

Chapter V

Recovery of revenue/dues

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Instances of undue concession to allottees in recovery of revenue from lease premium, transfer charges, Urban Land Ceiling (ULC) Exemption transfer charges, extension charges and sub-letting charges were observed. Irregular grant of instalments for payment of lease premium and non-forfeiture/refund of lease premium in violation of regulations/policy were also observed.

Lack of system for periodic revision of water charges and service charges from the allottees was observed which led to short recovery of expenses. MIDC had not levied and recovered Goods and Services Tax on non exempted services from the plot holders leading to non payment of statutory dues.

MIDC recovers lease premium for allotment of plots besides charges for granting permissions for transfer/sub-lease, sub-letting, time limit extension for development of plot, water charges, service charges *etc.* from allottees.

5.1 Recovery of lease premium

Audit observed that MIDC granted unwarranted concessions in lease premium in cases of land allotment to various private parties as discussed in succeeding paragraphs.

Allotment of alternate plot at old rate in violation of directions of GoM

5.1.1 As per section 18 of the MID Act, the State Government may issue to the MIDC such general or special directions as to policy as it may think necessary or expedient for the purpose of carrying out the purposes of this Act and the MIDC shall be bound to follow and act upon such directions. The GoM had issued (January 1996) directions to MIDC that allotment of alternate land to an allottee due to ‘any reasons whatsoever’, should be made on recovery of lease premium at prevailing rates.

Audit observed that MIDC²⁸ granted (February 2016 to November 2019) alternate land to 23 allottees considering rate at which old plot was allotted. As per GoM directions, differential lease premium of ₹ 9.80 crore should have been recovered from these 23 allottees considering prevailing rates as on the date of allotment of alternate plots and rate at which old allotment was made. Thus, non-levy of prevailing rates for allotment of alternate plot was contrary to GoM directions which resulted in loss of ₹ 9.80 crore (**Annexure 3**). In two similar cases²⁹ of allotment of alternate plots, MIDC however, levied lease premium at prevailing rates based on same directions of GoM which indicated the lack of consistency on part of MIDC in implementing directions of GoM.

²⁸ Approving authority was Board (three cases), Joint CEO (18 case) and Dy CEO (two cases).

²⁹ Vedant Udyog in Akola Growth Center and Soujanya Colour Private Limited in Additional Lote Parshuram IA.

MIDC while citing various reasons³⁰ for allotment of alternate plots at old rates stated (December 2021/August 2022) that in essence, Board was the MIDC with full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. It was further stated that GoM directives pertain to cases where plot locations were changed according to choice of applicant.

Reply is not tenable as the directions of GoM did not mention that the lease premium was to be levied only when the plot location was changed according to the choice of the applicant.

Unwarranted concession in lease premium

5.1.2 Audit observed that MIDC granted unwarranted concession of ₹ 22.18 crore in lease premium to eight allottees in violation of laid down policies. These eight cases are elaborated in **Table 5.1** below:

Table 5.1: Unwarranted concession in lease premium

Sl. No.	Details of cases and MIDC's reply
1 and 2	Continental Surface Solutions Private Limited (CSSPL) in Khandala IA (Phase II) and Emitec Emission Control Technology Private Limited (EECTPL) in Talegaon IA (Phase II)
	As per prevailing policy, lease premium was recoverable from allottees at the rate prevailing on date of issue of offer letter. MIDC issued offer (27 August 2018) letter to two allottees (Continental Surface Solutions Private Limited (CSSPL) in Khandala IA (Phase II) and Emitec Emission Control Technology Private Limited (EECTPL) in Talegaon IA (Phase II)) at prevailing rates. The allottees subsequently requested (January 2019) for levy of pre-revised rate on the ground that the circular for revision in rates was issued (27 August 2018) on date of issue of offer letter to them. MIDC, on directions of the Board, granted (September 2019/January 2020) refund of 50 <i>per cent</i> of differential lease premium of ₹ 2.30 crore ³¹ in these two cases, in violation of prevailing policy of MIDC.
	MIDC stated (December 2021/ August 2022) that Board had taken conscious decision for giving 50 <i>per cent</i> discount instead of 100 <i>per cent</i> discount as requested by the allottees and there was no financial loss to MIDC. Reply is not tenable as such conscious decision in selective cases in violation of laid down policies resulted in financial loss to MIDC.
3 and 4	Shantidoot Solar Industries in Krushnoor IA and Laxmi Vynkatesh Paper Industries in Nanded IA
	As per MIDC policy (March 2016) applicants, who had executed Memorandum of Understanding (MoU) under 'Make in India' programme were eligible for concessional rate (pre-revised rates), if complete proposal with all necessary documents were submitted before 31 March 2016.

³⁰ Plot affected by natural nala, reserved land, obstructions raised by local farmers/residents, absence of basic infrastructure facilities, change in alignment of road *etc.*

³¹ CSSPL: 50 *per cent* of ₹ 11 crore *less* ₹ 10 crore = ₹ 0.50 crore and EECTPL: 50 *per cent* of ₹ 39.54 crore *less* ₹ 35.95 crore = ₹ 1.80 crore.

Audit observed that two allottees (Shantidoot Solar Industries in Krushnoor IA and Laxmi Vynkatesh Paper Industries in Nanded IA) were granted (July 2016/ January 2019) benefit of concessional land rate by RO, Nanded/CEO although they had submitted (June 2016/August 2016) proposals after the cut-off date of 31 March 2016. In both cases, MIDC had correctly applied non-concessional rates in the offer letters issued. However, MIDC granted *post facto* concession in lease premium on ground that parties had executed (February 2016) MoU under Make in India programme, which resulted in loss of ₹ 48.03 lakh³².

MIDC stated (December 2021/August 2022) that concessional rate were granted based on MIDC policy (March 2016) as MoU with GoM was executed within stipulated time limit (February 2016). Reply is incorrect as the allottees were not eligible for benefit under March 2016 policy on account of failure to submit proposal with all necessary documents within the stipulated time limit (31 March 2016).

5, 6 and 7	IFB Refrigeration Limited (IFBRL) in Ranjangaon IA, Hira Balaji Magasavargiya Sahkari Soot Girni Marayadit (HBMSSGM) in Umred IA and Dr. Babasaheb Ambedkar Sahakari Sootgirmi Maryadit in Butibori (Phase II)
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As per the policy of Make in India of MIDC stated above, there was no provision for grant of concession in land rates/lease premium beyond March 2016. Audit, however, observed that MIDC granted (August 2021/October 2020) concession in lease premium/land rates (25 and 50 *per cent*) to two parties (IFB Refrigeration Limited (IFBRL) in Ranjangaon IA and Hira Balaji Magasavargiya Sahkari Soot Girni Marayadit (HBMSSGM) in Umred IA) which resulted in loss of ₹ 15.16 crore. Further, in another case, MIDC, on directions of the Board, granted (June 2017) land admeasuring 60,000 sqm to an allottee (Dr. Babasaheb Ambedkar Sahakari Sootgirmi Maryadit in Butibori (Phase II)) at old land rates of ₹ 520 per sqm (as earlier application of August 2014 was cancelled) as against the prevailing rate of ₹ 1,150 per sqm in the IA resulting in loss of ₹ 3.78 crore³³.

MIDC stated (December 2021/August 2022) that Board has taken decision in two cases (Umred and Butibori IA) to assist and promote co-operative movement to support weaker society through industrial growth. In respect of IFBRL, conscious decision was taken with approval of Board to grant concessional rate to the allottee being an anchor unit, which was a requisite for sanction of proposed Electronics Manufacturing Cluster 2.0. It was further stated that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. MIDC further stated (August 2022) that there is no financial loss to MIDC.

Reply is not tenable as such decisions of allowing concession in land rates/lease premium in selective cases were unfair and in violation of laid down policies.

³² Shantidoot Solar Industries: ₹ 3.50 lakh (₹ 5.83 lakh less ₹ 2.33 lakh) and Laxmi Vynkatesh Paper Industries: ₹ 44.53 lakh (₹ 48.40 lakh less ₹ 3.87 lakh).

³³ 60,000 sqm x ₹ 630 per sqm (₹ 1,150 per sqm – ₹ 520 per sqm).

8	Orange City Laghu Audyogik Sahkari Sanstha in Hingna IA
<p>MIDC issued (August 2019) offer letter for land admeasuring 7,200 sqm in Hingna IA to Orange City Laghu Audyogik Sahkari Sanstha. Subsequently, based on request of the allottee (June 2019), MIDC sub-divided the allotted plot into 11 separate plots (5,424 sqm) and 1,775 sqm for internal roads (in the middle of sub-divided plots) and a separate demand letter was issued (September 2019) for payment of lease premium of ₹ 45.76 lakh towards internal roads in the allotted plot. MIDC submitted (October 2020) before the Board that there was no policy for waiver of charges for area under internal roads in the already allotted plot and hence charges could not be waived. The Board, however, directed (October 2020) for waiver of charges without any justification which resulted in loss of ₹ 45.76 lakh. It is also pertinent to note that Board had previously (March 2020) rejected the request for waiver of charges.</p> <p>MIDC stated (December 2021/August 2022) that Board had taken decision for financial support of small entrepreneurs and Board had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply is not tenable as the decision was taken in violation of prevailing policy.</p>	

Irregular grant of instalments for payment of lease premium

5.1.3 As per Regulation 12 of MIDC DLR; read with MIDC circular (January 2014), in case of direct allotment of land, lease premium was payable in two instalments as 25 per cent on issue of offer letter as Earnest Money Deposit (EMD) and balance 75 per cent within 30 days from date of receipt of allotment order. It was further stipulated that extension for a maximum period of six months (including 30 days) could be granted to an allottee for payment of lease premium on recovery of interest in advance at applicable rates.

Audit observed that MIDC granted permission (March 2021/August 2021) for payment of balance lease premium to India Jewellery Park (IJP) in TTC IA in three installments over a period of four years and to IFB Refrigeration Limited (IFBRL) in Ranjangaon IA in four installments over a period of two years. This led to undue favour of ₹ 68.01 crore³⁴ to the two allottees towards interest which was otherwise payable as per clause 12 of MID DLR.

MIDC stated (December 2021/August 2022) that Board had decided to grant revised schedule to IJP at their request considering Covid-2019 and need to encourage investment and promote employment. In the case of IFBRL, MIDC stated (December 2021/August 2022) that the Board granted concession and instalment facilities to Anchor unit to facilitate development of an Electronic Manufacturing Cluster, attract electronic giants in Maharashtra and also get assistance from Central Government by supporting the Anchor unit. It was further stated that in essence, the Board was MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

³⁴ IJP ₹ 62.09 crore and IFBRL ₹ 5.92 crore.

Reply is not tenable as allowing such benefit was in contravention of Regulation 12 of MIDC DLR and similar benefit was not granted to other allottees.

Non-forfeiting of lease premium

5.1.4 As per MIDC policy (January 2014) and terms and condition of offer letter/allotment order, if balance lease premium was not paid by the allottee within six months from the date of receipt of allotment letter, the allotment was automatically cancelled and lease premium paid as EMD was liable to be forfeited. Further, in case of e-bidding, applicants were required to make payment of five *per cent* of lease premium (at upset rate³⁵) as EMD, which was to be forfeited in case of withdrawal of offer.

Audit observed that MIDC did not forfeit EMD amounting to ₹ 9.24 crore of 32 parties who failed to make payment of 75 *per cent* lease premium within maximum permissible time limit of 180 days. The allotment orders should have been cancelled due to non-payment of lease premium. Instead, MIDC revived the allotment orders and adjusted EMD recovered earlier against lease premium for fresh allotments to these 32 parties (**Annexure 4**). The land rates charged for fresh allotment in these 32 cases also varied, as given in **Table 5.2**.

Table 5.2: Land rates applied for allotment of land

Sl. No.	Rates applied	No of parties
1	Prevailing industrial/commercial rates.	23
2	Highest rate received during e-bidding.	1
3	Prevailing rate or highest rate received in last auction, whichever is higher.	1
4	Highest rate received for commercial plot in e-bidding plus delayed payment charges on balance amount.	4
5	Prevailing rate plus 10 <i>per cent</i> thereon or highest rate in last e-bidding, whichever is higher.	1
6	Allotment rate plus 10 <i>per cent</i> plus payable interest at State Bank of India (SBI) Prime Lending Rate (PLR) or highest rate received in auction plus interest payable as per SBI PLR, whichever is higher.	1
7	Bid rate of the applicant as per allotment order plus interest at SBI PLR rate or last auction commercial rate whichever is higher, plus recovery of interest on BoP.	1
Total		32

(Source: Information furnished by MIDC)

MIDC while citing various reasons³⁶ for non-forfeiture of EMD in these cases, stated (December 2021/August 2022) that Board had taken conscious decision and in essence, Board was the MIDC and had complete authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

³⁵ Upset rate for e-bidding was worked out considering prevailing rate in IA plus 10 *per cent* increase thereon (along with applicable road width charges).

³⁶ Non-availability basic infrastructure in IAs, promotion of co-operative industrial society in larger public interest, natural justice to allottee and development of industry, economically backward/financial condition of applicant, triangular shape of plot, health/medical reason cited by applicant *etc.*

Reply is not tenable as decision in selective cases with different applications of land rates (as shown in **Table 5.2** above) was contrary to the MIDC policy as well as terms and condition of allotment order.

Refund of lease premium in violation of terms and conditions of offer letters

5.1.5 As per MIDC policy (January 2014) and terms and condition of offer letter/allotment order, if balance lease premium was not paid by the allottee within six months from the date of receipt of allotment letter, the allotment would be automatically cancelled and lease premium paid as EMD was liable to be forfeited. Audit observed that MIDC granted (October 2020) refund of EMD of ₹ 3.04 crore to two parties (₹ 1.95 crore to Elmont Infra Private Limited (EIPL) in TTC IA and ₹ 1.09 crore to Sterlite Technologies Limited (STL) in Shendra Five Star IA) instead of forfeiting the same.

MIDC, in respect of an allottee (STL) stated (December 2021/August 2022) that Board had taken the decision to refund the EMD since MIDC was not in a position to allot the required land to allottee for setting up of ultra mega project. Reply is not tenable as the STL had accepted area offered by MIDC for allotment as per offer letter (August 2018) and hence was bound by terms and condition thereof. As regards EIPL, MIDC stated (August 2022) that Board had taken conscious decision considering natural justice on request of the party to refund the amount paid without any deduction as it was not possible to run hotel business in future due to current economic downturn caused by covid-2019 pandemic. It was further stated that in essence, the Board was MIDC and had complete authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act.

Reply is not tenable as the plot was allotted for IT park, commercial buildings and office etc. and not for hotel business. Thus, the reply is factually incorrect and the decision of the Board was in violation of prevailing policy and conditions of offer letter/ allotment order.

5.2 Recovery of other revenue/dues

MIDC recovered charges due from allottees for granting permissions for transfer/sub-lease, sub-letting, time limit extension for development of plot *etc.* The audit observations in this regard are discussed in subsequent paragraphs.

Undue concession in charges for time limit extension

5.2.1 As per prevailing policy, an allottee could be granted time limit extension for development of plot on recovery of non-refundable additional premium at prescribed rates³⁷. Audit observed that MIDC granted undue favour of ₹ 11.08 crore to five private parties on account of unjustified waiver/exemption of applicable extension charges in violation of prevailing policies as detailed in **Table 5.3**.

³⁷ At 25 per cent and 40 per cent of prevailing land rates for first and second two year and at rate of five per cent for next four years (In IAs in A, B and C zone). In respect of allottees from other IAs (D and D plus zone), rate was 10 per cent for first two years and five per cent for next four years.

Table 5.3: Allottees granted unfair concession in extension charges in violation of laid down policy

Sl. No.	Details of cases
1	CEAT Limited (Plot No.G 2-Ambarnath IA)
	<p>As per MIDC policy (March 2013), extension charges were recoverable at 25 <i>per cent</i> of land rate on proportionate basis. Board approved (June 2015) recovery of extension charges for a period of four months from April to July 2016. Accordingly, Regional Office (RO) issued (July 2015) a demand letter to the party for payment of extension charges of ₹ 4.32 crore in accordance with MIDC policy. However, based on remarks of the CEO on the printed draft Board resolution, RO issued revised demand letter (August 2015) for payment of extension charges of ₹ 0.86 crore at lower rate of five <i>per cent</i>. Audit could not find the approval for grant of concessional rate in the confirmed minutes of the subsequent Board meetings. This resulted in loss of ₹ 3.46 crore to MIDC and undue benefit to the party concerned.</p> <p>MIDC stated (December 2021) that Board had taken (June 2015) decision to levy five <i>per cent</i> premium amount and further stated (August 2022) there was mention of recovery of extension charges at rate of 5 <i>per cent</i> in the confirmed minutes. After making necessary correction in minutes, the then CEO took approval for minutes and same is available in record with the MIDC. Reply is incorrect as there was no mention of recovery of extension charges at the rate of five <i>per cent</i> of prevailing rate in the confirmed Board minutes.</p>
2	Phillips India Limited (Plot No.B 78-Chakan-Phase II IA)
	<p>MIDC had no policy to grant waiver of extension charges. The Board, however, granted 50 <i>per cent</i> waiver (June 2019) in applicable extension charges to the allottee amounting to ₹ 3.54 crore.</p> <p>MIDC stated (December 2021) that Board, considering the effective steps taken by the plot holder for development of plot, resolved to waive 50 <i>per cent</i> of extension charges. It was further stated (August 2022) that the Board has discretionary power to decide cases on merit by overruling management's observations based on current policies under MID Act. Reply is not tenable as the decision was in violation of the prevailing policy and MID Act did not provide such discretionary power to the Board.</p>
3	Damani Extrusion (Aluminum) Private Limited (Plot No.D-20/4-Wardha IA)
	<p>The Environmental Clearance (EC) for the proposed activity (manufacture of aluminum extrusion products) was rejected (June 1991) by GoM in view of their policy, which restricted establishment of polluting industry. As such, the allottee should have either surrendered the plot or changed the activity to non-polluting industry, which was not done. Subsequently, after more than 26 years, the Board while considering request of the allottee, approved (November 2017) to recover only 25 <i>per cent</i> of applicable extension charges which resulted in waiver of ₹ 0.17 crore and also granted fresh time period of one year for commencement of new activity.</p> <p>MIDC stated (December 2021/August 2022) that decision was taken by MIDC for industrial growth and employment generation in the IA and considering issues of EC. Board was empowered to take such decisions under MID Act.</p>

Reply is not tenable as the decision was in violation of the prevailing policy and resulted in financial loss to MIDC.

4 Prabhat Dairy Private Limited (Plot No.E 1-Shrirampur IA)

As per MIDC policy (March 2013), free extension could be granted only in case of non-provision of approach road. Non-provision of other infrastructure facilities like water supply was not a ground for free time limit extension under prevailing policy.

The allottee requested for free time limit extension on the ground that water supply was not provided. MIDC, however, noted that approach road was already provided up to the plot before allotment and hence allottee was not eligible for free time limit extension. MIDC accordingly approved (March 2016) time limit extension on recovery of applicable charges. The matter was placed before the Board with proposal of grant of one year time limit extension (March 2016 to March 2017) on recovery of applicable 10 *per cent* extension charges. The Board, however, overruled the management proposal and granted (March 2016) two years free time limit extension up to March 2018 (instead of applicable charges of ₹ 0.88 crore) for construction and obtaining BCC on ground that the allottee could not commence production as necessary water supply was not provided.

Audit further observed that allottee, after obtaining free time limit extension, did not take any action for development of the plot and surrendered the vacant plot in February 2018. MIDC refunded the land premium of ₹ 1.52 crore after deduction of five *per cent* service charges. Thus, the allottee was granted undue benefit of ₹ 0.88 crore on account of free time limit extension for the period March 2016 to March 2018.

MIDC stated (December 2021/August 2022) that Board had considered the request of free extension of time limit for promoting industry but investor had later on declined to move ahead which could not be anticipated in advance. Reply is not tenable as such subjective decision was in violation of the prevailing policy which resulted in financial loss to MIDC.

5 Meyer Organics Private Limited (Plot No.B 7 and B 10-Thane IA)

MIDC granted (February 2015) transfer of a vacant plot to Meyer Organics Private Limited (MOPL) for construction of a private IT Park (third transferee).

As per prevailing policy (June 2013), development period of two years (*i.e.* up to February 2017) was to be granted from date of transfer order. MIDC, however, granted development period upto May 2018, thereby granting free time limit extension of 15 months in violation to the prevailing policies as below:

- Initially, three years development period was granted (February 2015) to MOPL for period up to February 2018 (which is to be granted to new allottees only).
- At request (July 2018) of MOPL, MIDC granted (November 2018) revised development period of three years from May 2015 to May 2018 citing May 2015 policy. As per May 2015 policy, revised development period of three years was applicable from the date of issue of circular (May 2015) to those plot holders, who after obtaining BCC were in production and obtained

demolition permission for redevelopment of plot. MOPL was however not eligible for benefit under the said policy as the plot was vacant and not in production.

Subsequently, MOPL failed to obtain BCC in the revised time limit (May 2018) also and further time limit extension was granted (November 2018) for a period of one year (27 May 2018 to 26 May 2019) on recovery of non-refundable additional premium of ₹ 1.81 crore and BCC was obtained in May 2019.

Audit observed that extension charges for the period from 20 February 2017 to 26 May 2019 worked out to ₹ 4.84 crore. Against this, an amount of ₹ 1.81 crore was recovered due to grant of revised development period which resulted in undue benefit of ₹ 3.03 crore to the party.

MIDC stated (December 2021/August 2022) that redevelopment period was granted as per May 2015 policy which stipulated grant of three years development period in case the development period was not indicated in the demolition permission and hence there was no violation of policy. Reply is not tenable as granting 15 months extension to MOPL was not as per MIDC policy and allottee was not eligible for re-development extension as their plot was vacant.

5.2.2 MIDC introduced two schemes viz. Revival Scheme and Udyog Sanjivani Scheme for facilitating development of non-developed plots.

Revival Scheme

5.2.2.1 MIDC implemented (December 2020/November 2021) a 'revival scheme' for promoting transfer of plots by allottees having land of 20,000 sqm or more for IT/ITES³⁸, Nano Technology, Bio-Tech, IIT Township and other important projects having investment of more than ₹ 500 crore. As per the scheme, allottees, who had requested for transfer of plots were eligible for grant of time limit extension on recovery of concessional extension charges to the extent of 30 per cent of applicable charges. Thus, the scheme was applicable only in case of transfer of plot.

Audit observed that Board granted (February 2021) unwarranted benefit of concession under the scheme to five ineligible allottees³⁹ in three IAs. There was no proposal for transfer of plot in these five cases and as the allottees were not eligible for benefit of the scheme, applicable extension charges were recoverable without any concession. Board, however, directed for recovery of 30 per cent of applicable extension charges⁴⁰ to five allottees which resulted in loss of ₹ 3.01 crore.

³⁸ Information Technology/Information Technology Enabled Services.

³⁹ Baramati Hi-tech Textile Private Limited (Baramati IA/plot no E 1/5: ₹ 0.40 crore), Mahendra Consultancy Services (Ambad IA/plot no 29/6: ₹ 0.94 crore), Shivraj Agro Estate Private Limited (SAEPL) (Baramati IA/plot no E/1/5/A: ₹ 1.09 crore), SAEPL (Baramati IA/plot no E/1/5/B: ₹ 0.40 crore) and Pravin Khodke Memorial Trust (Amravati IA/plot no P 22: ₹ 0.18 crore).

⁴⁰ Applicable charges ₹ 4.31 crore and charges collected ₹ 1.30 crore.

MIDC, while citing various reasons⁴¹ for deviations in these cases, stated (December 2021/August 2022) that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply is not acceptable as such decisions in selective cases were in violation of laid down policies and led to undue benefit to the private parties.

A case where unwarranted free time limit extension as well as undue concession in extension charges was granted under Revival scheme is elaborated below:

Case Study 5.1:

Bajaj Auto Limited (BAL) was eligible for development period upto November 2011 in respect of an allotted industrial plot⁴² admeasuring 7.63 lakh sqm (plot no E 2) in Chakan IA (Phase III). MIDC, with the approval (October 2015) of Chairman, MIDC granted time limit extension from November 2011 to August 2013 on recovery of extension charges of ₹ 24.05 crore (at 5 per cent of prevailing rate). Further, free revised development period from September 2013 to December 2016 was also granted citing reputation of BAL, project investment and employment generation based on commitment of the BAL to obtain BCC within a period one year. Grant of free time limit extension for period from September 2013 to December 2016 was thus contrary to the prevailing policy.

Audit further observed that BAL did not obtain BCC within the revised time limit and show cause notice was issued (April 2017) for surrender of plot. BAL filed (16 May 2017) a petition in Bombay High Court which granted (22 May 2017) stay on taking action as per notice till June 2017. BAL filed application (June 2017) in the Bombay High Court that they would submit request to Chairman, MIDC for not taking action till July 2017, which was granted by Bombay High Court. BAL submitted representation (June 2017) on which hearing was held (February 2019) by Chairman, MIDC and he directed for placing the matter before the Board. MIDC submitted (June 2019) to the Board that applicable extension charges for period from January 2017 to December 2019 was ₹ 233.04 crore as per MIDC policy. The Board, however, granted (June 2019) 50 per cent waiver in applicable extension charges. MIDC issued (August 2019) demand notice to the allottee for payment of extension charges of ₹ 143.83 crore. BAL requested (December 2020) to waive off penalty from the date of filing (May 2017) writ petition in the Bombay High Court against this notice of MIDC for returning of allotted land. The Board, citing delay in court decision as circumstances were beyond control of BAL and COVID 2019, approved (February 2021) benefit under revival scheme (for period from 1 January 2017 to 6 May 2017) and free time limit extension for period from 17 May 2017 to 31 December 2020. Board granted further two years' time limit extension from January 2021 to December 2022 without any justification.

⁴¹ To boost textile activity in Baramati IA, support social cause of educational institute, boosting economy on background of Covid-2019 etc.

⁴² BAL was originally allotted (March 2007) plot admeasuring 9.63 lakh sqm. Of this, 7.63 lakh sqm remained with BAL as balance land was taken back by MIDC.

Audit observed that there was no transfer of plot in the instant case and hence BAL was not eligible for benefit of 70 *per cent* concession in applicable extension charges under revival scheme (January 2017 to May 2017). Further, time limit extension for the period from September 2013 to December 2016 and January 2021 to December 2022 was in violation of prevailing policies. MIDC recovered extension charges of ₹ 9.30 crore (30 *per cent* of January 2017 to May 2017) as against applicable total extension charges of ₹ 217.36 crore for above period (17 May 2017 to 30 June 2021 excluding COVID period⁴³). MIDC thus granted undue concession of ₹ 208.06 crore to BAL in extension charges.

MIDC stated (December 2021/August 2022) that the mandate was not to let a reputed company like BAL move out of Maharashtra but to retain them so that BAL could start their new project so as to utilise their land parcel and bring in investment and generate employment. The decision was taken to hold back a reputed company in Maharashtra and there is no financial loss to MIDC. Reply is not tenable as the decision was in violation of laid down policies and caused loss of ₹ 208.06 crore to MIDC.

Udyog Sanjivani Scheme

5.2.2.2 MIDC implemented (October 2015) Udyog Sanjivani Scheme (USS) for allottees, whose development period had expired up to 31 August 2013. The eligible allottees were granted 50 *per cent* concession in applicable extension charges and were required to obtain Building Completion Certificate (BCC) within stipulated period failing which the land was to be resumed back by MIDC by forfeiting deposited amount. Further, clause 11 of the scheme elaborated that for allottees whose development period had expired after 31 August 2013, the concession in extension charges would not be applicable.

Case Study 5.2:

Audit observed that DLF Info Parks (Pune) Limited (DLF)⁴⁴ was granted revised time schedule for obtaining BCC within three years (by January 2015) from the date of issue of transfer order (January 2012). DLF requested (March 2015) for grant of time limit extension on the plot which was lying vacant. MIDC approved (August 2015) grant of one year time limit extension upto January 2016 subject to recovery of 25 *per cent* extension charges. Accordingly, Regional Office raised (September 2015) demand for payment of extension charges of ₹ 8.17 crore. DLF requested (December 2015) for waiver of extension charges till January 2018, particularly, considering the prevalent tough market conditions. Subsequently, DLF requested (January 2016) for grant of revised development period of three years from date of receipt of Maharashtra Pollution Control Board (MPCB) consent (June 2014 to June 2017) and waiver of extension charges.

⁴³ As per covid policy (24 May 2021) of MIDC, no extension charges were to be recovered for the period from 22 March 2020 to 30 June 2021.

⁴⁴ Land admeasuring 1.20 lakh sqm (plot no 29 and PL 2) at Rajiv Gandhi Information Technology Park, Hinjewadi, Pune (Phase II) was transferred to DLF.

The RO submitted (December 2015) to Head Office that concession under Udyog Sanjivani Scheme (USS) cannot be granted to DLF as per MIDC policy as their development period had expired (on 2 January 2015) after 31 August 2013 and recommended recovery of non-refundable additional premium of ₹ 21.24 crore for time limit extension for two years (January 2015 to January 2017). During processing of this case, CEO, MIDC had noted (January 2016) that allottee had not proved satisfactorily that there were unavoidable circumstances. It was also noted by the CEO that it was responsibility of the developer to obtain all Government approvals/NOC and MIDC was not concerned about whether consent of MPCB was received or not. Despite this, CEO granted (January 2016) concession in extension charges under USS stating that there was doubt whether the development period had expired before 31 August 2013 or later. Accordingly, MIDC granted (June 2016) time limit extension for two years (January 2015 to January 2017) on recovery of ₹10.62 crore under USS against ₹ 21.24 crore levied earlier. MIDC thus granted benefit of ₹ 10.62 crore (50 per cent) to the DLF under the USS in violation of laid down policy.

MIDC stated (December 2021/August 2022) the action of the CEO was as per the policies as he had opined that the delay was beyond the control of plot holder. It was further stated that CEO had levied 50 per cent applicable extension charges, though CEO had authority to grant extension without charges as per MIDC policy (June 2013).

Reply is not tenable as evident from the facts stated above that DLF was not eligible for concession under USS and the benefit was extended violating the laid down policy.

Undue concession in transfer charges

5.2.3 As per prevailing policies, transfer of plot was classified as formal⁴⁵ and non-formal⁴⁶. The formal transfer was granted free of cost or on recovery of Standard Transfer Fee (STF), while non-formal transfer was permitted on recovery of differential premium/STF respectively. In case of non-formal transfer/sub-lease, differential premium was recoverable at 30 per cent of prevailing rates in case plot was vacant or having construction less than 10 per cent/20 per cent⁴⁷ Floor Space Index (FSI), while differential premium was recoverable at 10 per cent in other cases.

Audit observed that MIDC granted undue favour of ₹ 32.33 crore to seven parties on account of ineligible concession in transfer/sub-lease charges in violation of prevailing policies as detailed in **Table 5.4**.

⁴⁵ Formal transfer included transfer due to death *i.e.* bequeath/will/heirship, change in shareholding of allottee Company less than 51 per cent, change in constitution on inclusion of persons in blood relations *etc.*

⁴⁶ Any other transfer which do not cover under formal transfers (as per list) will be treated as non-formal transfer which included inducting individual/change in partners not being blood relations, transfer from one limited Company to another limited Company, from Holding to subsidiary or vice versa, change in shareholding of original shareholders of allottee Company more than 51 per cent shareholding *etc.*

⁴⁷ Criteria of 20 per cent FSI was applicable in case of land allotted from 1 January 2013 onwards.

Table 5.4: Allottees granted undue concession in transfer/sub-lease charges in violation of prevailing policies

Sl. No.	Details of cases
1	Loma IT Park Developers Private Limited (Plot No. Gen 4/1-TTC IA)
	<p>As per prevailing policy (March 2010), differential premium was recoverable considering the area of plot which is subleased as per transfer guidelines. The transfer guidelines stipulated recovery of 30 <i>per cent</i> differential premium in case the area to be transferred was having construction less than 10 <i>per cent</i> FSI.</p> <p>MIDC granted (May 2018) permission to the plot holder for sub-lease of area ad-measuring 13,900 sqm (Loma Co-Developers I Private Limited) and 18,600 sqm (Loma Co-Developers II Private Limited) for a period of thirty years on recovery of 10 <i>per cent</i> differential premium of ₹ 2.05 crore and ₹ 2.74 crore respectively. Out of this, plot area ad-measuring 18,600 sqm, sub-leased to Loma Co-Developers II Private Limited, was vacant and hence 30 <i>per cent</i> differential premium to the extent of ₹ 8.22 crore should have been recovered. MIDC, however, recovered, transfer charges of ₹ 2.74 crore considering 10 <i>per cent</i> differential premium, resulting in short recovery of ₹ 5.49 crore.</p> <p>MIDC stated (December 2021/August 2022) that the original plot holder obtained BCC for more than 20 <i>per cent</i> FSI for entire plot area. Therefore, as per circular guidelines (April 2012) MIDC recovered 10 <i>per cent</i> differential premium. Reply is not tenable as sub-leased plot was vacant and 30 <i>per cent</i> differential premium was recoverable as per MIDC policy.</p>
2	CEAT Limited (Plot No.G2-Ambernath IA)
	<p>As per prevailing policy (November 2013), in the case of a plot allotted to a Company incorporated under the Companies Act, transfer of vacant plot was permitted to its holding/subsidiary/sister Company on recovery of 30 <i>per cent</i> differential premium. The allottee requested for transfer of vacant plot to CEAT Specialty Tyres Limited (subsidiary Company), for which 30 <i>per cent</i> differential premium of ₹ 3.51 crore was recoverable. This was also proposed by Regional Officer, General Manager (Legal) and Dy CEO during processing of the case. The CEO, however, decided (October 2015) to grant permission for transfer on recovery of 10 <i>per cent</i> differential premium of ₹ 1.17 crore which was a deviation from prevailing policy. This resulted in loss of ₹ 2.34 crore to MIDC.</p> <p>MIDC stated (December 2021/August 2022) that it was an administrative decision taken by CEO to levy 10 <i>per cent</i> differential premium with the condition that if the allottee failed to develop the plot within the specific time limit, remaining 20 <i>per cent</i> premium will be charged. The allottee completed construction of 20.30 <i>per cent</i> FSI within the stipulated time limit. Reply is not tenable as the instant case was a deviation from the prevailing policy and hence irregular.</p>

3	Mahindra Heavy Engines Public Limited (Plot No.A 1/1- Chakan Phase IV IA)
<p>As per prevailing policy (January 2013), in case there was change in shareholding pattern beyond 51 <i>per cent</i> of original shareholders of allottee Company, it was treated as non-formal transfer and was permitted on recovery of applicable differential premium. The existing shareholder (Mahindra and Mahindra Limited) of the allottee Company transferred 100 <i>per cent</i> shares to a new legal entity (Mahindra Vehicle Manufacturers Limited) and requested (April/May 2016) MIDC for noting change in name to Mahindra Heavy Engines Public Limited without recovery of any transfer charges.</p> <p>The Legal department of MIDC opined (May/June 2016) that shareholding of the allottee Company had changed beyond 51 <i>per cent</i> and hence MIDC was entitled to recover differential premium being a non-formal transfer. MIDC, however, decided (April 2018) to record change in name without recovery of charges contrary to prevailing policy and legal opinion in the case. This resulted in loss of ₹ 3.24 crore to MIDC.</p> <p>MIDC stated (December 2021/August 2022) there was no change in the shareholding pattern as new shareholder was a subsidiary Company of outgoing majority shareholder which held 100 <i>per cent</i> shares in the new shareholder.</p> <p>Reply is not tenable as shareholding of the allottee Company had changed beyond 51 <i>per cent</i> and hence MIDC was entitled to recover differential premium of ₹ 3.24 crore.</p>	
4	JCB Manufacturing Limited (Plot No.A and B-Talegaon IA)
<p>As per MIDC policy (1998), all involuntary transfers including amalgamation, demergers <i>etc.</i> under the directions of competent court/Tribunal/appropriate Government were treated as formal transfer and STF was to be recovered. Subsequently in August 2011, the Board decided that any scheme of amalgamation framed between entities shall not be treated as formal transfer and shall be permitted on recovery of differential premium. It was also decided that the revised policy would be applicable to all transfer applications received after 12 August 2011. Accordingly, MIDC issued (December 2011) a circular for implementation of revised policy for all transfer applications received after 12 August 2011.</p> <p>The allottee applied (November 2011) for transfer of plot to JCB India Limited as per their scheme of amalgamation. Joint CEO directed (August 2013) to recover differential premium of ₹ 9.41 crore and Regional Office raised (July 2015) the demand. The allottee, however, requested (August 2015) for levy of STF as per 1998 policy on the ground that revised policy was not applicable in their case as their scheme of amalgamation was approved in February 2010. MIDC decided (February 2019) that recovery of differential premium was as per prevailing policy and legal advice. However, the matter was placed before the Board for its decision. The Board approved (February 2019) transfer on recovery of STF on the grounds that amalgamation order and transfer application were prior to date of issue of circular (December 2011). Accordingly, MIDC recovered STF of ₹ 0.80 crore as against differential premium of ₹ 9.41 crore recoverable as per prevailing policy. This resulted in loss of ₹ 8.62 crore to MIDC.</p>	

MIDC stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal by overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit and there is no financial loss to MIDC. Reply of MIDC is not tenable as the transfer application was received from the allottee after 12 August 2011 and hence differential premium was recoverable instead of STF.

5 Firth India Steel Company Limited (Plot No. Gen-40-Hingna IA)

The allottee had obtained (January 1993) BCC for 0.096 FSI. The Debt Recovery Tribunal (DRT) auctioned (August 2017) the plot on account of default of the allottee in repayment of loan of a Bank. The DRT handed over (March 2018) possession of the plot to the highest bidder, namely Goldchip Infraventure Private Limited (GIPL) for their proposed commercial project against the bid amount. GIPL also requested (August 2019) for waiver of transfer charges and interest on outstanding service charges, and Chairman, MIDC directed to place the matter before Board. GIPL also requested (September 2019) MIDC to record their name on the plot.

As per prevailing policy, transfer was permissible on recovery of 30 *per cent* differential premium amounting to ₹ 7.95 crore as FSI was less than 10 *per cent*. Accordingly, the management submitted proposal to the Board for granting transfer permission on recovery of 30 *per cent* differential premium. The Board, however, directed (September 2019) to grant permission for transfer on recovery of differential premium of 10 *per cent* amounting to ₹ 2.65 crore without assigning any reasons for the same. MIDC thus granted undue concession of ₹ 5.30 crore to the party. MIDC issued demand notice (January 2020) to the allottee for payment of differential premium of ₹ 2.65 crore which was also not paid till date (August 2022).

MIDC stated (December 2021) that Board has taken decision for recovery of 10 *per cent* differential premium considering Nagpur region was one of the most economically backward areas of Maharashtra and to boost the economic growth of this region for which industrialization was required. It was further stated (August 2022) that in essence, Board was the MIDC and had full authority under MID Act for allotment of property or undertaking any activity which it deemed fit for fulfilling its duties as per the Act. Reply of MIDC is not tenable as decision was taken in violation of the laid down policy.

6 Mercedes Benz Education Academy (Plot No. P-26/Rajiv Gandhi Information Technology Park Phase I, Hinjewadi IA)

The plot was allotted to Mercedes Benz Education Academy, a registered public charitable trust for educational purpose. The allottee was running a school on the land and requested (September 2019) for change in name to Mahindra International School Academy. MIDC observed that there was change in Managing Committee of the allottee and it was non-formal transfer as per MIDC policy (1998/2013) which attracted recovery of differential premium. Accordingly, MIDC issued (November 2019) demand letter for payment of transfer charges of ₹ 41.52 lakh.

The allottee, however, represented (December 2019) to MIDC for grant of free transfer on the grounds that there was no share transfer and financial consideration. Accordingly, the case was re-examined by MIDC and authority (Legal) opined that there was change/transfer of plot from one legal entity to

another legal entity even though there was no financial consideration/ transaction, which amounted to non-formal transfer and attracted recovery of differential premium. MIDC accordingly, issued (May 2020) demand for payment of transfer charges of ₹ 41.60 lakh with interest at rate of 16.05 *per cent* (from November 2019 till the date of actual payment). The allottee, however, did not make payment and instead requested (June 2020) for grant of free of cost transfer. The CEO stating (September 2020) that there was no policy for grant of waiver of transfer charges to non-profit organization, directed to place the matter before the Board for decision. The Board approved (October 2020) noting the change in name/transfer free of cost on the grounds that there is no transfer of shares in the form of percentage and exchange of financial consideration. This was in violation of prevailing policy and led to short recovery of ₹ 0.42 crore.

MIDC stated (December 2021/August 2022) there was no transfer of shares in the form of a percentage, and as well financial consideration had not been exchanged. Decision had been taken on this issue in the interest of the MIDC and for development of social infrastructure of the region. Board was empowered to take such decisions under MID Act. Reply of MIDC is not tenable as decision violated the laid down policy.

7	Mahindra Gears and Transmission Private Limited (MGTPPL) (Plot No.C-23-Chakan Phase II IA)
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As per the Clause 19 of terms and condition of Agreement to Lease executed (January 2013), plot could be transferred only after five years by recovery of 100 *per cent* differential premium. MGTPPL requested (November 2015) for change in their shareholding pattern. There was change (June 2013) in shareholding beyond 51 *per cent* which amounted to non-formal transfer permissible on recovery of 100 *per cent* differential premium. MIDC, after obtaining (May 2016) legal opinion, issued (April 2018) demand letter for payment of transfer charges of ₹ 7.90 crore (100 *per cent* differential premium) as per terms and condition of the lease agreement. MGTPPL, however, requested (May 2018) for levy of transfer charges considering 10 *per cent* differential premium. The Board, while accepting (April 2021) that 100 *per cent* differential premium (₹ 7.90 crore) was demanded as per the then prevailing policy of January 2008, directed (April 2021) for recovery of transfer charges as per revised policy (July 2020) which provided that only 10 *per cent* differential premium was applicable. Accordingly, MIDC noted (June 2021) change in shareholding pattern and name of allottee on recovery of differential premium of ₹ 97.61 lakh. Thus, undue concession of ₹ 6.92 crore was granted to the party.

MIDC stated (December 2021) that Board, considering allottee was subsidiary of a Fortune 500 listed company, had taken conscious decision to waive off the applied charges and recover 10 *per cent* differential premium as per the prevailing policy. Board was empowered to take such decisions under MID Act. MIDC stated (August 2022) that merits on which the Board took this conscious decision was mentioned in the earlier reply and there is no financial loss to MIDC.

As the demand was already issued (April 2018) as per terms and conditions of the agreement to lease, application of revised policy in this case was not justified.

Transfer of plot without recovery of applicable Urban Land Ceiling (ULC) exemption transfer charges.

5.2.3.1 SI Group India Private Limited (formerly Schenectdy Herdillia Chemicals Limited) submitted (November 2021) an application to Maharashtra Industrial Development Corporation (MIDC) for transfer of their industrial plot (Gen 2/1/A) admeasuring 3.07 lakh sqm in Trans Thane Creek (TTC) Industrial Area to Gramercy Trade Industries Private Limited (transferee). Chairman, MIDC decided (December 2021) to grant permission for transfer of plot to the transferee for undertaking petrochemical and specialty chemicals activities subject to payment/fulfilment of the following conditions and post facto approval of the Board:

- Payment of differential premium⁴⁸ of ₹ 6.37 crore for proposed current transfer and balance amount of ₹ 21.83 crore for differential premium of previous transfers (total differential premium ₹ 28.20 crore).
- Submission of one-year Bank Guarantee from transferee for an amount of ₹ 77.66 crore towards ULC exemption transfer charges which was to be encashed in case of order of GoM. The transferee was liable to pay differential amount, if ULC premium was more than the amount of Bank Guarantee furnished; and
- Submission of indemnity bond from transferee regarding payment of ULC exemption transfer charges for earlier transfers as per final decision of the GoM.
- Withdrawal of all court cases filed by allottee⁴⁹ in the High Court, Mumbai and/or any court of Law by the allottee.

The transferee submitted undertaking cum indemnity Bond (December 2021) regarding payment of ULC transfer charges as per final order of GoM. The Board granted approval for transfer of plot in January 2022. The transferee paid (3 February 2022) the differential premium of ₹ 28.20 crore and also submitted Bank Guarantee (8 February 2022) of ₹ 77.66 crore towards ULC exemption transfer charges. MIDC issued (8 February 2022) a transfer order granting permission to the plot holder to transfer plot in favour of transferee. The transferee also withdrew unconditionally the writ petition filed in the Hon'ble High Court, Mumbai.

⁴⁸ Differential premium means difference between land rate prevailing as on the date of application of transfer of plot and rate at time of allotment/last transfer of plot. As per prevailing MIDC policies, transfer of plot are classified into two categories namely formal (such as transfer due to death *i.e.* bequeath/will/heirship, change in constitution on inclusion of persons in blood relations *etc.*) and any other transfer which do not cover under formal transfers (inducting individual/change in partners not being blood relations, transfer from one limited Company to another limited Company, from Holding to subsidiary or vice versa, change in shareholding of original shareholders of allottee Company *etc.* The formal transfer are granted either free of cost or on payment of Standard Transfer Fee (STF).

⁴⁹ The allottee had filed (July 2016) a writ petition in High Court, Bombay against the demand order issued by MIDC (June 2010) (reminded in December 2015) for payment of differential premium for non-formal transfer as per prevailing MIDC policy (change in name of the allottee Company and change in shareholding). The final order/decision from High Court, Mumbai in this regard was pending as on the date of transfer order issued (8 February 2022) by MIDC.

It was observed that;

- MIDC had granted (May 1978/February 1980/July 1993) exemption under section 20 of the Urban Land Ceiling (Ceiling and Regulation) Act, 1976 to M/s Herdilia Chemicals Limited for the allotted plot. The GoM had issued (23 June 2021) a Government Resolution (GR) whereby it was directed that ULC exemption transfer charges were not recoverable in case the exempted land was transferred for industrial purpose. The GoM further directed (August 2021) MIDC to recover ULC exemption transfer charges in case of transfers of exempted plot prior to June 2021 GR, as per the then prevailing policy/GRs of the GoM⁵⁰ as on the date of transfer (along with interest) where such ULC charges were not previously recovered by MIDC. Accordingly, ULC exemption transfer charges of ₹ 77.66 crore (along with interest) were recoverable from the plot for the earlier transfer (June 2010) *i.e.* prior to June 2021, as per GoM GR (23 November 2007), which were not recovered by MIDC prior to issue of transfer order.
- Subsequently, Board of MIDC directed (December 2022) to recover outstanding ULC exemption transfer charges with interest thereon from the plot holder. Accordingly, MIDC issued (23 February 2023) a demand letter to SI Group India Private Limited and Gramercy Trade Industries Private Limited for payment of ULC exemption transfer charges of ₹ 77.66 crore along with interest of ₹ 149.16 crore for the period from June 2010 to February 2022 plus GST ₹ 40.83 crore, amounting to ₹ 267.65 crore. The charges were, however, not paid till date (June 2023) and the validity of the BG had expired (4 February 2023).
- MIDC, on the directions (March 2023/May 2023) of GoM, had submitted (March 2023/June 2023) a detailed report to GoM for orders/directives regarding recovery of ULC transfer charges. Final decision of the GoM in this case regarding recovery of ULC exemption transfer charges was awaited (June 2023).

MIDC stated (8 June 2023), that Board had passed a Resolution (January 2022) to transfer the plot by taking BG in lieu of ULC transfer exemption charges to be paid therein. Also indemnity was taken from the entity so it would deposit entire amount of charges levied as per directives sought from the GoM. Further, MIDC, as per directives of Board (December 2022) had raised (23 February 2023) a revised demand of ₹ 267.65 crore (inclusive of interests and GST) thereon. MIDC has also submitted a detailed report to the GoM (March 2023/June 2023) and demand was kept in abeyance till receipt of Government clarification/guidance in this regard.

Thus, ULC exemption transfer charges for the transfer prior to June 2021 were recoverable as per the then prevailing GRs/orders of the GoM, which should have been recovered prior to granting permission for transfer of plot. Hence, transfer of the plot without recovery of due charges, and obtaining Bank Guarantee/Indemnity bond in lieu thereof, was an undue favour to the plot holder.

⁵⁰ As per applicable GoM GRs (November 2007/February 2018), ULC exemption transfer charges were recoverable at 100 *per cent* and 25 *per cent* of market rate/Ready Reckoner rate respectively.

Short recovery of sub-letting charges

5.2.4 MIDC granted permission (February 2008) for sub-letting of plot/built up area in building for industrial/commercial purpose and Information Technology (IT)/IT enabled services (ITES) units on payment of applicable⁵¹ sub-letting charges for a maximum period of 10 years. Unauthorised sub-letting attracted penalty at five *per cent* per annum per sqm of prevailing land rate. Audit observed that MIDC granted ineligible concessions in sub-letting charges to the extent of ₹ 48.94 crore to five parties in violation of prevailing policies as detailed in **Table 5.5**.

Table 5.5: Allottees granted undue concession in sub-letting charges

Sl. No.	Details of cases
1	Reliance Corporate IT Park Limited (Plot No.5, 6 and R 801-TTC)
	MIDC observed (May 2010) that 10 Affiliate Companies of the allottee were utilizing plot/built up area of 1.11 lakh sqm in Trans Thane Creek (TTC) IA for their activities without obtaining prior permission on payment of applicable sub-letting charges. Accordingly, MIDC issued (December 2010) demand notice for payment of sub-letting charges for the period from April 2008 to March 2009 to the extent of ₹ 7.69 crore. The allottee, however, requested for exemption from levy of sub-letting charges. The management submitted a proposal to the Board stating that it was essential to recover sub-letting charges along with penalty from the allottee and there was no policy for granting waiver. The Board, however, considering request of the allottee, overruled management's proposal and permitted (April 2011) utilisation of plot by Affiliate Companies without recovery of sub-letting charges on the ground that the allottee was not recovering any rent from them. The Board also stated that said decision was limited to this case. Further, as per the Board decision, the allottee was mandatorily required to submit a certificate from Chartered Accountant (CA) regarding non-recovery of rent from Affiliated Companies as per audited Balance Sheet (for past as well as in future), which was not submitted. Thus, granting concession of sub-letting charges to the allottee was irregular and resulted in loss of revenue of ₹ 41.18 crore for the period upto December 2021.
2	Arpee Consultants Private Limited (Plot No.D-406-TTC)
	MIDC noticed (February 2016/May 2016) that there was no industrial activity of the allottee and plot was sublet to SAP Holdings and Leasing Private Limited (Sharyau Motors) for commercial use as showroom and repairing/servicing activities. As per prevailing policy, RO issued (October 2018) a demand notice for payment of ₹ 5.89 crore towards unauthorised sub-letting charges for the period from January 2008 to September 2018. The allottee, however, requested (July 2019) for waiver of sub-letting charges on the ground that sub-lettee was their affiliate Company and they were not getting any charges from them against the area utilised by them. The management submitted (October 2020) a proposal to the Board with recommendations that demand was raised as per prevailing policies and charges for unauthorised sub-letting for further period from October 2018 onwards may also be recovered. The Board, overruling

⁵¹ At the rate of three *per cent* per annum of prevailing land rates for industrial plots and 0.5 *per cent* per annum for IT/ITES units.

management proposal, granted (October 2020) sub-letting permission on recovery of 50 per cent of applicable sub-letting charges and penalty as per prevailing policies. The Board justified the decision as there was no rent receipt and occupant was a sister concern of the allottee. It was further directed that this case should not be used as an example in similar cases (for recovery of sub letting charges). The RO issued (January 2021) revised demand for 50 per cent thereof amounting to ₹ 3.34 crore (for period up to September 2018). This included demand for period from October 2018 to December 2020 where sub-letting charges were worked out without considering penalty. As per prevailing policy, sub-letting charges with penalty worked out to ₹ 8.65 crore for period from January 2008 to December 2020. Thus, there was short recovery of sub-letting charges to the extent of ₹ 5.31 crore. It was further observed that the allottee had neither paid the demanded amount nor taken any permission for further sub-letting from January 2021 onwards. MIDC, however, had not taken any action against the allottee.

MIDC stated (August 2022) that Board has power to take decisions considering the overall merit in the proposal by overruling management's observations as per MID Act. It was further stated that Board took the conscious decision after due deliberation on merit and there was no financial loss to MIDC. Reply of the MIDC is not tenable as decision of the Board was contrary to the laid down policy.

3 | Sudarshan Flexible Packaging Private Limited (Plot No.D-4-Satpur)

MIDC allotted (February 2013) a plot to the allottee for undertaking industrial activity. MIDC observed (March 2018) that there was commercial use on 80 per cent of the plot for which show cause notice was issued to the allottee. Subsequently, a demand notice was raised (May 2019) for payment of ₹ 1.36 core towards unauthorised commercial utilisation of plot, which was not paid by the allottee. The Vice-Chairman, MIDC directed to place the matter before the Board regarding waiver of demanded charges. The management submitted (April 2021) to the Board that request of the allottee may not be accepted as there was no policy for waiver of sub-letting charges. The Board, however, approved continuation of commercial use on 15 per cent of the plot with conversion of plot for commercial use beyond 15 per cent on recovery of additional premium. It was further directed that as allottee had utilised the plot for commercial use, one time charges at three per cent of prevailing rates be recovered for period of unauthorised commercial use.

Audit observed that as per prevailing policy (October 2009), in cases where the plot was allotted on concessional basis, sub-letting permission could be granted on maximum 15 per cent built up area, for supporting/related activities. The plot in question was neither allotted on concessional basis nor was commercial sub-letting permissible on such kind of industrial plots as per prevailing policies. Interestingly, the Board also stated that this case should not be used as a precedent in similar cases.

MIDC replied (December 2021/August 2022) that it had charged unauthorised sub-letting charges at commercial rate, which was not paid by plot holder. It was further stated that Board was empowered to take such decisions under MID Act. Reply of the MIDC is not tenable as the Board's decision was not in line with laid down policy.

4 and 5	Nand Kumar Infotech Private Limited (NKIPL) (Plot No.D 507, 507 part 1 and 2-in TTC) and Aurum Platz IT Park Limited (APITPL) (Plot No. Gen 4/1 in TTC)
<p>MIDC implemented a policy (September 2014) which stipulated that sub-letting charges in respect of Financial Institutions such as Banks, Insurance Companies providing ITES services of data conversion, data mining, digitization, data entry, data processing, data warehousing would be recovered at 1.5 per cent of prevailing industrial rate.</p> <p>Accordingly, MIDC granted (August 2020/September 2020) permission to APITPL and NKIPL for sub-letting in their Information Technology (IT Park) buildings to financial institutions subject to payment of ₹ 54.72 lakh and ₹ 1.09 crore respectively worked out at 1.5 per cent of prevailing industrial rate.</p> <p>Both parties requested (August 2020/October 2020) for charging sub-letting charges at rate of 0.5 per cent of prevailing industrial rate as per June 2019 circular on the grounds that the proposed sub-lettee were registered as ITES unit. MIDC accepted their request and issued (October 2020) revised demand letter to APITPL and NKIPL of ₹ 18.24 lakh and ₹ 36.34 lakh at rate of 0.5 per cent by cancelling previous orders.</p> <p>Audit observed that sub-letting charges for Financial Institutions providing IT/ITES services were recoverable at 1.5 per cent as expressly provided in September 2014 policy, which was also correctly applied initially. The June 2019 circular was applicable for sub-letting of built up galas for IT/ITES units except Financial Institutions providing ITES services. Thus, revision in subletting charges led to grant of concession of ₹ 1.09 crore to two allottees.</p> <p>MIDC stated (August 2022) that considering request of allottees, directives were issued for recovery of subletting charges at 0.5 per cent as per June 2019 circular as it can be made applicable in such cases.</p> <p>Reply of MIDC is not tenable as sub-letting charges were recoverable at 1.5 per cent as per September 2014 policy.</p>	

Recovery of charges from gala holders

5.2.5 MIDC allotted galas (built up area) in constructed buildings to various parties on monthly rental basis. Audit, however, observed that there was no system to monitor and recover dues from the gala holders. As on 31 January 2021, rent of ₹ 14.53 crore was outstanding in respect of 187 galas in seven⁵² ROs.

MIDC stated (December 2021) that due care would be taken to recover rent by issuing rental bills regularly and constant follow up.

Recommendation No. 9: MIDC may ensure prompt recovery of dues from allottees as per laid down policies and responsibility needs to be fixed for granting undue concessions to allottees.

⁵² Dhule, Kolhapur, Latur, Nashik, Panvel, Pune-II and Thane-I.

5.3 Recovery of Service charges and Water charges

MIDC raised monthly bills for providing water supply to allottees in IAs as well as consumers from nearby areas (outside IAs). Further, MIDC recovered service charges on monthly basis from allottees in IAs to cover its expenses on maintenance of roads, drainage, water supply, street lighting and such other services/amenities provided to allottees.

Lack of system for periodic revision

5.3.1 Audit observed that there was lack of system for periodic revision of Water Charges (WC) and Service Charges (SC) as discussed below:

Water charges

5.3.1.1 WC constituted 28 *per cent*⁵³ of total revenue receipts of MIDC. As per Section 17 of MID Act, notwithstanding anything contained in any contract or in any law for the time being in force, MIDC had powers to levy fees to cover its expenses on water supply. As per Board's decision (July 2007/November 2012), the CEO was granted power to revise water rates in proportion of increase in rates of royalty/WC, electricity charges and other charges to ensure recovery of increased expenditure in operation and maintenance for water supply on this account. Audit, however, observed lack of system for prompt revision of water rate in line with proportionate increase in costs as per the Board decision. In fact, there was no revision in WC since March 2013 till December 2021 though there was substantial increase in operation and maintenance expenditure on water supply on account of the following factors:

- During April 2013 to December 2021, electricity tariff consisting of demand charges and energy charges increased by 116 *per cent* and 20 *per cent* respectively.
- The establishment cost of MIDC employees were increased with effect from 1 January 2016.
- Bulk water rates for water supplied to MIDC was being increased by 10 *per cent* from July 2018 to June 2019 and 20 *per cent* every year from July 2019 to June 2020 by Water Resources Department of the GoM.

MIDC had submitted (November 2019) to the GoM a proposal for increase in water rates (minimum 45 *per cent* of prevailing rates), which has not been approved (August 2022). It was further stated (August 2022) that water rates are being reviewed almost every five years or as required and revision shall be made applicable after approval of the Government.

The reply is not tenable as MIDC was empowered as per Section 17 of the MID Act to levy water charges. Hence, there was no necessity to forward the proposal to GoM for approval.

Service charges

5.3.1.2 The Board, after a lapse of more than 11 years since last revision (2008), approved (February 2019) revision of SC, which was notified by the GoM in

⁵³ Average for last three years during 2018-19 to 2020-21.

October 2019. MIDC issued the circular for implementation of revised rates from 1 November 2019. The Chairman, MIDC, however, directed (November 2019) not to implement the revised rates till further orders considering representation from various Industrial Associations. This action of the Chairman, MIDC to withhold implementation of revised rates which was duly notified by the GoM was irregular.

Accordingly, MIDC decided (December 2019) to withdraw implementation of revised rates. As a result, old rates fixed in 2008 were still in force even after lapse of more than 13 years, despite notification issued by the GoM (December 2021). During the period from 2014-15 to 2020-21, MIDC incurred expenditure of ₹ 1,737.34 crore on providing facilities and maintenance of IAs while realising only ₹ 629.67 crore through SC. Lack of system for periodical revision of SC and non-implementation of revised charges thus resulted in non-recovery of expenses to the extent of ₹ 1,107.67 crore during April 2014 to March 2021.

MIDC stated (December 2021/August 2022) that timely review was being taken for revision of WC/SC and revision would be made applicable after approval from Government.

Non-fixation of water rates for commercial users

5.3.2 MIDC allotted 6,614 plots admeasuring 1.16 crore sqm upto September 2021 to various parties for commercial use. Audit observed that MIDC had not fixed water rates for commercial users. In absence of rates for commercial users, WCs were being recovered at rates fixed by MIDC for industrial use.

MIDC accepted (August 2022) that no independent category existed for commercial plot holders as their business activity is operation based (*i.e.* other than goods manufacturing or production) and water use is mainly for drinking/sanitation. The reply is not tenable as separate rates should have been fixed for commercial users.

Arrears in water charges

5.3.3 As per Regulation 36 of the MIDC Water Supply Regulations, 1998; if the consumer fails to pay the WCs, the arrears on account of WCs, delayed payment charges and any other expenses incurred by MIDC shall be recoverable as arrears of land revenue. It was further stipulated (Regulation 44) that in case of failure on part of the consumer to pay his bill within 15 days from the date of its issue, interest at 18 *per cent* per annum shall be charged from the 16th day onwards upto a further period of one month and if the consumer fails to pay the bill along with interest payable within a grace period of one month, water connection shall be severed.

Audit observed that MIDC did not take timely action for disconnection and recovery of dues towards WC, SC and other miscellaneous charges⁵⁴, which resulted in accumulation of arrears of ₹ 4,149.40 crore upto March 2021 (including delayed payment charges). The major non-payers were other Government agencies and Local Bodies which had arrears amounting to

⁵⁴ Environment charges, fire charges, taxes *etc.* which were recovered along with WC and SC through a single monthly bill.

₹ 3,397.23 crore (82 per cent). Audit, further, observed that MIDC billing system did not have any provision for ascertaining/reporting age wise dues from consumers.

MIDC stated (August 2022) that disconnection of defaulters will be implemented in a timely and effective manner and that shortcoming of the billing system would be rectified.

Recommendation No. 10: MIDC may ensure timely revision of water charges and service charges and responsibility needs to be fixed for non-implementation/withdrawal of revised rates leading to financial loss to the Corporation.

5.4 Non-recovery/remittance of Goods and Services Tax on non-exempted receipts

The Government of India (GoI) issued (June 2017) notification granting exemption of Goods and Services Tax (GST) on taxable service provided by State Government Industrial Development Corporations (IDC)/Undertakings to industrial units by way of granting long term lease of industrial plots (thirty years or more) on recovery of one-time upfront amount.

Audit observed that MIDC, during July 2017 to March 2021, had neither recovered from allottees nor remitted to Government, GST to the extent of ₹ 144.30 crore on revenue (₹ 801.69 crore) collected from supply of services which were not specifically exempted like lease premium from allotment of non-industrial plots (commercial, residential, amenity *etc.*), extension charges, sub-lease charges, plot transfer, additional FSI premium, development charges *etc.*

MIDC belatedly issued a circular (September 2022) for recovery of GST on all the non-exempted services as pointed out above at the applicable rate of 18 per cent from the date of issue of circular.

Thus, MIDC while implementing recovery of GST prospectively on non-exempted services had not recovered/remitted GST on receipts collected during July 2017 to August 2022 leading to non-payment of statutory dues.