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FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

FIFTY FIRST REPORT
(Presented on 26th June, 2024)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2024**

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

FIFTY FIRST REPORT

On

**Paragraphs relating to Industries Department contained in the Report of the
Comptroller and Auditor General of India for the year ended
31st March, 2016 (Economic Sector)**

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COMMITTEE ON PUBLIC ACCOUNTS
(2023-2026)

COMPOSITION

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Members :

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Shri C. H. Kunhambu

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Shri P. S. Supal

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Shri M. Vincent.

Legislature Secretariat :

DR. N. Krishna Kumar, Secretary

Shri Selvarajan P. S., Joint Secretary.

Shri Jomy K. Joseph, Deputy Secretary

Smt. Beena O. M., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Fifty First Report on paragraphs relating to Industries Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 (Economic Sector).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 (Economic Sector) was laid on the Table of the House on 8th August, 2017.

The Committee considered and finalised this Report at the meeting held on 8th May, 2024.

The Committee place on records our appreciation of the assistance rendered to us by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
26th June, 2024.

SUNNY JOSEPH,
Chairman,
Committee on Public Accounts.

REPORT

INDUSTRIES DEPARTMENT

3.2. Allotment and utilisation of industrial plots

3.2.1. Introduction

The Department of Industries (Department) acts as a facilitator for industrial promotion and sustainability of Micro, Small and Medium Enterprises (MSME) and traditional industries sector. The Department, under its land allotment scheme, provides Development Area¹ (DAs) and Development Plots² (DPs) for industrial use to prospective entrepreneurs either on hire purchase or on lease basis. Assignment of government land for industrial purposes is governed by the 'Rules of assignment of government land for industrial purposes, 1964'. Other than assignment, allotment and utilisation of DA/DP are governed by 'Rules for the allotment of land in DA/DP on hire purchase basis' (1969 and 1970) and 'Rules for lease of land in industrial DA/DP for industrial purposes' and orders issued under them from time to time. Since June 2013, the Department provides land for industrial purposes on lease basis only. The Department had promoted 38 DAs/DPs up to March 2016 having a total acquired area of 2,443.72 acres, of which 2,049.506 acres³ were allotted to 2,583 industrial units in these DAs/DPs as on 30 September, 2016.

The Department is headed by the Additional Chief Secretary to Government of Kerala (Industries), assisted by the Director of Industries & Commerce (Director), who in turn is assisted by the General Managers (GMs) in 14 District Industries Centres (DICs).

3.2.2 Audit objectives and scope

The compliance audit was conducted to ascertain whether, the allotments were transparent and in compliance with the rules framed for the purpose; there was a prescribed methodology for fixing the price of industrial plots; and appropriate and effective mechanism existed for ensuring and enforcing the utilisation of land for the intended purpose.

1 DA is land acquired by Government for the purpose of the industrial development of an area.

2 DP is area divided into convenient small plots of land

3 The balance includes area for common facilities, internal roads and about 38 acres under development

We examined the records at the Government Secretariat/Directorate/field units, interacted with the personnel at the audited entities, raised audit queries, and discussed the audit findings with the management. Records of 385 land allotment cases were examined in the DAs/DPs of five sampled districts, viz. Ernakulam, Kannur, Kozhikode, Palakkad and Thrissur which were selected using Probability Proportionate to Size without Replacement method. Joint physical verification was also conducted along with the departmental officials in some DAs/DPs. The audit was conducted from June to September, 2016.

Audit Findings

3.2.3 Non-updating of land value in line with fair value and consequent non-collection of revenue.

As per the Rules for lease of land in industrial development area and development plot for industrial purposes – 2016 (lease rules), which came in to effect from 10th June, 2013, the lease premium⁴ realisable from the entrepreneur is the fair value of land fixed by Government from time to time or the cost of acquisition inclusive of all administrative overheads plus development charges (acquisition either by LA Act, 1894 or outright purchase or transfer by Government/ Local Self Government Institution), whichever is higher. Government has not fixed the cost of industrial land so far. Hence, the Department has not been able to derive financial benefit of lease premium. Government replied that the Revenue Department had not fixed fair value of industrial land and that the Department would review its land pricing policy.

[Audit paragraphs 3.2, 3.2.1, 3.2.2 and 3.2.3 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Notes submitted by the Government on the above audit paragraphs is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

4 The lease premium is a lump sum compensation payable by the licensee in consideration of the lease of land.

1. While considering the above audit paras, the Committee enquired whether the allotment of more land for industrial purposes was done through hire purchase or lease system and also wanted to know the number of allottees of land as per the lease system from 2013 to 2020. The Committee also wanted to know whether the fair value of land was lower when compared with the market rate.

2. The Joint Director, Directorate of Industries replied that the land under the ownership of the Directorate of Industries was being allotted through hire purchase system till 2013. The hire purchase system was given way to the lease system by a government order in October, 2013. Under the lease agreement, the rate of land was fixed on the basis of its fair value. As the fair value of land in industrial areas had not been fixed by the Revenue Department, the fair value of such land was fixed on the basis of the fair value of adjacent areas and that caused an increase in price of land.

3. The Principal Secretary, Industries Department informed that the land was given to the allottee before the payment of instalments under the hire purchase system, but the title to the land was transferred only after the payment of all instalments as per the hire purchase agreement. He added that allotment of land through lease agreements was made mandatory in 2013 and the lease period was 30 years. The rules based on the government order of 2013 were issued after three years. The price of land fixed on the basis of the fair value of adjacent areas increased considerably and hence, the hire-purchase system was adopted instead of lease system.

4. The Joint Director, Directorate of Industries Department informed that land was allotted under hire purchase after receiving the Land value. Ever since the lease agreement system was introduced, many entrepreneurs had failed to remit the cost of the land. Some of them filed cases. It is in this backdrop that the lease system was switched over to hire purchase system from January, 2020.

5. To the query made by the Committee, the Joint Director, Directorate of Industries, submitted that more land was allotted under the hire purchase system than the lease agreement system. The increased initial investment under the lease system resulted in a smaller number of enterprises, which necessitated the switch-over to the hire-purchase system. He added that under lease agreement, 139 entrepreneurs had been allotted land, and steps were being taken to include these allottees also in the hire purchase system.

Conclusion/Recommendation

6. No Comments.

3.2.4 Allotment of land in violation of lease rules

The land in DA/DP is to be allotted to prospective entrepreneurs only on lease basis since 10th June, 2013. According to the lease rules, the land is allotted only for industrial purposes for a term not exceeding 30 years. This term can be extended for another 30 years subject to leaseholders satisfying the terms and conditions of the earlier lease.

We observed that allotments were made in violation of the lease rules in the cases illustrated below, which resulted in loss of lease premium and rent to the Department while giving a right to the allottee to possess the land without time restriction, subject to allotment conditions.

- The GM, DIC, Thrissur transferred (June, 2016) land (52 cents) allotted to a defunct unit⁵ (plot number 13) situated in DP Velakkode to another firm⁶ in terms of Hire Purchase (HP) rules instead of the lease rules. The GM replied (March, 2017) that the allotment was made on the directions (May, 2016) of the Director.

- The Revenue Department assigned (December, 2015) industrial land measuring 2.50 acres in DA Edayar resumed from M/s Cochin Leathers Pvt. Ltd. to M/s Cochin Minerals and Rutiles Ltd. The Government stated (March, 2017) that the transfer was done at the instance of DIC by Revenue Department as it was assigned land. The reply is not acceptable as the assigned land was resumed by the Department and hence the new lease rules should have been applied on re-allotment.

[Audit paragraph 3.2.4 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

5 M/s Speed Lubes.

6 M/s NCI Paints.

Excerpts from the discussion of Committee with officials concerned.

7. Regarding the para, the Committee enquired about the action taken against the enterprises that were reluctant to switch over to the lease regime and wanted to be appraised of the case of M/s. Speed Lubes, Velakkode.

8. The Joint Director, Directorate of Industries, replied that though the government order on the allotment of land as per lease agreement was issued in 2013, the Rules thereof were issued only in 2016 and added that another order had been issued stipulating that order in 2013 would be applicable only for subsequent allotments and in cases of earlier allotments, the old method might be continued.

9. Regarding the case of Speed Lubes, the Principal Secretary, Industries Department, informed that the provisions of relevant government orders were applied in that case and the Committee concurred with the explanation submitted by the Principal Secretary.

Conclusion/Recommendation

10. No Comments.

3.2.5 Transfer of land in violation of allotment rules

According to rules for allotment of land for industrial purposes, transfer or alienation of such land is not permissible without the prior written consent of the Government/Director. Any entrepreneur who desires to cease operation should intimate his intention to the Government/Director, who will resume the land and re-allot it to applicants from the priority list. The Director also instructed (December, 2015) the GMs to ensure that industrial land was not allowed to be used as a means to make private gains by engaging in real estate deals.

We observed that the allottees of industrial land transferred the same to others in contravention of the rules by adopting methods like changing the constitution of ownership of the firm by bringing in new director(s) or sub-leasing or by proposing transfer of ownership on the grounds of loan default etc. Details of such instances are given in **Appendix – III(1)**. An example is detailed below:

- Industrial land measuring 23.22 acres was allotted (August, 2004) to M/s Dhaan Ispat Pvt. Ltd. in the New Industrial Development Area (NIDA), Kanjikode, Palakkad. The original allottee was Shri. G.R. Elangovan who was also the Managing Director of the industrial unit. As the land was kept idle, the GM, DIC Palakkad held (October, 2006) a personal hearing of the allottee. But instead of the original allottee, the meeting was attended by Shri. C.K. Ismail Haji and Shri. Abdul Rahiman, who were directors of M/s Dhaan Ispat Pvt. Ltd. Subsequently, Shri. Sushil Vijoy Arora also was inducted (December, 2015) as a director and the new list of directors furnished by the firm to the GM, DIC Palakkad did not contain the name of the original allottee. The change of directors was in effect transfer of ownership and hence a land deal. The firm had not undertaken any industrial activity on the allotted land other than possessing it and transferring it through change of directors. The Government reply (March, 2017) was silent on the audit observation.

- A joint inspection conducted (September, 2016) by the audit party with departmental officials at DP Ayyankunnu, Thrissur revealed transfer of land without the knowledge of the DIC, Thrissur. The land (25 cents) allotted (May, 2010) to M/s Promise Industries was found to be used by M/s Envirogreen Carrybags India Pvt. Ltd. without the approval of DIC. The Government stated (March, 2017) that the transfer has been regularised by the Director.

Further, in a survey conducted (November, 2016) by DIC, Ernakulam, 72 cases of violations relating to unauthorised transfers of land/change of constitution were identified and showcause notices issued which reiterates the audit observation **[Appendix – III(2)]**.

We observed that the Department did not have an exit policy to enable entrepreneurs who wanted to discontinue their ongoing profitable industry for personal or other reasons. If they surrendered their industry to the Department as prescribed by rules they stood to lose most of their investment by way of resumption interest payable to Government. This prompted them to transfer the land to others without departmental consent. Government in reply (March, 2017) accepted the audit observation.

[Audit paragraph 3.2.5 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

11. The Committee asked for details regarding the observation of the AG on violations of Rules. An Officer from AG informed the Committee that the first allotment was done in 2011 as per the hire purchase scheme, and the land was transferred to another company in June, 2016. The Committee observed that the land in question had to be resumed by the government, and subsequent transfer was to be effected only on a lease system. The Joint Director, Directorate of Industries, submitted that the transfer of land was being effected in multiple ways for the better working environment of the units. One of such ways was to give the right to the transferee after levying dues on the land value together with a processing fee of 10 per cent. If a unit could not be operated profitably, that unit together with the land would be transferred to a prospective entrepreneur subject to the payment of dues. She added that at present, the provisions in the hire purchase scheme were being implemented in all cases.

12. The Committee accepted the reply furnished by the department.

Conclusion/Recommendation

13. No Comments.

3.2.6 Issues relating to utilisation of land

3.2.6.1 Encroachment of industrial land

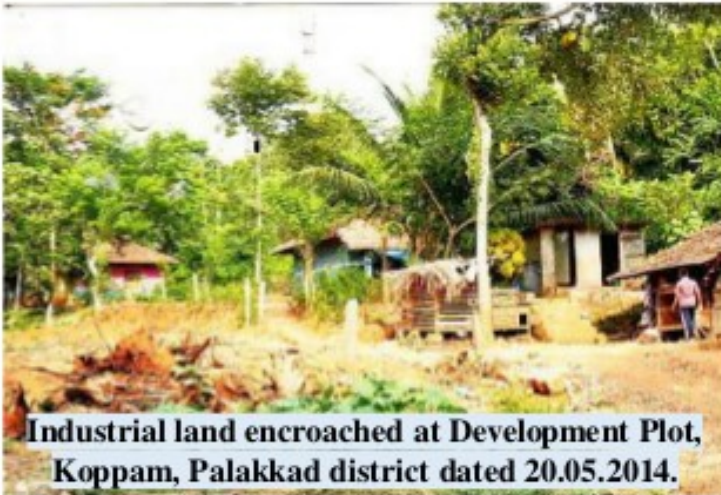
Section 5 [8] (1) of the Kerala Land Conservancy Act, 1957, stipulates that the land which is the property of Government is not to be occupied by anyone without Government's permission. If any person occupies any land unauthorisedly, he is liable to pay a fine and may be summarily evicted by the Collector. Moreover, any crop or other product raised on the land will be forfeited and any building or structure erected or anything deposited thereon will also, if not removed by him even after receipt of written notice from the Collector, be forfeited.

Audit examination revealed that:

- Revenue Department had acquired 9.53 acres of land (1965) in Koppam village of Palakkad district and handed over (July, 1967) the same to Industries Department. Out of 9.53 acres, three acres were allotted to an entrepreneur in July, 1965 itself. The land was declared as DP in 1987. The balance 6.53 acres of land was kept idle without allotting to prospective entrepreneurs and proper monitoring. Consequently, over the years it was encroached upon by 54 families. The encroachment was first reported (1992) to Revenue Department for eviction.

- We observed that the GMs of DIC, Palakkad had failed to detect the encroachments in time and report the same to Revenue Department for eviction since 1967. We also observed that none of the encroachers have been evicted so far (March, 2017).

Government accepted (March, 2017) the audit observation and replied that it has been proposed to give alternate land to the encroachers under zero landless scheme⁷ of Revenue Department.



⁷ A scheme by Kerala Govt. to provide land to land less (citizen) in the State.

- A survey (1998) of the 1.50 Acres of land allotted to M/s Cochin Petro Mine (P) Ltd. in DA Edayar, Ernakulam district found that 10 cents of land had been encroached upon. The Government accepted the fact and stated (March, 2017) that the Tahsildar, Paravur Taluk has been asked to resurvey the land. It was further stated that appropriate action would be taken against encroachers.

- An extent of 90.96 acres of excess land in the possession of M/s Instrumentation Ltd, Palakkad was resumed and transferred (July, 1994) to Industries Department for setting up a DA/DP in Pudussery, Palakkad. The land has been kept idle till date without allotment, though applicants have been waiting for allotment. During joint verification (March, 2017) it was found that around 30 cents of land was encroached by a few families but not yet evicted. In reply (March, 2017) Government stated that the land was never under DIC, Palakkad. The reply is not acceptable as the land was transferred (July, 1994) to Industries Department and the GM, DIC, Palakkad took over the land on 22nd July, 1997.

[Audit paragraphs 3.2.6 and 3.2.6.1 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

14. Regarding the audit para, the Committee wanted to know the present status of the land that was in the possession of the Industries Department at the time of the audit period. The Joint Director, Directorate of Industries, informed the Committee that the land in question was transferred for the Rail Coach Factory after holding a discussion with the Collector. The Committee observed that the Revenue Department should be asked to give information regarding the actual possession of the land. The official from AG informed that the reply at the disposal of the C & AG was given in 2020, wherein it was stated that encroachment on the land could not be evicted. The Committee observed that the land must be in the possession of the encroachers since Rail Coach Factory had

not started its operations and directed to give a detailed and clear Report regarding the eviction of encroachment and the actual possession of the encroached land. The Principal Secretary, Industries Department, informed the Committee that the reply would be submitted to the Committee after holding discussion with the Collector.

Conclusion/Recommendation

15. The Committee observes that the land in possession of the Industries Department handed over for the Rail Coach Factory is in the hands of encroachers since the Factory had not started its operations. So, the Committee directs the department to submit a detailed and clear report regarding the eviction of encroachment and the actual possession of the encroached land.

3.2.6.2 Failure to obtain land in lieu of land handed over to KSEB

The Revenue Department allotted (December, 1988 and July, 1992) free of cost an extent of 115.097 acres of industrial land at Kanjikode under DIC Palakkad to Kerala State Electricity Board (KSEB) on the condition that KSEB would acquire and hand over an equal extent of similar land nearby to Industries Department forthwith. The industrial land was required by KSEB for installing 220 KV Substation and for setting up of a wind farm in NIDA, Kanjikode.

But neither KSEB handed over the agreed land nor did the Industries Department take steps to obtain the same. The Government stated (March, 2017) that the issue had been taken up with KSEB and they had assured to handover an equal extent of land in return.

[Audit paragraph 3.2.6.2 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

16. When the Committee directed to elaborate on the audit para, the Joint Director, Directorate of Industries informed that 25 hectares of land had been handed over to KSEB for a 220 KV substation on the condition that similar land at the disposal of KSEB should be transferred to the Industries Department. From the unused portion of the land of about 15 hectares, 11 hectares were given to KSIDC for waste management and 4 hectares to other entrepreneurs. KSEB filed a case against the resumption of 15 hectares of land, and reconciliating efforts were going on.

17. The Committee observed that the proposed Substation was not installed at the land allotted to KSEB and also opined that steps were not taken by the Industries Department to take back the assured land from KSEB.

18. When the Committee directed to provide a status report on the matter, the Principal Secretary, Industries Department agreed to submit.

Conclusion/Recommendation

19. The Committee observes that the land handed over to KSEB for installing a 220KV Substation and for setting up of a wind farm was not utilised, and steps have not been taken by the Industries Department to resume the land from KSEB. Therefore, the Committee directs the department to submit a status report on the matter, at the earliest.

3.2.6.3 Inordinate delay in completion of development works

The Department proposed setting up of multi-storied industrial parks (Gala) in Ernakulam, Palakkad and Thrissur districts to tide over land scarcity in the State. The implementation of the project at Ernakulam was entrusted (March, 2010) to M/s Kerala Police Housing Construction Corporation Ltd. with a completion period of eighteen months and those at Palakkad and Thrissur to Kerala Small Industries Development Corporation Limited (SIDCO) in February, 2013 and July, 2013 respectively with a completion period of 24 months. In Ernakulam and Thrissur districts, civil works costing ₹16.93 crore were completed (August, 2016) but the structures were not provided with electrical and water connections. In Palakkad, the Industries Department deposited ₹ 7.5 crore with SIDCO, but the work had not yet started. Instances of idling were also observed in the two DPs, one each at Kattipara in Kozhikode district and at

Varavoor in Thrissur district, which were under development at a cost of rupees four crore. In respect of DP at Kattipara, the DIC could not provide (September, 2016) hindrance free land. The development works at these two locations acquired in October, 2003 and October, 2010 respectively were still in progress. Thus, despite spending ₹ 28.43 crore⁸, the department could not achieve the desired objective.

The Government replied (March, 2017) that Gala at Ernakulam was fully operational and allotments were done. In Thrissur, the delay in execution was due to the managerial problems of the implementing agency, SIDCO which had been sorted out. In the case of Palakkad, the work was resumed from SIDCO and reassigned to another implementing agency. The development works in Varavoor and Kattipara would be completed in six months and ten months respectively.

[Audit paragraph 3.2.6.3 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

20. When the Committee wanted to get details regarding the audit para, the Joint Director, Directorate of Industries elaborated that as part of the development activities, three works had been completed. The Puzhakkalppadam Multi-storied Gala was ready for inauguration and the works at Edayar were completed three years ago and allotted to the entrepreneurs. The project at Varavoor was completed and allotted to entrepreneurs. Certain works were remained to be completed at Kattipara, Kozhikode district, and for that reason, allotment therein was not done. The Committee agreed with the reply furnished by the department.

Conclusion/Recommendation

21. The Committee directs the department to submit a detailed report regarding the progress of the development works at Kattippara, Kozhikode district.

8 ₹ 16.93 crore + ₹ 7.5 crore + ₹ 4 crore = ₹28.43 crore

3.2.6.4 Non-resumption of idling industrial land

All Government orders regulating the allotment of industrial land insist that land should be used only for the purpose for which it is allotted, within the period stipulated. As per the lease rules, if the lessee is unable to commence industrial activity within the stipulated time, it can be extended for six-monthly periods, subject to a maximum of four times, after remitting 5, 10, 20, and 25 per cent of lease value respectively as penalty. The land allotted under assignment, hire purchase or lease was not to be alienated (in the form of gift, mortgage, transfer, etc.) without the written permission of Government/Director. On violation of any or all of the agreement conditions, the Department shall resume the allotted industrial land. The responsibility to resume the unutilised land vested with the GM.

(a) Test-check of records and joint verification of DAs/DPs by Audit with departmental officials found 11 instances of industrial land kept idling. The instances detected showed that in one case the land was idling since its allotment ten years back, while in another case it was idling for more than 30 years. In two other cases, the industries which functioned on the allotted lands had shut down nearly 10 years back after defaulting on electricity and sales tax dues. Details of the cases detected are given in **Appendix – III (3)**.

(b) We also observed that there was delay in resumption of land even after the department noticed the violations. The resumption clause was to be invoked in case of violation of allotment conditions, but the GM did not take any action. Delay in resumption ranged from two-and-a-half years to ten years [**Appendix - III(4)**]. The Government stated (March, 2017) that estate managers had since been appointed in all the DA/DPs so as to closely monitor utilisation of industrial land in future.

[Audit paragraph 3.2.6.4 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

22. Regarding the audit para, the Committee expressed displeasure at the error in the RMT, wherein it was stated that when 2.15 acres of land were resumed from M/s. Dhaan Ispat (P) Limited from a total allocation of 23.22 acres, the remaining portion of land was 14.32 acres. The Joint Director, Directorate of Industries clarified that consequent on the change in activities of the company, they wanted only 18 acres of land instead of 23.22 acres. As such, only 18 acres were finally allotted. The Committee expressed its dissatisfaction on the non-inclusion of the relevant position in the government reply. The Joint Director, Directorate of Industries informed the Committee that a detailed report would be submitted to the Committee stating the present position on the matter.

23. The Committee directed to furnish the present status of all the cases pointed out in the audit para.

Conclusion/Recommendation

24. The Committee directs the department to furnish the present status of all the cases mentioned in the audit paragraph regarding non-resumption of idling Industrial land and a report on the actions taken in this regard should be submitted to the Committee immediately.

3.2.6.5 Mortgage of industrial land

According to the delegation of powers⁹, the GMs are authorised to accord permission to mortgage the superstructure put up by the allottee in the allotted land to avail institutional finance. But the then Director decided (December, 1995) to allow mortgaging of the land also and authorised the GMs to issue such permission under intimation to the Director. The Director observed (June, 2016) that entrepreneurs got land at a low price, while on mortgaging they got 70 per cent of the market value. Revenue Department issued (June, 2011) a circular stating that the ownership of any Government land was vested with them and any orders relating to Government land should be issued with the concurrence of the Revenue Department. The Principal Secretary to Government (Revenue) objected (April, 2013) to the mortgaging of industrial land.

9 Vide order No. G.O.M.S 15/79/P&ARD dated 2-7-1979.

The Government stated (March, 2017) that the procedure followed for issuing mortgage permission by GM was not wrong as the Director would ratify such cases and the ultimate responsibility continued to reside with the Director. The reply is not acceptable since the land allotment rules do not authorise mortgaging of industrial land without prior permission of the Government/Director.

We observed that as a result of the irregular decision of the Director, the GM permitted the allottees to mortgage industrial land in addition to the superstructure. On non-repayment of loan, the financial institutions which held the first charge on the land, auctioned it to recover their dues. We noticed that in the following cases, the land auctioned was not being used for industrial purpose due to mortgage and subsequent auction:

- Department allotted (December, 1970) 8.29 acres of land to M/s Trio Packaging Company in DA Angamaly, under DIC, Ernakulam, for industrial purpose on hire purchase basis and issued the title on remitting the full value of land. The Department allowed (February, 1975) the Managing Partner of the unit to mortgage the land to State Bank of India for a loan. Due to default on repayment of the loan, the Bank filed a case in the court of law. On obtaining a favourable decree the land was sold (1988) in auction to Shri Kuruvila who neither utilised the land for industrial purpose nor approached the Department with any proposal for starting industry. It was seen from the file that the land was subsequently sold to several other parties in parts and the purchasers did not get the transactions regularised by the DIC. As the land was lying idle, it should have been resumed in terms of HP rules. However, DIC did not resume the idling industrial land.

The Government accepted (March, 2017) that the land has been transferred several times to several users and that GM, DIC has been directed to initiate resumption proceedings in respect of transferees who have not started industrial activity.

- In another case, 8.66 acres of land allotted to M/s Kerala Acids and Chemicals Ltd. in DA Edayar, Ernakulam, was auctioned by the official liquidator as per the directions (August, 2004) of the Honourable High Court. In the

permission granted by the Court, it was specifically mentioned that the sealed tenders for sale were to be invited on the condition that the property notified for sale was an industrial area. In the sale deed signed (July, 2005) by the official liquidator, however, a clause was inserted permitting the purchaser to use the land without any reservation.

- As this was an assigned industrial land, it was bound by the Assignment Rules, 1964 which required that the land shall be used only for the purpose for which it was assigned. As the sale deed permitted use of the assigned industrial land for any purpose without reservation, it was diverted for non-industrial activities like container parking, godown, training centre etc. We came across several such instances **[Appendix – III (5)]**.

In reply (March, 2017) Government stated that the transferees of the plots were using 1.07 acres for manufacturing of ready-mix concrete, 2.23 acres for the manufacture of PVC pipes and the remaining 5.36 acres for service sector activities such as container parking, godown, training centre etc. A very narrow definition of industry cannot be taken especially when a major port such as Cochin Port is in the vicinity and offers opportunities in logistics. The reply is not acceptable as the activities of those entrepreneurs have not been regularised by DIC, Ernakulam.

In terms of the new lease rules, leasehold right alone is allowed to be mortgaged after entering into a tripartite agreement among the Department, the entrepreneur and the financial institution which is a good practice.

[Audit paragraph 3.2.6.5 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

25. Regarding the audit para, the Joint Director, Directorate of Industries, informed the Committee that the entrepreneurs had the right to mortgage the

industrial land allotted through lease/hire purchase. The AG supplemented that only the building situated on the industrial land could be mortgaged as per rule. But the then Director granted sanction to mortgage both the building and the land. Following the sanction, many entrepreneurs mortgaged the land to the bank, and on non-repayment of loans, the financial institutions auctioned it to recover their dues. The Joint Director, Directorate of Industries, further informed that the system of auction purchase of land was resorted to by the bank in the event of default. The rule stipulated that subsequent purchasers would also use the land only for industrial purposes. The AG pointed out that the land possessed through auction purchase was not used for industrial purposes. The Committee wanted to get details on the course of action in such cases. The Joint Director, Directorate of Industries informed that industrial land used for non-industrial purposes and the unused land purchased through auction were being resumed. Such a case was reported in Veli and the department obtained a favourable judgement from the court in that case. The Committee agreed with the reply furnished by the department.

Conclusion/Recommendation

26. No Comments

3.2.6.6 Misuse of industrial land

The Department decided (February, 2014) to allot land not exceeding five per cent of total land area of DA/DPs to service sector industries such as logistics, godown, food court etc. being supporting infrastructure for industries operating in them.

We observed that the land thus allotted were misused in most of the cases and their activities did not support the industries operating in the DA/DP at all. It was also seen that some entrepreneurs protested against the unauthorised activities of these units. Moreover, according to the details provided by GM, DIC, Ernakulam, the land allotted to service industries in DA Edayar in Ernakulam district was more than the permissible five per cent. We observed that the GM allotted land to the service sector in excess of the prescribed limit on directions from the Director, which was irregular. The following examples illustrate misuse of industrial land:

- An extent of 12.21 acres of land located in Cheruvannur village, Kozhikode Taluk, was allotted (May, 1964) to M/s West India Steel Company for steel re-rolling mill, foundry and workshop activity. The company was non-functional since the year 1997. During joint physical verification with departmental officials we observed that the land was being used by M/s. Indus Motors (authorised Maruti dealer) as vehicle showroom, which was a violation of the land allotment conditions. Thus, the land allotted for industrial activity was not being used for the intended purpose and the GM, DIC, Kozhikode failed to ensure its proper utilisation.

The Government stated (March, 2017) that this allotment predated issue of the rules for DA/DP in 1969/1970. Therefore, it was not fair to apply the same yardsticks as in the other cases to this case. The reply is not acceptable as the unit violated agreement condition No 4 (b) stipulating that the land should be used only for the purpose of establishing a steel re-rolling mill, foundry and workshop.



- In another case, an extent of 1.01 acres of land in DP Kalamassery assigned (March, 1987) to M/s Anand Wire and Allied Industries Pvt. Ltd., was transferred (March, 2006) to M/s Kerala Cars Pvt. Ltd. to set up an automobile body building unit. The allottee did not utilise the land for the intended purpose till April, 2009 after which, the land was being used as a Ford service station, which was not an industrial activity. This was a lapse of GM, DIC, Ernakulam.



The Government replied (March, 2017) that the land was being utilised for manufacturing automobile body which was the sanctioned activity. The reply is not tenable since during joint physical verification (August, 2016) with DIC staff, we observed that a Ford service station functioned on the land.

A few more cases of similar violation are shown in the **Table 3.6**.

Table 3.6

Details of service sector industries not supporting the activities of the industries in the DAs/DPs

Sl. No.	Name of DIC / DA	Name of Unit	Extent of land allotted in cents	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Ernakulam/ DA Edayar	M/s Kerala Acids and Chemicals Pvt. Ltd.	866.00	The land is used for container parking and training centre which is not regularised by the DIC and not required by other entrepreneurs.
2.	Ernakulam/ DA Edayar	M/s Goldstar Rubber Products	60.50	Used as cement godown, though the entrepreneurs in the DA did not require it.

(1)	(2)	(3)	(4)	(5)
3.	Ernakulam/ DA Edayar	M/s New Generation Minerals and Warehousing Pvt. Ltd.	310.00	The proposed activity is warehousing, but used as cement godown which is not required by the entrepreneurs in the DA.
4.	Palakkad/ DA Kanjikkode	M/s Dhaan Ispat Pvt. Ltd.	1,432.00	Few containers are dumped on the land against the approved activity of cold storage & logistics park.
			2,668.50	

(Source: Data furnished by the Directorate of Industries and Commerce)

The GMs concerned were responsible for permitting the unauthorised activities as timely action was not taken to resume such land.

The Government replied (March, 2017) that as the DA was in the vicinity of Cochin Port, the allotment in excess of permissible five per cent and utilisation of land for container parking, godown etc. was not a misuse of industrial land. The reply is not tenable as the Government had ordered (February, 2014) that not more than five per cent of land area in DA/DPs be allotted for service sector industries. In the case of DIC, Ernakulam, the industrial land allotted for service sector activities are more than the permissible five per cent.

[Audit paragraph 3.2.6.6 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

27. Regarding the audit para, the Committee wanted to be furnished with details on the reply from the Industries Department stating that 12.21 acres of land were allotted by the Industries Department to West India Steel Company and at present the resumption process was being taken up by the Revenue Department.

28. The Joint Director, Directorate of Industries informed that out of the 12.21 acres of land allotted to the West India Steel Company in Cheruvannur village, 1.25 acres of land were resumed by the Revenue Department through revenue recovery since the company was non-functional from the year 1997 and the company filed a case against the resumption. He also added that as the land was owned by the Revenue Department, it was allotted through the proceedings of the District Collector, Kozhikode.

29. An official from AG informed that the land was allotted by the District Industries Centre, Kozhikode as per the information available with them. The Principal Secretary, Industries Department informed that as per the report furnished to them, the said land was not a part of industrial land and it was not allotted by DIC. Therefore, a report would be submitted after examining the matter in detail.

30. While considering the audit observation regarding the M/s. Kerala Cars (P) Limited, the Joint Director, Directorate of Industries informed that the documents were required to be submitted for regularisation, but they were not submitted the application for regularisation till now and that the land was being used.

31. When the Committee wanted to get details regarding AG's objection that certain unauthorised activities were being carried out in the land, the AG explained that only 5 per cent of the industrial land could be legally used for non-industrial purposes such as logistic godown, food court and supporting infrastructure related to industry. She added that the working of Maruti showroom there could not be considered as an industrial activity.

32. The Joint Director, Directorate of Industries replied that the show room was not operating at present and only automobile body manufacturing work was being carried out at the site. The Principal Secretary stated that operating a service centre could be treated as an industrial activity under the MSME definition and that, despite being located in an industrial area, it was actually a part of manufacturing operation. The AG disagreed with the contention of the Principal Secretary and stated that logistic godown, food court, hotel, canteen, conference hall, petrol/diesel pump, cold storage etc. were the permissible operations as per the definition of service sector.

33. The Committee observed that the prevailing rules were outdated and must be subjected to a timely revamp. The Committee also opined that there existed a common trend that enterprises having taken land on lease, continued the business for 5-10 years and then discontinued it citing loss. The Committee enquired whether any study had been conducted on the number of enterprises that continued industrial operation for a long time on leased industrial sites.

34. The Joint Director, Directorate of Industries replied that many industrial units started long ago were still continuing. At present about 2400 enterprises are operating in various units. A land transfer was necessitated at a time when the unit could not be run due to certain circumstances. Certain industrial units that had successfully run previously stopped operations suddenly on account of the lack of interest of the subsequent generation in managing the units. In some cases, when an entrepreneur was unable to run the industrial unit on account of ill health, the transfer of land had to be resorted to. In certain cases, the transferees were running the industrial units successfully. Over all, few units were being shuttered.

35. The Principal Secretary submitted that the industrial land in Tamilnadu could be sold for a profit and the entrepreneur could keep the profit with him. But in Kerala, such selling involved payment of a 10 percent transfer fee and the amount due to the government and the entrepreneurs tended to hold land with them without any productivity. He added that the entrepreneurs should be able to dispose off the land at their convenience and only then new industries would come up. She further stated that a new set of rules covering all those aspects and such issues as mentioned would be prepared under a unified lease policy.

Conclusions/Recommendations

36. The Committee views that there remains an ambiguity in the information available to the Department concerned regarding the allotment of land to M/s West India Steel Company, Cheruvannur mentioned in the Audit Paragraph. So, the Committee directs the department to examine the matter in detail and to submit a report regarding the allotment of land to the company.

37. The Committee observes that the prevailing rules relating to lease of industrial lands are outdated and required to be modified. So, the Committee directs the department that steps should be taken to frame new rules under a unified lease policy covering all issues.

3.2.7 Departmental lethargy in vacating stay on resumption granted by Government.

In DP Koppam, out of three acres of industrial land held by one Smt. Valsala Paulson, 2.5 acres were resumed (July, 2010) by GM, DIC, Palakkad as the land was not being utilised for industrial purpose. But on the basis of a representation submitted by one Shri. K.P. Abdul Naser to the Minister of Industries, the Additional Chief Secretary stayed (October, 2011) the resumption until disposal of the petition. The stay has not been vacated till now even after the lapse of five years. The Government stated (March, 2017) that the case had been taken up for immediate disposal.

[Audit paragraph 3.2.7 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

38. Regarding the audit para, the Joint Director, Directorate of Industries informed that in that case the land was resumed and given to other entrepreneurs in 2017.

Conclusion/Recommendation

39. No Comments

3.2.8 Lack of monitoring

As per Rule 22 of Assignment Rules, 1964, the Tahsildar and the District Industries Officer (GM) shall conduct periodical check to ensure that the conditions of assignment are not violated and shall immediately bring to notice of the Collector and Director of Industries & Commerce in case of contravention of the provisions of the rules or orders.

We noticed that periodical checks to detect violations of allotment conditions were not conducted by the GMs as envisaged. Though there were serious issues such as idling of land, misuse, transfer etc., departmental inaction varied from months to years. Some of the cases of idling or transfers were detected by the department only after several years of their occurrence. A few examples in this category are given below:

- During the joint inspection conducted (August, 2016) by Audit with the departmental officials in DP, Andoor, under DIC, Kannur, the official who accompanied the team was unable to identify many of the units. This indicated inadequacy in monitoring.
- In DPs at Ayyankunnu, Athani and Velakkode under DIC, Thrissur, the official who accompanied the audit team discovered illegal transfers and unauthorised activities in the DPs during the joint physical verification only.
- The Women Apparel Park in DP Kalamassery, functioned without an agreement. Though the lease period expired in the year 2011, the unit continues to function and the rent was yet to be fixed.

The Government stated (March, 2017) that the department had conducted a detailed survey to identify cases of unauthorised activity, illegal transfers, etc. in November, 2016.

[Audit paragraph 3.2.8 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

40. Regarding the audit para, the Joint Director, Directorate of Industries informed that the officials from PWD and the Industries Department had inspected the present condition of the building on 31-8-2022 and the report of PWD had yet to be received.

41. The Committee observed that during a joint inspection conducted in August, 2016 by the audit team with the departmental officials in DP, Andoor and DIC, Kannur, they were not able to identify many of the units. This indicated the inadequacy of monitoring, and the Committee inquired whether proper monitoring was being done and whether it was effective.

42. The Joint Director, Directorate of Industries replied that regular monitoring was being carried out and a senior officer had been appointed as Estate Officer in every industrial estate, who visited there and reported to GM about the problems of entrepreneurs and non-functioning estates.

Conclusion/Recommendation

43. No Comments.

3.2.9 Conclusion

Non-fixation of fair value of industrial land resulted in non-collection of revenue due to Government. Even though the new lease rules came into force from 10th June, 2013, allotments were made violating them. The Department did not take any action to evict the encroachments on industrial land. It also failed to get 115 acres of land from KSEB in lieu of an equal extent of industrial land given to KSEB. The Department did not take timely action to resume unutilised/underutilised industrial lands. Erroneous decision to permit entrepreneurs to mortgage industrial land in contravention of the orders issued by Revenue Department resulted in loss of land. The General Managers concerned were unaware of the violation of allotment conditions by industrial units in the DA/DPs, due to ineffective monitoring of the units and failed to take timely remedial action.

[Audit paragraph 3.2.9 contained in the Report of the Comptroller and Auditor General of India on Economic Sector for the year ended 31st March, 2016].

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of Committee with officials concerned.

44. The Committee expressed its concern on the large number of cases in the court related to industrial land.

45. The Joint Director, Directorate of Industries informed that as part of a special drive conducted regarding the cases in Courts, after discussion with the AG, the Hon'ble Minister had appointed a special pleader for the cases to be disposed off and all the steps had been taken to expedite the same.

46. The Committee suggested that it should be examined whether it was legally reasonable to stipulate that the transferred land should be used only for the same purpose. The Committee also urged that functioning of each industry and their current status should be brought in to the public domain and the information should be made available to anyone from the site of the Industries Department.

47. The Joint Director, Directorate of Industries informed that 40 estates under the Directorate of Industries had been notified as industrial estates under single window clearance board and the informations would be made available on the website.

Conclusion/Recommendation

48. No Comments.

Thiruvananthapuram,
26th June, 2024.

SUNNY JOSEPH,
Chairman,
Committee on Public Accounts.

APPENDIX I**SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS**

Sl.No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1.	15	Industries	The Committee observes that the land in possession of the Industries Department handed over for the Rail Coach Factory is in the hands of encroachers since the factory had not started its operations. So, the Committee directs the department to submit a detailed and clear report regarding the eviction of encroachment and the actual possession of the encroached land.
2.	19	Industries	The Committee observes that the land handed over to KSEB for installing a 220KV Substation and for setting up of a wind farm was not utilised, and steps have not been taken by the Industries Department to resume the land from KSEB. Therefore, the Committee directs the department to submit a status report on the matter, at the earliest.
3.	21	Industries	The Committee directs the department to submit a detailed report regarding the progress of the development works at Kattippara, Kozhikode district.
4.	24	Industries	The Committee directs the department to furnish the present status of all the cases mentioned in the audit paragraph regarding non-resumption of idling industrial land and a report on the actions taken in this regard should be submitted to the Committee immediately.

(1)	(2)	(3)	(4)
5.	36	Industries	The Committee views that there remains an ambiguity in the information available to the Department concerned regarding the allotment of land to M/s West India Steel Company, Cheruvannur mentioned in the Audit Paragraph. So, the Committee directs the department to examine the matter in detail and to submit a report regarding the allotment of land to the company.
6.	37	Industries	The Committee observes that the prevailing rules relating to lease of industrial lands are outdated and required to be modified. So, the Committee directs the department that steps should be taken to frame new rules under a unified lease policy covering all issues.