

This Inspection Report has been prepared on the basis of information provided by State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL). The office of the Principal Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit inspection of accounting records of State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL) for the period from April 2017 to March 2018 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act, 1971 read with section 143 of Companies Act, 2013. Audit Inspection was conducted by Shri Khub Chand, AAO and Shri. Amit Kumar, AAO under the supervision of Smt. Usha Singh, AO during the period from 23.04.2018 to 26.05.2018.

### **Part-I**

1. **Introduction:-** The last audit of the Company was carried out by Shri Ghanshyam Das Pal, AAO, Ms.Pruna Bhadula, AAO and Sh. Bhuvnesh Sharma, Auditor under the supervision of Shri Sohrab Husain, Sr. AO in which accounting records of the period from April 2016 to March 2017 were generally examined. In current audit, accounting records of the period from April 2017 to March 2018 were examined.

2. **(i)Functions and geographical jurisdiction of the unit:**

State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL) has been entrusted with responsibility to promote industrial development in the State of Uttarakhand. Since its inception in 2002, it has played a phenomenal role in developing industrial infrastructure in the State offers the shortest lead time in setting up Industrial Projects.

SIIDCUL has developed 7 Integrated Industrial Estates at- Pantnagar, Haridwar, Selaqui, Kotdwar, IT Park Dehradun, Sitarganj Phase II and Kashipur.

**(ii)Auditing methodology and scope of audit:**

Audit of State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL)was conducted according to compliance auditing guidelines. This inspection report is based on the findings emerged during the course of audit on detail examination of vouchers,allotment of land cases, and contracts/agreement.

**(iii) Revenue and Expenditure of the Company for the year 2017-18 is as under:**

**(` in lakh)**

<b>Year</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Profit</b>
2017-18	7037.01	4228.45	--

**(iv) Organisation structure of the Company is enclosed.**

## Part II (A)

### **Para 1: Irregularities in shifting of electricity lines at SIIDCUL Pantnagar.**

The main objective of the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (the Corporation) is to promote Industrial Development and generate additional employment opportunities to bring about a significant increase in the State Domestic Product and eventual widening of resource base of the State. For this purpose, the Corporation provides plots for setting up of industries in its industrial estates.

In this reference, in a meeting dated 18.12.2014 chaired by the additional Chief Secretary who was also the vice president of the SIIDCUL, it was apprised by the Uttar Pradesh Rajkiya Nirman Nigam (UPRNN), the executing agency of the Development work related to demarcation of the City Park and Kalayani River, that 12 power distribution lines of 11KV and 33 KV were passing through the developing area of the SIIDCUL Pantnagar. This resulted in the non-utilisation of 30.75 acres of land. The value of the said un-utilized land was ₹ 37.80 crore. UPRNN further proposed that if the afore said lines of 11KV and 33 KV could be made underground, the said land could have been used.

Accordingly, it was decided, in the meeting that a detailed estimate for the same may be obtained from UPRNN and the work be got executed by UPRNN. Accordingly, UPRNN submitted the proposal of ₹. 19.79 crore including centage of ₹. 1.17 crore. For the same work another estimate of ₹. 21.68 crore from, the Executive Engineer Uttarakhand Power Corporation Limited, Rudrapur could also be found on the records. As per the request of the UPRNN Srinagar Division dated 31 December 2014, the administrative and technical approval for the work was granted by the SIIDCUL on 03 January 2015. Accordingly, a Memorandum of Understanding (MoU) was signed between UPRNN and SIIDCUL on 03 January 2015 . The work was to be completed by 03 September 2016 i.e. after 20 months from award of the work. In January 2017, UPRNN intimated SIIDCUL to deposit the 15 *per cent* supervision charges to UPCL so that the lines could be transferred to UPCL. The same was intimated to UPCL by SIIDCUL (January 2017). However, UPCL (February 2017) refused to accept the lines stating that the work of lines was performed by SIIDCUL without taking permission of the UPCL and without depositing the supervision charges and questions on the quality of the work were also raised. Thereafter several correspondences were carried out between SIIDCUL and UPCL for transfer of the line. Finally in January 2018 a field

inspection was carried out by the UPCL where in it was stated that there were no sections on the cable and the cable was damaged at several places. UPCL asked the UPRNN to provide the test reports of the material used and rectify the shortcoming so that the line can be taken over and the overhead lines could be removed. The matter is pending till date (May 2018).

During the course of the audit, the following were noticed:-

1- No detailed project report was prepared by the SIIDCUL before undertaking the work. The project was executed only on the basis of the two cost estimates. The management stated in its reply that SIDCUL had not prepared the DPR as the work was awarded on deposit basis to the implementing agency on nomination basis. The reply is not tenable as the fact remains that without the preparation of DPR the work was executed .

2- As per section 5 of the MoU, dated 03 January, the joint inspection of the work by both the parties (SIIDCUL and UPRNN) was to be done. However, no such joint inspection reports were found on records provided to audit. Management has accepted the audit observation in its reply.

3- As per section- 12 of the MoU, dated 03 January 2015, it was mandatory for UPRNN to get the design and drawings approved from UPCL and do the work under the supervision of the UPCL which was not done. This vital fact was not considered by the SIIDCUL while making payment of ₹ 14.35 crore resulting into undue delay in handing over of the lines causing blockage of fund of 14.35 crore as well as non-utilisation of the land valuing ₹ 37.80 crore at 2014 rates. Management stated in its reply that the payments were released on the basis of utilisation certificates and it was the responsibility of UPRNN to get the design and drawings approved from UPCL and do the work under their supervision.

The reply is not tenable as SIIDCUL had time and again intimated UPRNN that the work is being done without the supervision of UPCL. The payments were released to UPRNN only on the basis of Utilisation Certificate without ensuring the adherence to the terms of MOU.

4- As per records, the proposal for the work amounting to ₹ 19.80 crore was approved by SIIDCUL. The estimate did not provided for any supervision charges to be paid to UPCL, however the MOU clearly stated that the work shall be done under the supervision of UPCL. This clearly indicated that the supervision charges @ 15 per cent of the work done were to be paid by SIIDCUL. Thus considering the portion of supervision charged in the estimate submitted by UPRNN the value of work would have increased to ₹ 22.52 crore (₹ 19.80 crore plus ₹ 2.72 crore) . Thus the estimate was higher by ₹ 0.84 crore than the one provided by UPCL (₹ 21.68 crore). Reasons for not getting the work done through UPCL at a lower cost

may be furnished. The management has accepted in its reply that the work has not been done under the supervision of UPCL and the supervision is not possible at this stage now. Also the MOU was signed without the provision of supervision charges payable to UPCL. In view of the fact that the work was executed without the supervision of UPCL (the state distribution licensee of electricity) and no action was taken by SIIDCUL during the execution of work, the entire expenditure of ₹ 14.35 crore is unfruitful till date as the work could not be handed over to UPCL.

5- As per estimate submitted by the UPRNN, the item no 41 of provided for construction of civil work lane for underground laying cable length 2300 mtr and with 6mtr completed works as E/W evaluation, PCC, Brick work, plaster, RCC work, earth filling, Hume pipe for crossing, MS pipe etc. Complete job@ per running mtr. costing ₹ 874.00 lakh. However, no detailed break up of such huge amount was available in the records. Management has not submitted the detailed breakup in its reply.

Matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 2: Avoidable payment of interest amounting to ₹ 2.89 crore.**

In January 2016, financial assistance for Term Loan of ₹ 200 crore for infrastructure Development Project at Industrial Estate Sitarganj, Kashipur and Land acquisition at Khurpia Farms, Distt. Udham Singh Nagar (Uttarakhand) was sanctioned by Housing & Urban Development Corporation Ltd (HUDCO). The sanctioned loan was bifurcated in two parts: ₹ 100 crore for Land Acquisition at Khurpia Farms & ₹ 100 crore for Infrastructure Development of Industrial Estates of Sitarganj&Kashipur bearing fixed interest rate of 10.40 percent and 10.65 percent respectively. HUDCO released the first instalment of the loan of ₹ 100 crore in January 2016 for Land Acquisition. However in April 2016 it was informed to HUDCO that the first instalment of the loan was utilised towards the infrastructure development as the decision regarding transfer of Land at Khurpia Farms was still pending with the State Government. Thereafter on 08.08.2016 the second instalment of ₹ 80 crore was released by HUDCO at the request of SIIDCUL towards Land Acquisition at Khurpia Farms. The balance amount of the sanctioned loan was released in further two instalments of ₹ 10 crore each on 29.09.2016 and 04.08.2017 respectively.

During the scrutiny of records, it was seen that during the period from 03.02.2016 to 07.01.2017, an amount of only ₹ 86.74 crore could be utilised from the disbursed loan as and when required (as per annexure) for payment of dues.

Had the disbursement of the loan been regulated depending upon the actual requirement of funds for development works, the SIIDCUL could have avoided the payment of interest to the tune of ₹ 2.89 crore.

Further, the payment of Khurpia land was made by SIIDCUL on 08.08.2016 and till date no development/infrastructural work has been undertaken on the said land. Hence, in the event of non-utilisation of the acquired land till date, SIIDCUL has borne the additional burden of ₹ 14 crore<sup>1</sup> in the form of interest paid to HUDCO on the loan specifically taken for land acquisition.

Management has stated in its reply (June 2018) that the first disbursement of ₹ 100 crore was taken towards acquisition of Land at Khurpia Farms. However, due to pending decision of State Government regarding transfer of land, the amount was utilised towards the infrastructure development works.

The reply of the management is not tenable as ₹ 100 crore were got disbursed by HUDCO even before the approval and demand letter for transfer of land at Khurpia Farm in favour of

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<sup>1</sup> Interest of 600 days (08.08.2016 to 31.03.2018) on ₹ 80 crore @ 10.65 percent.

SIIDCUL. The same was approved by the government in July 2016 after a lapse of 06 months from the disbursement of ₹ 100 crore. Further due to this premature disbursement, SIIDCUL had no other option but to utilise this amount for infrastructure development works resulting in avoidable payment of interest amounting to ₹ 2.89 crore.

Matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 3 : Unfruitful expenditure due to execution of Civil Works not related to IIEs of SIIDCUL ₹ 259.81 crore.**

SIIDCUL was incorporated as a public Ltd. Company in the year 2002 under the Companies Act, 1956 with the approval of Cabinet on 22.04.2002. SIIDCUL was formed to cater to the need of industries under one roof and fast decision-making on the various aspect of industrialization through an independent Board of Directors of the Company. The main role of SIIDCUL is to develop the industrial infrastructure in the various Industrial Estates located at the different places of the State and to earn profit being commercial organisation.

The objectives and the area of operations of SIIDCUL were well-defined by the Cabinet, which include the development of Industrial Estates and Industrial Parks and also get transferred in its name all the Industrial Estates and industrial areas owned by UPSIDC and Director of Industries respectively.

SIIDCUL so far has developed following seven Industrial Estates:-

- Integrated Industrial Estate at Haridwar.
- Integrated Industrial Estate at Pantnagar.
- Pharma City at Selaqui, Dehradun.
- I.T.Park at Dehradun.
- Growth Centre at Siggadi, Kotdwar.
- Sitarganj Phase II
- Kashipur

Thus, main functions of the SIIDCUL is to develop the internal infrastructure of their Integrated Industrial Estates only.

During the course of audit, it was seen that SIIDCUL executed 47 works (Annexure enclosed) of ₹ 259.81 crore which were outside the SIIDCUL area against which an advance of ₹ 195.75 crore was paid to the different executing agencies during the last five years.

Out of above 47 works, 19 works were completed at a cost of ₹ 134.58 crore against the total estimated cost of ₹ 150.02 crore. It was further seen that out of balance 28 works costing ₹ 109.83 crore, 11 works costing ₹ 67.83 crore were awarded to UPRNN against which an advance of ₹ 48.75 crore (71.88 *per cent*) was released. The balance 17 works costing ₹ 41.99 crore were awarded to various construction agencies against which an advance of ₹ 12.41 crore (29.56 *per cent*) was released.



In this context, it was further seen that In January 2016, financial assistance for Term Loan of ₹ 200 crore for infrastructure Development Project at Industrial Estate Sitarganj, Kashipur and Land acquisition at Khurpia Farms, Distt. Udham Singh Nagar (Uttarakhand) was sanctioned by Housing & Urban Development Corporation Ltd (HUDCO). The sanctioned loan was bifurcated in two parts: ₹ 100 crore for Land Acquisition at Khurpia Farms & ₹ 100 crore for Infrastructure Development of Industrial Estates of Sitarganj&Kashipur bearing fixed interest rate of 10.40 *percent* and 10.65 *percent* respectively. The Corporation availed and utilised the entire loan of ₹ 200 crore and paid the interest of ₹ 36.45 crore paid till Feb 2018.

Had the above fund requirement of ₹ 200 crore ( for which loan was taken) been considered before going for the huge expenditure in the above 47 works, the SIIDCUL could have avoided the above loan and interest there on of ₹ 36.45 crore.

Facts and figures may please be confirmed alongwith reply to the same within two days from receipt of the same and the following information may also be furnished to audit at the earliest:-

- 1- As per the records provided to audit, in none of the 47 cases, any tender enquiry was issued by the SIIDCUL and all the 47 works were awarded to the nine<sup>2</sup> different executing agencies on nomination basis. In this regard, the selection process of the executing agencies may kindly be appraised to audit.
- 2- Reasons for non-adherence to the Uttarakhand Procurement Rules, 2008 in respect of the process of award of work may be furnished. Any exemption to this issued by the Govt. of Uttarakhand may kindly be furnished to audit.
- 3- As per the records provided to audit, above 47 works of ₹ 259.81 crore against which the advance of ₹ 195.75 crore was paid to the different executing agencies were executed as per the orders of Hon,able Chief Minister and the decision to execute the said works were taken in the BoD meetings no. 37,39 and 40. However, as per the records furnished an approval of only ₹ 80.01 crore could be found. The approval of board for the balance ₹ 179.80 crore was not found on record as stated in the progress report. In this regard, copy of Government orders and approval of board to execute the above works along with file may be provided.

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<sup>2</sup>Hindustan Steel works, Bridcul, PWD Division Kashipur, Rural Construction Division Dehradun, UPRNN Srinagar Division, PWD DivisonKhatima, PWD Division Rishikesh, UPRNN Rudrapur Division, UPRNN Dehradun Division and ural Construction Division Udhamsingnagar

- 4- To execute the 47 works of ₹ 259.81 crore, the advance of ₹ 195.75 crore was paid to the different executing agencies. The sources of said fund may kindly be furnished.
- 5- As per agenda item no. 40.13 of minutes of Board Meetings, works of ₹ 320.97 lakh in Mussoorie, ₹ 325.00 lakh in Raipur and 200.00 lakh were to be executed in constituencies. ₹ 8.46 Crore were to be executed under the Corporate Social Responsibility. The details of work executed against CSR along with related files and payment details may kindly be provided to audit at the earliest. The report of the CSR committee and CSR guidelines may be furnished to audit.
- 6- It may be clarified whether the detailed project reports of above 47 works was prepared. If yes, the same may be furnished.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 4: Unfruitful expenditure of ₹ 2.47 crore in strengthening the damaged road.**

Government of Uttarakhand (GoU) requested SIIDCUL (02.09.2014) to strengthen the damaged road- Gadarpur -Dineshpur - Matkota stating that the road had extreme importance in the SIIDCUL area. The length of the damaged road was 14.800 km. Accordingly, GoU ordered PWD (12.09.2014) to hand over the road to SIIDCUL for further strengthening and maintenance. The strengthening and maintenance was to be done as per the specification of MoRTH/IRC. The road was transferred to SIIDCUL in November 2014.

Meanwhile, PWD intimated SIIDCUL (19.09.2014) that for widening and strengthening of the Gadarpur-Dineshpur-Matkota-Haldwani road, GoU had released ₹ 25.31 crore under state plan. The tender of the same had been floated and the bid of M/s All Grace Developer Pvt Ltd. Haryana, which was 8.54 *per cent* lower, had been accepted in anticipation of receiving fund from GoU. The bank guarantee of ₹ 3.24 crore had been deposited by M/s All Grace as Performance Security and additional Security. In view of above, PWD also requested to nominate itself as executing agency to execute the said work. PWD send (26.09.2014) its estimate to SIIDCUL for the said work for ₹ 30.65 crore.

SIIDCUL intimated GoU and PWD (21 October 2014) that in order to improve the quality and life of the road, the work required redesigning and compliance to the provision of MoRTH and IRC. SIIDCUL, further, stated that the estimate of ₹ 30.56 crore prepared by PWD was based on SOR PWD 2013 against which PWD accepted the bid of ₹ 28.00 crore. However, SIIDCUL prepared an estimate as per the current rate list which came out ₹ 41.70 crore. Hence the bid accepted at ₹ 28.00 crore may cause adverse effect to the quality of the work. Hence, SIIDCUL rejected the proposal of PWD.

In this context, SIIDCUL selected (12 Dec. 2014) the Hindustan Steelworks Construction Limited (HSCL) as executing agency which was empanelled vide GO no. 441/xxvi/chhah(2)/2009 T.C.-1 dated 17 Dec. 2014 and entered into an agreement on 23 March 2015. The work was to be completed by 01 September 2016. HSCL submitted the provisional estimate of ₹ 74.35 crore and the technical and administrative approval to the same was granted on February 2015. The work was completed on 01 August 2016 at a cost of ₹ 67.78 crore.

It is evident from the above that a work which an empanelled agency, PWD was ready to execute at a cost of ₹ 28.00 crore (through a LI bidder), was awarded to M/s HSCL and the same was executed at a cost of ₹ 67.78 crore. Thus, SIIDCUL had to bear an extra expenditure of ₹ 39.78 crore which could have been avoided.

Further, the work of repair and maintenance of the same road was awarded (26.12.2014) to M/s UPRNN costing ₹ 2.47 crore. The work of repair and maintenance coincided with the work of construction and was completed on 01.12.2016. Hence the reasons for the repair and maintenance of a under construction road could not be found on record furnished to audit.

In this regard it can be seen from the above that the road was under construction and completed on 01 August 2016. The repair and maintenance of the same road was completed on 01.12.2016. This shows the lack of planning and coordination of the SIIDCUL which led to extra expenditure of ₹ 2.47 crore.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 5: Undue favour to allottee resulted in overdues of ₹ 40.30 crore.**

SIIDCUL decided to allot the plots for development of Housing Sector at Integrated Industrial Estate, Pantnagar (IIE Pantnagar). The Sector was divided in two plots i.e. plot A & plot B having area 47.27 acres each. Accordingly in order to allot these plots, bids were invited from the prospective bidders with last date of submission as 09.05.2006. The bid was opened on 19.05.2006.

**According to Clause 5.0 of the Bid Document** regarding payment plan :

- a) The bidder shall be required to pay 10 *per cent* of the total reserve premium of the plot as **Earnest Money in the form of bank guarantee** at the time of submission of this bid.
- b) Within 2 days of opening of the financial bids the highest bidder will replace his guarantee with demand draft of an amount equivalent to the 10 *per cent* of the bid amount, failing which the guarantee will be called on and the money forfeited.
- c) The successful bidder shall then be required to pay Reservation Money, 40 *per cent* of the total premium of the plot within 30 days from the date of issuance of letter of award along with interest @ 18 *per cent* (with rebate of 3 *per cent* on timely payment) Failure to make the payment of Reservation Money in time from allottee would tantamount to default and lead to cancellation of the letter of award and allotment without any further notice to this effect.
- d) The successful bidder shall be required to pay the entire balance of 75 *per cent* in 36 equated monthly instalments calculated @ 18 *per cent* p.a. from the date of allotment. Instalment will fall due from the beginning of next month after the issuance of letter of award by the SIIDCUL to the successful bidder. Failure to make payment in time will be treated as default by the successful bidder and would tantamount to cancellation in addition to interest payment above.
- e) In case of 100 *per cent* payment within one month from the issuance of letter of award, a rebate of 1 *per cent* shall be admissible on the entire land premium.

Clause 7.1 regarding extension of time stipulates that extension for depositing reservation money, shall not be allowed under any circumstances. In case of default, the allotment offer shall be cancelled without any further notice and the amount equivalent to earnest money shall be forfeited.

The Bids submitted by the prospective bidders were opened on 19.05.2006 and it was found that rate quoted by M/s Assotech-Supertech (a joint Venture) in its bid of ₹ 4051 per Sq. Meter for plot A was higher than the other bidders. Accordingly M/s Assotech-Supertech (a joint Venture) were allotted the plot-A-land measuring about 172171.521 meters at the cost of ₹ 69.75 crore on 30.05.2006. On being made the allotment of plot 'A' in favour of M/s Assotech-Supertech, a letter of award was also issued on 30.05.2006. Possession of the plot was given to the allottee on 31.07.2006. Thereafter Lease Deed was executed by SIIDCUL on 27<sup>th</sup> August 2007.

As per executed lease deed whole amount of land premium of ₹ 69.75 + interest was to be deposited by the allottee till 01.05.2009. It was also mentioned in the lease deed (condition No. IV) that in case allottee fails to deposit the land premium along with interest in the stipulated period then lease deed will be terminated and whole amount deposited by the allottee will be forfeited.

It was noticed that the allottee paid the land premium of ₹ 42.28 crore only against the total land premium of ₹ 69.74 crore up to June 2017.

As per records provided by the SIIDCUL, the amount of land premium of ₹ 27.47 crore and amount of interest of ₹ 12.65 crore aggregating ₹ 40.12 crore was outstanding against the allottee as of June 2017.

During the scrutiny of the records, it was seen that after several notices for recovery issued by SIIDCUL, the allottee deposited 18 cheques of ₹ 1.62 crore each amounting to ₹ 29.16 crore. However, SIIDCUL could encash only two cheques and remaining 16 cheques were dishonoured against which a case is pending in the court.

It was further observed that M/s Supertech-Assotech (December 2008) requested SIIDCUL for sub-lease deed (tri-party agreement) for further sub-leasing of their housing units. Thereafter, the site was inspected by the SIIDCUL and provisional occupancy certificate for block A-2 and B-1/2 was issued in March 2009. The District Magistrate also disagreed with this approval (April 2009). However, against the total 1719 flats and villas, the occupancy certificates of 1329 flats and villas had been issued by the State Industrial Development Authority (SIDA) and the lease deed of 189 flats and villas have been executed till date.

In this regard, it is to state that the provisional occupancy certificate for block A-2 and B-1/2 were issued to the allottee and further, the sub-lease deed were executed without considering the fact that land premium of the said land was not fully deposited by the

allottee(M/s Assotech-Supertech) which further complicated the issue of the recovery of the same and action under section 5 (d) of the bidding document. The sub-lease deeds are in progress while the land premium payment is still pending.

Thus non adherence to condition No IV of the lease deed, the dues of ₹ 40.30 crore could not be recovered.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 6: Blockage of fund and loss of interest of ₹ 11.62 crore.**

The electrical work relating to the phase II project Sitarganj was approved in the 38<sup>th</sup> Board of Director meeting held on 27.09.2013. The estimated cost of the work was ₹ 118.78 crore. Accordingly, the technical and financial approval for the same was accorded to M/s UPRNN based on its estimate (not available in the records) in October 2013. The estimate of ₹ 118.78 crore was sent (16.05.2014) to Uttarakhand Power Corporation Ltd for examination. UPCL submitted in August 2014 its estimate of ₹ 104.83 crore including centage charges at the rate of 15 per cent amounting to ₹ 13.12 crore<sup>3</sup>. M/s UPRNN showed (30.07.2014) its willingness to SIIDCUL to execute the work as per the cost estimate submitted by UPCL with a completion time of eight months from the allotment of the work. Accordingly, the technical and administrative approval of the same was revised to 104.83 crore in 19.10.2015 and MoU was entered on 25.10.2015 wherein the time for executing the said work was 28 months (01.11.2015 to 01.03.2018). SIIDCUL released a sum of ₹ 61.06 crore up to July 2016. SIIDCUL requested (01.09.2017) UPCL to provide the calculation of the Supervision Charges so that the work may be executed under the supervision of the UPCL. However, the UPCL did not provide the calculation of supervision charges till date. The reason for the same was not available in the records. Hence, the work is yet to be completed till date. Thus, non-completion of the work resulted in to blockage of the fund of ₹ 61.06 crore and loss of interest of ₹ 11.62 crore<sup>4</sup>.

During the course of audit, the following were observed:-

- 1- SIIDCUL released ₹ 61.06 crore up to July 2016, However, physical report/fact were not available in the records provided to the audit to ascertain the adherence to the clause 5 of the MoU which is inter alia linked to the physical progress of the work. Hence, audit cannot ascertain the genuineness of the payment and physical progress of the work.
- 2- The request of SIIDCUL (01.09.2017) to UPCL for providing the calculation of the Supervision Charges so that the work may be executed under the supervision of the UPCL shows that the work of ₹ 61.06 crore, if executed, was executed without the supervision of the UPCL.

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<sup>3</sup>₹ 87.46 crore x 15 per cent = 13.12 crore

<sup>4</sup>₹ 61.06 x 10.40/100 for 668 days (from 01 July 2016 to 30 April 2018)



- 3- As per the estimate, the UPRNN charged centage charges at the rate of 15 *per cent* works out to ₹ 13.12 crore. However, in many other contracts, it was only 6.5 *per cent* of the estimated cost.
- 4- As per the request of the UPRNN dated 30.07.2014, the work was to be completed within eight month. UPCL was ready to complete the work in eleven (9+2) month. However, at the time of execution of the MoU with UPRNN, the duration of work completion was changed to 28 month instead of eight month. The reason for the same was not available in the records.
- 5- According to the UERC Guidelines, supervision charges were to be paid to UPCL, however, the approved estimates did not provide for any provision of supervision charges.

The management stated in its reply that the payment of Rs 6.06 crore was made against the utilization certificate submitted by UPRNN. SIIDCUL has also submitted a report of physical verification dated 22.09.2017 which was done by SIIDCUL after 23 months from the award of the work. Management further stated that the the cost estimate submitted by UPRNN is inclusive of centage and any other charges. The reply is not tenable as the payments were made without accessing the physical progress of the work. Also the physical verification report furnished to audit is not the joint inspection report as desired in accordance with the clause 5 of the MOU. Further the cost estimate submitted by UPRNN clearly mentions the centage charges @ 15 percent, but the MOU as well as the cost estimate is silent with respect to the supervision charges payable to UPCL.

The matter was brought to the notice of the higher authorities of the SIIDCUL.

## Part II B

### **Para 1: Blockade of funds due to non-completion of work in Escorts Farm Kashipur.**

SIDCUL was formed to cater to the need of industries under one roof and fast decision-making on the various aspect of industrialization through an independent Board of Directors of the Company. Thus, the main role of SIDCUL is to develop the industrial infrastructure in the various Industrial Estates located at the different places of the State and to earn profit being commercial organisation.

For developing the industrial infrastructure in Kashipur Dist. Udham Singh Nagar, Govt of Uttarakhand transferred 503.96 Acre land at Escort Farm Kashipur in August 2006 to Industrial Development Department. The land of Kashipur has been transferred in the name of SIIDCUL through conveyance deed by Industrial Development Department. Out of this land, 200 Acre land has been transferred to IIM Kashipur by the Government. Presently 303.96 acre land is in possession of SIIDCUL.

During scrutiny of records it was noticed that for developing the land at Escort farm Kashipur SIIDCUL allotted various works to UPRNN amounting to ₹ 124.00 crore during the period 2013-14 to 2016-17. Against the projected cost of ₹ 124.00 crore, SIIDCUL incurred an amount of ₹ 90.62 crore (*i.e.* 73 *Per cent*) on the works. However, even a single work has not been completed by the executing agency till date even after delay ranging from 10 to 27 months. Further, it was also seen that the progress report and project accounts of none of the projects were available in the records furnished to audit. Due to non-completion of work SIIDCUL could not allot any plot for industrial purpose. Thus non completion of the work in timely manner has led to blockade of funds amounting to ₹ 90.62 crore resulting in the loss of revenue as the plots could not be sold till date.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 2 : Blockade of funds to the tune of ₹ 62.70 crore- Development of City Park and channelizing of Kalyani River at IIE-Pantnagar**

The Board of Directors of SIIDCUL approved the Development of City Park and channelizing of Kalyani River at IIE-Pantnagar (work I) in its 37th Board meeting held on 22.08.2013. The idea behind the above works was that the river Kalayani was flowing amidst the Industrial Estate at Pantnagar due to which about 115 acre land was adversely affected and was in worthless stage. The river flowed through a wide passage and all the garbage and waste got deposited in the industrial area which adversely affected the atmosphere/environment inside the estate. It was estimated that after the channelization of Kalyani river about 100 acre land area could be reclaimed out of which 71.50 acre saleable land could be developed for sale under different land use categories. Along with this work it was also proposed to develop a park between the channelized Kalyani River and Industrial Estate boundary. The SIICUL expected a net profit of ₹ 111.24 crore from the above project. Considering it to be a self-finance profit making plant, proposal was called for from M/s UPRNN and the project was approved at a cost of ₹ 44.35 crore (09.09.2013)

An advance of ₹13.30 crore was released to the implementing agency vide cheque dated 10.09.2013. In July 2014, SIIDCUL intimated to UPRNN that technically sanctioned detailed estimates may be submitted before release of second instalment of advance. Based on the actual site conditions the implementing agency again submitted a detailed estimate and the project cost was revised to ₹ 52.95 crore. Till 20.09.2016, ₹ 44.25 crore were released to the implementing agency.

In a similar case, another approval amounting to ₹ 6.12 crore was accorded by SIIDCUL for channelization of other naala(drain) at IIE Pantnagar (work II). The estimate for the work was submitted by the implementing agency UPRNN. After releasing ₹ 5.04 crore to the implementing agency in 03 instalments, a site visit at IIE Pantnagar revealed that certain changes need to be made and accordingly the estimate was revised from ₹ 6.12 crore to ₹ 6.28 crore. Till 11.06.2015 an amount of ₹ 6.11 crore was released to UPRNN.

In addition to the above two channelization works 05 nos. other works (work III) were also proposed to be undertaken (15.07.2015) at a cost of ₹ 19.84 crore. For these works, till 27.12.2016 ₹ 13.61 crore has been paid.

During the review of records the following points are observed:

1. All the above three works pertained to the same location; still the work was awarded in three parts to the same executing agency. Reasons for dividing the work and allotting it to the same executing agency may be furnished to audit.
2. The advance of ₹ 13.30 crore for the development of City Park and channelizing of Kalyani River was released to the implementing agency even before the receipt of technically sanctioned detailed estimates. The reasons may be furnished.
3. The copy of MOU for the work of development of City Park and channelizing of Kalyani River may be furnished as the same was not available in the file furnished to audit.
4. The approved dates of completion for work II and III were 30.07.2016 and 25.06.2017 respectively. The physical progress (work wise) for the same may be intimated to audit.
5. It may also be intimated to audit as to whether any LD or penalty has been levied on the executing agency for delay in completion of work.
6. The project was initially considered to be a self-finance profit making plant. Since the approval of the project in September 2013, SIIDCUL has paid ₹ 62.70 crore in instalments to the executing agency for all the three works. Any revenue earned by SIIDCUL in the span of 4.8 years may be furnished to audit with supporting documents.
7. As per the conditions of the MoU, joint inspection of the work by both the parties (SIIDCUL and UPRNN) was to be done. However, no such joint inspection reports were found on records provided to audit. The details of such inspections along with supporting documents may be furnished to audit.
8. The technical sanction for the Work II & III obtained from UPRNN may be furnished to audit.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 3 : Non-levy of penalty/ liquidated damages.**

During the period 2014-18 State Industrial Development Corporation of Uttaranchal Ltd. (SIIDCUL) entered into MOU with different agencies empanelled by the State Government such as Uttar Pradesh RajkiyaNirmaan Nigam Ltd. (UPRNN) and National Projects Construction Corporation Ltd. (NPCC) for carrying out various electrical works for development of electrical infrastructure of Integrated Industrial Estates (IIEs) of SIIDCUL on deposit works basis. The clause 14 of the MoU signed between SIIDCUL and the implementing agencies *inter alia* provided that the implementing agencies shall strictly adhere to work schedule approved by the competent authority. In case of any delay in completion of the project or its progress as provided in the above referred clause of the MoU, a deduction of ₹ 0.1 *per cent* per month (in case of delay up to three months) or 0.25 *per cent* per month thereafter from the centage charges, payable to the construction agencies.

Scrutiny of relevant records revealed that in a number of cases (as per annexure enclosed), the construction agency could not complete the project in the scheduled time. The delay in such cases ranged from one month to forty two months, but in none of the cases, SIIDCUL levied any penalty of ₹ 5.93 crore (annexure enclosed) which was a violation of the MoU.

The management has accepted the audit observation and has assured to levy the penalty after due examination of the records.

The matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 4 : Outstanding dues of ₹ 105.17 crore in respect of plots allotted at IIE- Sitarganj.**

The main objective of the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (the Corporation) was to promote Industrial Development and generate additional employment opportunities to bring about a significant increase in the State Domestic Product and eventual widening of resource base of the State. For this purpose, the Corporation provides plots for setting up of industries in its industrial estates. However, as per terms and conditions of allotment of the plot, the allottee shall complete the construction of factory building and installation of machinery and plant and start commercial production there in within a maximum period of 03 years, failing which allotment of plot was liable to be cancelled with forfeiture of deposits.

- (i) The SIIDCUL allotted (01 May, 2013) a plot having area of 200 acre at the cost of ₹ 54 lakh/acre amounting to ₹ 108 crore in IIE Sitarganj to M/s DharamapalSatyapal Ltd. As per allotment letter (Condition 3) for the plot, if the payment were not made as per the conditions, the allotment shall be automatically cancelled. Against the total due of ₹ 108 crore, the allottee has paid only ₹ 53.71 crore leaving a balance of ₹ 54.29 crore to be paid.  
(₹ 63.54 crore with interest)
- (ii) The SIIDCUL allotted (16 August 2013) a plot having area of 70 acre at the cost of ₹ 54 lakh/acre amounting to ₹ 37.80 crore in IIE Sitarganj to M/s DharamapalSatyapal Ltd. As per allotment letter (Condition 3) for the plot, if the payment were not made as per the conditions, the allotment shall be automatically cancelled. Against the total due of ₹ 37.80 crore, the allottee has paid only ₹ 19.31 crore leaving a balance of 18.48 crore to be paid.  
(₹ 21.73 crore with interest)
- (iii) The SIIDCUL allotted (03 May, 2013) a plot having area of 75 acre at the cost of ₹ 54 lakh/acre amounting to ₹ 40.50 crore in IIE Sitarganj to M/s Golden InfraconPvt. Ltd.. As per allotment letter (Condition 3) for the plot, if the payment were not made as per the conditions, the allotment shall be automatically cancelled. Against the total due of ₹40.50 crore, the allottee has paid only ₹ 8.09 crore leaving a balance of 32.40 crore to be paid.( ₹ 51.82 crore with interest)

Audit scrutiny revealed that dues amounting to ₹ 105.17 crore (₹ 137.09 crore with interest) are pending in respect of the above three plots.

In view of above the following information may be furnished to audit:

1. The current status of the dues in respect of above plots may be furnished.
2. A copy of the lease deed signed with the allottees may be furnished to audit.
3. Whether commercial production has been started in the above plots as prescribed in the allotment letter. If yes, copy of the supporting documents may be furnished.
4. Action taken by SIIDCUL in the event of huge outstanding dues according to the allotment letter may be furnished to audit.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

## **Para 5 : Corporate Governance.**

Corporate Governance is the system by which companies are directed and controlled in the best interest of the shareholders and others to ensure greater transparency and better and timely financial reporting. The Board of Directors is responsible for the governance of the companies. According to Section 173 (1) of the Companies Act, 2013 “Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board”. It is also provided in the Companies Act that every company whose paid up capital is more than ₹ 5 crore, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

During the examination of Minutes Book of the meeting of Board of Directors it was noticed that only 2 meeting<sup>5</sup> were held during 01 April 2017 to 31March 2018 against the minimum 04 meetings.

Thus due to non-holding of the regular Board meeting as envisaged in the Companies Act, 2013, the Board could not be apprised with the progress of various projects and utilisation of the funds.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

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<sup>5</sup> 43<sup>rd</sup> Board Meeting Dated 30.10.2017 and 44<sup>th</sup> Board Meeting Dated 05.02.2018.



**Para 6: Non Compliance to the conditions of Memorandum of Understanding.**

As per the records provided to the audit and discussion held with the officials of the SIIDCUL, it was noticed that the payment to the different executing agencies was being made only on the basis of the Utilisation Certificate.

However, the MOU signed with the executing agencies contained various terms and conditions such as:

1. The physical verification(monthly) of the work done signed by both the parties was to be furnished to SIIDCUL.
2. The monthly physical and financial progress of the work was to be furnished.
3. A separate project account was to be maintained for the project and before handing over the project to SIIDCUL the total funds provided to the executing agency, head wise expenditure incurred, total interest earned on the funds and the authenticated closing balance of the project account was to be furnished to the SIIDCUL.
4. The executing agency was also required to refund the closing balance available in the account along with the total interest earned to the SIIDCUL.

The adherence to the above terms and conditions could not be seen on the records/files furnished to audit.

It was also seen in the files furnished to audit that the estimates for works was furnished by the executing agencies, however the initial letter sent by SIIDCUL to the executing agencies for preparation of the estimates defining the scope of work could not be found in the files.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

**Para 7: Construction of convention centre and regional office at IIE Pantnagar.**

The proposal of convention centre was put before SLEPC on 29 March 2014 in its fifth meeting. In this regard, an estimate of ₹ 1847.00 lakh was prepared and submitted to SIIDCUL on 18 October 2014. The administrative and financial approval of the project was provided (24 Feb 2015) at an estimated cost of ₹ 1708.44 lakh. To execute the work, an MOU was signed 24 Feb 2015 with UPRRN. The schedule date of completion of the work was July 2016. Accordingly, SIIDCUL made the payment of ₹ 14.14 crore (82 *per cent* of estimated cost) against which the Utilisation Certificate of ₹ 9.15 crore was provided to the SIIDCUL till date. However, work has not been completed by the executing agency till date even after delay of 21 months. During the inspection of the site, it was seen that the work was stopped by the UPRNN. Further, it was also seen that the progress report and project accounts of none of the projects were available in the records furnished to audit.

Thus, the non-completion of the work resulted in blockade of fund of ₹ 14.14 crore. Further, the last payment to UPRNN was made in March 2017 without levying penalty of ₹ 0.22 crore.

During the scrutiny of the records, it was also seen that SIIDCUL invested ₹ 14.14 crore without accessing the cost benefit and payback of the investment, as no Detailed Project Report was available in the record furnished to Audit. Further, the objective of the construction of convention centre was also not available in the records furnished to Audit.

Scrutiny of estimate of cost also reveals that there was a provision of ₹ 44.63 lakh for construction of road however the convention centre is already surrounded by road on three sides as the Office building of the Regional Manager SIIDCUL Pantnager is situated in the same plot. Hence, the requirement of the road may kindly be furnished to audit alongwith the supporting documents.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

### **Para 8: Non production of records**

The transaction audit of the SIIDCUL was taken up by the audit team from 24 April 2018. During the audit, the following requisitions were issued for want of information/records. The following information/record was not furnished during the duration of audit:

1. Details in respect of the works awarded to UPRNN during 2014-15 to 2017-18
2. Information in respect of allotment of land in the IIE's during the 2017-18.
3. File relating to the fixation of the lease premium and maintenance charges.
4. Copy of the orders of the lease premium and maintenance charges fixed during the last two years for all the IIE along with the detailed calculation of the same.
5. Any Guidelines of the Government of Uttarakhand or any other authority under which the lease premium and maintenance charges are decided.
6. Copy of the Minutes of Board Meeting under which the land premium and maintenance charges are fixed/changed.
7. The SIIDCUL is executing the civil /construction works for which the estimated cost is being calculated. In this regard the basis for the preparation of such estimated cost (details of Schedule of Rates) along with the copy of the schedule of rates adopted and used by SIIDCUL during the last five years.
8. Information relating to the cancellation of work / tenders and re-tendering of the works during 2014-15 to 2017-18
9. Information called for vide audit memo no. 694/07 dated 08.05.2018.

Reply to the para has not been furnished by the Management. However, the matter was brought to the notice of the higher authorities of the SIIDCUL.

### **Part III**

Detail of unsettled paras of previous inspection reports:-

<b>Inspection Report period and number</b>	<b>Part- II (A) para number</b>	<b>Part-II (B) para number</b>
Since Inception to March 2005	01,02,03	01,02,03,04
April 2005 to March 2006	01 To 12	01
April 2006 to March 2008	01 to 14	01 to 03
April 2008 to March 2010	Review	-
April 2010 to September 2011	01 to 09	01 to 04
October 2011 to July 2012	01 to 07	-
August 2012 to March 2014	01 to 11	02
April 2014 to March 2016	01 to 02	01 to 04
April 2016 to March 2017	01 to 06	01 to 09

#### **Compliance report of unsettled paras of previous inspection report-**

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 518/86 dated 24.04.2018 was issued to the Company.

Reply of the said audit memo is awaited.

#### **Part IV**

##### **Best practices of the unit**

(Any good practices or innovations, if noticed, during the course of audit may be mentioned.)

No good practices or innovation noticed during the course of audit.

#### **Part V**

##### **Acknowledgement**

Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Managing Director of the Company and their officers and employees for providing desired documents and information including infrastructure related co-operation during the course of audit.

##### **Documents were not produced during audit**

Part IIB Para 8

##### **Persistent irregularities.**

---NIL---

**The following officers held the charge of head of the office during the audit period:**

Name	Post
(i) Dr. R. Rajesh Kumar (IAS)	Managing Director
(ii) Smt. Saujanya	Managing Director

**Sr. AO/ES-1**