CHAPTER–V

Pricing of Properties

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YEIDA periodically determines sale prices for various types of land uses and allots properties or fixes reserve price of properties at such sale price. In absence of a standard pricing policy or directive guidelines, there was no streamlined method for fixing of sale prices and the system of costing mainly depended on past practices. Besides, the methodology adopted by YEIDA was not consistent across years.

The sale prices of properties were fixed without considering all input costs adequately resulting in substantial amount of input costs remaining unrecovered.

Besides, sale prices of group housing plots, corporate office plots, plots allotted under 25-250 acre plot scheme and built-up flats were fixed on the lower side resulting in losses to YEIDA.

Introduction

5.1 Pricing of properties is a critical policy decision and is pivotal to ensure that YEIDA functions in a sustainable manner in the long run. Pricing decisions need to strike the right balance between costs incurred by YEIDA and saleability of properties. Therefore, to take well-informed decisions regarding pricing of properties, YEIDA must firstly have an account of all costs incurred and/or to be incurred on acquisition and development of land and secondly should assess market conditions properly. This would ensure that neither the properties are overpriced so as to affect their saleability nor are they underpriced resulting in losses to YEIDA.

YEIDA being a public entity, and in order to have consistent system of pricing of properties, policy/standard guidelines should be framed so that YEIDA has account of all the costs incurred/to be incurred on acquisition of land, on internal/external development, *etc.,* along with the value of inherent benefits, *viz.,* Floor Area Ratio (FAR[1]), Ground Coverage (GC[2]) and Preferential Location Charges (PLC), *etc.* This will enable full recovery of the above costs and value of inherent benefits from the buyers at the time of allotment of properties. For pricing to be sustainable, it must also include:

- future cost of maintenance;
- interest cost for funds deployed on land acquisition and development; and
- margin over defined cost to take care of the risks due to unforeseen expenditures.

Thus, all these elements form the basis of pricing. Premium and reserve prices are fixed and the allotment of properties is made based on these prices, either at a prefixed price or at the highest bid offered over and above the reserve price. These prices are applied for the following categories of properties:

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[1] FAR is the quotient of total covered area (plinth area) on all floors divided by the total area of plot. Higher FAR means more covered area is allowed to be constructed on a given area of the plot and vice versa.

[2] GC is the ground area of the plot which can be covered for construction. It is the area other than open space. Higher GC means more ground area can be covered on a given area of plot.

- Premium is fixed for allotment of residential, industrial and institutional plots where allotments are made on the basis of draw of lots or on the recommendations of the Allotment Committee.

- Reserve price is fixed for allotment of Commercial, Group Housing and Residential Township plots where allotment is made to the highest bidder above the reserve price.

Determination of sale price by YEIDA

5.2 YEIDA periodically determines sale price[3] for various types of land uses and allots properties or fixes reserve price of properties at such sale price. The process of determination of sale price for various types of land uses by YEIDA is depicted in **Chart 5.1** below:

Chart 5.1: Process of determination of sale price by YEIDA

Formation of Committee

- Formation of a Committee headed by ACEO and consisting of heads of various departments of YEIDA for determination of sale price.

Determination of input costs

- Determination of input costs, *viz.,* cost of land acquisition, cost of external and internal development, cost of special projects, administration cost, maintenance cost and contingencies.

Determination of saleable area

- Determination of saleable area for various land uses.

Determination of sale price

- Sale price for various land uses is determined on the basis of input costs, saleable area, cost inflation index and/ or other considerations, if any.

Recommendation and approval

- Sale price determined by the Committee is put up to the Board of YEIDA for approval.

Notification of sale price

- Sale price approved by Board of YEIDA is notified and made applicable.

Source: Files of YEIDA relating to pricing of properties

The sale prices[4] approved by YEIDA for residential[5], commercial, group housing, institutional and industrial properties during the period 2008-09 to 2020-21 are depicted in **Chart 5.2**.

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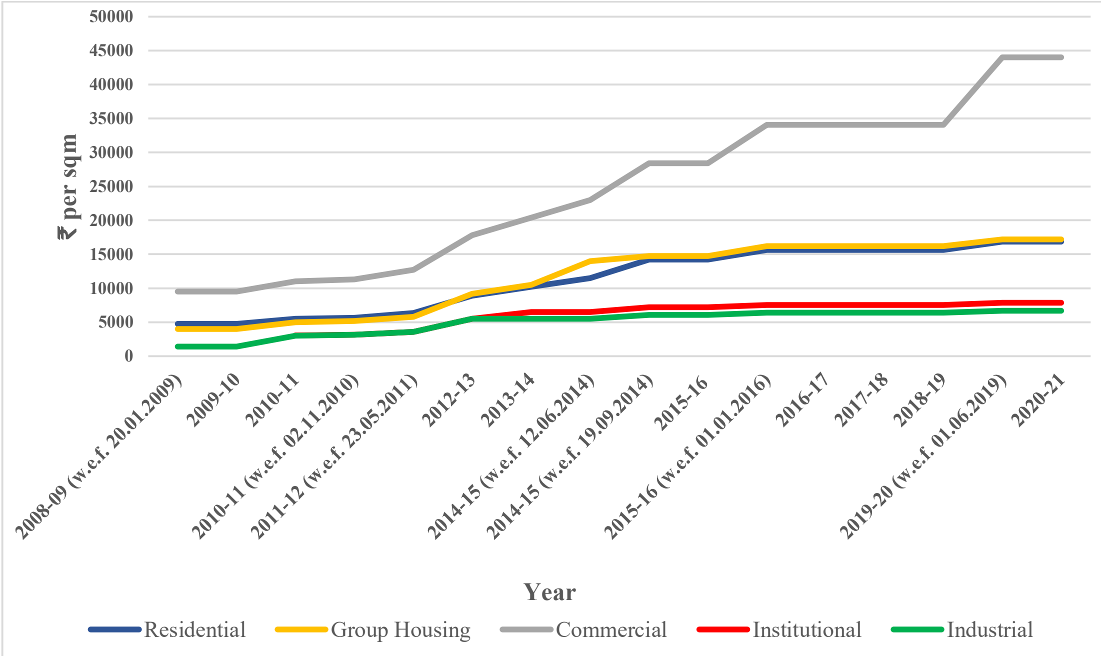
[3] Fixed premium in case of residential, institutional, mixed land use and industrial properties which are either allotted on the basis of draw of lot or on the basis of interview/ recommendation of Allotment Committee; and reserve price in case of residential township, group housing and commercial properties which are allotted to the highest bidder on the basis of competitive bidding.

[4] As sale prices for industrial, institutional, residential (since 2019-20) and commercial (since 2019-20) properties were fixed in slabs depending upon area (FAR in case of commercial properties), the highest applicable slab rates of these categories have been taken for depiction in **Chart 5.2**.

[5] Residential plots/flats allotted by YEIDA directly to end-users.

Chart 5.2: Sale prices fixed by YEIDA for various land uses



Source: Files of YEIDA relating to pricing of properties

From the above chart it would be seen that, sale price for:

- residential properties increased by 255 *per cent* from ₹ 4,750 per sqm in 2008-09 to ₹ 16,870 per sqm in 2020-21;
- group housing properties increased by 330 *per cent* from ₹ 4,000 per sqm in 2008-09 to ₹ 17,200 per sqm in 2020-21;
- commercial properties increased by 363 *per cent* from ₹ 9,500 per sqm in 2008-09 to ₹ 44,000 per sqm in 2020-21;
- institutional properties increased by 158 *per cent* from ₹ 3,050 per sqm in 2010-11 to ₹ 7,870 per sqm in 2020-21; and
- industrial properties increased by 376 *per cent* from ₹ 1,400 per sqm in 2008-09 to ₹ 6,670 per sqm in 2020-21.

Audit findings

5.3 Audit noticed several deficiencies in pricing of properties by YEIDA which are discussed in succeeding paragraphs.

Standard pricing policy not formulated

5.3.1 In order to have a consistent system for pricing of properties, it was essential that YEIDA formulated a standard pricing policy or framed directive guidelines in this regard. A standard pricing policy or directive guidelines would serve a dual purpose as on one hand it would prevent losses to YEIDA due to errors of omission or commission and on the other, it would eliminate arbitrariness in fixing of sale prices.

YEIDA had not formulated any pricing policy for fixing of sale prices.

Audit noticed that YEIDA had neither formulated any pricing policy or framed any directive guidelines for fixing of sale prices nor had it adopted the 'model directive principles' for fixing of sale prices issued (November 1999) by the Housing and Urban Planning Department, GoUP for Development Authorities and Uttar Pradesh Avas Evam Vikas Parishad. In absence of a standard pricing policy or directive guidelines, there was no streamlined method for fixing of sale prices and the system of costing mainly depended on past practices. As a result, the basis for determining sale prices was not consistent. Sale prices for the years 2008-09, 2010-11, 2012-13 to 2014-15[6] were determined on the basis of costs of various inputs[7] and saleable area while for the years 2011-12, 2014-15[8], 2015-16 and 2019-20, these were determined by increasing the sale prices of previous year by a certain percentage. Sale prices were not revised by YEIDA during the years 2009-10, 2016-17, 2017-18, 2018-19 and 2020-21 and were kept unchanged at previous years' levels. Thus, in the absence of any pricing guidelines, there was no streamlined method for determining sale prices of properties.

In its reply, YEIDA stated (November 2022) that sale prices are determined in a scientific manner considering all parameters of costing and standard norms. The main reason for not increasing the sale prices in some years was lack of demand. Presently properties (excluding residential) are being allotted through e-auction to the highest bidder resulting in allotment at market rates. It further stated that for allotment of residential properties standard policy will be determined after taking directions from GoUP.

The fact remains that absence of standard pricing policy resulted in inconsistencies in determining sale prices of properties on year to year basis as discussed above and various shortcomings as discussed in succeeding paragraphs. Further, even in case of e-auction of properties sale price needs to be determined to fix reserve price, hence, standard pricing policy would avoid inconsistencies and shortcomings.

Recommendation No. 14

YEIDA should prepare standard policy/guidelines for pricing of properties to streamline the method of pricing.

Inadequate consideration of essential input costs

5.3.2 In order to ensure that YEIDA functions in a sustainable manner in the long run, sale price of properties should be determined in such a manner that all input costs are recovered. Therefore, before taking decisions regarding pricing of properties, YEIDA must firstly have an account of all costs incurred and/or to be incurred.

YEIDA calculated the input costs under four heads, *viz.*, cost of land, cost of external development, cost of internal development and cost of special projects. Further, to cover administrative cost, maintenance cost and contingencies, a specified percentage of such input costs was added to arrive at the total cost. The amount so derived was then divided by the percentage of saleable area to arrive at the cost of properties recoverable from allottees.

Audit noticed that YEIDA did not consider the input costs adequately resulting in short recovery of costs as discussed below:

- **Rehabilitation and resettlement cost not considered:** GoUP adopted (August 2004) the National Policy for Rehabilitation and Resettlement, 2003

[6] Effective from 19 September 2014.
[7] Land, external development, internal development and special projects.
[8] Effective from 12 June 2014 to 18 September 2014.

issued by the Government of India for providing facilities to families affected by land acquisition. Accordingly, ADM (LA) demanded cost towards rehabilitation and resettlement from YEIDA for acquisition of land.

YEIDA, however, while calculating the input costs during the year 2008-09 did not include rehabilitation and resettlement cost resulting in inadequate consideration of input costs.

In its reply, YEIDA stated (November 2022) that there was no case of rehabilitation and resettlement during the year 2008-09, hence, rehabilitation and resettlement cost was not included while calculating land rates for the year 2008-09.

The reply is not acceptable because ADM (LA) had demanded cost towards rehabilitation and resettlement before finalisation (January 2009) of land rates for the year 2008-09 which was also paid by YEIDA.

- **Inadequate consideration of acquisition charges:** In case of acquisition of land under the provisions of Land Acquisition Act, 1894 and Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, ADM (LA), in addition to compensation payable to landowners, also recovers 10 *per cent* of the amount of compensation towards acquisition charges.

YEIDA included acquisition charges at lower rate of ₹ 131 per sqm instead of ₹ 182.76 per sqm.

YEIDA fixed (September 2014), the rate of compensation payable to landowners at ₹ 1,827.60 per sqm. Accordingly, an amount of ₹ 182.76 per sqm, being equal to 10 *per cent* of the rate of compensation, should have been included in the input costs during the year 2014-15[9] towards acquisition charges. YEIDA, however, included ₹ 131 per sqm only resulting in short provision of input costs.

In its reply, YEIDA stated (November 2022) that the compensation rate for the year 2014-15 included ₹ 1310 per sqm towards acquisition cost of land and ₹ 517.60 per sqm towards additional compensation. As additional compensation was paid by YEIDA directly to landowners, no provision towards acquisition charges on such amount was made.

The reply is not acceptable because additional compensation was payable in case of land already acquired by YEIDA. For acquisition of land after enhancement of compensation in September 2014, the applicable rate of compensation itself was ₹ 1,827.60 per sqm. Since, sale prices were being determined for the period after September 2014, an amount equal to 10 *per cent* of the aforesaid rate of compensation should have been included in the input costs.

- **Inadequate consideration of external and internal development cost:** YEIDA, for determining the cost of external and internal development adopted the rates issued annually by Greater Noida Industrial Development Authority (GNIDA).

YEIDA failed to adopt current rates of external and internal development cost resulting in short provision of input costs.

YEIDA, however, for determining the cost of external and internal development for the year 2010-11, adopted the rates of GNIDA applicable for the year 2008-09 enhanced by 20 *per cent* instead of adopting GNIDA's rates for the year 2010-11 which were available[10] at the time of finalisation of sale price by YEIDA in July 2010. As GNIDA's rates for the year 2010-11 were higher than

[9] Effective from 19 September 2014.
[10] Finalised in March 2010.

the rates adopted by YEIDA the same has resulted in short provision of input costs.

In its reply, YEIDA stated (November 2022) that there was an increase of 8.59 *per cent* in the Cost Inflation Index during the year 2009-10. Accordingly, the external and internal development cost prescribed for the year 2008-09 was increased by 20 *per cent* to calculate external and internal development cost for the year 2010-11. It further stated that pricing of GNIDA for the year 2010-11 cannot be applied to YEIDA.

The reply is not acceptable because for calculation of external and internal development cost YEIDA considered the rates issued by GNIDA. Accordingly, instead of increasing the rates prescribed by GNIDA for the year 2008-09 by 20 *per cent*, YEIDA should have adopted the rates issued by GNIDA for the year 2010-11.

- **Cost of metro/rapid transit system not considered:** YEIDA had launched (March 2008) a scheme for allotment of plots for development of Special Development Zones (SDZ). As per the terms and conditions laid down in the brochure/ allocation letter, the premium of the allotted land consisted of actual acquisition cost including interest and external development charges. YEIDA calculated (April 2008) external development charges to be recovered from allottees of the aforesaid scheme at ₹ 721 per sqm which included cost of external development at the rate of ₹ 330 per sqm and cost of special projects at the rate of ₹ 391 per sqm[11]. Cost of special projects *inter-alia* included ₹ 4,500 crore towards cost of rapid transit system/ metro line.

YEIDA later decided (December 2008) that allottees of the aforesaid scheme shall deposit cost of rapid transit system/ metro line as and when demanded by it. Accordingly, the external development charges were revised to ₹ 574 per sqm by excluding the cost of rapid transit system/ metro line. Suitable clause requiring the allottee of the aforesaid scheme to deposit cost of rapid transit system/metro line as and when demanded by YEIDA was also incorporated in the allotment letters and lease deeds.

Audit noticed that the cost of rapid transit system/ metro line was excluded from the cost of special projects only for allottees of the aforesaid scheme with the condition that they shall deposit such cost as and when demanded by YEIDA. Further, as cost of special projects was also a component of input costs for other properties, the cost of rapid transit system/ metro line should have been included in the cost of special projects for arriving at input costs of other properties. YEIDA, however, did not include the same resulting in inadequate provision of input costs.

In its reply, YEIDA stated (November 2022) that the rate of external development charges (₹ 574 per sqm) was duly approved by its Board. Accordingly, the same has been included for calculation of estimated cost. It further stated that as cost of rapid transit/ metro line was not included in the SDZ scheme it is not justified to include the same in the cost of other properties. In future, after operationalisation of metro project, the expenditure of the same

[11] Total cost of special projects including maintenance cost, administrative cost and contingencies worked out ₹ 16,323.41 crore which was divided by saleable area of 41,710 hectare to arrive at per sqm rate of ₹ 391.

would be recovered from the allottees and this would be mentioned in the conditions of lease deed of allottees.

The reply is not acceptable because cost of rapid transit system/metro line was excluded from the cost of special projects only for allottees of SDZ scheme. Hence, YEIDA should have included the cost of rapid transit system/metro line in calculating input costs of other properties.

- ***Ex-gratia* payment not considered:** Compensation payable to landowners for acquisition of land under provisions of LAA,1894 read with the Uttar Pradesh Land Acquisition (Determination of Compensation and Declaration of Award by Agreement) Rules, 1997 (*Karar Niyamavali*) was decided by the Board of YEIDA from time to time. Accordingly, the applicable rate for the period January 2010 to March 2010 was ₹ 845 per sqm which was enhanced (June 2010) to ₹ 880 per sqm with effect from April 2010.

Possession of 657.3510 hectare land of five villages was handed over to YEIDA during March 2010 when the applicable rate was ₹ 845 per sqm. As the rates were enhanced by YEIDA with effect from April 2010 landowners of the aforesaid five villages demanded that compensation be paid to them at such enhanced rates. In view of the aforesaid demand and agitation by the landowners, YEIDA decided (September 2011) to pay the differential amount of ₹ 35 per sqm as *ex-gratia*.

Since, payment of the aforesaid *ex-gratia* entailed additional cost of ₹ 23.01 crore on acquisition of land the same should have been included in the input costs to enable its recovery. YEIDA, however, did not include the cost of ex-gratia payment while calculating the input costs resulting in short provision of input costs.

In its reply, YEIDA stated (November 2022) that the left out ex-gratia amount would be included in future costing.

- **Incorrect provision towards cost of *abadi* plots:** YEIDA decided (April 2008) to allot developed land (*abadi* plots), equivalent to six *per cent*[12] of land acquired, to landowners from whom land was acquired. YEIDA also decided that landowners desirous of obtaining allotment of *abadi* plots shall be required to deposit 10 *per cent* of amount of compensation along with development charges to be decided by YEIDA. Allotment of *abadi* plots in lieu of acquired land was later (September 2009) increased to seven *per cent* of land acquired.

Further, YEIDA fixed (November 2011 and January 2013) the development charges to be recovered from allottees of *abadi* plots equivalent to the rate of compensation (per sqm) paid in respect of the concerned acquired land which was later (January 2014) revised to 50 *per cent* of the rate of compensation.

Audit noticed that the cost of acquisition and development of the above *abadi* plots was more than the amount recoverable from the concerned allottees[13]. Therefore, the differential amount should have been recovered from allottees of other categories of land by including it in input costs. The differential amount

[12] Subject to minimum plot size of 120 sqm and maximum plot size of 2,500 sqm.
[13] Due to not recovering incidental costs of acquisition *viz.,* acquisition charges, cost of property, cost of rehabilitation and resettlement, annuity and interest and recovering development cost equivalent to/50 *per cent* of rate of compensation against actual cost of external and internal development.

was, however, incorrectly calculated by YEIDA resulting in excess provision on some occasions and short provision on other occasions.

In its reply, YEIDA stated (November 2022) that the procedure/policy in respect of abadi plots is not final and action will be taken as per rules after approval of the proposal.

The reply is not acceptable as YEIDA failed to correctly include differential cost not recoverable from the allottees of *abadi* plots as per extant policy in the input costs of allottees of other categories.

- **Cost of capital on development cost not considered:** YEIDA finances its acquisition and development activities from own as well as borrowed funds. Since, there is a time gap between incurring expenditure on acquisition and development of land and recovery through allotment, the cost of capital required to finance both acquisition and development activities should be included in the input costs.

YEIDA did not include cost of capital on development expenditure resulting in short provision of input costs.

YEIDA, while calculating the input costs, included cost of capital at the rate of 13 *per cent* on cost of land. It, however, did not include cost of capital on development expenditure resulting in short provision for cost of capital.

Further, while calculating the cost of land during the year 2008-09, YEIDA had included cost of capital at the rate of 13 *per cent* for one to nine months[14] instead of for a period of one year as was done in subsequent years, resulting in short provision for cost of capital.

In its reply, YEIDA stated (November 2022) that in costing for the year 2010-11, cost escalation factor of 20 *per cent* was considered to include all charges (interest *etc.*) over actual cost for the year 2008-09. During the year 2011-12, cost escalation factor of 20 *per cent* was included in the actual costing and during the year 2012-13, interest at the rate of 13 *per cent* has been included. It further stated that during 2008-09 interest was calculated in a stage-wise manner as payment towards acquisition of land was made in stages.

The reply is not acceptable because YEIDA had calculated the development cost during the years 2008-09 and 2010-11 by increasing the development cost issued by GNIDA for the year 2008-09 by 20 *per cent*. The increase of 20 *per cent* during the year 2010-11 was not even sufficient to cater the increase in development cost as discussed above under the heading 'Inadequate consideration of external and internal development cost'. Thus, cost of capital was included in development cost only during the year 2008-09 and not afterwards. Further, while calculating cost of land since 2010-11 YEIDA itself had included interest for a period of one year which indicates short provision for cost of capital during the year 2008-09.

YEIDA included maintenance cost at the rate of 2.5 *per cent* and five *per cent* only as against 20 *per cent* adopted by GNIDA.

- **Inadequate provision for maintenance cost:** GNIDA includes 20 *per cent* of the cost of internal and external development in the input costs to cover the maintenance cost required to be incurred by it on maintenance of amenities.

YEIDA, however, while calculating the input costs included maintenance cost at the rate of five *per cent* for residential, group housing and commercial properties and at the rate of 2.5 *per cent* for industrial and institutional properties. Thus, the maintenance cost included in the input costs by YEIDA was much

[14] For nine months on 20 *per cent*, for five months on 70 *per cent* and for one month on 10 *per cent* of the cost of land payable to ADM (LA).

lower than what was being included by GNIDA, working in its immediate vicinity, resulting in short provision for maintenance cost.

In its reply, YEIDA stated (November 2022) that the time of incorporation of GNIDA and YEIDA is different and the actual situation of both Authorities is also different. While GNIDA is developed, allotment and development activities in YEIDA are still in the initial phases. Urban population in the area is also negligible and strengthening and repair works of only main roads is being done. There will be more requirement for maintenance works after completion of development works. It further stated that the Board in its 73rd meeting decided that lease rent charged by YEIDA is for maintenance.

The reply is not acceptable as GNIDA has been providing for maintenance cost at the rate of 20 *per cent* since its initial phases. Besides, YEIDA's contention that lease rent is recovered towards maintenance cost is also not justified as GNIDA includes maintenance cost in the input costs in addition to recovering lease rent from the allottees.

- **Short recovery of administrative and maintenance cost not considered:** YEIDA while determining the sale prices of properties during the year 2008-09[15] included administrative costs at the rate of five *per cent* for residential and commercial properties. During subsequent years the same was included at the rate of seven *per cent*. Further, during the year 2008-09 YEIDA did not include maintenance costs in the sale prices in order to make the schemes more lucrative.

Since, properties were allotted during 2008-09 and 2009-10 at rates lower than their cost due to inclusion of administrative costs at reduced rates and non-inclusion of maintenance cost, the differential amount should have been included in input cost of subsequent years to enable its recovery. YEIDA, however, did not include the aforesaid short recovery of cost while calculating the input costs for subsequent years resulting in short provision towards the aforesaid short recovery.

In its reply, YEIDA stated (November 2022) that in view of the large size of plots in its development area administrative cost was taken at the rate of 2.5 *per cent* for mini SDZ, industrial, micro SDZ and builders plots and at the rate of five *per cent* for residential plots. It further stated that initially maintenance costs were not provided in order the make the scheme more lucrative.

The reply is not acceptable as audit observation is regarding short provision of administrative costs in respect of residential and commercial properties. Further, YEIDA has not included the differential amount relating to properties allotted during 2008-09 and 2009-10 in the sale prices of subsequent years.

- **Short provision of input costs due to not including amount of subsidy:** The sale prices of properties determined by YEIDA includes prices for government offices, hospitals and social infrastructure. YEIDA allotted (July 2019 to February 2021) an area admeasuring 74,120 sqm to Department of Medical Health and Family Welfare, Anti-Terrorist Squad of Uttar Pradesh Police, Uttar Pradesh Police and Uttar Pradesh Power Transmission Corporation Limited for construction of hospital, office, police stations and

[15] The sale prices determined during the year 2008-09 were also applicable during the year 2009-10.

electrical sub-stations respectively at a nominal rate of ₹ one per sqm instead of at the pre-determined sale prices resulting in short recovery of ₹ 53.30 crore. Further, an area of 19,182.78 sqm was allotted (June 2015) to Uttar Pradesh Power Transmission Corporation Limited at a subsidised rate of ₹ 2,870 per sqm as against the applicable rate of ₹ 5,000 per sqm resulting in short recovery of ₹ 4.09 crore. In addition to above, YEIDA had allotted (February 2017) two plots admeasuring 16,00,197 sqm[16] after allowing the allottees a rebate of ₹ 165.70 crore as per Government policy.

Since, the aforesaid plots were allotted at subsidised rates which were lower than the cost of such properties, the short charged amount of ₹ 223.09 crore should have been included in the cost of remaining properties to enable its recovery. YEIDA, however, did not include the same in input costs resulting in short provision of input costs.

In its reply, YEIDA stated (November 2022) that the short recovery on account of allotment of plots to Government agencies at subsidised rates has been included in cost of properties during costing for the year 2022-23. The same was also included during the years 2010-11, 2012-13, 2014-15 and 2017-18.

The reply is not acceptable as during the year 2022-23, YEIDA has included an amount of ₹ 13.03 crore only in the input costs towards subsidised allotment of plots to Government agencies against recoverable amount of ₹ 53.30 crore. Further, the cost of subsidised allotment to Uttar Pradesh Power Transmission Corporation Limited and to other allottees as per Government policy, however, had still not been included in the input costs.

- **Impact of not revising rates not considered while fixing sale prices during subsequent years:** As per general practice YEIDA revises the sale prices of various categories of properties annually. YEIDA, however, did not revise the prices during the years 2009-10, 2016-17, 2017-18, 2018-19 and 2020-21 and had kept the prices unchanged at previous years' levels. As costs of inputs required for execution of development and construction activities had increased[17], not increasing the sale prices during the aforesaid years had resulted in allotment of properties at prices lower than their cost in the said years.

Since, properties in the aforesaid years were allotted at rates lower than their cost, the differential amount should have been included in the input costs of properties during subsequent years to enable its recovery. YEIDA, however, did not include the aforesaid short recovery of input costs while calculating the input costs for subsequent years resulting in short provision towards the aforesaid short recovery.

In its reply, YEIDA stated (November 2022) that allotment rates are fixed by YEIDA in accordance with prevalent practices after considering the demand and with the objective of promoting industrial and other activities. It further stated that efforts are being made to recover the short recovery due to not revising allotment rates in the aforesaid years by increasing the allotment rates and allotment of properties through e-auction.

The fact remains that YEIDA had not included short recovery of input costs due to unchanged sale prices while calculating the input costs for subsequent years.

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[16] Including additional area of 3,21,605 sqm.

[17] As evident from the Cost Inflation Index which was 264 (2016-17), 271 (2017-18), 280 (2018-19), 289 (2019-20) and 301 (2020-21) during the respective years.

Further, YEIDA has also not devised any mechanism to ensure recovery of unrecovered input costs by including it in the sale prices of subsequent years.

- **Incorrect fixation of sale prices in slabs:** Sale prices for institutional and industrial properties were fixed by YEIDA in slabs based on the area of plot. The cost of properties recoverable from allottees derived by dividing the total cost by the saleable area was fixed as the price for the initial slab having the least area. Sale prices for subsequent slabs were fixed in a diminishing order with the least rate applicable for the last slab having the largest area.

For example, sale prices for institutional and industrial properties for the year 2010-11 were determined by YEIDA as follows:

The total input costs (cost of land acquisition, cost of external development, cost of internal development and cost of special projects) was calculated at ₹ 2,224 per sqm and rounded off to ₹ 2,220 per sqm. Considering saleable area of 73 *per cent*, the cost recoverable from allottees worked out at ₹ 3,041 per sqm. Accordingly, the sale price for initial slab of up to 4,000 sqm was fixed at ₹ 3,050 per sqm and sale prices for subsequent slabs were fixed in a diminishing order as follows:

Up to 4,000 sqm	₹ 3,050 per sqm
Above 4,000 sqm up to 20,000 sqm	₹ 2,400 per sqm
Above 20,000 sqm up to 60,000 sqm	₹ 2,325 per sqm
Above 60,000 sqm	₹ 2,300 per sqm

Since, the saleable area factors in plots of all sizes, fixing of sale price of the initial slab equal to the cost of properties and of subsequent slabs in a diminishing order resulted in fixing of sale prices of properties of size more than the initial slab area at rates lower than the cost of properties.

In its reply, YEIDA stated (November 2022) that since the internal development cost of plots of larger sizes is less, the rates of plots of larger sizes is fixed less than the rates of plots of smaller sizes. Besides, rates of plots of larger sizes are also kept low in order to attract large industrial and institutional investors.

The reply is not acceptable because YEIDA should have fixed the sale price of slab with average size of plots equal to the cost of properties. Thereafter, sale prices of slabs with larger plot sizes should have been fixed below and of slabs with smaller plot sizes should have been fixed above such sale price so as to ensure full recovery of input costs.

Incorrect consideration of saleable area

5.3.3 The total cost is divided by the saleable area percentage to arrive at the cost of properties recoverable from allottees. Since, the saleable area percentage has a direct impact on the cost of properties recoverable from allottees, a proper assessment of saleable area under various categories should have been made by YEIDA based on sector layout plans finalised by it. As per the sector layout plans approved by YEIDA, the saleable area in case of residential sectors worked out to 56 *per cent* whereas in case of industrial and institutional sectors it worked out to 62 *per cent*[18]. Against above, YEIDA considered saleable area of 62 *per cent*[19] for determining sale prices of residential properties and between 70 to 73 *per cent* for determining sale prices of industrial and institutional

[18] Calculated by Audit based on the approved sector layout plans.
[19] Except in the year 2014-15 wherein saleable area was taken as 50 *per cent*.

YEIDA considered saleable area of 62 *per cent* for residential properties and between 70 to 73 *per cent* for industrial and institutional properties which was not as per the approved sector layout plans.

properties. Thus, YEIDA had considered higher percentages of saleable area resulting in calculation of cost of properties recoverable from allottees on the lower side.

In its reply, YEIDA stated (November 2022) that while pricing of properties saleable area is calculated on justifiable basis *e.g.*, 55 *per cent* for residential and commercial and 70 *per cent* for industrial and institutional properties.

The reply is not acceptable as the saleable area on the basis of approved sector layout plans in case of residential sectors worked out to 56 *per cent* and at 62 *per cent* in case of industrial and institutional sectors. YEIDA, however, had considered higher percentages of saleable area. Further, saleable area percentage of 55 *per cent* for residential and commercial properties was considered by YEIDA during the year 2022-23 only. Earlier, YEIDA had considered saleable area percentage of 62 *per cent* for residential and commercial properties.

Impact of deficiencies in ascertaining input costs and saleable area

Inadequate consideration of input costs and consideration of higher saleable area resulted in calculation of cost of properties on the lower side.

5.3.4 As discussed in **Paragraphs 5.3.2** and **5.3.3** above, the input costs were considered inadequately by YEIDA and saleable area was also considered on the higher side which resulted in calculation of cost of properties on the lower side during the period 2008-09 to 2020-21. Audit calculated the sale prices considering the aforesaid deficiencies in calculation of input costs and saleable area and estimated that input costs approximately amounting to ₹ 4,641.32 crore[20] **(Appendix-5.1)** had been short recovered by YEIDA from allotments[21] made up to March 2021.

Recommendation No. 15

(i) YEIDA should calculate input costs and saleable area correctly before determining sale prices of properties.

(ii) It should review its methodology for fixing slab-wise sale prices of institutional and industrial properties.

Incorrect calculation of external development charges

5.3.5 The terms and conditions the scheme brochure for allotment of SDZ plots provided that in addition to the cost of land, external development charges would also be recovered from the allottees. Further, external development charges were also recoverable from the Concessionaire[22] against land provided to it for development. Accordingly, YEIDA fixed external development charges at ₹ 574 per sqm in September 2009 which was increased to ₹ 651 per sqm in August 2010. The external development charges as calculated by YEIDA

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[20] Audit first calculated year-wise premium recoverable from allottees (excluding cancelled/ surrendered plots) based on sale prices worked out after considering the impact of deficiencies pointed out in Paragraphs 5.3.2 and 5.3.3. Thereafter, Audit calculated the difference between premium recovered by YEIDA and premium recoverable as calculated by Audit.

[21] Excluding cancelled/ surrendered allotments.

[22] YEIDA had entered (7 February 2003) into a concession agreement with Jaiprakash Industries Limited for construction and operation of Yamuna Expressway (a six lane 160 km long super expressway with service roads and associated facilities connecting Noida and Agra). As per the terms and conditions of the concession agreement, the Concessionaire was to be granted, by YEIDA, rights for development of 25 million sqm land (at five or more locations) along the Yamuna Expressway for commercial, amusement, industrial, institutional and residential use.

consisted of two components, *viz.*, cost of external development and cost of special projects.

Audit noticed the following deficiencies in calculation of external development charges:

- For determining the cost of external development, YEIDA adopted the rates, as applicable to industrial/ institutional land use which were lower than that applicable for residential/ commercial land use. Since, varied land uses including residential and commercial use were admissible in the aforesaid cases, the cost of external development should also have been considered in proportion to such land uses. YEIDA, however, considered cost of external development as applicable to industrial/institutional land use only resulting in fixing of external development charges on the lower side.

In its reply, YEIDA stated (November 2022) that the core activities admissible under the SDZ scheme primarily fall under industrial and institutional activities. As a result, the cost of external development was calculated according to industrial/institutional land use.

The reply is not acceptable because varied land uses including residential and commercial were admissible in the aforesaid cases, hence, cost of external development should have been calculated considering the proportions of such land uses. Besides, in case of land provided to Concessionaire for development, the primary land use was residential and commercial constituting 77 to 87 *per cent* of the total area.

- YEIDA derived the per sqm cost of special projects by dividing the total cost of special projects by saleable area. YEIDA worked out the saleable area as 41,710 hectare and 48,516.20 hectare[23] in September 2009 and August 2010 respectively as against 34,044.40 hectare **(Appendix-5.2)** worked out by Audit on the basis of approved Conceptual Structural Plan. Thus, YEIDA had considered higher saleable area resulting in calculation of external development charges on the lower side.

In its reply, YEIDA stated (November 2022) that external development charges were calculated by YEIDA considering saleable area of 41,710 hectare in 2008-09 and 48,516 hectare in 2010-11. Thus, the actual cost of special projects was calculated on the basis of saleable area.

The reply is not acceptable because YEIDA had worked out saleable area on the higher side due to considering higher notified area and failure to exclude area under airport and area required for allotment of *abadi* plots from the notified area.

- The cost of special projects *inter-alia* included cost of unsaleable land, *viz.*, land under roads, greens, airport, *etc*. Audit observed that YEIDA had incorrectly calculated (September 2009) the cost of such land at the rate of ₹ 880 per sqm instead of ₹ 1,012.48 per sqm due to not including cost of additional property, cost of rehabilitation and resettlement and interest resulting in short provision towards cost of unsaleable land.

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[23] The saleable area of 41,710 hectare was worked out by YEIDA on the basis of total planned area of 44,065 hectare in September 2009. Subsequently, in August 2010 the total planned area and saleable area was revised to 53,000 hectare and 48,516.20 hectare respectively on the basis of survey conducted by consultant appointed by YEIDA for preparation of Water Supply, Sewer and Drainage Master Plan.

In its reply, YEIDA stated (November 2022) that cost of land under roads and greens has been taken as per cost of acquisition. As regard land cost of airport, the same has not been included in cost of special projects since the year 2010-11 as airport is being developed on PPP model wherein YEIDA shall receive equity against investment made by it.

The reply is not acceptable because YEIDA had considered lower cost of acquisition for calculating the cost of unsaleable land to be included in the cost of special projects. Further, the reply regarding exclusion of cost of airport land from cost of special projects since 2010-11 is not relevant as audit observation pertains to short inclusion of cost of airport land in September 2009.

Audit calculated the external development charges recoverable from the Concessionaire[24] considering the aforesaid deficiencies and found external development charges amounting to ₹ 1,338.29 crore **(Appendix-5.3)** had been short recovered by YEIDA.

Sale price of plots allotted under 25-250 acre plot scheme fixed on lower side

5.3.6 YEIDA launched (July 2009) a scheme for allotment of plots of size between 25 acres and 250 acres for development of any one key activity *viz.*, Industrial, IT/ITES, Bio-tech, Institutional, Sports, Recreational or Service Industry. The terms and conditions laid down in the brochure *inter-alia* prescribed the following break-up for permissible activities/different land uses:

Key Activity		Minimum 75 *per cent*
Other Activities	Commercial	Maximum 10 *per cent*
	Residential including Group Housing and plotted development area	Maximum 10 *per cent*
	Institutional Facilities	Maximum 5 *per cent*

YEIDA fixed the sale price under the 25-250 acre plot scheme without considering different land uses permissible on the allotted plot.

Audit noticed that the sale price of ₹ 1,629 per sqm (Premium - ₹ 1,055 per sqm and External Development Charges - ₹ 574 per sqm) fixed by YEIDA under the above scheme did not take into account different land uses permissible on the allotted plot. The sale price on the basis of permissible land uses for the allotted plot worked out to ₹ 3,842 per sqm against ₹ 1,629 per sqm charged by YEIDA as detailed in **Table 5.1** below:

Table 5.1: Sale price on the basis of permissible land uses

Particulars		Land use (in *per cent*)	Rate for permissible land use (₹ per sqm)	Sale price based on proportion of permissible land use (₹ per sqm)
Key activity		75	3,114[25]	2,336
Other activities	Commercial	10	9,500	950
	Residential including Group Housing and plotted development area	10	4,000	400
	Institutional Facilities	5	3,114	156
Total				**3,842**

Source: Scheme file and pricing files of YEIDA

Thus, due to incorrect fixation of sale price, YEIDA suffered loss of approximately ₹ 469.02 crore on allotment of 13 plots under the aforesaid scheme (**Appendix-5.4**).

24 Short recovery of external development charges has not been calculated in case of plot allotted under SDZ since the same was cancelled by YEIDA in February 2020.

25 YEIDA had assessed the cost for development of area under institutional use at ₹ 2,273 per sqm. After considering a saleable area of 73 *per cent* the allotment price of plots for institutional use works out to ₹ 3,114 per sqm.

It is worthwhile to mention here that YEIDA later (May 2018) calculated the sale price on the basis of different land uses permissible under the allotted plot at ₹ 2,670 per sqm and raised demand (June 2018) for difference of ₹ 1,041 per sqm (₹ 2,670 per sqm - ₹ 1629 per sqm) along with interest. No amount, however, has been deposited by any allottee against the said demand.

In respect of above, Audit further noticed that for calculating the sale price on the basis of different land uses permissible under the allotted plot, YEIDA had considered the rate of ₹ 1,650 per sqm for land under key activity and institutional facilities which was not correct as the said rate of ₹ 1,650 per sqm was applicable for mini/ micro special development zones. YEIDA had assessed the cost for development of area under institutional use at ₹ 2,273 per sqm. Therefore, after considering a saleable area of 73 *per cent,* the sale price of plots for institutional use works out to ₹ 3,114 per sqm. Consequently, the sale price of plots under the aforesaid scheme on the basis of permissible land uses works out to ₹ 3,842 per sqm as detailed in **Table 5.1** above.

In its reply, YEIDA stated (November 2022) that during the year 2009, the cost of land for industrial and institutional schemes was calculated at ₹ 2,273 per sqm. After allowing subsidy on aforesaid rates, the rates for SDZ was fixed at ₹ 1,564 per sqm, for mini/micro SDZ at ₹ 1,650 sqm and for industrial plots at ₹ 1,400 per sqm. The amount of subsidy was loaded on commercial properties. It further stated that the rate of aforesaid scheme was determined on the basis of activity at ₹ 2,670 per sqm which was ₹ 1,041 higher than the published rate of ₹ 1,629 per sqm for which action is being taken for recovery.

The reply is not acceptable because the subsidised rate of ₹ 1,650 per sqm was applicable for mini/micro SDZ and not for institutional plots. Besides, the above subsidised rate was arrived at after loading of subsidy on commercial properties. As no commercial property was allotted during 2008-09, the cost of subsidy had not been recovered by YEIDA. In view of the above, consideration of subsidised rate of ₹ 1,650 per sqm for institutional use was not correct and rate of ₹ 3,114 per sqm should have been considered for this use by YEIDA for calculation of differential amount recoverable from allottees.

Sale price of built-up flats fixed on lower side

5.3.7 YEIDA launched (April 2013) a scheme for allotment of 4,425 affordable flats admeasuring 29.76 sqm (super area) each in multi-storied (G + 3) apartments in Sector-18. The price of flats at ground floor was fixed at ₹ 7.75 lakh each and of flats at first, second and third floor at ₹ 7.22 lakh each. YEIDA allotted (January 2014) 4,500 flats under the aforesaid scheme. Out of above, 122 flats were surrendered/ cancelled by the allottees/YEIDA. The cost of flats consisted of two major components *viz.*, cost of land and cost of construction.

Audit noticed that YEIDA had calculated the land cost to be included in the price of flats by multiplying the super area of flats (29.76 sqm) with the rate applicable for residential plots (₹ 8,900 per sqm) and then apportioned the said cost in the ratio of 2:1:1:1 to flats at ground, first, second and third floors respectively. The aforesaid methodology adopted by YEIDA for calculating land cost to be apportioned between the flats was not correct as it did not ensure recovery of the cost of entire plot (including non-saleable area but excluding area to be sold for other purposes[26]) on which the affordable flats were constructed. YEIDA should have calculated the cost of land to be included in the price of flats by multiplying the area of plot (excluding area to be sold for other purposes) with the applicable land rate for group housing plots (₹ 9,200 per sqm) and then apportioning the said cost to flats at each floor in the prescribed ratio.

YEIDA wrongly calculated the cost of land to be apportioned amongst the flats resulting in loss of ₹ 76.97 crore.

As per Audit's calculation, the cost of land to be apportioned amongst the flats worked out to ₹ 4.79 lakh for flats at ground floor and ₹ 1.80 lakh for flats at first, second and third floor against ₹ 1.06 lakh and ₹ 0.53 lakh respectively calculated by YEIDA. Thus, sale price of built-up flats allotted under the aforesaid scheme was fixed on the lower side resulting in loss of ₹ 76.97 crore[27] to YEIDA.

In its reply, YEIDA stated (November 2022) that the sale price of flats was calculated considering the cost of flats in nearby areas and in view of the fact that these were flats of EWS category. It further stated that the purpose of EWS scheme was to allot flats at less rates to workers of industrial units to be established in the area.

The reply is not acceptable because the methodology adopted by YEIDA did not ensure recovery of the cost of plot on which the flats were constructed. Besides, if YEIDA intended to allot the flats at subsidised rates, the cost should have been calculated correctly and the amount of subsidy should have been loaded on the cost of remaining properties. The same was, however, not done by YEIDA.

Sale price of group housing plots fixed on lower side

5.3.8 The Yamuna Expressway Industrial Development Area Building Regulations, 2010 (Building Regulations) permitted Floor Area Ratio (FAR)[28] of 3.0 for Group Housing plots and 1.0 to 1.8 for individual residential plots.

Since, higher FAR in case of Group Housing plots would lead to higher densities it would require higher investment on providing physical and social infrastructure. Besides, the builders construct flats/residences on the group housing plots with the motive to earn profit by selling the flats/residences to ultimate dwellers. Therefore, the sale price of Group Housing plots should be fixed at a rate higher than that for individual residential plots. In this context it is pertinent to mention that NOIDA fixes sale prices of Group Housing plots at 1.30 to 1.71 times the sale price of residential plots. Besides, Ghaziabad Development Authority (GDA) and Uttar Pradesh Avas Evam Vikas Parishad (UPAVP) under the Housing and Urban Planning Department (HUPD) of GoUP fix the sale price of Group Housing plots at 1.5 times the price of residential plots. YEIDA, however, fixed prices of Group Housing plots lower than that of individual residential plots during 2008-09 to 2011-12 and at 1.02 to 1.04 times[29]

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26 Convenient shopping, senior secondary school, nursing home, nursery school, kiosks and milk booth.

27 On allotment of 4,378 flats (excluding 122 surrendered/cancelled flats).

28 Floor Area Ratio (FAR) is the quotient of total covered area on all floors divided by the total area of plot. Higher FAR means more covered area is allowed to be constructed on a given area of the plot and vice-versa.

29 Except for the period 12 June 2014 to 19 September 2014 when the sale price for Group Housing plots was fixed at 1.22 times the sale price of individual residential plots due to loading the impact of no increase in the sale price of industrial and institutional properties in the cost of Group Housing plots.

of the prices of individual residential plots during 2012-13 to 2020-21. Thus, fixing of prices of Group Housing plots on lower side has resulted in loss of ₹ 37.98 crore[30] **(Appendix-5.5)** on allotment of two Group Housing plots.

In its reply, YEIDA stated (November 2022) that in case of residential plots, internal development works are carried out by YEIDA whereas in case of group housing plots internal development works are executed by the developers. Despite this, internal development cost of group housing plots has been kept equivalent to that of residential plots. It further stated that considering the difference in various aspects such as saleability, internal and external development costs, FAR, *etc.,* it would not be appropriate to compare group housing plots and individual residential plots and fix the sale price of group housing plots at 1.5 times the sale price of individual residential plots. Earlier, even GNIDA determined the rates of group housing plots similarly.

The reply is not acceptable because despite larger plot size of Group Housing plots, NOIDA, GDA and UPAVP fixed sale prices of Group Housing plots at 1.30 to 1.71 times the sale price of residential plots as against 0.84 to 1.04 times fixed by YEIDA.

Sale price of corporate office plots fixed on lower side

5.3.9 Clause 2 of the Yamuna Expressway Industrial Development Area (Preparation and Finalisation of Plan) Regulations, 2011 defines 'commercial use' and 'institutional use' as the use as defined in the Master Plan. Master Plan (Phase-I) 2031 includes public administration offices, education facilities, health facilities, socio-cultural facilities, telecommunication facilities, postal facilities, security, fire-fighting services, water supply system and public distribution services under institutional use and centres of trade and commerce under commercial use. It further defines 'Office/Corporate Office' as a premise used for office of commercial establishment or profit-making organisation.

Audit noticed that YEIDA allots plots for establishment of corporate offices under institutional plots schemes. The rates for allotment of corporate offices were fixed by YEIDA higher than the rates for allotment of plots for establishment of institutions such as senior secondary school, inter college, degree college, management/engineering institute, university, training institute *etc.*, but lower than the rates for allotment of plots for commercial use. Since, plots for establishment of corporate offices are allotted to entities engaged in commercial activities, the rates of these plots should be fixed at par with rates for commercial plots.

Thus, fixing of rates for allotment of plots for establishment of corporate offices to commercial entities at rates less than that applicable for allotment of commercial plots resulted in loss of ₹ 122.50 crore[31] to YEIDA.

In its reply, YEIDA stated (November 2022) that the corporate office scheme launched by YEIDA is an institutional scheme and support activities admissible as per Master Plan and Building Regulations have only been allowed. No commercial activity is allowed on such plots whereas in case of commercial

[30] Calculated considering sale price of Group Housing plots at 1.45 times (being average co-efficient used by NOIDA during 2010-11 *i.e.,* the year during which the schemes under which the two group housing plots were allotted were launched) the sale price of residential plots fixed by YEIDA.

[31] On allotment of 85 plots considering the difference in sale prices of commercial plots and corporate office plots as fixed by YEIDA.

plots, allottees can plan shops, offices, *etc.,* and sell them. Further, in case of corporate office, the allottee cannot sub-lease and has to himself develop the plot which comes under institutional category.

The reply is not acceptable because plots for establishment of corporate offices are allotted to entities engaged in commercial activities. Hence, the sale price of such plots should be fixed at par with commercial plots.

Recommendation No. 16

YEIDA should review the sale prices of plots for Group Housing and Corporate Office to recover genuine prices.

Conclusion

YEIDA did not prepare any standard guidelines for pricing of properties due to which there was no streamlined method of pricing. The method of pricing was not found to be consistent across the years and prices were fixed without consideration of all input costs. Further, no mechanism was developed to ensure recovery of costs which could not be factored in the sale price of properties. Sale prices of group housing plots and corporate office plots were fixed on the lower side. Besides, sale prices of plots allotted under 25-250 acre plot scheme and built-up flats were incorrectly fixed by YEIDA resulting in losses to it.