tender	Lowest offer received in re-tender and accepted	Difference
E&M Division, Pune	Providing, erecting and commissioning of 22 KV Express Feeder from 220/22 KV sub-station up to Jackwell at Shindodi	February 2008	October 2008	3.29	3.45	0.16
Civil Division, Kolhapur	Construction of Jackwell and allied works	March 2010	January 2011	7.02	7.44	0.42
	Providing of infrastructural facilities in new layouts, Phase -II	April 2007	January 2009	11.87	13.73	1.86
Total				22.18	24.62	2.44

The Corporation did not finalise the tenders within the validity period of 180 days and the contractors also did not extend the validity period. As a result, the tenders were re-invited (October 2008/January 2011) and the lowest cost of ₹ 24.62 crore quoted for three works were comparatively higher than the cost of ₹ 22.18 crore quoted against earlier tenders which not only resulted in avoidable extra expenditure of ₹ 2.44 crore but also delay in providing infrastructural facilities to industries.

Cancellation of tenders

3.1.12 The Corporation invited (November 2011) two tenders one for replacement of existing 450 mm diameter drainage disposal system with 500 mm diameter High Density Poly Ethylene (HDPE) pipeline at Ambarnath and another for providing, laying and joining 710 mm diameter HDPE main from Common Effluent Treatment Plant (CETP) phase-I, Dombivali industrial area to Thakurli Railway bridge. The Corporation received the lowest offer of ₹ 6.01 crore at 4.32 per cent below the estimated cost of ₹ 6.29 crore for work at Ambarnath and ₹ 6.11 crore at 8.10 per cent above the estimated cost of ₹ 5.65 crore for work at Dombivali. Both the tenders were cancelled in

Chapter-III-Performance review relating to Statutory corporation

August 2012 based on the allegation by one of the tenderers that the envelopes containing the financial bids were tampered and demanded forensic investigation although this tenderer was present at this financial bid opening and had not raised any objection at this stage. Though this allegation was rejected by the competent authority, the Corporation re-invited the tenders in August and December 2012 for both the works and the rates received were 20.80 and 33.30 *per cent* above the estimated costs. These two works at Ambernath and Dombivali were awarded (December 2012 /July 2013) to VUB Engineering Private Limited, Mumbai for ₹ 7.60 crore and SMC Infrastructure Private Limited, Thane for ₹ 7.53 crore respectively. Re-tendering of two works thus resulted in excess expenditure of ₹ 3 crore.⁶⁰

The Management stated (November 2013) that if such after thought complaints are entertained then everybody might start levelling similar allegations and set bad precedence. Despite this the Corporation cancelled the original tenders and the re-tendering process led to increase in cost of these two works by ₹ 3 crore.

In another tender for replacement of water supply lines from Navada to Taloja ESR under Dombivali division, the lowest offer of ₹ 5.72 crore received in January 2008 was rejected (May 2008) stating that the offer was on the higher side *i.e.* 42 *per cent* above the estimated cost based on DSR for 2006-07. On re-tendering (January 2009), the lowest offer of ₹ 6.73 crore was finalised at 67 *per cent* above the estimated cost based on DSR 2006-07. The Corporation however, accepted the offer stating that the same was comparable with the DSR for 2008-09. This action was not correct as the subsequent tender was higher by ₹ 1.01 crore when compared to the same base DSR of 2006-07. Thus, due to cancellation of tender, the Corporation had not only incurred extra expenditure but delayed in awarding the work by 12 months. The Corporation should prescribe criteria for cancellation of tenders to ensure transparency.

Irregular payment

3.1.13 The work order for construction of KT Weir at Nevali on Bav river in Ratnagiri was issued in October 2008 to S.N. Thakkar Construction Private Limited (SNTCPL), Mumbai for ₹ 10.49 crore which was 24.67 *per cent* above the estimated cost. The tender provided for use of cement-concrete of M-15 grade at ₹ 4,100/M³ based on DSR 2007-08. The work order was issued (October 2008) for execution of item with M-15 grade concrete. Subsequently, as suggested (November 2008) by Central Design Organisation (CDO), Nasik the CE proposed the change (March 2009) in grade of concrete from M-15 to M-20. The corresponding rate for M-20 grade was ₹ 4,600 M³ as per DSR 2007-08. As such, the rate for M-20 grade concrete should have been regulated at ₹ 5,735/M³ (4,600 *plus* 24.67 *per cent* above the estimated cost) against ₹ 6,727.50/M³ paid by the Corporation. Thus, there was irregular

⁶⁰Difference of two contracts-₹ 3 crore (re-tendered cost - ₹ 15.12 crore (-) cancelled tender cost ₹ 12.12 crore.

Audit Report No.2 of PSUs for the year ended 31 March 2013

payment of ₹ 68.34 lakh (₹ 6,727.50 less ₹ 5,735/M³ x quantity executed 6,885.378/M³) to the contractor.

The Management stated during exit conference that the change was made as per suggestion of CDO. The reply is not correct as the Corporation should have taken the estimated cost of M-20 grade as per DSR for 2007-08 and added the quoted percentage over and above the estimated cost of the work.

Encroachment of land

3.1.14 The land in possession of the Corporation needs to be protected at different stages of development and allotment. In spite of the vast land resource under the control of the Corporation, it does not have a comprehensive protection mechanism in place to demarcate existing boundaries, identify unauthorised occupancy and remove encroachments speedily particularly in Urban areas. As of March 2013, 201.69 Ha of land in the industrial areas valuing ₹ 1,657.64 crore was encroached upon.

In one case, it was noticed that the Corporation invited tender in March 2006 for leasing of two plots (6/1 and 6/2) admeasuring 4,864 square metre each at Thane Trans Creek (TTC) Industrial area, Mahape. However, the plots could not be allotted as it was un-authorisedly occupied by Govardhan Construction Company since 1999. The total area occupied illegally by this company was 9,728 square metre. Therefore, alternate plots were allotted to the bidders. Further, the Corporation has not taken effective steps to evict the encroacher and dispose of the land valuing ₹ 56.33 crore⁶¹ based on market rates for land in the area.

The Management stated during exit conference that final decision in this regard is yet to be taken.

Irregular reimbursement of royalty charges

3.1.15 Two contracts, one for development of fire station complex with all facilities with resurfacing and another for providing asphaltic treatment to roads in Additional Murbad industrial area (estimated cost ₹ 2.45 crore and ₹ 1.85 crore) were awarded to R.B. Sukhramani, Thane and Sourabh Construction, Murbad (August 2009) respectively. As per tender conditions, the Contractor was to produce royalty challan in original issued by the competent authority indicating the quarry from which the rubble/metal/murum was brought. The verification of records by audit at Tahasildar and Sub-Treasury Officer (STO), Murbad revealed that the payment against royalty challans of ₹ 9.20 lakh submitted (July and November 2011) by the Contractors (R. B. Sukhranmani ₹ 2.01 lakh and Sourabh Construction ₹ 7.19 lakh) was not reflected in the records of STO, Murbad. The Corporation however, reimbursed the royalty charges on the basis of photocopies of challans submitted by Contractors. Though, the fact was

⁶¹Plot 6/1 and 6/2-₹ 36,000 per square metre x 4,864 square metre plus plot No.6 - ₹ 79,800 per square metre x 4,864 square metre = ₹ 56.33 crore.

Chapter-III-Performance review relating to Statutory corporation

brought to the notice of the Corporation by audit (January 2012), matter was not taken up with respective revenue authorities for further investigation so far (November 2013).

The Management stated (November 2013) that the payment, if not received in the Treasury, would be adjusted from the security deposit available with the Corporation. The Corporation has also taken policy decision to recover charges at source and remit the same to Treasury. The Corporation has, however, not taken up the matter with the Revenue authorities (November 2013).

Allotment of land

3.1.16 The lay out of land is prepared by allocating area for industrial and supporting activities including amenities as prescribed in the DCR, as amended from time to time. The maximum area to be allotted for industrial activity was 80 *per cent* and the balance 20 *per cent* for supporting activities, viz., commercial, amenity, open space *etc.*

3.1.17 The position of industrial plots carved out and allotted during five years ending March 2013 was as follows:

Cumulative position up to	Plots carved out		Plots allotted		Balance plots	
	No. of plots	Area (in Ha)	No. of plots	Area (in Ha)	No. of plots	Area (in Ha)
2008-09	58,921	28,276	51,935	25,811	6,986	2,465
2009-10	59,291	29,951	52,468	26,442	6,823	3,509
2010-11	61,959	30,512	54,543	28,022	7,416	2,490
2011-12	66,854	31,872	58,637	28,649	8,217	3,223
2012-13	69,603	35,983	58,660	31,235	7,943	4,748

As per the policy of the Corporation, the land was allotted on first come first serve basis at fixed rate as decided by the Corporation from time to time, except in developed areas where the balance land was to be allotted through tender. Allotments of land for expansion projects in developed/developing parts were however made at fixed rate. The Land Allotment Committees (LAC) were constituted⁶² at HO level and RO level. The LAC at HO level was empowered to consider application for allotment of land for more than 30,000 square metre and LAC at RO level for area up to 30,000 square metre. The LAC considers the applications based on the viability of project, capability of promoters, nature of the industry and availability of land. Once the LAC approves the request with or without modification, the offer letters are issued latest by next day of the meeting to the prospective buyers for submission of application in the format prescribed by the Corporation along with 50 *per cent*

⁶²LAC at HO headed by Joint CEO with other 13 officials of the Corporation. LAC at RO headed by Deputy CEO/Regional Officer with four officials of the Corporation and two from other departments.

of land premium as Earnest Money Deposit (EMD) within 15 days and the balance 50 *per cent* within 30 days of allotment. In this connection audit observed the following:

Delay in issue of offer letters

3.1.18 As per the prescribed procedure offer letters were to be issued latest by next day of the LAC meeting. However, we observed that the offer letters were not issued within the time prescribed by the Corporation. This resulted in delay in realisation of revenue besides delay in industrial development. Instances noticed by audit were as detailed below:

- Vacant land was available at Indapur Industrial Area (RO Pune) since 1998. LAC approved (January/March/April and June 2013) allotment of land admeasuring 79,100 square metre to 63 applicants who submitted their applications during May 2007 to March 2013. Even after approval of allotment of land by LAC, the offer letters were not yet issued (November 2013).
- In RO Kolhapur, LAC approved (June 2012) allotment of land admeasuring 96,600 square metre to 41 applicants who submitted their applications during March 2006 to November 2011 for allotment of land at Halkarni and Kagal Industrial Area. However, the offer letters were issued in March 2013. Further, offer letters in respect of allotment of 61,579 square metre of land at Gadhinglaj Industrial Area approved by the LAC in June 2012 to 26 applicants were yet to be issued (November 2013).

Thus, delay in allotment of land in above 130 cases caused late realisation of land premium of ₹ 4.43 crore and consequent loss of interest of ₹ 22.34 lakh worked out at conservative rate of eight *per cent* besides delay in industrial development.

The Management during exit conference stated that matter would be examined.

Allotment of land at pre-revised rate

3.1.19 As per the procedure circulated to field offices from time to time, the premium rate prevailing on the date of offer letter was applicable. The procedure also stated that if the condition is incorporated in the offer letter stating that if there is a revision in the rate after issue of offer letter but before allotment, the revised rate was to be charged.

We observed that the revision in lease premium was not communicated to field offices immediately. There were also allotments at the old rates even after communication of revised rates to the field offices. Audit noticed that there were allotments of land at old rates in three ROs (Mahape, Pune and Nasik) as explained below:

- The Board approved revision of rates on 30 November 2011 which was communicated to field offices on 6 January 2012. Meanwhile, allotments of

Chapter-III-Performance review relating to Statutory corporation

plots were made at old rates. On test check of records at Mahape and Nasik Industrial Area it was noticed that 34 plots were allotted (November 2011-January 2012) at old rate after approval of revision by Board but belatedly communicated to field offices. Thus, delay in communication of revised rates resulted in short recovery of lease premium amounting to ₹ 6.27 crore in 34 cases (**Annexure-12**).

The Management stated (November 2013) that the delay in communication of revised rate was due to time taken for confirmation of the decision in the next meeting. The reply was not convincing since such decisions involving financial implications should be communicated immediately. Further, in the instant case the revision of rates was communicated to field offices prior to confirmation of the decision in the next Board meeting. The reply of the management is therefore incorrect.

- The offer letters were issued (5 to 7 August 2008 and 26 to 28 December 2011) to 13 allottees (**Annexure-13**) with the condition that if the rates are revised before allotment of land, the same will be made applicable. The revision of rates on two occasions was approved by Board on 9 July 2008 and 30 November 2011 and communicated to field offices on 8 August 2008 and 6 January 2012 respectively. Though, allotments of land in above 13 cases were made after revision of rates, the Corporation recovered lease premium at pre-revised rates. The action of RO Pune (five cases) and RO Mahape (eight cases) resulted in under recovery of lease premium of ₹ 10.39 crore from the 13 allotments.

The Management stated (November 2013) that the offer letters were issued before revision of rates and thus revised rates were not applicable. The reply was not acceptable as laid down procedure prescribed the recovery at revised rate where allotments were made after revision of rates. The Corporation has to recover the differential amount of ₹ 16.66 crore.

3.1.20 The Corporation allotted (October 2010/December 2011) two plots in Pimpri Chinchwad Industrial area to Wonder Cars Private Limited, Pune and Silver Jubilee Motors Limited, Pune for the purpose of automobile repair and servicing. The plots were, however, allotted at industrial rate though the activity was of commercial nature. This resulted in short recovery of land premium of ₹ 13.02 crore⁶³.

The Management stated (November 2013) that the recovery of differential premium would be made from the allottees.

Allotment of additional land

3.1.21 On test check of six ROs selected for detailed Audit, it was noticed that allotment of land by Regional Officers (Nasik and Mahape) was in excess of

⁶³Difference of Commercial rate and Industrial rate x area allotted (i) ₹ 7,700 x 10,000 square metre = ₹ 7.70 crore and (ii) ₹ 10,640 x 5,000 square metre = ₹ 5.32 crore.

area approved by the LAC in three cases⁶⁴ out of 17 cases tests checked. As against the demanded area of 23,400 square metre by three intending lessees, the area of 17,624 square metre was approved (March 2007-June 2011) by LAC but the ROs allotted 23,357 square metre. The reasons assigned by ROs for excess allotment of 5,733 square metre were not on record. The excess allotment was thus in violation of the decision taken by the LAC.

The Management stated (November 2013) that additional allotment to V.K.M. Foods Private Limited was approved by the Chairman and in another two cases the additional allotment was within the power of Regional Officer. No such delegation of powers were accorded under the Act/rules and therefore the excess allotments were a violation.

Transfer of plots

3.1.22 The Corporation allowed transfer of plots on recovery of differential premium/standard transfer charges. Land transfers were classified as formal (transfer in case of death, transfer from promoter to Company/Co-operative society, mere change in name *etc.*) and non formal (all other cases). Transfers between blood relatives, spouse *etc.* and change in management without transfer of interest were also in the nature of formal transfer. In formal cases only standard transfer fee was recoverable whereas in non formal transfers, additional premium at 10 *per cent* was recoverable.

As per procedure, the transfer of plots is treated as formal if the original allottee holds minimum 20 *per cent* share in the transferee Company. We observed that the Corporation considered (May 2010) the transfer of plot (8,000 square metre) by Anil Patel (Plot No.E5/1) Pune (Chakan Industrial Area, Phase-III) as formal though the original allottee held only five *per cent* share in the new company which resulted in under recovery of ₹ 35.88 lakh.

The Management stated during exit conference that the share retained by the transferor was less than 20 *per cent* and therefore transfer charges would be recovered.

Subletting

3.1.23 Subletting of the plots was allowed subject to payment of charges calculated at five *per cent* of land premium till 2009 and three *per cent* thereafter. The unauthorised subletting attracts penal provisions including recovery of subletting charges at five times of the normal rate.

We observed that the Corporation had not evolved a system to carry out periodical inspections to identify unauthorised use of plots including subletting. The Corporation also did not maintain proper records to monitor the subletting permissions granted and due dates for their renewal. The plot holders entered into agreements with third parties for subletting the property for period not in conformity with the period granted by the Corporation. All

⁶⁴Madhavi Dangat and Ashok Ganpat in Nasik and V.K.M. Foods Private Limited in Mahape, Navi Mumbai.

Chapter-III-Performance review relating to Statutory corporation

these factors resulted in non recovery of subletting charges as seen from the following instances.

- Scrutiny of 18 subletting cases in TTC Industrial area, Mahape revealed that three⁶⁵ lessees had sublet their plots (area 7,271 square metre) for a period ranging from 44 to 60 months from March 2007 to December 2012 as against 12 to 36 months permitted by the Corporation. Though, the subletting period had already expired, the Corporation had not recovered subletting charges of ₹ 0.48 crore for the extended period till date (November 2013).

The Management while accepting the fact stated (November 2013) that the subletting charges would be recovered.

- In two⁶⁶ cases (TTC Industrial Area-RO, Mahape) the Corporation allowed (July 2011 to August 2012) subletting during July 2008 to December 2016 by recovering subletting charges of ₹ 1.65 crore for industrial use though the plots were sublet by lessees for storing and packing of chemical products for distribution (Karmayogi & Swastik). Since Warehousing activity was of commercial nature, subletting charges of ₹ 4.12 crore were recoverable. The action of the Corporation to consider the commercial activity as industrial resulted in short recovery of ₹ 2.47 crore from those two lessees.

The Management stated (November 2013) that the activity for which subletting allowed was of industrial nature. The reply is in contradiction as the subletting agreements clearly indicated that the purpose was for warehousing use and not for industrial use.

- Reliance Corporate Information Technology Park Limited, Navi Mumbai (RCITPL) approached (December 2008) the Corporation for subletting of 1,11,490 square metre area to 10 companies in TTC Industrial area, Mahape, New Mumbai. The Corporation (December 2010) granted permission subject to payment of subletting charges of ₹ 7.69 crore. However, RCITPL did not pay the charges and approached CEO for exemption. The CEO sought the opinion of Little & Co., Solicitors and Lawyers who opined that the Corporation was entitled to collect subletting charges. The Board however, waived (April 2011) subletting charges exclusively for RCITPL on the ground that the Corporation should implement encouraging and worthy policies in order to retain the projects in the State and directed that a new policy considering these aspects be framed. However, the revised policy was yet to be framed (November 2013). Till such time the amount of ₹ 7.69 crore stands recoverable as per extant instructions.

⁶⁵Mahajan Hospital-₹ 0.28 crore, Indo Corporation Private Limited-₹ 0.18 crore and Shri Kamal G. Vora-₹ 0.02 crore.

⁶⁶Karmayogi Dyeing Private Limited-₹ 2.14 crore and Swastik Processor-₹ 0.33 crore.

Audit Report No.2 of PSUs for the year ended 31 March 2013

- The plot holders had also sublet the plots for erection of mobile towers on the premises. In fact the lessees should have taken permission of the Corporation and paid subletting charges. On physical verification of four⁶⁷ locations by Audit, it was noticed that seven towers were erected in full visibility and the fact that the Corporation was oblivious to the same indicated the non-existence of surveillance in the Corporation.

The Management accepted (November 2013) the fact and stated that the supervisors will visit the site for verification and recovery.

Non-recovery of additional premium

3.1.24 The plot holders were required to carry out construction activities within the prescribed period ranging from two to five years as per the terms and conditions of the agreement. The time limit could be extended on payment of additional premium at the rate of five *per cent* per annum except for Talegoan Floriculture Park (TFP), Pune for which the additional premium was fixed at 10 *per cent*. The terms and conditions of agreement further provided resumption of plots on which constructions were not carried out within the time/extended time limit. Besides, Section 42A of the Act empowers the Corporation to repossess the unutilised land in industrial areas and allot it to other industries. In this connection, we observed the following:

- There was no system to monitor the development of plots by the allottees within the specified time limit and to ensure that additional premium was recovered immediately after expiry of period allowed for construction. The lessees also did not approach the Corporation for extension of time. The extensions were granted as and when the lessees approached the Corporation for the same. There was no penal provision for not obtaining the extension in time. This resulted in belated recovery of additional premium. Penal provisions may be incorporated for not approaching the Corporation for extension immediately after expiry of period prescribed in the agreement.
- Scrutiny of records of RO, Pune indicated that the Corporation allotted 109 plots admeasuring 162.50 Ha during 2003-12 at TFP, Pune. As of March 2013, 95 plots admeasuring 151.73 Ha were due for Building Completion Certificate (BCC) out of which only 31 lessees (51.75 Ha) had obtained BCC and the remaining 64 lessees (99.98 Ha) were yet to produce the BCC (July 2013). The delay in construction/development ranged from two to seven years. However, no action was taken by the Corporation either to recover the additional premium at the rate of 10 *per cent* per annum from the lessees which worked out to ₹ 2.53 crore (May 2013) or to resume possession of the land.

The Management stated (November 2013) that the action had been taken in respect of 36 cases and action for recovery/resumption of plots in respect of remaining 28 cases would be taken as per policy of the Corporation.

⁶⁷ Dombivali, Mahape, Nanded and Pune.

Chapter-III-Performance review relating to Statutory corporation

Similarly, the Corporation allotted 155 plots (450.24 Ha) at three⁶⁸ IT parks in Pune, out of which 95 plots (347 Ha) were due for BCC but only 50 lessees (222.52 Ha) have obtained BCC. The delay in obtaining BCC ranged from one to eight years. No action was taken by the Corporation either to recover the additional lease premium of ₹ 36.06 crore (May 2013) or resume possession of the plots so far (November 2013).

The Management stated (November 2013) that the recovery of ₹ 23.63 crore was made from 16 plot holders. The recovery of ₹ 12.43 crore from the remaining 29 allottees was awaited (November 2013).

- The Corporation (May 2006) allotted 96,923 square metre of land to Tech Mahindra Limited at Rajiv Gandhi InfoTech Park (RGITP), Phase-III, Pune with a stipulation to develop the plot within three years from the date of allotment. The allottee did not obtain the BCC by due date *i.e.* June 2009. The Corporation had issued BCC on 28 January 2010 without collecting additional premium for the extended period which worked out to ₹ 1.11 crore.⁶⁹ The reasons for issuing BCC without recovery of additional premium were also not on record.

The Management stated (November 2013) that notice for recovery was issued to the lessee.

Allotment of land for residential use

3.1.25 The Corporation entered (May 2006) into a Memorandum of Understanding (MoU) with RECO Marathe Private Limited (subsidiary of Government of Singapore Investment Corporation Realty Private Limited) a strategic partner for development of integrated township on 56 Ha of land at Hinjewadi, Pune. As per terms of MoU, Special Purpose Vehicle (SPV-Pegasus Properties Private Limited) was formed with share holding by RECO (50 *per cent*), Vimal Kumar Jain and Avinash Bhosale (39 *per cent*) and MIDC (11 *per cent*). The Corporation allotted (February 2007) 56 Ha of land to SPV at fixed rate of ₹ 3,000 per square metre *plus* development charges at 10 *per cent*. The total Lease Premium (LP) of ₹ 184.80 crore was paid by the SPV. The Corporation executed Lease Deed (LD) with SPV on 30 August 2007. In this connection audit observed that:

- The condition (p)&(q) of the allotment order of 22 February 2007 stipulated that the residential land/units should be allotted/transferred only to persons working in IT/Bio Tech Parks in Corporation's industrial areas. However, the clause no.2(r) of the LD drawn up in August 2007 between Corporation and SPV permitted the lessee to transfer the constructed/developed units in the residential-cum-commercial township by way of lease in favour of such customers/clients who are industrial units/

⁶⁸Rajiv Gandhi Infotech Park, Hinjewadi Phase-I-53 plots, Phase-II-43 plots, Phase-III-59 plots.

⁶⁹ ₹ 2,000 per square metre x 96,923 square metre *plus* 15 *per cent* Road width charges x five *per cent*.

employees working in the industrial area of Corporation. The Government in 2009 issued Resolution modifying the Development Control Rules (DCR) and increased the Floor Space Index (FSI)⁷⁰ from one to two. The conditions regarding allotment of residential units were also modified as “as far as possible priority shall be given to officers/workers working in MIDC in Maharashtra at the time of sale of the flat”. This amendment was incorporated in the LD by way of Deed of Rectification (30 August 2013). When the new condition was included in the LD, the sale of residential units were thrown open to the public. As a result, SPV was unduly benefitted by sale of residential units in the open market and the objective of providing accommodation to employees working in industrial areas of MIDC was defeated as they have to compete in the open market for acquiring accommodation. We also observed that out of 1,184 flats constructed, the SPV had already sold 757 flats in open market between 2010 and 2012 before the revision in the clause 2(r) was incorporated in the LD by way of Deed of Rectification (30 August 2013). This was highly irregular and in violation of conditions of original LD.

- As per the terms of MoU, SPV was liable to pay differential premium for use of area for commercial use. However, this condition was not incorporated in the LD. As per DCR, the lessee was allowed to use five *per cent* of total area for commercial purpose. Thus, the commercial area in the instant case worked out to 28,000 square metre. Based on LP rate of ₹ 12,000 per square metre effective from 1 June 2007 the differential premium for commercial use worked out to ₹ 27.72⁷¹ crore. The Corporation had approved (up to January 2013) plan for total built up area admeasuring 4.89 lakh square metre by availing FSI of 0.97. However, the Corporation has not recovered any differential premium from SPV till date (November 2013).

The Management stated (November 2013) that area for commercial use was not applied for and approved by it. The reply was not correct since it was for the Corporation to decide the percentage of land to be used for commercial purpose. It was also noticed that Corporation had approved building plan containing area for commercial use.

Other individual cases noticed in the allotment of land

3.1.26 Instances noticed by audit are discussed below:

- The Corporation allotted 208.06 Ha of land in Industrial area at Ratnagiri to Sterlite Industries Limited (SIL) in August 1992. The SIL could not carry out the construction in view of the instructions (July 1993) of the District Collector, Ratnagiri to stop the construction activity in view of the public agitation. The plot was lying unutilised since then and Corporation had not taken any action to get the stay vacated and put the land to industrial use so

⁷⁰ FSI is the *ratio* of the total built up area to total area of the plot.

⁷¹ (₹ 12,000 *plus* 10 *per cent* = ₹ 13,200 - ₹ 3,300) = ₹ 9,900 per square metre x 28,000 square metre = ₹ 27.72 crore.

Chapter-III-Performance review relating to Statutory corporation

far (July 2013). The value of the idle land at the prevailing rate works out to ₹ 59.30 crore.⁷²

The Management stated (November 2013) that the notice was issued (August 2013) for surrender of plot. It was further stated that the lessee has filed (September 2013) the case in the court. However the fact remained that the action was initiated after a period of 20 years on being pointed out in audit.

- The plot admeasuring 5,706 square metre at Kamothe in Navi Mumbai was allotted (June 2006) through auction to SAI Associates, Mumbai (SAI) for residential-cum-commercial use at a lease premium of ₹ 2.12 crore quoted by him. The plot allotted is under jurisdiction of City and Industrial Development Corporation of Maharashtra Limited (CIDCO) being Town Planning Authority for the area. The Corporation entered (January 2008) into tripartite agreement with CIDCO and SAI for development of the plot. It was observed that at the time of tripartite agreement, joint measurement of plot was carried out and total area measured was 6,748 square metre which is in the possession of SAI as per records of the Corporation. The lessee requested (November 2009) to allot the excess area as there was no separate access to this area (1,042 square metre). The value of excess land possessed by the lessee worked out to ₹ 38.76 lakh based on auction rate. However, no action was taken by the Corporation in this regard so far (November 2013). The Corporation stated that action would be taken in the matter.

Irregular change in use of land

3.1.27 The Corporation allotted 34 plots during 1991 to 2008 in Ratnagiri Industrial area for industrial purpose. However, the plot holders had constructed residential bungalows on 31 plots and commercial establishment on the remaining three plots. On being pointed out by Audit, the Corporation issued (October 2012) notices to the 21 plot holders. However, no further action was taken so far (November 2013).

The Management stated during exit conference that matter will be looked into.

Utilisation of land

3.1.28 Section 42A of MID Act, 1961 contemplated that the State Government may direct the Corporation to submit to it six monthly report containing number of plots allotted in each area, number of plots in possession of the Corporation, unutilised Floor Space Index (FSI)⁷³ in each plot, period of non-utilisation *etc.* Section 42A further provided that upon receipt of the report submitted by the Corporation, if the State Government is satisfied that any plot holder had not utilised the maximum FSI available within a period of five years or more from the date of handing over possession of plot and the unutilised portion was capable of sub-division so as to make it useful for

⁷² 20,80,560 square metre x ₹ 285 per square metre = ₹ 59.30 crore.

⁷³ FSI is the *ratio* of the total buildup area to total area of the plot.

Audit Report No.2 of PSUs for the year ended 31 March 2013

accommodating any other industry, the Government may acquire the unutilised portion of the land after following due process.

We noticed that the State Government had never called for such reports from the Corporation till date (November 2013). In the absence of reports on utilisation of land, the quantum of land remaining un-utilised by the allottees could not be ascertained.

The Management stated (November 2013) that the information on total land in possession, land allotted and balance land available for allotment were being sent to the State Government. However, fact remained that vital information on utilisation of land by allottees was not called for by the GoM.

An analysis of the land utilisation by 88 lessees (measuring 10,000 square metre and above each) aggregating 672.45 Ha (admissible FSI-one) in seven⁷⁴ industrial areas revealed that the utilisation of FSI was only of 67.71 Ha and the balance FSI of 604.74 Ha was yet to be utilised (September 2013). The average utilisation of FSI by these lessees was as low as 10.07 *per cent*. However, Corporation/Government has not taken any action under section 42A of the MID Act to resume the land and allot the same to other industries.

The criteria for assessing the requirement of area need to be reviewed in order to ensure allocation of the scarce resource for optimum utilisation.

Recovery of service charges

3.1.29 The Corporation provides water supply to the units in the industrial areas. The maintenance of infrastructure like roads, street light and fire station is also carried out by the Corporation. In order to meet the cost of services provided, the Corporation recovers Water Charges (WC), Service Charges (SC), environment charges, fire protection charges and Common Effluent Treatment Plant charges. The WC for the lessees who had not obtained BCC were being billed at 1.5 times of the normal rate. There was separate tariff for domestic, industrial consumers and for consumers using water as raw material. The rates were subject to revision periodically depending on the cost incurred for the service.

3.1.30 The income and expenditure for the water supply activity of the Corporation for the five years ended March 2013 was as follows:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Income	542.29	539.19	640.92	625.39	558.74	2,906.53
Expenditure	351.20	422.14	398.96	468.73	522.21	2,163.24
Surplus	191.09	117.05	241.96	156.66	36.53	743.29

As seen from the above, the water supply activity had generated surplus of ₹ 743.29 crore during the five years ended 2012-13.

⁷⁴ Ambernath, Baramati, Bhigwan, Degloor, Gangakhed, Hingoli and TTC 'C' Block Industrial Areas.

Chapter-III-Performance review relating to Statutory corporation

3.1.31 The Corporation had been procuring water from Brihanmumbai Municipal Corporation (BMC) and supplied the same to industrial units located inside Santacruz Electronic Export Processing Zone (SEEPZ), Mumbai, an industrial area owned by Government of India. The Municipal Corporation issued bills for the bulk supply to the Corporation at prevailing rate and Corporation issued bills (2011-12) to the industrial units by adding 15 *per cent* to the rate of BMC to cover its overhead charges.

We observed that the water supply involves distribution loss which was not factored in while arriving at the rate to be charged to the consumers while undertaking the activity on behalf of SEEPZ authority. The Corporation purchased water (15,99,180 cubic metre) at the rate of ₹ 40 per/cubic metre from BMC during 2011-12. The quantity billed to industrial units at the rate of ₹ 46 per cubic metre was 13,81,556 cubic metre. Thus, the total cost of purchase of water was ₹ 6.40 crore and amount realised was ₹ 6.36 crore leaving difference of ₹ 4 lakh *per annum* besides the overhead charges incurred by the Corporation on the water supply activity. The Corporation had also not fixed any norms for loss of water during distribution and recovery thereof. There was also no system for calibration of water metres at regular intervals.

The Management stated (November 2013) that the Corporation is carrying out water supply activities on behalf of SEEPZ by recovering supervision charges at 15 *per cent* over and above the cost of water and does not consider loss of water during distribution. The reply is not correct as the Corporation should have considered the distribution loss in view of the recurring cash loss in the activity.

Recovery of service and environment charges

3.1.32 The bills for SC were not raised unless the lessee was provided water connection. Similarly, the lessees who were allotted additional land for expansion purpose may not require separate water connection. Therefore, recovering of service and environmental charges should be linked with the allotment of plots. It was observed that there was no co-ordination between ROs dealing with land and DOs dealing with SC. Consequently, the data in Water Billing System (WBS) did not match with data of Land Management System (LMS) and SC remained un-recovered. On the test check of DOs at Ambarnath and Pune, it was observed that the SC of ₹ 4.96 crore⁷⁵ in respect of 216 cases (land area of 32.81 lakh square metres) was not recovered till date (November 2013).

The Management stated (November 2013) that the efforts would be taken to recover the SC.

⁷⁵ Service charges-₹ 4.70 crore, Fire charges and Environment charges-₹ 0.26 crore.

Protection of environment

3.1.33 The Corporation decided (February 2000) to set up Common Hazardous Waste Treatment Storage and Disposal Facility (CHWTSDF) at three⁷⁶ places in the State on Build, Own, Operate and Transfer (BOOT) basis in order to maintain pollution free environment. The land was to be allotted for the project at nominal value of ₹ 1 per square metre. Projects were to be developed by private party and user fee was to be recovered from the industrial units availing the services. In this connection audit observed the following:

- The Corporation entered (13 August 2004) into an agreement with SMS Infrastructure Limited (SMS), Nagpur for setting up CHWTSDF on BOOT basis for which an area of 30 Ha each at Butibori (Nagpur) and Ranjangaon (Pune) was allotted (November-December 2005) at ₹ 1 per square metre to SMS. The terms and conditions of the agreement, *inter alia*, stipulated recovery of share of revenue was to be made on quarterly basis by the Corporation at five *per cent* of the turnover. The facility at Butibori and Ranjangaon became functional in January and April 2007 respectively. We observed that SMS had a turnover of ₹ 9.96 crore during 2007-08 to 2012-13 for project at Butibori, Nagpur and five *per cent* share of the turnover worked out to ₹ 49.80 lakh. The Corporation recovered only ₹ 32.38 lakh (up to March 2009) and remaining amount of ₹ 17.42 lakh was yet to be recovered (July 2013). Similarly, in respect of CHWTSDF at Ranjangaon (Pune), the turnover was ₹ 55.74 crore and share of revenue recoverable was ₹ 2.78 crore out of which ₹ 43.55 lakh was recovered (for the period up to September 2008) and remaining amount of ₹ 2.34 crore was not recovered. There was no mechanism in place to raise quarterly demand for Corporation's share of revenue.

It was further noticed that after finalisation of tender for the above two projects the Corporation released (November-December 2008) subsidy of ₹ 74.92 crore to SMS under the Central Subsidy-Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)-with the stipulation that the benefit of the subsidy would be passed on to the end users of the facility by way of reduction in the SC. However, the Corporation had not ensured as to whether post tender subsidy of ₹ 74.92 crore was passed on to the end users. It is also pertinent to note that Corporation is the nodal agency appointed by the State for all the ASIDE schemes in the State.

The Management during exit conference stated that corrective action would be taken.

- The Corporation allotted (December 2001) land admeasuring 3.94 Ha for establishment of CHWTSDF at Taloja, Navi Mumbai to Mumbai Waste Management Limited (MWML) at nominal lease rent of ₹ 1 per square metre. The facility was to be established, maintained and operated by MWML. The agreement provided that the MWML was liable to pay SC to

⁷⁶ Butibori, Ranjangaon and Taloja.

Chapter-III-Performance review relating to Statutory corporation

the Corporation for providing infrastructural facilities to the project. We observed that the MWML did not pay such SC and the total amount recoverable from the MWML as of March 2013 was ₹ 2.14 crore (including delayed payment charges of ₹ 51 lakh).

Fund management

Financial position and working results

3.1.34 The Annual Accounts of the Corporation are prepared in the form prescribed under Rule 26(2) of Maharashtra Industrial Development Rules 1962. The financial position of the Corporation for the five years ending 31 March 2013 was as follows:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Liabilities					
Loans-Bonds	4.30	0.00	0.00	0.00	0.00
Deposits for lease of plots	6,298.78	7,772.30	9,326.93	11,271.76	12,844.45
Deposit works	4,000.24	4,286.73	5,247.53	5,793.09	6,333.94
Sundry creditors	119.78	115.63	103.81	94.62	99.64
Reserves and Surplus					
i) Sinking fund	61.75	61.75	0.00	0.00	0.00
ii) Other surplus	37.08	37.13	37.28	37.53	37.70
Total : A	10,521.93	12,273.54	14,715.55	17,197.00	19,315.73
Assets					
Net fixed assets	370.27	444.76	462.45	479.73	517.98
Industrial areas and estates	2,523.71	2,860.26	3,260.89	3,448.33	3,723.72
Industrial buildings and sheds	1,037.79	933.32	939.99	924.43	944.64
Investments	56.18	168.66	188.35	202.14	195.37
Current assets, loans and advances	6,533.98	7,866.54	9,863.87	12,142.37	13,934.02
Total : B	10,521.93	12,273.54	14,715.55	17,197.00	19,315.73
Capital employed⁷⁷	42.88	39.26	37.21	37.41	37.62

We observed that the current assets, loans and advances included surplus funds ranging from ₹ 3,531 crore to ₹ 9,721 crore during 2008-2013 which were invested in term deposits of various scheduled/nationalised banks.

The Management stated (November 2013) that requirement of fund was being done on daily basis and surplus that remained thereafter was invested as per guidelines issued by GoM for investment of fund. It is pertinent to point out that the GoM had not issued any guidelines for utilisation of surplus funds till date (November 2013).

⁷⁷Capital Employed represents the mean of the aggregate of opening and closing balances of loans from Government, other long term loans including bonds and free reserves.

Delay in repatriation of fund

3.1.35 The field offices of the Corporation maintained non operative accounts with banks and balance in excess of ₹ 5,000 was to be remitted to HO. Scrutiny of transfer of funds by two division offices (E&M Division, Ambernath and Civil Division, Ambernath) revealed that there were inordinate delay up to 61 days in transfer of funds. The excess fund retained by field offices was up to ₹ 2.44 crore thereby resulting in loss of interest of ₹ 13.80 lakh for the year 2012-13. The Corporation should utilise the facility of core and internet banking facilities to ensure transfer of non-operative balances to its account from the field offices.

The Management stated (November 2013) that the possibility of availing internet banking facility would be explored.

Internal control and Monitoring system

3.1.36 The Corporation plays an important role in the development of industries by creating infrastructure in industrial areas and estates in the State. For such an organisation, to succeed in operating economically, efficiently and effectively, there should be reliable and well documented Management Information Systems to achieve its objectives.

We observed that:

- The Corporation had not prescribed periodical returns to be submitted by ROs regarding total number of plots allotted, number of BCCs due, number of BCCs actually taken, in each industrial area so that reasons for shortfall if any, in BCCs could be analysed at HO level and corrective measures taken.
- The Corporation implemented the computerised LMS and WBS for land, water supply and other miscellaneous activities. However, the data base in LMS and WBS is incomplete, inaccurate and not matching with each other. LMS and WBS were in operation for more than 10 years. However, the Corporation had not analysed the reasons for the deficiencies in the system to ensure data integrity, completeness and accuracy.
- The reconciliation of area in possession and payments to SLAOs was not carried out nor monitored at corporate level.

The Management stated (November 2013) that the periodical returns regarding utilisation would be called for from field offices. It was also stated that the Corporation is implementing ERP and in the integrated system both data bases would be incorporated after verification. The monitoring of land acquisition transaction would be made at corporate level.

Internal Audit

3.1.37 The Internal Audit (IA) of the Corporation was being carried out by the Accounts and Finance Branch of the Corporation at each region. The audit of land transactions was included in the scope of IA since April 2010 and IA was completed for the period up to March 2012. We observed that IA reports were issued by the Joint CAO of the respective region to units audited and not submitted to CEO for information and corrective action. Analysis of outstanding IA paras indicated that there were 2,546 paras outstanding as on March 2013, which included paras dating back to 1997.

The Management stated that paras on financial losses/serious irregularities was being brought to the notice of CEO. However, the fact remains that the number of unsettled paras was large.

Acknowledgement

3.1.38 Audit acknowledges the co-operation and assistance extended by the Management at various stages of conducting of the performance audit.

The matter was reported to the Government (September 2013); their reply had not been received (December 2013).

Conclusion

- The objective of State Policy emphasising balanced development was not achieved. The investment by entrepreneurs in Western Maharashtra Region was 70 *per cent* of total investment in the State up to 2012-13 followed by 13 *per cent* in Konkan Region. The lowest investment was in Marathwada Region at two *per cent* followed by six and nine *per cent* in Vidharbha and Khandesh Regions respectively.
- The accounts with Special Land Acquisition Officers (SLAOs) were not settled/reconciled periodically and amount lying unsettled with SLAOs was ₹ 68.30 crore.
- There were delays in communication of revised rates to field offices. Even after communication, field offices allotted land at old rate. The loss of revenue in 47 cases was ₹ 16.66 crore. There was also a short recovery of lease premium of ₹ 13.02 crore due to allotment of land for industrial use though the activity was of commercial nature.
- The terms and conditions of the agreements with lessees were not strictly observed resulting in under recovery/waiver of subletting charges of ₹ 10.64 crore, transfer charges of ₹ 0.36 crore and non-recovery of additional premium of ₹ 16.17 crore noticed in test check.
- The condition for sale of flats exclusively to persons working in IT/Bio Tech parks was waived and SPV was allowed to sell flats in the open market.

Audit Report No.2 of PSUs for the year ended 31 March 2013

- The Corporation had not ensured that the central subsidy of ₹ 74.92 crore paid to the operator of Common Hazardous Waste Storage and Disposal Facilities was passed on to the end users.
- The data base in Land Management System and Water Billing System was incomplete, inaccurate and not matching with each other.

Recommendations

- The GoM/Corporation may take effective steps to minimise the imbalance in industrial development of the regions in the State.
- The Corporation should carry out periodical reconciliation of accounts with SLAOs to ensure that the Corporation has taken over possession of land for which payment was made and claim for refunds if excess payments made.
- The Corporation may avoid delay in issue of offer letters for allotment of land and finalisation of tenders.
- The Corporation may ensure that the revised rates of land premium as approved by the Board are applied with immediate effect.
- The Corporation may improve the surveillance on utilisation of plots to ensure recovery of subletting charges, transfer fee, charges for change in use *etc.*, as per terms of agreement.
- The Corporation may assess the area used for commercial purpose by SPV and recover the differential lease premium.
- The Corporation should introduce periodical return on important developmental activities in the region so that bottlenecks, if any, could be attended to timely at Corporation/GoM level.