
SECTION B

**Public Sector Undertakings under
Ministries**

Chapter-V

Public Sector Undertakings under the Ministry of Communications

5.1 Management of Land and Estate at Bengaluru by ITI Limited

Absence of a documented comprehensive estate management policy and a dedicated administrative structure in ITI Limited to support Estate Management had adverse effects on key aspects such as maintenance and updation of land ownership records including mutation, utilisation and management of vacant land and leasing and transfer of land. This resulted in loss of revenue of ₹ 160.16 crore to the company.

5.1.1 Introduction

ITI Ltd (the Company), previously known as Indian Telephone Industries has its Corporate Office and certain manufacturing facilities⁷⁵ at Bengaluru. The Company acquired approximately 496 acres of land between 1952 to 2002 from the Government of Karnataka⁷⁶ and other private parties at various places in Bengaluru. Of this, approximately 440 acres of land was in KR Puram (lease hold land), 55.48 acres in Electronics City (free hold land) and 0.776 acres in Magrath Road (free hold land).

Of the land holding at Bengaluru, National Highways Authority of India (NHAI) acquired 4.45 acres of land at KR Puram in 1996 and 1.375 acres of land at Electronic City in 2007-08. In addition, Bangalore Metro Rail Corporation Limited acquired 1.05 acres of land at Electronic City in 2017-18. Thus, a total of 489.006 acres of land valuing ₹ 6,402.12 crore⁷⁷ (as per guidance value on 31 March 2018), was available to the Company in Bengaluru. Details of the land holdings are given in **Table 5.1.1**.

Table 5.1.1: Location wise land holdings of the Company in Bengaluru

| Location | Total Area | Own purpose | Leased / Transferred Land | | | Leased/ sold to other organizations but details not available | Under un-authorized occupation | Vacant land |
|-------------------------------|-----------------------------|---------------|---|-------------------------------|--|---|--------------------------------|-------------------------|
| | | | Transferred to other government entities but sale deed not executed | Leased with proper lease deed | Leased without a formal lease deed to other entities | | | |
| KR Puram | 435.175 | 324.17 | 35.095 | 4.459 | 2.116 | 5.0 | 2.519 | 61.816 (14%) |
| Electronic City ⁷⁸ | 53.055 | Nil | Nil | 0.918 | 24.458 | Nil | Nil | 27.679 (52%) |
| Magrath Road | 0.776 | - | Nil | 0.776 | Nil | - | Nil | - |
| Total | 489.006⁷⁹ | 324.17 | 35.095⁸⁰ | 6.153 | 26.574⁸¹ | 5.0⁸² | 2.519⁸³ | 89.495 (18%) |

⁷⁵ ITI also has manufacturing facilities at Mankapur, Rae Bareli, Naini, Palakkad, and Srinagar and a country-wide network of marketing/ service outlets.

⁷⁶ Also erstwhile Government of Mysore.

⁷⁷ KR Puram 435.175 acres (439.625-4.45) @ ₹12.99 crore per acre = ₹5,652.92 crore, Electronic City 53.055 (55.48-1.375-1.05) acres @ ₹13.35 crore per acre = ₹708.28 crore, Magrath Road 0.776 acre @ ₹52.73 crore per acre = ₹40.92 crore, Total value of land = ₹5,652.92 + ₹708.28 + ₹40.92 = ₹6,402.12 crore

⁷⁸ The plant at Electronic City was not in operation since 2004 after it was merged with Bangalore plant.
⁷⁹ 495.881 acres minus 4.45 acres and 1.375 acres acquired by NHAI minus 1.05 acres acquired by Bangalore Metropolitan Transport Corporation

⁸⁰ Defence Research and Development Organization (DRDO): 22.945 acres, Bangalore Metropolitan Transport Corporation (BMTCL): 12.15 acres.

⁸¹ C-DoT: 24.458 acres, Southern Railway: 1.83 acres and ESIC: 0.286 acres.

⁸² Karnataka Power Transmission Limited (KPTCL): 5.0 acre

⁸³ Brahuth Bangalore Mahanagara Palike (BBMP): 0.490 acres, LPG Equipment Research Centre: 0.122 acres, Employees State Insurance Corporation (ESIC): 0.057 acres, Bangalore Metropolitan Transport Corporation (BMTCL): 1.85 acres

Of 489 acres of land available with the Company, 324 acres was being used by the Company for own purpose and approximately 89 acres of land (18 *per cent*) valuing ₹ 1,172.50 crore⁸⁴ (as per guidance value on 31 March 2018) was vacant.

5.1.2 Audit Objective and Scope

In view of the significant land holdings of the Company at Bengaluru both in terms of area and value, an audit was undertaken of records related to the management of estate and land holdings in Bengaluru covering the period 2014-15 to 2018-19. The audit was aimed at ascertaining whether the Company had a sound framework for estate management, and whether estate management ensured safeguarding of the Company's land resources and its efficient utilization.

5.1.3 Audit findings

Key audit findings related to various aspects of land and estate management are detailed in subsequent paragraphs.

5.1.3.1 Non-updation and non-availability of land records including mutation documents

Audit undertook a review of land records maintained at the Bengaluru unit. In course of the review survey numbers mentioned in copies of title deeds/ award were compared with copies of the Right to Tenancy and Crops (RTC)⁸⁵ records. This showed that even though 50 years had elapsed since grant of initial parcels of land, steps were not taken to preserve and digitize the original documents of land holdings. It was also noted that the Company did not maintain updated records of the land/buildings in its possession, and clear title deeds to establish its ownership/title in respect of 60 acres of land in K.R. Puram, Bengaluru were not available with the Company.

The Company accepted the position (November 2018) and intimated that it had applied to the concerned authorities for updating the land records at Bengaluru and get a valid copy of the updated RTC. It also assured that it would update the records at the earliest and take up digitisation of records in due course. It later intimated (March 2020) that an Encumbrance Certificate for 368 acres of K.R. Puram land in name of ITI Ltd had been obtained on 04 February 2020. DoT accepted (September 2020) that some RTCs were still to be received/ updated in the name of the Company and that this matter was being pursued.

The adverse impact of absence of documents and non-updation of revenue records is evident from the case of delayed payment of compensation of ₹ 1.46 crore for acquisition of 1.375 acre of land by NHAI at Electronics City in 2007-08 from the Company. It was seen that for the acquisition of this land the Company could receive

⁸⁴ KR Puram 61.816 acre @ ₹ 12.99 crore per acre = ₹ 802.99 crore, Electronic City 27.679 acre @ ₹ 13.35 crore per acre = ₹ 369.51 crore, Total value of vacant land = ₹ 802.99 + ₹ 369.51 = ₹ 1,172.50 crore

⁸⁵ This is an important Revenue record as it contains all possible data relating to lands held by an individual or group of individuals such as area, assessment, water rate, classification of soil, number of trees, nature of possession of the land, whether acquired by registered or unregistered document by succession, partition, mortgage, liabilities, tenancy and details of crops grown, land utilization, area under mixed crops, etc.

payment only on 06 February 2020, and that too at the instance of audit. This delay was on account of the fact that the acquired land continued to be in the names of the previous owners and revenue records had not been updated to reflect ownership of the Company. Thus, the Company could not submit the required legal documents to the revenue authorities till March 2018. This delay in receiving the cost of the land of more than 11 years led to loss of interest amounting to ₹ 0.96⁸⁶ crore.

Absence of updated revenue records with respect to the land held by the Company and inadequate preservation of such documents held by the Company, showed that the Company had not taken required measures to safeguard its land holdings from possible ownership disputes and encroachment. This could also hamper efforts to monetize the land holdings for resource mobilisation. It was also noted that the Company had initiated serious efforts in this regard only at the instance of audit.

5.1.3.2 Management of vacant land holdings in Bengaluru

As mentioned earlier, the Company has a total of 89.495 acres of vacant land at KR Puram (61.816 acres) and Electronic City (27.679 acres) in Bengaluru (**Table 5.1.1**). The audit observations relating to management of vacant land is discussed below.

(a) Unsuccessful monetization effort

The Company is in the process of restructuring its business operations following reference to the Board for Industrial and Financial Reconstruction (BIFR) in 2004-05. In the revival plan for the company prepared in October 2003, the Company had envisaged monetisation of its surplus land which it requested (July 2006/ August 2006), the BIFR and DoT to approve. BIFR directed (December 2007) the Company to first obtain the approval of the administrative Department and secured creditors regarding sale of land. The matter of utilization of vacant land and buildings was taken up by the Board of the Company in 2008 which authorised the CMD to take up proposals for leasing out vacant land and buildings with the approval of DoT/ BIFR. However, it was only in 2015 that the Company took concrete steps on the issue of monetisation of its land assets by constituting (November 2015) an internal Monetisation Committee headed by a DGM level officer, to identify open spaces/ buildings for monetization.

The Monetisation Committee identified (December 2015) hangars/ buildings and open spaces in Bengaluru, which could be rented out immediately with minimum essential repairs. The identified land/ buildings had an area of 6,06,935.57 sq. ft. (i.e. 13.93 acres approximately, which was a mere 15 *per cent* of the total vacant estate) with an estimated rental income of ₹ 3.73 crore per month if these properties were to be rented out. The Board approved the proposal which was forwarded (March 2016) to DoT for its administrative approval.

⁸⁶ The loss of interest has been calculated for ₹ 1.46 crore @ 6 *per cent* per annum for 11 years on conservative basis.

However, without waiting for DoT's approval the Company rented out (September 2018), 43,261 sq. ft.⁸⁷ (7.13 per cent) of this space on short term basis to two organisations viz. EPFO and HPCL. Audit observed that as against the estimated rent of ₹ 3.73 crore per month that Company could have earned by leasing out the entire identified space of 6,06,935.57 sq. ft., it could earn a revenue of only ₹ 11 lakh per month. This was far less than what the Monetisation Committee had recommended.

Audit also observed that the Company's proposal submitted to the DoT was not comprehensive. This was acknowledged by DoT (December 2018) in its reply. However, audit noted that DoT had not conveyed its response on the proposal even though three years had elapsed after receipt of the proposal. On its part the Company also did not follow up the case with DoT and instead went ahead with selective leasing out of properties. This is indicative of the fact that despite existence of vacant land and the Company's tenuous financial state, neither the Company nor DoT put in adequate effort for ensuring monetization of large tracts of unused land assets, though this was conceived way back in 2008.

DoT stated (September 2020) that the Company had submitted a plan for establishing an Electronics Manufacturing Cluster in 200 acres at Bengaluru, which was being processed for obtaining necessary approvals from Department of Investment and Public Asset Management (DIPAM). It also intimated that it was examining a proposal from the Company for selling 11 acres of land to EPFO to enable a possible reference to the Inter-Ministerial Group on "Asset Monetisation". No time frames were indicated for implementation of these proposals or the expected quantum of resources would these plans generate for the Company.

(b) Non-utilisation of vacant land of ITI at Dooravani Nagar (KR Puram), Bengaluru

The Standing Committee on Information Technology (2014-15) in its Ninth Report laid in Parliament in August 2015 on "Revival of Indian Telephones (ITI) Limited" had observed that out of the 63⁸⁸ acres land of the Company in Dooravani Nagar, Bengaluru, use of 52 acres of land had been converted from Industrial to Commercial. The Committee, taking note of the prime location of the land which could be used for SEZ and IT Companies, recommended that the Company should explore options for commercial development/use of the available land for generation of additional revenue.

In the Action Taken Report (August 2016) on the recommendations of the Standing Committee, DoT stated that the Company was exploring the option of utilization of the land for setting up of SEZ and IT companies. Audit however, observed that there was no progress made in this regard till October 2018. The Company intimated (December 2018) that the State Government's (June 2006) approval was conditional on

⁸⁷ 20,400 sq. ft. of buildings/hangars leased to EPFO on 01 Dec 2017 for ₹ 7.57 lakh per month and 22,861 sq. ft. of open space to HPCL on 02 June 2017 (9,682 sq. ft. @ Ramamurthy Nagar- 'A' area and 13,179 sq. ft. at Corporate 'B' area) for ₹ 3.43 lakh per month.

⁸⁸ Out of this 1.05 acres were acquired by BMRC in 2017-18, leaving vacant land of 61.95 acres. Management has intimated that the exact vacant land in ITI's possession is 61.816 acres.

five acres of land being given to the City Municipal Council (CMC), KR Puram, and that it had asked the State Government for deletion of this condition.

In its latest reply, the Company has informed that it is now interested in expanding industrial activities on its vacant land instead of commercial activities. Accordingly, the 52 acres of land at Dooravani Nagar had been proposed to be included in its plan for establishing a manufacturing cluster in Bengaluru.

However, the fact remains that though change in land use had been approved way back in 2006, the Company was yet to ensure use of the vacant land at Doorvani Nagar for commercial/ industrial purposes. It had only belatedly, initiated a new plan as mentioned above for which no time frame for implementation has been indicated in the reply.

(c) Non-finalisation of joint venture with the National Building Construction Corporation (NBCC) for developing land at Electronic City, Bengaluru

The Company had entered (October 2016) into a MoU with NBCC for developing nearly 30 acres⁸⁹ of vacant land at the Electronic City, Bengaluru. NBCC was to undertake development of Electronic City land with the Company as a joint venture. As per projections made by NBCC, the project involved an investment of ₹ 780 crore (excluding land value) in developing a “Built-Up Area” (BUA) of 23.60 lakh sq. ft. The project was expected to be completed in seven years with 2017-18 as base year, and the investment recovered thereafter, in a span of three to four years.

Audit observed that the Detailed Project Report (DPR) for this project had not been approved by the Company even after a lapse of over two years (April 2019). DoT stated (November 2018) that following signing of the MOU between the Company and NBCC, it had advised the Company in December 2016 to float an EOI for preparing a DPR but no inputs had been received on further progress. It later intimated (April 2019) that implementation of the project was held up due to disagreement on the ratio of revenue sharing between NBCC and the Company, and that it was coordinating between the two parties for a proper resolution of the matter. In its latest reply (September 2020) DoT has intimated that the matter was not being pursued further as the negotiations were not in favour of the Company.

The above instances show that not only the Company and DoT have not taken steps to evolve an overall strategy for monetizing the considerable idle land holdings of the Company, but their specific initiatives with respect to land both at KR Nagar and Electronic City have also failed to fructify due to lack of concerted action both on the part of the DoT and the Company.

5.1.3.3 Management of leased/ transferred land

The Company had transferred or leased approximately 68 acres of land to other organizations. Issues relating to rent realization, and status of lease agreements are discussed in succeeding paragraphs.

⁸⁹ Actual vacant land in possession of ITI Ltd. at Electronic City is 27.662 acres.

(a) Transfer of land at Electronic City to C-DoT without finalization of rent agreement leading to non-realization of rent amounting to ₹ 149.28⁹⁰ crore

C-DOT, an organization under DoT, had expressed (November 2004) its interest in purchasing a portion of the Company's land at Electronic City in Bengaluru to shift its laboratory. Till such time that valuation of the property identified for purchase was completed by DoT appointed officials, C-DOT requested the Company (December 2004) to hand over the property on rental basis. The Company intimated (December 2004) C-DOT that the rent payable shall be according to the prevailing market rates as mutually agreed between the two parties. Thereafter, the Company handed over 24.458 acres of land and 20,558.07 sq.mt of office space (located at Electronic City) to C-DOT in two phases between December 2004 and August 2005, without finalizing the rent.

After a series of discussions between the Company and C-DoT, it was decided (July 2017) that royalty of ₹ 22.79 crore payable by the Company to C-DOT for transfer of technology to it, would be set off against the rental payable by C-DOT to the Company. As per these discussions, the Company was to transfer the land to C-DOT against rentals that may be decided by DoT and they will not be charged any royalty and Transfer of Technology fee retrospectively, till the C-DOT is in possession of the Company's land. The Company was required to work out and communicate the long lease compensation expected from C-DOT.

The Company after engaging the services of a registered valuer to assess the market rent, communicated (February 2018) to the C-DOT rentals ranging between ₹ 1.48 crore to ₹ 2.46 crore per month for the leasing period of 30-35 years. However, the C-DOT claimed that the rental was on the higher side. The DoT stated (April 2019) that during a meeting held on 10 January 2019, both the organisations had been asked to arrive at a mutually agreed solution for long term lease of the property. No update on the status of the matter was provided by the Company (March 2020) while reiterating the position as above. In the meanwhile, as per the approved Annual Accounts of ITI for the year 2019-20, the rent receivable from C-DoT had accumulated to ₹ 149.28 crore as of March 2020. DoT stated (September 2020) that it had constituted a high level committee under the Chairmanship of Member (Services) to resolve the issue.

Thus, the Company handed over possession of its prime land and building to C-DoT without entering into any rent agreement. No lease agreement has been signed and no rent has been received even though the property was handed over to C-DoT in 2004-2005. This has led to accumulation of unpaid lease rent of ₹ 149.28 crore. The DoT also failed to effectively intervene between the two organisations under its administrative control to ensure that financial interests of the Company were not harmed.

⁹⁰ As per a series of discussions between the Company and C-DOT (July 2017), the amount of rent receivable from the C-DoT stood at ₹ 171.95 crore. However, on conservative ground, amount of ₹ 149.28 crore has been taken as per the approved Annual Accounts for the year 2019-20.

(b) Failure to execute lease of Building at Magrath Road, Bengaluru resulting into loss of rent amounting to ₹ 9.73 crore

The Company entered (June 2005) into a lease agreement with HOSMAT Hospital for the lease of its premises⁹¹ at Magrath Road for a period of five years commencing from 18 June 2005 to 17 June 2010. The lease was thereafter, renewed on short term basis for periods of two/ five years. It was noted that HOSMAT had requested (July 2015) for a long-term extension of lease so that the premises could be fruitfully used as a hospital which the Company did not agree to. HOSMAT hence, vacated (March 2016) the premises though its lease was until November 2017.

In the meantime, the Company had requested (October 2015) DoT to accord approval for a long term (20-25 years) lease so as to obtain better offers. DoT however, did not move/ process this proposal for approval of the competent authority in terms of extant procedure and reasons for not doing so were not available on record. Finally, the Company put the building on a short-term lease to a private party (June 2018) at a monthly rent of ₹ 25.76 lakh.

DoT stated (April 2019) that the Company had proactively given the property on a short-term leases and it could consider leasing for a longer term once the Company finalised its land use and “estate governance” policy.

The Company however, accepted (March 2020) that it had been unable to lease the building for over two years, and that it was compelled to lease the building at a lower rent as compared to HOSMAT Hospital, to avoid further loss of revenue. Audit calculated the loss of rent after vacation of the premises by the HOSMAT, to be more than ₹ 9.73⁹² crore.

DoT stated (September 2020) that the Company had made all efforts to rent out the building by following the tendering process but was unable to rent out the building due to poor response. DoT accepted the fact that the building could not be leased out on rent from 08 April 2016 to 22 June 2018.

Thus, due to absence of a policy on estate management including for long term leasing of property, and delayed action on the part of both the Company and DoT, the Company suffered a loss of rent of over ₹ 9.73 crore.

(c) Non- vacation of property leased to ESIC on expiry of lease leading to loss of rental revenue

The Company leased (July 1986) 0.286 acre of land to ESIC for the purpose of construction of its local office for which a lease deed was executed for a period of 30 years with lease rental of ₹ 100 per annum. Audit observed that though the lease had expired in 2016, no fresh agreement was entered into with ESIC as the Company did not accept ESIC’s proposal for a 99 years lease. On the other hand, ESIC did not accept the Company’s demand (August 2017) for a monthly rental of ₹ 2.55 lakh. ESIC thus,

⁹¹ Building earlier used as Registered and Corporate office of ITI Ltd. It covered an area of 0.77 acres and building space of 68,700 sq. ft.

⁹² ₹ 37.46 lakh per month *26 months= ₹ 9.73 crore

continued to unauthorizedly occupy the property without a subsisting lease agreement. While DoT had earlier replied (April 2019) that eviction action has been taken by the Estate Officer of the Company, it has now (September 2020) intimated that ESIC has now agreed to enter into a fresh lease agreement for a period of four years 11 months at a monthly rental of ₹ 76,700.

Notwithstanding the development, the fact remains that Company had not taken any action against ESIC even though the initial agreement had expired three years ago. The Company initiated serious action to resolve the matter with ESIC only after being pointed out by Audit. In addition, the Company had not received any rental for the period following the expiry of lease which amounted to a loss of ₹ 1.15⁹³ crore. Moreover, the fresh lease agreement with ESIC was yet to be executed though more than four years had lapsed.

(d) Transfer of land to Southern Railways without finalization of lease agreement

The Company handed over (January 1982) 1.83 acres of land at KR Puram to Southern Railways (SR) without signing any lease agreement. Subsequently, (January 1984) it forwarded a draft lease agreement to SR for a period of 30 years at a monthly rental of ₹ 1,700. However, SR initially (January 1990) sought to purchase the said land, but later proposed (May 1990 & November 1991) a lease of 100 years on payment of a lump sum amount of ₹ 15,000. After deliberations, the Company informed (April 1993) SR that it would consider its request for sale of land subject to payment of lease rent of ₹ 1,700 per month till July 1991 and thereafter, at an enhanced rate of ₹ 6,500 per month, and payment of ₹ 2.00 lakh per acre as cost of land.

SR agreed (February 1994) in principle, to pay a compensation of ₹ 6,75,378 (including payment of lease rent up to December 1993, and the cost of land) as demanded by the Company, but the Company's Board did not decide upon the issue. Thereafter, from 1994 SR took no further steps in the matter and also did not pay the lease rent. The Company belatedly (November 2008) requested DoT to take up the issue with the Railway Ministry to resolve the long pending issue. DoT replied (September 2020) that the Company is pursuing with SR for signing of the lease agreement and recovery of outstanding dues.

The matter has remained unresolved (September 2020) for 38 years after the land was given to SR. In the intervening period the Company has been deprived of revenue from the land handed over to the SR. Thus, by handing over land to the SR without any lease agreement, and as a result of lack of timely action on the part of both the Company and DoT to resolve the matter, the Company not only suffered loss of revenue but has effectively been dispossessed of 1.83 acres of land.

⁹³ ₹ 2.55 lakh per month*45 months = ₹ 1.15 crore

(e) Handing over of property to BMTC without DoT's approval and execution of a sale deed without ensuring receipt of sale consideration

Prior to the Company being referred to BIFR, Bangalore Metropolitan Transport Corporation (BMTC), a Government of Karnataka (GoK) undertaking, had requested it (December 2003) to spare 27 acres of land in KR Puram for establishing a public conveyance infrastructure. The Company agreed for sale of 14 acres of its land at an agreed price of ₹ 27.50 lakh per acre and signed (February 2004) an MoU with the BMTC for the sale of the land and buildings at a total cost of ₹ 5.47 crore (Land: ₹ 3.85 crore and Building: ₹ 1.62 crore). The Company received ₹ 2.85 crore as advance in February 2004. The MoU stipulated that terms and conditions contained therein, was subject to the approval of the Board of the Company, its shareholders, Government of India (GoI) and GoK. It was also stipulated that permission from the bankers of the Company was also required. However, based only on the MoU and without approval of its Board and the GoI, the Company handed over 12.15 acres of the agreed 14 acres, along with buildings identified for sale in the MoU, to the BMTC.

In connection with the above transaction, Audit noted that Article 74(f) of Articles of Association of the Company stipulated that “prior approval of GoI was required for the sale of land having an original book value of ₹ 10 lakh and above”. In this case as book value of the assets including buildings (proposed for sale to BMTC) was ₹ 20.49 lakh, the Company was required to seek prior approval of sale from the DoT. Approval in this case had been sought in March 2004 i.e. after signing the MoU. However, no permission was given for the sale by DoT. Considering the developments, the Board of the Company in its 386th meeting held on 10 March 2010, directed the Management to negotiate with BMTC for a long-term lease. However, BMTC insisted for outright sale of the land.

The Company intimated that it was (March 2018) in discussions with BMTC for leasing the property but no settlement has been reached in this regard till date.

DoT accepted (February 2019) that the Company had entered into a MoU with BMTC and handed over the property without its concurrence/ approval at a rate below the market rate and had subsequently sought its post facto approval. DoT stated (April 2019) that once the Company concludes negotiations/ discussion for long term lease with BMTC, the case would be processed for formal approval of the Government. The Company has however, intimated (March 2020) that the matter with BMTC remains unresolved. DoT replied (September 2020) that though the Company had been advised (March 2019) to organise a joint meeting with BMTC to arrive at an amicable solution, it had not provided any updated status in the matter.

Thus, the Company has irregularly given up possession of 12.15 acres of land and buildings thereon, valuing ₹ 157.82 crore⁹⁴ to a State Government entity without DoT's approval, without execution of a sale deed and without ensuring receipt of full amount

⁹⁴ KR Puram 12.15 acre @ ₹ 12.99 crore per acre=₹ 157.82 crore

of sale consideration. Further, there appears to be a lack of concerted action for more than a decade on the part of both the Company and DoT to resolve the matter.

(f) Delay in executing sale deed for sale of land at KR Puram to DRDO in 2004

The Company transferred 22.945 acres of its land at KR Puram to the Defence Research and Development Organization (DRDO) for a total agreed amount of ₹ 26 crore and received the entire amount as advance payment on 15 March 2004. However, the sale deed could not be executed as papers to prove ownership/ title for certain pockets of the land was not available with the Company. The Company got the required revenue documents in 2012 i.e. eight years after the agreement with DRDO and physical transfer of the land. However, as the Company was referred to BIFR, DoT directed (August 2013) that requisite clearance from BIFR for executing the sale deed be obtained. The Government subsequently approved a revival package for the Company in 2014. In the meantime, orders were issued mandating Government approval for sale of land and property even of PSUs. Hence, the Company sought DoT's approval for sale of land to DRDO which was still awaited (March 2020).

In the absence of required approval, though the Company had received the agreed sale value from the DRDO as per the MoU and handed over the land, it has not been able to execute the sale deed and register the sale in the name of DRDO. As a result, it would also be liable for payment of property taxes due on the property.

DoT replied (April 2019) that along with the Company it had put in all efforts for obtaining clearance for executing the sale deed in favour of DRDO and it expected that approvals would be obtained soon. The Company (March 2020) also confirmed that the property was yet to be registered in the name of DRDO despite the sale of the property. In its latest reply (September 2020) DoT stated that the matter is expected to be finalized as the case is being processed for seeking approval of the competent authority.

The case represents another instance of a land issue remaining unresolved for over 16 years, and where the transaction of sale of land was yet to be concluded though the land had been handed to the other party i.e. DRDO and full payment received. Besides, the disproportionately long time taken to process approvals, the root cause for the delay was the Company's inability to provide documents to prove their title over the land.

5.1.3.4 Inadequate Estate Management Framework

As land is a valuable resource and as the company had extensive land holdings, it was important for the company to have a comprehensive policy and procedures for Estate Management. Further, the Company also required a dedicated administrative structure for Estate Management at the Corporate level or/ and at the Unit level at Bengaluru with clear roles and responsibilities.

However, it was observed that the Company had not framed any comprehensive policy for estate management covering aspects such as land use, leasing and transfer of land. The Company thus continued to make discrete plans for utilization of the surplus land

and failed to manage leasing and transfer of land as would be evident from findings in aforesaid sub-paras.

Audit also noted that there was no dedicated administrative structure for estate management in the Company. It was only after this was flagged by Audit (June 2017) that an Estate Officer for the Bengaluru Unit was appointed (July 2017) and an Estate Officer was appointed (October 2019) at the Corporate level for all ITI properties. However, the duties assigned were general in nature and there was no formal document describing specific role and responsibilities of the Estate Officers.

DoT (September 2020) stated that an estate management policy has been prepared which will be implemented after approval, confirming that hitherto the Company did not have such a policy. The prolonged absence of a documented comprehensive estate management policy and a dedicated administrative structure to support this function has however, had adverse effects on key aspects such as maintenance and updation of land ownership records including mutation, utilisation and management of vacant land and leasing and transfer of land.

5.1.4 Conclusion

Review of Land & Estate Management of land holdings of the Company at Bengaluru revealed that, though the Company had substantial land holdings it had not instituted an effective land management function comprising of a land management policy and a supporting administrative structure. It also did not have complete and updated records for its land holdings. As a result, weaknesses were found with respect to its management of vacant land and of leasing and transfer of land. It was unable to commercially exploit its vacant land of 89.495 acres and vacant buildings and leverage the same to generate additional revenue of approximately ₹ 1,172.50 crore, though it was faced with financial losses since 2003-04, and had been referred to BIFR in 2004-05. The faulty management of leases and transfers of land, resulted in transfer of property although to public sector/ government entities, without agreements and without formal approvals, and in failure to extend leases on time or at favourable terms which together led to a total loss of revenue to the Company of ₹ 160.16 crore and of land of 13.98 acres.

5.1.5 Audit Summation

The review of Land & Estate Management of land holdings at Bengaluru of ITI Limited revealed the following:

- Though the Company had substantial land holdings it had not instituted an effective land management function and did not have complete and updated records for its land holdings.
- The Company was unable to commercially exploit its vacant land of 89.495 acres and vacant buildings and leverage the same to generate additional revenue of approximately ₹ 1,172.50 crore, though faced with financial losses.

- Leases and transfers of land were undertaken without agreements and without formal approvals, and leases were not extended on time or at favourable terms, which together led to a total loss of revenue to the Company of ₹ 160.16 crore and of land of 13.98 acres.

5.1.6 Recommendations

- The Company put in place a comprehensive Estate Management Policy to be implemented by a dedicated administrative framework.
- Land records maintained in the Company be digitised for their preservation. All RTC and related records and lease deeds need to be updated in coordination with the local Revenue Authorities.
- The Estate Officer be specifically tasked with taking necessary action to enforce legal rights and agreements with agencies which have taken the Company's land on lease or are in adverse possession.
- The Company assess its requirement of land and identify surplus land which it can consider monetising for its financial benefit based on transparent land utilisation and disposal policy and a well-considered action plan.
- The Company take expedient steps to resolve matters relating to lease and transfer of land to other organisations and recover due rents or sale consideration and secure its rights on such land.
- DoT may consider undertaking a comprehensive examination of delays and shortcomings noticed in audit in taking various decisions relating to leasing and transfer of land; monetization of land assets and updation of land records and fix responsibility for the same.

5.2 BSNL's failure to invoke terms of Interconnect Agreements in time exposed it to risk of loss of revenue

BSNL failed to take timely action to monitor and enforce payment of dues in terms of the Interconnect Agreements, leading to accumulation of dues of ₹ 51.83 crore from Aircel Group of Companies which filed for bankruptcy. As BSNL is an operational creditor it faces a higher risk of non-recovery of outstanding dues and loss of revenue.

Bharat Sanchar Nigam Limited (BSNL) entered into Interconnect Agreements (agreements) with Aircel Group of Companies i.e. M/s Aircel Cellular Limited for four circles, M/s Aircel Limited for 17 Telecom circles and M/s Dishnet Wireless Limited for 25 circles. These agreements inter-alia, provided for interconnection between networks and carriage of telecommunication traffic between parties to the agreement.

The agreements also provided for levy of Interconnect Usage Charges (IUC)⁹⁵ and system of billing and payment of these charges along with consequential action in case of delays and default in making payments.

As per clause 7.2.1 of the Interconnect Agreement, BSNL would raise bills for IUC on a monthly basis and such bills would be payable by the respective Aircel Group Company within 15 days from the date of issue. Clause 7.4 of the Interconnect Agreement provided for obtaining a Bank Guarantee (BG) from the Aircel Group Company for amounts therein. If due payment was not received within the period stipulated, the concerned field unit of BSNL was required to immediately issue notice for disconnection giving 30 days for making payment failing which BSNL had the right to disconnect point of interconnection (POI) and encash the BG. Interest at rates specified in Clause 7.5 of the agreements, was applicable for delayed payments upto 30 days.

Audit of records relating to billing and payment of IUC revealed that arrears with respect to payments of IUC from the Aircel Group of Companies had accumulated to ₹ 97.38 crore⁹⁶ for the period upto 2017-18. This amount covered all the four circles in case of M/s Aircel Cellular Limited; 16 out of 17 circles in case of M/s Aircel Limited and 23 out of 25 circles in the case of M/s Dishnet Wireless Limited. BSNL initiated action to recover these arrears after a media report appeared on 28 February 2018 regarding the Aircel Group filing for bankruptcy. After adjusting the BG encashed by it and making other adjustments, the total dues outstanding against the Aircel Group stood at ₹ 51.83 crore⁹⁷. BSNL has since (October 2018) filed claims for this amount against these companies with the concerned Interim Resolution Professionals (IRP).

Audit analysis of the outstanding dues show that out of these dues, ₹ 32.92 crore were outstanding for more than three months as on 31 March 2018. The oldest dues in case of M/s Aircel Limited was from March 2000; in case of M/s Dishnet Wireless Limited from April 2009 and in case of M/s Aircel Cellular Limited from August 2010. This shows that the field units of BSNL and the Revenue Management Branch-CFA at the Corporate Office which were responsible for issuing of IUC billing instructions and for monitoring realization of IUC revenues, had failed to enforce and monitor regular collection of dues as per agreement terms such as issue of 30 day notice for clearance of dues, encashment of BG and disconnection of POI. Instead, the Corporate Office of BSNL initiated action for recovering dues only once it became known that the Aircel Group had filed for bankruptcy.

⁹⁵ Clause 6.3 details various charges such as set up cost, port charges, infrastructure use charges, access charges and value added service charges.

⁹⁶ ₹ 12.60 crore from M/s Aircel Cellular Limited *plus* ₹ 36.73 crore from M/s Dishnet Wireless Limited *plus* ₹ 48.05 crore from M/s Aircel Limited.

⁹⁷ ₹ 12.26 crore from M/s Aircel Cellular Limited *plus* ₹ 20.57 crore from M/s Dishnet Wireless Limited *plus* ₹ 19.00 crore from M/s Aircel Limited. Out of this ₹ 1.43 crore for M/s Aircel Cellular Limited, ₹ 3.90 crore from M/s Dishnet Wireless Limited and ₹ 2.10 crore from M/s Aircel Limited was stated to be disputed.

As mentioned above, the agreement required the Aircel Group of Companies to furnish BGs for each area of operation/ Circle, which from the second year onwards would be equal to the average bill for three months issued during the previous year for a Circle. This implied that BSNL Circles should have monitored collection of IUC dues and ensured that arrears do not accumulate beyond the BG amount. This would have been ensured if BGs were promptly invoked on expiry of the one month notice period in case of delayed payments. The accumulation of arrears shows that delays and defaults in payments were not being addressed in terms of the agreement and recoveries were not being made by encashing the BGs.

Audit also noted that though instructions were belatedly given for encashing BGs, BSNL Circles could only encash BGs amounting to ₹ 13.70⁹⁸ crore covering only one out of the four circles for M/s Aircel Cellular Limited, 12 of the 23 circles for of M/s Dishnet Wireless Ltd, and nine out of 16 circles in case of M/s Aircel Limited. In all other circles the BGs had either expired or were inadequate to cover the outstanding liability.

In its reply, DoT (December 2019) has confirmed the figures relating to the gross amount of dues, BGs adjusted and net outstanding amount receivable from Aircel Group of Companies. It however, stated that BSNL had taken immediate action after media reports (28 February 2018) relating to bankruptcy of Aircel Group had appeared, by issuing instructions for encashment of available BGs. This reply is not acceptable as it does not explain BSNL's failure to monitor the receipt of IUC charges and take timely action in terms of the agreements to ensure prompt recovery of dues. This amounted to undue favour by allowing the arrears to accumulate making the BGs insufficient to cover the dues.

Thus, failure of both the Corporate Office of BSNL and its field units to take timely action to enforce payment of IUC dues by Aircel Group of Companies in terms of the agreements, led to accumulation of dues of ₹ 51.83 crore. Though BSNL has filed claims before the competent forum, the prospect of recovery of these dues would be limited as BSNL being an operational creditor, would have lower priority placing the Company at a higher risk of loss of revenue. It is recommended that DoT may pursue all modes of recovery of unpaid dues, and also investigate the failure on the part of the concerned divisions at the Corporate Office of BSNL and its field units, for enforcing payment of IUC dues as per agreement and fix responsibility for the same.

⁹⁸ Bank Guarantees encashed: M/s Aircel Cellular Limited : ₹ 0.07 crore; M/s Dishnet Wireless Ltd. : ₹ 6.71 crore; and M/s Aircel Limited: ₹ 6.92 crore.

5.3 Failure to comply with agreement conditions leading to short-billing of annual escalation charges by BSNL

Erroneous application of annual escalation in calculation of monthly rentals for sharing Passive Telecom Infrastructure in case of a Private Service Provider (PSP) led to short-billing by eleven circles and Calcutta Telecom District of BSNL of ₹ 13.65 crore. While ₹ 12.49 crore was recovered from the PSP at the instance of audit ₹ 1.16 crore was yet to be recovered.

BSNL, Corporate Office, New Delhi entered into a Master Services Agreement (MSA) for Passive Infrastructure Sharing with a private service provider (PSP) in May 2014, for sharing its Passive Telecom infrastructure.

In terms of Clause 1.1 and 1.4 of Schedule 3 of the MSA with the PSP, the base monthly rental rates fixed for passive infrastructure provisioning fee was ₹ 38,700, and for sharing of Ground Base Tower and Roof Top Tower it was ₹ 24,900. These rates were valid for a period of ten years from the commencement date of the MSA and was subject to an annual escalation of 2.5 *per cent* on year-on-year basis. The base rates would be valid for the current financial year and would thereafter be revised on first April, every year by adding 2.5 *per cent* escalation on year-on-year basis. The rates worked out on first April of each year would remain valid for the corresponding financial year for all the sites leased out during that financial year.

Audit scrutiny (December 2017-October 2018) of billing relating to infrastructure sharing eleven BSNL Circles⁹⁹ and Calcutta Telecom District revealed that in the case of the PSP, Ready for Installation of Equipment (RFIE) date/ commencement date was adopted for applying the annual escalation, instead of date specified in the MSA which was first April each year. By adopting an incorrect date for applying annual escalation eleven BSNL circles and Calcutta Telecom District short-billed the PSP by ₹ 13.65 crore (**Annexure 5.3.1**) during the period 2014-15 to 2018-19. While ₹ 12.49 crore was recovered from the PSP at the instance of audit, ₹ 1.16 crore was yet to be recovered (December 2019).

DoT, in its reply, gave details of action taken by the concerned circles to recover the short-billed amounts. However, it did not explain the reasons for failure across a large number of circles and over almost four years, to ensure compliance with agreement conditions for billing for shared infrastructure for several years which is indicative of an internal control failure.

Thus, failure to comply with agreement conditions for application of annual escalation while calculating monthly rentals for sharing Passive Telecom Infrastructure in case of a Private Service Provider (PSP), led to short-billing over a period of four years by eleven circles and Calcutta Telecom District of BSNL, of ₹ 13.65 crore which is indicative of inadequate internal controls. While ₹ 12.49 crore has been recovered from

⁹⁹ Karnataka, Andhra Pradesh, Telangana, Uttar Pradesh (East), Uttar Pradesh (West), Uttarakhand, Kerala, Gujarat, Jammu & Kashmir, Odisha, Madhya Pradesh

Report No. 3 of 2021

the PSP at the instance of audit, ₹ 1.16 crore was yet to be recovered. BSNL should ensure full recovery and take immediate steps to strengthen internal controls besides examining the reasons for the non-compliance of the agreement conditions.