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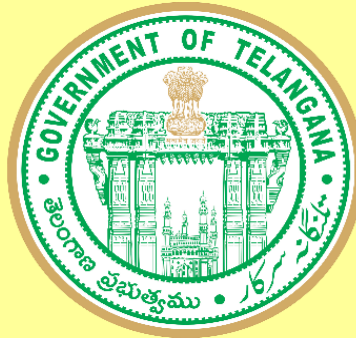
**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended 31 March 2021**



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest



**Government of Telangana
Report No. 3 of 2023**

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings**

for the year ended 31 March 2021

Government of Telangana
Report No. 3 of 2023

Table of Contents

Subject	Reference to	
	Paragraph	Page
<i>Preface</i>		iii
<i>Executive Summary</i>		v
Chapter I - Introduction		
General	1.1	1
Audit Mandate	1.2	1
Coverage of this Report	1.3	1
Response of PSUs/ Government to audit findings	1.4	2
Chapter II – Performance Audit		
Industries and Commerce Department (Telangana State Mineral Development Corporation Limited) <i>Sand mining with special emphasis on initiatives taken to curb illegal mining</i>	2	7
Chapter III – Compliance Audit Observations		
Municipal Administration and Urban Development Department (Hyderabad Metro Rail Limited) <i>Hyderabad Metro Rail Project</i>	3.1	41
Energy Department (Northern Power Distribution Company of Telangana Limited) <i>Loss of ₹50.37 crore due to continuance of power supply despite non-payment of dues</i>	3.2	62
<i>Appendices</i>		65
<i>Glossary of Abbreviations</i>		79

Appendices

Sl. No.	Particulars	Reference to	
		Paragraph	Page
1.1	Statement showing the cluster-wise list of Departments and Public Sector Undertakings	1.3	2
1.2	Working PSU wise and Department wise break-up of outstanding Inspection Reports and Paragraphs	1.4.1	2
2.1	Organisational set up of Director of Mines and Geology	2.1.3	8
2.2	Statement showing Audit Sample	2.1.6	9
2.3	Statement showing undue benefit enjoyed by third party contractors	2.2.2	14
3.1.1	Statement showing lease rentals due from the Concessionaire	3.1.10	58

Preface

This Report of the Comptroller and Auditor General has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India and Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for being laid before the State Legislature.

2. This Report deals with results of Performance Audit of “Sand mining with special emphasis on initiatives taken to curb illegal mining” and other Compliance Audit observations on State Public Sector Undertakings. This Report covers three clusters, namely, Energy & Power, Industry & Commerce and Urban Development of the Government of Telangana.

3. The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2019-21 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports. Matters relating to the period subsequent to 2019-21 have also been included, wherever necessary.

4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

This Report contains a Performance Audit Report on “Sand mining with special emphasis on initiatives taken to curb illegal mining” (Industries and Commerce Department), one Compliance Audit Report on Hyderabad Metro Rail Project (Municipal Administration and Urban Development) and one Compliance Audit paragraph relating to loss of revenue (Energy Department).

Performance Audit on Sand Mining

In Telangana, river sand is available from three sources *namely* (i) riverbed and streams which are categorised into I to V order streams depending upon quantum of sand available, (ii) de-siltation of irrigation projects and (iii) de-casting of private *patta* lands. Government of Telangana (GoTS) introduced (December 2014) the New Sand Mining Policy, 2014 (NSM Policy) and framed (January 2015) the Telangana State Sand Mining Rules, 2015 (TSSM Rules) to ensure availability of adequate quantity of the right quality of sand at a reasonable price to the people of the State. Under the NSM Policy and TSSM Rules, the responsibility for excavation, regulation and supply of sand was entrusted to the Telangana State Mineral Development Corporation Limited (TSMDCCL) which functioned under the supervision and control of the Director of Mines and Geology (DM&G), Industries and Commerce Department.

This is the first Performance Audit of sand mining operations since the formation of Telangana State and it covered the five-year period from 2016-17 to 2020-21. The audit Sample included three (out of eight) selected Project Offices (POs) of TSMDCCL namely, Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar. Audit also test checked and reviewed the records of the offices of the Director of Mines and Geology, Assistant Director of Mines and Geology (ADM&G) and the offices under the control of the District Collectors falling under the jurisdiction of the above POs.

The Performance Audit was conducted to ascertain whether excavation, transportation, storage and sale of sand was carried out efficiently; effective control mechanisms were put in place to detect and prevent illegal sand mining; and environmental concerns related to sand mining were appropriately addressed.

Significant audit findings and conclusions of the Performance Audit are given below.

- Audit noticed that TSMDCCL entered into sand raising contracts with the local registered tribal societies. These tribal societies in-turn engaged non-local or non-tribal third parties for excavation of sand although sub-letting was prohibited in the sand raising contract. Thus, the objective of eliminating exploitation of mineral resources available in the Scheduled Areas by non-locals or non-tribals as envisaged by the Panchayat Extension to Scheduled Areas (PESA) Act, 2002 and PESA Rules, 2011 was defeated. Audit also observed that the tribal societies appointed third parties without following any tender process and the undue benefit enjoyed by the third-party sub-contractors worked out to ₹11.61 crore.
- Audit observed that as against the stipulated time limit of four weeks from the receipt of the Inspection Report of the ADM&G for disposal of applications for grant of

permission to de-cast the *patta* lands, 31 applications received by the District Level Sand Committee (DLSC) Bhadradri Kothagudem during 2016-17 were still pending. This has resulted in non-removal of sand from *patta* lands thereby depriving pattadars (farmers) from cultivating their lands.

- Audit also observed instances of delay in excavation of sand due to reasons like non-receipt of clarification from the State Government on the rate payable to the sand raising contractors (tribals) at Dummugudem Anicut and lack of action plan on the part of TSMDCL to excavate sand as per the timelines agreed with the *pattadars*. As a result, the State Government was deprived of revenue of ₹172.64 crore due to non-excavation of sand and consequent delay in commencement of sale.
- In the test checked POs, Audit observed that,
 - Closed Circuit Television Cameras and Weighbridges were installed at very few sand reaches and stock yards resulting in overloading of the vehicles at the time of their dispatch from the stockyard.
 - Vehicles transporting sand were not provided with Geo Positioning System and Radio Frequency Identification devices to enable their tracking and monitoring the sand dispatch and delivery operations.
 - TSMDCL did not evolve an appropriate stock policy and Stock Registers, stock balances were not maintained/ recorded properly.

Thus, TSMDCL's monitoring of sand reaches and stockyard operations was ineffective.

- Audit review of sand raising contracts awarded by the selected POs revealed that the ADM&Gs and TSMDCL during their inspections noticed that the sand raising contractors excavated sand beyond the specified geo-coordinates, permitted depth and quantity. However, the DM&G did not levy the applicable penalty of ₹7.19 crore as per TSSM Rules. TSMDCL pleaded unjustified excuses of payment of Seigniorage Fee (SF) and no revenue loss/ remittance of sale proceeds to Government Treasury to avoid levy and payment of penalty. Thus, the DM&G and TSMDCL casually implemented NSM Policy and TSSM Rules which rendered them ineffective in curbing the illegal sand mining activities.
- In the PO of Bhadradri Kothagudem, Audit also observed that unauthorised and excess excavation and transportation of sand through the Sand Taxi Management System (*Mana Isuka Vahanam* or Sand Taxi) went unnoticed because the software did not provide for limiting the customer bookings once the permitted quantity gets exhausted for a particular sand reach. Thus, the objective of curtailing illegal transportation of sand through Sand Taxi for sand reaches of I, II and III order streams could not be ensured.
- TSMDCL also excavated and dispatched sand without obtaining sand dispatch permits from the ADM&Gs and without paying SF and other additional fees amounting to ₹108.96 crore as of March 2022. Consequently, Government's revenue was blocked to that extent.

- Review of the mechanism put in place to protect the environment from the effects of sand mining revealed the following.
 - The District Survey Report meant to map the sand sources available in a district to enable excavation of sand in a systematic manner was not prepared for any of the districts under the selected POs up to January 2020.
 - Monitoring of the impact of sand mining through photographing of project sites and recording of changes in the ground water levels was not done.
 - TSMDCL did not incur the committed capital and revenue expenditure towards environmental protection measures as required under the conditions governing the Environmental Clearance.
 - The DLSC, Khammam permitted TSMDCL to de-cast sand from the *patta* lands located midst of the Godavari River before TSMDCL obtained necessary statutory clearances.
 - TSMDCL diverted 94.71 *per cent* (₹162.27 crore out of ₹171.32 crore) of Road Damage Charges collected during the period 2016-17 to 2020-21 for other than the specified purposes.

Thus, the recommended action for sustainable sand mining was not taken/ ensured.

- Audit observed that the State Government did not relax the condition of 100 *per cent* M-Sand production to avail the incentives proposed under NSM Policy, as requested by the M-Sand Manufacturing Industry Association. The DLSCs also did not promote the manufacture and use of M-Sand. Further, TSMDCL did not establish a crusher for manufacturing M-Sand even though the lease period was due to expire in November 2023. Thus, State Government did not properly address the concerns of M-Sand industry.

Audit Recommendations:

- *District Level Sand Committees may ensure processing of the pattadar applications within the stipulated timelines and TSMDCL may prepare an action plan to de-cast sand within the timelines stipulated in the agreements with the pattadars.*
- *District Level Sand Committees may consider allotting sand mining licenses in the Scheduled Areas to tribal societies and TSMDCL may consider appointing the sand raising contractors on behalf of the tribal societies duly following open tender process.*
- *Government may fix the responsibility of the officials concerned for allowing excess payments to the pattadars.*
- *Government may ensure that TSMDCL puts proper monitoring mechanism in place namely, installation of CCTV cameras, Weighbridges and maintenance of Stock Registers at sand reaches and stockyards.*

- ***Department of Mines & Geology may consider using Remote Sensing Mapping or Drone enabled (Intelligent Video Surveillance) technology to monitor and regulate the sand excavations effectively.***
- ***Government may consider incorporating suitable provisions in the NSM Policy and the TSSM Rules to bring sand raising contractors and pattadars under the ambit of penalty provisions for breach of any contractual obligations.***
- ***Government may direct TSMDCL to comply with the conditions governing Environmental Clearance, the SSMM Guidelines and the TSSM Rules.***
- ***Government may consider framing suitable guidelines for extending the benefits envisaged under the NSM Policy and TSSM Rules to the M-Sand manufacturers.***

Compliance Audit Observations

Compliance Audit of the Hyderabad Metro Rail Project revealed that delays in finalisation of metro corridors and acquisition of land for Miyapur Depot delayed the operationalisation of the Project and also resulted in cost escalation. Six stations between MG Bus Station and Falaknuma on Corridor - II involving 5.12 KMs were still incomplete. Consequently, the project cost was bound to escalate. The stations, parking and circulation areas were not developed as envisaged. As a result, the Concessionaire was unduly benefitted by ₹227.19 crore. The Project could achieve only 22 per cent of the expected ridership. The effect of insufficient parking spaces on the ability of the Project to operate at full potential in future cannot be ruled out.

The Concessionaire was allowed to fix higher fares than those envisaged under the Concession Agreement. Audit observed that by fixing higher fares, the Concessionaire had collected excess fare of ₹213.77 crore during the period from November 2017 to March 2020. The Company could not enforce CA provisions relating to urban rejuvenation works and prohibition of sub-leasing of Project assets before the COD of the Project. The Company did not recover fair rent of the lands leased to Concessionaire and waived administrative charges. The Company also did not utilise the Putlibowli Commercial Complex, constructed at a cost of ₹11.68 crore, effectively for a period of five years.

Audit recommendations:

- ***Government may prepare an action plan to complete Corridor - II of the Project at the earliest. Otherwise, ridership will remain low.***
- ***Government may fix the responsibility of the officials concerned for allowing unauthorised deviations in the construction of station boxes.***
- ***Government may take steps to provide sufficient Parking and Circulation areas to improve the ridership.***
- ***Government may constitute a fare fixation committee at the earliest to review the fare structure.***
- ***Government may enforce the Concession Agreement conditions and contractual provisions to realise its dues from the Concessionaire.***

Northern Power Distribution Company of Telangana Limited incurred loss of ₹50.37 crore during June 2014 to July 2018 due to continuance of power supply to M/s. Sirpur Paper Mills Limited despite non-payment of dues.

Chapter I

Introduction

Chapter I - Introduction

1.1 General

Telangana State was formed on 2 June 2014. As on 31 March 2021, there were 82 Public Sector Undertakings (PSUs) in Telangana State under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These included eight Government Companies in Power Sector, 68 Government Companies, three Other Companies¹ Controlled by Government and three Statutory Corporations² in Non-Power Sector. Out of the 82 PSUs, 66 were working and 16 were inactive³ PSUs. Two working PSUs, namely, Andhra Pradesh Tribal Power Company Limited and Infrastructure Corporation of Andhra Pradesh Limited were under demerger. During the period 2019-21, one Government Company⁴ got dissolved and four Government Companies⁵ came under the audit jurisdiction of the CAG.

1.2 Audit Mandate

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and Section 19 and 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG also conducts supplementary audit of accounts of the PSUs under Section 143 of the Companies Act, 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, CAG is the sole auditor for Telangana State Road Transport Corporation.

Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, as well as other guidelines, manuals and instructions issued by the CAG.

1.3 Coverage of this Report

The summary of financial performance of PSUs of Telangana Government (GoTS) as revealed from the accounts/ information furnished by them and results of oversight role of the CAG is reported separately as part of the CAG's State Finances Audit Report.

¹ Hyderabad Growth Corridor Limited, Karimnagar Smart City Corporation Limited and Greater Warangal Smart City Corporation Limited

² Telangana State Financial Corporation, Telangana State Road Transport Corporation and Telangana State Warehousing Corporation

³ Either defunct or under liquidation. Of these, 15 Companies are under demerger

⁴ Southern Transformers and Electricals Limited

⁵ Telangana Rythu Bandhu Samithi, Bio Tech Hub Limited, Karimnagar Smart City Corporation Limited and Greater Warangal Smart City Corporation Limited

This Report of the CAG contains matters arising from the compliance audit of transactions and review of performance of the PSUs of the GoTS coming under the administrative control of three departments falling under three clusters⁶. The cluster wise list of Departments and the PSUs under their jurisdiction is given in **Appendix 1.1**.

In this Report, one Performance Audit on “Sand mining with special emphasis on initiatives taken to curb illegal mining”, one Detailed Compliance Audit on Hyderabad Metro Rail Project and one Compliance Audit Paragraph are included and these were issued to the Special Chief Secretary/ Principal Secretaries of the concerned Departments with a request to furnish reply within four to six weeks. Government replies and the views expressed by the State Government during the Exit Conference on the Performance Audit Report are suitably incorporated in this Report.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit on PSUs. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of the PSUs and contribute to better governance.

1.4 Response of PSUs/ Government to audit findings

1.4.1 Response to previous Inspection Reports

Inspection Reports are issued to the Head of the auditee unit with a copy to next higher authority for necessary action. They are required to respond to the audit observations within four weeks. As of 30 September 2021, 361 IRs containing 2,323 Paragraphs pertaining to previous years were pending settlement. Of these, first replies have not been received in respect of 552 Paragraphs (63 IRs) as detailed in **Table 1.1**. Working PSU wise and Department wise details are given in **Appendix 1.2**.

Table-1.1:

IRs/ Paragraphs for which first replies were not received as of 30 September 2021

Year	Number of IRs/ Paragraphs pending settlement		IRs/ Paragraphs for which even first replies were not received	
	IRs	Paragraphs	IRs	Paragraphs
2016-17 & earlier years	194	724	10	68
2017-18	41	389	12	139
2018-19	51	413	16	132
2019-20	57	642	18	149
2020-21	18	155	7	64
Total	361	2,323	63	552

Source: Records maintained by Office of the Accountant General (Audit), Telangana

⁶ Telangana State Mineral Development Corporation Limited under the Director of Mines and Geology, Industries and Commerce Department of the Industry and Commerce cluster, Hyderabad Metro Rail Limited under Municipal Administration and Urban Development Department of Urban Development cluster and Northern Power Distribution Company of Telangana Limited under Energy Department of Energy and Power cluster

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities as pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

1.4.2 Follow up action on Audit Reports

The Reports of the CAG are products of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. As per the instructions issued (June 2004) by the Finance Department of erstwhile Government of AP, all Administrative Departments are required to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation in the Legislature in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

As of 30 September 2021, out of 85 Performance Audits (PAs) and 428 Paragraphs featured in CAG Reports on Telangana PSUs, Explanatory Notes (ENs) to 19 PAs and 72 Paragraphs were awaited. Of these, one PA and 13 Paragraphs pertain exclusive to Telangana and 18 PAs and 59 Paragraphs are common to both Andhra Pradesh and Telangana. Details are given in **Table 1.2**.

Table 1.2: Status of receipt of Explanatory Notes

Year of the Audit Report	Date of Placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which ENs were not received			
				Exclusive to State		Common (TS & AP)*	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		81	399	0	2	18	59
2014-15	30 March 2016	1	3	0	0	NA	NA
2015-16	27 March 2017	1	8	0	0	NA	NA
2016-17	29 March 2018	1	8	0	2	NA	NA
2017-18	26 March 2021	1	6	1	5	NA	NA
2018-19	26 March 2021	0	4	0	4	NA	NA
Total		85	428	1	13	18	59

*These relate to PSUs in the composite State of AP. These PSUs are, however currently under the control of Government of Telangana

NA implies Not Applicable as Separate Audit Reports were issued from 2014-15 onwards

Source: Compiled by Office of the Accountant General (Audit), Telangana

1.4.3 Discussion of Audit Reports by the Committee on Public Undertakings (CoPU)

The status of PAs and Paragraphs that featured in CAG Audit Reports on Telangana PSUs and discussed by the CoPU as on 30 September 2021 is given in **Table 1.3**.

Table 1.3: PAs/ Paragraphs discussed vis-à-vis featured in Audit Reports

Year of the Audit Report (Commercial/ PSU)	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs Discussed			
			Exclusive to State		Common (TS & AP)*	
	PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Up to 2013-14	81	399	1	23	21	199
2014-15	1	3	1	1	NA	NA
2015-16	1	8	0	2	NA	NA
2016-17	1	8	0	2	NA	NA
2017-18	1	6	0	0	NA	NA
2018-19	0	4	0	0	NA	NA
Total	85	428	2	28	21	199

* These relate to PSUs in the composite State of AP. These PSUs are however, currently under the control of Government of Telangana

NA implies Not Applicable as Separate Audit Reports were issued from 2014-15 onwards

Source: Compiled by Office of the Accountant General (Audit), Telangana

Out of 85 PAs and 428 Paragraphs relating to Telangana PSUs, 23 PAs and 227 Paragraphs were discussed by CoPU. During 2019-21, CoPU had partly discussed one PA (Audit Report for 2014-15) and five Paragraphs in the Audit Reports relating to PSUs.

1.4.4 Compliance to Reports of CoPU

Action Taken Notes (ATNs) in respect of 458 recommendations pertaining to 41 CoPU Reports (upto 2006-07) on PSUs had not been received from the Administrative departments (September 2021) as detailed in **Table 1.4**.

Table 1.4: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total No. of recommendations in CoPU Reports	ATNs not received	
			Exclusive to State	Common (TS & AP)
Upto 1998-99	22	592	2	378
2000-01	13	114	0	52
2002-03	1	24	0	0
2004-05	10	80	0	7
2006-07	4	25	0	19
Total	50	835	2	456

Note: After 2006-07 no Report was issued by the CoPU

Source: Compiled by Office of the Accountant General (Audit), Telangana

Lack of remedial action on Performance Audits/ Paragraphs that featured in CAG Audit Reports and lack of discussion by CoPU on these Reports coupled with absence of follow up action by the Government are fraught with the risk of perpetuating serious financial irregularities as pointed out in the earlier Reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

Chapter II

Performance Audit

Chapter II – Performance Audit

Industries and Commerce Department

Telangana State Mineral Development Corporation Limited

Sand mining with special emphasis on initiatives taken to curb illegal mining

2.1 Introduction

Summary

Government of Telangana (GoTS) introduced (December 2014) the New Sand Mining Policy, 2014 (NSM Policy) and framed (January 2015) the Telangana State Sand Mining Rules, 2015 (TSSM Rules) to ensure availability of adequate quantity of the right quality of sand at a reasonable price to the people of the State. Telangana State Mineral Development Corporation Limited (TSMDCL) which functioned under the supervision and control of the Director of Mines and Geology (DM&G), Industries and Commerce Department was responsible for excavation, regulation and supply of sand.

This Performance Audit was conducted to ascertain whether excavation, transportation, storage and sale of sand were carried out efficiently, effective control mechanisms were put in place to detect and prevent illegal sand mining and environmental concerns related to sand mining were appropriately addressed. Audit test checked and reviewed the records of three selected Project Offices (POs) of TSMDCL namely, Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar, the Director of Mines and Geology, Assistant Director of Mines and Geology (ADM&G) and the offices under the control of the District Collectors falling under the jurisdiction of the above POs and covered the five-year period from 2016-17 to 2020-21.

2.1.1 Sources of sand

Sand can be classified into two types; River sand and Manufactured sand or M-Sand (used as a substitute for river sand and manufactured artificially by crushing hard stones). River sand is again of two types namely, coarse sand (used for building large concrete structures) and fine sand (used for plastering/ finishing works). Both River sand and M-Sand are available in Telangana. Sand is used for construction and stowing¹ activities.

In Telangana, river sand is available from three sources namely, (i) riverbed and streams

¹ Usage of sand for filling the abandoned or exhausted coal pits

which are categorised into I to V order streams² depending upon quantum of sand available, (ii) de-siltation of irrigation projects and (iii) de-casting³ of private *patta* lands. Sand in I, II and III order streams is left to the villagers for domestic use (free of cost) as well as for local body and Government sponsored weaker section housing schemes (on payment of Seigniorage Charges). The excavation and transportation of sand in I, II and III order streams are to be done manually and neither mechanical means are allowed nor sand is allowed to be transported outside the local jurisdiction. Sand in IV and V order streams is allowed for commercial exploitation subject to Water, Land and Trees (WALTA) Act, 2002 and WALTA Rules, 2004.

2.1.2 Accountability for sand mining

Government of Telangana (GoTS) introduced (December 2014) the New Sand Mining Policy, 2014 (NSM Policy) and framed (January 2015) the Telangana State Sand Mining Rules, 2015 (TSSM Rules) to ensure availability of adequate quantity of the right quality of sand at a reasonable price to the people of the State. Under the NSM Policy and TSSM Rules, the responsibility for excavation, regulation and supply of sand was entrusted to the Telangana State Mineral Development Corporation Limited (TSMDCL), a State Public Sector Enterprise incorporated (October 2014) under the Companies Act, 2013. The TSMDCL functions under the supervision and control of the Director of Mines and Geology (DM&G)⁴, Industries and Commerce Department.

2.1.3 Organisational set up

Organisational set up of the DM&G is as detailed in **Appendix 2.1**. The management of TSMDCL is vested in its Board of Directors (BoD). The Vice Chairman and Managing Director (VC&MD) of TSMDCL looks after the day-to-day operations of the Company and is assisted by five General Managers who look after the specific operations like mining, legal, finance, projects and information technology and human resources. The General Managers are assisted by two Deputy General Managers and eight Project Officers who monitor the sand excavation and stockyard operations at field level.

2.1.4 Audit Objectives

This Performance Audit was conducted to ascertain whether:

- Excavation, transportation, storage and sale of sand were carried out efficiently,
- Effective control mechanisms were put in place to detect and prevent illegal sand mining, and
- Environmental concerns related to sand mining were appropriately addressed.

² The source of I order streams is a small village stream or “*Vagu*” while the source of V order streams would be large rivers like the Krishna and the Godavari

³ Is the process of quarrying/ removing sand deposits accumulated on agricultural lands due to flooding

⁴ The DM&G oversees the functions of receipt and processing of mineral concession applications, grant of leases, approval of mining plans, inspection of mines, curbing of illicit mining, vigilance, monitoring, survey and demarcation of areas, mineral revenue collection, etc.

2.1.5 Audit Criteria

Audit findings were benchmarked against audit criteria sourced from the following:

- NSM Policy and TSSM Rules issued by GoTS and as amended from time to time,
- Sustainable Sand Mining Management Guidelines, 2016 (SSMM Guidelines) issued by Ministry of Environment, Forests & Climate Change, Government of India (MoE,F&CC),
- Water, Land and Trees Act, 2002 (WALTA) and WALTA Rules, 2004,
- Panchayat Extension to Scheduled Areas Act, 2002 (PESA) and PESA Rules, 2011 (PESA Rules),
- Mines and Minerals (Development and Regulation) Act, 1957,
- Telangana Minor Mineral Concession Rules, 1966 (as adapted in August 2015),
- Telangana Mineral Dealer Rules, 2000 (as adapted in August 2015),
- Notifications and Circulars issued by the Central/ State Governments and the Directorate of Mines & Geology, GoTS relating to sand mining,
- The agenda and minutes of the meetings of the BoD of TSMDCL,
- Standard procedures of tendering and award of contracts and
- The tender documents, contracts awarded, correspondence made with contractors and payments released.

2.1.6 Audit Scope, Sample and Methodology

This Performance Audit was conducted from October 2021 to March 2022 covering the activities carried out by the DM&G and the TSMDCL during the period 2016-17 to 2020-21. Information pertaining to prior and subsequent periods was also reviewed as per requirement.

Audit selected three (out of eight) Project Offices (POs) of TSMDCL using stratified sampling based on the parameter of quantity of sand excavated. Further, records of the TSMDCL Corporate Office and offices of the DM&G, the Assistant Director(s) of Mines and Geology (ADM&Gs) and the District Collectors of eight revenue districts covered by the selected POs were reviewed. Similarly, records of District Police Authorities and State Transport Department were also reviewed wherever found necessary. Judgmental sampling was used in selecting the records of the offices of TSMDCL, the DM&G, the ADM&G, the District Collector, etc. Further, Joint Physical Verification (Joint PV) of 46 (out of 251) sand reaches and stockyards under the selected POs was conducted along with the TSMDCL and Departmental representatives to check the facilities available and compliance to various guidelines. Details of audit sample are indicated in **Appendix 2.2**.

An Entry Conference was held on 14 February 2022 with the Joint Director, Mines and Geology and the VC&MD of TSMDCL wherein the audit objectives, criteria, scope, sample and methodology were discussed. Audit findings were discussed with the Department, TSMDCL in the Exit Conference conducted on 20 September 2022. Replies furnished (January 2023) by the State Government and the views expressed in the Exit Conference have been suitably incorporated in the Report.

2.1.7 Acknowledgement

Audit acknowledges the cooperation and assistance rendered by the officials of the DM&G and the TSMDCL in conducting the Performance Audit.

2.1.8 Audit findings

Audit findings relating to excavation of sand, control mechanisms to detect and prevent illegal sand mining and environmental concerns related to sand mining are presented under the following sections.

- Section 2.2 - Excavation, transportation, storage and sale of sand.
- Section 2.3 - Control mechanisms to detect and prevent illegal sand mining.
- Section 2.4 - Addressing environmental concerns related to sand mining.

2.2 Excavation, transportation, storage and sale of sand

Summary

The tribal societies entered into sand raising contracts with TSMDCL and engaged third-party sub-contractors for excavation of sand. This defeated the objective of eliminating exploitation of mineral resources available in the Scheduled Areas by the non-locals/ tribals as envisaged in the PESA Act and PESA Rules. The tribal societies appointed third parties without following any tender process, resulting in extension of undue benefit to the third-party sub-contractors.

Delays in excavation and sale of sand due to various reasons like delay in processing of the applications by the District Level Sand Committees, non-receipt of clarification from the State Government and lack of action plan to excavate sand as per the timelines agreed with the *pattadars* deprived the *pattadars* from cultivating their lands and delayed the earning of revenue by the Government. Further, TSMDCL incurred avoidable extra expenditure due to payment of pre-revised rates despite amendments to the TSSM Rules.

Introduction

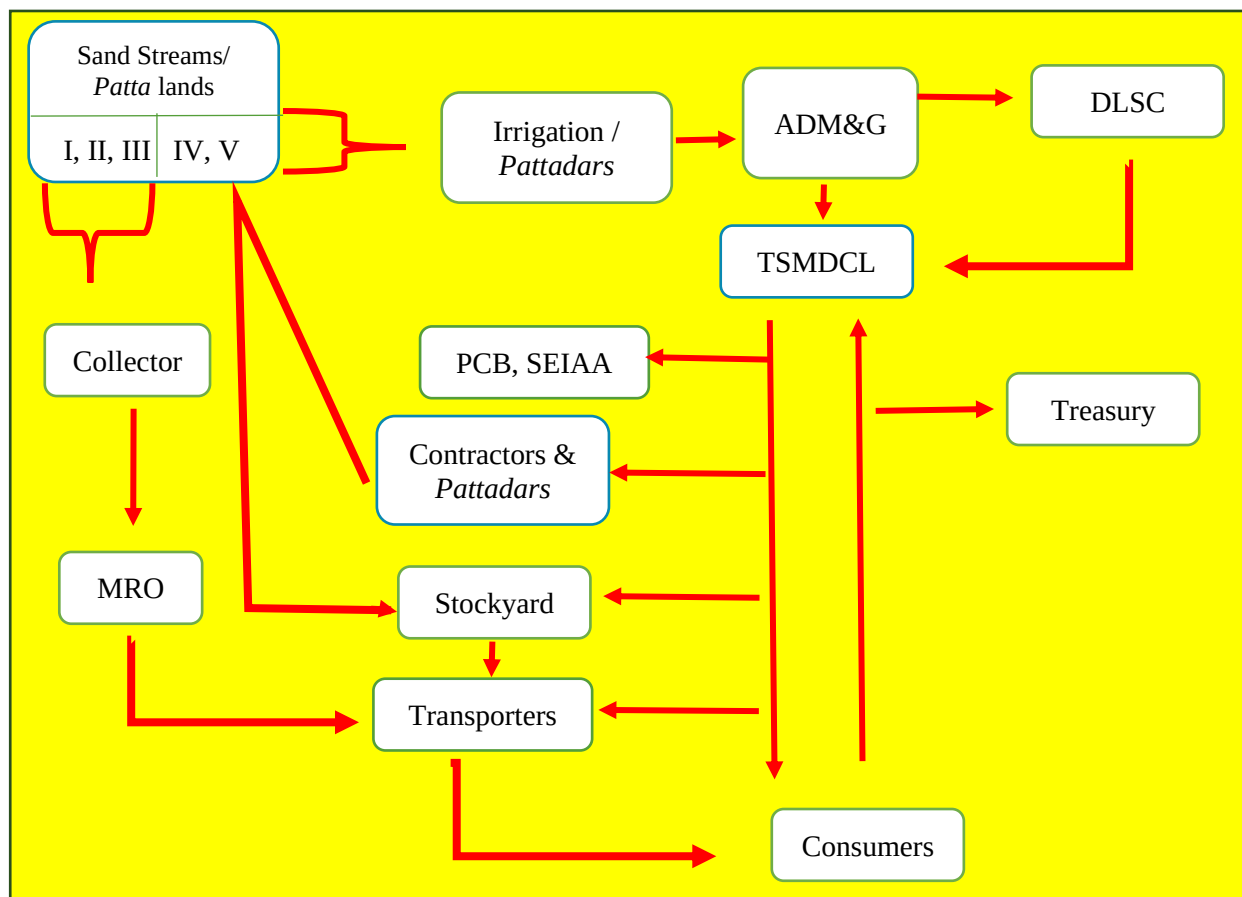
The Irrigation Department (as well as *pattadars* for de-casting of *patta* lands) submits proposals to the Additional Director of Mines & Geology (ADM&G) for de-casting of sand bearing areas and de-siltation of Reservoirs/ Dams. The ADM&G carries out a Joint Inspection⁵ and submits a Report to District Level Sand Committee (DLSC) for approval. The DLSC allots mining license for sand bearing areas to TSMDCL for excavation and sale of sand. The TSMDCL will then obtain the statutory clearances like Environmental Clearance (EC) from State Environment Impact Assessment Authority (SEIAA), Mining Plan from the Deputy Director of Mines, Environment Management Plan, Consent for Establishment (CFE) and Consent for Operation (CFO) from the Telangana State Pollution Control Board (TSPCB). Once the TSPCB's clearance is obtained, TSMDCL appoints sand raising contractors/ tribal societies (*pattadars* in case of *patta* lands) for excavation of sand. The excavated sand is transported to stockyards established near the sand reaches and managed by TSMDCL. The consumers make online bookings for sand through TSMDCL's web portal "Sand Sale Management and Monitoring System (SSMMS)", make the payment at approved rates and obtain the E-Order copy. The sale proceeds are directly credited into the Treasury. The sand is loaded into the designated transport vehicles at the stockyards on the production of E-Order copy and the stockyards issue the E-Transit Pass for onward

⁵ Joint Inspection is conducted with the following: (i) ADM&G shall certify the suitability of sand for construction, (ii) Tahsildar shall identify the *patta* land, possessor/ occupier and furnish attested sketch demarcating the area and fix the boundaries on ground, (iii) Mandal Agriculture Officer shall certify that without de-casting, the *patta* land is not fit for agriculture, (iv) Ground Water Department shall record the geo co-ordinates of the *patta* land as per boundaries fixed by the Tahsildar, assess the thickness, quantify the sand to be de-casted and give specific recommendation on the mode of de-casting i.e. manual or mechanised and (v) Executive Engineer, Irrigation Department shall report on the location of *patta* land with reference to riverbed/ course

transportation of sand to the designated consumer locations. The TMSDCL receives reimbursement of operational expenditure incurred and six *per cent* service charges from the State Government.

The above flow of sand mining operations is indicated in the **Chart 2.1**.

Chart 2.1: Flow of sand mining activities



Out of the total assessed sand availability of 1,001.64 lakh Cubic Meters (CBM) in 709 sand reaches operated during the period from 2016-17 to 2020-21, TMSDCL excavated 685.55 lakh CBM and sold 672.18 lakh CBM valued ₹4,262.95 crore. Audit reviewed the sand mining operations and observed the following.

2.2.1 Delay in disposal of applications for de-casting of patta lands

Rule 7 of TSSM Rules permitted de-casting of sand from the private *patta* lands to make them fit for agriculture. The *pattadar* shall for this purpose make an application to the ADM&G concerned along with a copy of the *pattadar* passbook⁶ and location of the land on the village map. Based on the application made by the *pattadars*, the ADM&G shall take up a joint inspection of the *patta* land and submit a report to the DLSC which after considering the same, permits TMSDCL to de-cast sand from the *patta* lands by entering into agreement with the *pattadars*.

⁶ Title Deed Book

Audit noticed in one (Bhadrardri Kothagudem) of the three sampled POs that out of the 53 applications received by the ADM&G for de-casting of *patta* lands during the year 2016-17, only 22 applications were approved. Reasons for not approving the remaining 31 applications were not on record.

The GoTS issued (April 2018) instructions to the District Collectors requiring them to review all the pending applications of the farmers and to clear the applications to enable the farmers to remove sand and make the area viable for cultivation. The DLSCs were also directed to conduct monthly review of the ADM&G's inspection report on the applications received from the *pattadars* and grant or reject the applications within four weeks from the receipt of the inspection report. Audit observed that despite such clear instructions from the GoTS, the ADM&G and the DLSC of Bhadrardri Kothagudem did not take any action and the above 31 applications received during 2016-17 were still pending (December 2021). Thus, non-disposal of pending applications was not only in violation of the Government instructions but also resulted in non-removal of sand from *patta* lands thereby depriving the *pattadars*/ farmers from cultivating their lands. The Government was also deprived of the revenue realisable (not ascertainable due to non-assessment of extractable sand quantity) from the sale of sand from these *patta* lands for that period.

Government replied (January 2023) that the applications were pending for want of feasibility reports from the Tahsildars concerned. In the Exit Conference, Government stated that the DLSCs would be asked to dispose-off the pending applications.

The fact remained that the DLSC Bhadrardri Kothagudem failed to adhere to the Government's directions resulting in non-conversion of *patta* lands fit for agriculture.

Recommendation 1: District Level Sand Committees may ensure processing of the *pattadar* applications within the stipulated timelines and TSMDCL may prepare an action plan to de-cast sand within the timelines stipulated in the agreements with the *pattadars*.

2.2.2 Engagement of third parties for sand excavation

The Panchayat Extension to Scheduled Areas (PESA) Act, 2002 and PESA Rules, 2011 allowed exploitation of minor minerals in areas located fully/ partially in the Scheduled Areas only by the individual members of local Scheduled Tribes (ST) or societies comprising exclusively of members of local ST. Further, Clause 2 (iii) and (iv) of the agreement entered by TSMDCL with sand raising contractor (tribal society) for excavation of sand stipulated that the agreement was not transferable, sub-lease of the same to any third-party was prohibited and in the event of failure, the pending payments of the society were liable to be held up and forfeited.

In the test checked POs of Jayashankar Bhupalapally and Bhadrardri Kothagudem, audit noticed that the tribal societies appointed third parties on nomination basis as their sub-contractors for excavation of sand. The DLSCs also permitted (November 2015) the sub-lease of sand raising agreements due to tribal societies' lack of financial, operational

and technical capacities required for sand mining operations. Moreover, the DLSCs allowed payment of ₹180 per CBM to the sub-contractors (out of ₹220 per CBM paid by TSMDCL to the tribal societies) and retention of the balance ₹40 per CBM by the societies for equal distribution among its members.

The TSMDCL too noticed (November 2018) that the tribal societies engaged third parties for excavation of sand and that the Integrated Tribal Development Authority (ITDA) itself made payments to the tribal societies and the third-party contractors as per the ratio decided by the DLSCs. The TSMDCL requested the DLSCs concerned to stop the third-party contractors' interference to ensure that the benefit of sand mining in the Scheduled Areas reaches the tribal societies for whom it is intended. The TSMDCL however, did not take any action against the tribal societies as per the terms and conditions of the sand raising agreement.

Thus, audit observed that none of the stakeholders took steps to prevent third parties from performing sand mining operations despite clear statutory and contractual provisions. This defeated the objective of eliminating exploitation of mineral resources available in the Scheduled Areas by the non-locals/ tribals as envisaged by the PESA and PESA Rules. Audit also observed that the tribal societies appointed third parties without following any tender process. Thus, out of the total ₹56.73 crore paid by TSMDCL to the tribal societies, the third parties were paid ₹46.42 crore. Further, considering the rates finalised by TSMDCL under tenders invited for sand raising contracts for desiltation at Medigadda, Annaram Barrages (₹68.50 per CBM to ₹135 per CBM) and at Khammam (₹75.01 per CBM), the undue benefit enjoyed by the third-party sub-contractors worked out to ₹11.61 crore (25.79 lakh CBM X ((₹180 - ₹135)) during the period 2016-2021. Details are given in **Appendix 2.3**.

Management replied (September 2022) that in some cases tribal societies might have hired tractors for transportation of sand because societies themselves may not have the required type of tractors. The payment made for tractor hire charges cannot be treated as sub-contracting. Further, the cost of sand excavation by way of de-siltation of reservoirs cannot be compared to the cost of sand excavation through de-casting of sand bearing areas since the former is a mechanised operation and the latter is a manual operation.

Government concurred (January 2023) with the management's reply.

The reply is not tenable since the tribal societies have sublet the entire sand excavation activities to the third party contractors by paying ₹180 per CBM out of ₹220 per CBM paid by TSMDCL to the tribal societies. The tribal societies would benefit more by seeking competitive rates instead of appointing the third-party contractors on nomination basis with a fixed payment of ₹180 per CBM.

In the Exit Conference, the Government agreed to take up the matter with the Tribal Welfare Department.

The fact remained that the objective of eliminating exploitation of mineral resources available in the Scheduled Areas by the non-locals/ tribals was defeated.

Recommendation 2: District Level Sand Committees may consider allotting sand mining licenses in the Scheduled Areas to tribal societies and TSMDCL may consider appointing the sand raising contractors on behalf of the tribal societies duly following open tender process.

2.2.3 Excavation of sand without DLSC approval, agreement with TSMDCL

Rule 7 of TSSM Rules stipulated obtaining of DLSCs approval and entering into agreement by the *pattadars* with TSMDCL for de-casting of sand from their *patta* lands. In case, the allotted quantity is not de-casted within the time stipulated by such approval and the agreement, the TSMDCL obtained DLSC's approval afresh, and entered into a fresh agreement with the *pattadars* for de-casting the balance quantity of sand from their *patta* lands. Further, Rules 5 (1) (f) and 7 (5) (f) of the TSSM Rules prescribed levy of a penalty of ₹1,00,000 or ₹500 per CBM, whichever is higher, if sand was excavated beyond the specified limits (area) or beyond the specified width (thickness) or for any other violation on both the TSMDCL and the *pattadar* respectively.

In the selected PO of Karimnagar, audit observed that one *pattadar* (Giravelli village) did not extract any sand (out of 2.47 lakh CBM) and another *pattadar* (Kunchavelli village) excavated only 7,970 CBM (out of 1.06 lakh CBM) during the contract period (September 2018 to September 2019) for which DLSC's approvals were obtained in April 2017.

Though fresh approval of DLSC was required for extracting the balance quantity of sand, the TSMDCL, in anticipation of the extension of time by the DLSC, extended (December 2019) the period of the original agreements with the above *pattadars* stating severe shortage of sand in the State and the need to make sand available to reduce the burden of sand supply and vehicle/ traffic conjunction from Kaleshwaram road.

Audit observed that the DLSC was yet to extend the validity of its approval. The TSMDCL however, excavated (February 2020) 4,582 CBM of sand (Giravelli: 1,848 CBM and Kuchavelli: 2,734 CBM) under its extended agreements. Thus, excavation of sand from the above two *patta* lands without obtaining due approval from the DLSC was irregular and attracted penalty of ₹22.91 lakh (4,582 CBM X ₹500 per CBM). But the ADM&G did not impose any penalty either on the TSMDCL or the *pattadars*.

Management replied (September 2022) that the sand was not de-casted within the stipulated contract period from the above *patta* lands due to various reasons like heavy rains and local issues with the villagers. It was further stated that it was only a case of extension of the contract period in anticipation of the DLSC's approval and there is no violation of TSSM Rules as sand was sold properly following the usual mechanism.

The reply is not specific to the audit observation on extension of the agreement period with the *pattadars* without prior extension/ approval of DLSC and agreement with TSMDCL as provided in the TSSM Rules.

Government's reply was awaited (January 2023). During discussion in the Exit Conference, the Government directed TSMDCL to seek ratification of the DLSC concerned.

The fact remained that TSMDCL did not adhere to the spirit of the TSSM Rules.

2.2.4 Delay in excavation of sand

As per Rules 4 and 5 of the TSSM Rules, after communication of DLSC's approval for allotment of specific sand bearing areas to TSMDCL for excavation of sand, the TSMDCL shall within a period of three months (extendable by another three months) obtain necessary permissions for sand mining and enter into licensee agreement with the ADM&G and extract and dispatch sand by appointing sand raising contractors (contractors or tribal societies). Further, under Rule 7 of TSSM Rules, the DLSC, after considering the report submitted by ADM&G permits TSMDCL to de-cast sand from the *patta* lands by entering into agreement with the *pattadars*.

In the selected POs of Jayashankar Bhupalapally and Bhadradi Kothagudem audit observed excavation of sand was delayed despite existence of DLSC's approvals, as detailed below.

2.2.4.1 Delay in de-silting at Dummugudem Anicut

The DLSC, Bhadradi Kothagudem permitted (February 2020) TSMDCL to de-silt 23,38,080 CBM of sand under the submergence area of Dummugudem Anicut on the Godavari River for a period of one year from the date of commencement of sand excavation. TSMDCL was required to enter into an agreement with four local tribal societies concerned and desilting was to be carried out by mechanised method.

However, TSMDCL decided that the said de-silting of sand from the submergence areas of Dummugudem Anicut was of the nature of civil works of Irrigation Department, and sought (April 2020) clarification from the State Government whether to appoint the tribal societies as per PESA Rules and if so whether the estimated rate of ₹120 per CBM was payable (based on the quoted rate of ₹90 per CBM obtained for similar operations in Medigadda and Annaram Barrage areas). However, the State Government has not yet (March 2022) furnished any clarification in the matter. Hence, TSMDCL did not enter into sand raising agreements with the local tribal societies for de-siltation of 23,38,080 CBM sand under the submergence area of Dummugudem Anicut till March 2022. Audit observed that the delay of 24 months led to delay in realisation of estimated revenue of ₹140.28 crore (23,38,080 CBM X ₹600 per CBM) due to non-commencement of sale of sand by TSMDCL from this project area.

Management replied (September 2022) that approval of GoTS to award the work to local tribal societies at ₹120 per CBM was awaited.

Government in its reply (January 2023) acknowledged that TSMDCL had sought (April 2020) clarification from the State Government. In the Exit Conference, the Government agreed to examine the matter.

The fact remained that inordinate delay on the part of the Government resulted in delay in realisation of estimated revenue of ₹140.28 crore from de-silting the Dummugudem Anicut.

2.2.4.2 Delay in de-casting of patta lands

Audit noticed that during the period 2016-17 to 2020-21, TSMDCL did not commence de-casting of sand from *patta* lands in 35 cases in the selected POs of BDKG and JSBP even after obtaining DLSC's approval and entering into agreements with the *pattadars*. The total approved quantity of sand to be de-casted from these *patta* lands was 4.80 lakh CBM valued ₹28.78 crore (4.80 lakh CBM X ₹600 per CBM).

Further, in respect of two other *patta* lands under PO Bhadradi Kothagudem, TSMDCL excavated (up to March 2017) only 21,901 CBM (26.87 *per cent*) out of 81,522 CBM approved (October 2016) by DLSC Khammam and stopped the work thereafter. Aggrieved by the poor rate of sand excavation, the *pattadars* filed (March 2018) a case in the Honourable High Court of Telangana & Andhra Pradesh. The TSMDCL submitted to the High Court that since the validity of these agreements lapsed before de-casting the full allotted quantity, TSMDCL would excavate the balance quantity of 59,621 CBM valued ₹3.58 crore (59,621 CBM X ₹600 per CBM) by renewing these agreements after obtaining necessary approval from the concerned DLSC. The State Government also instructed (April 2018) TSMDCL to complete the excavation of sand from *patta* lands within the time allowed under the agreements with the *pattadars*. The High Court disposed the above cases directing (April 2018) TSMDCL to strictly adhere to the instructions issued by the State Government.

Audit observed that despite clear directions of the State Government and the High Court, TSMDCL did not prepare an action plan to adhere to the timelines of its agreements with the *pattadars*. TSMDCL neither renewed the agreements till date nor took any other steps to excavate sand from these 37 *patta* lands. Specific reasons for not de-casting sand from these *patta* lands were not placed on record. Thus, the State Government was yet to earn the revenue of ₹32.36 crore (₹28.78 crore + ₹3.58 crore) due to delay in commencement of sale from the above *patta* lands. Further, the objective of converting these *patta* lands into cultivable lands was not achieved.

Management replied (September 2022) that sand was not excavated from the *patta* lands due to unwillingness of the farmers, poor quality of sand, road connectivity problem, local issues and objection by the Forest Department. It was further stated that the time allowed by the DLSCs was not sufficient to de-cast total sand from *patta* lands. However, the entire requirement of sand in the State was already met. Government concurred (January 2023) with the management's reply.

In the Exit Conference, the Government opined that the DLSCs have to take a call in this issue and directed TSMDCL to write to the DLSCs for cancellation of the approvals.

Reply of the Company and the response of the Government are not acceptable as the reasons stated for not commencing the de-casting of sand were not found on records produced to audit. Further, the DLSC, Jayashankar Bhupalapally (JSBP), to which these *patta* land cases were transferred, decided not to de-cast sand from the said *patta* lands on the ground that even after de-casting the balance quantity of sand, these *patta* lands may not be fit for cultivation. The decision of DLSC, JSBP was inappropriate since the DLSC, Khammam had already approved the de-casting of these *patta* lands following due procedures and considering all the parameters and TSMDCL also entered into agreements with these *pattadars*. Thus, the delay in de-casting of *patta* lands defeated the objective of conversion of *patta* lands fit for cultivation.

2.2.5 Excess payment to pattadars

2.2.5.1 Payment at higher rate

Rule 7 of TSSM Rules permitted TSMDCL to de-cast sand from the *patta* lands of private *pattadars* by entering into agreement with them. The original TSSM Rules, however, did not specify any amount to be paid to the *pattadars* as their share from the sale of sand de-casted from their *patta* lands. Pending determination of such rate, the State Government in a review meeting (May 2015) instructed the TSMDCL to pay ₹200 – ₹250 per CBM to the *pattadars*. Accordingly, TSMDCL entered into agreements with the *pattadars* and allowed payment of ₹250 per CBM (₹200 towards beneficiary amount and ₹50 towards raising cost). Subsequently, State Government amended (August 2015) the TSSM Rules and allowed payment of 35 *per cent* of the sale amount, subject to a maximum ceiling of ₹200 per CBM, as the *pattadar*'s share.

Audit noticed that TSMDCL continued to pay ₹250 per CBM in 124 agreements entered after amendment of the TSSM Rules by the selected POs of Jayashankar Bhupalapally (45 cases), Bhadradi Kothagudem (64 cases) and Karimnagar (15 cases). The TSMDCL however, did not place on record the basis for fixation of the rate of ₹250 per CBM in these agreements. Hence, payment of ₹250 per CBM in contravention of the amended TSSM Rules was not justified and this had resulted in avoidable excess payment of ₹11.43 crore to the *pattadars* on 22.88 lakh CBM of sand de-casted under these agreements during the period September 2015 to March 2021.

Management replied (September 2022) that the rate of ₹250 per CBM was allowed as per the minutes of review meeting (May 2015) chaired by the Minister for Mines and Geology. It was further stated that as de-casting operations increased in the State, the rate was reduced to ₹100 per CBM.

Government stated (January 2023) that the decision (May 2015) to pay ₹200 to ₹250 per CBM was based on availability of sand in the State at that point of time. During the Exit Conference, the Government explained that higher rate was allowed to stabilise the NSM Policy.

The reply of TSMDCL and the response of the Government are not acceptable because the TSMDCL allowed the rate of ₹250 per CBM even in the agreements entered after amendment (August 2015) of the TSSM Rules.

2.2.5.2 Payment at old rate

The State Government further amended (November 2017) the TSSM Rules to provide for payment of ₹100 per CBM as the *pattadar*'s share from the sale of sand de-casted from their *patta* lands. The State Government however, permitted (March 2018) TSMDCL to enter into agreements at the old rate of ₹200 per CBM with the *pattadars* who had got DLSC's proceedings prior to the further amendment (November 2017) of the TSSM Rules. Accordingly, TSMDCL entered into agreements with *pattadars* for de-casting of sand at ₹200 per CBM.

Audit however, noticed that in 76 agreements, TSMDCL did not excavate the entire approved quantity of sand within the agreement period. Hence, TSMDCL entered (between May 2018 and May 2021) into fresh agreements (Jayashankar Bhupalapally - 32 cases, Bhadradi Kothagudem - 37 cases and Karimnagar- seven cases) with *pattadars* for the balance quantities after obtaining separate DLSC approvals. However, in these subsequent agreements also TSMDCL agreed to pay ₹200 per CBM though the rate was re-fixed at ₹100 per CBM. Adoption of old rate in respect of subsequent agreements entered for balance quantities as per separate DLSC proceedings was not justified and resulted in avoidable extra payment of ₹10.69 crore on 10.69 lakh CBM in these 76 *pattadar* agreements.

Management replied (September 2022) that since TSMDCL entered into fresh contracts with the *pattadars* for balance quantities under the same DLSC proceedings issued prior to the amendment of the TSSM Rules, the rate of ₹200 per CBM was allowed to the *pattadars*.

Government concurred (January 2023) with the management's reply. During Exit Conference, TSMDCL further contended that since the total quantities to be excavated were already approved by the DLSCs under the earlier proceedings, payment of the rate of ₹200 per CBM was justified.

The reply is not acceptable because as per the procedure in vogue, in case the allotted quantity is not de-casted within the stipulated time, the TSMDCL obtained DLSC's approval afresh and entered into fresh agreements with the *pattadars* for de-casting the balance quantity of sand from their *patta* lands (refer to **Para 2.2.3** above). Hence, the relaxation given by GoTS in March 2018 cannot be applied to the fresh agreements undertaken (between May 2018 and May 2021) after amendment of the TSSM Rules.

Recommendation 3: Government may fix the responsibility of the officials concerned for allowing excess payments to the *pattadars*.

2.2.6 Extension of undue benefit to sand raising contractors

During 2017-18 to 2018-19, the selected POs of Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar entered into 47 sand raising contracts for a period of 18 months and extendable for another six months. Clause 3 (v) of these contracts provided for furnishing a Performance Security Deposit (PSD) and Additional Performance Security Deposit (APSD) as mentioned in the tender document to TSMDCL. Further as per Clause 3 (xiv) of these contracts, TSMDCL shall closely monitor the achievement of the monthly targeted quantities (assessed quantity / number of months) and reserves the right to forfeit the PSD in case excavation was less than 50 *per cent* of the monthly targeted quantities. The agreement was also liable for termination without any further notice.

A review of 27 out of 47 contracts revealed the following:

- All the 27 contractors did not excavate sand as per the monthly targeted quantities,
- Extension was given for 12 months for excavation of balance quantities, in all the cases,
- Second Extension of contracts was given in 16 cases, and
- Third Extension was given in six cases.

Despite grant of extension of time by TSMDCL, the rate of extraction by the contractors remained poor as they failed to adhere to the monthly targeted quantities.

Therefore, audit observed that despite a clear failure on the part of the sand raising contractors, TSMDCL extended the contracts in a routine manner beyond the maximum allowed contract period of 24 months instead of calling for fresh tenders at the end of the 24 months period. TSMDCL did not invoke the contractual provisions of forfeiture of the PSD and APSD and termination of the contracts. In two cases, instead of forfeiting the PSD and APSD amounting to ₹3.59 crore, TSMDCL imposed a token penalty of ₹7.00 lakh only for delayed excavation even though the contracts did not provide for imposition of any penalty. Thus, by extending the contracts beyond the agreed contract period and by not invoking the contractual clauses, TSMDCL extended undue benefit to the sand raising contractors.

Management replied (September 2022) that extension of time became inevitable because of the difficulties in providing sand reaches continuously for 18 months, re-assessment of sand quantity due to impounding/ water storage in the reservoir for more than 10 months and mobilisation/ demobilisation every year within 50 to 60 days' time.

Government concurred (January 2023) with the management's reply.

In the Exit Conference, TSMDCL agreed to incorporate suitable penal provisions in the sand raising contracts. Government concurred with the views of TSMDCL.

The reply is not acceptable because TSMDCL finalised the contract period in the tenders and entered into agreements duly considering the working conditions in the field. Further, TSMDCL itself expressed dissatisfaction on the performance of the sand raising contractors and stated that the sale of sand to meet the customer demand was getting affected due to their poor performance. Hence, not invoking of the contractual provisions of forfeiture of the PSD and APSD and termination of the contracts was not justified.

2.3 Control mechanisms to detect and prevent illegal sand mining

Summary

Control mechanisms to detect and curb illegal sand mining were not put in place as TSMDCL did not evolve an appropriate stock policy. Closed Circuit Television Cameras and Weighbridges were not installed at all the stockyards up to September 2020. The vehicles transporting sand were not tracked through Global Positioning Systems and Radio Frequency Identification Devices. Thus, TSMDCL did not exercise effective monitoring over the sand reaches, stockyards and sand transportation vehicles.

The TSMDCL excavated and dispatched sand from the allotted sand bearing areas without obtaining sand dispatch permits from the ADM&G. The sand raising contractors excavated excess quantities of sand by excavating sand beyond the specified geo-coordinates, depth and quantity. The ADM&G also did not carry out periodical inspection of the sand bearing areas. Even in cases where excess excavation of sand was noticed, the TSMDCL pleaded excuses to avoid levy and payment of applicable penalty. Hence, the casual implementation of the NSM Policy and the TSSM Rules rendered them ineffective in curbing the illegal sand mining in the State. Also, unauthorised and excess excavation and transportation of sand from I, II and III order streams went unnoticed because the Sand Taxi Management System had a software glitch.

Monitoring Mechanism

According to the New Sand Mining (NSM) Policy and TS Sand Mining (TSSM) Rules, any vehicle carrying sand without a waybill issued by TSMDCL will be considered as illegal and seized. Also, any machinery and vehicles used for extraction and transportation of sand in contravention of the TSSM Rules shall be seized. Further, excavation of sand without obtaining necessary approvals from the concerned authorities or beyond the specified Geo Co-ordinates or beyond the specified depth were also considered by the DM&G as illegal mining activity. The Revenue, Police and ADM&G authorities at the district level were authorised to seize the illegal sand vehicles, machinery, stocks and to impose penalties as prescribed under TSSM Rules. The seized sand stocks were to be disposed-off through TSMDCL.

During the years 2016-17 to 2020-21, the ADM&Gs of 32 revenue districts detected 21,768 cases of illegal sand transportation and imposed penalty of ₹31.84 crore. Audit reviewed the mechanism put in place to detect and curb illegal mining and transportation of sand and observed the following.

2.3.1 Stock Policy not evolved

As a licensee for mining, stocking, and trading of sand under the NSM Policy and TSSM Rules, the TSMDCL operated stockyards for stocking sand excavated from sand reaches till sand is dispatched to the consumers. Therefore, evolving an appropriate stock policy as

a monitoring mechanism was necessary to detect and prevent illegal sand mining through excavation and transportation of sand more than the prescribed limits.

Audit however, observed that the NSM Policy and TSSM Rules did not specifically require TSMDCL to evolve an appropriate stock policy. The TSMDCL also did not take any steps in this regard. Audit observed that TSMDCL did not determine the modalities to fix the percentage of normal stock loss at various stockyards. This indicated not only lack of policy support but also lack of managerial action to put in place control mechanisms to detect and prevent illegal sand mining. As a result, audit noticed unreasonable stock levels as per the stock registers maintained by the selected POs as detailed below.

- Negative stock balances were noticed at Janampeta reach under PO Bhadradi Kothagudem (-132 CBM on 23 August 2016) and Kodimunja reach under PO Karimnagar (-115 CBM on 31 January 2018).
- Zero or negligible (0.50 CBM to 10 CBM) stock balances in 35 instances were noticed during the years 2016-17 to 2020-21 under the selected POs of JSBP and Karimnagar.
- After considering the opening Balance, production and despatch of sand at Tallagadda, Audit arrived at huge stock balance of 12,930 CBM (20,688 Metric Tonnes - MTs) as of February 2019 at Tallagadda-1 reach under PO Karimnagar whereas book balance was 1971 CBM. This was equivalent to 690 sand lorries of 30 MT capacity.

Management replied (September 2022) that the percentage of normal stock loss could not be fixed as the surface area and type of soil is not uniform at various stockyards. No stockyard was handed over without dispatching the leftover stocks. It was further stated that TSMDCL accounted for stocks in a systematic manner using Oracle based solutions and the Sand Sale Management and Monitoring System (SSMMS).

The reply is not acceptable because without the yardstick of normal loss being fixed, TSMDCL could not hold the sand raising contractors liable for the shortfall in the quantity of sand at the stockyards. Further, from the information furnished by TSMDCL itself audit observed the presence of left over stocks on the date of handing over of the stockyards.

Government stated (January 2023) that all the transactions i.e., excavation, stock and sales are recorded on TSMDCL's online (SSMMS) portal. In the Exit Conference, TSMDCL agreed to frame a stock policy after studying the issues related to stock maintenance and stock records. Government concurred with the views of TSMDCL.

Reply confirmed that TSMDCL did not evolve a stock policy till date (September 2022).

2.3.2 Non-compliance of rules regulating operation of sand reaches and stockyards

With a view to detect and curb illegal mining and transportation of sand, the TSSM Rules and the Sustainable Sand Mining Management Guidelines (SSMG) issued (January 2016)

by Government of India stipulated that following monitoring arrangements at sand reaches and stockyards should be put in place within three months (by 15 April 2016).

- Installation of Closed-Circuit Television Cameras (CCTVs) at the sand bearing areas as well as the stockyards at TSMDCL's expense for electronic surveillance of excavation of sand from allotted sand bearing areas and dispatch of sand from stockyards. Also, the stockyards should be geo co-ordinated and geo fenced to avoid the entry of any unauthorised vehicles into the stockyard areas.
- Installation of computerised weighbridges at the stockyards for electronic documentation linked to a central documentation monitoring facility of TSMDCL and loading of sand from stockyards as per the approved capacity of the vehicles through weighment or volumetric analysis of sand stocks before unloading at the stockyard.
- Transportation of excavated sand to and from the approved stockyards along with the waybill issued by the ADM&G and the computerised weighment slip. Also, the vehicles transporting sand were to be provided with Global Positioning System (GPS) and Radio Frequency Identification (RFID) to enable tracking of vehicles for surprise checks and avoiding discrepancies in the delivery of sand. Further, vehicles carrying more than the permitted capacity from the stockyard were subject to levy of penalty of ₹10,000.00 per MT (₹2,000.00 per MT with effect from February 2015).
- Maintenance of daily stock/ production and dispatch register/ records at the allotted sand bearing areas and stockyards.

During the Joint PV of 46 sand reaches and stockyards in the selected POs of Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar, audit reviewed the availability, functioning and maintenance of the above facilities and records which were essential to curb illegal mining, transportation of sand and noticed the following shortcomings.

2.3.2.1 Installation of CCTVs and geo-fencing the sand reaches and stockyards

Installation of CCTVs in PO Jayashankar Bhupalapally commenced from September 2020 onwards and by March 2021 CCTVs were installed at only 21 out of the 49 stockyards operated during 2016-21.

In PO Bhadradi Kothagudem, CCTVs were not installed at *patta* lands and none of the stockyards were geo fenced.

Hence, audit observed that TSMDCL did not exercise effective monitoring over the sand reaches and stockyards to ensure that excess quantities of sand were not excavated and dispatched.

Management replied (September 2022) that CCTV cameras were installed at 44 sand reaches in the State till March 2021. Due to lack of/ infrequent power connectivity, limited period operations and remoteness of the locations, CCTV cameras were installed on the approach roads from where all the *patta* lands could be monitored. TSMDCL's outsourced

staff were allotted duties of route check & night vigilance for monitoring sand transportation. Government concurred (January 2023) with the management's reply.

In the Exit Conference, the management stated that cost-benefit proportions are the main considerations resulting in provision of insufficient number of CCTV cameras particularly at the *patta* lands. Despite delay, the Company has been making steady progress in providing required monitoring facilities at the sand reaches and stock yards. Government concurred with the views of TSMDCCL.

The reply is not tenable because TSMDCCL confirmed (September 2022) that there is delay in implementation of the SSMM guidelines regarding installation of CCTV cameras and that separate records of posting orders, attendance registers and wages for night shift duties were not maintained. The reply is also silent about Geo-fencing of the stockyards.

2.3.2.2 Installation of weighbridges and dispatch of sand from the stockyards

Installation of weighbridges in PO Jayashankar Bhupalapally commenced from December 2020 and by March 2021 weighbridges were installed at eight (out of 49) stockyards. However, the calibration certificate issued by the Department of Weights and Measures and test weights were not made available to check the accuracy of the weighment made by these eight weighbridges. Further, weighbridges were not found installed in any of the stockyards in PO Bhadradi Kothagudem. The services of empanelled private parties for weighbridges utilised by PO Bhadradi Kothagudem were not found to be satisfactory. Further, none of the vehicles transporting sand were provided with GPS, RFID to enable their tracking and monitoring the sand dispatch and delivery operations.

Audit noticed that due to non-availability of weighbridges at the stockyards, TSMDCCL loaded the vehicles as per the approved capacity of the vehicle on volumetric basis and noted the estimated weight of the consignment in the E-waybills issued by it. The ADM&G however, levied penalty on the excess quantity found during the transportation of sand. Hence, audit observed that there was no monitoring mechanism to ensure that the vehicles were loaded with the correct weight of sand at the time of their dispatch from the stockyard.

The ADM&Gs maintained data of only the number of vehicles penalised for overloading but did not maintain the data related to the number of vehicles checked. Thus, audit also could not ascertain the magnitude of overloading cases. Hence, the sufficiency of vigilance exercised by ADM&G to ensure that excess sand quantities drawn were detected and assessed for levy of penalty could not be verified.

Management replied (September 2022) that TSSM Rules allowed weighment on volumetric basis and weighment through weighbridges was meant to be a counter check only. Two weighbridges (Ramanujavaram and Morranpalli Banjara) under PO Bhadradi Kothagudem were empanelled since 2017-19. Further, GPS/ RFID devices were installed in 9,800 out of 39,900 vehicles registered with TSMDCCL till date and the process is going on.

Government concurred (January 2023) with the management's reply and stated that applicable penalty was levied on vehicles violating the TSSM Rules to check leakage.

In the Exit Conference, TSMDCL also stated that GPS facilities are provided in all the vehicles transporting sand for irrigation department and bulk consumers. Government concurred with the views of TSMDCL.

The reply is not acceptable because the ineffectiveness of the weighment arrangements made was evident from the number of overloading cases booked and penalty levied during the period 2016-21 (1,163 No.s involving penalty of ₹1.40 crore in PO Jayashankar Bhupalapally and 1,910 No.s involving penalty of ₹2.28 crore in Bhadradri Kothagudem).

2.3.2.3 Discrepancies in the maintenance of registers and records

Audit noticed that although the required registers such as Dumping/ Production Register, Daily Dispatch Register, Cumulative Register and Security Paper Register were maintained at the stockyards, their correctness was not authenticated at regular intervals either by the Sand Reach Assistant or by the competent authority at the Project Office level. Audit also noticed many instances of (i) differences between the closing stock balances as per the registers maintained at the stockyards and the Sand Sale Management and Monitoring System (SSMMS) maintained by TSMDCL, (ii) errors in casting the closing balances in the registers, and (iii) carrying forward the closing balances.

Audit further noticed that the POs endorsed the contractor's monthly bills for water sprinklers without insisting upon the maintenance and submission of the vehicle logbooks though it was provided in the contracts. Hence, audit observed that TSMDCL did not ensure proper maintenance of the required records. Absence of reliable records would render detection of illegal transactions very difficult. Further, in the absence of vehicle logbooks, audit could not verify the veracity of expenditure of ₹1.87 crore incurred by the POs of Karimnagar and Jayashankar Bhupalapally towards water sprinklers.

Management replied (September 2022) that stock figures were updated in the Oracle based SSMMS software only after their certification by the POs and reconciliation of differences, if any. It was further stated that since sprinkling of water by tractors was carried out by local villagers, much documentation was not insisted upon. However, Logbooks will be maintained henceforth and submitted during next audit.

Government agreed (January 2023) to advise TSMDCL to improve the existing system of maintenance of records and their authentication from time to time.

In the Exit Conference management accepted the audit observation and assured to improve the maintenance of records. Government concurred with the views of TSMDCL.

Recommendation 4: Government may ensure that TSMDCL puts proper monitoring mechanism in place namely, installation of CCTV cameras, Weighbridges and maintenance of Stock Registers at sand reaches and stockyards.

Recommendation 5: Department of Mines & Geology may consider using Remote Sensing Mapping or Drone enabled (Intelligent Video Surveillance) technology to monitor and regulate the sand excavations effectively.

2.3.3 Dispatch of sand without obtaining the permit and without paying requisite fees for sand

Rule No.5 (1) (d) of TSSM Rules stipulated that TSMDCL shall extract and dispatch sand from the allotted sand bearing area to the approved stockyard along with the sand dispatch permit (i.e., the waybill in Form-S2) obtained from the ADM&G after paying in advance the Seigniorage Fee (SF) of ₹40 per CBM and other taxes (i.e., District Mineral Foundation Trust (DMFT)⁷ at the rate of 30 *per cent* of SF and State Mineral Exploration Trust (SMET)⁸ at the rate of two *per cent* of SF) for the quantity of sand proposed for extraction.

Audit noticed that TSMDCL excavated and dispatched sand from the allotted sand bearing areas without obtaining sand dispatch permits from ADM&G and also without paying SF, DMFT and SMET. Further, Audit noticed that an amount of ₹50.15 crore was due towards SF (₹37.99 crore), DMFT (₹11.40 crore) and SMET (₹0.76 crore) on 94.98 lakh CBM of sand excavated and dispatched by TSMDCL during the year 2020-21. Further, an amount of ₹58.81 crore was due to be paid towards SF, DMFT & SMET on 111.37 lakh CBM of sand excavated during 2021-22 by TSMDCL. Thus, audit observed that TSMDCL violated the TSSM Rules which attracted penalty of ₹1,031.75 crore⁹. Non-observance of rule provisions also resulted in blocking of Government revenue to the extent of ₹108.96 crore.

Management replied (September 2022) that SF is remitted upto March 2020. Thereafter, remittance of SF was held up due to lack of funds with TSMDCL. An amount of ₹584.00 crore receivable from Government was pending due to various administrative reasons. Soon after receipt of this amount from Government, TSMDCL would remit the pending SF.

Government replied (January 2023) that the sand sale price of ₹600 per CBM included SF of ₹40 per CBM. The TSMDCL was collecting the sand sale price at the time of sale of sand and remitting the entire sale price to the State exchequer.

During Exit Conference, Government agreed to examine the matter further.

The fact remained that both TSMDCL and the DM&G failed to adhere to the TSSM Rules resulting in sub-version of the prescribed procedure and blocking of Government revenue to the extent of ₹109 crore.

2.3.4 Discrepancies in the implementation of Sand Taxi

Rule 3 of the TSSM Rules provided that for enforcement of extraction and transportation of sand in I, II and III (from February 2015) order streams, the District Collector (DC) who is also the Chairman of DLSC (Rule 4) shall put in place proper administrative mechanism comprising of district level authorities from revenue, ground water, irrigation, police, and transport departments.

⁷ A statutory trust to work for the interests, benefits and sustainable development of areas affected by mining and mining related operations in the district

⁸ A statutory trust to promote mineral exploration in the State

⁹ ₹1,031.75 crore [(94.98 lakh CBM + 111.37 lakh CBM) X ₹500 per CBM]

District Level Sand Committee, (DLSC) Peddapalli under PO Karimnagar first introduced (February 2017) Sand Taxi Management System (STMS popularly known as *Mana Isuka Vahanam* or Sand Taxi) with the objective of curtailing illegal transportation and interference of middlemen in the supply of sand from I, II and III order streams. Sand Taxi is an online web application where public can book sand through online portal and get it delivered at their doorstep through authorised tractors at affordable rates. The Sand Management Society (SMS) under the Chairmanship of the DC looked after the policy framework, implementation, functions, vigilance activities and disciplinary action on the Sand Taxi. The STMS was maintained and operated by the Center for Good Governance, Gachibowli, Hyderabad (CGG). Other DLSCs like Mahaboobnagar, Nalgonda, Karimnagar, Gadwal and Wanaparthi started (April 2018) emulating the Sand Taxi system owing to successful implementation of Sand Taxi by DLSC, Peddapalli. From a review of implementation of Sand Taxi in the revenue districts covered by the selected POs of TSMDCL audit observed the following.

2.3.4.1 Excavation and transportation of excess quantity of sand

The SMS Bhadradri Kothagudem approved extraction and transportation of sand within the specified geo co-ordinates for a defined period (six months to one year) from the commencement of sand excavation or completion of the approved quantity whichever is earlier.

Audit noticed that as against 1.60 lakh CBM of sand approved (October 2019 to March 2021) for extraction from 15 sand reaches by the SMS, Bhadradri Kothagudem, the actual quantity of sand excavated and transported through the Sand Taxi was 2.82 lakh CBM. Thus, huge excess quantity of 1.22 lakh CBM was extracted and transported over and above the approved quantity.

Thus, audit observed that there was unauthorised/ illegal excavation and transportation of sand under Sand Taxi. However, the ADM&G Bhadradri Kothagudem received the SF and other taxes for the over exploited quantities also. The over extraction went un-noticed because the STMS software did not provide for limiting the customer bookings on the web portal once the permitted quantity from a particular sand reach gets exhausted. Hence, audit observed that the objective of curtailing illegal transportation through Sand Taxi for sand reaches of I, II and III order streams could not be ensured by the SMS concerned.

Government replied (January 2023) that ADM&G Bhadradri Kothagudem has confirmed that the excess extraction and sale of sand occurred due to the glitch in the STMS software as pointed out by audit.

In the Exit Conference, Government agreed to examine the issues raised by audit in consultation with the DLSC Bhadradri Kothagudem.

2.3.4.2 GPS devices were not installed in the tractors transporting the sand

As per the Sand Taxi policy, every owner of the tractor willing to engage his vehicle as a Sand Taxi should make an application to the Revenue Divisional Officer duly depositing

refundable advance deposit amount of ₹25,000.00. Also, the tractor shall be installed with GPS device to tag the vehicle and monitor its movement while transporting the sand.

Under SMS, Karimnagar, 1,712 tractors and under SMS, Peddapalli, 1,461 tractors were registered as Sand Taxis. However, details of deposit collected from the tractor owners were not available with the ADM&Gs concerned. Further, GPS devices were installed in only 235 tractors under SMS, Peddapalli. Details of installation of GPS devices in the tractors under SMS, Karimnagar were not available with the ADM&G, Karimnagar.

Thus, audit observed that the objective of curtailing illegal transportation through monitoring the movement of Sand Taxi could not be ensured by the SMS concerned.

Government replied (January 2023) that ADM&G Karimnagar had proposed to increase the vehicle registration fee from ₹300 to ₹1,000 to enable installation of GPS devices in the tractors and after DLSC's approval the same will be implemented. Further, ADM&G Peddapalli informed that installation of GPS in all the tractors was not insisted since the tractors registered under Sand Taxi were also used for other purposes.

In the Exit Conference, Government agreed to examine the issues raised by audit in consultation with the DLSCs concerned.

2.3.5 Inaction in cases of excavation of sand beyond the permitted limits

Rule 5 (1) (k) and Rule 7 (5) (f) (i) of the TSSM Rules stipulated that penalty of ₹1,00,000.00 or ₹500.00 per CBM whichever is higher shall be imposed on the licensee (TSMDCL) if sand is excavated or de-casted beyond the specified limits (approved quantity) or more than the stipulated thickness/ depth. Further, as per the Manual of the DM&G, the ADM&G and the Royalty Inspector at the district level were required to periodically inspect mineral mines.

Review of sand raising contracts awarded by the selected POs of Jayashankar Bhupalapally, Bhadradri Kothagudem and Karimnagar revealed that the ADM&G did not carry out periodical inspection of the sand reaches licensed to TSMDCL. Further, even in the cases where excess excavation of sand was noticed during field inspection by the ADM&G and the TSMDCL, the DM&G did not levy the prescribed penalties. Few such instances are discussed below.

2.3.5.1 Non levy of penalty on the licensee for excavation of sand beyond the specified limits at Chenchupally

During the joint inspection (April 2016) by the ADM&G, Warangal and TSMDCL of the sand reach at Chenchupally village, it was noticed that out of the quantity of 1,79,452.80 CBM of sand permitted to be excavated during March 2016 to March 2021, the sand raising contractor (SR Contractor-1) excavated a total of 98,991.50 CBM outside the geo co-ordinates as given in the Approved Mining Plan. Out of this quantity, TSMDCL had already sold 28,991.50 CBM and a quantity of 70,000 CBM was available in the stockyard as on the date of the joint inspection.

Accepting the plea (August 2016) of TSMDCCL that the sand excavated outside the geo co-ordinates was stacked properly in the authorised stockyard, sold online to the general public and the sale amount was remitted directly to the Government Treasury, the GoTS permitted (August 2016) the TSMDCCL to sell the balance quantity of sand available in the stockyard by forfeiting the sand raising cost payable to the Sand Raising Contractor-1.

The Sand Raising Contractor-1 however, challenged this decision of the GoTS before the honorable High Court of Telangana (High Court) which directed (January 2018) the GoTS and the TSMDCCL to pay the remuneration, subject to deduction of reasonable compensation. Accordingly, the GoTS ordered (April 2018) TSMDCCL to deduct 50 *per cent* of the remuneration payable to the SR Contractor-1 who again challenged the GoTS decision before the honorable High Court. The High Court in its order (September 2018) directed that entire remuneration should be paid to the SR Contractor-1 and observed that since TSMDCCL had entered into agreement with the ADM&G for sand mining, the Sand Raising Contractor-1 who undertook the entire activity under the supervision and control of TSMDCCL was not recognised as a party to the contract for sand mining.

Audit also observed that in addition to the quantity of 98,991.50 CBM excavated outside the geo-coordinates, the Sand Raising Contractor-1 excavated 37,633.20 CBM in excess of the permitted quantity of 1,79,452.80 CBM from the same sand reach.

Thus, audit observed that although it was a clear case of illegal mining as TSMDCCL failed to ensure that sand mining was carried out within the specified geo co-ordinates, the DM&G did not take any action to impose penalty of ₹6.83 crore $[(98,991.50 \text{ CBM} + 37,633.20 \text{ CBM}) \times ₹500 \text{ per CBM}]$ on TSMDCCL.

Management replied (September 2022) that mining beyond the permitted geo co-ordinates occurred since the society members were innocent local tribals unaware of Rules and Regulations. However, the excess excavated sand was sold through TSMDCCL and the sale proceeds were remitted to the Government. Government did not furnish any reply (January 2023).

The reply is not acceptable because in the instant case also the tribal society engaged a non-tribal third party as their nominated contractor who are experienced contractor in this field and ignorance of the rules cannot be accepted.

2.3.5.2 Lenient action on illegal excavation of sand beyond the specified depth at Ramaraopet

During inspection (June 2017) of the sand reach at Ramaraopet village the ADM&G, Bhadradi Kothagudem noticed that out of the 1,25,124 CBM of sand excavated by the sand raising contractor (SR Contractor-2), a quantity of 6,188 CBM was excavated in 25 pits by digging sand up to a depth of 1.75 meters (on average) which was more than the permitted depth of one meter. Accordingly, the ADM&G served (July 2017) notice to TSMDCCL and imposed (September 2017) a penalty of ₹30.94 lakh $(6,188 \text{ CBM} \times ₹500 \text{ per CBM})$.

The TSMDCL filed (October 2017) an appeal before the DM&G on the grounds that the joint inspection was conducted after the closure of activities at the sand reach without the involvement of its authorised officials, an opportunity of being heard was not offered and issue of demand notice without considering the reply submitted by TSMDCL. However, observing that opportunity of personal hearing was accorded and that TSMDCL sold the entire quantity of 1,25,124 CBM duly paying the SF in advance, the DM&G dismissed (January 2020) the appeal and advised TSMDCL to file revision petition before the Government for waiving the penalty. The TSMDCL however, after a lapse of more than two years filed (April 2022) an appeal before the GoTS for waiver of penalty. Reasons for such delay were not forthcoming from the records produced to audit. Further, no such waiver was allowed by the GoTS till date (May 2022).

Audit observed that TSMDCL failed to monitor sand raising activities effectively to see that sand was not excavated beyond the specified depth. However, the DM&G issued prejudicial orders instead of promptly acting against TSMDCL to impose the penalty of ₹30.94 lakh.

Management replied (September 2022) that Government heard (August 2022) the revision petition filed by TSMDCL for waiver of penalty and orders were awaited. Government confirmed (January 2023) the management's reply.

The reply is not tenable because after holding TSMDCL liable for the illegal excavation of sand, the DM&G should have imposed and recovered the applicable penalty. However, this was not done resulting in non-compliance of the TSSM Rules.

2.3.5.3 De-casting of sand by pattadars beyond the specified quantity

Audit reviewed 22 (out of 89) cases of *patta* lands de-casted during the period from 2016-17 to 2020-21 at PO Bhadradi Kothagudem (BDKG) and observed that in three cases, *pattadars* had de-casted excess quantity (1,097 CBM) of sand than the quantity (44,289 CBM) approved by the DLSC, BDKG. This indicated that TSMDCL did not effectively supervise the de-casting activity done by *pattadars* in their *patta* lands. The ADM&G however, did not hold TSMDCL responsible for its deficient monitoring and did not impose the applicable penalty of ₹5.49 lakh (1,097 CBM X ₹500 per CBM).

Management replied (September 2022) that the actual sand excess de-casted was only up to 450 CBM. Further, TSMDCL had not released the raising cost to the *pattadars* towards the excess de-casted quantity but remitted the sale amount against the excess de-casted quantity into Government Treasury.

Government concurred (January 2023) with the management's reply.

The reply is not acceptable because the Sand Sale Management and Monitoring System (SSMMS) web portal of TSMDCL depicted the above excess de-casted quantities against the quantity approved by the DLSC. Further, withholding of the raising cost payable to the *pattadars* was not legally permissible (refer **Para 2.3.5.1** above) and hence, not a remedy.

In view of the foregoing, audit observed that the above instances of excavation of sand beyond permitted limits were in violation of the NSM Policy, the TSSM Rules, approvals accorded by the DLSCs and the conditions appended to the Environmental Clearance Certificate. However, as the NSM Policy and the TSSM Rules made TSMDCL liable for any type of illegal sand mining, both the DM&G and the TSMDCL pleaded unjustified excuses of payment of SF, remittance of sale proceeds to Government Treasury and no revenue loss suffered by Government to avoid levy and payment of applicable penalty. Therefore, DM&G and the TSMDCL dealt with the identified cases of sand mining beyond the permissible limits by the sand raising contractors and *pattadars* as a matter of routine. This indicated that both the DM&G and the TSMDCL were not acting firmly against identified cases of illegal sand mining. Hence, the casual implementation of the NSM Policy and the TSSM Rules rendered them ineffective in curbing the illegal sand mining in the State.

In the Exit Conference, Government agreed to examine audit's suggestion to make the actual perpetrators liable for the illegal mining through suitable amendments to the policy.

Recommendation 6: Government may consider incorporating suitable provisions in the NSM Policy and the TSSM Rules to bring sand raising contractors and *pattadars* under the ambit of penalty provisions for breach of any contractual obligations.

2.4 Addressing Environmental concerns related to sand mining

Summary

The District Survey Report meant to map the sand sources available in a district to enable excavation of sand in a systematic manner was not prepared for any of the districts under the selected POs up to January 2020. Further, monitoring of the impact of sand mining through photographing of project sites and recording of changes in the ground water levels was not done. The TSMDCL did not incur the committed capital and revenue expenditure towards environmental protection measures as required under the conditions governing the Environmental Clearance.

The concerns raised by M-Sand manufacturing industry were not properly addressed resulting in non-extension of the incentives and concessions envisaged under the NSM Policy and TSSM Rules. The DLSCs also did not promote the manufacture and use of M-Sand. The TSMDCL also did not establish a crusher for manufacturing M-Sand even though the lease period was due to expire in November 2023. Further, TSMDCL diverted 94.71 *per cent* of the Road Damage Charges collected during the period 2016-17 to 2020-21 for other than the specified purposes. Moreover, de-casting of patta lands located in the midst of the Godavari riverbed was permitted before TSMDCL obtained necessary statutory clearances.

Introduction

Rule 4 (iv) (b) of TSSM Rules required TSMDCL to obtain (i) Approved Mining Plan (AMP) from the DM&G, (ii) Environmental Clearance (EC) from the State Level Environment Impact Assessment Authority (SEIAA) and (iii) Consent for Establishment (CFE), Consent for Operation (CFO) from the Telangana State Pollution Control Board (TSPCB). Also, Rule 5 (1) (b) of the TSSM Rules stipulated that TSMDCL should excavate sand as per the approved AMP and other conditions laid in the clearances issued under the River Conservancy Act, 1884, the WALTA Act, 2002, the Environment Protection Act, 1986 and Air & Water Pollution Prevention Act, 1974 and amendments thereon or any suitable subsequent Act/ Rules issued by Government from time to time. Further, the MoE, F&CC issued SSMM Guidelines with the objective to ensure sustainable sand mining and environment friendly management practices to restore and maintain the ecology of river and other sand sources. Audit reviewed the above mechanism put place to protect the environment from the effects of sand mining and observed the following.

2.4.1 Mapping and monitoring of sand sources not done

The SSMM Guidelines mandatorily required mapping of sand resources and monitoring of the mined-out material for management of sustainable sand extraction. Accordingly, the SSMM Guidelines stipulated preparation of District Survey Report (DSR) by a District Environment Impact Assessment Authority (DEIAA) for mapping the sand sources available in a district to identify the rivers, streams and other sources suitable for extraction

of sand, their carrying capacity and the maximum quantity to be extracted in a systematic manner.

The SSMM Guidelines further stipulated that, photographs of the project sites should be taken prior to excavation to document the baseline conditions, and again during each monitoring session. Photos should be taken twice a year and photos of structures nearby like outfalls/ off-takes, intakes, bridges and other structures were to be regularly taken. Similarly, monitoring wells were to be established adjacent to each off-channel flood plain excavation to record changes in ground water levels. Measurements should be taken monthly to help analyses of surface water and ground water interaction along the sand reaches. This has to be done by the Environment Clearance holder and duly checked and assessed by the DEIAA.

Audit noticed that though the SSMM Guidelines were communicated by GoI in March 2016, the DSR was not prepared for any of the districts under the selected POs up to January 2020. Further, monitoring of the impact of sand mining through photographing of project sites and recording of changes in the ground water levels was not done. Thus, audit observed that the recommended action for sustainable sand mining was not taken.

Management replied (September 2022) that DSRs were prepared for nine districts.

Government stated that DSRs were prepared for the districts having IV and above order streams where sand deposits were available.

In the Exit Conference, TSMDCL stated that DSR has been prepared in respect of the sand bearing districts. Government concurred with the views of TSMDCL.

The fact remained that DSRs were prepared after a delay of more than four years. Further, TSMDCL has not confirmed whether the DSRs were approved for implementation.

2.4.2 Non-compliance of the conditions governing the Environmental Clearance

The ECs issued by the State Level Environment Impact Assessment Authority (SEIAA) inter-alia specified the conditions to;

- take up plantation on both sides of approach road between the river bund and main road to absorb dust and other particles around sand mining area.
- incur prescribed capital and revenue expenditure for Environmental Protection Measures (EPMs) and to keep the funds in separate account and not to divert for any other purposes.
- set up separate Environment Management Cell (EMC) with suitably qualified persons to implement the environmental protection measures.
- report the year wise expenditure on EPMs and to submit half-yearly reports on compliance with the EC conditions to Regional Office of MoE,F&CC at Chennai.

During 2016-17 to 2020-21, TSMDCL obtained 29 ECs (PO's Bhadradri Kothagudem and Jayashankar Bhupalapally) and committed to incur capital expenditure of ₹65.39 lakh and annual revenue expenditure of ₹41.21 lakh for EPMs. Similarly, TSMDCL in the Report

(January 2021) on Environmental Impact Assessment of De-siltation of sand at Annaram and Medigadda barrages (EIAD Report) under PO Jayashankar Bhupalapally estimated to incur capital expenditure of ₹13.50 lakh and annual revenue expenditure of ₹11.00 lakh for (a) barricading of dredge area in riverbed to avoid fall of animals, (b) plantation of trees at river bund and stockyards, (c) providing enclosures and seep traps at stockyards to avoid dust emission and to collect seepage water, (d) annual silt deposit ratio studies to fix depth of de-silting and (e) environmental monitoring of water, air, noise and ground water fluctuations in the surrounding areas of de-siltation.

From a review of records of selected POs and Joint Physical Verification (JPV) of selected stockyards, audit observed that TSMDCL did not implement any of these EPMs. Details of constitution and functioning of EMC, expenditure details and half-yearly compliance reports submitted to MoE,F&CC were not made available to audit. Also, as of March 2021, TSMDCL was to incur capital expenditure of ₹78.89 lakh and cumulative revenue expenditure of ₹1.66 crore. Details of expenditure incurred on EPM were also not furnished to audit.

Management replied (September 2022) that there was no environmental impact due to sand mining since the operations were carried out manually, up to the specified depth, non-release of effluents and non-removal of plants. Hence, the conditions mentioned in Schedule A of the CFE and CFO are not applicable to sand mining activity. It was further stated that (a) due to presence of guide bund along the de-siltation area, there was no need for barricading, (b) farmers objected to plantation at stockyards because they had to use the land for cultivation after dispatches from stockyards, (c) seep traps were provided and water was sprinkled at required locations to avoid dust emissions, (d) scientific study of annual sand deposit ratio was conducted, (e) the dredged areas were located in areas which were safe in terms of ground water levels and (f) expenditure of ₹1.66 crore was incurred on EPMs. However, TSMDCL would maintain separate record of expenditure incurred for EPMs.

In its reply (January 2023) and in the Exit Conference, Government concurred with the reply of TSMDCL.

Reply is not acceptable because while obtaining the ECs, TSMDCL committed to undertake EPMs by incurring the specified amount of expenditure. However, TSMDCL failed to undertake any steps for protecting the environment. Further, the reply is also contradictory to the suggestions made by TSMDCL in the EIAD Report. The reply is also silent about the formation, functioning of EMC and submission of the required reports by TSMDCL to the MoE,F&CC.

Recommendation 7: Government may direct TSMDCL to comply with the conditions governing Environmental Clearance, the SSMM Guidelines and the TSSM Rules.

2.4.3 Non-promotion of 'Manufactured Sand' as an alternative to natural sand

The NSM Policy and the TSSM Rules identified Crushed Stone Sand or Manufactured Sand (M-Sand) as a viable alternative to reduce the pressure on ordinary/ riverbed/ natural

sand in the State. It was also proposed to mandate the Government Departments to use at least 50 *per cent* of M-Sand in Government constructions. Further, certain incentives like industry status, Value Added Tax and power subsidies were proposed to be provided to 100 *per cent* M-Sand manufacturing units to make M-Sand available at affordable cost to meet the requirement of bulk consumers. The annual demand for sand in Telangana State was estimated (March 2018) at 125 lakh CBM as against its availability of 70 lakh CBM. The availability of M-Sand capacity was assessed at 40 lakh CBM.

The M-Sand Manufacturers Association (MSMA) in its representation (October 2017) to the Government stated that three stage crushing, shaping, and screening plants produce M-Sand in the ratio of 50 *per cent* coarse aggregates and 50 *per cent* M-Sand. Due to factors like rock index and installed plant technology, production of 100 *per cent* M-Sand is practically not possible. The MSMA also suggested exemption from mining royalty, Goods and Services Tax (GST) for a specified period and priority in allocation of mines besides making use of M-Sand compulsory for all Government projects. The GoTS could have considered reduction of the limit of 100 *per cent* M-Sand production as requested by M-Sand manufacturing industry. The GoTS however, issued (May 2018) orders merely directing all its engineering works departments to use M-Sand and natural sand in the ratio of 50:50.

Audit observed that the GoTS did not properly address the concerns raised by the MSMA by not reducing output ratio of M-sand from 100 *per cent* to 50 *per cent* and as a result, they are not eligible for the incentives and concessions envisaged under the NSM Policy and TSSM Rules. The DLSCs of the districts covered by the selected POs of Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar did not discuss any issues for promoting the manufacture and use of M-Sand as per the orders issued by the GoTS.

Audit also noticed that TSMDCL proposed (October 2017) to establish a crusher for manufacture of road metal aggregates and sand in 33.50 acres of land taken (November 2008) on lease for 15 years (annual dead rent was ₹31.89 lakh) in the Bandaraviriyala mining zone, Hayatnagar mandal, Ranga Reddy district. On receipt (June 2018) of GoTS permission to undertake quarry operations, TSMDCL applied for EC and other statutory clearances to the Telangana State Pollution Control Board (TSPCB). However, TSMDCL could not conduct public hearing and obtain the statutory clearances till date (March 2022).

Audit observed that despite incurring unfruitful expenditure of ₹4.15 crore on dead rent for 13 years (₹2.23 crore for seven years since the announcement of NSM Policy), TSMDCL did not establish a crusher for manufacturing M-Sand even though the lease period was due to expire in November 2023.

Management replied (April 2022) that though public hearings were planned to be conducted, the same could not be held due to Greater Hyderabad Municipal Corporation (GHMC) elections (December 2020) and non-availability of police protection (January 2021). It was further stated that TSMDCL did not have information about other M-Sand manufacturing units in the State.

The DM&G replied (December 2021) that stone crushing units did not come forward to manufacture M-Sand due to cheap availability of river sand and high cost involved in maintenance of M-Sand manufacturing units.

Government reiterated (January 2023) that TSSM Rules mandated Government departments to use at least 50 *per cent* of M-Sand in Government constructions.

The reply is not acceptable because the DM&G did not take constructive steps to promote M-Sand and restricted the policy to a mere prescription for use of M-Sand for the Government projects. Thus, the objective of NSM Policy to promote the M-Sand as an alternative to natural sand was not achieved.

Recommendation 8: Government may consider framing suitable guidelines for extending the benefits envisaged under the NSM Policy and TSSM Rules to the M-Sand manufacturers.

2.4.4 Diversion of Road Damage Charges

In addition to sand cost, the GoTS permitted (March 2016) TSMDCL to collect Road Damage Charges (RDC) ranging between ₹150 and ₹250 based on the carrying capacity (measured by the number of tyres) of vehicles used for transportation of sand. The RDC receipts were to be kept in separate account and utilised for the development, refurbishment and maintenance of roads leading to TSMDCL stockyards. The GoTS also advised TSMDCL to evolve a mechanism to periodically monitor the receipts and payments of RDC from the separate account and inform the result thereon to the Government.

Accordingly, the BoD of TSMDCL approved (July 2016) the following guidelines for utilisation of the RDC funds.

- (i) To take up any new work of laying approach road from stockyard to connecting main road for sand transportation at the de-siltation sand reaches and specified sand bearing areas,
- (ii) To take up repair and maintenance of the existing approach road from stockyard to connecting main road for sand transportation at the de-siltation sand reaches and specified sand bearing areas,
- (iii) To relay the road, if needed by the road owning department based on their estimates, by TSMDCL itself duly following the tender process, and
- (iv) To take up road work for *patta* lands in an exceptional situation when the assessed sand quantity is huge.

The GoTS further directed (April 2018) TSMDCL to meet the expenditure on payment of compensation to accident victims due to sand lorries from RDC fund.

Details of RDC collected and utilised during the years 2016-17 to 2020-21 were as given in the **Table 2.1**.

Table 2.1: Details of RDC collected and utilised*(Amount in ₹ crore)*

Year	RDC collected	RDC utilised for specified purposes			RDC utilised for other purposes	Closing Balance
		Compensation paid to road accident victims	Road repairs	Total		
2016-17	12.64	0.00	0.29	0.29	11.64	0.71
2017-18	25.68	0.00	3.19	3.19	15.63	7.57
2018-19	70.87	0.15	0.19	0.34	77.70	0.40
2019-20	48.06	0.25	1.30	1.55	42.98	3.93
2020-21	14.07	0.40	0.02	0.42	14.32	3.26
Total	171.32	0.80	4.99	5.79	162.27	

Source: Records and information furnished by TSMDCL

Audit noticed that out of ₹171.32 crore RDC funds collected during the period 2016-17 to 2020-21, TSMDCL utilised ₹162.27 crore (94.71 per cent) for other purposes than the specified one like payment of statutory dues such as Income Tax, GST and general operational expenses. Thus, audit observed that TSMDCL diverted the RDC funds for other purposes in contravention of the Government's guidelines. Such diversion of funds became possible because Government fixed the RDC far in excess of the actual requirement for the specified purposes. Consequently, the public consumers had to bear this extra burden.

Management accepted (September 2022) that funds were diverted from RDC account but stated that statutory dues were paid from RDC funds as their non-payment in time attracts penalties. It was also stated that these payments were made from RDC funds as ₹473.23 crore (as of May 2022) towards sand operational expenses, supporting charges were not received from the Government in time. On receipt of pending dues from the Government, the RDC fund would be recouped. Government concurred (January 2023) with the management's reply.

The diversion of RDC funds citing delay in receipt of operational expenses and support charges from the Government is not tenable.

In the Exit Conference, the Government concurred with the reply of TSMDCL.

The fact remained that the purpose of collection of RDC was defeated as meagre (five per cent) funds were spent for road repairs, etc.

2.4.5 Irregular permission for de-casting of patta lands located in midst of the Godavari River without any statutory clearances

Sub Clause 8 of Rule 7 of TSSM Rules provided that the District Level Sand Committee (DLSC) shall allot *patta* lands located in the midst of riverbed/ course to TSMDCL for de-casting sand only after TSMDCL submits statutory approvals such as Approved Mining Plan (AMP) from the DM&G, EC from State Level Environment Impact Assessment Authority (SEIAA), Consent for Establishment (CFE)/ Consent for Operation (CFO) from Telangana State Pollution Control Board (TSPCB).

The Mandal Revenue Office, Manuguru Mandal, Khammam District assigned (2003) agricultural land *pattas* to an extent of 78.35 acres in the Godavari riverbed in Ramanujavaram Village to 64 *pattadars*/ villagers without assigning any survey numbers or effecting any changes in the Pahani or the Village Map. These lands were matted with sand during the Godavari floods in 2013. The assignees represented (December 2014) to the Minister for Mines and Geology, GoTS to permit for the de-casting of sand from their assigned lands to make them fit for agriculture. Accordingly, this issue was discussed in the DLSC of Khammam (February and July 2016) and it was decided to allow for the de-casting of sand.

The images obtained by audit from Google Earth Pro incorporating the geo co-ordinate boundaries of these *patta* lands showed that they were located in the midst of the Godavari River. Thus, de-casting of sand from these *patta* lands required obtaining of above statutory clearances by TSMDCL from the respective authorities.



Figure 2.1: Photo taken from Google Earth Pro on 9 December 2021

However, DLSC, Khammam without directing TSMDCL to get the necessary statutory clearances such as EC, CFE and CFO gave permission to TSMDCL to commence the de-casting of sand. Accordingly, TSMDCL entered into de-casting agreement (September to November 2016) with above *pattadars* for de-casting 6.38 lakh CBM of sand. Under these agreements, TSMDCL excavated total 6.28 lakh CBM of sand. Audit observed that DLSC Khammam contravened the TSSM Rules by permitting TSMDCL to de-cast sand from these *patta* lands located in the midst of the Godavari riverbed, before TSMDCL obtained necessary statutory clearances.

Management replied (September 2022) that the condition to obtain Environmental Clearance, Consent for Establishment, Consent for Operation was not mentioned in the DLSC's approval. It was further stated that the exact location of these lands cannot be decided as per Google images without physical inspection. These lands were located

adjacent to the Godavari River and the River Authority namely, the Irrigation Department never mentioned that these lands were falling in the river course.

Government concurred (January 2023) with the management's reply.

In the Exit Conference, TSMDCL contended that the DLSC's approvals are based on the submissions of the representatives of the Irrigation Department who did not declare that these lands were lying amidst the river course. Government concurred with the views of TSMDCL.

The reply is not acceptable because as per the TSSM Rules, the TSMDCL was required to obtain necessary statutory clearances before excavating sand. Further, the TSSM Rules require the DLSC to identify the specific sand bearing area based on the geo co-ordinates to be fixed by the Ground Water Department and not the Irrigation Department as contended by TSMDCL. Based on the geo co-ordinates as indicated in the DLSC's approval letters, Audit also obtained the Google image of the location of the *patta* lands.

Chapter III

Compliance Audit Observations

Chapter III – Compliance Audit Observations

Municipal Administration and Urban Development Department

Hyderabad Metro Rail Limited

3.1 Hyderabad Metro Rail Project

Summary

The Government of Telangana (GoTS) envisaged Hyderabad Metro Rail Project to cater to the needs of passengers commuting on the busy road traffic corridors of Hyderabad City. Audit observed that there were delays in finalisation of metro corridors, acquisition of lands and properties resulting in delayed operationalisation of the Project and also resulted in cost escalation. The stations, parking and circulation areas were not developed as envisaged in the Concession Agreement (CA) and the Project was not yet complete. As a result, the Concessionaire was unduly benefitted by ₹227.19 crore. Further, the project cost was bound to escalate and the Project was unlikely to achieve the expected ridership. The transition of the CA to the Central Metro Acts was not properly handled resulting in fixation of higher fares by the Concessionaire ignoring the specific provisions of the CA. There were also issues relating to adherence to the Concession Agreement conditions and contract management resulting in idling of assets, extra expenditure and losses. Thus, the Project could not achieve its intended objectives.

Introduction

The development of a rail-based Mass Rapid Transit System (MRTS) was recommended by different studies commissioned by the State Government to address the problem of traffic congestion in Hyderabad. Further, the draft National Urban Transport Policy, 2002 of the Government of India as well as the Action Plan for Traffic and Transportation Management in Hyderabad Metropolitan Area (2008) envisaged a metro rail based urban transport system for Hyderabad.

The State Government engaged Delhi Metro Rail Corporation (DMRC) to prepare the Detailed Project Report (DPR) for Phase-I of the Hyderabad Metro Rail Project. The DMRC provided various alternative proposals with different corridors and routes and submitted its first DPR for Corridor I and II in June 2003. The DMRC submitted two more DPRs – one for Corridor - III (February 2006) and another for extension of Corridor - III (October 2007).

The State Government created (April 2007) Hyderabad Metro Rail Limited (Company) as a Special Purpose Vehicle to act on its behalf as the Concessioning Authority and a single point agency for interacting with the Concessionaire to monitor timely implementation of the Project and oversee its operations & maintenance as per the Concession Agreement (CA). The Company functions under the administrative control of Municipal Administration and Urban Development (MA&UD) Department of the State Government and is governed by a Board of Directors (BoD) headed by a non-executive Chairman. Managing Director is the Chief Executive Officer of the Company and is assisted by five Technical Executives and four General Managers.

About the Project

Phase-I of the Hyderabad Metro Rail Project (Project) was envisaged with three fully elevated corridors built over the central median of existing high density road corridors of Hyderabad City. The Project was to serve 66 metro stations spanning 71.16 Kilo Meters (KM) as given below:

- Corridor - I - Miyapur to L.B. Nagar - 28.87 KMs - 27 stations,
- Corridor - II - Jubilee Bus Station to Falaknuma - 14.78 KMs - 16 stations, and
- Corridor - III - Nagole to Raidurg - 27.51 KMs - 23 stations.

Each of these three corridors was to have a depot located at Miyapur, Falaknuma and Nagole respectively.

The Concessionaire was required to execute the Project on Design, Build, Finance, Operate and Transfer (DBFOT) basis while the State Government retained the ownership of the Project. The Project was expected to achieve a Target Traffic of 2.14 crore Passenger Kilometres (PKM)¹ per day as on 1 October, 2024 (Target Date). It was also envisaged that Parking and Circulation (P&C) facilities would be provided at 25 stations in 57 acres. The Concessionaire was also required to undertake the development, operation and maintenance of the Real Estate Development (RED) of six million Square Feet (Sft.) over the P&C facilities besides 12.50 million Sft. at the depots and exploit the RED for commercial purposes. The Concession Period was for 35 years starting from the Appointed Date² and was extendable for another 25 years subject to fulfilment of conditions of the CA.

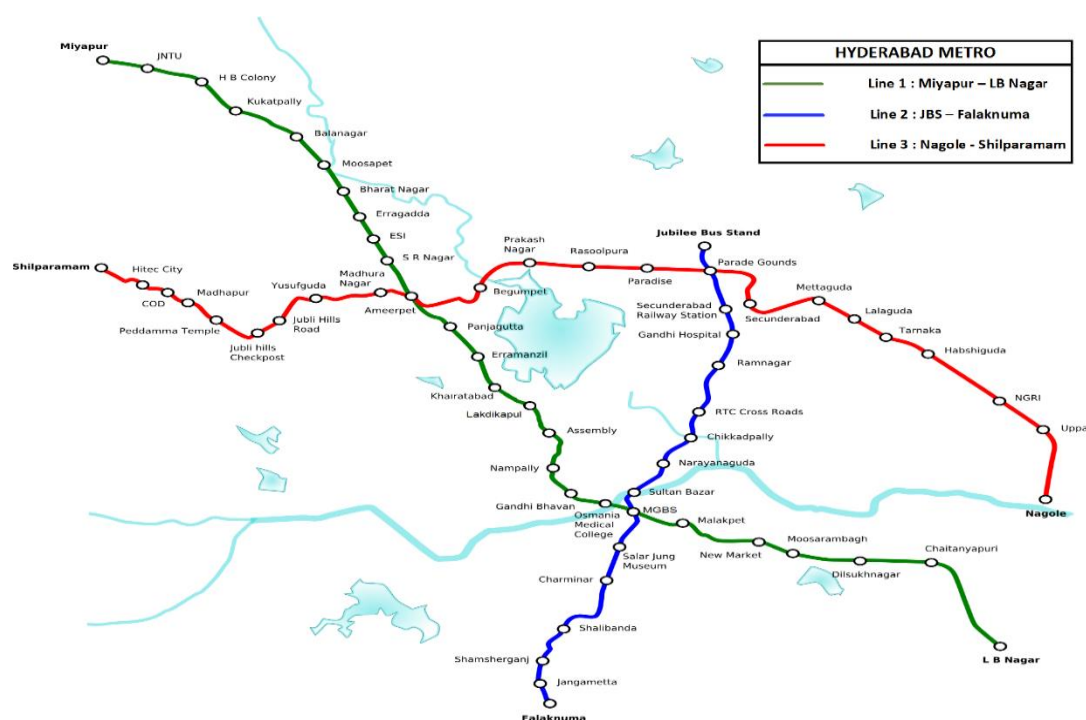


Figure 3.1: Hyderabad Metro Rail Route Map

¹ PKM means the cumulative distance travelled by users of the rail system in a day

² Appointed Date means the date on which financial close (the fulfilment of all the conditions precedent to the initial availability of funds under the financing agreements) is achieved or an earlier date that the parties may by mutual consent determine, and shall be deemed to be the date of commencement of the concession period

Progress and present status of the Project

The State Government originally entered (September 2008) into a CA with M/s. MAYTAS Metro Limited, Hyderabad (MAYTAS) for development of the Project. However, owing to the failure of MAYTAS to furnish the Performance Security and to achieve financial closure as per the terms of the CA, the State Government terminated (July 2009) the CA and decided (July 2009) to execute the Project through fresh tenders. After completion of the due process, the State Government entered (4 September 2010) into a fresh CA with M/s. L&T Hyderabad Metro Rail Private Limited (Concessionaire) to execute the Project on DBFOT basis. The Company fixed 5 July 2012 as the Appointed Date. The Project was scheduled to be completed on the 1,826th day (i.e., 4 July 2017) from the Appointed Date. The Project, however, got delayed and the Commercial Operations on part stretches were commissioned as detailed below in **Table 3.1.1:**

Table 3.1.1: Corridors completed and their Date of Commercial Operation

Corridor	From	To	No. of Stations	Length (KM)	Commercial Operation Date
1	2	3	4	5	6
I	Miyapur	Ameerpet	11	12.187	29 November 2017
I	Ameerpet	L.B.Nagar	16	17.015	24 September 2018
	Sub-Total		27	29.202	
II	Jubilee Bus Station (JBS)	Parade Grounds	0	0.00	Work in halt
II	Parade Grounds	MG Bus Station	9	9.66	8 February 2020
II	MG Bus Station	Falaknuma	0	0.00	Work in halt
	Sub-Total		9	9.66	
III	Nagole	Ameerpet	14	17.560	29 November 2017
III	Ameerpet	Hitec City	8	8.645	20 March 2019
III	Hitec City	Raidurg	1	1.342	29 November 2019
	Sub-Total		23	27.547	
	Total		59	66.409	

Source: CA and Company records

While Corridors I and III were fully completed and operational, the work on Falaknuma depot and seven stations of Corridor - II (six stations between MG Bus Station and Falaknuma and the station of JBS) was halted due to problems in land acquisition and concerns to save the heritage sites enroute. The Project achieved a maximum PKM of 43.32 lakh in February 2020. The Company could acquire and hand over to the Concessionaire only 33 acres of the identified land parcels at 11 stations. The Company also acquired the balance 24 acres at alternate locations and handed over them to the Concessionaire for P&C/ RED. The Concessionaire, however, could develop RED of 1.20 million Sft. only. On the specific request of Concessionaire, the Company granted extension of time for completion of rest of the Project (other than halted works) up to 30 June 2020.

The Department of Economic Affairs, Ministry of Finance, Government of India (GoI) approved the Project Cost (PC) of ₹11,814.00 crore in July 2008 under Public Private Partnership mode (PPP). Out of this, the GoI agreed (May 2013) to provide ₹1,458.00 crore as Viability Gap Funding (VGF) to the Project under the Scheme for Financial Support to

Public Private Partnership in Infrastructure Projects of the GoI. The Concessionaire obtained financial closure (i.e., sourcing funds for the project) for ₹16,375.00 crore including the above VGF. In addition to the above approved PC, the State Government was expected to incur about ₹3,000.00 crore towards cost of land acquisition, shifting of obstructing utilities, obtaining Right of Way (RoW), payment for compensation packages, etc.

The Concession Period was for 35 years. The Concessionaire shall pay the Company by way of concession fee a sum of ₹1.00 (one rupee) per annum and from the twenty-first year commencing from the Commercial Operation Date (COD), pay an additional concession fee equal to 0.50 *per cent* of the total realisable fare during that year to be increased by 0.50 *per cent* annually subject to a ceiling of 10 *per cent*. Therefore, the Company, at present, does not have any direct source of income and functioned mainly with the assistance of funds given by the State Government as interest free loans. During the period from 2010-11 to 2019-20, the State Government provided ₹2,246.91 crore to the Company and the Company expended a total of ₹2,726.00 crore (including loans taken from other sources) towards State Government's obligations of obtaining RoW, Shifting of Obstructing Utilities etc., besides meeting its operating expenditure.

Audit Scope, Objectives and Methodology

Audit of the Project was carried out covering the period from March 2003 to November 2020 (inception to the present stage) to assess whether:

- (a) The Project was implemented as envisaged,
- (b) The Concession Agreement was adhered to by the Government and the Concessionaire, and
- (c) Contract management was carried out efficiently.

The records related to various activities and works undertaken by the Company for implementing the Project and available at the Head Office of the Company were selected for examination based on necessity. The Purchase/ Work Orders were selected randomly based on materiality. Replies furnished (August 2022) by the State Government are suitably incorporated in the Report.

Audit Findings

Project implementation

3.1.1 Delayed finalisation of corridors and routes resulted in cost escalation

In the first DPR (June 2003), the DMRC considered five alternatives with different corridors. The DMRC found that the intensity of utilisation was more in the alternative having Corridor - III from Secunderbad to Hitec City. But the DMRC opined that Corridor - III was not feasible from engineering point of view as a fully elevated corridor due to steep gradients, large number of ups and downs along the alignment and presence of four flyovers enroute. Therefore, the DMRC selected the next best alternative with only two corridors (Corridors I & II).

However, in the second DPR (February 2006), the DMRC noted that Hyderabad being one of the fastest growing urban agglomerations of the country, the corridors proposed in Phase - I

need to be extended. Accordingly, the DMRC finalised the route for Corridor - III from the Indian Institute of Chemical Technology (IICT) at Tarnaka to Shilparamam via Secunderabad – Hitec City though the same was an engineering impracticability as per the first DPR. The DMRC also stated that the alignment for Corridor - III negotiates the existing flyovers, Rail Overbridges and other obligatory points enroute with safe horizontal and vertical clearances.

The Nagole³ to Ameerpet section⁴ and Ameerpet to Hitec City section of Corridor - III were respectively commissioned as fully elevated corridors between November 2017 to March 2019. Thus, audit observed that due to delay in finalisation of Corridor - III because of its improper evaluation in the first DPR, the Project got delayed by nearly three years (June 2003 to February 2006) which resulted in escalation of the estimated PC by ₹1,232.00 crore [₹6,387.00 crore (cost of Corridor I, II and III as per DPR-II) - ₹3,205.00 crore (cost of Corridor I and II as per DPR-I) - ₹1,950.00 crore (cost of Corridor - III as per DPR-II)].

Government replied (August 2022) that though the DPR was prepared in June 2003, no decision was taken to go ahead with the Project due to many reasons including resource constraints. Government decided to include Corridor - III in the Project due to growing importance of Hitec City area as a major destination for Information Technology Companies. By that time DMRC executed its project and gained experience of construction in difficult areas similar to Corridor - III. As the actual execution of the Project got delayed, there was escalation in costs.

The reply is not tenable because of the fact that the first DPR studied the traffic demand of Corridor - III (Secunderabad – Hitec City) and opined that the intensity of utilisation was the highest in the alternative which included Corridor - III proving that the importance of Hitec City route was already known and considered. Also, the audit observation is about the delay in finalisation of the corridors and routes, and not about the delay in commencement of execution of the Project which actually occurred more than six years after the finalisation of Secunderabad – Hitec City route of Corridor - III. Further, the Government did not furnish any evidence to support the argument that DMRC gained experience and expertise in constructing corridors akin to Corridor - III only after the preparation of the first DPR.

3.1.2 Delay in acquisition of land for Miyapur Depot

As per the Land Acquisition Policy (February 2005) of the State Government, where the government land being procured for infrastructure projects is in dispute, the process of acquisition will proceed as per the provisions of the Land Acquisition Act, 1894 (L.A. Act) without prejudice to the case of the Government and money deposited in the court to be given to the rightful owners. Further, as per the Enemy Property Act, 1968, (EP Act) all enemy properties shall vest with the Custodian of Enemy Properties in India (CEPI). At the district level, the District Collector (DC) is appointed as the CEPI under the Defense of India Rules, 1971. Under the EP Act, the DC on being authorised by the Government is empowered to transfer by way of sale, mortgage or lease or otherwise dispose of any of the enemy properties

³ Corridor - III was extended (third DPR of October 2007) by about five kilometres from IICT at Tarnaka to Nagole due to problems in acquisition of lands belonging to Osmania University at Tarnaka

⁴ Interchange station on Corridor - III

and no person including (his legal heirs and successors) shall have or be deemed to have any rights in relation to such enemy property (Clauses 5, 5B and 8 (2) (vii) of the EP Act).

The Depot for Corridor - I was to be located in 40 hectares (98.842 acres) of vacant Government land in Miyapur area. Accordingly, based on the requisition made (August 2007) by the Company for acquisition of 104 acres (99 acres for Depot and 5 acres for terminal station) in Miyapur village, the District Collector, Ranga Reddy District (Collector, RR District) issued notification dated 06.08.2007 for acquisition of above Government lands which were classified as Enemy Properties. However, some private persons filed three Writ Petitions against these notifications before the Hon'ble High Court of Andhra Pradesh (Court) which issued (August 2007 – December 2008) stay orders and the matter remained sub-judice till November 2011.

In November 2011, the Advocate General appearing on behalf of the State Government and the Company filed a memo in the Court seeking leave to withdraw the above notifications as the same were observed to have been issued before the delegation of power to the Collector, RR District by the State Government. The Advocate General also sought permission to issue fresh notification under the L.A. Act. Accordingly, the Court dismissed the above three Writ Petitions. Thereafter, the Collector, RR District issued (12 January 2012) a fresh notification to acquire 104 acres and determined (24 March 2012) the compensation payable by the Company at ₹192.77 crore. Accordingly, the Company deposited (26 March 2012) the amount and took physical possession of land on the same day.

Thus, audit observed that after withdrawal of impugned notification and issue of fresh notification, the State Government took just three months' time to complete the process for acquisition of Miyapur lands. Therefore, citing pendency of court cases for more than four years' time (August 2007 to January 2012) was absolutely unjustified as the State Government had the authority under the LA Act and the Enemy Property Act, 1968 to proceed to occupy the said Government Lands/ Enemy Property, which in fact was the course of action ultimately adopted by the State Government to acquire the Miyapur lands.

Audit observed that due to delayed acquisition of Miyapur lands, the declaration of Appointed Date got delayed by 16 months⁵. After acquiring Miyapur lands, the Company finally fixed the Appointed Date as 5 July 2012 against 4 March, 2011 as contemplated in CA.

The Government replied (August 2022) that informal consultations and efforts made in vain to resolve the prolonged legal dispute and to get the stay orders vacated cannot be captured on record. As a strategy, the technical lacuna in the notification issued by the DC was used in resolving this legal hurdle.

The reply is not tenable because though pendency of the court cases was a fact, such pendency could not have impacted the State Governments right to acquire the said enemy property lands for the Project *ab-initio* in view of the clear provision of the Policy on Land Acquisition and the EP Act. Further, the Court dismissed the Writ Petitions not on the basis of their merits but on the basis of the technical lacuna in the issue of notifications, which

⁵ Appointed Date of 05.07.2012 *plus* 180 days allowed for financial close *minus* Agreement Date of 04.09.2010

the State Government could identify only after a delay of more than four years. Also, the subsequent action of the State Government/ Company proved that the Miyapur lands could have been swiftly acquired for the Project.

3.1.3 Non-completion of Corridor - II

As per Annexure-I of Schedule A of the CA, Corridor - II was proposed with 16 stations from Jubilee Bus Station (JBS) in Secunderabad to Falaknuma in Hyderabad. Also, Corridor - II was also to serve as an interconnection between the two main bus stations of JBS and MG Bus Station (MGBS) operated by the State Road Transport Corporation. As per the CA, the Concessionaire should undertake the Project on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

Audit however, observed that the station of JBS and six stations⁶ beyond MGBS were not constructed so far due to problems in land acquisition and concerns to save the heritage sites enroute. Thus, Corridor - II involving a total distance of 5.12 KMs (14.78 KMs *minus* 9.66 KMs) was still incomplete. Audit further observed that though the Company handed over (October 2012) 21 acres of land⁷ to the Concessionaire for construction of the depot and terminal station at Falaknuma, the same could not be utilised due to cessation of Corridor - II at MGBS. Thus, due to the failure of the Company to acquire the required properties and the failure of the Concessionaire to come up with an engineering solution to save the heritage sites in the Old City area of Hyderabad, the intended benefits of Corridor - II were not yet fully realised. Further, the delay in completion of Corridor - II would escalate the project cost, and impact viability of the project and the expected ridership.

The Government replied (August 2022) that works in the 5.12 KM stretch of Corridor - II could not be taken up along with rest of the Project due to opposition to the proposed alignment from the public representatives of the area and presence of a large number of religious/ heritage and sensitive structures. Alternative alignments proposed by the public representatives were only found to be more complicated and unfeasible. However, through engineering re-design, the number of affected structures were reduced and at present road widening alternatives are being explored.

The reply confirmed the audit observation that due to non-completion of Corridor - II, its intended benefits could not be fully realised.

Recommendation 1: Government may prepare an action plan to complete Corridor - II of the Project at the earliest. Otherwise, ridership will remain low.

3.1.4 Unrealistic ridership estimates

As per Article 29 of the CA, the State Government and the Concessionaire have agreed that the Passenger Kilometres (PKM)⁸ per day as on 1 October, 2024 (Target Date) is estimated to be 2.14 crore (Target Traffic). They further agreed that in the event the Actual Average Traffic (AAT) determined as per Article 22 and Article 29 of the CA falls short of the Target Traffic by more than five *per cent* thereof, then for every one *per cent* shortfall as compared

⁶ Salarjung Museum, Charminar, Shalibanda, Shamshergunj, Jangammet and Falaknuma

⁷ Taken over from HMDA free of cost

⁸ PKM means the cumulative distance travelled by users of the rail system in a day

to the Target Traffic, the Concession Period shall, subject to payment of Concession Fee being increased by one point five *per cent* subject to a maximum of seven years. Similarly, if the AAT exceeds the Target Traffic, then for every one *per cent* excess as compared to the Target Traffic, the concession period shall, being reduced by one *per cent* provided that such reduction in concession period shall not in any case exceed a maximum period of three and half years.

As per the Concessionaire Agreement, the total track length of the Project consisting of three Corridors was 71.16 KM. The Project was operational since November 2017 and the present cumulative track length in all three Corridors is 66.409 KMs. The average PKM per day in respect of different periods and length of the tracks is shown in **Table 3.1.2** below:

Table 3.1.2: Actual PKM achieved by the Project

(PKM in lakhs)

Length of Track	Months of operation	Highest total PKM in any month during the period of operation	PKM per day
1	2	3	4
29.747 KM	Nov. 17 to Sep. 18	346.41 (Sep. 18)	11.55
46.762 KM	Oct. 18 to Mar. 19	705.34 (Mar. 19)	22.75
55.407 KM	Apr. 19 to Nov. 19	1,285.60 (Nov. 19)	42.85
56.749 KM	Dec.19 to Jan. 20	1,202.67 (Dec. 19)	38.80
66.409 KM	Feb. 20 to Mar. 20	1,213.11 (Feb. 20)	43.32

Source: Company Records

Audit observed that the maximum PKM of 43.32 lakh passengers on a particular day was recorded in the month of February 2020 which was only 21.68 *per cent* of the Target Traffic of 1.997 crore⁹ in October, 2024. This was despite the fact that Company initiated several proactive measures to improve the ridership like introduction of merry go round buses, shuttle services, app based connectivity through two/ four wheelers, providing pick up and drop points for cab services at metro stations, etc., for providing last mile connectivity. Further, the non-completion of the MGBS – Falaknuma section of Corridor - II would also have an adverse effect on achievement of the Target Traffic by the Target Date.

Audit also observed that the Targeted Traffic Date was fixed as 1 October 2024 i.e., nearly seven years and seven months from the scheduled time (4 July 2017). But, the CA did not consider the effect of likely delays in completion of the Project. Further, the Actual Average Traffic once assessed will not be reassessed again during the Concession Period. Had the CA stipulated multiple periods and targets for ridership estimates, the extension/ reduction of the concession period could have been more reasonable. Thus, audit observed that the possibility of achieving the Targeted Traffic of 2.14 crore PKM especially during the initial years of operation itself is very remote and hence, the ridership estimates of the Project are highly unrealistic. Moreover, the basis for prescribing varying periods for extension (up to seven years) and for reduction (three and half years) of concession period in case of shortfall/ excess of the Targeted Traffic by the same percentage is not forthcoming from the CA/ records produced to audit.

⁹ PKM of 2.14 crore / 71.16 KMs X 66.409 KMs

The Government replied (August 2022) that after a lot of deliberations and forethought, a small incentive was incorporated in the CA to provide for varying period for extension and reduction of the Concession Period as the private sector investors were not coming forward to take up projects in PPP mode.

The reply is not acceptable as the PKM of 2.14 crore as on 1 October 2024 is very high ridership and even the highly populated cities like Delhi and Bangalore which have a wide metro network could not achieve such high ridership. Further, keeping such unrealistic traffic target would lead to extension of concession period beyond 35 years as provided in the Concession Agreement. The reply is also silent about the CA not prescribing multiple periods and targets for estimating ridership.

Adherence to the Concession Agreement (CA)

3.1.5 Construction of station boxes with reduced area in contravention of the CA

Metro stations had to be built over the existing roads of the city, which cannot be widened beyond a point due to presence of buildings, based on the road widths and scope for road widening. As per the Annexure I of Schedule A of the CA following parameters have been provided for construction of the stations:

- (i) Category I: 12 stations of 20 Meters (Mtr.s) X 135 Mtr.s size (approximate),
- (ii) Category II: 40 stations of 30 Mtr.s X 135 Mtr.s size (approximate), and
- (iii) Category III: 14 stations of more than 30 Mtr.s X 135 Mtr.s size (approximate).

Category wise RoW provided by the Company and the actual size of the stations constructed by the Concessionaire was as given in **Table 3.1.3**.

Table 3.1.3: Size of RoW provided and Stations constructed

Category	No. of Stations as per the CA	RoW provided by the Company			Stations built by the Concessionaire		Remarks
		No. of Stations with 30 Mtr.s ROW	No. of Stations with 45 Mtr.s ROW	No. of Stations with 60 Mtr.s ROW	No. of Stations*	Size of the Stations	
1	2	3	4	5	6	7	8
I	12	6	0	0	6	20 Mtr.s X 135 Mtr.s	
II	40	19	10	4	33	20 Mtr.s X 138.50 Mtr.s	Includes Punjagutta with 32 Mtr.s X 138.50 Mtr.s and Jubilee Hills Check Post with 32 Mtr.s X 160.50 Mtr.s
III	14	0	6	9	15	20 Mtr.s X 138.50 Mtr.s	Includes Ameerpet with 42 Mtr.s X 160 Mtr.s
Total	66	25	16	13	54		

* Data Not Available for 5 Stations and 7 Stations were on hold

Source: CA and details provided by the Company

It can be seen that despite provision of sufficient ROW of 45 Mtr.s to 60 Mtr.s width for 14 Category II stations and 15 Category III stations, the Concessionaire constructed all (except three stations as stated above) the 29 stations with a uniform width of 20 Mtr.s and length of 138.50 Mtr.s. Hence, there is a reduction of station area to the extent of 1,280 Square Meters¹⁰

¹⁰ 30 Mtr.s X 135 Mtr.s minus 20 Mtr.s X 138.50 Mtr.s

(Sq.M.) per station and a total reduction of 37,120 Sq.M. area for 29 stations which was a deviation from the provisions of the CA.

Audit observed that the CA did not contain any provisions to deal with such reduction in the scope of the Project by the Concessionaire. Audit however, noticed that construction of stations with reduced area has a consequent effect of reduction of PC and extension of undue benefit to the Concessionaire to the extent of ₹227.19 crore¹¹. Hence, responsibility needs to be fixed on the concerned officials for allowing such unauthorised deviations from the CA.

The Government replied (August 2022) that Audit considered the width of the main station box as indicated by the CA as the width of the station and did not consider the Entry and Exit arms station area of 56,980 Sq.M. Further, the total constructed area of all the stations (both typical and special) was 2,37,986 Sq.M. (including Entry and Exit arms station area of 56,980 Sq.M.) as against 2,33,550 Sq.M. indicated by the CA. Also, the Concessionaire constructed the Project with higher technical specifications entailing higher costs than envisaged. Thus, undue benefit was not extended to the Concessionaire.

The reply is not tenable because (a) the total constructed area of the station boxes excluding the Entry and Exit arms area was 1,81,006 Sq.M. as against 2,33,550 Sq.M. indicated by the CA and confirmed in the Government's reply, (b) the Entry and Exit arms are essential to access the main station box area and so by considering the Entry and Exit arms area, the total area to be constructed works out to 2,90,530 Sq.M. as against 2,37,986 Sq.M. constructed by the Concessionaire resulting in a net shortfall of 52,544 Sq.M. valued ₹130.00 crore¹², (c) construction of lesser station box area is tantamount to non-adherence by the Concessionaire to the scope of the Project and (d) construction of Project with higher technical specifications cannot be said to have an overriding effect on the physical aspects of station box area which was specifically provided in the CA. Further, the Company and the State Government had a prerogative to raise an objection if the approved drawings did not meet the station box area criteria as per the CA. However, this was not done.

Recommendation 2: Government may fix the responsibility of the officials concerned for allowing unauthorised deviations in the construction of station boxes.

3.1.6 Non-availability of sufficient parking facilities

As per Article 3.1.3 and Annexure-II of Schedule A of the CA, the Concessionaire was required to undertake development, operation and maintenance of the RED at and above the first-floor level of all depots and above the P&C areas of selected stations. For this purpose, the CA identified 57 acres of land at 25 locations/ stations for being provided to the Concessionaire for development of RED and P&C areas. The CA also stipulated that in the event that any of the lands earmarked for P&C areas and consequent RED was not made available to the Concessionaire, the Government shall earmark alternative sites of comparable size and potential for RED.

Details of lands identified for Parking & Circulation areas and lands handed over to the Concessionaire were as detailed in **Table 3.1.4**.

¹¹ (Station Cost of ₹1,636 crore/ 66 stations X 29 stations)/ (30 Mtr.s X 135 Mtr.s) X (20 Mtr.s X 138.50 Mtr.s)

¹² (Station Cost of ₹1,636 crore/ 66 stations X 29 stations)/ (2,90,530 Sq.M X 52,544 Sq.M)

Table 3.1.4: Details of P&C areas*(in acres)*

Sl. No.	Corridor	Location/ Station	Extent of land to be given as per CA	Extent of land handed over	Reasons for not acquiring the lands
1	2	3	4	5	6
1	I	Irrum Manzil	1	0	Roads & Buildings Department had its own development programme
2	I & III	Ameerpet	1.25	1.69	
3	I	Punjagutta	3	4	
4	I	Nampally	1	0	Affected buildings were to be reconstructed
5	I	Osmania Medical College	1	0	Opposition from Osmania University and Students Associations
6	I	Malakpet	0.75	0	Encroachments could not be cleared
7	I	Dilsukhnagar	1	0	TSRTC had its own development programme
8	II	Jubilee Bus Station	1	0	Lessee, The Secunderabad Club approached Court
9	II & III	Parade grounds	1	1	
10	II	Narayanaguda	1	0	Police Department refused
11	II	Sultan Bazar	1	0	Opposition from Osmania University and Students Associations
12	III	Secunderabad	1	0	Existing Police Station could not be shifted
13	III	Shilparamam	2	0	Located in buffer zone of water body where developmental activity is not allowed
14	I	Miyapur	5	5	
15	I	Balanagar	2	2	
16	I	ESI Hospital	3	0	Medical Department constructed a medical college
17	I	Irrum Manzil	3	4	
18	I	Musarambagh	4	3.65	
19	I	L.B. Nagar	1.5	1.66	
20	II	Falaknuma	4	4	
21	III	Habsiguda	8	0	Opposition from Osmania University and Students Associations
22	III	Tarnaka	2.5	0	Opposition from Osmania University and Students Associations
23	III	Hitec City	2	2	
24	III	Nagole	4	4	
25	III	Paradise	2	0	Opposition from Osmania University and Students Associations
Total			57	33	
Alternate Locations					
1	III	Raidurg	0	15	Purchased from APIICL
2	III	Yusufguda	0	0.8	
3	II	Gandhi Hospital	0	5.05	
4	II	MG Bus Station	0	0.65	
5	I	Kukatpally	0	1	
6	III	Rasoolpura	0	1.5	
Total			0	24	
Grand Total			57	57	

Source: CA and details provided by the Company

Audit noticed that as against 57 acres of land earmarked at 25 different locations, the Company could provide 33 acres of land at 11 locations only. Hence, the Company provided balance 24 acres at six alternative locations to the Concessionaire despite the fact that the Company was in possession of 22.38 acres of land at 15 different locations that were made available to it free of cost by various State Government Departments and Agencies. These excess lands were neither generating any revenue to the Company nor were used to fulfill the intended objective.

Audit observed that lands provided at alternate locations included one parcel of 15 acres at Raidurg which the Company acquired (September 2012) from the Andhra Pradesh Industrial Infrastructure Corporation Limited (APIICL) on payment of ₹9.00 crore. This parcel of land was also situated at a distance of more than 700 meters away from the Raidurg terminal station forcing the commuters to cross busy roads and signal junctions to reach the Raidurg station. Thus, the metro commuters were denied the benefit of P&C area, smooth and unhindered access to the Metro Rail System (MRS), which the Concessionaire was required to provide as per the CA.

Audit also observed that the CA itself contemplated provision of P&C areas at only 25 stations which got further reduced to 17 stations (including 15 acres at Raidurg) as against the 59 stations built up on the three Corridors of the Project to the end of March 2020. Thus, the remaining 42 stations had no provision for P&C area. Availability of P&C area is one of the contributing factors to the increase in ridership. However, due to lack of sufficient P&C facilities the commuters are denied the benefit of parking space.

The Government replied (August 2022) that it (Government) could not procure identified lands at some locations due to vociferous protests and prolonged agitations mainly against sparing Osmania University lands for metro stations. However, by providing a big chunk of 15 acres of land at a distance of about 450 meters from Raidurg station, Government/ Company fulfilled the State Government's obligation under the CA to give equivalent land for RED and P&C areas. It was also replied that provision of lands for P&C areas at all the metro stations is neither feasible nor envisaged in the CA. In any case, sufficient parking facilities were provided at almost all the metro stations.

The reply is not tenable as the Company itself undertook the development of P&C facilities in land parcels of less than one acre totaling to 2.03 acres that were made available by the State Government as per the CA. Also, 3.20 acres of land at three locations which were earmarked for development of Multilevel Parking Complex (MPC) could have been handed over to the Concessionaire for development of P&C areas for the stations concerned. Further, the Concessionaire was utilising the Raidurg land entirely for RED and the P&C facilities provided nearby are also temporary. Moreover, the reply does not specify the capacity of the parking lots provided at the metro stations to assess their sufficiency.

Recommendation 3: Government may take steps to provide sufficient Parking and Circulation areas to improve the ridership.

3.1.7 Fixation of higher fares

In order to provide uniformity of standards and safety certification by the Commissioner of Railway Safety, the GoI sought extension (September 2009) of the Metro Railways (Operation and Maintenance) Act, 2002 and the Metro Railways (Construction of Works)

Act, 2002 (Central Metro Acts) to all the Metro Railway Projects in the country. Under Section 33 of the Metro Railways (Operation and Maintenance) Act, 2002, the Metro Rail Administration (MRA) had the authority to fix the initial fares on commencement of the metro rail operations. Subsequent revision was to be done in consultation with the Fare Fixation Committee (FFC) to be appointed by the GoI.

As the CA was framed (2008) under the Andhra Pradesh Municipal Tramways (Construction, Operation and Maintenance) Act, 2008 (AP Tramways Act) and the Central Metro Acts had contrary provisions inter-alia with regard to fixation of fares, the State Government requested (December 2009) the GoI not to cover the Project under the Central Metro Acts. The GoI, however, clarified (December 2011) that no response was received from the State Government for its proposals (September 2009) to extend the Central Metro Acts before their extension (November 2009) to all Metros in the country. The GoI formally notified extension of Central Metro Acts to the Project in January 2012.

Meanwhile, the State Government entered (September 2010) into CA with the Concessionaire as per the provisions of the AP Tramways Act. As per Article 27 of the CA, the Concessionaire agreed to collect user fares as per the predetermined fare structure¹³ set forth in Schedule – R of the CA as detailed in **Table 3.1.5** below.

Table 3.1.5: Basic fare fixed as per CA

Sl. No.	Distance (in KMs)	Fare (in ₹)
1	2	3
1	Up to 2	8
2	More than 2 and up to 6	10
3	More than 6 and up to 10	12
4	More than 10 and up to 14	14
5	More than 14 and up to 18	16
6	More than 18	19
7	Unlimited use for the day	40

Source: CA

This predetermined tariff structure was a bidding parameter to seek Viability Gap Funding (VGF)/ Grant from GoI. The Empowered Committee, Department of Economic Affairs, GoI (Empowered Committee) which reviews proposals for financial support under the Scheme for Financial Support to Public Private Partnership in Infrastructure Projects of the GoI, recommended (May 2013) for approval of VGF of ₹1,458.00 crore to the Project as quoted by the Concessionaire, being the successful bidder.

The Company again requested (December 2014) the GoI for saving the provisions relating to fare fixation of the CA to avoid the uncertainties associated with the possible abandoning of the predetermined fare structure set forth in the CA due to operation of the Central Metro Acts. But, there was no response from the GoI which released VGF amounting to ₹1,204.20 crore to the end of December 2017.

¹³ The basic fare shall be increased annually (without compounding) by 5 per cent for 15 successive years commencing from April 2014. Further, the applicable basic fare shall be revised annually with effect from April each year to reflect the variation in the Wholesale Price Index

The State Government appointed (December 2015) the Concessionaire as the MRA as per the provisions of the Central Metro Act. On the commencement of 30 KM Miyapur – Ameerpet (Corridor - I) and Ameerpet – Nagole (Corridor - III) stretch of the Project in November 2017, the Concessionaire, as MRA, fixed fares that were higher than the fares notified as per the CA as detailed in **Table 3.1.6**.

Table 3.1.6: Fare fixed by the Concessionaire

Sl. No.	Distance (in KMs)	Fare (in ₹)
1	2	3
1	Up to 2	10
2	More than 2 and up to 4	15
3	More than 4 and up to 6	25
4	More than 6 and up to 8	30
5	More than 8 and up to 10	35
6	More than 10 and up to 14	40
7	More than 14 and up to 18	45
8	More than 18 and up to 22	50
9	More than 22 and up to 26	55
10	More than 26	60

Source: Press notification issued by the Concessionaire

The Concessionaire requested (July 2018) the GoI to constitute a FFC but later withdrew (August 2018) the same stating that there was no urgent need to constitute a FFC as it had no intention to revise the fares for some more time. Thus, fixation of fares in excess of the fares fixed in the CA led to violation of the provisions of the CA. Therefore, the GoI did not release the balance VGF amounting to ₹253.80 crore.

Audit observed that the CA did not contain any provisions to protect the predetermined fare structure notified under the CA in case of change in law. Though the Central Metro Acts were made applicable to the Project, the CA was not cancelled or amended to bring it in line with the provisions of the Central Metro Acts and the CA continued to be valid in all other aspects. Therefore, the State Government could have given a conditional acceptance for appointment of the Concessionaire as the MRA so as to protect the fare structure prescribed by the CA. But this was not done resulting in improper handling by the State Government of the transition to the Central Metro Acts and fixation of higher fares by the Concessionaire ignoring the specific provisions of the CA.

Audit observed that by fixing higher fares the Concessionaire had collected an amount of ₹213.77 crore as excess fare during the period from November 2017 to March 2020. Further, the implementation of the Empowered Committee's decision (35th Meeting dated 23 July 2019) to re-determine the VGF as per the Change in Law provisions of the CA taking into account elements like reduction in the ridership estimates, change in scope of the Project, Real Estate Development along with the impact of higher fares was pending.

The Government replied (August 2022) that the Attorney General of India upheld the legality of fixation of initial fares by the Concessionaire, as MRA. Further, the GoI initiated the process of constitution of FFC. It was also stated that the Concessionaire had incurred a cumulative loss of ₹4,108.00 crore upto March 2022 and the net present value of the net cash flows has

worsened as compared to the Financial Model. Hence, refund of ₹213.77 crore as contended by Audit does not arise.

Reply is not tenable as the fact remained that the State Government did not properly handle the transition of the CA to the Central Metro Acts resulting in fixation of higher fares by the Concessionaire ignoring the specific provisions of the CA.

Recommendation 4: *Government may constitute a fare fixation committee at the earliest to review the fare structure.*

3.1.8 Avoidable expenditure on Urban Rejuvenation Works

Article 5.8 and Schedules A to D of the CA read with Clauses 9, 10 and 14 of the Manual of Standard Specifications (MSS), provided for the development of the MRS with inter modal integration facilities such as skywalks, underpasses, bus bays and bus shelters so as to provide seamless travel facility to the commuters. Construction of pedestrian facilities, landscaping and plantation along the central median and station areas, improving street scape were also to be undertaken to ensure proper flow of urban traffic along the metro corridors and to maintain aesthetic quality of the MRS. The Independent Engineer¹⁴ also noted (August 2016) that these works fell under the scope of the Concessionaire's obligations since the MSS was referred to in the CA.

However, the Concessionaire refused (July 2016) to provide the above facilities taking the view that the CA restricted the scope of Concessionaire's obligations to the "Site of the Project" and that the MSS being only a technical document specifying the manner in which the work has to be executed cannot impose a scope of work independently or beyond that envisaged by the CA. Audit observed that since the Concessionaire was not attending to the above works, the Company itself undertook to develop these facilities as "Urban Rejuvenation Works".

However, due to shortage of funds flow from the State Government, the Company availed loans to the tune of ₹200.00 crore¹⁵ from Andhra bank and the Hyderabad Metropolitan Development Authority (HMDA) to take up the Urban Rejuvenation Works. To the end of March 2020, the Company had drawn loans amounting to ₹132.08 crore and incurred expenditure of ₹105.40 crore towards Urban Rejuvenation Works. The Company had incurred an avoidable interest burden of ₹7.55 crore¹⁶ (including ₹3.81 crore interest on HMDA loan which was yet to be paid).

The Government replied (August 2022) that the Concessionaire fulfilled its obligations and spent higher amounts to carry out station development works and passenger facilities beyond its scope envisaged in the CA. The Urban Rejuvenation Works were undertaken by the Company as part of Government's vision to develop Hyderabad as a global city and investment destination. On an average ₹10.00 crore income per annum is generated for the Company through monetization of the facilities created under the Urban Rejuvenation Works.

¹⁴ M/s. Louis Berger Consulting Private Limited

¹⁵ ₹150 crore (June 2019) from Andhra Bank and ₹50 crore (August, October 2019) from HMDA

¹⁶ ₹3.74 crore on loan of Andhra Bank and ₹3.81 crore on HMDA loan

The reply is not tenable because (a) it is contradictory to the recorded observations of the IE and the correspondence made by the Company with the Concessionaire and IE, (b) no evidence of the Urban Rejuvenation Works undertaken by the Company as being separate from those covered by the CA, MSS were furnished and (c) details of Urban Rejuvenation Works infrastructure created and monetized to generate income of ₹10.00 crore per annum was not furnished along with the reply.

3.1.9 Entering into Sub Lease Agreements (SLAs) before COD of the Rail system

As per Article 5.2.5 of the CA, the Concessionaire shall not sub-licence, assign or in any manner create an Encumbrance on any Project Asset forming part of RED at any time prior to the Commercial Operation Date (COD). The COD of the MRS shall be the date on which Provisional Certificate or the Completion Certificate is issued (Article 15.1). The Completion Certificate for Ameerpet to Hitec City (part of Corridor - III) was issued on 18 February 2019 and for Ameerpet to LB Nagar (part of Corridor - II) on 3 September 2018.

Audit however, noticed that the Concessionaire entered into 50 SLAs¹⁷ for lease of Hitec City (November 2017 to September 2019) and Panjagutta Malls (November 2017 to April 2019) before the COD of the respective Corridors of the MRS and collected RED revenues amounting to ₹19.46 crore (₹8.52 crore for Hitec City Mall and ₹10.94 crore for Panjagutta Mall) in contravention of the CA provisions. Audit observed that the Company did not take approval of the State Government or its BoD for allowing utilisation of these Malls by the Concessionaire before COD of the MRS.

The Government replied (August 2022) that the Attorney General had opined that partial COD of the Project shall be treated as COD for the entire Project. Though the Government was requested to permit operations at Panjagutta and Hitec City Malls, no effective sublicensing and operations took place before the COD which happened on 29 November 2017 when the 30 KM stretch of Miyapur – Ameerpet – Nagole was made operational. Also, commercial operations and realisation of revenue from the Panjagutta and Hitec City Malls were from mid-February 2018 and March 2018 respectively.

The reply is not tenable because the Attorney General had clearly opined that the CA contemplates collection of fares *qua* (in respect of) only those parts of the Project whose COD was achieved. Thus, the reply proved that the Concessionaire collected RED revenues amounting to ₹19.46 crore in respect of non-operational parts of the Project in contravention of the CA provisions and the same was not objected to by the Company/ State Government.

Contract management

3.1.10 Fixation of lower lease rent for Uppal casting yard

As per Article 3.1.2 (f) of the CA, the Concessionaire shall bear and pay all costs, expenses and charges in connection with or incidental to the performance of the obligations of the Concessionaire under the CA. The obligations of the State Government were limited to providing reasonable assistance to the Concessionaire in obtaining access to all necessary

¹⁷ 20 SLAs for 1.15 lakh Sft. (out of 1.90 lakh Sft.) of Hitec City Mall at Madhapur and 30 SLAs for 2.43 lakh Sft. (out of 4.85 lakh Sft.) of Panjagutta Mall at Panjagutta

infrastructure facilities and utilities, including water and electricity at the rates and terms as applicable to other commercial customers (Article 6.1.2 (b)).

The Company acquired (November 2010) 141.675 acres land costing ₹87.26 crore at Uppal Bhagat Village for setting up the depot for Corridor - III of the MRS. The Concessionaire requested (May 2011) the Company to make available 42 acres out of the allotted land on temporary lease of five years for establishing a pre-casting yard for the MRS and for fixation of the lease rent on par with the lease rent fixed for similar projects for which Government Lands were given on lease. Accordingly, the Company handed over (July 2011) 42 acres of land to the Concessionaire. Audit, however, observed that the Company neither entered into any formal written lease agreement¹⁸ with the Concessionaire nor fixed the lease rent to be collected for the land leased.

The Company belatedly informed (April 2012) the Concessionaire to pay a lease rent at the rate of ₹1.50 lakh per acre per *annum* pending finalisation of lease rent at Government level. The Concessionaire was also informed that the difference of lease amount and interest, if any, to be paid will be intimated in due course after finalisation of actual lease rent.

Based on the Company's request for fixation of the lease rent for the land leased to the Concessionaire, the Chief Commissioner of Land Administration¹⁹ advised (February 2013) the Company to charge the lease rent as per the Standard Rates fixed (February 2010) by the State Government i.e., at 10 *per cent* of the Current Market Value prevailing at the time of grant for an initial lease period of five years which can be extended upto a maximum of 25 years.

Accordingly, based on the prevailing market value of ₹4,500.00 per square yard²⁰ the Company revised (March 2013) the lease rent to ₹21.78 lakh²¹ per acre per *annum* with effect from July 2011 and also claimed the differential lease rent of ₹14.91 crore²² for the period from July 2011 to March 2013. The Concessionaire, however, paid the lease rent at the rate of ₹1.50 lakh per acre per *annum* only up to March 2017 and requested (January 2017) the State Government to have a relook at the lease rent fixed in the interest of the MRS. The Company however, asked (July 2017) the Concessionaire to clear the dues amounting to ₹58.12 crore (from July 2011 to March 2018). Thus, audit observed that, despite the Concessionaire's continued failure to clear the dues, the Company allowed the Concessionaire to remain in occupation of its land and did not take any steps to enter into a written lease agreement.

Audit also observed that since the market value of the pertinent lands was revised (with effect from April 2013) from ₹4,500.00 per square yard to ₹7,000.00 per square yard, the

¹⁸ Section 107 of the Transfer of Property Act, 1882 stipulates that a lease of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent, can be made only by a registered instrument executed by both the lessor and the lessee. Further, Section 49 of the Registration Act, 1908 stipulates that a document required to be registered under the Transfer of Property Act shall not, unless it has been registered, confer any power or be received as evidence of any transaction

¹⁹ The Chief Commissioner of Land Administration is also the Special Chief Secretary (Revenue Department), State Government

²⁰ Fixed (August 2010) for the lands in Uppal Bhagat Village by the Registration & Stamps Department, Government of Andhra Pradesh

²¹ 1 Acre = 4,840 Square Yards X ₹4,500 X 10 %

²² (₹21.78 lakh X 42 acres/ 12 months X 21 months) – (₹1.50 lakh X 42 acres/ 12 months X 21 months)

Company should have claimed the lease rent at the revised rates from July 2016 onwards, i.e., on completion of lease period of five years as per the Standing Orders of the Board of Revenue (BSO)²³. The Company, however, continued to claim lease rent at the pre-revised rates only. As a result, the lease rent claimed by the Company upto March 2018 was less to an extent of ₹8.89 crore²⁴ as detailed in **Appendix 3.1.1**. Further, the Company stopped claiming the lease rent from the year 2018-19 onwards. The total lease rent dues payable by the Concessionaire upto March 2020 as per the Standard Rates fixed by the State Government considering the prevailing/ revised market value worked out to ₹95.47 crore as detailed in **Appendix 3.1.1**.

Audit also noticed that as against the Company's proposal to fix a rate of ₹2.50 lakh²⁵ per acre per annum for M/s. HMT Machine Tools Limited, Hyderabad's (HMT) land at Qutubullapur leased to the Concessionaire for use as casting yard, the Ministry of Heavy Industries & Public Enterprises, Department of Heavy Industries, GoI fixed (July 2012) the lease rent of ₹5.00 lakh per acre per annum. Thus, the rate of ₹1.50 lakh per acre per annum which the Company collected for leasing the land at Uppal was only 30 per cent of the rate of ₹5.00 lakh per acre per annum which the Company collected from the Concessionaire for leasing the HMT's land at Qutubullapur for the same purpose.

Thus, the Company failed to enter into a formal written lease agreement with the Concessionaire and to fix a reasonable lease rent as per the BSO. As there was no written lease agreement, the Company also could not make it binding on the Concessionaire to pay the lease rent subsequently fixed by the Company. Thus, fixation of lease rent less than the Standard Rates fixed under the BSO resulted in revenue loss of ₹95.47 crore.

The Government replied (August 2022) that the lease rent collected by the Company was on par with the rent charged by the adjacent land owners from whom the Concessionaire hired another 25 acres land for the same casting yard and three times the lease rent (₹50,000.00) charged (2017) by HMDA towards similar lease of lands given for casting yard for the P.V. Narasimha Rao Expressway flyover project.

The reply is not tenable since as per the Transfer of Property Act, 1882, a lease given for a period of 12 months or more is a long-term lease and so a written agreement was required to be entered. The land was not given for the Project itself but for use as a casting yard by the Concessionaire who undertook the Project on commercial principles and so the government rates should have been applied as provided in the CA. Thus, the fact remained that the State Government's directions (February 2010) to fix lease rent at 10 per cent of the Current Market Value was not adhered to.

Recommendation 5: Government may enforce the Concession Agreement conditions and contractual provisions to realise its dues from the Concessionaire.

²³ Article 317 of the Telangana Financial Code, 2016 required that in regard to the sale, transfer, etc., of Government land and buildings, the Standing Orders of the Board of Revenue (BSO) should be observed. BSO – 24 (A) (9) on Levy of Charge for occupation of government lands on lease was issued vide G.O.Ms.No.100 under the Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act, 1973

²⁴ Enhanced lease rent considered from July 2016 onwards, i.e., after completion of the initial lease period of 5 years as per the BSO

²⁵ Worked out at the rate of 1.15 per cent of the market value of ₹2.18 crore per acre as certified by the Registration and Stamps Department of the State Government

3.1.11 Waiver of Administrative Charges

The Company entered (September 2012) into a Leave and License Agreement (LLA) with the Concessionaire for temporary lease of 64.626 acres at Qutubullapur village. The LLA provided for advance payment of annual lease rent of ₹3.23 crore including the applicable Service Tax and Cess on lease rent at the rates prescribed by the Government from time to time. The LLA also provided that the Concessionaire shall pay ‘Administrative Charges’ to the Company at the rate of 18.50 *per cent* on the License Fee and Service Tax thereon. Due to delay in completion of the Project the LLA was extended up to August 2018.

Audit observed that the Concessionaire paid only the License Fee including Service Tax thereon but did not pay the Administrative Charges (except for the first year 2012-13) and requested (August 2017) the Company to waive the levy of Administrative Charges. The total amount due from the Concessionaire towards the Administrative Charges amounted to ₹3.47 crore for the period 2013-14 to 2017-18. Audit noticed that the BoD after considering the Concessionaire’s request, directed (September 2017) the Company to take appropriate action in the matter. The action taken by the Company in this regard was not found on record and the amount of ₹3.47 crore remained unrealised resulting in undue benefit to the Concessionaire.

The Government replied (August 2022) that Administrative Charges were levied on the Concessionaire more as a strategy to counter the claims of the Concessionaire. The Project has experienced cost overruns and incurred heavy losses from the beginning of the operations. The Concessionaire wanted to quit the Project and made several requests for financial support. The BoD after deliberations, authorised the Company to take an appropriate decision regarding waiver of Administrative Charges and to judiciously use it during negotiations with the Concessionaire with a view to strengthening the position of the Government in dealing with the Concessionaire and in successfully executing the Project. Accordingly, the Company kept the issue alive to legally safeguard the Government’s position and facilitating the successful completion of the Project.

The reply is not tenable as the Government did not furnish any evidence to substantiate either the claim that the Administrative Charges were levied more as a strategy to counter the Concessionaire’s claims or that any of the claims/ issues raised by the Concessionaire were settled/ withdrawn because of waiver of Administrative Charges.

3.1.12 Non-utilisation of Putlibowli Commercial Complex

The route of Corridor - II between Kachiguda X Roads and Putlibowli is a highly commercial zone with ROW available for 10 to 20 Mtr.s, particularly the stretch of Sultan Bazar was very narrow with ROW of only 10 Mtr.s. The commercial establishments were getting affected to the extent of 5 Mtr.s on either side even after reducing the ROW to about 20 Mtr.s as against 30 Mtr.s required by the CA. Sultan Bazar, being a very old and prestigious market of Hyderabad City, the affected traders and hawkers agitated against the Project and requested for change of alignment of Corridor - II.

In view of this, the Company proposed (August 2012) to construct Putlibowli Commercial Complex (PCC) near the Sultan Bazar market area for providing relief and rehabilitation (R&R) to the affected traders and hawkers. Accordingly, the Company constructed (May 2015) the PCC with 77 shops (10,397 Sft.) and 124 hawker platforms (3,105 Sft.) at a total

cost of ₹11.68 crore. Audit however, observed that a list of affected traders and hawkers to whom the shops and/ or hawker platforms were to be allotted/ leased was not found maintained by the Company. Further, the Company leased (August 2019) the entire PCC to a party²⁶ (lessee) for a period of nine years (extendable by another two spells of nine years each) with a total lease rent of ₹4.21 lakh per month (₹36.00 per Sft. per month for shops and ₹15.00 per Sft. per month for hawker platforms) including Goods and Services Tax. Audit however, observed that the intending lessees had while proposing (May 2019) to take the PCC on lease stated that the shops would be sub-let to vendors of their choice.

As per Clause 2.3 of the lease agreement, the tenure of first nine years of lease shall commence from the date of handing over or possession of licensed property, whichever is earlier. Audit however, observed that the Company constructed the PCC in May 2015, leased the PCC in August 2019, entered into lease agreement in June 2020 but did not hand over the building to the lessee till date (November 2021). The reasons for non-leasing of the PCC for more than five years since its construction and entering into lease agreement after a delay of 10 months were not on record. The lessee sought (June 2020) time for taking possession of the building citing low commercial activity due to COVID-19 Pandemic. Thus, audit observed that non-leasing of the PCC resulted in loss of revenue of ₹2.50 crore to the Company besides an estimated annual expenditure of ₹22.31 lakh towards maintenance of the PCC. Also, the intended objective of providing R&R to the affected traders and hawkers of Sultan Bazar was not achieved.

The Government replied (August 2022) that after prolonged and tactical persuasion, the affected traders and hawkers of Sultan Bazar accepted the R&R package involving construction of the PCC. After its construction, the affected traders and hawkers utilised the PCC from 2015 till the completion of viaduct in the Sultan Bazar stretch and the Sultan Bazar station in mid-2020. After that, the affected traders moved back to their shops that were rebuilt and modernized, with the help of the Company, in the remaining portion of the affected properties instead of continuing in the PCC. Also, the Company developed special hawker platforms on the street and all the hawkers were rehabilitated under the viaduct in the Sultan Bazar stretch. Hence, it was decided to utilise the PCC to generate some income for the Company and the same was leased to a private agency. However, due to COVID-19 Pandemic, the lessee was unable to attract any customers into the PCC, but is attending to the day-to-day maintenance of the PCC at its own cost.

The reply is not tenable because (a) the PCC was not proposed to be a temporary shelter for the affected traders and hawkers, (b) details of the affected traders and hawkers identified for providing R&R and (c) details of rents collected, if any, from the affected traders and hawkers for the period of occupation of the PCC were not furnished along with the reply. The reply also proved that the PCC did not serve its intended objective because the Company rehabilitated the affected traders and hawkers by making alternative arrangements.

3.1.13 Interest on deposits made with GHMC

Out of ₹2,246.91 crore provided by the State Government, the Company deposited an amount of ₹956.18 crore in the separate account maintained for the purpose of HMRL's transactions with the Greater Hyderabad Municipal Corporation (GHMC) towards land

²⁶ M/s. Sri Ven Ads, Sky Media J.V. (renamed (January 2020) as Sri Ventures)

acquisition, road widening, utility shifting etc. Out of ₹956.18 crore provided by the Company, GHMC deposited an amount of ₹313.00 crore in short term fixed deposits during 2012-13 and 2013-14 and earned ₹26.09 crore towards interest.

Audit observed that the Company did not enter into any agreement with GHMC regarding the modalities for utilisation of these funds and the interest, if any, earned due to temporary parking of funds provided. But, during the meeting held (September 2016) for reconciliation of the amounts between the Company and the GHMC, the Special Chief Secretary to Government, MA&UD Department directed the GHMC to account for the interest earned and add it to the Company's funds. However, from the records of final reconciliation of amounts deposited with GHMC it was observed that the interest amount of ₹26.09 crore was not considered and not included in the final settlement amount arrived at by GHMC and the Company. Thus, before depositing the amounts with GHMC, the Company neither entered into an agreement with GHMC requiring it to account for the interest earned to its credit nor pursued the matter for recovery of its claim despite the State Government's direction.

The Government replied (July 2022) that after detailed reconciliation (September 2016) an amount of ₹9.06 crore was arrived as payable by GHMC to the Company and this amount was duly paid to Company. It was also stated that there was no loss to the Company as the Company would have to normally pay over ₹175.00 crore for the services of GHMC either in the form of administrative charges or actual expenditure incurred for the land acquisition works undertaken by the GHMC for the Project.

The reply is not acceptable as it does not specify that the interest amount of ₹26.09 crore was included in the reconciled statement. Also, neither GHMC had claimed any administrative charges nor there was any agreement for payment of the same to GHMC for the land acquisition works undertaken by it. Further, the reply is silent about the Company not entering into an agreement with the GHMC regarding treatment of interest earned.

3.1.14 Delay in mutation of the lands

As part of its obligations under the CA, the State Government transferred 276.38 acres of land to the Company during the period between December 2007 and January 2018 for construction of depots (212 acres) and P&C areas (64.38 acres) for the three corridors on the MRS. The transfer of these lands to the Company was evidenced by the Panchanamas. However, the Administrative Sanctions/ Government Orders for transferring the properties to the Company were still pending and the mutation of the Company's name as the land owner in the revenue records has not been completed. The Company also handed over (October 2012 to January 2013) 269 acres to the Concessionaire as required by the CA.

Further, the State Government in an attempt to enhance the 'Ease of Doing Business' in the State, had introduced (June 2016) the reforms to integrate the mutation process with the registration process through automatic update of land and municipal records during property registration. Audit however, observed that the Company did not initiate any action for mutation of its lands till date to avoid any disputes in the ownership and encroachment of lands.

The Government replied (August 2022) that action had been initiated for mutation of lands and the matter is being regularly pursued with the Revenue Department.

Energy Department

Northern Power Distribution Company of Telangana Limited

3.2 Loss of ₹50.37 crore due to continuance of power supply despite non-payment of dues

As per the Electricity Act, 2003 and the Electricity Supply Code, the Company was empowered to disconnect the electricity supply service if consumer neglects to pay monthly consumption charges or any other sums due. The Company, however, continued to supply electricity to M/s. Sirpur Paper Mills Limited during June 2014 to July 2018 despite continued non-payment of dues, which resulted in loss of ₹50.37 crore.

As per Section 56 of the Electricity Act, 2003 and Clause 4.8.1 of the Andhra Pradesh Electricity Regulatory Commission Regulation No.5 of 2004 (Electricity Supply Code), the distribution licensee is empowered to disconnect the supply of electricity by giving 15 days' notice, if the consumer neglects to pay Consumption Charges (CC) or any other sums due to the licensee. In case of continued default, the licensee is entitled to terminate the agreement executed by the consumer and keep the supply disconnected till such amounts were paid.

M/s. Sirpur Paper Mills Limited, Sirpur Kaghaznagar, Adilabad District, Telangana (Consumer)²⁷ availed of a High Tension (HT) service connection (Service No. ADB-009) from the Northern Power Distribution Company of Telangana Limited (Company) from October 2008 onwards. The Consumer defaulted in payment of the monthly CC bill of June 2014 amounting to ₹4.48 crore. The Company however, allowed (July 2014) the Consumer to pay the same in four equal monthly installments along with the applicable interest. This opportunity was given on the condition that the power supply was liable for disconnection for default of payment of either installments or regular monthly CC bills on the due dates or both at any time without any further notice.

The Mill closed down in September 2014 and the Consumer had paid only three installments and the monthly CC bill of July 2014 till that time. However, the Company did not disconnect power supply to the Consumer despite continuous default in payment of dues. The arrears accumulated to ₹35.40 crore at the end of December 2016 as the power supply was used by the employees of the Consumer staying in the Mill colony quarters for water and lighting purpose, although the Mill was not running.

In January 2017, the Company directed its Circle Office, Adilabad (CO) to disconnect the service and report compliance. The CO however, did not disconnect the power supply to the Consumer and after lapse of 10 months, justified the inaction stating (October 2017) that, the National Company Law Tribunal, Hyderabad Bench (NCLT) imposed (September 2017) a moratorium (September 2017 to July 2018) and ruled that supply of essential goods or services to the Consumer shall not be terminated or suspended or interrupted during the moratorium period. The dues of ₹50.37 crore (including ₹21.24 crore towards late payment charges) accumulated till July 2018, since the Company continued the power supply during the moratorium period. As per the final resolution plan approved (July 2018) by the NCLT,

²⁷ Incorporated on 17 November 1938 under the Hyderabad Companies Act, 1930

M/s. JK Paper Limited (New Consumer) took over the Mill from the Consumer and paid the monthly CC bills from August 2018 onwards and paid (September 2018) ₹3.85 crore towards final settlement of the outstanding dues of the consumer. Thus, the Company incurred loss of ₹50.37 crore due to continuance of power supply despite non-payment of dues resulting in non-compliance of the Electricity Act, 2003 and the Electricity Supply Code. Hence, responsibility needs to be fixed on the concerned officials for recovery of the loss sustained by the Company.

Government stated (December 2022) that even though the Mill was not running, the employees of the Consumer were staying in the housing quarters and utilised the power supply for water and lighting purposes. The Company issued disconnection notices to the Consumer from time to time but the employees of the Consumer approached different forums of Government. Disconnection of power supply was deferred as per the oral advice (October 2014) of the Industries and Commerce Department. Also, considering the request of the New Consumer to write off the dues of various State Government Departments and its agencies pertaining to the period prior to the NCLT's orders, the Industries and Commerce Department issued (March 2021) orders not to demand the past period dues and to write off such dues. Further, in a meeting held on 22 October 2022, the Industries and Commerce Department opined that balance CC dues of the Company would be settled by providing budgetary support at a later date.

The reply is not acceptable as the Company is yet to realise the outstanding dues from the Government.

Hyderabad
The



(SUDHA RAJAN)
Accountant General (Audit), Telangana

Countersigned

New Delhi
The



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Refer to Paragraph 1.3 at Page 2)

Statement showing the cluster-wise list of Departments and Public Sector Undertakings

Sl.	Cluster	Departments	Public Sector Undertakings	Remarks
1	Agriculture, Food and Allied Industries	Agriculture and Cooperation	Telangana Rythu Bandhu Samithi	
2			Telangana State Agro Industries Development Corporation Limited	
3			Telangana State Horticulture Development Corporation Limited	
4			Telangana State Seeds Development Corporation Limited	
5			Telangana State Warehousing Corporation	Statutory Corporation
6		Consumer Affairs, Food and Civil Supplies	Andhra Pradesh Essential Commodities Corporation Limited	Inactive
7			Telangana State Civil Supplies Corporation Limited	
8	Culture and Tourism	Youth Advancement, Tourism and Culture	Telangana State Tourism Development Corporation Limited	
9	Education, Skill Development and Employment	Labour, Employment, Training and Factories	Telangana Overseas Manpower Company Limited	
10	Energy and Power	Energy	Andhra Pradesh Tribal Power Company Limited	Under Demerger
11			Northern Power Distribution Company of Telangana Limited	
12			Southern Power Distribution Company of Telangana Limited	
13			Telangana Power Finance Corporation Limited	
14			Telangana State Power Generation Corporation Limited	
15			Telangana State Renewable Energy Development Corporation Limited	
16			The Singareni Collieries Company Limited	
17			Transmission Corporation of Telangana Limited	

Sl.	Cluster	Departments	Public Sector Undertakings	Remarks
18	Environment, Science and Technology	Environment, Forest, Science and Technology	Telangana State Forest Development Corporation Limited	
19	Finance	Revenue	Telangana State Beverages Corporation Limited	
20	Governance, Law and Order	General Administration	Telangana State Film Development Corporation Limited	
21		Home	Telangana State Police Housing Corporation Limited	
22	Health and Welfare	Backward Classes Welfare	Telangana State Most Backward Classes Development Corporation	
23		Minorities Welfare	Telangana State Christian Minorities Finance Corporation Limited	
24			Telangana State Minorities Finance Corporation	
25	Industry and Commerce	Industries and Commerce	Allwyn Auto Limited	Inactive
26			Allwyn Watches Limited	Inactive
27			Andhra Pradesh Automobile Tyres and Tubes Limited	Inactive
28			Andhra Pradesh Electronics Development Corporation Limited	Inactive
29			Andhra Pradesh Steels Limited	Inactive
30			A.P. Small Scale Industrial Development Corporation Limited	Inactive
31			Aptronix Communications Limited	Inactive
32			Bio Tech Hub Limited	
33			Damodhara Minerals Private Limited	
34			E-City Manufacturing Cluster Limited	
35			Fab City SPV (India) Private Limited	
36			Golkonda Abrasives Limited	Inactive
37			Hyderabad Chemicals and Fertilizers Limited	Inactive
38			Hyderabad Pharma City Limited	
39			Infrastructure Corporation of Andhra Pradesh Limited	Under Demerger

Sl.	Cluster	Departments	Public Sector Undertakings	Remarks
40	Industry and Commerce	Industries and Commerce	Krishi Engineering Limited	Inactive
41			Maheswaram Science Park Limited	
42			Marine and Communication Electronics (India) Limited	Inactive
43			Pashamylaram Textiles Park	
44			PJ Chemicals Limited	Inactive
45			Republic Forge Company Limited	Inactive
46			Telangana Handloom Development Corporation Limited	
47			Telangana Industrial Health Clinic Limited	
48			Telangana Life Sciences Infrastructure Development Limited	
49			Telangana Powerloom and Textile Development Corporation Limited	
50			Telangana State Financial Corporation	Statutory Corporation
51			Telangana State Handicrafts Development Corporation Limited	
52			Telangana State Industrial Development Corporation Limited	
53			Telangana State Industrial Infrastructure Corporation Limited	
54			Telangana State Leather Industries Promotion Corporation Limited	
55			Telangana State Mineral Development Corporation Limited	
56			Telangana State Trade Promotion Corporation Limited	
57			The Nizam Sugars Limited	
58			TSMDC-SCCL Suliyari Coal Company Limited	Inactive
59			Vidyut Steels Limited	Inactive
60			We hub Foundation	
61			Zaheerabad NIMZ Limited	

Sl.	Cluster	Departments	Public Sector Undertakings	Remarks
62	Industry and Commerce	Infrastructure and Investment	Telangana State Aviation Corporation Limited	
63	IT and Communications	Information Technology, Electronics and Communications	Photonics Valley Corporation	
64			Telangana Fiber Grid Corporation Limited	
65			Telangana State Technology Services Limited	
66			T-works Foundation	
67	Public Works	Irrigation and Command Area Development	Kaleshwaram Irrigation Project Corporation Limited	
68			Telangana State Irrigation Development Corporation Limited	
69			Telangana State Water Resources Infrastructure Development Corporation Limited	
70			Telangana Water Resources Development Corporation Limited	
71	Rural Development	Panchayat Raj and Rural Development	Telangana Drinking Water Supply Corporation Limited	
72	Transport	Transport, Roads and Buildings	Telangana State Road Transport Corporation	Statutory Corporation
73	Urban Development	Housing	Telangana Rajiv Swagruha Corporation Limited	
74			Telangana State Housing Corporation Limited	
75		Municipal Administration and Urban Development	Greater Warangal Smart City Corporation Limited	GCOC
76			Hyderabad Airport Metro Limited	
77			Hyderabad Growth Corridor Limited	GCOC
78			Hyderabad Metro Rail Limited	
79			Hyderabad Road Development Corporation Limited	
80			Karimnagar Smart City Corporation Limited	GCOC
81			Musi Riverfront Development Corporation Limited	
82			Telangana Urban Finance and Infrastructure Development Corporation Limited	

GCOC means Government Controlled Other Company.

Appendix 1.2

(Refer to Paragraph 1.4.1 at Page 2)

**Working PSU wise and Department wise break-up of
outstanding Inspection Reports and Paragraphs**

Sl. No.	Name of the PSU	Number of IRs/ Paragraphs pending as of 30 September 2021	
		IRs	Paragraphs
1	Telangana Rythu Bandhu Samithi	0	0
2	Telangana State Agro Industries Development Corporation Limited	3	28
3	Telangana State Horticulture Development Corporation Limited	1	4
4	Telangana State Seeds Development Corporation Limited	1	15
5	Telangana State Warehousing Corporation	3	26
	Agriculture and Cooperation	8	73
6	Telangana State Most Backward Classes Development Corporation	0	0
	Backward Classes Welfare	0	0
7	Telangana State Civil Supplies Corporation Limited	5	57
	Consumer Affairs, Food and Civil Supplies	5	57
8	Andhra Pradesh Tribal Power Company Limited	0	0
9	Northern Power Distribution Company of Telangana Limited	67	532
10	Southern Power Distribution Company of Telangana Limited	85	432
11	Telangana Power Finance Corporation Limited	1	5
12	Telangana State Power Generation Corporation Limited	34	183
13	Telangana State Renewable Energy Development Corporation Limited	3	21
14	The Singareni Collieries Company Limited	7	65
15	Transmission Corporation of Telangana Limited	41	232
	Energy	238	1,470
16	Telangana State Forest Development Corporation Limited	3	21
	Environment, Forest, Science and Technology	3	21
17	Telangana State Film Development Corporation Limited	0	0
	General Administration	0	0
18	Telangana State Police Housing Corporation Limited	2	18
	Home	2	18
19	Telangana Rajiv Swagruha Corporation Limited	0	0
20	Telangana State Housing Corporation Limited	2	24
	Housing	2	24

Sl. No.	Name of the PSU	Number of IRs/ Paragraphs pending as of 30 September 2021	
		IRs	Paragraphs
21	Bio Tech Hub Limited	0	0
22	Damodhara Minerals Private Limited	2	3
23	E-City Manufacturing Cluster Limited	2	12
24	Fab City SPV (India) Private Limited	2	7
25	Hyderabad Pharma City Limited	0	0
26	Infrastructure Corporation of Andhra Pradesh Limited	1	6
27	Maheswaram Science Park Limited	1	4
28	Pashamylaram Textiles Park	1	6
29	Telangana Handloom Development Corporation Limited	0	0
30	Telangana Industrial Health Clinic Limited	0	0
31	Telangana Life Sciences Infrastructure Development Limited	0	0
32	Telangana Powerloom and Textile Development Corporation Limited	0	0
33	Telangana State Financial Corporation	1	11
34	Telangana State Handicrafts Development Corporation Limited	3	13
35	Telangana State Industrial Development Corporation Limited	2	15
36	Telangana State Industrial Infrastructure Corporation Limited	3	33
37	Telangana State Leather Industries Promotion Corporation Limited	4	17
38	Telangana State Mineral Development Corporation Limited	4	36
39	Telangana State Trade Promotion Corporation Limited	3	8
40	The Nizam Sugars Limited	2	2
41	We hub Foundation	0	0
42	Zaheerabad NIMZ Limited	0	0
	Industries and Commerce	31	173
43	Telangana State Aviation Corporation Limited	1	9
	Infrastructure and Investment	1	9
44	Photonics Valley Corporation	0	0
45	Telangana Fiber Grid Corporation Limited	0	0
46	Telangana State Technology Services Limited	2	8
47	T-works Foundation	1	11
	Information Technology, Electronics and Communication	3	19
48	Kaleshwaram Irrigation Project Corporation Limited	1	9

Sl. No.	Name of the PSU	Number of IRs/ Paragraphs pending as of 30 September 2021	
		IRs	Paragraphs
49	Telangana State Irrigation Development Corporation Limited	3	18
50	Telangana State Water Resources Infrastructure Development Corporation Limited	0	0
51	Telangana Water Resources Development Corporation Limited	0	0
	Irrigation and Command Area Development	4	27
52	Telangana Overseas Manpower Company Limited	1	8
	Labour, Employment, Training and Factories	1	8
53	Telangana State Christian Minorities Finance Corporation Limited	1	9
54	Telangana State Minorities Finance Corporation	2	10
	Minorities Welfare	3	19
55	Greater Warangal Smart City Corporation Limited	0	0
56	Hyderabad Airport Metro Limited	0	0
57	Hyderabad Growth Corridor Limited	3	35
58	Hyderabad Metro Rail Limited	2	26
59	Hyderabad Road Development Corporation Limited	1	7
60	Karimnagar Smart City Corporation Limited	0	0
61	Musi Riverfront Development Corporation Limited	1	1
62	Telangana Urban Finance and Infrastructure Development Corporation Limited	1	6
	Municipal Administration and Urban Development	8	75
63	Telangana Drinking Water Supply Corporation Limited	2	13
	Panchayat Raj and Rural Development	2	13
64	Telangana State Beverages Corporation Limited	3	18
	Revenue	3	18
65	Telangana State Road Transport Corporation	43	237
	Transport, Roads and Buildings	43	237
66	Telangana State Tourism Development Corporation Limited	4	62
	Youth Advancement, Tourism and Culture	4	62
	Total	361	2,323

Appendix 2.1

(Refer to Paragraph 2.1.3 at Page 8)

Organisational set up of the Director of Mines and Geology

Department

Government level	Principal Secretary to Government, Industries and Commerce Department, Government of Telangana.
Department Level	Director, Mines & Geology is assisted by the Deputy Director, Mines & Geology.
Zonal Level	Deputy Director, Mines & Geology is assisted by ADM&G concerned. There are three Regional Deputy Directors located at Hyderabad, Nizamabad and Warangal.
District Level	Assistant Director, Mines & Geology (ADM&G) is assisted by Royalty Inspector. Presently, there are 33 ADM&G offices, one for each district in Telangana State.

Enforcement Committee

State level	State level Sand Committee headed by Chief Secretary with Director, Mines & Geology as the Member Secretary.
District Level	District level Sand Committee headed by a Chairman (District Collector) who is assisted by Mandal Revenue Officer and ADM&G concerned as the convenor.

Sole Dealer Licensee

TSMDCL	Vice Chairman and Managing Director is assisted by five General Managers at Corporate Office and eight Project Officers at field level.
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Appendix 2.2

(Refer to Paragraph 2.1.6 at Page 9)

Statement showing Audit Sample

Sl. No.	Project Office	Revenue District	Sand reaches inspected
1	Bhadradi Kothagudem	Bhadradi Kothagudem	Chintakunta 64/AA, Chintakunta 64/E, C Kathigudem, Edulla Bayyaram 332, Janampeta SBAA5, Mogallapalli 38/A, Mogallapalli 44/1, Mogallapalli 44/2, Mogallapalli 44/3, Mote SBAA5, Padmagudem SBAA5, Pedamandava Sompally 203/34/A and Subbampeta 1&2 (Total 14)
		Khammam	
2	Jayashankar Bhupalapally	Jayasankar Bhupalpally	Beglur 1, Beglur 2, Bommapur 1, Bommapur 2, Brahmanapally 2, Kuntlam 1& 2, Kuntlam 3 Mahadevpur 1, Mahadevpur 2, Mahadevpur 3, Mahadevpur 4, Mahadevpur 5, Palugula 2, Palugula 5, Palugula 6, Palugula 7, Palugula 8, Palugula 9, Palugula 10, Palugula 11, Palugula 12 and Suraram 2 (Total 22)
		Warangal (Rural)	
3	Karimnagar	Adilabad	Kollur 1, Kollur 2, Kollur 3, Kollur 4, Kollur 5, Kollur 6, Kollur 7, Kollur 8, Yarraipet and Parepally (Total 10)
		Karimnagar	
		Peddapalli	
		Rajanna Siricilla	

Appendix 2.3

(Refer to Paragraph 2.2.2 at Page 14)

Statement showing undue benefit enjoyed by third party contractors

(Quantity in CBM and amount in ₹)

Sl. No.	Name of the Reach	Name of the Tribal Society Contractor	Name of the Third Party Contractor	Assessed Quantity	Dispatched Quantity (as per SSMMS)	Amount to Tribal Society Contractor @ ₹220 per CBM	Amount paid to Third Party Contractor @ ₹180 per CBM	Differential amount between ₹180 and ₹135
1	Alubaka	Alubaka Mahila Tribal Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	Not Available	2,25,000	1,36,955.50	3,01,30,210	2,46,51,990	61,62,998
2	Bhadrachalam	Bhadrachalam Girijana Sand Quarry Labour Contract Mutually Aided Co-operative Society Limited	M/s. Bhadradri Sand Supply Agency	2,22,000	1,86,530.40	4,10,36,688	3,35,75,472	83,93,868
			Veeramalla Srisailam					
			Bhookya Bhalya S/o Umla Bhadrachalam					
3	Chenchupally	Chenchu Lakshmi ST Isuka Quarry Labour Contract Cooperative Society Limited	M/s. Sri Sai Thirumala Infra Project	1,79,453	1,79,452.80	3,94,79,616	3,23,01,504	80,75,376
4	Chinnaravi gudem	Sammakka Sarakka Tribal Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	Vamshi S/o Yellaiah	2,40,000	59,612	1,31,14,640	1,07,30,160	26,82,540
5	Janampeta	Sammakka Sarakka Sand Quarry Girijana Labour Contract Mutually Aided Cooperative Society Limited	M/s. Rishitha Sai Developers	2,42,400	1,63,212.50	3,59,06,750	2,93,78,250	73,44,563
6	Kathigudem	Giriputra Girijana Sand Quarry Labour Contract Cooperative Society Limited	M/s. Bhavika Explorations	98,280	98,244	2,16,13,680	1,76,83,920	44,20,980

Sl. No.	Name of the Reach	Name of the Tribal Society Contractor	Name of the Third-Party Contractor	Assessed Quantity	Dispatched Quantity (as per SSMMS)	Amount to Tribal Society Contractor @ ₹220 per CBM	Amount paid to Third Party Contractor @ ₹180 per CBM	Differential amount between ₹180 and ₹135
7	Kondaigudem	The Shabari Sand Quarry Adivasi Girijana Labour Contract Mutually Aided Cooperative Society Limited	M/s. Sai Keerthi Constructions	2,25,000	1,81,328.50	3,98,92,270	3,26,39,130	81,59,783
8	Kondapuram	Kondapuram Mahila Tribal Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	Purjari Suresh S/o Ramulu	2,45,000	59,955	1,31,90,100	1,07,91,900	26,97,975
9	Kothapally	Kothapally Mahila Tribal Sand Quarry Labour contract Mutually Aided Cooperative Society Limited	S.Ramesh Reddy S/o Varada Reddy	1,80,000	48,420	1,06,52,400	87,15,600	21,78,900
10	Marikala	Girija Girijana Tribal Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	CH. Anil Kumar Reddy S/o Satyanarayana Reddy	2,37,000	2,20,024	4,84,05,280	3,96,04,320	99,01,080
			Balasani Krishnarjun Rao S/o Sanyasaiah					
11	Morramvani gudem	Godavari Tribal Women Sand Quarry Labour Contract MACS Limited	M/s. Shree Rama Mines & Minerals	2,37,300	1,34,096	2,95,01,120	2,41,37,280	60,34,320
12	Mutharam	Mutharam Mahila Tribal Women Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	Kode Suresh Chowdary	79,800	38,815	85,39,300	69,86,700	17,46,675
13	Ramanna gudem	Sri Rama Tribal Isuka Quarry Labour Contract Cooperative Society Limited	M/s. Sri Hemachala Lakshminarasimha Swamy Minerals	4,50,000	1,40,842	3,09,85,240	2,53,51,560	63,37,890
14	Ramanujavaram	Tribal Labour Contract Mutual Aided Cooperative Society Limited	Not Available	3,15,655	3,05,345.50	6,71,76,010	5,49,62,190	1,37,40,548

Sl. No.	Name of the Reach	Name of the Tribal Society Contractor	Name of the Third-Party Contractor	Assessed Quantity	Dispatched Quantity (as per SSMMS)	Amount to Tribal Society Contractor @ ₹220 per CBM	Amount paid to Third Party Contractor @ ₹180 per CBM	Differential amount between ₹180 and ₹135
15	Ramaraopet	Tribal Women Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	M/s. I Max Infra	1,35,000	1,26,258	2,77,76,760	2,27,26,440	56,81,610
16	Rampur	Sri Mahalaxmi Adivasi (ST) Isuka Quarry Labour Contract Cooperative Society Limited	M/s. Malayappa Swamy Minerals	2,21,268	1,13,767	2,50,28,740	2,04,78,060	51,19,515
17	Peddapally	Peddapally Mahila Tribal Sand Quarry Labour Contract Mutually Aided Cooperative Society Limited	L. Vinayak S/o Mangithya	2,49,600	73,566.50	1,61,84,630	1,32,41,970	33,10,493
18	Veerapuram	Sri Giri Laxmi Sand Quarry Tribal Labour Contract Cooperative Society Limited	M/s. Sri Ekshwaka Sands Private Limited	5,60,000	2,20,788.50	4,85,73,470	3,97,41,930	99,35,483
19	Vijayanagaram	Sand Quarry Tribal Labour Contract Cooperative Society Limited	M/s. Vamshi Constructions	2,40,000	91,618.50	2,01,56,070	1,64,91,330	41,22,833
Total					25,78,831.70	56,73,42,974	46,41,89,706	11,60,47,430

Appendix 3.1.1

(Refer to Paragraph 3.1.10 at Page 58)

Statement showing lease rentals due from the Concessionaire

(Amount in ₹)

Sl. No.	Particulars	Amount
1	Total Extent of land given for lease	42 acres
2	Prevailing market rate of 42 acres @ ₹4,500 per square yard (42 acres X 4,840 square yards per acre X ₹4,500)	91,47,60,000
3	Standard Rate of Lease Rent to be fixed @ 10 % of market value (₹91,47,60,000 X 10%)	9,14,76,000
4	Annual lease rent from July 2011 to March 2012 (9 months) (₹9,14,76,000 X 9 months/ 12 months)	6,86,07,000
5	Annual lease rent from April 2012 to March 2016 (4 years) (₹9,14,76,000 X 4 years)	36,59,04,000
6	Annual lease rent from April 2016 to June 2016 (3 months) (₹9,14,76,000 X 3 months/ 12 months)	2,28,69,000
7	Prevailing market rate of 42 acres @ ₹7,000 per square yard (42 acres X 4,840 square yards per acre X ₹7,000)	1,42,29,60,000
8	Standard Rate of Lease Rent to be fixed @ 10 % of prevailing market value (₹1,42,29,60,000 X 10%)	14,22,96,000
9	Annual lease rent from July 2016 to March 2017 (9 months) (₹14,22,96,000 X 9 months/ 12 months)	10,67,22,000
10	Annual lease rent from April 2017 to March 2018 (1 year)	14,22,96,000
11	Total lease rent payable by the Concessionaire upto March 2018 (4 + 5 + 6 + 9 + 10)	70,63,98,000
12	Total lease rent paid by the Concessionaire from July 2011 to March 2017 @ ₹1,50,000 per acre per annum (₹1,50,000 X 42 acres X 69 months/ 12 months i.e., for 5 years 9 months)	3,62,25,000
13	Balance Lease rent payable upto March 2018 (A)	67,01,73,000
14	Lease rent claimed by the Company upto March 2018	58,12,38,000
15	Lease rent short claimed	8,89,35,000
16	Annual lease rent not claimed from April 2018 to March 2019 (B)	14,22,96,000
17	Annual lease rent not claimed from April 2019 to March 2020 (C)	14,22,96,000
18	Total lease rent due from the Concessionaire upto March 2020 (A + B + C)	95,47,65,000

Glossary of Abbreviations

AAT	Actual Average Traffic
ADM&G	Assistant Director of Mines and Geology
AMP	Approved Mining Plan
APIICL	Andhra Pradesh Industrial Infrastructure Corporation Limited
APSD	Additional Performance Security Deposit
BDKG	Bhadradri Kothagudem
BoD	Board of Directors
BSO	Standing Orders of the Board of Revenue
CA	Concession Agreement
CBM	Cubic Meters
CC	Consumption Charges
CCTV	Closed Circuit Television Cameras
CFE	Consent for Establishment
CFO	Consent for Operation
CGG	Centre for Good Governance
CO	Circle Office
COD	Commercial Operation Date
DBFOT	Design, Build, Finance, Operate and Transfer
DC	District Collector
DLSC	District Level Sand Committee
DM&G	Director of Mines and Geology
DMFT	District Mineral Foundation Trust
DMRC	Delhi Metro Rail Corporation Limited
DPR	Detailed Project Report
DSR	District Survey Report
EC	Environmental Clearance
EIAD Report	Report on the Environmental Impact Assessment of De-siltation of sand at Annaram and Medigadda barrages
EMC	Environment Management Cell
EPM	Environmental Protection Measures
FFC	Fare Fixation Committee
GHMC	Greater Hyderabad Municipal Corporation
GoI	Government of India
GoTS	Government of Telangana
GPS	Global Positioning System
GST	Goods and Services Tax
HMDA	Hyderabad Metropolitan Development Authority
HMT	M/s. HMT Machine Tools Limited, Hyderabad
HT	High Tension

IE	Independent Engineer
IICT	Indian Institute of Chemical Technology
ITDA	Integrated Tribal Development Authority
Joint PV	Joint Physical Verification
JSBP	Jayashankar Bhupalapally
KM	Kilo Meters
KRMR	Karimnagar
L.A. Act	Land Acquisition Act, 1894
LLA	Leave and License Agreement
MA&UD	Municipal Administration and Urban Development
MAYTAS	M/s. MAYTAS Metro Limited, Hyderabad
MoE,F&CC	Ministry of Environment, Forests & Climate Change
MPC	Multilevel Parking Complex
MRA	Metro Rail Administration
MRS	Metro Rail System
MRTS	Mass Rapid Transit System
M-Sand	Manufactured Sand
MSMA	M-Sand Manufacturers Association
MSS	Manual of Standard Specifications
Mtr.s	Meters
NCLT	National Company Law Tribunal
NSM Policy	New Sand Mining Policy, 2014
PC	Project Cost
P&C	Parking & Circulation
PCC	Putlibowli Commercial Complex
PESA	Panchayat Extension to Scheduled Areas Act, 2002
PESA Rules	Panchayat Extension to Scheduled Areas Rules, 2011
PKM	Passenger Kilometres
PO	Project Office
PPP	Public Private Partnership
PSD	Performance Security Deposit
RDC	Road Damage Charges
RED	Real Estate Development
RFID	Radio Frequency Identification
RoW	Right of Way
R&R	Relief and Rehabilitation
RR	Ranga Reddy
SEIAA	State Level Environment Impact Assessment Authority
SF	Seigniorage Fee

Sft.	Square Feet
SLA	Sub-Lease Agreement
SMET	State Mineral Exploration Trust
SMS	Sand Management Society
Sq. M.	Square Meters
SR Contractor	Sand Raising Contractor
SSMM Guidelines	Sustainable Sand Mining Management Guidelines, 2016
SSMMS	Sand Sale Management and Monitoring System
ST	Scheduled Tribes
STMS	Sand Taxi Management System
TSMDCL	Telangana State Mineral Development Corporation Limited
TSPCB	Telangana State Pollution Control Board
TSSM Rules	Telangana State Sand Mining Rules, 2015
VC&MD	Vice Chairman and Managing Director
VGf	Viability Gap Funding
WALTA Act	Water, Land and Trees Act, 2002
WALTA Rules	Water, Land and Trees Rules, 2004

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2023

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