

## **CHAPTER-V**

### **Performance Audit (Non-Power Sector)**



## CHAPTER-V

### 5. Performance Audit on 'Infrastructure Development and Project Management Activities of the Odisha Industrial Infrastructure Development Corporation (IDCO)'

#### Introduction

**5.1** The Odisha Industrial Infrastructure Development Corporation (IDCO) was incorporated on 5 January 1981 under Section 3 of the Odisha Industrial Infrastructure Development Corporation (OIIDC) Act, 1980. The objective of establishment of the Corporation was securing and assisting in rapid and orderly establishment and organisation of industries, trade and commerce in the Industrial Areas (IAs) and Industrial Estates (IEs) in the State of Odisha. The Corporation was also authorised to make available buildings on hire to the industries.

In the wake of policy of liberalisation adopted by the Government of India (GoI) in 1991, Government of Odisha (GoO) also embarked on the policy of making the State industrially vibrant through successive Industrial Policy Resolutions (IPRs) which, among other things, identified development of industrial and allied social infrastructure as a strategic tool. Availability of land for infrastructural development being key to such development, IPR 2001 provided for creation of Land Bank and IDCO was given a key role for identifying land at strategic locations and getting possession thereof from concerned revenue authorities for onward allotment to potential investors. Role of IDCO was further elevated beyond OIIDC Act by IPR 2007 where IDCO was entrusted with the authority to frame comprehensive land management regulations. IPR 2015 further authorised IDCO to fix value of land to be allotted in certain cases like educational and medical institutions.

#### Organisational set up

**5.2** IDCO is under the administrative control of the Industries Department, GoO. The general superintendence, direction and management of the affairs and business of IDCO is carried out through a Board of Directors (BoD) consisting of 13 Directors under the chairmanship of the Chairman-cum-Managing Director (CMD), who is assisted by six Chief General Managers (CGMs<sup>48</sup>). IDCO executed its activities through 17 division offices out of which eight are functional at Headquarters, Bhubaneswar and the rest nine are functional at different districts in the State.

#### Scope of Audit

**5.3** The Performance Audit, conducted during April to December 2019, covered the activities of IDCO relating to infrastructure development and project management activities for the last five years ending March 2019. The activities of IDCO were reviewed on the basis of test check of records at the

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<sup>48</sup> CGM (Civil), CGM (Planning & Coordination), CGM (MSME), CGM (P&A), CGM (Land) and CGM (Finance).

Head Office and five of its division offices<sup>49</sup> selected using Stratified Random Sampling method. Audit also test checked related records at Industries Department, GoO. An 'Entry Conference' was held on 15 October 2019 where the objectives, criteria, scope and methodologies for conducting the Performance Audit were explained to the representatives of GoO/IDCO. The audit findings were discussed with the Principal Secretary (Department of Industries), GoO and CMD, IDCO along with the senior officials in an Exit Conference held on 24 August 2020. Responses of the Government/IDCO, wherever received, have been taken into account while finalising the Report.

## Audit Objectives

**5.4** The Performance Audit was conducted to assess whether role of IDCO in promotion of industries was economic, efficient and effective in:

- Acquisition and allotment/post allotment of land to industries;
- Development and maintenance of IEs/IAs;
- Project construction activities under various schemes of GoI;
- Making buildings and complexes available on hire to industries; and
- Proactive financial management and internal control measures.

## Audit Criteria

**5.5** The sources of audit criteria adopted for achievement of the audit objectives were:

- OIIDC Act, 1980 and OIIDC Rules, 1981;
- Odisha Industries (Facilitation) Act, 2004;
- OIIDC (Disposal of Land, Building and Amenities) Regulations, 2016;
- The Odisha Irrigation Rules 1961;
- Scheme guidelines of GoI for execution of various projects along with Detail Project Reports (DPR); and
- Circulars, Resolutions and Notifications issued by Government of Odisha and IDCO.

## Financial position and working results

**5.6** The financial position and working results of IDCO for the last five years ending 31 March 2019 are detailed in *Annexure-8*:

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<sup>49</sup> Cuttack, Jajpur Road, Berhampur, MSME-I and MSME-II.

- It could be seen from the financial position of IDCO that the capital funds increased from ₹1,336.71 crore in 2014-15 to ₹1,796.01 crore in 2018-19. The reasons for increase in capital funds were attributed to profits being earned by IDCO and increase in premium received from leased out land in IEs/IAs.
- IDCO received ₹227.80 crore during 2014-19 from GoI/GoO as grants for construction of various infrastructure development activities which formed part of non-current liabilities.
- Audit observed that the consistent profits as stated above did not accrue from the operations carried out by IDCO. Rather, IDCO earned the profit due to interest income arising out of investment of unutilised grant received from the Government. IDCO earned interest on deposits (non-operating income) which ranged from ₹79.86 crore to ₹100.58 crore. However, its profit after taxes were less and ranged from ₹30.02 crore to ₹60.72 crore due to operating losses ranging from ₹2.63 crore to ₹38.41 crore, during 2014-19.

## Audit findings

### Acquisition and allotment of land to industries

5.7 Availability of land is the key for development of industrial infrastructure. Successive IPRs entrusted responsibility to IDCO to identify land and obtain the same on lease basis from the GoO for onward allotment to large industries after collecting 10 *per cent* of land value towards administrative charges. In the process, IDCO was to pass on the incentive on land in the form of concessional rates to the industries under IPR. The overall position of acquisition and allotment of land by IDCO as of March 2019 is given below:

**Table 5.1: Position of acquisition and allotment of land by IDCO as of March 2019**

*(area in acres up to two decimal places)*

	Government	Private	Total
Land for Large Industries			
Applied	43,586.40	86,395.83	1,29,982.23
Acquired	24,704.59	49,825.67	74,530.26
Allotted	22,104.39	44,932.29	67,036.68
Land for MSME in IAs / IEs			
Acquired	24,084.28	0	24,084.28
Allotted	14,649.09	0	14,649.09

*(Source: Information furnished by IDCO)*

Scrutiny of acquisition/allotment of land for the large industries during the period 2014-15 to 2018-19 revealed the following:

### ***Implementation of Land Bank scheme and inability to frame Regulations for allotment of land***

**5.7.1** IPR 2007 directed IDCO to vigorously implement the Land Bank scheme to ensure orderly industrial growth in the State in cooperation with Revenue & Disaster Management (R&DM) Department. R&DM Department notified (November 2015) land to be included under category 'A', which were to be handed over to IDCO on requisition at prevailing IPR rates for onward allotment to already selected industries with ready to use status, and category 'B', which were kept in reserve for which project priority had not been finalised. The aforesaid notification also directed IDCO to frame suitable regulations for allotment of land to industries from Land Bank in a fair and transparent manner.

Audit observed the following in the implementation of the Land Bank scheme by IDCO.

- The MoU with Industries Department had envisaged target for creating a Land Bank of 15,000 acres under category 'A' and 85,000 acres under category 'B' during the year 2016-17. As against this, IDCO could create Land Bank of 62,725.05 acres<sup>50</sup> (62.73 per cent) as of March 2019.
- Out of the land so acquired, Audit test checked the detailed status of category 'A' land of 9,157.50 acres in six districts<sup>51</sup> and observed that 3,524.65 acres (38 per cent) of land was under encroachment, litigation and included land surrendered to Government which was not readily available for allotment thus seriously constraining the objective of handing over such land to industries for ready use.

IDCO stated (August 2020) that the matter was being pursued with the district level authorities for getting more land and steps were being taken to allot land wherever possible or for reverting the land to Government wherever allotment was not feasible.

- IDCO could not formulate the regulations for allotment of land from Land Bank as per the principles laid down in the notification (November 2015) by GoO. Absence of such Regulations potentially impacted the achievement of the objective of allotment of land in a fair and transparent manner as was observed in audit in case of allotment of land to social infrastructure projects as discussed in **Paragraph 5.8.8**.

IDCO stated (August 2020) that Land Regulation, 2016 included the provisions for allotment of land including land from the Land Bank. The reply was not correct as provisions for allotment of land from the Land Bank were not included in the Land Regulation, 2016. In addition, specific regulations for allotment from Land Bank for different projects, including social infrastructure, were not formulated.

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<sup>50</sup> Category 'A' 12,728.82 acres and category 'B' 49,996.23 acres.

<sup>51</sup> Dhenkanal, Jharsuguda, Jagatsingpur, Boudh, Cuttack and Khordha.

### ***Acquisition of excess land for large industries***

**5.7.2** Under the Odisha Industries (Facilitation) Act, 2004, Industrial Promotion & Investment Corporation of Odisha Limited (IPICOL), a State PSU, in terms of its role as the Single Window Clearance Authority (SWCA), recommended (October 2006 to February 2009) land requirements at the rate of one acre for one MW of power generation capacity to coal based Thermal Power Plants (TPPs), as per the norms of Central Electricity Authority (CEA). IPICOL stipulated that their recommendations were subject to further assessments by IDCO.

CEA also reviewed its earlier report on land requirement in 2010 and recommended for reduction in land requirement urging the Government agencies for meeting the objective of optimum utilization of land. Further, R&DM Department directed (May 2012) that while leasing out land IDCO should go by a realistic assessment of land requirement to avoid a situation under which a promoter succeeded in getting more land than required.

Audit observed the following cases:

- IDCO was acquiring land for requirement of 11 TPPs (till January 2020) at the previously recommended rate of one acre for one MW. Audit scrutiny revealed that a total of 2,400 acres of land was recommended (February 2009) in favour of only one out of 11 TPPs *i.e.*, Sterlite Energy Limited (SEL) for their 2,400 MW TPP. Accordingly, IDCO allotted land measuring 536.46 acres. SEL commissioned (April 2012) and synchronized its 2,400 MW TPP in this allotted land. Despite this, IDCO was in the process of acquisition of further 1,097.65 acres of land for that TPP without any review for reduction as per aforesaid recommendation of CEA/GoO or a review of actual requirement.
- In another case, IDCO applied for 3,190 acres of land to the Government in favour of Vedanta Limited (VL) for establishment of a 0.25 MTPA Aluminium smelter plant including nine captive TPPs of 1,215 MW (9x135 MW) at Jharsuguda. IPICOL recommended (December 2005) 3,350 acres of land for the project. As against this, IDCO allotted 2,166.06 acres to VL as of March 2019. The smelter plants were operational and its TPPs were already commissioned (July 2008). During scrutiny, it was observed that out of 2,166.06 acres of land allotted, VL had diverted (April 2009) 544.82 acres of land for its other manufacturing units under the Special Economic Zone (SEZ) scheme. Despite allotment of excess land, which was now being utilized for setting up an SEZ, IDCO was still (March 2020) in the process of acquisition of further 1,023.94 acres (3,190 acres – 2,166.06 acres) of land for VL.

Thus, without adhering to the recommendations of CEA, which gave general guidelines for reduction in requirement and assessing any further requirement in consultation with IPICOL, IDCO was acquiring additional land even after the primary objective of such acquisition was achieved.

IDCO stated (August 2020) that they did not possess the required technical expertise to assess land requirement. Hence, they followed the recommendation of IPICOL. Moreover, the future expansion of the project was also taken into consideration.

The reply was untenable as both the plants had already been commissioned in the land allotted to them. Hence, any further acquisition for the above plants should have been referred to IPICOL for their technical assessment. Moreover, GoO also entrusted the responsibility for realistic assessment to IDCO to check allotment beyond requirement.

**Recommendation 1:** IDCO should be in regular consultation with IPICOL for technical inputs in terms of the requirements of land as per the latest guidelines. Adherence to Government guidelines should be ensured while allotting land to different industries so that a scarce resource is prudently allotted. Active steps need to be taken so that excess land is not allotted and leakage of Government revenue is stopped.

#### **Allotment of land to TPPs at concessional IPR rates**

**5.7.3** IPR 2007 defines a “New Industrial Unit” as an industrial unit which goes into commercial production within three years from the date of starting its first fixed capital investment for large industries. Such units are eligible for incentive of land at a concessional rate. IPR 2015 states that industrial units covered under earlier IPRs shall continue to enjoy the incentives, if admissible under the said policy as per certain eligibility conditions. However, it included TPPs under negative list rendering them ineligible for fiscal incentives and for allotment of land at concessional rates.

IDCO allotted (November 2015 to February 2017) 117 acres of government land to two TPPs<sup>52</sup> (Lanco and GMR) after notification of IPR 2015. IDCO collected land premium at concessional rate of ₹2 lakh to ₹4 lakh against benchmark/market value of ₹10 lakh to ₹12 lakh from Lanco and GMR citing that they were eligible under IPR 2007. It was, however, observed in audit that both the TPPs failed to commence commercial production within the prescribed period<sup>53</sup>, which was an eligibility condition under IPR 2007. Hence, both the TPPs were not eligible for allotment of land at concessional rates under earlier IPR and were required to pay the land premium as per market rate. Therefore, IDCO was required to realise differential land dues of ₹9.13 crore<sup>54</sup> from them as per IPR 2015.

Non-realisation of such differential dues also led to short recovery of administrative charges to the extent of ₹0.91 crore (10 per cent of differential land cost).

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<sup>52</sup> Lanco (58.78 acres) and GMR (58.22 acres).

<sup>53</sup> Lanco started capital investment in March 2012 and commercial production has not yet started. GMR started capital investment in January 2009 and commercial production started in April 2013.

<sup>54</sup> Lanco: {11.58 acres x (₹10 lakh - ₹4 lakh) + 47.20 acres x ((₹10 lakh - ₹2 lakh))}, GMR: 58.22 acres (₹12 lakh - ₹4 lakh).



IDCO stated (August 2020) that all these projects had commenced the construction of their plant for which they were eligible for land at concessional rates under IPR 2007. GoO stated in the Exit Conference that TPPs were not eligible for fiscal incentives but eligible for concessional land under IPR 2015. The contention was not acceptable as these units were not eligible for incentives, including land at concessional rate under IPR 2007, as they did not commence commercial production within the stipulated time of three years.

***Short realisation of premium and administrative charges in allotment of land to TATA for SEZ and DTA projects***

**5.7.4** Government of Odisha signed an MoU with TATA Iron and Steel Company Limited (TISCO) on 28 August 1995 for an integrated steel plant at Gopalpur in Ganjam District. In order to meet the requirement of land for that project, District Collector, Ganjam sanctioned 537.82 acres of government land in favour of IDCO between April and December 1996 with the stipulation that if the land was not utilised for the intended purpose, the same would revert to the R&DM Department. The sanction orders were valid for execution of lease deeds within six months. Subsequently, IDCO handed over advance possession of the said government land to TISCO between September 1996 and January 1997. Although, lease deeds were not executed, TISCO paid land cost to IDCO at the rate of ₹75,000 per acre *i.e.*, as per rate prescribed by IPR 1996.

TISCO, however, did not utilize the land for the intended purpose and had offered (August 2002) to utilize the land for SEZ projects. Accordingly, GoO cancelled the MoU with TISCO in 2003. IDCO, however, did not take any initiative to renew the sanction order or take back the land and restore the same with the Revenue Authorities as was stipulated in the sanction letters. Subsequently, R&DM Department decided that the land acquired for the steel plant at Gopalpur would instead be utilized for development of multiproduct SEZ (October 2007) and for Domestic Tariff Area (DTA) projects (June 2018).

Accordingly, between December 2014 and November 2018, IDCO re-allotted 537.82 acres of government land, already given as advance possession to TISCO more than a decade and half back, for the new SEZ and DTA projects. IDCO allotted 162.47 acres of government land for SEZ projects in December 2014 at IPR 1996 rate of ₹75,000 per acre instead of prevailing IPR 2007 rate of ₹2 lakh per acre. Similarly, IDCO allotted 375.35 acres of government land for DTA projects during October/November 2018 also at ₹75,000 against the current IPR 2015 rate of ₹4 lakh per acre. This resulted in short realisation of ₹14.23 crore towards premium and ₹1.42 crore as its administrative charges on the allotment of 537.82 acres of government land to TISCO.

CMD, IDCO stated (August 2020) during the Exit Conference that it was difficult to separate the private land from the government land in view of their contiguity (for resumption purposes as the land co-existed).

The contention was untenable as there was a clear sanction of 537.82 acres of government land which should have been taken back by IDCO in terms of the

sanction letter and after the cancellation of MoU in 2003 land should have been allotted afresh for SEZ and DTA projects at prevailing rates to safeguard revenues.

### ***Non-monitoring of payment of Ground Rent and Cess***

**5.7.5 (i)** IDCO had been executing lease deeds for 99 years with GoO for alienation of government land and acquisition of private land. As per the terms of the deeds, IDCO is liable to pay in advance the Ground Rent (GR) at the rate of one *per cent* and Cess at the rate of 0.75 *per cent* per annum on the land premium to the GoO on the second day of January each year. IDCO, in turn made similar stipulations for recovery of GR and Cess in the lease deeds executed with the industries. Audit observed that:

- As of March 2019, GR and Cess worth ₹18.52 crore was outstanding against allotment of 58,773.91 acres of land due to default in payment by 139 allottee industries. The defaulted GR and Cess amount was also not deposited by IDCO with GoO. The reason for such lapses was lack of monitoring by IDCO in identifying/short listing the defaulting industries in time as it did not maintain the data base towards the annual payment of GR and Cess by the industries.
- Further in case of private land GR and Cess were chargeable by GoO only after correction of RoRs. IDCO did not pursue the correction of RoRs in case of private land of 44,932.29 acres. This resulted in loss to the State exchequer amounting to ₹33.16 crore *per annum* since April 2019 (calculated at the rate of one *per cent* GR and 0.75 *per cent* cess on the minimum value of land as notified under IPR 2015).

IDCO stated (August 2020) that steps were being taken to collect the GR and Cess and this process had now been included into ERP through a separate module. However, IDCO caused a loss to Government exchequer. Steps must be taken to prevent such loss by correction of RoRs on priority.

**5.7.5 (ii)** IPR 2015 stipulated the concessional rates of government land for alienation and transfer to IDCO and to levy GR and Cess on the land value specified therein. R&DM Department, however, continued charging the GR and Cess on the market value of land instead of the value stipulated in the IPR. Further, R&DM Department stated (September 2017) that cases where IDCO had made payment of annual GR and Cess on the market value of the land, the amount collected in excess shall be treated as advance payment of annual GR and Cess for the succeeding years. Audit observed that:

- Six allottees to whom 1,068.29 acres of government land was allotted after the notification of IPR 2015, paid excess amount towards GR and Cess on the market value of land. In the process, audit observed that R&DM Department charged GR of ₹0.87 crore and Cess of ₹0.66 crore (total ₹1.53 crore) at market value of land instead of GR of ₹0.14 crore and Cess of ₹0.11 crore (total ₹0.25 crore) at the concessional IPR rate. As a result, the allottees paid an excess amount of ₹1.28 crore towards GR and Cess. Also, IDCO had not yet (January 2020) approached the R&DM Department for

revision/rectification of the lease deeds. Inaction of both R&DM Department and IDCO in this regard is a disincentive to the promoters. IDCO accepted the audit observation and stated (August 2020) that they had approached GoO for revision of lease deeds. However, for now it has been done in respect of allotment of only 118.55 acres of Government land.

### ***Collection of excess administrative charges on allotment of land***

**5.7.6** Considering the responsibilities like identification of land and preparation of land plan *etc.*, GoO allowed (July 2002) IDCO to charge 10 *per cent* of land cost ) only as administrative charges. Audit test checked the allotment of 4,975.26 acres land during 2014-15 to 2018-19 and observed that IDCO collected administrative charges at the rate of 10 *per cent* on the total cost of the land which included statutory dues like GR, Cess and incidental charges resulting in excess collection of ₹5.37 crore which was a disincentive to the entrepreneurs.

Government accepted the observation during Exit Conference and advised IDCO for necessary action accordingly.

### ***Blockage of funds due to delay in utilisation of the acquired land at four locations***

**5.7.7** Successive IPRs made IDCO responsible for acquisition of land to develop IEs and IAs with enabling infrastructure for their onward allotment to the entrepreneurs. IDCO was asked to undertake comprehensive land zoning plan for development of IEs and IAs along with comprehensive land management regulations.

Between March 1999 and March 2015, IDCO had initiated proposals to acquire 1,432.57 acres of land by paying ₹31.32 crore including ₹2.06 crore towards GR and Cess to develop IEs/IAs at four locations<sup>55</sup> in the State. Out of 1,432.57 acres, only 324.27 acres were acquired but this also remained unutilized for periods ranging from 4 to 21 years. It was observed in audit that IDCO failed in discharging its primary responsibility for identification of suitable land and consequent non-acquisition in case of Remuna, despite payment of ₹20.69 crore and non-utilisation of acquired land in Dhamnagar, Bisiapada and Panchpada.

In case of Remuna, IDCO failed to implement its own decision taken in October 2016 to pay the enhanced premium demanded by the revenue authorities till date, resulting in non-acquisition of the land.

Possession of the acquired land at Dhamnagar could not be taken as the boundary wall could not be constructed due to encroachment and public resistance. In case of Panchpada, the land was unsuitable due to encroachment and the intervening railway line and state highway. Similarly, in case of Bisiapada, the land had been encroached by local people. In all these three

<sup>55</sup> Bisiapada, Panchpada, Dhamnagar, Remuna.

cases, the unsuitability could have been discovered through a diligent process of identification.

IDCO accepted the observation and stated (August 2020) that 59.62 out of 217.71 acres of land in Dhamnagar had already been allotted to M/s IOCL. In other cases, the matter was under process with GoO at different levels. Hence, the above cases were affected by absence of due diligence by IDCO in discharging its primary responsibility of identification of suitable land which resulted in delay in acquisition as well as non-utilisation of acquired land.

**Recommendation 2:** IDCO must put in place an effective mechanism for timely identification and acquisition of suitable land for IEs and IAs, through diligent survey in terms of hassle free possession as well as ensure compliance with relevant laws relating to land acquisition.

## 5.8 Development and maintenance of IEs/IAs

### Development of IEs/IAs by IDCO

**5.8.1** OIIDC Act, 1980 entrusted IDCO with the function to establish and manage IEs/IAs at places notified by GoO. IDCO was primarily responsible for identification of land, preparation of land plan and for expediting the land acquisition process till handing over of possession in the areas notified by the State Government to the industrial entrepreneurs.

For development and maintenance of IAs/IEs, IDCO was authorised under the Act to recover the development cost from the allottees towards creation of infrastructural facilities viz., roads, drains, water and electricity, waste management system and earmarked area for green belt in the IEs/IAs. IDCO also collected administrative charges at the rate of 10 per cent of land value as a component of land cost.

As of March 2019, there were 116 IEs/IAs with a total area of 24,084.27 acres under the management and control of IDCO. The percentage of utilization of area in the IEs/IAs varied from 0 to 100 per cent as depicted in the table below.

**Table 5.2: Utilisation of area in the IEs/IAs**

No. of IEs/IAs	Total Area (in acres)	Allotted Area (in acres)	Percentage of area allotted
14	313.48	Nil	0
25	2,772.47	220.50	up to 25
17	1,425.47	589.28	25 to 50
38	16,608.96	11,421.04	50 to 75
22	2,963.90	2,418.27	above 75
<b>116</b>	<b>24,084.28</b>	<b>14,649.09</b>	<b>~ 61</b>

(Source: Records of IDCO)

Only 61 per cent of the total area had been allotted leaving 39 per cent unutilised till date (August 2020). Out of 116 IAs/IEs, no allotment had been made in 14 IAs/IEs with available area of 313.48 acres.

In this backdrop the reasons of non-utilisation of area were analysed by Audit in the five selected divisions as below:

- As of March 2019, IDCO had allotted 44.92 out of 50.47 acres of land at Kholadwar IE without notification of the same as IE and without any action plan for providing infrastructural facilities.

IDCO stated (August 2020) that they had requested GoO (December 2019) to notify 50.47 acres of land as IE at Kholadwar.

- IDCO did not have any uniform development plan to decide the percentage of land to be earmarked for provisioning of the aforesaid infrastructural facilities which resulted in lack of uniformity in availability of such facilities. Land available for such facilities varied from 14.34 *per cent* (11.650 out of 81.25 acres in Bamani IE) to 37.37 *per cent* (4.66 out of 12.47 acres in Kapileswarpur IE) in four IEs<sup>56</sup> while there was no plan for such facilities in the case of seven IEs<sup>57</sup> with 411.81 acres of land.

While accepting the facts, IDCO stated (August 2020) that preparation of uniform development plan was under process.

- In five IEs<sup>58</sup>, with a total area of 202.54 acres of land, no allotment could be made as they were unsuitable for industrialisation due to encroachments, presence of overhead electrical lines, non-contiguous land parcels, RoR problems, *etc.*

IDCO stated (August 2020) that allotments were not made in absence of receipt of proposals. The contention was not acceptable as IDCO was primarily responsible for identification of land and preparation of land plan, *etc.*

- There was under-valuation of developmental costs worth ₹1.30 crore at Kapileswarpur IE due to consideration of total land instead of allottable land as was done for other IEs while calculating land rate<sup>59</sup>. Similarly, IDCO did not revise the land rate of Sainkula IE to recover the additional cost of ₹1.59 crore incurred for construction of boundary wall at the site.

IDCO stated (August 2020) that action was being taken for recovery of the differential dues.

- The Industries Department constituted Industrial Infrastructure Development Fund (IIDF) under IPR 2015, with an initial corpus of ₹100 crore to assist timely implementation of external infrastructure like road, power, water and waste management for industries. IDCO had so far availed ₹38.24 crore against project proposals worth ₹86.50 crore relating

<sup>56</sup> Kapileshwarpur, Auto Nagar, Ambapua and Bamani IEs.

<sup>57</sup> Balarampur, Bitargarh, Bileipada, Rengali, Sainkula, Kholadwar and Kamakyanagar.

<sup>58</sup> Ambapua- 4.97 acres, Kamakhynagar- 5.00 acres, Bhitargarh- 118.70 acres, Bileipada- 52.70 acres and Rengali- 21.17 acres.

<sup>59</sup> (Land premium + development cost) / allottable area, where allottable area means total area – area earmarked for different infrastructural facilities.

to the period 2017-18 for development of external infrastructure at seven IEs/IAs. The balance amount of ₹48.26 crore was not released by Industries Department as IDCO had submitted the Utilisation Certificates for ₹23.80 crore only. Hence, IDCO failed to provide required infrastructure for which funds were available.

IDCO accepted the audit observation and stated (August 2020) that they would endeavour to complete all the projects at the earliest with better planning.

**Recommendation 3:** IDCO should exercise due diligence for identification of suitable land for industrial use and ensure its timely notification by the GoO as IAs/IEs. Appropriate development plan should also be prepared and implemented for required infrastructure development which is a critical prerequisite to help allottees set up units and for timely development of

### **Water supply arrangement at IAs/IEs**

**5.8.2** The Odisha Irrigation Rules 1961 (as amended in 2010) stipulated that industries would lift water from the Government sources after execution of agreement with Department of Water Resources (DoWR). Drawing of water without agreement was liable to penal water charges at six times the normal rate. IDCO was drawing water from Government sources for supply to only three<sup>60</sup> out of 116 IEs against recovery of water charges from the allottees. In another 18 IEs, IDCO arranged water supply by making own arrangements. In the remaining 95 IEs, the allottees had their own arrangement by tapping ground water for which IDCO did not have any information and control. In absence of agreement by IDCO, those industries were unauthorisedly using the ground water without paying water charges. IDCO failed to act upon the GoO direction (June 2015) to seal such unauthorised sources of use of ground water and to execute agreement with DoWR.

Lack of monitoring un-authorised utilisation of water resources in IAs/IEs also led to failure on the part of IDCO to submit data required by GoO for monitoring of depletion of ground water by them with the objective of drawing a sectoral status of ground water utilisation in the State.

The following deficiencies were also noticed regarding use of water in IEs where IDCO executed agreements:

- IDCO unauthorisedly supplied (April 2015 to August 2015) water from Government sources to industries in Kalinganagar industrial complex without executing agreement with DoWR. DoWR, thus, claimed penal water charges worth ₹6.57 crore from IDCO for unauthorised use of water for that period. IDCO, however, did not pay the penal dues till September 2019 for which they had received (October 2019) the increased demand of ₹21.56 crore including interest.

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<sup>60</sup> Kalinga Nagar Industrial Complex (KNIC), Kalunga and Khordha.

- The supply of water by IDCO to IEs<sup>61</sup> in Khurda was governed by a bulk water supply agreement under PPP mode from October 2018. Under the agreement, IDCO was committed to draw 13.19 Million Litres per Day (MLD) volume of water and to pay for the same at the approved rate even if the actual drawl fell short. Audit observed that IDCO could draw only 5 MLD water during the period from October 2018 to June 2020. This created a liability for IDCO to pay ₹13.88 crore for the entire agreed quantity of 13.19 MLD. The reasons for not being able to draw projected water was due to lack of allotment of land by IDCO to potential allottees as envisaged at Sea Food Park, Deras and Infovalley projects. The basis of projection of 13.19 MLD was also not clear in audit.

IDCO replied (August 2020) that lack of clarity on the issue of deposit of Water Conservation Fund (WCF) did not materialize and impacted the execution of appropriate agreement with DoWR and payment for lifting of water. The reply was not relevant as the WCF was passed by a resolution of DoWR in November 2015 only and the observation pertained to the period before 2015. Also, IDCO stated that the monitoring arrangement was being put into ERP through a specific module. The fact, however, remained that IDCO despite being a Government body did not comply with the relevant statute regarding use of a scarce resource like ground water

### *Irregularities in allotment of land in the IEs/IAs*

**5.8.3** Industries Department notified 10 IEs/IAs under Section 14 (ii) of the OIIDC Act during 2014-15 to 2018-19 with 636.66 acres of allottable land, out of which IDCO had allotted 197.73 acres of land to 14 industrial units. Secondly, without required notification, 62.16 acres of land were allotted to 18 units in Kholadwar and Sea Food Park, Deras having 139.25 acres of allottable land, with provisional valuation. Audit noted that IDCO failed to comply with the stipulation of allotment as decided by the Board (March 2017) for collection of differential land value in case of subsequent fixation of a higher value after notification of the said land as Industrial Estates. This resulted in short recovery as below:

**Table 5.3: Short realization of land value**

Sl. No.	Name of the industrial unit	Area allotted (in acre)	Land value as per Board decision	Land value collected	Short recovery
<i>(₹ in crore)</i>					
<b>Kholadwar</b>					
1	Kalinga Bio Fortichem	0.48	0.21	0.15	0.06
2	Sobha Industries	1.00	0.43	0.30	0.13
3	ITC	26.00	11.24	7.80	3.44
	ITC	4.00	2.59	1.80	0.79
4	Calsen Private Limited	1.00	0.43	0.30	0.13
<b>Total</b>		<b>32.48</b>	14.90	10.35	<b>4.55</b>
<b>Ramdaspur</b>					
1	Jay Bharat Spices Private Limited	14.00	3.50	1.19	2.31

<sup>61</sup> Infovalley; Sea Food Park, Deras; and Khurda, IE.

Sl. No.	Name of the industrial unit	Area allotted (in acre)	Land value as per Board decision	Land value collected	Short recovery
2	Precasters India Limited	12.08	3.02	1.03	1.99
3	M.K Plast Private Limited	3.00	0.75	0.45	0.30
<b>Total</b>		<b>29.08</b>	<b>7.27</b>	<b>2.67</b>	<b>4.60</b>
<b>Jaymangal</b>					
1	M/s Suguna Foods	3.00	1.34	1.20	0.14
2	M/s Malani Foams	18.20	8.11	7.28	0.83
<b>Total</b>		<b>21.20</b>	<b>9.45</b>	<b>8.48</b>	<b>0.97</b>
<b>Sea Food Park</b>					
1	Sabri foods	4.10	2.87	2.46	0.41
2	Coastal Corporation	4.28	3.00	2.57	0.43
<b>Total</b>		<b>8.38</b>	<b>5.87</b>	<b>5.03</b>	<b>0.84</b>
<b>Grand Total</b>		<b>91.14</b>			<b>10.96</b>

(Source: Records of IDCO)

Audit analysed the allotment of the above land and observed the following:

- IDCO allotted 32.48 acres of land to four units in Kholadwara IE at the rate of ₹30 lakh per acre during the period 2015-16 without approval of Price Fixation Committee (PFC)/Board<sup>62</sup>. The allotment orders stipulated that the land cost was provisional which would be revised on receipt of instructions of Government/IDCO Board and the differential cost, if any, would be recovered. Though BoD approved the land rate in its meeting held in August 2016 at ₹43.22 lakh per acre, IDCO did not demand the differential cost of ₹4.55 crore from the four units.

IDCO stated (August 2020) that the land rate was so fixed with prospective effect and hence not applicable to the units. The contention was not acceptable as the allotment order specifically stipulated that land cost was provisional subject to revision on receipt of instruction from GoO and IDCO Board.

- IDCO allotted 29.08 acres of land at Ramdaspur IE to three industries<sup>63</sup> prior to its notification (August 2018) at the bare land rate of ₹8.50 lakh per acre with the condition to recover the differential land rate in case the area was developed into an IE. Board approved the land rate at ₹25 lakh per acre and allotted 30 acres of land to 15 units. But IDCO did not collect the differential land value of ₹4.60 crore from those three units.

IDCO stated (August 2020) that recovery was not made in case of the cited units as they were allotted before revision of the land cost. The reply was not acceptable as it was decided (10 March 2017) by the Board to recover the differential land cost if it was revised in the future.

- The land rate of Jayamangal IE was neither fixed by PFC nor approved by the Board till date (December 2019). IDCO allotted 3 acres of land to M/s

<sup>62</sup> As per the Land Regulations, 2016 IDCO determined the land premium approved by the Board through the Premium/Price Fixation Committee constituted by the Corporation.

<sup>63</sup> Jay Bharat Spices, Precasters India Limited and M.K Plast Private Limited.



Suguna Foods and 18.20 acres to M/s Malani Foams at the rate of ₹40 lakh per acre without considering its own administrative charges of 10 *per cent* *i.e.*, ₹0.97 crore resulting in short recovery of land cost to that extent.

IDCO stated (August 2020) that the land value was fixed by the Board at ₹40 lakh per acre. The reply was not relevant as it was silent regarding non-realisation of administrative charges.

- IDCO approved (August 2016) the land cost of ₹70 lakh per acre for the Sea Food Park, Deras with an early bird discount (EBD) price of ₹60 lakh per acre up to March 2019, with the approval of the Board. It was further observed that the Board on 27 March 2019 did not approve the extension of the early bird discount beyond 31 March 2019. IDCO, however, allotted (May 2019) 4.10 acres of land to M/s Sabri Food Products and 4.28 acres of land (June 2019) to M/s Coastal Corporation at EBD price of ₹60 lakh per acre resulting in short realisation of ₹ 83.80 lakh.

IDCO stated (August 2020) that early bird discount was allowed to the above parties as the demand letters were issued to them before 31 March 2019 although allotments were made later. The reply was not acceptable as it was decided in the Land Allotment Committee (LAC) meeting on 23 December 2016 that all allotments should be made at the rate prevailing on the date of allotment and not on the date of issue of demand letter.

### ***Effectiveness of LAC as part of single window clearance***

**5.8.4** IDCO constituted the Land Allotment Committee, as a part of single window clearance mechanism, to be convened on 15<sup>th</sup> of every month to deal with recommendations from Single Window Clearance Authority and issue of allotment letters to allottees within eight days.

It was, however, observed that the same was not followed as only 23 (50 *per cent*) meetings were held by March 2019 out of 46 stipulated meetings. During the period 2014-19, IDCO issued allotment letters to 164 industries after a gap of 53 to 2401 days (more than six years) from the recommendations of SWCAs. The main reason for such delays was non-conducting of regular LAC meetings.

While accepting the fact, IDCO stated (August 2020) that steps were being taken to convene the LAC meetings regularly for allotment of land in favour of industrial units. Odisha ranked lowest in the Ease of Doing Business (EoDB) for the year 2019. Hence, it is incumbent on IDCO to ensure that the LAC mechanism and its collaboration with SWCA proceeds as envisaged to give boost to the provision of critical inputs for industrial infrastructure. There has been deterioration in Odisha's EoDB rank as it slipped from 7<sup>th</sup> in 2015 to 29<sup>th</sup> in 2019 EoDB ranking.

### ***Allotment of land at concessional rates to industries under negative list***

**5.8.5** The IPRs specified categories of units under negative list which were neither eligible for fiscal incentives such as interest subsidies, exemption of

stamp duties, etc. nor for allotment of land at concessional rates in the State, but were eligible for investment facilitation and allotment of land under normal rules at benchmark value (BMV)<sup>64</sup>/ market rate. Further, as per the Master Circular issued in July 2016 regarding allotment of land, IDCO could charge 15 per cent above the industrial land rate for allotment of land to the units coming under negative list under the IPRs.

Audit observed that IDCO allotted 26.87 acres of land at its 9 IEs at the prevailing land rates to 14 out of 100 industrial units coming under the negative list (*Annexure-9*) of IPRs without obtaining the BMV of the land from the respective sub-registrars. This resulted in short realisation of land cost worth ₹13.34 crore in the above allotments.

IDCO accepted the audit observation and stated (August 2020) that steps were being taken for realisation of dues as per BMV.

#### ***Post Allotment proposals of land at IEs/ IAs***

**5.8.6** IDCO was carrying out post allotment proposals at its IEs/IAs based on provisions of the Master Circular and the decisions/guidelines of its Board issued from time to time. The post allotment proposals included transfer of lease hold property from the original allottee and change of activities for which original allotment was made. IDCO, during 2014-19, approved 150 post allotment proposals relating to transfer of lease hold properties and change of activities involving 107.62 acres of land in seven divisions<sup>65</sup>.

In this regard, Audit observed the following:

##### ***i. Transfer of mis-utilised/un-utilised land***

As per the provisions of allotment letters, IDCO had the right to resume back the leased land if the same was not used for the purpose for which it was leased out. Similarly, Land Regulations, 2016 empowered IDCO to permit the allottee to transfer his land, provided the land was un-utilised or utilized for unauthorised purpose. Audit noticed that IDCO allowed (2014-19) transfer of lease hold properties of 36 units with 39.81 acres of land which were either lying un-utilised or being mis-utilised by the units for purposes other than for which allotments were made, against normal transfer fees of ₹2.57 crore. IDCO did not resume the aforesaid land for carrying out fresh allotment at the prevailing price, which resulted in short recovery of ₹23.06 crore.

IDCO stated (August 2020) that transfer of land was done as per terms and conditions envisaged in Regulation 2016 and Master Circular. The reply was not acceptable as the Regulation 2016 vide Clause 19 allows transfer of land subject to the condition that such land was not lying vacant and there was no violation of terms and conditions of the lease agreement with the Corporation by the allottee.

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<sup>64</sup> Benchmark value is the market driven price of land determined by GoO.

<sup>65</sup> Angul, Jajpur, Sambalpur, Cuttack, Berhampur, MSME-I and MSME-II.

ii. ***Transfer of land/change of activity at pre-revised land rate***

Board of Directors of IDCO fixed (September 2014) rates of transfer fees as percentage (5 to 15 *per cent*) on prevailing land value depending upon the period of utilisation of land which would be increased by 1.5 times for change of activity *i.e.*, from industrial to social infrastructure like hospitals and health services and by 2.5 times for change of activity *i.e.*, hotels, multiplex, *etc.* under Bhubaneswar Municipal Corporation area.

Audit observed that IDCO approved (August 2015) the mutual transfer of leasehold interest of 0.39 acre of land of M/s Vignesh Chemtech Private Limited in favour of M/s Kasi Equipments at Chandaka IE with change of activity from industrial to multiplex. IDCO also approved change of activity from industrial to super specialty hospital at Mancheswar IE for 3.30 acres in favour of M/s Ipitex International Private Limited. In both the cases, transfer of land was allowed at pre-revised land rate of ₹0.75 crore instead of prevailing rate of ₹1.25 crore. Thus, there was short realisation of transfer fees worth ₹4.14 crore due to non-application of the prevailing land rate as above in violation to the directions of the Board.

IDCO stated (August 2020) that the transfer fee was calculated on land cost prevailing at the time of application. The reply was not acceptable as the relevant Board Resolution (September 2014) did not specify the prevailing rate to be the rate prevailing on the time of application. IDCO was also collecting such fees as per rate prevailing on the date of allotment rather than date of application in other cases. Further, mere application does not create any obligation on either party. Hence, the date of allotment should have been considered with reference to prevailing rate at the time of allotment.

***Excess collection of GR and Cess from the allottees at IEs/IAs***

**5.8.7** In terms of the lease deed executed by IDCO with GoO, IDCO was liable to pay Ground Rent and Cess at the rate of 1 *per cent* and 0.75 *per cent* of the land premium respectively. In compliance with instructions (September 1996) of Industries Department, IDCO was paying GR and Cess to GoO on the land premium only *i.e.*, land value excluding the development cost. The resolution of Board dated 17 May 2016 also approved charging GR and Cess on the land value excluding developmental cost.

Audit test checked 36 IEs in five selected divisions and found that IDCO had allotted 313.69 acres of land during the period covered under audit and collected ₹2.62 crore towards GR and Cess by charging on land value including development cost. However, IDCO paid ₹0.32 crore as per demand raised by the GoO which was charged on land premium only resulting in excess collection of GR and Cess of ₹2.30 crore from the allottees which was a disincentive for them.

While accepting the observation, IDCO stated (August 2020) that necessary action would be taken.

***Allotment of land to Educational Institutions for promotion of social infrastructure***

**5.8.8** IDCO, in its 61<sup>st</sup> BoD meeting held on 04 December 2003 approved guidelines to create separate institutional zones (20 *per cent* of the saleable land) at its IEs/IAs to accommodate educational, professional institutions *etc.* and to allot the land at 1.5 times of the prevailing land rate applicable for industrial use. The IPR 2015 had also recommended (August 2015) for promotion of high quality social infrastructure to sustain industrial development in the State and directed IDCO to issue separate notifications on the rates for allotment of land to select category of social infrastructures like educational and medical institutions. Clause 15 (3) of the Land Regulations 2016 notified by IDCO stipulated that while allotting land for social infrastructure projects, market demand price was to be considered with other overhead charges for determining the land premium. Audit observed that:

- i. IDCO allotted 106.13 acres of land before notification of Land Regulations, 2016 *i.e.*, February 2017 at rate applicable to industries instead of enhanced rate (1.5 times) in violation of the aforesaid decision of the Board, to four educational institutions at two IEs for the social infrastructure projects resulting in short recovery of ₹2.77crore<sup>66</sup>.

IDCO stated (August 2020) that land has been allotted considering the rates on the basis of IPR and OIIDC Act. This was not acceptable in view of the specific decision taken by the Board in this regard as quoted above. In case of St. Siridi Sai Educational Society, IDCO stated that the allotment was made on back to back basis on the basis of Government order. This was not acceptable as the Government order for allotment of land did not specify the price to be collected which should have been collected as per Board resolution.

- ii. IDCO allotted 65.21 acres of land to six institutions<sup>67</sup> at three IEs after notification of the Land Regulations, 2016 at the rate which was 1.5 times of the existing rate for IEs instead of determining the land rate by considering the BMV as stipulated in the Regulations. This resulted in short recovery of ₹15.52 crore.

IDCO stated (August 2020) that application of BMV would contradict the principle of allotment of land on lease basis. This was not acceptable as IDCO leases out land to industries at IPR rate or at BMV/market rate as prescribed under clause 16 (3) of IPR 2015 and clause 15 (3) of Land Regulation 2016. Secondly, in terms of IDCO office order dated 15 May

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<sup>66</sup> Birla Institute of Management Technology-29.40 acres (₹1.03 crore), International Management Institute-15.84 acres (₹0.55 crore), International Institute of Information Technology-23.24 acres (₹0.81 crore) and St. Siridi Sai Educational Society-37.65 acres (₹0.38 crore).

<sup>67</sup> Centurion University of Technology and Management-13.35 acres, Asian Institute of Public Health-20.00 acres, CIPET-15.00 acres, Swosti Institute of Management and Social Science-2.00 acres, Cohen International-10.00 acres and St. Siridi Sai Educational Institute-4.86 acres.

2017, the units not eligible for land at concessional rate were liable to pay land cost at BMV/market rate during the time of allotment.

- iii. Besides, IDCO had allotted the entire land at Ramchandrapur IA to Centurion University of Technology and Management (CUTM) in violation of the Board's decision to allot land up to 20 *per cent* of the saleable land for the social infrastructure projects in an IE/IA.

It was evident from above that IDCO allotted land to the above educational institutions at lower rates resulting in short realization of ₹18.29 crore.

***Non-review of the project implementation activities of the allottees at IEs/IAs***

**5.8.9** Section 34 of the OIIDC Act, 1980 stipulated provisions for acquisition of un-utilised surplus land at IAs and allotment to other industries. IDCO provisionally allotted land/plots to the industries at IEs/IAs with the condition to start civil construction and commercial production within six months and three years respectively from the date of possession, failing which the land/plot would be reverted to IDCO free from all encumbrances.

As per the said provisions, Board shall carry out six monthly reviews to ascertain that the plot allotted in an IA was utilised for the industrial purpose so that any un-utilised area could be utilised for any other purpose under this Act.

In this context, the Board (25 September 2014) directed all the divisional heads of IDCO to strictly monitor utilisation and mis-utilisation of land and take immediate action as per rules and decided to impose penalty at double the normal transfer fee or differential land premium whichever was higher, for transfer of land to third parties without prior consent of IDCO.

However, no such monitoring was done by the Divisional Managers during the period 2014-15 to 2018-19. Consequently, Board was also not informed regarding utilisation of allotted land. It was revealed only in 2019-20, when IDCO conducted physical verification, that 1,128.99 acres of land allotted to 1,267 units remained un-utilised as the units were either closed or not working.

In this connection audit observed the following deficiencies:

- As IDCO did not carry out periodical physical verification, it had no data base to determine the periods for which such land parcels were kept unutilized or were being mis-utilised. Considering the prevailing land rate, the present land value of 1,128.99 acres of un-utilised land at the 47 IEs/IAs was arrived at ₹517.32 crore.
- Such non-review of land utilisation status also resulted in non-recovery of Infrastructure Maintenance Charges (IMC) worth ₹2.65 crore from 319 allottees as of March 2019. From the only physical verification report conducted during May 2019 to September 2019, it was noticed that 98 out

of 319 units were either not working or closed against whom IMC worth ₹1.72 crore was outstanding.

- IDCO failed to recover penalty of ₹17.14 crore in compliance with the decision (September 2014) of the Board from 10 industrial units at Mancheswar and Chandaka IEs which had sublet their 11.84 acres of land to third parties without prior consent of IDCO.

Hence, failure of the Divisional Managers to conduct periodical review of the utilisation of allotted land as per the Act not only affected the finances of IDCO adversely but also deprived it of the ability to plan for better and rightful utilization of land and infrastructure in the interest of industrial promotion.

IDCO stated (Aug 2020) that divisional heads were strictly monitoring such cases of non-utilisation/mis-utilisation of land. On the above mentioned issues being pointed out during Exit Conference, GoO, while accepting the observations, stated that necessary action would be taken.

### **Development of industrial parks under Government of India schemes**

**5.9** Successive IPRs entrusted specific responsibility to IDCO to develop industrial parks, both general and sector specific, through adequate provisioning of land and allied infrastructure. IDCO executed various schemes of GoI on its own or by forming Joint Ventures (JV)/Special Purpose Vehicles (SPV) for development of industrial parks. The projects were sanctioned under GoI scheme based on the project proposal submitted by IDCO. During the period from 2014-19, IDCO was in the process of developing five projects sanctioned by GoI. An analysis of five such projects which were under different stages of development revealed the following:

#### ***Development of Aluminium Park at Angul***

**5.9.1** Government of India sanctioned (March 2015) a project for development of Aluminium Park at Angul to be constructed on 454 acres of land at a cost of ₹184.69 crore. The project was sanctioned under Modified Industrial Infrastructure Upgradation Scheme (MIUS) under which GoI contribution was limited to 50 per cent of the project cost subject to a ceiling of ₹50 crore. The project cost was revised (August 2015) to ₹99.60 crore in 223 acres to be developed within two years under Phase-I. The project cost mainly included infrastructure development of land acquired by IDCO. The project was sanctioned for development of downstream Aluminium industries in the project area by supply of molten metal from NALCO<sup>68</sup>. IDCO formed (July 2010) a JV<sup>69</sup> Company with NALCO for execution of the project. As of March 2019, the JV Company received ₹42.07 crore (GoO-₹32.04 crore and GoI-₹10.03 crore) as grant and ₹33.11 crore (IDCO-₹16.89 crore and NALCO- ₹16.22 crore) as equity. In this regard, Audit observed that:

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<sup>68</sup> National Aluminium Company Limited.

<sup>69</sup> Angul Aluminium Park Limited.

- Construction of an approach road by the JV Company was stopped by NALCO before its completion as it was planned for construction partly on land belonging to NALCO. This led to increase in project cost due to wasteful expenditure of ₹2.56 crore already incurred on such construction.
- The JV Company, which should have developed the project within two years from the date of approval (August 2015), could spend only ₹10.67 crore (10.71 *per cent* of the project cost) towards construction of internal road, external approach road and electrical infrastructure *etc.* out of the funds received, even though 51 months had elapsed from the date of approval. It also did not develop basic infrastructure like approach roads, roads for transportation of molten metal, power and water supply. This led to non-payment of dues amounting to ₹44.13 crore by the allottees who insisted that infrastructure be completed for them to set up their units.
- IDCO, without ensuring the availability of required 3.29 lakh MTPA of molten metal, had gone ahead with developmental activities though NALCO only committed for supplying 0.50 lakh MTPA.
- Government of India decided (June 2018) to close the project in view of the dismal progress of the work and instructed (November 2018) IDCO to refund ₹9.88 crore along with interest to GoI. IDCO requested (January 2020) GoI for reconsideration of the above decision where upon GoI set the deadline as July 2020 for completion of the project. Audit noted that IDCO had set its internal target for completion of all works as December 2020.

The above, along with utilisation of only 14 *per cent* of available funds, indicated lack of project planning on the part of IDCO for better implementation of the project which envisaged direct employment of 2,500 and indirect employment of 5,000 in the promoted industries.

While accepting the above observations on inefficient and ineffective project implementation during the Exit Conference, GoO stated that necessary action would be taken by IDCO for implementation of the project.

### ***Development of Sea Food Park at Deras***

**5.9.2** Government of India sanctioned (November 2015) establishment of a Sea Food Park at Deras under Mega Food Park Scheme. The project was to be developed over an area of 152.78 acres at a total cost of ₹125.42 crore within 30 months from the date of sanction/approval. The project envisaged construction of one Central Processing Centre (CPC) at Deras and three Primary Processing Centres (PPCs) at Balasore, Jagatsinghpur and Ganjam.

As of October 2019, IDCO had received ₹37.79 crore from GoI as central grant, obtained term loan of ₹24 crore and contributed ₹45.42 crore as promoters' contribution. Out of this, IDCO had spent ₹105.30 crore towards development of the project including the cost of land. In this regard, Audit observed the following:

- The construction of CPC and PPCs were still in progress. As per the scheme guidelines, the completion of the project meant operationalisation of CPC and PPCs, allotment of at least 75 *per cent* of total leasable area and commencement of operations of at least 25 *per cent* of the units. However, it was seen that only 19.42 *per cent* (17.24 out of 88.78 acres of land meant for allotment) of the land could be allotted to five industries even after 19 months from scheduled date of completion. The allottees could not start operations as the basic infrastructure like construction of suitable approach roads had not yet been taken up. The units observed (February 2018) that the existing roads, though widened, were inadequate for regular running of their refrigerated containers.
- IDCO had acquired 199.66 acres of government land for the project in non-municipal area but paid cost of the land applicable for municipal areas which was higher. This resulted in excess payment of ₹6.09 crore. Further, 41.10 acres of land was encroached by the Horticulture Department, the cost of which was absorbed in the land rate. This had also inflated the land cost by ₹0.13 crore per acre which adversely affected the allotments of land in the project area.
- IDCO had called for offer letters from banks to avail term loan for Deras project. Odisha State Co-operative Bank and Allahabad Bank offered loan at the rate of 6.60 *per cent* and 9.70 *per cent* respectively. IDCO availed term loan from Allahabad Bank which was offering a higher rate of interest. This resulted in payment of ₹0.74 crore extra interest *per annum*, thereby further increasing the cost of land.

While accepting the above observations during the Exit Conference, GoO stated that necessary action would be taken by IDCO for implementation of the project.

### ***Development of Plastic Park at Paradeep***

**5.9.3** IDCO incorporated (June 2013) an SPV *i.e.*, Paradeep Plastic Park Limited (PPPL) for development of a plastic park at Paradeep in compliance with the plastic park scheme of GoI. The project was approved by GoI (October 2013) with a project cost of ₹106.78 crore on 120 acres of land with scheduled completion period of three years. IDCO obtained approval for the project on the basis of its declaration that the land required for the project was immediately available with it without hindrance. During the period from December 2013 to October 2019, PPPL received ₹31.84 crore from GoI as central grant and ₹29.31 crore from IDCO towards equity contribution. In order to make the project viable, GoO released (February/June 2018) grants worth ₹19.99 crore. An additional amount of ₹24.12 crore under IIDF (Industrial Infrastructure Development Fund) scheme of GoO was received (March 2018) by IDCO for construction of approach roads. Expenditure of ₹98.85 crore as of December 2019 had been incurred in the development of this project. In this regard, Audit observed that:



- IDCO awarded (April 2016) the work of development of internal infrastructure of the project after a delay of more than 30 months from the approval due to hindrance from land owners regarding settlement of their claims. This was in contrast to the fact intimated to GoI in July 2013 that land was immediately available. The work was further delayed due to delay in submission of drawings and design by the consultant, delay in decision making by IDCO regarding laying of water supply and sewerage lines, low land with water logging, *etc.* As IDCO failed to provide basic infrastructural facilities at sites like approach road, power and water supply, it could allot only 2.08 acres to one industry in the project.
- External approach road to the project site was incurred from IIDF fund of GoO. However, ₹2.04 crore incurred for the same was included in the land cost of 120 acres, thereby, inflating the per acre land rate of the project.
- Equity contribution for the project were to be borne by the SPV members with IDCO's contribution of ₹7.62 crore. However, due to initial delay in taking up of the project, IDCO was not able to attract the required number of industries for the Park. Therefore, as per the scheme guidelines and commitment as principal promoter, IDCO had to contribute the excess equity of ₹21.69 crore on behalf of SPV members.

While accepting the facts, IDCO stated (August 2020) that consent letters for contribution from GoO and IOCL have already been received and contribution would be sought from prospective entrepreneurs as and when their production starts. Further, during the Exit Conference, GoO stated that necessary action would be taken by IDCO for implementation of the project.

#### ***Development of PCPIR at Paradeep***

**5.9.4** Government of India notified (December 2010) the scheme for setting up of Petroleum, Chemical and Petrochemical Investment Region (PCPIR) at Paradeep. The total investment envisaged for the project was ₹2,77,734 crore to be developed in two phases. The Phase-I of PCPIR required total 22,232 acres out of which 13,572 acres of land were under possession by the existing industries. The remaining 8,660 acres of land were to be acquired by IDCO during 2010-20 as per project proposal. Audit observed that:

- As of November 2019, IDCO had acquired only 1,277.88 acres of land for the project by incurring ₹181.89 crore out of its own funds. IDCO also incurred additional ₹16.52 crore towards project development and various professional studies<sup>70</sup>. IDCO, however, could not finalise the master plan specifying the land use for the project as per Policy Guidelines attached to the scheme, even after a delay of nine years from the notification. Such abnormal delay in project implementation was contrary to the facilitation role assigned to IDCO for industrial promotion.

<sup>70</sup> Environmental Impact Analysis (EIA), Environment Management Plan (EMP), preparation of Master Plan and water availability study report.

- Government of Odisha committed to provide ₹200 crore to IDCO for acquisition of land for the project. However, expenditure incurred by IDCO worth ₹181.89 crore is yet to be reimbursed by GoO. IDCO has also never approached GoO for funding after February 2011.

While accepting the above observations during the Exit Conference, GoO stated that necessary action would be taken by IDCO for implementation of the projects.

### ***Development of EMC Park***

**5.9.5** Government of India approved (September 2016) establishment of an Electronic Manufacturing Cluster (EMC) over an area of 203.37 acres at a cost of ₹200.75 crore (including GoI grant of ₹93.09 crore) to be completed within 19 months. IDCO formed (December 2016) an SPV *i.e.*, Odisha Electronic Park Limited (OEPL) for execution of the project. OEPL received (July 2017) ₹18.62 crore towards GoI grant and ₹21.67 crore from Odisha Computer Application Centre as contribution (April 2017) of SPV partner. Besides, IDCO had also invested (February 2015) ₹5.24 crore as promoter's contribution.

Audit observed that as of September 2019, an amount of ₹21.58 crore (10.75 *per cent*) was spent by IDCO towards infrastructure development for the project. However, the project work could not be started in time due to law and order issues at project sites. Only 7 out of 115.82 acres of available land was allotted to two industries in the project area. As a result, even after 36 months of inception, the project was at a nascent stage.

While accepting the above observation during the Exit Conference, GoO stated that necessary action would be taken by IDCO for implementation of the projects.

As may be observed from the above, non-completion of the GoI projects was mainly attributable to inefficient and ineffective mobilization of resources by IDCO in terms of availability of required land, lack of development of infrastructural facilities on available land, lack of feasibility study for required raw material *etc.* Consequently, such non-completion of the GoI projects impeded the very purpose of establishment of industries and employment generation in the State despite lapse of considerable time and blockage of significant capital. As of December 2019, an amount of ₹434.81 crore spent by IDCO in these schemes remained blocked due to delay in completion of the project. Further, an amount of ₹174.43 crore received by IDCO towards grant for the projects remained un-utilised.

### **Making available buildings on hire**

**5.10** IDCO constructed Office-cum-Commercial Complexes (business towers) for renting out for industrial purpose. IDCO rented out space to tenants at the rate per sq.ft. of area by signing agreements and collected water, energy charges and holding tax as per actual from the tenants. Audit observed the following:

### ***Allotment of space at Business Towers on rent***

**5.10.1** IDCO had three business towers<sup>71</sup> with 4, 98,686 sq.ft. of allottable space out of which 95,934 sq. ft. (19.24 *per cent*) remained (August 2019) vacant for a period ranging from 6 to 75 months. IDCO did not have any mechanism to review the situation and take appropriate measures for utilization of the vacant space. From the rented out space, IDCO had outstanding dues worth ₹11.08 crore from 48 tenants towards rent, energy charges and air conditioning charges. IDCO had not calculated interest on overdue amount as per provision in the agreement due to non-maintenance of proper records. Audit observed that non-collection of dues was mainly on account of improper maintenance of data, non-renewal of agreements in time, dispute with tenants, non-maintenance of lifts, *etc.* The renting of business tower had significant inefficiencies built-in, because of the above mentioned reasons.

IDCO stated (Aug 2020) that observations made by audit were noted and steps would be taken to realise the arrears.

### ***Construction of Business Towers outside Bhubaneswar***

**5.10.2** As a special drive for business expansion, IDCO proposed (October 2013) to construct office-cum-commercial complexes at Jharsuguda, Dhenkanal, and Balasore. In this regard, Audit observed the following:

- IDCO paid (July 2015) ₹0.72 crore to a consultant for preparation of DPR for the proposed building over an area of 5.58 acres of land at Balasore. However, 2.64 acres of land was occupied by the DIC Office and RoR of 2.94 acres of land was still in the name of M/s Raniganj Tile Factory. Thus, without ascertaining the ownership of land, IDCO had incurred ₹0.72 crore towards preparation of a DPR for construction of the complex at Balasore which was yet to be taken up (August 2020). IDCO awarded (December 2014) the work at Dhenkanal at a cost of ₹26.14 crore to the contractor. Due to RoR problem, location of the work changed which (November 2015) required a change in design due to increase in plinth area by 29 *per cent* and a revised estimate of ₹36.11 crore was framed (March 2017) by IDCO.

As per terms and conditions with the contractor, payment of the unit cost in excess of 25 *per cent* of the work order quantity would be paid at current schedule of rates instead of the contracted rates. Despite the change in work site and increase in work content, IDCO did not revise the work order with the contractor based on revised estimate. As a result, the contractor was paid at current schedule of rates for the work beyond 25 *per cent* of original quantity instead of beyond 25 *per cent* of the increased quantity. Consequently, payment at a higher rate was made for more work quantity leading to an extra expenditure of ₹2.70 crore out of which an amount of ₹0.58 crore had already been paid to the contractor (June 2019). The work at Jharsuguda was awarded (March 2017) after a

<sup>71</sup> IDCO Tower (G+10), Fortune Tower (G+7) and Tower-2000 (G+6).

delay of more than three years as the tender for the work could not be finalised due to claims of the bidders for Service Tax. After cancellation of tenders for third time (January 2015), tender was invited for fourth time in October 2015 accepting the claim of Service Tax. Hence, the delay was mainly attributable to the lack of clarity on the implication of relevant statute on the tender.

GoO accepted the observations in course of Exit Conference and stated that necessary action would be taken.

Hence IDCO failed to make detailed study of the sites and execute efficient and effective contract management in its bid to provide rented space for industrial promotion outside Bhubaneswar.

**Recommendation 4:** *Since huge investment is made for providing rented space to the entrepreneurs, IDCO should develop capacity to ensure economy, efficiency and effectiveness in building up such facilities through prudent contract management.*

## Financial Management, Internal Control and Monitoring

**5.11** IDCO invested its surplus funds as per the guidelines issued by Finance Department, GoO by inviting bids for rates of interest through Expression of Interest (EOI). As of 31 March 2019, IDCO had invested a total sum of ₹816.13 crore as Fixed Deposits (FDs), out of which a sum of ₹55.63 crore was kept as lien against Bank Guarantees (BG). Audit observed the following deficiencies in investment of surplus funds:

- i. IDCO had kept huge amounts in sweep deposit accounts instead of term deposits which provided higher interest rate of 6.01 to 9.60 *per cent*. As of March 2018, ₹201.43 crore had been invested in the sweep deposits, out of which, ₹107.86 crore had been kept in two banks (SBI and Indian Bank) from which no transaction was made since December 2013. Such sweep deposits earned interest of ₹12.37 crore. IDCO could have earned interest of ₹17.50 crore had the amount been invested in term deposit. Such non-investment in term deposit resulted in loss of interest worth ₹5.13 crore.
- ii. It was observed that the banks were providing higher interest rate of 6.25 *per cent* to 9 *per cent* for investment of funds in lower slab (*i.e.*, up to ₹10 crore) against higher slab (*i.e.*, beyond ₹10 crore) yielding interest of 6.01 to 8.81 *per cent*. During the period 2014-19, IDCO invested ₹1,263 crore in lower interest rates as it did not segregate its total investment value in lower slabs. This had resulted in loss of ₹5.15 crore towards interest.
- iii. As of March 2019, though IDCO had already returned (December 2013) BGs of ₹2.50 crore, the FDs against the returned BGs were still kept as lien without reinvesting them. This resulted in loss of additional interest of ₹0.57 crore as IDCO earned interest of only ₹2.38 crore against which it

could have earned ₹2.95 crore by reinvesting the same in term deposit immediately after the lien was over.

GoO accepted the audit observations and advised IDCO for necessary control mechanism during Exit Conference. In response, IDCO stated that the required monitoring was being built into the ERP under implementation.

- iv. The Audit Committee formed (October 2016) by IDCO was non-functional since its inception. As a result, the internal control and financial reporting process could not be overseen by the Committee as required under Corporate Governance Manual (Manual).
- v. As per the Manual, all operational areas should come under the purview of Internal Audit. However, it was revealed that the scope of Internal Audit did not include important areas like allotment of land of more than one acre, project implementation activities by the industrial units at IEs/IAs, collection of IMC, GR and Cess from the industries, *etc.* affecting the role of industrial promotion. Consequently, there was no oversight mechanism to ensure that the operational areas were really contributing to the attainment of envisaged role by IDCO. All these had adverse impacts on industrial promotion with loss of associated benefits like employment generation in the State.

GoO accepted the audit observation and assured to take necessary action.

## Conclusion

**Audit noticed that the pace of implementation of the Land Bank scheme by IDCO was slow which did not fulfil requirement of timely availability of land to entrepreneurs as it could acquire only 62,725 acres of land under the scheme notified to acquire a targeted 1,00,000 acres. IDCO also did not secure the acquired land as 38 per cent of category 'A' land acquired was unusable due to encroachment *etc.* and hence could not be allotted to industries for immediate use. Audit noticed that IDCO continued to acquire land for thermal power projects without taking into account their exact requirement and even after these had been completed on the already allotted land, which did not indicate prudent management of a scarce resource. Allotments were also made to ineligible units at concessional rates.**

**IDCO consistently came up short in making proper development plans for providing infrastructural facilities to IAs/IEs, though funds were available, which was a pre-requisite for the units to set up base. Consequently, in the absence of requisite development plans, IDCO's performance in their core role of providing infrastructural facilities for the establishment of IAs/IEs at different strategic locations was not satisfactory. Absence of basic arrangement of water supply for the allottees in 95 out of 116 IAs/IEs resulted in unauthorized exploitation of ground water in violation of relevant statute.**

**Government of India schemes for promotion of industrial parks were being implemented without setting timelines for completion of their individual elements and without ensuring their feasibility parameters for availability of required finance, raw materials and infrastructure support. This led to delays in completion with consequential non-achievement of envisaged employment generation.**

**Absence of effective mechanism for collection of statutory dues like GR and Cess from the allottees resulted in significant outstanding of such charges levied. Loss to state exchequer was estimated at ₹33.16 crore per annum due to non-levy of such charges in respect of private lands as, action to get the Record of Rights corrected was not taken by IDCO.**

**IDCO needs to institute requisite mechanism to ensure that land allotments take place at the correct rates as audit observed instances of inconsistent and incorrect application of the same.**