

CHAPTER–V

Allotment of Properties

Chapter-V

Allotment of Properties

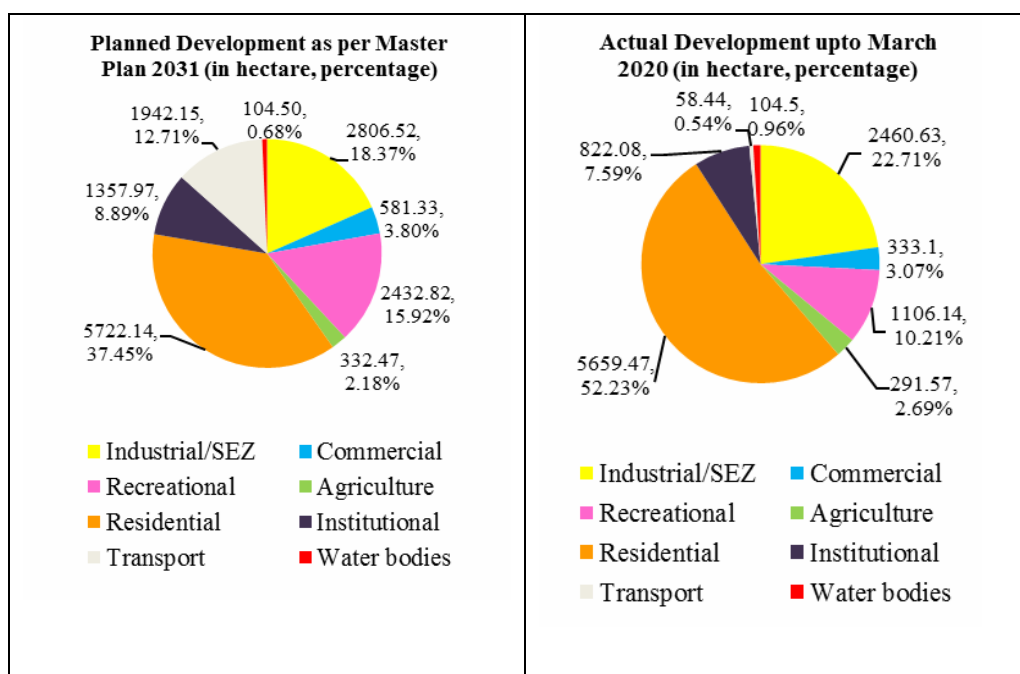
5. General

Introduction

1. The main objective of New Okhla Industrial Development Authority (NOIDA) is to develop industrial areas. Development of residential, commercial and institutional areas is subservient to the main objective of industrialisation.

The planned development (15,279.90 hectare) as per MP-2031 and corresponding actual development (10,835.93 hectare) upto March 2020 is as given in **Chart 5.1**:

Chart 5.1: Planned development and actual development



Source: MP of NOIDA and Information furnished by NOIDA.

The property wings of NOIDA, comprising Group Housing wing, Commercial wing, Institutional wing and Industry wing, deal with the allotment of various categories of properties and post-allotment follow up. The Planning wing of NOIDA is responsible for approval of building plan and maps of the allotted plots and ensuring the construction of buildings as per the approved building plans and maps.

The allotment schemes brought out by NOIDA's Property wings are advertised through respective scheme brochures which lay down the terms and conditions regarding eligibility of applicants, allotment process, completion schedule, payment terms and other matters relating to allotment. The applications received by NOIDA for allotment under various schemes are screened by a Plot Allotment Committee (PAC) constituted by CEO, NOIDA for each scheme. On the basis of recommendations made by PAC, the allotment is formally approved by CEO, NOIDA.

In NOIDA, certain categories of properties viz., Group Housing, Commercial, and Sports city are allotted on bid basis, while others viz., Institutional, Farm House and Industrial plots are allotted based on interviews by PAC. The

process adopted for allotment through bid/interview basis is detailed in the succeeding paragraphs.

Process of allotment on bid basis

Group Housing, Commercial and Sports City plots are allotted to the highest bidder against fixed reserve prices. The stages involved in from launching of the scheme till follow-up and post-allotment compliances in respect of allotments made through inviting bids is depicted in **Chart 5.2**.

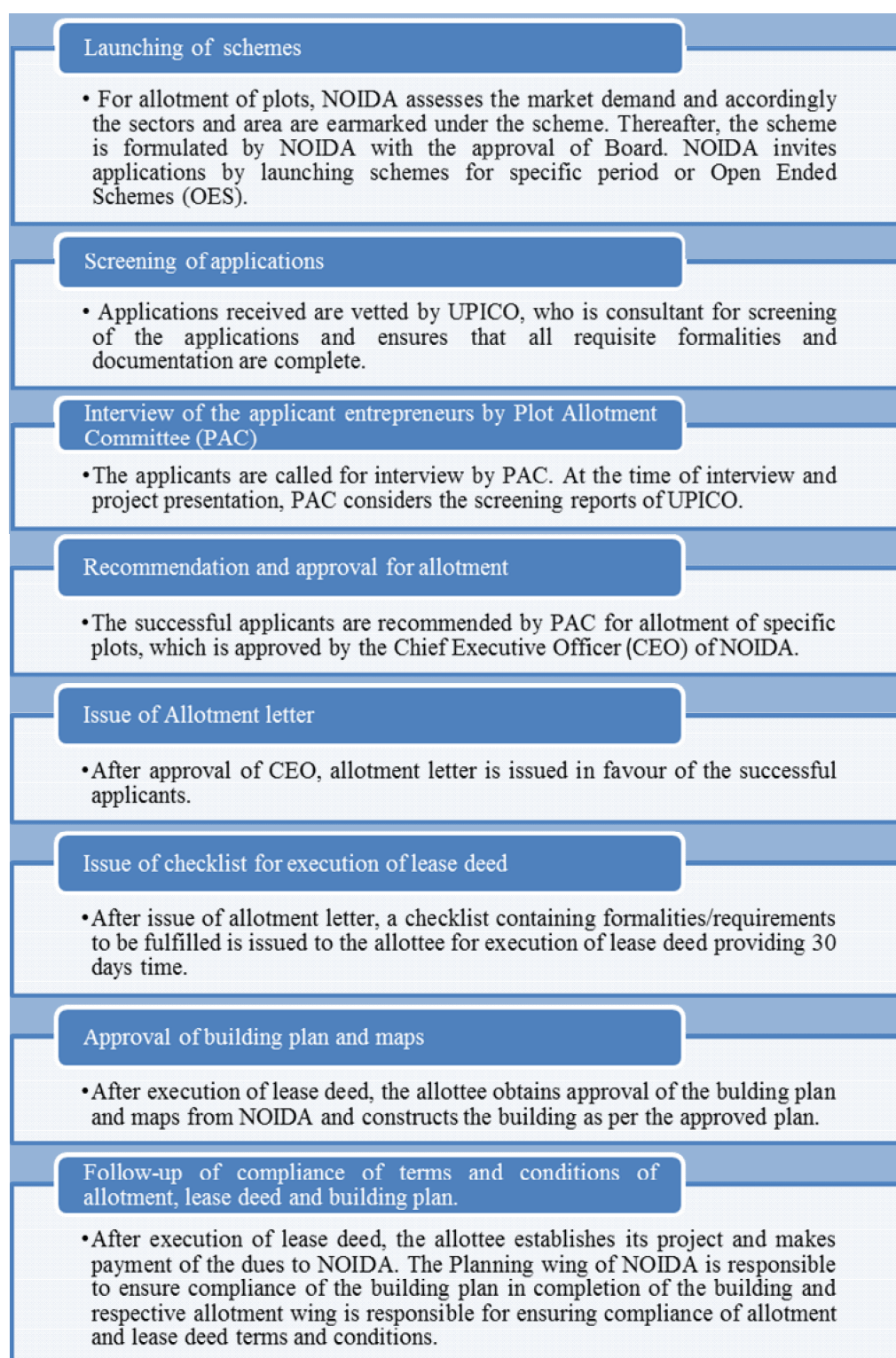
Chart 5.2: Process of allotment on bid basis and post-allotment follow-up

Finalising terms and conditions of the brochure
<ul style="list-style-type: none">• Finalisation of the terms and conditions of the brochures for launch of scheme which includes the technical and financial eligibility for submission of bids, allotment process, completion schedule, payment terms, sub-lease, cancellation etc.
Launching of the scheme
<ul style="list-style-type: none">• Bids are invited under two bid system (except for smaller commercial properties which were allotted on single stage tender) viz. technical bid and financial bid against the reserve price fixed by NOIDA.
Bid evaluation
<ul style="list-style-type: none">• Bids are evaluated by U.P. Industrial Consultants Limited (UPICO) against prescribed technical and financial parameters such as net worth, solvency, turnover and past work and submits its report to PAC.
Recommendation and approval for allotment
<ul style="list-style-type: none">• Financial bids of those bidders who qualify in the technical bid are opened. The bidder quoting the highest bid against the reserve price is recommended by the PAC for allotment of specific plot, which is approved by the CEO of NOIDA.
Issue of Reservation cum acceptance and Allotment letter
<ul style="list-style-type: none">• In case of Group Housing properties - after approval by CEO, reservation cum acceptance letter is issued for deposit of reservation money within 30 days. On receipt of reservation money, NOIDA issues allotment letter in favour of the applicants for deposit of allotment money within the prescribed time and remaining amount to be deposited in instalments.• In case of Commercial Properties - NOIDA issues allotment letter in favour of the applicant for deposit of allotment money within the prescribed time and remaining amount to be deposited in installments.
Execution of lease deed
<ul style="list-style-type: none">• On receipt of prescribed allotment money, lease deed is executed within the prescribed time. Consequent to the execution of lease deed, physical possession of land is given.
Approval of building plan and maps
<ul style="list-style-type: none">• After execution of lease deed, the allottee obtains approval of the building plan and maps and constructs the building as per the approved plan.
Completion of project
<ul style="list-style-type: none">• The project is required to be completed within the period as prescribed in the scheme brochure, failure of which attracts penalty.• On completion of the project (phase wise/ full project), occupancy (phase-wise)/ completion certificates are issued and permission is given for sub-lease of units to the ultimate buyers.

(Source: Allotment files of NOIDA)

Process of allotment on interview basis

Institutional, Farm House and Industrial plots are allotted on fixed land rates to applicants who are successful in the interview except for industrial plots below 4,000 sqm in size, which are allotted through lottery. The stages involved from launching of the scheme till its follow-up and post allotment compliances in respect of allotments made through interview is depicted in **Chart 5.3**.

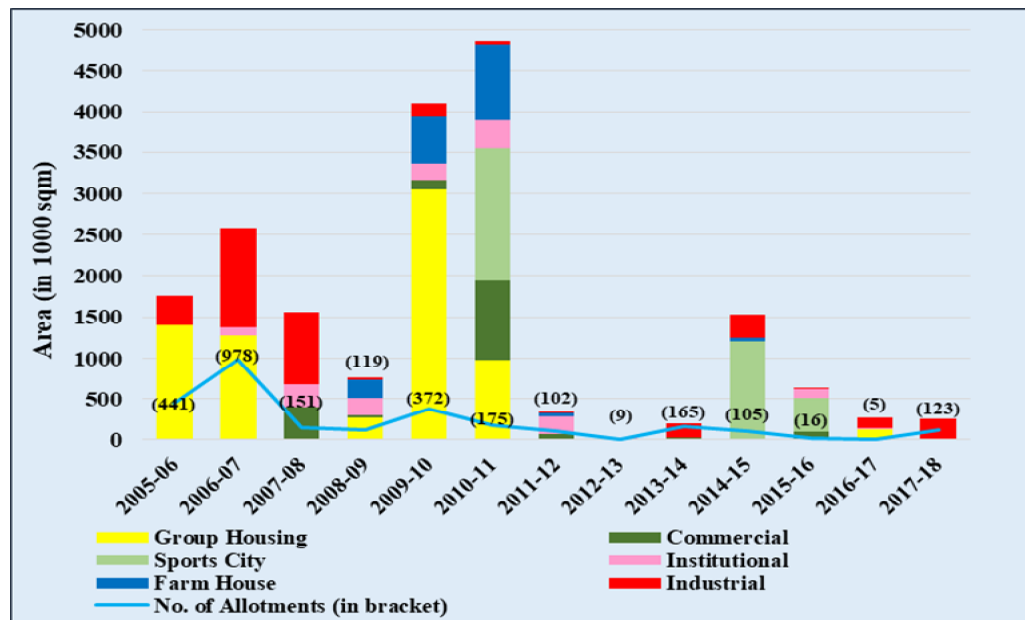
Chart 5.3: Process of allotment on interview basis and post-allotment follow-up

(Source: Allotment files of NOIDA)

Status of allotments

2. During the period 2005-06 to 2017-18, NOIDA allotted 2,761 properties measuring 188.34 lakh sqm under various categories¹ (excluding residential allotment). The status of allotment of properties under the aforesaid categories during the period 2005-06 to 2017-18 is depicted in **Chart 5.4**.

Chart 5.4: Allotments of plots during the period 2005-06 to 2017-18



(Source: As per data provided by NOIDA)

From the chart above it is evident that:

- Out of total allotment of 188.34 lakh sqm, allotment for industries constituted only 18.38 per cent (34.62 lakh sqm) only while remaining 81.62 per cent was for others i.e. Group Housing: 37.72 per cent (71.03 lakh sqm), Commercial: 8.94 per cent (16.84 lakh sqm), Sports City: 17.07 per cent (32.14 lakh sqm), Institutional: 8.14 per cent (15.33 lakh sqm) and Farm Houses: 9.75 per cent (18.37 lakh sqm);
- The highest allotment in terms of area was made only in two years (2009-11) with an allotment of an area of 89.54 lakh sqm. This translated to 47.54 per cent of total allotment in area during the period 2005-06 to 2017-18;
- Most of the allotment of Group Housing category viz., 98.22 per cent in terms of area took place by 2010-11 only;
- Sports City allotments were at their maximum in the financial year 2010-11;
- The industrial allotments were concentrated during the period 2005-06 to 2007-08, accounting for 70.14 per cent of total industrial allotments in the period; and
- Institutional allotments in terms of area were largely during the period 2006-07 to 2011-12.

¹ Group Housing, Commercial, Sports city, Institutional, Farm House and Industrial categories.

Contents of this Chapter

3. This Chapter contains four sections. These sections deal with allotment of properties under the following categories:

- Chapter 5.1: Allotment of Group Housing Plots;
- Chapter 5.2: Allotment of Commercial Properties (including Sports City plots);
- Chapter 5.3: Allotment of Institutional Properties (including Farm House plots); and
- Chapter 5.4: Allotment of Industrial Properties.

Common irregularities in allotment of properties

4. Audit noted serious irregularities in the process of allotment and post allotment compliances in all allotment categories during test check. These have been discussed in detail in chapters 5.1 to 5.4. A number of irregularities of similar nature were observed across categories of allotment. While these are discussed in detail in individual chapters on allotment, some of the issues having a common thread across various categories are highlighted in the succeeding paragraphs.

- i. **Terms and conditions of allotment:** As stated above, the terms and conditions of allotment are laid down in the respective scheme brochure. The scheme brochure being a significant document should have been approved by the Board before launch of the scheme. Further, the changes to terms and conditions of allotment should have been approved by the Board. However, it was observed that most of the schemes in Group Housing and Commercial categories were not approved by the Board before their launch which indicated that the Board was not kept apprised of the changes in terms and conditions of allotment before launching the scheme.

Further the terms and conditions of allotment as outlined in the brochure in a number of categories showed how certain covenants were excessively diluted and criteria were often contradictory or deficient rendering them to misuse/misrepresentation. Such instances were observed in the brochures relating to Group Housing and Commercial categories.

- ii. **Evaluation of bids by NOIDA:** Allotments were made to companies in a number of cases which failed to even fulfil the technical eligibility criteria of the bidding process in the Group Housing and Commercial categories. In such cases the financial bids ought not to have been opened as per standard public procurement principles, let alone allotment being considered/made. Similarly, in Institutional category, companies which were not even incorporated on the date of application were made allotments.
- iii. **Role of Plot Allotment Committee (PAC):** Instances were noticed in Institutional and Industrial categories where PAC which was tasked to examine the cases and make recommendations for allotment, flagrantly ignored laid down parameters and even proposed allotments in cases where the consultant appointed for scrutiny of applications had given a

negative report. Instances of misrepresentation and wilful concealment of facts by the PAC were also noticed in allotments made under Institutional category.

- iv. **Transfer of plots:** Post allotment of plots, there was non-compliance of the terms and conditions for allotment, along with subsequent permission to transfer, exit of key members from the project in the Group Housing and Commercial categories; in most cases where large outstandings were due to NOIDA. In a number of cases across all categories, Change in Shareholding (CIS) charges were not levied.
- v. **Sub-division of plots:** The allotted plots were sub-divided by allottees without any basis and NOIDA has recognised these sub-allottees, resulting in trading of land rather than its development and further resulting in non-completion of projects in Group Housing and Commercial categories. In fact, the extent of subdivision of plots in the Commercial category (Sports City) was so pronounced that the very objective of creating sports infrastructure like golf course and cricket stadium has been rendered impossible.
- vi. **Allocation of land:** In all categories, instances of allotments without ensuring availability of encumbrance-free land were noticed. In absence of an Enforcement wing, NOIDA failed to stop commercial activities on industrial and IT plots.
- vii. **Payment related issues:** There was absence of verification of payments made by allottees in the Industrial category. Allotments were made in spite of pending dues in the Group Housing and Commercial categories. Instances of irregular rescheduling of dues were also noticed in Commercial and Institutional categories. NOIDA showed lack of vigil by allowing defaults of payments by allottees.
- viii. **Grant of mortgage permission:** Permission to mortgage the plots was given to allottees of Group Housing and Commercial categories, in spite of non-clearance of NOIDA’s dues resulting in spiralling of pending dues. On this issue, Hon’ble Supreme Court observed² that “*Conditional permission to the mortgage was issued without payment of the premium lease money etc. so as to perpetuate the fraud being done by the promoters*”.

As a result, the public at large is saddled with incomplete projects, wherein they have invested their lives’ savings and NOIDA is burdened with huge outstandings.

The ensuing chapters bring out the position of development of allotted properties, the reasons behind it and the response of Government and NOIDA thereto.

² Writ petition (C) 940/2017 Bikram Chatterji and others Vs. Union of India.