

Chapter 4 - Alienation of Land

4.1 Introduction

4.1.1 Background

Standing Orders of the erstwhile Board of Revenue (BSO) and the Andhra Pradesh (Telangana Area) Alienation of State Lands and Land Revenue Rules, 1975 authorize the Government to alienate land for bonafide public purposes to a person, institution or local body either free of cost or on payment of full or concessional market value.

As per the Standing Orders of BSO, Government land is given to a local authority for unremunerated public purposes without any charges. However, market value has to be collected in case land is granted to local authority for remunerative public purposes and/ or to a company, private individual or institutions, for any public purpose. The BSO also empowers the Collector to transfer any extent of State Government land to any other State Government or Central Government irrespective of extent and value.

4.1.2 Powers of alienation

The competent authority to alienate Government land and the extent of powers of such authority are detailed below:

Table-1
Powers to Alienate Government Land

Competent Authority	Alienation to local bodies like Gram Panchayats, Mandal Parishads, Zilla Parishads, Municipalities and Municipal Corporations	Alienation to Companies, Private Industries, Private Associations, Corporations and Individuals
District Collector	Market value up to ₹ 5 lakh or up to 5 acres, whichever is less, where no conversion of tank bed lands are involved	For Industrial use and State Corporations , market value up to ₹ 2 lakh and up to 10 acres. For individuals , market value up to ₹ 10,000 or up to 0.25 acres, whichever is less
CCLA	Market value beyond ₹ 5 lakh or above 5 acres, whichever is less	For Industrial use and State Corporations , market value up to ₹ 10 lakh and up to 10 acres.
Government	All other cases	All other cases

No land can be alienated to anybody without the orders of the Government, irrespective of its value.

4.1.3 Procedure for alienation

Alienation of land is done by the Government through the issue of an alienation order in favour of an applicant. The procedure for alienating Government land is as follows:

- On receipt of application for allotment of land, it has to be processed by the local revenue authorities;

- Land has to be identified by the District Collector and notice calling for objections has to be published in the village within 15 days thereafter; objections received, if any, are to be disposed off on merit;
- Resolution of Gram Panchayat/ Municipal Council has to be obtained, if the land falls within the limits of Gram Panchayat/ Municipality;
- Recommendations of the District Collector for alienation of land are to be examined by the Empowered Committee², headed by the CCLA at the State level;
- Based on the recommendations of the Empowered Committee, the proposal has to be placed before the Council of Ministers;
- After approval of the Council of Ministers, Government orders have to be issued for alienation;
- On issue of orders by the competent authority and after handing over the possession of land on collection of land value if any, changes in the status of the land have to be incorporated in the Mandal/Village records.
- In cases of emergency, the BSO permits handing over the possession of land in advance, pending formal approval of the alienation process by the Government.
- Government has the power to resume the assigned land and re-allot it to other eligible applicants. These cases involve payment of ex-gratia by the beneficiaries to the original assignees.

4.1.4 Determination of Market Value of Land

Rules³ prescribe that alienation of land to a company/ private individual or institutions for any public purpose should be made against collection of its market value and subject to the terms and conditions prescribed in BSO.

Market value has been defined in the AP Land Acquisition Act as the price obtained by sale of adjacent lands with similar advantages. As per Section 18 of the Act, the fair market value of land to be acquired has to be ascertained with reference to the date notified for its acquisition. The market value of the land to be acquired depends on where the land is situated and its surroundings.

4.1.5 Alienation of land to APIIC for development of industries

The Andhra Pradesh Industrial Infrastructure Corporation Ltd (APIIC), a Public Sector Undertaking of the Government of Andhra Pradesh, is responsible for development of industrial infrastructure through development of industrial parks and Special Economic Zones (SEZs). As indicated in Chart-1 below, during 2006-11, 39

²CCLA (Chairman), Principal Secretaries of Revenue, Finance, Housing, Municipal Administration & Urban Development, Public Enterprises, General Administration and Industries & Commerce departments and Secretary to CCLA (Member Convener)

³Standing Orders of the erstwhile Board of Revenue (BSO) and the Andhra Pradesh (Telangana Area) Alienation of State Lands and Land Revenue Rules, 1975

per cent of all land alienated was to APIIC, which, in turn, allotted the land to various entities for industrial development.

4.2 Alienation of land during 2006-11

During the period under review, the State Government alienated 88,492 acres of land owned by it in favour of 1,027 beneficiaries for various purposes, as detailed in the chart given along side.

In the eleven sampled districts, Government reportedly alienated 50,285.90 acres of land to 459 persons/institutions/departments during the period 2006-11. District wise details of land alienated are given below.

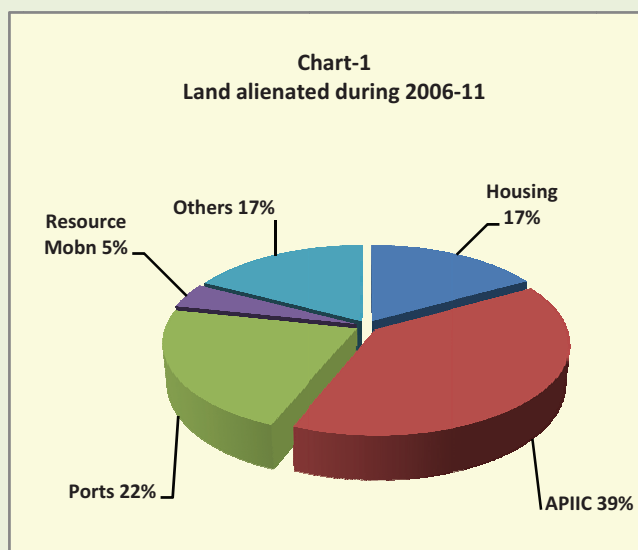


Table-2
District-wise details of land alienation

District	Land alienated (Acres)	No. of cases of alienation	No. of cases checked in Audit
Anantapur	10853.01	126	126
Guntur	5895.90	21	21
Hyderabad	116.24	32	32
Krishna	41.56	15	14
Mahabubnagar	2010.31	31	25
SPS Nellore	3002.06	15	15
Ranga Reddy	5796.80	120	104
Srikakulam	4488.89	16	16
Vizianagaram	742.34	13	13
Warangal	222.83	09	09
YSR	16388.31	53	26
Others*	727.65**	08	08
Total	50285.90	459	409

*Chittoor, Khammam, Medak, Nizamabad, Visakhapatnam & West Godavari districts.

**This refers to the total of alienation cases checked during regular local Audit Inspections. In the absence of full data, the quantum of land shown alienated in these districts includes only cases checked in audit

Note: 23 cases of land alienation (Ranga Reddy: 16, Mahabubnagar: 6, Krishna: 1) were not made available to Audit for verification.

4.3 Non-realisation of alienation cost

Government was yet to realise the cost of alienation in 60 cases in the test checked districts. The amount due to Government in this regard as of June 2011 was ₹ 2,559 crore. The details of amounts due are given below district-wise (*Appendix-A*).

Table-3
Non-realisation of Alienation Cost

District	Land alienated (Acres)	No. of cases of alienation	Amount yet to be realised (₹ in crore)
Guntur	4245.56	9	3.56
Hyderabad	73.98	18	1183.74
Mahabubnagar	23.00	3	0.37
Ranga Reddy	397.69	10	1312.23
SPS Nellore	2886.39	5	17.53
Srikakulam	3333.45	1	28.33
Visakhapatnam	337.40	3	9.89
Vizianagaram	65.15	9	3.21
Warangal	72.14	1	0.42
YSR	63.74	1	0.10
Total	11498.50	60	2559.38

The main audit findings relating to alienation of land are as follows.

4.4 Lack of uniformity and transparency in allotment

Audit scrutiny of 409 cases of land allotment during the five year period 2006-11 revealed that Government, in a large number of cases involving alienation of land substantial in area or market value or both, had overruled the suggestions/recommendations of established levels of official hierarchy in deciding on the cost at which land was to be alienated. Audit scrutiny revealed that in the test checked cases (*Appendix-B*), undue benefit of ₹ 1,784 crore had been given to the allottees owing to the difference between the prevailing market value, as assessed by the District Collector/Empowered Committee, and the rates at which land was alienated by the Government. The market value reckoned for this purpose itself was essentially the cost at which land was ‘**registered**’ in the vicinity and was, therefore, lower than the actual market value that is empirically much higher. In the relevant records to which audit had access, no evidence was available to elucidate factors that had prompted reduction of value to be charged for the allotted lands despite clear and, mostly consistent, recommendations based on established principles of valuation from administrative echelons below. Use of discretion at the scale as was evidenced in these cases was striking since **there was no clear policy framework, within which these allotments were made without meeting the standards of transparency and accountability and justifying specific cases of deviation.**

Audit scrutiny, especially in Anantapur, Ranga Reddy and YSR districts, revealed that land was allotted to several private entities in an arbitrary manner through the medium

of APIIC, and huge concessions were provided, to the detriment of financial interests of the State while the envisaged benefits in terms of industrialization and employment had not accrued. Many of these entities had not fulfilled the conditions of the MOUs/MOAs within the specified period. APIIC did not monitor the activities of these entities closely and despite their non-adherence to the stipulated conditions of allotment, Government had not initiated any action to cancel the allotments and resume the land.

Some of the important cases which came to notice during audit scrutiny are discussed below.

4.5 Allotment to Brahmani Industries Ltd (BIL)

4.5.1 Allotment for setting up of Commercial Airport

In March 2008, Government allotted 3115.64 acres of land in Ambavaram Village of Jammalamadugu Mandal in YSR District to M/s Brahmani Industries Limited (BIL) for setting up a Commercial Airport and a Flying Academy on payment of the market value of ₹ 25,000 per acre. The Airport, which was intended for captive use of the company's Mega Green Field Integrated Steel Plant, was also to be used for commercial operations. *As brought out in the next paragraph, Government had already made (June 2007) another allotment of land admeasuring 10,760.66 acres to the same entity for construction of an integrated steel plant at ₹ 18,000 per acre.*

Our observations with regard to alienation of land for airport are as follows:

- Land was allotted to the developer for setting up a commercial airport, although, as per the existing policy of Government of India (GoI), setting up of commercial airport under private management was not allowed.
- Suitability of the site for setting up of airport was not ensured as geo-obstacle and geo-contour studies were not conducted for orientation of runway.
- Government allotted the land after resuming the same from ST category cultivators to whom it was originally assigned, even as an appeal by an individual claiming ownership of the land was pending before the District Judge, Kadapa.
- The detailed project report justifying allotment of land, duly vetted by an independent party, preferably by a certified Government Agency, was not on record.
- Due diligence report on the competence of the developer comprising of financial feasibility and technical feasibility was also not on record.
- Environmental clearance from the competent authority for implementation of the project was not obtained.
- Nothing was on record to indicate that justification of an airport at Jammalamadugu was examined factoring in the fact that an airport already existed just 50 kms away at Kadapa.

- Although the land required for the proposed airport was only around 2,500 acres (as observed by Principal Secretary to Government, Industries and Infrastructure Department), the extent of land alienated to BIL was 3,115.64 acres. Thus, an excess allotment of 615.64 acres was made in the case.

The decision to alienate land to M/s Brahmani Industries Ltd. as above was taken by the Council of Ministers, even though all the above facts were brought to its notice by the CCLA, who had also cautioned the Government against the viability of setting up a second airport in the same area.

Alienation of Government land to BIL was thus injudicious and in violation of all the established rules and good practices. It clearly amounted to an undue favour to the company without any justification. This case also exemplified a pattern of arbitrariness in land allotments, which was also evident in several other cases brought out in the succeeding paragraphs.

4.5.2 Allotment for establishment of Greenfield Integrated Steel Plant

Government of Andhra Pradesh, in June 2007, alienated its land to the extent of 10,760.66 acres at Vemuguntapalli village and nearby villages in Jammalamadugu mandal, YSR District in favour of M/s. Brahmani Industries Limited (BIL) to enable it to establish a “Greenfield Integrated Steel Plant”.



Brahmani Integrated Steel Plant
Position as on 20.12.2011

Physical possession of the land was given to the company in the next two months i.e., August 2007. As per the MOU entered into between BIL and Government of Andhra Pradesh, the total land to be alienated in favour of BIL was approximately 8,000 acres. The District Collector, YSR District had recommended alienation of a larger area of 10760.66 acres considering a request to that effect by BIL.

As recommended by the District Collector, land including 2,760.66 acres in excess of the area mentioned in the MOU was allotted by the Government. As per the MOU, the Company had to complete the first phase of construction by the end of February 2009 by making an investment of ₹ 4,500 crore to establish a capacity of 2 million tons and the second phase by the end of December 2011 by investing ₹ 7,500 crore to upgrade the capacity to 4 million tons. However, as of November 2011, even the first phase of construction had not been completed.

Government orders issued from time to time and orders of the Supreme Court⁴ prohibit alienation of water bodies (such as Canals, Kuntas⁵, Lakes, etc.). In this specific case, however, the Revenue department recommended and Government

⁴ SLP No. 13695/2000

⁵ Refers to a wet area

permitted alienation of 674.58 acres that comprised of water bodies. As per agreement with the company, Government has to provide from 'Gandikota Reservoir', 2 TMC of water which is essentially earmarked for drinking and irrigation purposes, even though as per the practice in vogue, the company was required to meet its water requirements through its own arrangements.

Further, before alienation of land in favour of any entity, the District Collector is required to examine the Project Report on land requirement, status of availability of raw material, transportation, financial feasibility, technical experience, etc. But no such exercise was undertaken in this case. Despite five years having elapsed since the allotment of land to BIL, the proposed steel plant has not been set up, as can be seen from the photograph given above.

Though, this project involved alienation of very large tract of land (10,760.66 acres) that included water bodies over significant area, the company had not obtained/ produced any clearance from Ministry of Environment, Government of India, even though that was a prerequisite for establishment of a steel plant. Clearly, in alienating land to BIL, the Government has disregarded all the rules/regulations and extended undue benefit to the Company.

4.6 Allotment to Obulapuram Mining Company (OMC)

Obulapuram Mining Company (OMC), after unauthorisedly occupying Government lands assigned to landless poor (*by laying railway track, lorry parking, dumping station, roads, etc.*) requested the Joint Collector, Anantapur for lease of 413.81 acres of land in its favour. The land was to be used as a stock yard. The request was turned down (August 2008) and the Collector restored 290.96 acres of land, that was illegally occupied by OMC, to the original assignees. However, at the request of APIIC in September 2008, the Collector reversed his earlier decision and recommended to CCLA alienation of 304.66 acres of land to APIIC for setting up an industrial park, which was essentially meant for onward transfer to OMC. The reasons for reconsidering the lease or alienating the land were not recorded. Pending acceptance of this proposal by the Government, the Joint Collector instructed (February 2009) the RDO to disburse ₹ 3.63 crore being the cost of the land, to the original assignees. When the Government rejected (November 2009) the alienation proposal, OMC approached the High Court of Andhra Pradesh and obtained (December 2009) interim orders to maintain *status quo*.

APIIC's proposal to alienate land to OMC when the district administration had already rejected the earlier request, amounted to undue favour to OMC. Further, disregarding laid down procedures for the benefit of a private company, despite it having occupied Government land illegally, had seriously compromised the rule of law.

4.7 Allotment to Bellary Iron Ore Pvt. Ltd

After unauthorisedly occupying 20.06 acres of Government land in Obulapuram village of Anantapur district, M/s.Bellary Iron Ore Pvt Ltd approached APIIC in September 2008 for alienation of a further area of 50.69 acres of Government land DKT⁶ in its favour. Instead of taking action to evict the unauthorized occupation and protect the land, the District Collector, on an application by APIIC, forwarded (January 2009) to Government a proposal for alienation of 20.06 acres of Government land and also accepted an amount of ₹ 63.36 lakh (in respect of DKT land) from the company even before obtaining approval of the Government. The Collector also went ahead with the disbursement of ex-gratia to the assignees for the resumed land (50.69 acres), in anticipation of Government approval, thereby making Government liable to compulsorily accept the proposals made by APIIC on behalf of the company. Government has not accepted the proposal as of November, 2011.

The action of the Collector in alienating land to a company, which had illegally occupied it, and paying ex-gratia to the existing assignees for the resumed lands without waiting for Government approval had established a bad standard of governance with potential to corrupt and vitiate administrative culture down the line.

4.8 Allotment to Lepakshi Knowledge Hub Pvt. Ltd.

Government of Andhra Pradesh entered in to an MOA with Lepakshi Knowledge Hub Pvt Ltd (LKH) in December 2008 for establishment of an Integrated Global Knowledge Hub/ Multi-Product Special Economic Zone in Gorantla and Chilamattur mandals of Anantapur district. The project envisaged generation of employment upto 1.5 lakh persons directly and other indirect employment opportunities in a phased manner. As per the terms of the MOA, LKH and its subsidiaries/ associates and other units to be set up in this project were to invest approximately ₹ 8,000 – ₹ 10,000 crore in phases over a span of 5 to 10 years.

As per the orders of the Government, APIIC handed over (April - October 2009) 8,844.01 acres of land to LKH in various villages of these mandals. Although APIIC rules stipulate execution of Sale Deed on implementation of the project, APIIC registered the Sale Deed in favour of LKH at the time of handing over the land itself. Based on the request of LKH in August 2009, APIIC issued to it an NOC in the next month allowing it to mortgage its title deeds for the allotted lands with banks/financial institutions/NBFCs, etc. for obtaining loans by itself or by its SPVs, subsidiaries, group of companies, JVs and other associated companies of LKH. Based on a similar request by LKH in May 2010, APIIC issued it another NOC to enable it to obtain loans from IDBI Bank for its Associates/Group Companies.

LKH, thus, mortgaged 4397 acres of land allotted to it for the project and facilitated its subsidiary company **M/s.Indu Projects Ltd. (IPL)** in raising a loan of ₹ 790 crore

⁶ Darakastu

in June 2010. From out of this amount, IPL had not spent any amount on the project relating to Integrated Global Knowledge Hub, but utilized ₹ 562 crore on its own ventures. Similarly, 1802.25 acres of land were mortgaged by LKH with various other banks/entities like SBH, Central Bank of India, L&T Infra, Canara Bank etc. As of November 2011, LKH has not established any industry in the 8844.01 acres of land allotted to it by the Government in December 2008, nor has it created any employment in the area.

Though the market value of land allotted to LKH ranged between ₹ 1.5 lakh to ₹ 12 lakh per acre, Government alienated it to LKH at ₹ 50,000 per acre in respect of Government land and ₹ 1.75 lakh per acre in respect of patta lands. There was no evidence on record to establish that correct market rates were adopted in allotment of various patta lands. Even if it is assumed that price fixed for such lands was reasonable, Government had charged an amount of ₹ 37.91 crore⁷ less in respect of 3,032.83 acres of Government land allotted to LKH. The following irregularities were observed in this regard.

- *3,032.83 acres of land was allotted to LKH below the market rate recommended by the district authorities, resulting in undue favour to LKH to the extent of ₹ 37.91 crore.*
- *Sale Deed was executed in favour of LKH at the time of handing over the land itself, in violation of the APIIC 'Industrial Areas Allotment Regulations', which required the Sale Deed to be executed after the implementation of the project.*
- *NOC was issued to LKH permitting it to mortgage Government land to secure loans for its Associates/Subsidiaries, which was used by LKH to obtain a loan of ₹ 790 crore for IPL, which was diverted for other purposes instead of developing the project.*
- *In case of default of loan by LKH/IPL, the concerned banks would claim the land mortgaged with them and APIIC would not be able to claim it back.*
- *Instead of investing the envisaged ₹ 8000-10000 crore in the project, LKH benefited from the land allotment by obtaining finance through mortgage on the land.*
- *LKH had not fulfilled its obligation with regard to development of the area allotted to it and had also not generated any employment out of 1.5 lakh jobs agreed to in the MOA. However APIIC had not initiated any action against LKH as of November 2011.*

Special Chief Secretary & CCLA confirmed the audit findings and stated that there were no specific guidelines on the extent of land to be allotted and that APIIC had no role in deciding the land cost and only followed the orders of Government. It was further stated that the sale deed was executed by APIIC to enable the industrialists to raise finances for setting up the industry. CCLA also stated that APIIC had changed the allotment guidelines recently and has been scrutinizing all the applications at the time of allotment with respect to their requirement of land and financial capability.

⁷ (₹ 1.75 lakh - ₹ 0.50 lakh) X 3032.83 acres

4.9 Allotment of land for ICT

Government of Andhra Pradesh formulated the Information and Communication Technology (ICT) Policy in 1999 followed by another one in 2002 covering the period 2002-05 to attract IT related investments into the State and transform the State into a knowledge society. The policy was further revised in March 2005 to cover the period 2005-10 (*relevant to the period covered in this audit report*) and had, *inter-alia*, the following salient features, with regard to development of infrastructure.

- All allotments of land to IT industry to be made through APIIC, which would be the nodal agency for obtaining all the requisite clearances from the State Government;
- IT/ITeS units/companies establishing their own facilities on clear Government land to be eligible for a rebate in the cost of land at ₹ 20,000 per job created;
- Reimbursement of 100 *per cent* stamp duty, transfer duty and registration fee paid by the IT/telecom companies, except where incentive rebate on land was given as mentioned above;
- Usage of 60 *per cent* of the net developable/usable area for construction of IT office space, so as to incentivize development of IT related infrastructure and generation of employment, subject to the condition that the space created was sold/leased/rented only to IT/ITeS units. The balance 40 *per cent* area was to be developed for housing/recreation/club house/shopping centres/schools and for facilitating other support activities.

Government, in February 2009, accorded sanction for alienation of 881.32 acres in (Sy.No.99/1) Mamidipally Village in Ranga Reddy district in favour of APIIC for development of IT industry. The basic value of the land was ₹ 50 lakh per acre and the market value was ₹ one crore. However, Government alienated this land to APIIC on no cost basis stating that the latter had already paid an amount of ₹ 7.29 crore to Animal Husbandry Department, which possessed the land. Since the land was ultimately meant to be allotted by APIIC to IT units which are commercial ventures, transfer of land to APIIC at a gross value of ₹ 7.29 crore caused a revenue loss of ₹ 874.03 crore⁸ to the Government.

Out of the allotted land (881.32 acres), APIIC, in July 2006, irregularly allotted 500 acres to M/s. Indu Tech Zone Pvt Ltd (250 acres) and M/s. Brahmani Infratech Pvt Ltd (250 acres) at ₹ 20 lakh per acre, which was **more than two and a half years before the receipt of the alienation order from the Government**. Details of this irregularity are given below.

4.9.1 Allotment to Brahmani Infratech Pvt Ltd

Government entered into an MOU with Brahmani Infratech Pvt Ltd (BIPL) in May 2006 for setting up an IT/ITeS SEZ and allotted 250 acres for the purpose in Raviryal

⁸ ₹ one crore x 881.32 acres - ₹ 7.29 crore

and Mamidipalli villages of Ranga Reddy District in July 2006 at ₹ 20 lakh per acre. BIPL was an SPV floated by Navabharat Ferro Alloys Ltd and Zelan Constructions SdnBhd of Malaysia, quoting the experience of Zelan Constructions in executing such projects in Malaysia.

In terms of the MOU, BIPL was to develop and construct a minimum area of 4.5 million sft of IT/ITeS space in the allotted land over a period of five years from the date of commencement of construction. Two million sft were to be constructed within three years and the balance 2.5 million sft in the following two years. Also, out of the 250 acres, BIPL was to develop IT/ITeS SEZ and processing area for IT in 150 acres and other amenities like housing in the balance 100 acres. BIPL was also required as per the MOU, to generate employment for not less than 45,000 persons during the duration of the project, with 20,000 jobs in the first three years followed by 25,000 jobs in the remaining two years.

In the case of non-fulfillment of any of the terms/conditions and obligations by BIPL, Government was entitled to take back the undeveloped land.

In January 2008, BIPL requested the Government to permit it to replace Zelan Constructions with Mantri Developer Pvt Ltd, which was accepted by the Government.

As of June 2011, despite the end of the five year project period stipulated in the MOU, BIPL had not carried out any of the developmental works stipulated in the MOU. Consequently, no office space has been setup nor any employment generated.

4.9.2 Indu Tech Zone Pvt Ltd

To set up an IT Park Government entered into an MOU with Indu Tech Zone Pvt Ltd (ITPL) for allotment of 250 acres of land in Mamidipalli village of Ranga Reddy district at ₹ 20 lakh per acre. Out of the 250 acres, an extent of 150 acres was notified in April 2007 under specific IT/ITeS SEZ to facilitate formation of SEZ. The Government permitted ITPL to develop other amenities and support services through its Associate company SPR Properties Pvt Ltd over an area of 100 acres. Government also allotted 5.975 acres in Nanakramguda to M/s Mack Solutions Inc, a partnership firm of ITPL.

As per the MOU conditions, ITPL was to develop and construct a minimum area of 4.5 million sft of IT/ITeS space in the project over a period of five years from the date of commencement of construction, with 2 million sft within three years and the balance 2.5 million sft in the following two years. Also, out of the 250 acres, ITPL was to develop IT/ITeS SEZ and processing area for IT in 150 acres and other amenities like housing in the balance 100 acres. As per the MOU, ITPL was also required to generate employment for not less than 45,000 persons during the duration of the project, with 20,000 jobs to be created in the first three years followed by 25,000 in the remaining two years.

ITPL informed the Government in September/ December 2007 that the development of SEZ would entail an investment of at least ₹ 700 crore in Phase – I, a part of which would be financed by Financial Institutions. ITPL also proposed to obtain a part of the required funds through investment by a foreign investor in the equity capital of the company and identified **M/s Sun Apollo India Real Estate Fund LLC, Mauritius** for such foreign investment. Government approved the proposal of ITPL to this effect.

Two years later (May 2009), Government issued the NOC to ITPL enabling it to mortgage the land and obtain a loan of ₹ 120 crore from UCO bank.

As of June 2011, despite five years of the project period as stipulated in the MOU having lapsed, ITPL had not completed the project nor generated the envisaged employment.

4.9.3 Allotment to Stargaze Properties Pvt Ltd.

Government, in July 2006, entered in to an MOU with Stargaze Properties Pvt Ltd (SPPL) for allotment of 250 acres of land in Raviryal village of Ranga Reddy district at ₹ 20 lakh per acre to enable it to set up an IT Park. Out of the 250 acres, an area of 170.40 acres was notified under specific IT/ITeS SEZ to facilitate formation of SEZ, and SPPL was permitted to develop through its Associate company Aesthetic Realtor Pvt Ltd, other amenities and support services in 62.50 acres.

As per the MOU conditions, SPPL was to develop and construct a minimum area of 4.5 million sft of IT/ITeS space over a period of five years from the date of commencement of construction, with 2 million sft within the first three years and the balance 2.5 million sft in the following two years. SPPL was also required to generate employment for not less than 45,000 persons during the duration of the project, with 20,000 jobs in the first three years and 25,000 in the remaining two years.

APIIC in December 2008, by issuing an NOC, acceded to SPPL's request that would enable it to mortgage the land and obtain a loan of ₹ 100 crore from HDFC bank.

Despite five years of the project period as stipulated in the MOU having elapsed, as of June 2011, SPPL had not carried out any of the developmental works stipulated in the MOU. Thus it has neither created any office space nor generated any employment.

4.9.4 Allotment to Raheja Corporation Private Limited

The State Government, in June 2002, entered into an MOU with M/s K. Raheja Corporation Private Limited, Mumbai for development of Mindspace Cyberabad Project to provide appropriate infrastructure over an area of 110 acres (Survey No. 64) of Madhapur village, Serilingampally mandal of Ranga Reddy District for facilitating setting up of IT companies in the district. This was followed by a Memorandum of Agreement (MoA) in May 2003 between APIIC and M/s K. Raheja Corporation Pvt Limited in terms of which a Joint Venture (JV) by the name K. Raheja IT Park (Hyderabad) Private Limited (KRITPL) was incorporated in June 2003. The authorized capital of the JV was ₹ one crore and its shares were held by APIIC and KRITPL in the ratio of 11:89 respectively. The main features of MoA are as follows:

- After an initial lock-in period of 5 years from the date of incorporation of the JV, APIIC could divest/dilute its share holding.
- The cost of land was fixed at ₹ 50 lakh per acre, but was not to be paid by KRITPL until the expiry of seven years, during which, the land was to be developed by it.
- On completion of the development of land, built up area and undivided interest in the land would be transferred to the final owners jointly by APIIC and KRITPL. Similarly, with regard to plotted development also, the plots were to be transferred to the final owners by APIIC and KRITPL jointly.

APIIC, in December 2003, however, entered into a Development Agreement (DA) with KRITPL empowering KRITPL to sell/transfer/lease/license to any of its nominees. Pursuant to the DA, KRITPL, during 2004-05 allotted and registered the entire land in favour its own companies without keeping APIIC in the loop.

Our scrutiny of the case indicated that the Government entrusted the development project to M/s KRITPL on nomination basis, on the suggestion of M/s Mc Kinsey Company engaged by the Government as a consultant for identifying leading infrastructure developers who could be invited to develop infrastructure suitable for attracting IT and ITeS companies to Ranga Reddy district. We noted that no wide publicity had been given by the Government to its intent of partnering with big infrastructure developers. This precluded emergence of a suitable partner through a competitive process, and an optimally beneficial set of terms and conditions at which the Government could have entered the partnership. The dissonance between MoA and the DA coupled with absence of close monitoring of the project by APIIC had resulted in a situation where by 110 acres of prime land in Ranga Reddy district was allowed to pass into the hands of a private developer without achieving the objectives of developing of infrastructure of IT and ITeS companies and allowing the later to use the land to further its own business interests. APIIC by entering into an arrangement which enabled M/s KRITPL to sell/mortgage Government land apart from exposing Government to financial risk, had clearly failed to safeguard Government interests.

Special Chief Secretary & CCLA confirmed the audit findings and stated that notices had been issued to the developer and that the matter was referred to the Government for necessary orders.

The intended purpose of developing IT infrastructure and generating employment was thus defeated, and the developers utilised the Government land for furthering their real estate business, which is irregular. APIIC did not safeguard Government interests in permitting these private firms to mortgage/sell Government land and implicate Government in their financial dealings.

4.10 Allotment to VANPIC

Government of Andhra Pradesh, on 11th March 2008, signed an MOU with the Government of Ras-al-Khaimah (RAK), to develop an Integrated Vodarevu & Nizampatnam Port & port based industries, including cargo and container terminals and an industrial corridor (VANPIC), in Prakasam and Guntur districts.

In the MOU, RAK committed itself to implement the project with respect to technical, financial and commercial aspects on the strength of its own as well as its multi-country, multi-functional collaborators and partners that included its Indian partner M/s Matrix Enport Holdings Private Limited.

While RAK had represented that it possessed all the necessary technical skills and capacity to invest the requisite funds for timely completion of the project, actual implementation of the project was to be carried out by a Special Purpose Vehicle (SPV) in India consisting of RAK, its Indian partner and any one or more agencies specialised in the respective areas for which the SPV was to be constituted. However, RAK was to have liberty to bring, during the preliminary stage or at any stage of the project, more strategic partners from any other part of the world subject to Government of India's policies laid down from time to time. From the records accessed by Audit, there was, however, no evidence to suggest that before entering into the MOU, which was signed on behalf of the Government of Andhra Pradesh by its Special Secretary KV Brahmananda Reddy, political clearance had been obtained from Government of India, Ministry of External Affairs.

The MOU was followed through with a Concession Agreement (CA) signed on 11th July 2008 between the State Government and VANPIC, the SPV set up as per the MOU. M/s Matrix Enport Holdings Private Limited, selected by RAK as its Indian partner, was to implement the VANPIC project. Some of the key but extraordinary terms of the CA were as follows.

- Government to provide 2,000 acres of land each at Vodarevu and Nizampatnam ports, free from all encumbrances to VANPIC on lease basis, subject to annual lease rental at the rate of 2% of fair market value of the land, to be escalated during the concession period.
- If found necessary, Government to make available more land as may be required by the Concessionaire for future development plans of the project on an annual lease rental of 2% of fair market value. **All lands transferred under the State support for VANPIC were to vest absolutely with the Concessionaire or any persons specified by it.**
- The Concessionaire to pay to the Government 2.1% of its gross income during the initial 33 years of operation, provided it earns **net profit**.
- Any property transferred to the Concessionaire (or any persons specified by it) for the port/ port based industries of VANPIC project **could be assigned, leased, licensed, mortgaged or otherwise dealt with by the Concessionaire** (or persons

specified by it) to any other person without any restriction, in such manner and on such terms as the Concessionaire (or person specified by it) may deem fit. The Concessionaire could also **enter into any lease, sub-lease, license or other arrangement** in relation to any of the lands leased to it for the purpose of establishing port/port based industries, on such terms as the Concessionaire deemed fit.

The above terms and conditions were heavily loaded in favour of the Concessionaire and left the Government little leeway in safeguarding public assets.

Government had initially (July 2008) committed to alienate 28,000 acres of land (including its own land/ assigned land/patta land) on lease basis to VANPIC. In pursuance of this commitment, Government in February 2009, permitted the Collectors of Guntur and Prakasam districts to alienate 18,878⁹ acres, revised to 18,001 acres as indicated below. Out of this, 6,609¹⁰ acres were handed over to the Concessionaire between February – August 2009.

We observed that though the CCLA had endorsed the prevailing market value of ₹ 2 lakh per acre as was recommended by the respective Collectors, the Government ordered alienation of land to VANPIC at values ranging from ₹ 0.82 lakh to ₹ 1.17 lakh per acre. This resulted in undue favour to VANPIC to the extent of ₹ 71.43 crore. As of September 2011, VANPIC was yet to pay ₹ 11.66 crore for the land alienated to it.

**Table-4
Alienation of land to VANPIC**

Land type	District	Revised land extent (in acres)
Assigned	Guntur	2,804
	Prakasam	11,389
Government	Guntur	112
	Prakasam	438
Patta	Guntur	-
	Prakasam	3,258

District Collectors, Guntur and Prakasam confirmed in September 2011 that VANPIC Ports Project Private Limited had not taken up any work in the lands alienated in its favour and that the Government would be addressed for implementing the conditions of alienation under BSO 24 so as to resume the lands from VANPIC owing to its non-utilisation within one year from the date of alienation.

The entire process of agreement with VANPIC and alienation of land in its favour lacked legitimacy and transparency. Besides, as the terms of agreement were loaded heavily in favour of the Concessionaire, it had serious financial and legal implications for the State. Moreover, the Government had no elbow room to amend any of the provisions of the agreement without the consent of the Concessionaire.

⁹ in Guntur district: 5,675 acres; in Prakasam district: 13,203 acres

¹⁰ in Guntur district: 1616 acres; in Prakasam district: 4993 acres

4.11 Allotment to Georgia Institute of Technology

Based on a proposal from the then Chief Minister, Government of Andhra Pradesh allotted 250 acres of land in (Sy. No. 288) Mucherala village, Kandudur mandal, Ranga Reddy district to Georgia Institute of Technology (GIT), USA for establishment of their campus. **Although the Empowered Committee recommended allotment of only 50 acres to GIT at the prevailing market rate of ₹ 18 lakh per acre, the State Government allotted 250 acres to GIT at ₹ 1.50 lakh per acre by overruling the Empowered Committee, thereby giving an undue benefit of ₹ 41.25 crore to the Institute.**

GIT had not paid ₹ 3.75 crore being the cost of the land nor has it utilized the land for the envisaged purpose as of November 2011. In fact, the District Collector, Ranga Reddy did not even have the address of GIT to pursue the matter relating to payment of the cost of the land allotted.

The Special Chief Secretary & CCLA confirmed the audit findings.

4.12 Allotment to Emaar Properties

APIIC, acting as an agency of the Government of Andhra Pradesh, in November 2002, entered into an MOU with Emaar Properties PJSC, Dubai (Emaar) for establishing an ‘Integrated project with international standard Convention Centre, a Star hotel, Golf course and Multi-use developmental Township’ in 535 acres of land in Manikonda village, Rajendranagar mandal, Ranga Reddy district¹¹. The MOU was followed through in August 2003 with a Collaboration Agreement (CA) between the two parties, in terms of which, two Special Purpose Vehicles (SPVs) were established for the purpose of operationalising the MOU.

Table-5
SPVs for Emaar Project

SPV	Scope of work	Constituents and their equity share
SPV - I	Golf course and Multi-use project	APIIC: 26 % and Emaar: 74 %
SPV – II	Convention centre and Hotel	APIIC: 49 % and Emaar: 51 %

In January 2005, Government restructured the entire project by creating three instead of two SPVs, expanding its scope and re-adjusting operational areas of each SPV as indicated below.

¹¹ Further details relating to allotment of land to Emaar may be seen in Paragraph 2.1.27 of CAG’s Audit Report (Commercial), Government of Andhra Pradesh for the year 2006-07.

Table-6
Revised SPVs for Emaar Project

Name of SPV	Area of operation	Area of land allotted
Emaar Hills Township Pvt Ltd (EHTPL)	Development and sale of villas, residential accommodation and IT infrastructure	258.36 acres
Boulder Hills Leisure Pvt Ltd (BHLPL)	Golf course and Boutique hotel	235 acres (lease) & 17 acres
Cyberabad Convention Centre Pvt Ltd. (CCCPL)	Convention centre and Business hotel	15.139 acres (lease)

In all the three SPVs, the two constituents viz. APIIC and Emaar held an equity share of 26 per cent and 74 per cent respectively. The subscription of APIIC was to be reckoned against the value of Government land transferred to each of the three SPVs at a price of ₹ 29 lakh per acre. The SPVs were, however, required to pay a lease rental @ 2 per cent of the gross annual revenue for the initial 33 years and @ 3 per cent beyond that period.



In November 2006, EHTPL re-assigned the rights of development to another sister company, Emaar MGF Land Private Limited (Emaar MGF). The CMD of APIIC who was a member of the Board of Directors of the company was a party to this decision without having obtained a formal, in-principle, approval of Government/APIIC.

Under this arrangement, while all rights including control over allotted Government land had been transferred to Emaar MGF, the share of projects to which EHTPL was entitled to, was restricted to 25 *per cent*. This had the effect of reducing the project share of APIIC from 26 *per cent* to merely 6.5 *per cent*. Thus, disproportionate part of the profits would be retained by Emaar MGF. EHTPL also gave a corporate guarantee to Emaar MGF, in August 2008, enabling it to obtain ₹ 150 crore loan from AXIS bank by mortgaging the title deeds of 14.01 acres of land. Emaar, on behalf of EHTPL, but without intimating APIIC, also entered into an agreement with Stylish Home Private Limited, in January 2005, for selling the villas/plots in the integrated township. **This had the effect of exposing APIIC/ Government to financial risk without its consent and diluting its control over a developmental initiative in which it had invested substantive equity.**

Likewise, in November 2006, EHTPL assigned its leasehold rights to Emaar MGF, prescribing that only 5 *per cent* of the total revenues earned from the golf course/club

would be passed on to EHTPL and the balance 95 *per cent* to be retained by Emaar MGF. Consequently, the APIIC's share in SPV's projects was diluted from 26 *per cent* to 1.3 *per cent*.

Details of the above findings are separately reported wide paragraph 3.3 of the CAG's Audit Report (Commercial) for 2010-11.

4.13 Allotment to Gimpex Ltd.

Government issued an order in July 2008 for alienation of land to the extent of 100 acres in Korlakunta village of Obulavaripalle Mandal, YSR District in favour of M/s. Gimpex Limited, Kodur for establishment of Beneficiation Plant for barytes. Physical possession of land was handed over to the company in March 2009. We, noticed that:

- AP Mineral Development Corporation Limited (APMDC) had already permitted (March 2007) M/s. Gimpex Limited, Gimpex House, Chennai to set up the beneficiation plant in and around Mangampet village, Obulavaripalli mandal. The plant was to beneficiate low grade barytes not exceeding 2 lakh MT capacity per annum. However, the Joint Collector who had vetted the relevant project report in consultation with technical staff and General Manager, District Industries Centre, Kadapa had concluded that the project would require only 50 acres of land. The District Collector however, had proposed and obtained alienation of 100 acres of Government land in favour of the company.
- Land (100 acres) was alienated to M/s. Gimpex Limited at ₹ 0.50 lakh per acre as against the market value of ₹ 3.00 lakh per acre, resulting in undue benefit of ₹ 2.50 crore to the company.
- While arriving at the cost of the land, the department had not included the expenditure incurred for creating the Continuous Contour Trenches, that had been dug on the land under the Drought Prone Area programme.
- The department had not obtained resolution of the Gram Panchayat within whose jurisdiction the land falls, as was required under Government orders before alienation of Government land in favour of the company.

4.14 Allotment to Aurobinda Pharma Ltd.

M/s. Aurobinda Pharma Ltd., Hyderabad (APL), in 2008 requested for alienation of 25.72 acres of land in Pydibhimavaram and Chittivalasa villages of Ranasthalam (M), Srikakulam district. Out of 25.72 acres requested for, 20.48 acres were already under encroachment by APL since 2002. To discourage such encroachment and keeping in view the prevailing market value, the District Collector, in his recommendation (September 2008), pegged the alienation cost at ₹ 25 lakh per acre. Government, however, alienated (March 2010) the land at ₹ 5 lakh per acre, resulting in undue benefit of ₹ 5.14 crore to the Company. Thus, instead of penalising APL for encroaching upon Government land and resuming the same, the encroached land was

regularized/alienated at a meagre amount, which would only encourage further encroachment of Government land.

4.15 Allotment to Simhapuri Energy Pvt. Ltd. and others

APIIC, in September 2007, requisitioned 1015.42 acres of Government land for establishment of two power projects by M/s. Simhapuri Energy Pvt. Ltd. and M/s. Meenakshi Energy Pvt. Ltd. in Tamminapatnam and Momidi villages of Chillakur Mandal of SPS Nellore district. A part of the requisitioned land to an extent of 515.27 acres, which had earlier been assigned to landless poor, was, however, resumed by Government on payment of compensation of ₹ 1.25 lakh per acre to the existing assignees.

However, for alienation of the lands to APIIC, the Tahsildar recommended (October 2007) a lower market value of ₹ 0.97 lakh per acre. The District Collector recommended (February 2008) a rate of ₹ 0.60 lakh per acre to CCLA, who in turn, recommended it (December 2008) to the Government. The Government permitted alienation (February 2009) of land for a meagre sum of ₹ 0.60 lakh per acre. It is pertinent to note that, almost a year later, the District Collector and CCLA recommended (January 2009) alienation of adjoining lands in the same villages at ₹ 1.50 lakh per acre as against the prevailing market value of ₹ 4.50 lakh. Thus, due to adoption of lower market value for its lands, the Government sustained a loss of ₹ 39.60 crore.

In a similar fashion, Government in the same two villages, alienated 1847.98 acres of land adjoining to lands referred to above, at the request of APIIC again, in favour of M/s. Simhapuri Energy Pvt. Ltd. and M/s. Vikas Power Ltd. for establishment of two industrial parks. The valuation of alienated lands was brought down at Government level to ₹ 0.60 lakh per acre as against ₹ 1.50 lakh per acre recommended by Collector who had earlier assessed the value of the same land at ₹ 4.50 lakh per acre for patta lands. This resulted in revenue loss of ₹ 72.07 crore, being the difference between the assessed and the actual value charged from the allottees.

Special Chief Secretary & CCLA, in response, stated that the Empowered Committee had relied on the valuation recommended by the Collector. The reply is not acceptable because the Empowered Committee, while making its recommendation, was expected to apply its mind independently considering all the facts placed before it (in this case, the market value of patta lands in that area was ₹ 4.5 lakh per acre).

4.16 Allotment of assigned land to Apollo Hospitals

The lands resumed by Government for violation of the provisions of Assigned Land (Prohibition of Transfer) Act, are to be assigned only to other beneficiaries and cannot be alienated for any other purpose.

Government of Andhra Pradesh, in June 2011 alienated 86.49 acres situated in (Sy. Nos. 115/2c etc.) of Murakambattu Village of Chittoor district in favour of APIIC for further allotment to Apollo Hospitals for construction of a Mega Health Park. Pending

final approval of the alienation process by the Government, advance possession of the land was handed over to APIIC in March 2008. Out of the total area of land (86.49 acres) so alienated, 47.97 acres were assigned lands resumed for violation of the provisions of A.P. Assigned Land (Prohibition of Transfer) Act. Although the Law Department (March 2011) had clearly opined that in a similar case of alienation of resumed lands, the A.P. High Court had passed interim orders against regularization of the lands resumed by Government under the POT Act in any manner, the Government still approved (June 2011) alienation of 47.97 acres of resumed land valued at ₹ 1.68 crore in favour of M/s. Apollo Hospitals.

4.17 Allotment to Pearl Breweries Pvt Ltd.

Based on the request of Pearl Breweries Pvt Ltd. (PBPL), in March 2006, for alienation of 80-85 acres of Government land for setting up a mega breweries project in Medak district, Government, in November 2006, gave advance possession of 75.775 acres of land (Sy.No.294) in Katlapur village, Sangareddy mandal of Medak district to APIIC for onward transfer to PBPL. Further, as against the prevailing market rate of ₹ 20 lakh per acre recommended by the District Collector, transfer of land was permitted by Government at ₹ 1.50 lakh per acre.

We noted that, while forwarding the proposal for alienation of land to PBPL in August 2006, the CCLA had intimated the Government that the land in question was already assigned to landless poor and as per AP Assigned Land (POT) Act, such lands should be assigned only to other landless poor and could not be alienated for establishing a brewery. The CCLA had further stated that not more than 10 acres of land would be required for establishing a brewery as against 75 acres proposed to be given to PBPL. He had also recommended that, if the Government still wanted to allot the said land to PBPL for setting up a brewery, it should be done at a price higher than the normal rate, and had suggested a rate of ₹ one crore per acre for the purpose.

Government ignored the suggestion of the CCLA and allotted 75.775 acres to PBPL (as against 75 acres in alienation order) for setting up a brewery, at a concessional rate of ₹ 1.50 lakh per acre as against the prevailing market rate of ₹ 20 lakh per acre, thereby giving an undue benefit of ₹ 14.01 crore¹² to PBPL.

4.18 Allotment to Hospitalia Eastern Pvt. Ltd

For mobilizing resources by way of auction of lands, Government land to an extent of 105.13 acres was alienated in December 2008 in favour of HUDA at ₹ 12 crore per acre as against the prevailing market value ranging between ₹ 15 – 20 crore per acre. Later, in July 2009, Government leased out for a period of 33 years, 4 acres (out of 105.13) in favour of M/s Hospitalia Eastern Pvt. Ltd., for establishing an international quality speciality hospital with associated commercial and residential facilities on payment of 5 *per cent* of the market value of land i.e., ₹ 10,000 per square yard as annual lease rent. Another 5 acres of Government land was leased out (September

¹² (75.775 x ₹ 20 lakh) – (75.775 x ₹ 1.50 lakh)

2010) to the same entity, on similar terms for establishing an internationally branded star luxury hotel with associated commercial and residential facilities. Government, thus sustained a loss of ₹ 315.39 crore¹³. Besides, valuable Government land, meant for public purpose, was being utilized for mobilization of funds and for allotment for commercial use.

4.19 Allotment to Indu Genome Valley Project

Government, in March 2006, allotted 20 acres of land in Sy.No.1266/1 of Shamirpet village, RR District in favour of APIIC for expansion of Biotech Park. Pending alienation order, the land was handed over to APIIC in May 2006, who awarded it to M/s. Indu Genome Valley (IGP) Project in an open auction. Land was registered in favour of IGP in May 2008.

However, contrary to the purposes for which the land had been allotted, IGP has used the land to implement a township project, involving construction of residential buildings, which was irregular.

As can be seen from the above cases of land allotment to private entities, the Government followed a 'pick-and-choose' approach, without openly inviting any Expression of Interest from potential investors. There was no discernible pattern in the grant of concessions to the allottees. Nor any mechanisms were put in place to ensure that the stated objective of land allotment to these entities representing different facets of socio-economic development viz. IT, SEZ, other industries actually translated into real projects on the ground within the prescribed timelines as were specified.

In response to audit findings, the Special Chief Secretary & CCLA stated that land was allotted at concessional rate to various entrepreneurs at concessional rates to promote industrial development and attract investors in the face of stiff competition from other states and countries and that the incentives, including cost of land, had to be packaged in such a way as to make it viable and attractive enough for the investors.

While it is appreciated that the Government was faced with a serious challenge in attracting investments from credible investors from across the world, allotment of land for commercial purposes at concessional rates to private parties without a competitive bidding process or even inviting an Expression of Interest from potential investors, carried heavy risk of Government's predicament being exploited by parties of unproven merit and of the entire process being manipulated by vested interests to garner undue benefit at the expense of the public exchequer.

¹³ 105.13 acres x ₹ 3 crore (difference between the cost at which alienated (₹ 12 crore) - market rate (₹ 15 crore)

4.20 Allotment to Educational Institutions

Government allotted land for setting up several educational institutions at concessional rates. While it is important that Government promotes education by providing incentives, it is necessary to have clear criteria with regard to the extent of land required for such purposes and a uniform standard of concessions to be given to such institutions. Given below are the cases of land allotment to three educational institutions, which do not fall under any specific criteria relative to institutions functioning on charitable basis and requiring such extensive concessions.

4.20.1 Synetics School of Business and Hospitality Management

The President, M/s Synetics School of Business and Hospitality Management, Visakhapatnam requested (July 2008) for alienation of 5 acres of land (Sy.No.401) in Kappuluppada village of Bheemunipatnam Mandal to establish a world class business and Hospitality School. While the District Collector and the Empowered Committee recommended (February 2009) alienation at ₹ 65 lakh per acre and ₹ 1.50 crore per acre respectively, the Government alienated (February 2009) land admeasuring 5 acres at ₹ 29.25 lakh per acre, which was far below the prevailing market value. Thus an undue benefit of ₹ 6.04¹⁴ crore was conferred upon the institution.

4.20.2 Brothers of Gabriel Educational Society, Hyderabad

Government alienated (April 2008) 8.67 acres at Putlampalli village of YSR District in favour of Brother Thomas Reddy, Project Director, Brother of Gabriel Educational Society, Hyderabad to enable him to establish an educational institution at Kadapa. Physical possession of the land was handed over in April 2010. Before alienation of land to the institution, the department was required to examine the project report of the institution to ascertain its land requirement, financial status, number of buildings to be constructed, time frame for construction, clearances obtained from the educational / technical departments for establishment of the institution, etc. No such exercise was carried out by the district authorities before the proposals for alienation of land were forwarded to the Government. Market value of the alienated Government land as recommended by District Collector, YSR district and also by the Empowered Committee was ₹ 20 lakh per acre. Government however, decided to alienate the land at ₹ 1.50 lakh per acre. Thus, benefit to the extent of ₹ 1.60 crore was extended to the institution.

4.20.3 Alienation of land to Hyderabad Public School

Government of Andhra Pradesh issued orders in April 2008 for alienation of its land to the extent of 25 acres in favour of Hyderabad Public School at Putlampalli village in Kadapa mandal for establishment of the school at ₹ 1.50 lakh per acre as against the market value of ₹ 3 lakh per acre, duly recommended by the Empowered Committee. Advance possession of the land had already been given by the District Collector to the

¹⁴ Ac.5.00 X ₹ 1.50 Crore (-) ₹ 1,46,25,000

Management, Hyderabad Public School in January 2005 without there being a specific order from the Government to that effect. Further, the entire cost of construction of the building (₹ 6.75 crore) was borne by the State Government even though the institution was not a charitable educational institute. Also, despite the stipulation in the Government order for payment of the cost of land immediately, the school management was yet to pay the cost of alienation amounting to ₹ 37.50 lakh as of November 2011. The total amount of undue benefit given to the school in this case thus was ₹ 7.13¹⁵ crore.

4.21 Allotment to other entities/ individuals

4.21.1 Allotment to Deccan Chronicle and Andhra Bhoomi Publications

M/s Deccan Chronicle and Andhra Bhoomi Publications (DCHL) requested (August 2008) for allotment of 5 acres of land (owned by HMDA) in Chitra layout at Saroornagar mandal of Ranga Reddy district. HMDA¹⁶, in December 2008, handed over possession of 1.31 acres (6357 square yards) to DCHL. Government formally approved allotment of land already taken over by DCHL in July 2009 on payment of ₹ 4.44 crore at ₹ 7,000 per square yard against the prevailing market value of ₹ 45,000 per square yard. This resulted in undue benefit of ₹ 24.16 crore to DCHL.

4.21.2 Allotment to Jawaharlal Nehru National Youth Centre

On the request of the Working President, Jawaharlal Nehru National Youth Centre (JNNYC) in October 2007, Government passed orders in June 2008 for alienation of 5 acres of land in Sy.No. 44 at Munuganoor Village, Hayathnagar mandal, Ranga Reddy District for the purpose of construction of buildings to conduct residential training camps and seminars for youth. Based on the prevailing market value, the District Collector and CCLA had proposed alienation at ₹ one crore per acre. Government order however, permitted alienation of land on payment of ₹ 15 lakh per acre. The organisation was thus given an undue benefit of ₹ 4.25 crore, without even checking out its antecedents. In fact, as of November 2011, Government has not received the cost of the land amounting to ₹ 75 lakh from the assignee although possession was given way back in June 2008.

In response, Special Chief Secretary & CCLA stated (February 2012) that a special consideration has to be given for promoting the institutions, especially NGOs, which are engaged in the upliftment of the downtrodden, physically and mentally handicapped, rescued girls, destitute children etc. It was further stated that these

¹⁵ ₹ 0.38 crore + ₹ 6.75 crore

¹⁶ Hyderabad Metropolitan Development Authority

institutions operate on non-profit basis and cannot afford to pay the market value of land.

While Government can take a sympathetic view in allotting land at concessional rates to various organisations engaged in social welfare, it has to ensure that the criteria for such allotments are transparent and well documented indicating thereby, norms based on which the concession has been extended. Since the above case did not meet this test, the reply is not acceptable.

4.22 Assigned lands

4.22.1 Compensation not paid to assignees

In Penugonda division of Anantapur district, 8,979.71 acres of assigned land were resumed and allotted for various industrial purposes to M/s Odyssey Science City, Industrial Park, Lepakshi Hub, Solar City etc. between 2007-08 and 2010-11. The compensation payable to 4115 assignees worked out to ₹ 143.70 crore. An amount of ₹ 111.06 crore was paid (August 2011) to 3,197 assignees. The remaining 918 assignees, to whom ₹ 32.64 crore were payable, had not been compensated so far.

4.23 Alienation of a Historical site to Whistling Woods International Ltd.

In violation of AP ‘Ancient and Historical Monuments and Archaeological Sites and Remains Rules 1960’, which prohibits alienation of lands forming part of historical sites, Government allotted (August 2009) 20.20 acres of land in Sy.No. 173 and 178 at Ibrahimbagh village, Golconda mandal, Hyderabad, that was adjacent to a protected monument (Premamati Mosque) to M/s Whistling Woods International Limited (WWIL). The allotment was made through APIIC for establishing a World Class Training Institute of Film, Television, Animation and Media Arts. This was followed by a lease agreement in October 2009, between APIIC and WWIL for allotment of 17.01 acres to WWIL for a tenure of 66 years, renewable for a further period of 30 years.

While the market value of the land was assessed by the District Collector, Hyderabad at ₹ 4.84 crore per acre, the Government allotted the land at ₹ 2 crore per acre. The lease rent was fixed at 0.2 *per cent* of the market value at which the land was allotted i.e. ₹ 2 crore per acre for the first three years. From the fourth year onwards, the lease rent was to be enhanced to 1 per cent of the market value. Further, the agreement allowed WWIL to exercise an option to purchase the land at a concessional rate of ₹ 2 crore per acre after ten years, duly adjusting the lease rentals paid by that time.

The Government, thus, gave undue benefit to WWIL both in terms of concession in charging half the actual market value of the land and the option given to it for

purchasing the land ten years down the line at the same rate irrespective of appreciation of land value. Further, allotment of land in a protected area for commercial purposes violated Government rules. In fact, audit scrutiny revealed that at the time of alienating the land, Government had already decided to sign an MOU with the Islamic Republic of Iran for taking up the restoration and conservation of the monuments adjacent to this land.

Consequent to filing of a writ petition (December 2009) by a private citizen in the State High Court, the matter is currently sub-judice.