PART - II

Chapter - IV
Performance Audit relating to PSUs other than Power Sector

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Punjab Small Industries and Export Corporation Limited

4.1 Assessment of activities of Punjab Small Industries and Export Corporation Limited

While the total financial implication of this Performance Audit intervention is ₹ 623.34 crore, some of the significant findings are highlighted below:

Highlights

The Company did not formulate a plan for creation of land bank for meeting the requirement of industrial land as envisaged in the Industrial Policy 2009 of the State.

(Paragraph 4.1.6.1)

Allotment of undeveloped land/ plots without providing basic amenities to the allottees, against the allotment policy of the Government of Punjab, deprived the Company of revenue of ₹ 138.99 crore.

(Paragraphs 4.1.7.2 (i) and 4.1.7.2 (ii))

Non-cancellation/resumption of vacant plots under the three Industrial Focal Points where all plots stood allotted, deprived the Company of potential revenue of ₹ 1,197.64 crore.

(Paragraph 4.1.8)

Absence of monitoring mechanism and follow up of recovery led to accumulation of recoverable amount of ₹ 432.77 crore.

(Paragraph 4.1.10)

Emporia under the company did not achieve the sales and profit targets during the years 2014-19.

(Paragraph 4.1.14)

Non-execution of the projects under 'Apparel Park for Exports' scheme for promotion of exports even after lapse of six years, resulted in unfruitful utilisation of grant of ₹ 13.07 crore, non-achievement of exports of ₹ 1,650 crore and non-generation of employment for 22,250 persons.

(Paragraph 4.1.15.2)

4.1.1 Introduction

The Punjab Small Industries and Export Corporation Limited (Company), was set up in 1962 under the Department of Industries and Commerce (DIC) with the objective to aid, promote and protect the interests of small and large scale industrial units in the State by developing infrastructural facilities to provide financial, technical, managerial and marketing assistance. It also acts as the nodal agency for development of industrial focal points (IFPs). The functions of the Company include allotment of land/ plots as per the allotment policies of the Government of Punjab (GoP), distribution of iron and steel to small scale industries (SSIs) through its Raw Material Depots (RMDs), marketing of products through the State emporia and promotion of exports under Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) and Apparel Park for Exports scheme (APE) schemes of the Government of India (GoI).

During 2009-19, GoP notified three[1] industrial policies for economic development of the State with a view to accelerate the industrial growth and job creation; create land bank to develop, maintain and upgrade IFPs; and support the traditional handicrafts and promote garment industry in the State for exports.

During 2017-18 to 2018-19, the industrial growth rate[2] in the State declined to 5.80 *per cent* from 6.00 *per cent*, while share of manufacturing sector showed a decline in growth rate from 5.90 *per cent* to 5.60 *per cent*.

4.1.2 Organisational structure

The Management of the Company is vested in a Board of Directors (BoDs), a Chairman and four directors including Managing Director appointed by the GoP. The Managing Director is the Chief Executive of the Company and is assisted by functional heads in-charge of various activities viz. Estate, Engineering, Finance and Accounts, Raw material, Emporia, Export, Legal, Personnel, etc.

4.1.3 Scope and methodology of audit

The performance audit was conducted during December 2018 to August 2019, to assess activities of the Company for the period 2014-19 and overall execution of projects. Audit examination involved scrutiny of records in the head office, 24[3] out of 42 IFPs, five[4] out of 16 residential focal points (RFPs), three[5] out of seven RMDs and three[6] out of five emporia of the Company,

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1 Industrial Policy 2009 (October 2009), Fiscal Incentives for Industrial Promotion 2013 (December 2013) and Industrial and Business Development Policy 2017 (October 2017).

2 Source: Punjab Economic Survey 2019-20.

3 Amritsar: 02, Batala: 01, Bathinda: 03, Goindwal: 01, Jalandhar: 04, Kapurthala: 01, Ludhiana: 05, Mandi Gobindgarh: 01, Mohali: 04, Moga: 01 and Muktsar: 01.

4 Abohar: 01, Amritsar: 02, Chanalon: 01 and Pathankot: 01.

5 Jalandhar: 01 and Ludhiana: 02.

6 At Chandigarh, Delhi and Patiala.

selected on the basis of the stratified random sampling technique using IDEA[7] software.

An Entry Conference for the performance audit was held in April 2019 with the Company wherein audit scope, objectives and methodology were explained to the Management. An Exit Conference to discuss the audit findings was held in July 2020 which was attended by the Special Secretary-cum-Director, Industries and Commerce, GoP and Managing Director of the Company.

The activities of the Company for the period 2007-12 were last reviewed and included in the Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2012, Government of Punjab and was discussed (July 2014 to May 2015) by the Committee on Public Undertakings (COPU) of Punjab Vidhan Sabha.

4.1.4 Audit objectives

The objectives of the performance audit were to ascertain whether:

- planning, development, allotment, utilisation and maintenance of IFPs, RFPs and commercial sites was efficient and effective and was able to achieve the objectives of the industrial and land allotment policies of the State;
- the Emporia were being run economically and effectively to uplift the status of local artisans and handicrafts;
- promotion of exports was carried out as envisaged in the centrally sponsored ASIDE and APE schemes; and
- financial management and internal control mechanism was effective and efficient.

4.1.5 Audit criteria

The audit findings were benchmarked against the criteria sourced from:

- Industrial Policy 2009, Fiscal Incentives for Industrial Promotion Policy 2013, Industrial and Business Development Policy 2017, rules and guidelines of the GoP, Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) of the GoI for development of the focal points;
- Allotment Policy 2008 and Allotment Policy 2013 of the GoP for allotment of plots;
- Instructions and targets of the Company for operation of Emporia; and
- Guidelines of the ASIDE and APE schemes of GoI.

[7] Interactive Data Extraction and Analysis software.

Audit findings

4.1.6 Planning, development, allotment, utilisation and maintenance of Industrial Focal Points (IFPs)

The following stages are involved in development of IFPs:

Procurement of land ⇨ Development of IFP ⇨ Allotment of plots ⇨ Utilisation of plot by allottees

4.1.6.1 Planning for creation of land bank for industries

The Industrial Policy 2009 envisaged creation of land bank for relocation of existing industries and development of new industrial areas. Scarcity of land bank in the State was also observed by the GoP in Progressive Punjab Summits[8], 2013 and 2015. The Industrial and Business Development Policy, 2017 (IBDP) also envisaged development of new industrial parks covering general and sector specific requirements of industrial sectors. The Company being nodal agency for development of IFPs and facilitation of industrial development, was required to conduct demand assessment surveys/feasibility studies and formulate a perspective plan for procurement of land for creation of land bank.

Out of the total 42 IFPs as on 31 March 2019, only three[9] were initiated during last ten years i.e. after March 2009. For these three IFPs, the GoP transferred (August 2013 to May 2015) 114.04 acre land to the Company for industrial purposes. The Company took a decision (August 2017) for creation of land bank, after eight years of the Industrial Policy of 2009 and identified (December 2019) 2,868 acre land for procurement which was yet (June 2020) to be procured. This non-formulation of timely plan for creation of land bank would result in not meeting the requirement of industrial land for existing as well as upcoming investors thereby impacting the pace of industrial growth in the State.

The Management stated (June 2020) that Industrial Policy, 2009 was a State direction to Department of Industries for implementation of the Policy. The DIC, during Exit conference, directed the Company to create land bank for betterment of industries.

4.1.6.2 Development of industrial infrastructure project at Nabha

To enhance competitiveness of industry and promote industrial growth, employment generation and technology upgradation by providing quality infrastructure in Industrial Areas, the GoI notified (July 2013) a Modified Industrial Infrastructure Upgradation Scheme (MIIUS) under which central grant upto 50 *per cent* of the project cost was available.

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8 organised by the State Government for attracting private sector investments/ collaborations in various industrial sectors.

9 At (i) Tajpur road, Ludhiana (ii) Sector-82, Mohali and (iii) Nabha.

The Company acquired (August 2013) land measuring 83.81 acre at Nabha town for development of a "Light Engineering Goods Cluster" envisaging new infrastructure for cluster of engineering/agricultural implements under MIIUS. The GoI approved (March 2015) the project with a development cost of ₹ 44.26 crore (exclusive of land) including central grant of ₹ 13.06 crore with the condition of implementation of project within two years from the date of approval.

The Company could not complete the project within the stipulated period of two years and requested (May 2017/May 2019) the GoI to extend the completion date upto November 2019. The project could still not be completed. Audit observed revision in layout plan, estimates and technical sanctions by the Company as the factors contributing to the delay in implementation of the project. The Company had incurred (as of December 2019) an expenditure of ₹ 70.57 crore (cost of land: ₹ 40.75 crore and development cost: ₹ 29.82 crore including central grant of ₹ 13.06 crore) on the civil and public health works.

Thus, due to non-completion of the project for the last 33[10] months, the Company could not provide the envisaged industrial infrastructure besides deferring returns on its investments of ₹ 70.57 crore which had an associated interest cost of ₹ 19.87[11] crore.

The Management stated (June 2020) that the GoI has since granted extension up to September 2020 for completion of the project.

4.1.6.3 Development of project for resettlement of industries at Ludhiana

Economic viability of a new IFP depends upon (i) acquisition price of land i.e. after comparison with price of land in adjoining areas (ii) cost of development of land and (iii) allotment price of plots after development of an IFP.

To develop industrial plots for resettlement of the polluting dyeing industrial units of Ludhiana, the GoP decided (February 2014) to transfer 15 acre land of Central Jail, Ludhiana to the Company for ₹ 31.50 crore as per prevailing market rate. The Company, without considering the prevailing circle rates (₹ 25.70 crore) for ensuring reasonability of the price of the land being transferred and without conducting any feasibility study of the project, agreed and paid (May 2014) ₹ 31.50 crore, to the GoP. The Company worked out (June 2014) project profitability of ₹ 5.33 crore by adopting reserve price of ₹ 10,000 per square yard *(psy)* instead of the prevailing reserve price of ₹ 7,500 *psy* which was leading to a loss of ₹ 5.57 crore to the Company. The Company incurred ₹ 1.46 crore towards development costs of this project and

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10 From April 2017 to December 2019 after allowing a stipulated period of 24 months.

11 Calculated @ nine *per cent per annum* (rate adopted by the Company in cost sheet of the project) on ₹ 40.75 crore (cost of land) for the period from September 2015 to December 2019 (after allowing gestation period of two years for development of project) and cost of development: ₹ 29.82 crore (from date of completion of respective works to December 2019).

advertised (June-August 2016 and February 2019) allotment of plots for dyeing as well as mixed purpose industrial units. However, no response was received. Till date (June 2020) only one plot has been allotted (April 2019) and the polluting dyeing units were still operating at their original locations.

The primary reason for the Company not generating adequate response was fixation of higher reserve price which in turn was attributed to charging of market price of land instead of circle rates. Had the Company procured land at the circle rate it could have fixed and offered the industrial plots at ₹ 7,500 *psy* at par with plots available in other IFPs in Ludhiana.

This non-considering of the lower circle rates for procurement of land made the project unviable, resulted in blockage of ₹ 31.96[12] crore and defeated the primary purpose of re-settlement of dyeing units.

The Management stated (June 2020) that the Company has now fixed the reserve price for allotment of industrial plots in all IFPs at Ludhiana at ₹ 10,000 *psy*. Further, the Punjab Pollution Control Board would also be requested to motivate the identified dyeing units to obtain allotment of plots.

4.1.6.4 Development of vacant lands in IFPs

The Industrial Policy 2009, *inter alia,* provided that the vacant land in IFPs was to be developed for industrial purposes. Audit observed that the Company did not put any mechanism of periodical physical verification/ reconciliation of inventories in place to identify and utilise the areas lying vacant in the IFPs/RFPs. In the selected field offices of the Company, vacant land valuing ₹ 108.36 crore remained undeveloped as given below:

(a) At IFP, Ludhiana, an area of 36,647 square yards (sq. yds.) having present allotment price of ₹ 36.65 crore was lying vacant for more than 25 years but not offered for allotment.

(b) In seven out of 24 selected IFPs, land measuring 70,761 sq. yds. having current allotment price of ₹ 48.41 crore remained reserved even after a lapse of 22 to 43 years for setting up of Common Effluent Treatment Plant (CETP)/Sewerage Treatment Plant (STP).

(c) In one out of five selected RFPs, an area of 31,073 sq. yds. having current allotment price of ₹ 23.30 crore was earmarked for Common Facility Centers (CFCs) since 2003-04, without requisite development.

The Management stated (June/July 2020) that vacant plots would now be put up for allotment; utilisation of land reserved for setting up of STP/ CETP would be reassessed; and that as only 23 plot holders constructed their buildings against the allotted 381 plots and in view of lukewarm response from the plot holders, there was delay in development of area reserved for CFCs, otherwise it would cause blockade of Company's funds. However, the

[12] Cost of land: ₹ 31.50 crore *plus* cost of development: ₹ 1.46 crore *minus* allotment price of one plot allotted during April 2019: ₹ 1.00 crore.

fact remained that the Company could not achieve the intended development of the IFPs as envisaged in the Industrial Policy 2009.

4.1.7 Allotment of plots

For development of IFPs in the State, the Company allots plots as per Allotment Policies of 2008 and 2013 of the GoP and issues allotment letter to the allottees. The salient features of the allotment policies and allotment letter provided for:

- Allotment of plot after assessing the viability of the project and other parameters[13].
- Allotment of plot/land in a developed/semi developed[14] IFP and at the reserve price fixed by the Company.
- Construction of building and commencement of production within stipulated period of three years extendable to five years on payment of prescribed extension fee.
- In the event of failure to commence commercial production within the prescribed period of three years or the extended period upto five years, cancel the allotment of plot and forfeit the earnest money deposited and extension fee paid, if any.
- Allotment of plots for specific industrial purpose, otherwise, the Company can resort to cancellation/ resumption of the plot.
- Allow transfer of plots only after three years of commencement of production by the original allottee on submission of the certificate of production issued by the concerned District Industries Centre.
- Payment of maintenance charges within 30 days from the date of demand after three years from the date of allotment.
- 30 *per cent* down payment within 30 days from the date of allotment.
- Payment of balance amount in five equated half yearly installments and due interest thereon by due date.

4.1.7.1 Policy for revision of reserve price of plots

The allotment of plots is done at reserve price fixed from time to time by the Company. As per the allotment policy, the Company has the right to review the reserve price at any time.

The Company has not prescribed any periodicity for revision of reserve price for allotment of plots in the focal points. The Company was revising the

[13] impact on the environment, employment generation, export earnings, qualification and experience, technology involved etc.

[14] after providing basic amenities i.e. Roads, street light, sewerage system and drainage.

reserve price in an *adhoc* manner i.e. within a period of two to 8.5 years whereas the PSU of State of Haryana, the Haryana State Industrial & Infrastructure Development Corporation Limited (HSIIDC) was reviewing the prices of its plots annually as a best business practice.

The Management agreed (July 2020) to consider reviewing the reserve price of plots at fixed regular interval, preferably at 6-12 months.

4.1.7.2 Allotment of undeveloped land

(i) The Company acquired (July 2016 and December 2018) 380 acre land for ₹ 124.89 crore for setting up of Hi-Tech Cycle Valley, Ludhiana. The project was to be implemented by 31 March 2020.

Audit noticed that the Company in departure from the allotment policy obtained approval (October 2018) from the GoP for allotment (December 2018) of un-developed land of 100 acre to M/s Hero Cycles Limited, Ludhiana on freehold basis at the special reserve price of ₹ 42.89 crore[15]. The allottee was to set up an anchor unit to develop industrial park by inviting ancillary/vendor units and providing developed infrastructure. Further, 50 *per cent* payment was received (upto January 2019) and the balance payment was allowed in five equated yearly installments instead of five equated half yearly installments as per the Allotment Policy, 2013.

Audit noted that the Company, did not carry out comparative financial analysis of potential revenue from allotment of developed land *vis-à-vis* allotment at special reserve price, in order to provide a basis for the GoP to take an informed decision in the matter. Thus, in decision to allot undeveloped land, the Company deprived itself of revenue of ₹ 125.84 crore[16] on account of differential amount between allotment price of developed land and cost of developed land.

The Management stated (July 2020) that the decision was taken by the Allotment Committee and the Council of Ministers, GoP, hence, there was no departure from the Allotment Policy. With the development of this project, the prices of the remaining land/plots of the Company would increase and will be beneficial to the Company. The allotment was made after considering these factors without working out the financial aspect.

The fact remains that by allotment of undeveloped land, in departure from the provisions of the Allotment Policy, the Company deprived itself of its legitimate revenue.

(ii) The Company acquired (May 2015) land measuring 15.23 acre for ₹ 37.00 crore in Sector-82, Mohali for development of plots for industrial

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15 Cost of land: ₹ 31.50 crore; interest: ₹ 3.23 crore; and proportionate cost of external development till boundary: ₹ 8.16 crore.

16 Saleable area of 2,46,840 sq. yds. (51 *per cent* of 4,84,000 sq. yds. equivalent to 100 acre) *x* current allotment price of ₹ 10,000 *psy* (fixed in January 2019) of IFP, Ludhiana equals to ₹ 246.84 crore *minus* ₹ 121.00 crore (cost of 100 acre land and its development).

purpose. Contrary to the allotment policy, the company, allotted (October-December 2016) 94 plots measuring 500 sq. yds. each without developing the land, at reserve price of ₹ 12,500 to ₹ 14,000 *psy*. All the 94 plots were lying vacant and no factory building was constructed by the allottees. This deprived the Company of earning revenue of ₹ 13.15[17] crore on 71[18] plots on account of difference of current (₹ 16,500 *psy*) and original allotment price.

The Management stated (June 2020) that the Company decided (February 2005) that date of allotment of plots would be made effective from the date of completion of development works instead from the original date of allotment. In the Exit Conference, it was stated (July 2020) that it has been principally agreed to allot only developed plots in future.

The reply is not acceptable as the allotment of the plots without development of land was against the Allotment Policy approved by the GoP.

4.1.7.3 Deviations from the terms of allotment

The significant instances of deviation from the terms of allotment by the Company noticed during audit are discussed below:

(a) Change in date of allotment

In eight cases of IFP (Phase VIII), Mohali, plots allotted during July 2004 to November 2011, the Company changed (November 2008 to December 2017) the date of allotment after a lapse of four to eight years of allotment on the ground of non-providing the basic amenities by it on the plots. Even after the change in date of allotment, these plots were lying vacant (June 2019), which should have been cancelled/ resumed and available for re-allotment at the current price. This deprived the Company of earning revenue of ₹ 12.86 crore on account of differential allotment price of plots.

The Management stated (June/July 2020) that change of date of allotment was made only in the undeveloped pocket where some development work was left to be done as approved (February 2005) by the BODs of the Company. Now, the Management has principally agreed to allot only developed plots in future and that deprivation of earning revenue of ₹ 12.86 crore is presumptive.

The reply is not acceptable as the Company did not furnish reasons for not providing the basic amenities to the allottees even after a lapse of up to eight years from the date of allotment. Also, the amount of ₹ 12.86 crore pointed out by the audit is not presumptive as the same has been calculated at the current reserve price of the plots.

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17 ₹ 11.40 crore (at the rate of ₹ 4,000 *psy* for 57 plots having original allotment price of ₹ 12,500 *psy*) *plus* ₹ 1.75 crore (₹ 2,500 *psy* for 14 plots having original allotment price of ₹ 14,000 *psy*).

18 Loss of revenue in respect of remaining 23 vacant plots which were transferred to other parties at original allotment price has been included in paragraph 4.1.8.1.

(b) Bifurcation and transfer of plots

In three cases in 24 selected IFPs (as tabulated below), the Company permitted bifurcation and transfer of vacant plots though there was no such provision in the allotment policy of the GoP:

Table 4.1: Table showing bifurcation and transfer of vacant plots

Name of IFP	Plot No. (Area in sq. yds.) & original purpose of allotment	Details of bifurcated plots (area in sq. yds.)	Original date of allotment/ Date of bifurcation	Status of bifurcated plots
Ludhiana (Ph-V)	C-131 (4,167) Auto parts	2 plots (2,583.67 and 1,583.33)	June 1976/ December 2015	1 plot (1583.33 sq. yds.) transferred in August 2016 for meat treatment furnace.
Ludhiana (Ph-VIII)	C-261 (8,500) Knitting, spinning, dyeing and finishing	4 plots (2,125 each) out of which 3 plots of 2,125 each further bifurcated into 6 plots (3 x 1000 and 3 x 1125) (Total 07 plots)	November 2006/ December 2006 & March 2012	All the 07 plots transferred during February 2007 to January 2018 for plastic bags, cycle parts, auto parts & hardware, agriculture & machinery parts.
Mohali (VIII-B)	D-266 (3,055.54) Railway track fittings	5 plots (2 x 527.77, 2 x 500 and 1 x 1000)	November 2011/June 2019	Status awaited (present market value ₹ 9.58 crore).

Source: Compiled from the records of Company.

The transfer of bifurcated plots to other allottees for different purposes resulted in favour to the allottees and provided an opportunity for speculative trading of industrial plots.

The Management stated (July 2020) that bifurcation was necessitated by factors like division of the family, unit becoming sick and death of an allottee etc. and was made as per the decision (February 2005) of the BODs of the Company. The DIC directed the Company, in the Exit conference, to get approval from the GoP.

4.1.8 Utilisation of plots

The Industrial and Business Development Policy, 2017 provides for resumption of the vacant plots so that the same could be given to deserving entrepreneurs. The COPU, while discussing, paragraph no. 2.2.9.2, 2.2.9.3 and 2.2.9.4 of the Audit Report 2011-12 had recommended (March 2015 - May 2015) resumption of the plots in case of non-compliance of terms and conditions of allotment by the allottees.

Audit, however, observed that:

- though the field offices of the Company conduct quarterly survey of plots allotted at each focal point but the Company had not maintained any data regarding date of allotment of plots, actual date of construction and date of start of production so as to ensure execution of the projects by the allottees within the stipulated period; to ascertain the reasons for plots lying vacant and to initiate action to resume the vacant plots. This showed lack of internal controls and checks to ensure the execution of the projects by the allottees.

- Upto 31 July 2018, the Company had allotted 10,735 plots (out of 11,518 available plots) in 42 IFPs against which commercial production was commenced only on 6,646 plots (61.90 *per cent*) and the balance 4,089 plots (38.10 *per cent*) were lying vacant (including 1,573 plots under construction).

- Out of 7,779 plots allotted (upto December 2018[19]) in 24 test checked IFPs, the allottees started commercial production in 5,246 plots (67.44 *per cent*) only as tabulated below. The percentage of the executed projects in these IFPs ranged between zero and 90.93 *per cent*.

Table 4.2: Table showing status of utilisation of allotted plots

Period of allotment	Plots where commercial production commenced	Plots lying vacant	Plots under construction	Pending since
Upto 2011-12	4,299	878	889	5 to 43 years
2012-13 to 2014-15	487	152	89	More than 3 years
2015-16 to 2018-19	460	363	162	Upto 3 years
Total	**5,246**	**1,393**	**1,140**	

***Source:** Compiled from Survey reports of plots of test checked IFPs.*

The current allotment price of 1,530[20] plots (60.40 *per cent)* out of 2,533 vacant and under construction plots worked out to ₹ 2,098.36 crore. Of these, 649 vacant plots having current allotment price of ₹ 1,377.93 crore were situated in three IFPs[21] (Mohali, Amritsar and Ludhiana). The Company in resuming the 649 vacant plots by implementing its policy would have paved the way for setting up industries and generated revenue of ₹ 1,197.64[22] crore.

- In the 24 test checked IFPs, utilisation of plots was lowest in three IFPs ranging between zero and 20.66 *per cent* only as tabulated below:

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[19] In case of IFP Mohali, status of commercial production was taken upto March 2018.

[20] Number of plots where the date of allotment, area and reserve price was available.

[21] There was no un-allotted plot in these IFPs.

[22] ₹ 1,377.93 crore (current allotment price) *less:* ₹ 180.29 crore (original allotment money to be refunded to the original allottee)

Table 4.3: Table showing details of three IFPs with lowest utilisation of plots

Name of IFP	Plots available for allotment	Plots allotted[23]	Plots under production	Plots vacant (plots under construction)	Utilisation of plots (in *per cent*)
Kapurthala	351	60	1	57 (2)	1.67
Muktsar	215	91	-	89 (2)	0.00
Goindwal Sahib	446	426	88	191 (147)	20.66
Total	**1,012**	**577**	**89**	**488 (151)**	

- To mitigate the hardship being faced by the entrepreneurs in implementation of the projects, the GoP/Company allowed (May 2003, August 2010 to September 2016) five[24] extensions in time over and above the normal extension of two years for commencement of commercial production. The Company granted (February 2019) another opportunity to the defaulting allottees for completing construction of buildings upto September 2019 and bringing the unit into production upto September 2020. Even after this, the allottees did not start construction of buildings on the plots. Twenty four such major cases {having differential (of current and original) allotment price of ₹ 112.32 crore} falling in 11 out of 24 test checked IFPs are discussed in ***Annexures 9 and 10.*** In these cases**,** the allottees did not construct buildings/commenced commercial production even after lapse of period ranging between two and 40 years, beyond the stipulated period of three years.

  At the instance of Audit, the Company cancelled (May 2019 to August 2019) four plots (Sr. No.1, 4, 9 and 10 of the ***Annexure 9***) having differential allotment price of ₹ 33.24 crore. Repeated grant of time extensions to the defaulting allottees, without analysing specific reasons for non-commencement of production, did not serve the objective of promotion of industrialisation in the State.

  The Management stated (June/July 2020) that in view of industry in Punjab undergoing recessionary phase, the Company/GoP, as a last and final opportunity, had given (February 2019) extension to defaulter allottees on payment of extension fee. Further, allotment of 1,148 plots was cancelled for allottees who did not come forward for execution of the projects or pay their dues.

  The Management reply is not specific as allowing repeated extensions to defaulting allottees to execute projects within a period of five to 43 years against the stipulated/extended period of five years lacked justification.

- The Company had not evolved any system for ensuring construction of the buildings/structures as per the detailed project reports/sanctioned building plans of the respective projects. An inspection-*cum*-survey

23 Upto 2011-12 : 357, 2011-12 to 2014-15 : 82 and 2015-16 to 2018-19 : 138.

24 Two years, two years, two years, three years and one year.

conducted (July and August 2019) by Audit at IFPs in Ludhiana and Mohali showed that in five cases, the allottees had not constructed the buildings on the plots (allotted during March 1974 to April 2000) measuring 3,50,179.86 sq. yds. Only marginal area of 31,444 sq. yards (nine *per cent*) was constructed and the balance area 3,18,735.86 sq. yds.[25] (91 *per cent*) was not used even after a lapse of 21 to 45 years resulting in non-generation of envisaged employment, increased state revenues besides depriving the Company of revenue of ₹ 428.13 crore on account of difference in original and current allotment price of the plots.

The Management stated (June 2020) that the revenue loss of ₹ 428.13 crore in the paragraph is presumptive only.

Reply is not accepted as the potential loss of revenue of ₹ 428.13 crore has been arrived at on the basis of the current reserve price of plots fixed by the Company, which could have been realised if the Company took pro-active steps in time.

- The Company allotted (April 2016) a 30 acre plot to Indian Oil Corporation Limited (IOCL) at IFP, Goindwal Sahib for setting up LPG bottling plant. IOCL had planned to spend of ₹ 100 crore in 30 months for setting up of plant which would have generated employment for skilled/unskilled manpower besides development of surrounding areas including transport sector. As per possession certificate (December 2016), two numbers of High Tension (HT) power transmission lines were passing through the plot and it was the Company's responsibility to get them shifted as the proposed industry was dealing in inflammable material. The process was delayed to July 2019 and the Company changed the date of allotment from April 2016 to August 2019 owing to not providing encumbrance free land to IOCL, thereby deferring the implementation of a project in a lesser industrialised IFP of the State.

  The Management informed (June/July 2020) that HT lines have been re-routed and the project is under progress. The fact remains that the development of the project was delayed due to the Company not providing the encumbrance free plot to the allottee at the first instance.

4.1.8.1 Transfer of plots

The Company allowed (August 2014 to June 2019) transfer of 89[26] vacant plots to other parties despite the fact that the allottees had not started commercial production. A fresh period of three years for commencement of production to new allottees that too without obtaining any project report from them was also allowed. On the date of transfer, allotment price of the plots ranged between ₹ 0.04 crore and ₹ 5.82 crore against the original allotted price ranging between ₹ 0.01 crore and ₹ 3.52 crore. Had the Company resumed the

25 including 33,880 sq. yds. area given on rent by one allottee.
26 Originally allotted during June 1976 to September 2017.

plots and re-allotted them, revenue of ₹ 65.03 crore (after adjustment of transfer price) on account of difference in original allotment price and current price could have been earned.

The Management stated (June/July 2020) that the allotment policy of the GoP permits transfer of vacant plots after realisation of dues from the allottee. The factum of deprivation of the revenue earning as pointed by the audit is presumptive.

The reply is not acceptable as the transfer of vacant plot was not allowed by the allotment policy and were to be cancelled/resumed due to non-execution. Moreover, the Company had itself decided (May 2013) that transfer of plot may be allowed only in those cases where allottees have physically commenced the operations.

4.1.8.2 Utilisation of plots for other than intended purposes

Scrutiny of survey reports in respect of the test checked 24 IFPs prepared by the field offices of the Company showed that:

- Allottees of 90 plots in 11 IFPs leased the plots on rental basis instead of using these plots for the intended purposes. The Company had not taken action for cancellation/resumption of these plots.

  The Management stated (June 2020) that the Company allows allottees to lease/rent out their premises to encourage entrepreneurs for undertaking industrial activity, increase occupancy ratio and hence, cancellation/resumption of the plot is not warranted. The reply is not acceptable as further leasing/renting out the plots is not permissible under the allotment policy of GoP. Moreover, the Company had itself cancelled (July 2019) 12 industrial plots in IFP Tarn Taran which were being used for other than intended purposes.

- The Company decided (May 2013) to regularise the weighbridges already installed/to be installed within the premises of the allotted industrial plots for commercial purpose, subject to the payment of additional 50 *per cent* of the current allotment price[27] and fixed annual renewal fee of ₹ 0.30 lakh. In 11 IFPs, 32 plots were being used for operation of weighbridges only. Audit, however, observed that no action for regularisation of the installed weighbridges, ascertaining the actual area utilised for such weighbridges along-with the period since when these were installed, and recovery of applicable charges from the allottees was taken by the Company.

  The Management stated (June 2020) that allottees can install weighbridge as a part of their chain of manufacturing process and cannot be termed as commercial misuse of industrial premises. The status of regularisation of 32 cases along with recovery of charges was not provided to Audit.

[27] for a minimum area of 150 sq. yds. or the actual area under use, whichever is higher.

4.1.8.3 Encroachment of land

The field offices of the Company submit monthly report relating to encroachment of the Company's land/plots to the Head office of the Company. In case of encroachment, the Company is required to file eviction petition under the Punjab Public Premises Land (Eviction and Rent Recovery Act, 1973) against the encroachers for unauthorised occupancy of land.

Audit observed that the Company has not maintained consolidated record of land under encroachment in the respective IFPs. In three[28] test checked IFPs, though land measuring 2,23,251 sq. yds.) having current allotment price of ₹ 59.44 crore was under encroachment for a period ranging between six and 33 years but the Company had filed 56 cases for eviction of this land only during January 2015 to February 2019. Of these, 41 cases involving 1,78,299 sq. yds. of land having current allotment price of ₹ 35.66 crore were decided (February 2019) in favour of the Company. However, possession of the land was still awaited (June 2020).

Thus, delay in filing of eviction cases against the unauthorised occupants facilitated the un-authorised occupants to continue custody of the land having present allotment price of ₹ 59.44 crore.

The Management accepted (July 2020) the issue.

4.1.9 Maintenance of focal points

4.1.9.1 Non-recovery of maintenance charges

The GoP directed (February 2010) the Company to handover the IFPs established for over five years to the respective municipal committees (MCs) for maintenance and providing essential services. The Company requested (March 2010 to June 2017) the respective MCs to take over 14[29] IFPs developed upto February 2010. However, MCs gave no response, as a result the IFPs could not be transferred (June 2020). Thus, in absence of transfer of IFPs to MCs, the Company was required to recover the maintenance charges from the allottees but Company neither fixed the maintenance charges recoverable from the allottees after three years of allotment nor did it recover any such charges. The Company had incurred expenditure of ₹ 56.66 crore during 2013-18 on maintenance of IFPs, after three years from the allotment, which are recoverable from the allottees.

The Management stated (June 2020) that the response of the Department of Local Government, Punjab to its request (August 2019) to direct the concerned Urban Local Bodies to take over the maintenance of IFPs is awaited. No reply was offered for non-fixation of maintenance charges and recovery thereof from the allottees.

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[28] Where major cases of encroachment were noticed (i) Goindwal Sahib, (ii) Amritsar and (iii) Jalandhar Expansion.

[29] Batala: 1, Bathinda (New): 1, Derabassi: 1, Hoshiarpur: 1, Jalandhar: 4, Kotkapura: 1, Mohali: 1, Moga: 1, Nangal: 1, Nawashahar: 1 and Tarn Taran: 1.

4.1.9.2 Expenditure at IFP Kapurthala

For the development of IFP Kapurthala, the Company acquired (September 2008) 227 acre of land belonging to Open Jail, Kapurthala at the circle rate of ₹ 9.04 crore. Out of 227 acre, 25 acre of land was already occupied by the 'Centre for Training and Employment for Punjab Youth' (C-Pyte). The GoP directed (July 2007) the Company to bear the entire cost of relocation of C-Pyte building on 28 acre land adjoining the Modern Jail, Kapurthala. The Company constructed (June 2017) the building for relocation of C-Pyte at a cost of ₹ 7.51 crore and booked the expenditure as maintenance expenses in upgradation and maintenance account. Audit observed that the relocation work, which was neither a part of the IFP, Kapurthala nor related to the activities of the Company, resulted into unjustified expenditure of ₹ 7.51 crore.

The Management stated (July 2020) that the matter for its recovery would be taken up with the GoP.

4.1.9.3 Government of India scheme for upgradation of industrial infrastructure

Micro and Small Enterprises- Cluster Development Programme (MSE-CDP) scheme (October 2007) of the GoI envisaged upgradation of the existing industrial infrastructure as a part of enhancing the productivity, competitiveness and capacity building of Micro and Small Enterprises (MSE).

Audit observed that the Company did not chalk out any road map for nine and half years for getting the benefit of the GoI scheme in upgradation of the existing industrial infrastructure upto May 2017 when the GoP, *inter alia,* emphasised the need for obtaining the grants from the GoI under the scheme. Thereafter, the Company identified (2017-18) 16 IFPs for upgradation of the existing industrial infrastructure under the scheme and the GoI approved (November 2017-February 2020) the upgradation projects at a cost of ₹ 136.55[30] crore and contributed (November 2017-February 2020) ₹ 24.39 crore towards its share so far (June 2020). The Company had incurred (July 2020) an expenditure of ₹ 5.77 crore for upgradation of eight[31] IFPs.

The delay on the part of the Company in initiation of the case for obtaining the central funds deprived the State of the upgradation of the existing industrial infrastructure which was already in deteriorating condition, as discussed in the succeeding paragraphs.

The Management admitted (July 2020) the delay in availing central funds.

4.1.9.4 Survey on allottees satisfaction

With a view to elicit opinion of the allottees on the condition of infrastructure i.e. roads, sewerage, street lighting, water supply, etc., Audit conducted

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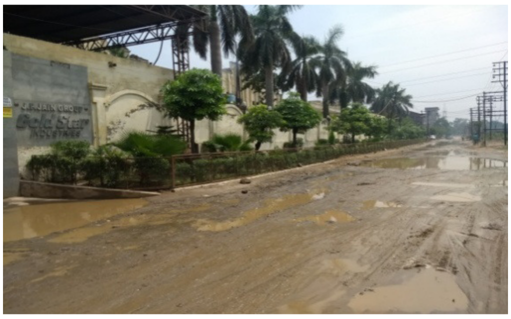
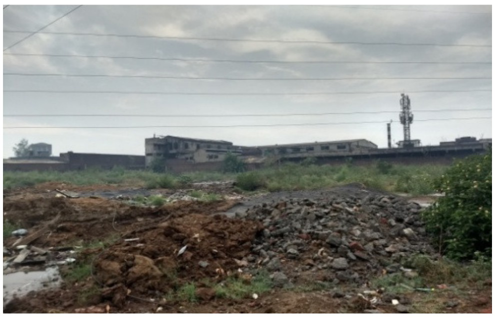
[30] GoI share: ₹ 99.68 crore and Company share: ₹ 36.87 crore.

[31] Amritsar, Batala, Bathinda, Goindwal Sahib, Ludhiana Phase-IV, Mandi Gobindgarh, Nawashahar and Pathankot.

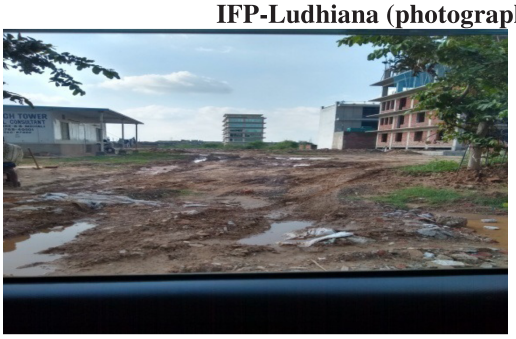
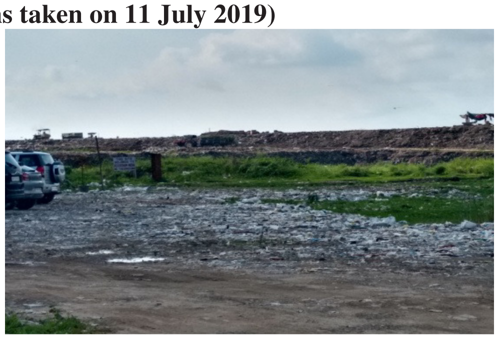
(July-August 2019) an Inspection-*cum*-Survey covering 32 allottees who had executed their projects in seven[32] out of 24 selected IFPs.

(i) 53 *per cent* allottees were not satisfied with the condition of roads and sewerage facilities, 41 *per cent* and 19 *per cent* pointed out the poor condition of street lights and water supply, respectively.

(ii) It was observed that ₹ 47.44 crore lying with the Company under the project liability of different IFPs were not utilised for maintenance and upgradation of IFPs. As a result, the condition and environment of IFPs deteriorated with the passage of time. Instances of accumulation of rain water, overflow of waste water and garbage dumps were observed:

IFP-Ludhiana (photographs taken on 11 July 2019)

IFP-Mohali (photographs taken on 19 August 2019)

The above condition of IFPs indicated their poor maintenance, thereby making these a health hazard due to un-hygienic conditions prevailing there and it also defeated the spirit of Swachh Bharat Mission.

The Management informed (June 2020) that the maintenance of basic infrastructure in IFP Ludhiana and IFP Mohali (Ph-VIII A & B) is under progress.

4.1.10 Collection of outstanding cost and other charges of plots

The Company had not maintained any allottee-wise ledger for keeping a track of the outstanding amount recoverable towards allotment price, extension fee and enhancement compensation to ensure its timely pursuance and recovery as per the terms of allotment. The Company had also not framed any Management Information System (MIS)/periodical statements of amount

32 Ludhiana-03 (Phase V, VII and VIII) transferred to Municipal Corporation during 2002; Jalandhar-02 (Old and Extension); Kapurthala-01; Mohali-01 (Phase VIII A &B).

recoverable from each allottee (IFPs wise) for information of the top Management of the Company.

In absence of any monitoring mechanism and follow up, accumulation of recoverable amount of ₹ 432.77 crore (allotment price of plots: ₹ 113.02 crore, extension fee: ₹ 180.51 crore and enhancement compensation: ₹ 139.24 crore) for the period February 1977 to December 2016 was noticed. This showed lack of internal controls in the Company procedures.

The Management informed (July 2020) that the Company is developing Estate Management System for maintaining allottee wise ledger for its proper pursuance.

(i) In 62 plots under 18 IFPs allotted during June 2002 to March 2019, the allottees had not deposited the required initial down payment of 30 *per cent* of cost and possession of the plots was not given to the allottees even after a lapse of one to 205 months beyond the stipulated period of 30 days. The Company did not take action for cancellation of such allotment.

The Management stated (June 2020) that the Company has cancelled allotment of considerable number of plot holders who did not come forward to make up their default in payment.

(ii) In respect of 10 industrial plots allotted (April 1994 to December 2016) in four[33] IFPs, the allottees deposited ₹ 3.12 crore only and had not deposited the balance amount of ₹ 14.25 crore towards installments and interest thereon as per terms and conditions of the allotment. None of these allottees had executed the project. The Company issued (January 2004 to June 2019) notices for cancellation of allotments but the cancellation was not done as of September 2019.

The Management accepted and stated (July 2020) that notices have been issued to the concerned defaulter allottees.

(iii) In four cases, the allottees did not pay allotment price of plots (including interest on account of delay in payments) and enhancement compensation aggregating to ₹ 44.49 crore.

The Management stated (June 2020) that action has been initiated against these allottees as per terms of the allotment. However, action taken specifically in these cases has not been intimated to Audit.

(iv) The Company had not evolved any system of periodical verification of the status of execution of the projects by the allottees and timely raising of demand for extension fee in cases where the projects were not implemented within the stipulated period. Consequently, recoverable extension fee from 996 allottees of different IFPs accumulated to ₹ 180.51 crore. The Company issued as late as during March 2019 to June 2019, show cause notices to the concerned defaulting allottees to pay the extension fee.

[33] Amritsar (New/Expansion), Tanda, Goindwal Sahib and Mandi Gobindgarh.

The Management, while admitting the facts, stated (June/July 2020) that during the year 2018 and 2019, the Company issued notices to the concerned plot holders to make payment of applicable extension fee or furnish proof of having commenced production.

4.1.11 Residential Focal Points

With the objective of providing integrated industrial and residential facilities to the entrepreneurs, the Company/GoP earmarked (January 2000/December 2001) 20-30 *per cent* area for industrial housing in the existing/upcoming IFPs being developed by the Company.

- As on 31 March 2020, the Company had developed 16 Residential Focal Points (RFPs) in 14 cities of the State and allotted (2007-08) 2,424 plots out of total 3,808 plots. The balance 1,384 plots had remained un-allotted and the Company after lapse of 11 years offered allotment of residential plots at 12 RFPs through e-auction in November 2019.

- In five selected RFPs, position of allotment, utilisation and vacant residential plots as on 31 March 2020 was as under**:**

Table 4.4: Table showing position of allotment and utilisation of residential plots in selected RFPs

Sl. No.	Name of RFP	Total plots available	Plots allotted	Construction completed (Percentage)[34]	Plots lying vacant	Plots un-allotted
1.	Abohar	297	Nil	Nil	Nil	297
2.	Amritsar (New)	521	381	23 (6.04)	358	140
3.	Amritsar (Old)	49	48	19 (39.58)	29	1
4.	Chanalon	53	53	Nil	Nil	Nil
5.	Pathankot	337	301	Not available		36
	Total	**1,257**	**783**		**387**	**474**

Source: Compiled by Audit from the record relating to allotment of residential plots.

Besides above, the Company could not allot a single residential plot at Abohar (297), Malout (263), Raikot (256) and Tanda (165) since their inception. The non-allotment of residential plots was attributed to non-development of industry in these areas which also impacted residential plots demand.

The Management informed (June/July 2020) that the Company has allotted 100 residential plots through e-auction in different areas upto 31 March 2020. The industrially backward zones (Abohar, Malout, Raikot and Tanda) have issues in disposal of residential plots and even the industrial plots in the said areas have witnessed low occupancy.

[34] Percentage of completed plots to the total allotted plots.

4.1.12 Commercial sites

The Company reserves land for commercial purpose in IFPs. The allotment of commercial[35] sites was being made through auction (e-auction with effect from February 2019). The allottees were required to complete the buildings within three years, extendable upto 10 years on payment of extension fee from the date of allotment and produce the completion/ occupation certificate duly issued by the Company as a proof of completion. Otherwise, the site was to be cancelled/resumed and the amount paid by the allottee not exceeding 25 *per cent* of total consideration money was to be forfeited. Audit observed that:

- The status of commercial sites developed, allotted in the respective IFPs and the execution of the projects by the allottees was not brought to notice of the BoDs.

- In 25 IFPs, an area of 7,24,636 sq. yds. earmarked for commercial sites having present allotment price of ₹ 200.68 crore was lying un-developed.

  The Management stated (July 2020) that the development of the commercial sites depends upon the demand and development of industries in the respective focal points, otherwise, it would cause blockage of funds.

- Out of total 1,069 commercial sites (369 SCFs/ SCOs and 700 Booths) in 17 IFPs, 507 sites (187 SCFs/ SCOs and 320 booths) were allotted (upto January 2019) leaving 562 sites un-allotted. Of the 562 sites, only 23 commercial sites could be allotted, for ₹ 51.46 crore, during February 2019 to March 2020 in different IFPs .

  The Management stated (June 2020) that due to recessionary trend and economic hardships faced by the industry in Punjab, the Company was not able to dispose off the large number of sites through e-auction and the efforts are being made to dispose off commercial property.

- At IFP Ludhiana, six allottees (date of allotment: December 2014) had not paid ₹ 2.59 crore towards allotment price (including down payment of ₹ 0.36 crore) which was to paid by January 2015. No action for cancellation and resumption of the sites was taken by the Company before April 2019 when it issued show cause notices to the allottees for cancellation of the allotments. Inaction of the Company extended undue favour to the allottees and deprived the Company of earning additional revenue of ₹ 1.52 crore on account of differential allotment price of commercial sites.

Due to non-development of commercial sites, non-allotment of the available sites and inaction on the part of the Company in not taking action for cancellation and resumption of plots, the overall objective of development of IFPs was not achieved.

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35 Shop-*cum*-Flat (SCF), Shop-*cum*-Office (SCO) and Booth.

The Management, while admitting the facts, stated (July 2020) that the date of allotment of sites has been changed (July 2018) due to allotment of undeveloped sites in the year 2014 while the basic amenities were completed during July 2018. The down payment has been remitted by all the plot holders.

The reply is not acceptable as the allottees were required to make the initial down payment within 30 days from the date of allotment; otherwise, the allotment of commercial sites was to be cancelled.

4.1.13 Non-generation of employment and revenue

Timely implementation of industrial projects is a pre-requisite for development of industries in the State and consequential employment and revenue generation.

Through scrutiny of project reports of 33[36] projects at nine out of 24 selected IFPs, it was observed that these projects envisaged turnover of ₹ 3,710.95 crore and providing employment to 4,062 persons**.** However, none of the project was executed (upto March 2019) even after a lapse of period ranging between four months to 30 years, which resulted in non-generation of the intended benefits.

The Management stated (June 2020) that entrepreneurial spirit of allottees and industry in Punjab passed through era of terrorism and acute recessionary phase. Given this scenario, the State Government and the Company took several measures to motivate the plot holders to come forward and set-up their projects.

The reply is not convincing as the risks associated with the project are always factored into while proposing a project.

4.1.14 Performance of Emporia

The Company was running seven Emporia *'Phulkari'* with the object of rendering marketing assistance to the artisans and craftsmen engaged in the manufacture of handicrafts, handloom, etc. The performance of Emporia during 2014-19 showed:

(i) Against the targeted sales and profits of ₹ 32.40 crore and ₹ 1.28 crore during 2014-19, the actual sales were ₹ 19.17 crore (59.17 *per cent*) and the segment reported loss of ₹ 1.35 crore. The lower sales and losses were attributed to lack of product mix, lack of advertisement, availability of cheaper products in the same market, withdrawal of contract marketing business, less procurement of own stock and high establishment cost, etc.

(ii) Six[37] emporia suffered losses of ₹ 2.54 crore and only one emporia at Chandigarh earned profit of ₹ 1.19 crore during 2014-19. The GoP

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36 Where project reports were available.

37 Amritsar, Delhi, Jalandhar (closed in December 2017), Kolkata, Ludhiana (closed in December 2015) and Patiala.

emphasised (May 2017) to rejuvenate activities of the Emporia introducing new product mix, improvement in quality of products and regular replenishment of stocks depending upon requirement. It was, however, observed that the Company did not perform demand assessment for stock management and work out any breakeven analysis along-with marketing plan, thereby continuing to incur losses.

The Management stated (June 2020) that annual budgets, targets are usually fixed on higher side as compared to the previous year actual achievement. Due to efforts of the Company, the performance of the Emporia in terms of sale (₹ 7.24 crore) and profit (₹ 0.58 crore) has improved during 2019-20.

4.1.15 Promotion of exports

The share of Punjab in Indian exports fell from ₹ 6,776 crore (2.18 *per cent*) during 2014-15 to ₹ 5,788 crore (1.91 *per cent*) in year 2017-18. Though the Company is not directly responsible for promotion of exports, it is nodal agency for implementation of two schemes of GoI: "Assistance to States for Development of Export Infrastructure and Allied Activities" scheme (ASIDE)[38] for promotion of exports and "Apparel Park for Exports" scheme (APE)[39]. The status of implementation of both these schemes by the Company is discussed as under:

4.1.15.1 Assistance to States for Development of Export Infrastructure and Allied Activities scheme

The outlay under the ASIDE scheme consisted of two components i.e. State component (80 *per cent*) and central component (20 *per cent*). The GoI delinked (June 2015) ASIDE scheme from the budgetary support w.e.f. financial year 2015-16 onwards and asked the GoP to contribute the funds from its own resources. However, the GoP did not provide funds to the Company. During 2002-15**,** the Company received ₹ 153.77 crore from the GoI under the scheme and released ₹ 140.38 crore upto 2013-14 and ₹ 13.39 crore during 2014-19 to the implementing agencies (IA) of 41 projects for export promotion upto December 2018. These projects had gestation period of upto two years. Audit observed the following deficiencies in implementation of the scheme:

- The Company had not evolved any system for monitoring the execution of projects by IAs and assessing the effectiveness of these projects in terms of contributions towards growth in exports.

- The Company, without assessing the requirement and ensuring the utilisation of already released installments released (February 2012-

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38 Introduced (March 2002) by GoI with an objective of providing assistance to the State Governments for creating appropriate infrastructure for development and growth of exports.

39 Introduced (March 2002) by GoI for promoting investment in the apparel sector and setting up of apparel manufacturing units of international standard to boost exports.

June 2014) further funds of ₹ 5.06 crore to three[40] IAs which resulted into loss of interest of ₹ 1.60 crore.

- The Company released (April 2013-June 2014) ₹ 9.23 crore to an IA (Public Works Department, Punjab) for development of road infrastructure, which had no direct linkage with exports as per the guidelines of the scheme. The project was completed (September 2014) at a cost of ₹ 8.25 crore. On being pointed out (January 2019) by Audit, the Company requested (March 2019) the IA for return of the balance funds of ₹ 0.98 crore along with interest thereon. Further developments were awaited (January 2020).

  The Management stated (June 2020) that the project of widening of Lambi-Khuban road was approved (January 2013) by the State Level Export Promotion Committee which released the funds under the head "Projects of national and regional importance" of the scheme as State component. The reply is not acceptable as the project for development of road infrastructure was not covered under the scheme for promotion of exports.

- The Company released (January 2016 to December 2018) ₹ 9.13 crore and ₹ 8.00 crore (January 2009 to September 2012) to two[41] IAs but the projects could not be completed even after a lapse of 50[42] months and 134[43] months respectively, against the stipulated period of 24 months.

  The Management stated (June 2020) that the IAs were directed to complete the projects by March 2020 and December 2020. The fact remains that the objective of promotion of export could not be achieved so far (June 2020).

4.1.15.2 Apparel Parks for Exports scheme

The Company was to implement 'Apparel Parks for Exports' (APE) scheme in or around Ludhiana. A State Level Committee (including Managing Director of the Company) which was to oversee, review and report on the progress of the Apparel Park to the GoI. The Industrial Policy, 2003 and IBDP, 2017 also emphasised to fully utilise APE scheme to develop apparel parks. For the execution of the Scheme, the Company incorporated (October 2003) a Special Purpose Vehicle - Punjab Apparel Park Limited (PAPL). The total investment in the project was estimated at ₹ 355 crore with annual projected turnover of ₹ 325 crore (including export of ₹ 275 crore) and employment to 22,500 persons. An integrated textile park was set up under the scheme at Ludhiana

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40 R & D Center for Bicycle and Sewing Machine Ludhiana, Mohali (₹ 2.00 crore), Hitech Metal Cluster (P) Ltd., Mohali (₹ 1.00 crore) and Northern India Institute of Fashion Technology (NIIFT), Mohali (₹ 2.06 crore).

41 Punjab Biotechnology Incubator, Mohali and NIIFT, Mohali.

42 February 2016 to March 2020.

43 February 2009 to March 2020.

for which the GoI contributed[44] (November 2005 to February 2014) ₹ 13.07 crore. The project was completed in March 2013 against the schedule of March 2010.

Out of total 106 plots, 104 plots were allotted and two remained un-allotted. As on March 2019, out of 104 allotted plots, only two units were in operation (employing 250 persons) and the remaining 102 plots were lying vacant even after a lapse of six years against stipulated period of three years. But no action was taken by PAPL against the allottees for cancellation of the allotment due to non-fulfillment of obligations. Further, the plots were being used for availing loan from the banks for their other existing projects which is against the objective of allotment of the plots.

Thus, central grant of ₹ 13.07 crore had not been fruitfully utilised as target of turnover of ₹ 1,950[45] crore (₹ 1,650[46] crore of export turnover and ₹ 300 crore of domestic turnover) and providing employment to 22,250 persons were not achieved.

The Management stated (June 2020) that the progress of the scheme was reviewed (2019). Further developments were awaited (June 2020).

4.1.16 Financial Management

4.1.16.1 Financial position and working results

The financial position and working results of the Company for the last four years up to 2017-18 are summarised in ***Annexure 11***. The profit (before tax) of the Company was reduced from ₹ 72.79 crore in 2015-16 to ₹ 20.40 crore in 2017-18. The major reason for decline in profit was attributed to decline in revenue from sale of plots and other products[47]. Other specific issues noticed are:

4.1.16.2 Avoidable payment of income tax

The Accounting Policy of the Company and Accounting Standards of the Institute of the Chartered Accountants of India (ICAI) for valuation of inventories as applicable to the Company provide that closing stocks of plots was to be valued at cost or allotment price, whichever is lower.

In contravention to its Accounting Policy, the Company valued its unsold inventory of plots at IFP Kapurthala at estimated development cost of ₹ 36.00 crore (₹ 929.45 *psy*) instead of actual cost of development of ₹ 24.09 crore (₹ 622.11 *psy*) incurred upto 31 March 2018. This resulted in overstatement of closing stock and profit by ₹ 11.91 crore and consequential

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44 As per the scheme, the GoI and the State agency was to share the capital expenditure incurred on the infrastructural facilities of apparel parks in the ratio of 75:25.

45 ₹ 1,950 crore (₹ 325 crore *per annum* for six years from April 2013 to March 2019) taken for all the units.

46 ₹ 1,650 crore (₹ 275 crore *per annum* for six years from April 2013 to March 2019).

47 Iron, steel and coal.

avoidable payment of income tax of ₹ 4.12 crore thereon for the financial year 2017-18.

The Management accepted (July 2020) the audit observations and agreed to value the inventory of plots as per the expenditure actually incurred in financial statements of subsequent years.

4.1.16.3 Avoidable payment of interest to Income Tax

Section-208 read with Section-211 of the Income Tax Act, 1961 (Act), *inter alia,* provides that each assesse Company was required to pay advance tax on quarterly basis at the prescribed rates. If advance tax paid is less than 90 *per cent* of the assessed tax, the Company was liable to pay interest on the amount of assessed tax short deposited by it, as per the provisions of Section 234B and 234C of the Act.

The Company incorrectly estimated its income and expenditure and short deposited (for assessment years 2012-13 and 2014-15 to 2017-18) advance tax liability by ₹ 30.43 crore (ranging between 2.43 and 60.50 *per cent*). Consequently, the Company had to pay interest of ₹ 4.65 crore which resulted in avoidable loss of differential interest of ₹ 1.94 crore[48].

The Management stated (June 2020) that as per accounting policy, the Company accounts for the sale of plots on cash basis and it is difficult to assess the actual receipt on account of sales.

The reply is not tenable as it is the responsibility of the Management to ensure accurate and timely accounting of its receipts to avoid such instances.

4.1.17 Internal control and internal audit

Internal controls are processes put in place by the Management of the Company to provide assurance that its operations are proceeding as planned and in an economic, efficient and effective manner.

4.1.17.1 Internal control

The Company had not maintained any stock ledger showing the location, size, plot number of the plots/sites. The Company had not maintained IFP wise database of allottees to whom the plots/sites were allotted. In absence of data regarding the date of allotment, the Company was not able to work out the amount recoverable from allottees on account of allotment price, enhancement compensation and extension fee etc. The Company had not devised an effective management information system to monitor timely execution of projects by the allottees and ensure that the plots were being used for the intended purpose only. These are indicative of weak internal control.

The Management stated (June 2020) that the Company exercises effective system of Internal Control through various modes like the status of

48 ₹ 4.65 crore *minus* ₹ 2.71 crore interest earned @ seven *per cent per annum* on the funds kept in fixed deposits.

outstanding recoverable from the defaulter allottees, survey of the units/plots by the officials of the Company.

The reply is not acceptable in view of the audit observations on activities of the Company as contained in this report. The fact remains that there is a need to strengthen internal control system for better working of the Company.

4.1.17.2 Internal audit

The Company does not have its own internal audit wing. The internal audit was being got conducted from the firm of Chartered Accountants upto 2017-18. The reports of the internal audit and action taken thereon were not placed before the BODs of the Company.

The Management accepted (June 2020) the audit observation.

Conclusions

The Company has not procured land for creation of land bank since implementation of the Industrial Policy of 2009. The Company allotted undeveloped plots and transferred the vacant plots against the allotment policy of the State Government and overlooking its financial interests. As many as 4,089 plots (38 *per cent*) out of 10,735 allotted plots were lying vacant and the Company did not monitor execution of the projects by the allottees and also not initiated action for cancellation/resumption of plots as per the terms of allotment.

The Company failed to achieve the objectives of the exports schemes of the Government of India besides funds were released to ineligible projects and the allottees did not execute the projects relating to infrastructure and promotion of exports. Thus, the Company had not played its role in development of industries in the State effectively and failed to accelerate industrial growth, promotion of exports and job creation. In the absence of an effective management information system, the Company failed to identify the areas of weakness and take remedial actions in time.

Recommendations

The Government and the Company may consider to:

- speed up the process of acquisition of identified land to create land bank for development of industrial areas in the State as envisaged in the Industrial Policy 2009;

- observe adherence to the terms and conditions of the allotment policy in allotment of land/plots;

- maintain and monitor status of plots available, allotted/un-allotted and the projects executed/not executed to ensure speedy industrial development in the State as per terms of allotment;

- strengthen internal controls with proper maintenance of records, ensure prudent utilisation of vacant land and keep surveillance against encroachment in IFPs/RFPs;
- evolve a system of monitoring the execution of export oriented projects for promotion of exports;
- estimate its income and expenditure reasonably to avoid payment of Income tax/interest on income tax; and
- strengthen its accounting system to ensure accurate estimation and filing of tax liability.

The matter was referred to the Government (January 2020); their reply was awaited (September 2020).