

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

for the year ended March 2012

**Government of Andhra Pradesh
*Report No. 2 of 2013***

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Preface

Government Public Sector Undertakings, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under the following categories;

- (i) Government Companies, and
- (ii) Statutory Corporations.

2. The Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Andhra Pradesh under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended from time to time.

3. Audit of accounts of Government Companies is conducted by the CAG under the provision of Section 619 of the Companies Act, 1956.

4. In respect of Andhra Pradesh State Road Transport Corporation which is a statutory corporation, CAG is the sole auditor. As per 'The State Financial Corporation (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Andhra Pradesh State Financial Corporation in addition to the audit conducted by Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Andhra Pradesh State Warehousing Corporation, CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountant appointed by the State Government in consultation with the CAG. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. This Report contains a Performance Audit of the Andhra Pradesh State Financial Corporation (Chapter - 2), a Thematic Audit of land allotments by the Andhra Pradesh Industrial Infrastructure Corporation Limited (Chapter - 3), and other Compliance Audit observations (Chapter - 4).

6. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2011-12 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 31 March 2012 have also been included, wherever necessary.

7. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

1. Overview of State Public Sector Undertakings

The State Public Sector Undertakings (PSUs), consisting of State Government Companies and Statutory Corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG, as per the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory Corporations is governed by their respective legislations.

- As on 31 March 2012, the State of Andhra Pradesh had 50 working PSUs (47 companies and three Statutory Corporations) and 24 non-working PSUs (all companies). As of the same date, the investment (capital and long-term loans) in these 74 PSUs was ₹ 57,982.25 crore. This investment has grown by 74.37 *per cent* from 2006-07 to 2011-12. The thrust of the investment was mainly in the power sector.
- During 2011-12, the total outgo from the budget of the Government of Andhra Pradesh (GoAP) was ₹ 10,027.27 crore, of which equity capital outgo was ₹ 46.67 crore, loans outgo ₹ 3,035.07 and grants/ subsidies ₹ 6,945.53 crore. Notwithstanding this budgetary outgo, there was a total outstanding receivable amount from GoAP of ₹ 13,129.00 crore as of March 2012 towards subsidy for high cost power in respect of the four power distribution companies.
- There was a difference of ₹ 2,953.92 crore in equity, ₹ 2,563.87 crore in loans and ₹ 4,842.94 crore in guarantees as per the Finance Accounts and the records of PSUs, which needs to be reconciled.
- Out of 50 working PSUs, only 22 PSUs had finalized their annual accounts for 2011-12. The total number of annual accounts in arrears was 78, with arrears ranging from one to seven years.
- Out of the 22 PSUs that had finalized their accounts for 2011-12, 16 PSUs earned an aggregate profit of ₹ 1,224.32 crore, while 4 PSUs incurred a loss of ₹ 586.34 crore. The main profit earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 401.52 crore), The Singareni Collieries Company Limited (₹ 358.27 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 308.46 crore). The main loss incurring PSU was Andhra Pradesh State Road Transport Corporation (₹ 585.31 crore).

- Reports of Statutory Auditors on internal control of the companies indicated several weak areas.
- 13 Departments had not submitted Explanatory Notes on 116 out of 425 paragraphs/ review included in the CAG's Audit Reports as of September 2012. Further, Action Taken Notes on 607 recommendations pertaining to 37 Reports of the Committee on Public Undertakings presented to the State Legislature between April 1991 and March 2012 had not been received as of September 2012. Also, 3,035 paragraphs relating to 756 audit inspection reports issued to the Heads of PSUs and Departments remained outstanding as of September 2012.

(Chapter I)

2. Performance Audit relating to Statutory Corporation

Performance Audit relating to *Andhra Pradesh State Financial Corporation*

Introduction

Andhra Pradesh State Financial Corporation (APSFC) was set up in November 1956 under the State Financial Corporations (SFCs) Act, 1951 for extending financial assistance to Micro, Small and Medium Enterprises (MSME) in the State. The sources of funds for APSFC include the Small Industries Development Bank of India (SIDBI), borrowings from banks and financial institutions etc. In November 2003, APSFC, Government of Andhra Pradesh (GoAP) and SIDBI entered into an MoU for improvement of APSFC's profitability and viability, which was renewed in January 2010 for another five years.

A Performance Audit of the activities of APSFC thus, would not only cover a review of the follow-up action taken on the earlier audit findings and CoPU recommendations, but would also provide insight into how successful APSFC was in the medium-to-long term in the implementation of the tripartite MoU and completing its turnaround, besides appraisal of its policies and procedures for appraisal, sanction, disbursement and recovery of loans.

The current Performance Audit covered the activities of APSFC for the period 2007-08 to 2011-12. Out of 6,169 loans sanctioned for ₹ 5,699.91 crore during this period, detailed audit scrutiny of loan files covered a stratified sample of 175 loans, constituting about 21 *per cent* of the total sanctioned amount during 2007-12. In addition, 65 OTS (One Time Settlement) and recovery cases for loans sanctioned during earlier periods were also scrutinised.

The main objectives of the Performance Audit were to assess whether (a) the terms of the tripartite MoU were adhered to; (b) APSFC's policies and procedures for appraisal, sanction and disbursement of loans were effective; and (c) APSFC's processes for timely recovery of loans were adequate and effective.

Our main audit findings and recommendations are summarised below:

Adherence to MoU Terms

- GoAP's efforts towards strengthening of APSFC's equity base were limited to alienation and allotment of land in a prime area of Rangareddy District. However, since the land is encroached upon by people engaged in illegal quarrying, APSFC has not benefitted from GoAP's equity contribution.
- In the tripartite MoU, among APSFC, GoAP and SIDBI, APSFC had assured that it would curtail administrative and establishment expenditure to 10 *per cent* of total income by 2009. However, during 2007-08 to 2011-12, such expenditure ranged from 14 to 17 *per cent*. It was also unable to diversify its product base through non-fund income.

Appraisal, Sanction, Disbursement and Recovery of Loans

- Contrary to the Know Your Customer (KYC) norms, APSFC did not conduct due diligence in respect of the sources of interest-free advances brought in for a majority of high-value loans sanctioned. It also had no mechanism for updating of customer data on a periodical basis.

- Audit scrutiny of test-checked loans sanctioned during 2007-12 revealed several deficiencies/ deviations:

With effect from October 2009, interest rate for term loans was based on the credit ratings assigned by APSFC. However, there were several instances of grant of concessional rates of interest in an arbitrary/ non-transparent manner.

Loans were sanctioned to educational institutions, even though they were not included as eligible activities under the SFC Act.

Other deviations included improper consideration of the cost of machinery/ improper valuation of existing machinery, sanction for an unapproved purpose, non-obtaining of additional collateral security for a unit which had availed of OTS benefits, sanction to units with accumulated arrears on an earlier loan/ whose sister concerns had already been classified as NPAs.

- There were several deficiencies/ deviations in disbursement and recovery of test-checked loans:

APSFC had been disbursing loan amounts on *ad hoc* basis in selective basis without verification of proof of expenditure, resulting in large amounts pending adjustment for long periods. Further, APSFC was irregularly treating such *ad hoc* releases as regular term loan amounts.

APSFC had substantial NPAs (Non-Performing Assets); there was a jump from ₹ 233.11 crore in 2007-08 to ₹ 296.79 crore in 2011-12.

There were numerous instances of non-compliance/ delays in taking recovery action (issue of recall notices, seizure of assets and sale, action under the Revenue Recovery Act/ SFC Act etc.). Such action was not being initiated in time even in respect of doubtful assets (let alone all sub-standard assets).

There were instances of acceptance of defective securities, without proper verification, as well as irregular/ improper release of collateral security without adequately protecting the financial interests of APSFC (which resulted in accumulation of large outstanding amounts/ arrears).

APSFC has been operating the OTS Scheme for 15 years continuously without a fixed timeframe, promoting a culture of non-payment amongst its borrowers. There were numerous instances where APSFC settled the loan accounts for amounts less than the collateral security available, deviating from its own OTS guidelines and COPU's directions. Further, OTS benefits were also irregularly extended to wilful defaulters.

(Chapter II)

3. Thematic Audit of Land Allotments by Andhra Pradesh Industrial Infrastructure Corporation Limited

Alienation/ acquisition and allotment of land to private parties is a major activity undertaken by the Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC). Audit has commented on land allotments by APIIC and instances of undue favours granted to private parties by APIIC and Government of Andhra Pradesh (GoAP) in recent Audit Reports (viz., 2006-07-Commercial and 2011-12-Civil). However, in order to present a comprehensive picture of land acquisition/ alienation and allotments by APIIC, a thematic audit on this subject, covering the Corporate Office of APIIC and 8 out of its 16 Zonal Offices was conducted in May to July 2012. The audited sample of 1096 cases involved 43,920 acres of land, covering 78 per cent of the total land allotment during 2006-12. The main findings and recommendations arising out of the thematic audit are summarized below.

Sale/Lease of land in advance possession of APIIC pending alienation by GoAP

Alienation orders of GoAP had not been received for 49,046 acres of land, over which APIIC had already taken advance possession. Consequently, APIIC was making sales/lease to private parties based on the tentative market value of land.

Irregularities in allotment/ alienation

- Deficiencies in the award and implementation of the project for development of 'Integrated Vizag Knowledge City' over 1,750 acres of land, with corresponding undue favour to the successful bidder and allottee, Unitech Ltd, besides substantial post-bid changes such that the Development Agreement bore virtually no resemblance to the project terms and conditions envisaged at the time of bidding in detriment to the financial interests of APIIC.
- Instances of allotment of land to private parties at rates well below the market value or well below acquisition cost. Notable instances of such allotment at irregularly low rates to East Coast Energy Ltd., MLR Motors Pvt. Ltd, Orient Craft Fashion Institute of Technology, Krishnapatnam Power Corporation Ltd., and Kineta Power Pvt. Ltd., involving losses of ₹ 48.84 crore.
- 82 allotments by APIIC at rates lower than those of APIIC's own Price Fixation Committee (PFC); notable instances of such allotments were to J.T. Holdings, Hyderabad Gems Ltd., Hetero Drugs Ltd., Aurobindo Pharma Ltd., and Gujarat NRE Coke Ltd., involving losses of ₹ 69.83 crore. There were also instances of allotment of land by APIIC

before fixation of cost by its Price Fixation Committee (PFC), which resulted in loss of ₹ 25.09 crore in respect of six cases.

- Other deficiencies in allotment detrimental to APIIC's financial interests, including allotment at reduced rates leading to the allottees benefit of ₹ 44.07 crore.
- Short-levy/ non-levy of service charges and process fee amounting to ₹ 65.37 crore, non-levy of commercial rates for commercial activities in Industrial/ IT Parks with loss of revenue of ₹ 16.13 crore and short-levy of conversion fee for non-agricultural purposes of ₹ 6.40 crore.
- Irregularities in allotments of land on lease basis by APIIC in several cases, notably in respect of Samuha Engineering Industries Ltd., with undue favour of ₹ 61.24 crore. Other cases of irregularities in lease allotment included Solar Semiconductor Pvt. Ltd., and XL Telecom & Energy Ltd., in Fab City (Rangareddy District) and Thermal Power Tech Corporation India Ltd. (SPS Nellore District), with loss of revenue of ₹ 25.99 crore.

Non-achievement/ partial achievement of objectives

Out of 6,038 allotments, 4,220 allotments during 2006-10 should have been completed within 2 years. Of these, 1,204 units (involving 15,292 acres of land) were yet to even commence implementation. Audit scrutiny also revealed instances of non-fulfillment of targeted objectives of investment and employment generation for various industries, despite the rebate for land cost.

(Chapter – III)

4. Compliance Audit Observations

Gist of audit observations is given below:

1. Andhra Pradesh Industrial Infrastructure Corporation Limited

a) Irregularities in Construction of Corporate Office Building

APIIC obtained land allotment from the Government in a prime locality for construction of Corporate Office but resorted to unauthorised construction of arts theatre and commercial space. The unfinished building worth ₹ 9.61 crore was kept idle for the past one year pending decision by the Government on its utilisation.

(Paragraph 4.1)

b) Undue benefit to Allottees

APIIC's decision to lay a road between lands allotted to two SEZs on its own without ensuring feasibility of the road for public use resulted in infructuous expenditure of ₹ 26.81 crore besides extending undue benefit to the developers of these two SEZs.

(Paragraph 4.2)

2. Andhra Pradesh Gas Infrastructure Corporation Limited

Unfruitful expenditure towards consultancy charges

APGIC incurred unfruitful expenditure of ₹ 1.05 crore towards consultancy charges without deriving any significant services due to non-termination of agreement of consultant as the important termination clause was not included in the agreement even though the same was offered by the consultant.

(Paragraph 4.3)

3. Krishnapatnam International Leather Complex Private Limited

Abnormal delay in implementation of International Leather Complex Project

Lack of planned approach in project implementation, coupled with unexplained delays in decision making, resulted in failure to implement the ILC project even after abnormal delay of seven years of the sanction, and defeated the envisaged objective of exploiting emerging global leather trade opportunities and creation of sustainable employment in the state of Andhra Pradesh.

(Paragraph 4.4)

4. Indira Gandhi Centre for Advanced Research on Livestock Private Limited (IGCARL)

Unfruitful Expenditure

The objective of a functional world class livestock research centre remained far from reality having incurred an expenditure of ₹ 236.67 crore till March 2012 on buildings, land acquisition and other pre-operative expenses. Basic amenities (viz. water, power, effluent/ sewerage treatment plants) required for such a research facility had not been made available; funds required for completion of balance works and provision of basic amenities were yet to be provided. The infrastructural assets created and largely completed with 6.64 lakh sq. ft. of floor area were being put to limited use only as a cattle diary and for cultivation of fodder crops, rather than for research on livestock. The Bio-Tech SEZ was a non-starter.

(Paragraph 4.5)

5. Andhra Pradesh State Road Transport Corporation

Deficiencies in regulation of pay & allowances and related expenditure

Deficiencies in regulation of pay & allowances and related expenditure resulted in avoidable extra expenditure/ additional burden to the tune of ₹ 92.93 crore due to implementation of revised pay scales with effect from 1 April 2009 (RPS 2009) and financial indiscipline/ lack of control over expenditure, especially personnel cost.

Other observations in APSRTC include heavy expenditure on light vehicles, extension of interest free furniture advance out of borrowed funds resulted in additional burden of ₹ 2.98 crore, additional burden due to non-revision of man hour rates in respect of workshops-₹ 5.37 crore, heavy expenditure on officers' Travelling/ Daily Allowance due to higher rates and lack of control, Surrender of privilege bus passes, Reimbursement of expenditure on LTC to foreign countries.

(Paragraphs 4.6.1 to 4.6.11)

(Chapter 4)

Chapter I

1. Overview of State Public Sector Undertakings (PSUs)

1.1 Introduction

1.1.1 The State Public Sector Undertakings (PSUs), consisting of State Government Companies and Statutory Corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. In Andhra Pradesh, the State PSUs occupy an important place in the State economy. The 22 working State PSUs¹ who had finalised their annual accounts for 2011-12 as of date, registered a turnover of ₹ 68,212.70 crore during 2011-12 which was equal to 10.09 *per cent* of the State Gross Domestic Product (GDP)² for 2011-12. These 22 PSUs generated an aggregate profit of ₹ 637.98 crore for 2011-12, had employed 2.52 lakh employees. The State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are part of Government Departments. Audit findings in respect of these DUs are incorporated, as appropriate, in other Audit Reports of the State.

1.1.2 As on 31 March 2012, there were 74 PSUs as per the details given below. Of these, no Company was listed on the stock exchanges.

Table 1.1 – Profile of State PSUs

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government Companies	47 ⁴	24 ⁵	71
Statutory Corporations	3	-	3
Total	50	24	74

Source: As provided by respective PSU.

1.1.3 During the year 2011-12, two PSUs, namely Andhra Pradesh Aviation Corporation Limited and Pashamylaram Textiles Park, were added to our audit jurisdiction.

1.2 Audit Mandate

1.2.1 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a

¹ 20 Government Companies and 2 Statutory Corporations.

² Advance Estimate.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes six working companies under Section 619-B of the Companies Act, 1956 (Sl.No. 6, 14, 15, 21, 30 and 40 of Part A of Annexure-1.1).

⁵ Includes six non-working companies under Section 619-B of the Companies Act, 1956 (Sl.No. 17 to 22 of Part C of Annexure-1.1).

Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

1.2.2 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.2.3 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory Corporations, CAG is the sole auditor for Andhra Pradesh State Road Transport Corporation. In respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

1.3 Investment in State PSUs

1.3.1 As on 31 March 2012, the investment (capital and long-term loans)⁶ in 74 PSUs (including 619-B companies) was ₹ 57,982.25 crore, as per details given below:

Table 1.2 – Investment in State PSUs

(₹ in crore)

Particulars	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7757.92	43500.56	51258.48	414.89	6039.90	6454.79	57713.27
Non-working PSUs	81.97	187.01	268.98	-	-	-	268.98
Total	7839.89	43687.57	51527.46	414.89	6039.90	6454.79	57982.25

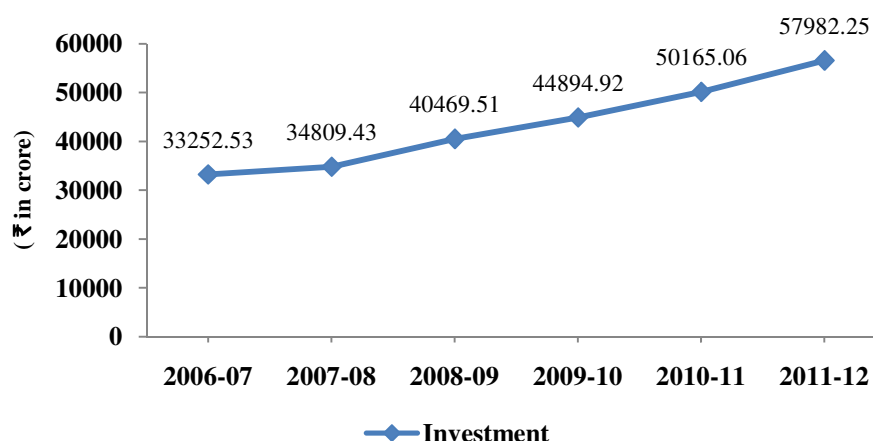
Source: Audited accounts of State PSUs for 2011-12 where available, or information furnished by the PSUs

A summarised position of Government investment in State PSUs is detailed in **Annexure-1.1**.

1.3.2 As on 31 March 2012, of the total investment in State PSUs, 99.54 per cent was in working PSUs and the remaining 0.46 per cent in non-working PSUs. This total investment consisted of 14.24 per cent towards capital and 85.76 per cent in long-term loans. The investment has grown by 74.37 per cent from ₹ 33,252.53 crore in 2006-07 to ₹ 57,982.25 crore in 2011-12 as shown below.

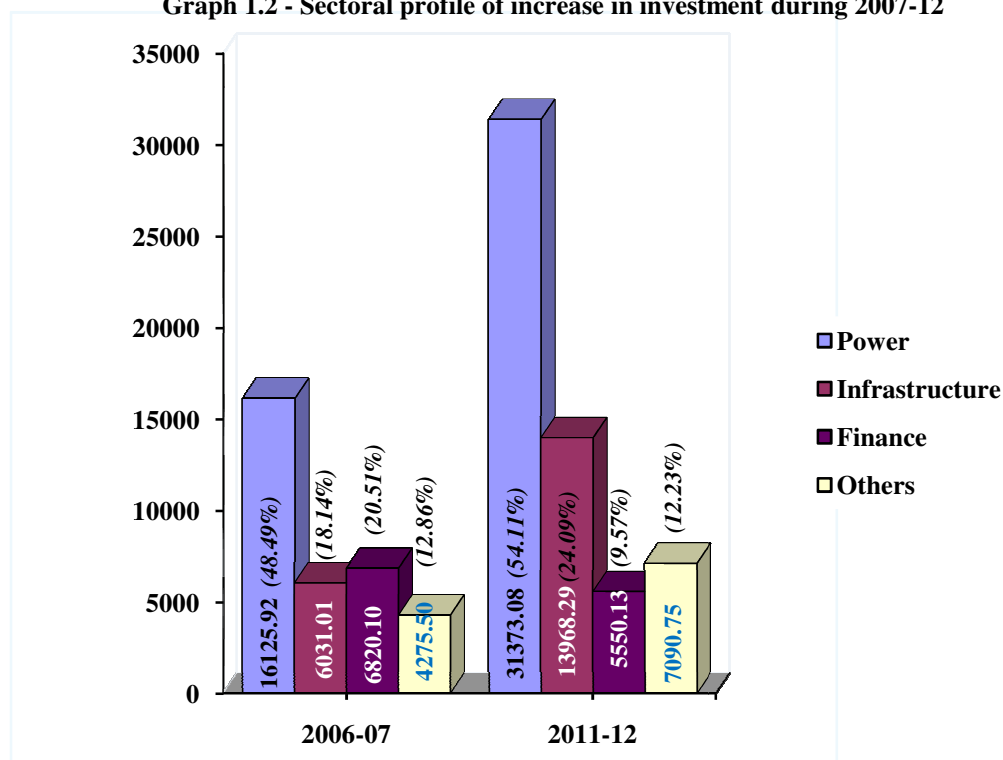
⁶ Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

Graph 1.1 - Investment (Capital and long term loans)



1.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The thrust of PSUs investment was mainly on the power sector during the last five years, with the investment in this sector increasing in percentage terms from 48.49 in 2006-07 to 54.11 in 2011-12. The investment in the infrastructure sector also increased in percentage terms from 18.14 in 2006-07 to 24.09 in 2011-12.

Graph 1.2 - Sectoral profile of increase in investment during 2007-12



(Figures in brackets show the percentage of total investment)

In absolute terms, during the period from 2006-07 to 2011-12, the investment in the infrastructure sector increased by ₹ 7,937.28 crore, primarily due to increase in investment in the Andhra Pradesh State Housing Corporation Ltd. (₹ 5,663.23 crore) and development of roads by Hyderabad Growth Corridor Ltd. (₹ 2,248.42 crore). The investment in the power sector increased by

₹ 15,247.16 crore during this period, primarily due to increase in respect of Andhra Pradesh Power Development Corporation Ltd. (₹ 6,074.77 crore), Andhra Pradesh Power Generation Corporation Ltd. (₹ 5,484.16 crore), Central Power Distribution Company of Andhra Pradesh Ltd. (₹ 1,579.01 crore), and Transmission Corporation of Andhra Pradesh Ltd. (₹ 1,298.54 crore).

1.4 Budgetary outgo, grants/subsidies, guarantees, loans and outstanding dues from Government of Andhra Pradesh (GoAP)

1.4.1 The details regarding budgetary outgo from Government of Andhra Pradesh (GoAP) towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-1.4**. The summarised details are given below for three years ended 2011-12.

Table 1.3 - Details of budgetary outgo

(Amount ₹ in crore)

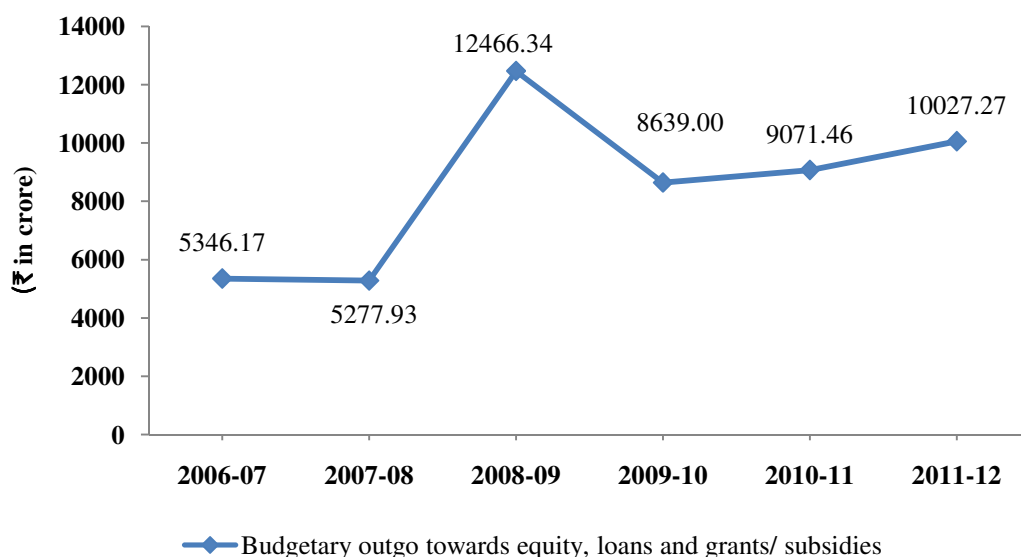
Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	02	2.02	04	27.06	05	46.67
2.	Loans given from budget	03	648.94	05	1783.47	05	3035.07
3.	Grants/Subsidy received	20	7988.04	16	7260.93	19	6945.53
4.	Total Outgo	24⁷	8639.00	21⁷	9071.46	26⁷	10027.27
5.	Interest/Penal interest written off	01	36.18	--	--	--	--
6.	Guarantees issued	04	229.65	05	2638.05	04	4316.81
7.	Guarantee Commitment	14	13770.31	14	14275.46	14	15279.62

Source: As provided by PSUs concerned

⁷ The figure represents number of PSUs which have received outgo from budget under one or more heads i.e., equity, loans and grants/ subsidies.

1.4.2 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below:

Graph 1.3 - Budgetary outgo towards equity, loans and grants/ subsidies



1.4.3 The main beneficiaries of subsidy and grants from GoAP's budget were the power and manufacturing sectors, which received 82.19 *per cent* (₹ 5,708.68 crore) and 7.55 *per cent* (₹ 524.58 crore) of the total amount of subsidy and grants (₹ 6,945.53 crore) respectively. The majority of loans given from the budget was also to the power and manufacturing sectors, which received 51.53 *per cent* (₹ 1,563.94 crore) and 30.96 *per cent* (₹ 939.63 crore) of the total amount of loans (₹ 3,035.07 crore) respectively.

1.4.4 Notwithstanding the budgetary outgo indicated above, there was a total outstanding receivable amount from GoAP of ₹ 13,129.00 crore as of March 2012 (from 2008-09 onwards) towards subsidy for high cost power in respect of the four power distribution companies (Central Power Distribution Company of AP Ltd.-₹ 5,345.70 crore, Southern Power Distribution Company of AP Ltd.-₹ 2,983.44 crore, Northern Power Distribution Company of AP Ltd.-₹ 2,525.66 crore and Eastern Power Distribution Company of AP Ltd.-₹ 2,274.20 crore). During supplementary audit by CAG of the accounts of these companies for 2011-12, the power distribution companies indicated that GoAP had explicitly authorised them to procure additional power by way of comfort letters and directed them to raise short term loans which would be reimbursed by GoAP, along with interest, in future financial years through budgetary support. Accordingly, they had been procuring additional power by way of short term loans. However, reimbursement of this amount has not been provided in the budget by GoAP.

1.4.5 The Government charges guarantee commission at the concessional rate of half *per cent* to two *per cent* for term loans granted by the Financial Institutions and Banks to various PSUs. The guarantee commission is payable as and when loans are guaranteed. The amount of guarantees outstanding decreased from ₹ 18,278.63 crore in 2006-07 to ₹ 15,279.62 crore in 2011-12, showing a decrease of 16.41 *per cent*. The guarantees mainly comprise amounts guaranteed for Andhra Pradesh Power Finance Corporation Limited,

Andhra Pradesh State Housing Corporation Limited, Transmission Corporation of Andhra Pradesh Limited and Andhra Pradesh State Financial Corporation. During the year 2011-12, the State Government received ₹ 23.89 crore⁸ towards guarantee commission, and ₹ 6.56 crore was due to be received.

1.5 Reconciliation with Finance Accounts

1.5.1 The figures in respect of equity, loans and guarantees outstanding of GoAP as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is stated below:

Table 1.4 - Differences between Finance Accounts and Records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs ⁹	Difference
Equity	3388.62	6342.54	2953.92
Loans	11835.83	14399.70	2563.87
Guarantees	10436.68	15279.62	4842.94

Source: As per Finance Accounts and data as provided by respective PSU.

1.5.2 Audit observed that the amount as per the records of PSUs was more than that of Finance Accounts in respect of equity, loans and guarantees. The differences occurred in respect of 67 PSUs and some of the differences were pending reconciliation since long. In particular,

- The difference of ₹ 2,953.92 crore in equity is mainly due to the reason that eight¹⁰ PSUs of the power sector whose equity as per their accounts was ₹ 4,419.39 crore, as against the Finance Accounts figure of ₹ 1,594.65 crore. This difference in equity is mainly due to the ‘assets and liabilities transfer schemes (transfer scheme I, II and III)’ implemented by GoAP on unbundling (March 2000) of the erstwhile Andhra Pradesh State Electricity Board into various power companies, which was not fully reflected in the Finance Accounts.
- The difference of ₹ 2,563.87 crore in loans is mainly due to the reason that

⁸ The Nizam Sugars Limited, Andhra Pradesh State Financial Corporation, New & Renewable Energy Development Corporation of Andhra Pradesh Limited, Andhra Pradesh Industrial Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited and Southern Power Distribution Company of Andhra Pradesh Limited.

⁹ Figures from annual accounts for 2011-12, where finalised, or information furnished by the State PSUs.

¹⁰ Andhra Pradesh Power Generation Corporation Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, New & Renewable Energy Development Corporation of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Transmission Corporation of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited (619-B).

Andhra Pradesh State Housing Corporation Limited accounted loans as ₹ 10,409.34 crore as against the Finance Accounts figure of ₹ 8,580.00 crore, Andhra Pradesh Power Development Company Limited accounted loans as ₹ 1,909.78 crore which was not included in the Finance Accounts, Andhra Pradesh Power Generation Corporation Limited has not accounted any loans as against the Finance Accounts figure of ₹ 763.03 crore, Hyderabad Growth Corridor Limited accounted loans of ₹ 664.14 crore which was not included in the Finance Accounts, Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited has not accounted any loans as against the Finance Accounts figure of ₹ 210.64 crore, and Andhra Pradesh Industrial Infrastructure Corporation Limited accounted loans as ₹ 0.70 crore as against the Finance Accounts figure of ₹ 105.45 crore.

- The major difference of ₹ 3,715.01 crore out of a total of ₹ 4,842.94 crore in respect of guarantees is due to Andhra Pradesh Power Finance Corporation Limited accounting ₹ 6,710.20 crore as against the Finance Accounts figure of ₹ 2,995.19 crore.

1.5.3 The matter regarding the difference in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs was taken up from time to time with the Finance Department of GoAP. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.6 Arrears in finalization of Annual Accounts

1.6.1 The accounts of companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September each year.

Table 1.5 – Arrears in finalization of annual accounts of PSUs

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12*
1.	Number of Working PSUs	42	43	45	48	50
2.	Number of accounts finalised during the year	39	46	51	46	54
3.	Number of accounts in arrears	73	70	64	70	78 ¹¹
4.	Average arrears per PSU (3/1)	1.74	1.63	1.42	1.46	1.56
5.	Number of Working PSUs with arrears in accounts	29	26	25	30	28
6.	Extent of arrears	1 to 10 years	1 to 11 years	1 to 12 years	1 to 10 years	1 to 7 years

*Position up to December 2012 as given in Annexure 1.5

¹¹ Includes arrears of 14 accounts of two companies for seven years each added to our audit jurisdiction i.e. Andhra Pradesh Aviation Corporation Limited and Pashamylaram Textiles Park.

As can be seen above, the average arrears per PSU decreased from 1.74 in 2007-08 to 1.56 in 2011-12.

1.6.2 As regards non-working companies, out of 24 such PSUs, 11 had gone into liquidation process, two were wound up and one was under merger. The remaining 10 non-working PSUs were either under closure having no business activities or having no assets; besides, they had arrears of accounts for four to 28 years.

1.6.3 The State Government had invested ₹ 7,263.93 crore (equity: ₹ 22.13 crore, loans: ₹ 2,870.28 crore, grants: ₹ 1,396.32 crore and subsidy: ₹ 2,975.20 crore) in 19 PSUs (16 working and 3 non-working PSUs) during the years between 2000-01 and 2011-12 for which accounts have not been finalised as detailed in **Annexure-1.5**. *In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for, and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.*

1.6.4 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by audit of the arrears in finalisation of accounts, no remedial measures were taken.

1.6.5 In view of the above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts, wherever staff shortage exists.**

1.7 Performance of PSUs

1.7.1 Out of 50 working PSUs, 22 PSUs (20 Government Companies and 2 Statutory Corporations) had finalised their annual accounts for 2011-12, as of date. The investment (capital and long-term loans) in these 22 PSUs as on 31 March 2012 was ₹ 43,372.69 crore, which represented 74.80 *per cent* of the investment in all State PSUs.

1.7.2 The financial position and working results in respect of these 22 PSUs, who had finalised their annual accounts for 2011-12, are detailed in **Annexures - 1.2, 1.6 and 1.8**. The table below provides the details of profit/loss and turnover of these 22 PSUs and State GDP for 2010-11 and 2011-12:

Table 1.6 – Turnover vis-à-vis State GDP

Particulars	₹ in crore)	
	2010-11	2011-12
Turnover	59710.43	68212.70
State GDP ¹²	588963.00	675798.00
Percentage of turnover to State GDP ¹³	10.14	10.09
Net Profit	547.22	637.98

Source: as provided by respective PSU and as per Finance Accounts

1.7.3 Out of the 22 PSUs who finalised their accounts for 2011-12, 16 PSUs earned an aggregate profit of ₹ 1,224.32 crore, while 4 PSUs incurred a loss of ₹ 586.34 crore. Of the remaining two PSUs, one PSU i.e. Andhra Pradesh Power Finance Corporation Limited is preparing accounts on no profit/ no loss basis, and the other PSU i.e., Andhra Pradesh Power Development Company Limited is yet to commence commercial operation and, hence, has not prepared profit and loss account. The main profit-earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 401.52 crore), The Singareni Collieries Company Limited (₹ 358.27 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 308.46 crore). The main loss-incurring PSU was Andhra Pradesh State Road Transport Corporation (₹ 585.31 crore).

1.7.4 A comparison with the figures for 2011-12 revealed that Transmission Corporation of Andhra Pradesh Limited's net profit increased from ₹ 61.74 crore in 2010-11 to ₹ 308.46 crore and Andhra Pradesh Power Generation Corporation Limited's net profit increased from ₹ 313.22 crore in 2010-11 to ₹ 401.52 crore in 2011-12, while Andhra Pradesh State Road Transport Corporation's loss increased from ₹ 317.40 crore in 2010-11 to ₹ 585.31 crore in 2011-12.

1.7.5 Some other key parameters pertaining to the 22 PSUs, who had finalised their accounts for 2011-12, are given below:

Table 1.7 – Key parameters of 22 State PSUs, who had finalised their accounts for 2011-12

Particulars	₹ in crore)	
	2010-11	2011-12
Return on capital employed (per cent)	4140.77 (7.57)	5405.49 (10.35)
Debt	29766.35	35611.18
Turnover	59710.43	68212.70
Debt/ Turnover Ratio	0.50:1	0.52:1
Interest Payments	3593.55	4767.51
Accumulated Profits / (losses)	(284.49)	(18.47)

Source: As provided by respective PSU.

1.7.6 Out of 50 working PSUs, 28 PSUs (including one Statutory Corporation) had not finalised their accounts for 2011-12. The working results

¹² Quick estimate for 2010-11 and advance estimate for 2011-12.

¹³ The ratio of PSUs turnover to State GDP shows the extent of PSUs' activities in the State economy.

in respect of these 28 PSUs, based on the latest finalised annual accounts, are indicated in **Annexures - 1.3, 1.7 and 1.9**. In view of the fact that the arrears in annual accounts varies from PSU to PSU, no comparison or analysis is being attempted.

1.7.7 The State Government had not formulated any specific dividend policy under which all PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. Out of the 50 working PSUs, three PSUs¹⁴ paid ₹ 3.39 crore as dividends declared for earlier years during 2011-12 and two PSUs¹⁵ declared and paid ₹ 99.01 crore of dividends for 2011-12. As there is no specific dividend policy, the State Government should formulate a dividend policy to yield reasonable revenue on the investment made in all the profit making companies.

1.8 Internal Audit and Internal Control System

1.8.1 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the PSUs audited in accordance with the directions issued by the C&AG of India to them under section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of comments made by the Statutory Auditors in respect of finalised accounts on possible improvement in the internal audit and internal control system, during 2011-12 are indicated below:

Table 1.8 – Comments by Statutory Auditor/ CAG on internal control/ internal audit systems

Sl. No.	Nature of comments made by Statutory Auditors	Number of the PSU where recommendations were made	Sl. No of the PSU in Annexure- 1.1
1	Absence of internal audit system commensurate with the nature and size of business of the company	13	2,3,8,13,15,17,18, 27,29,35,38,41,42
2	Lack of internal control	9	11,13,18,29,33,34, 38,41,42

Source: Statutory Auditors report of respective PSU

1.9 Comments of the CAG of India and Statutory Auditors on Accounts of PSUs

1.9.1 Some of the important comments of the CAG of India, under section 619(4) of the Companies Act, in respect of accounts finalised during the year,

¹⁴ Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh Handicraft Development Corporation Limited and Andhra Pradesh Mineral Development Corporation Limited.

¹⁵ The Singareni Collieries Company Limited and Andhra Pradesh State Financial Corporation.

are as follows:

i) Central Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 5,345.70 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

ii) Eastern Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 2,274.20 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

iii) Northern Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 2,525.66 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

iv) Southern Power Distribution Company of Andhra Pradesh Limited (2011-12)

- A reference is invited to sub-note No. 2(ii) wherein it was indicated that provision for bad & doubtful debts is made on debtors for sale of power outstanding for a period of more than 4 years. Debtors outstanding for more than 4 years amounts to ₹ 135.75 crore out of total debtors of ₹ 533.66 crore, whereas provision for doubtful debts has been made only for ₹ 101.35 crore. This has resulted in short provision to the tune of ₹ 34.40 crore, and has also resulted in overstatement of Sundry Debtors and overstatement of profit for the period by ₹ 34.40 crore

The Company has not disclosed the fact that:

- ₹ 2,983.44 crore receivable from Government towards subsidy for high Cost of power etc., is outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

v) Andhra Pradesh Industrial Infrastructure Corporation Limited (2010-11)

Provision for development of IEs/IDAs includes ₹ 59.56 crore towards Provision for development works of IP Pashamylaram. As against the total estimated expenditure of ₹ 8.82 crore for IDA Pashamylaram (Phase I to III), the Company had already incurred an expenditure of ₹ 17.86 crore. As substantial development works were already completed, the profit on sale of Industrial Plots in IP Pashamylaram should have been recognised. Instead, the Company has created the above provision for development of ₹ 59.56 crore. This has resulted in overstatement of 'Provision for development of IEs' and understatement of profit by ₹ 59.56 crore.

Some of the important comments of the Statutory Auditors, in respect of accounts finalised during the year are as follows:

i) Andhra Pradesh Mineral Development Corporation Limited (2008-09):

Non-provision of contribution payable towards mineral resources and technology upgradation fund resulted in overstatement of profit for the year and reserves and surplus for ₹ 14.05 crore.

ii) Southern Power Distribution Company of Andhra Pradesh Limited (2011-12)

Accounting of Fuel Surcharge Adjustment charges (FSA) amounting ₹ 1,160.71 crore is recognised as revenues during the year in contravention of AS-9 "Revenue Recognition" which has not been approved by the Andhra Pradesh Electricity Regulatory Commission (APERC).

1.10 Placement of SARs

The following table shows the status of placement of various Separate Audit Reports (SARs), issued by the C&AG of India, on the accounts of Statutory Corporations, in the Legislature by the Government.

Table 1.9 - Placement of SARs in the Legislature

Sl. No.	Name of the Statutory Corporation	Year upto which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Andhra Pradesh State Financial Corporation	2010-11	2011-12	Yet to send to the GoAP	-
2	Andhra Pradesh State Warehousing Corporation	2008-09	2009-10	Yet to send to the GoAP	-
3	Andhra Pradesh State Road Transport Corporation	2008-09	2009-10	22.03.2011	-

Source: As provided by respective PSU.

1.11 Follow up action on Audit Reports (Commercial)**1.11.1 Explanatory Notes Outstanding**

Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of Government. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the Audit findings included in the Audit Reports. Finance Department, Government of Andhra Pradesh issued (June

2004) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1992-93 to 2010-11 were presented to the State Legislature between March 1994 and March 2012, 13 departments did not submit explanatory notes on 116 out of 425 paragraphs/ reviews as on September 2012 as indicated below:

Table 1.10 – Non-submission of Explanatory Notes

Year of the Audit Report (Commercial)	Date of presentation to State Legislature	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/ reviews for which explanatory notes were not received
1992-93	29-03-1994	36	1
1993-94	28-04-1995	25	1
1995-96	19-03-1997	28	4
1997-98	11-03-1999	29	9
1998-99	03-04-2000	29	6
1999-2000	31-03-2001	24	7
2000-01	30-03-2002	21	4
2001-02	31-03-2003	23	1
2002-03	24-07-2004	16	2
2003-04	31-03-2005	21	6
2004-05	27-03-2006	23	3
2005-06	31-03-2007	23	4
2006-07	28-03-2008	29	12
2007-08	05-12-2008	25	8
2008-09	30-03-2010	27	13
2009-10	29-03-2011	21	13
2010-11	29-03-2012	25	22
Total		425	116

Source: As compiled by office of PAG (E&RSA)/AP

Department-wise analysis of reviews/ paragraphs for which explanatory notes are awaited is given in **Annexure-1.10**. Majority of the cases of non-submission of explanatory notes relate to PSUs under the Departments of Energy (27 notes) and Industries & Commerce (43 notes).

1.11.2 Compliance to Reports of COPU

Action Taken Notes (ATNs) on recommendations of the COPU are required to be furnished within six months from the date of presentation of the Report to the State Legislature. ATNs on 607 recommendations pertaining to 37 Reports of the COPU, presented to the State Legislature between April 1991 and March 2012, not received as of September 2012 are indicated below:

Table 1.11 – Non-receipt of Action Taken Notes

Year of COPU Report	Total number of Reports involved	No. of Recommendations where replies were not received
1991-92	1	3
1992-93	6	239
1993-94	5	136
1995-96	1	30
1996-97	1	2
1997-98	2	38
1998-99	2	16
2000-01	8	72
2001-02	2	6
2004-05	3	23
2005-06	2	17
2006-07	4	25
Total	37	607

Source: As compiled by office of PAG (E&RSA)/AP

The replies to recommendations were required to be furnished within six months from the date of presentation of the Reports to the State Legislature.

1.11.3 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2012 pertaining to 50 PSUs disclosed that 3035 paragraphs relating to 756 inspection reports remained outstanding at the end of September 2012. Department wise break-up of Inspection reports and audit paragraphs outstanding as on 30 September 2012 is given in **Annexure-1.11**. In order to expedite settlement of outstanding paragraphs, seven Audit Committee meetings were held during 2011-12 wherein position of outstanding paragraphs was discussed with executive/administrative departments.

Similarly, reviews and draft paragraphs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that one review, one thematic audit and two draft paragraphs forwarded to various departments during June 2012 to November 2012 as detailed in **Annexure-1.12** had not been replied to so far (December 2012).

It is recommended that (a) the Government should ensure that procedure exists for action against officials who failed to send replies to inspection reports/draft paragraphs/reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time-bound schedule, and (c) the system of responding to audit observations is revamped.

Chapter II

2. Performance Audit relating to Statutory Corporation

Andhra Pradesh State Financial Corporation

Executive Summary

Introduction

Andhra Pradesh State Financial Corporation (APSFC) was set up in November 1956 under the State Financial Corporations (SFCs) Act, 1951 for extending financial assistance to Micro, Small and Medium Enterprises (MSME) in the State. The sources of funds for APSFC include the Small Industries Development Bank of India (SIDBI), borrowings from banks and financial institutions etc. In November 2003, APSFC, Government of Andhra Pradesh (GoAP) and SIDBI entered into an MoU for improvement of APSFC's profitability and viability, which was renewed in January 2010 for another five years.

A Performance Audit of the activities of APSFC thus, would not only cover a review of the follow-up action taken on the earlier audit findings and COPU recommendations, but would also provide insight into how successful APSFC was in the medium-to-long term in the implementation of the tripartite MoU and completing its turnaround, besides appraisal of its policies and procedures for appraisal, sanction, disbursement and recovery of loans.

The current Performance Audit covered the activities of APSFC for the period from 2007-08 to 2011-12. Out of 6169 loans sanctioned for ₹ 5699.91 crore during this period, detailed audit scrutiny of loan files covered a stratified sample of 175 loans, constituting about 21 per cent of the total sanctioned amount during 2007-12. In addition, 65 OTS (One Time Settlement) and recovery cases for loans sanctioned during earlier periods were also scrutinised.

The main objectives of the Performance Audit were to assess whether (a) the terms of the tripartite MoU were adhered to; (b) APSFC's policies and procedures for appraisal, sanction and disbursement of loans were effective; and (c) APSFC's processes for timely recovery of loans were adequate and effective.

Our main audit findings and recommendations are summarised below:

Adherence to MoU Terms

- GoAP's efforts towards strengthening of APSFC's equity base were limited to alienation and allotment of land in a prime area of Rangareddy District. However, since the land is encroached upon by people engaged in illegal quarrying, APSFC has not benefitted from GoAP's equity contribution.*
- In the tripartite MoU, among APSFC, SIDBI and GoAP, APSFC had assured that it would curtail administrative and establishment expenditure to 10 per cent of total income by 2009. However, from 2007-08 to*

2011-12, such expenditure ranged from 14 to 17 per cent. It was also unable to diversify its product base through non-fund income.

Appraisal, Sanction, Disbursement and Recovery of Loans

- *Contrary to the Know Your Customer (KYC) norms, APSFC did not conduct due diligence in respect of the sources of interest-free advances brought in for a majority of high-value loans sanctioned. It also had no mechanism for updating of customer data on a periodical basis.*

- *Audit scrutiny of test-checked loans sanctioned during 2007-12 revealed several deficiencies/ deviations:*

With effect from October 2009, interest rate for term loans was based on the credit ratings assigned by APSFC. However, there were several instances of grant of concessional rates of interest in an arbitrary/ non-transparent manner.

Loans were sanctioned to educational institutions, even though they were not included as eligible activities under the SFC Act.

Other deviations included improper consideration of the cost of machinery/ improper valuation of existing machinery, sanction for an unapproved purpose, non-obtaining of additional collateral security for a unit which had availed of OTS benefits, sanction to units with accumulated arrears on an earlier loan/ whose sister concerns had already been classified as NPAs.

- *There were several deficiencies/ deviations in disbursement and recovery of test-checked loans:*

APSFC had been disbursing loan amounts on ad hoc basis in selective basis without verification of proof of expenditure, resulting in large amounts pending adjustment for long periods. Further, APSFC was irregularly treating such ad hoc releases as regular term loan amounts.

APSFC had substantial NPAs (Non-Performing Assets); there was a jump from ₹233.11 crore in 2007-08 to ₹296.79 crore in 2011-12.

There were numerous instances of non-compliance/ delays in taking recovery action (issue of recall notices, seizure of assets and sale, action under the Revenue Recovery Act/ SFC Act etc.). Such action was not being initiated in time even in respect of doubtful assets (let alone all sub-standard assets).

There were instances of acceptance of defective securities, without proper verification, as well as irregular/ improper release of collateral security without adequately protecting the financial interests of APSFC (which resulted in accumulation of large outstanding amounts/ arrears).

APSFC has been operating the OTS Scheme for 15 years continuously without a fixed timeframe, promoting a culture of non-payment amongst its borrowers. There were numerous instances where APSFC settled the loan accounts for amounts less than the collateral security available, deviating from its own OTS guidelines and COPU's directions. Further, OTS benefits were also irregularly extended to wilful defaulters.

2.1 Introduction

2.1.1 Background

Andhra Pradesh State Financial Corporation (APSFC) was set up in November 1956 as a statutory corporation under the State Financial Corporations (SFCs) Act, 1951, with the main objective of extending financial assistance for setting up industrial units in the MSME (Micro, Small and Medium Enterprises) sector in the State. APSFC offers financial assistance for acquiring fixed assets like land, buildings and machinery, and also for working capital. APSFC extends such loan assistance through a variety of schemes (general as well as sector/ activity-specific). For the purpose of providing loan assistance, APSFC raises funds from several sources – SIDBI¹⁶ (primarily through the refinance scheme), borrowings from banks/ financial institutions, issue of bonds, acceptance of fixed deposits etc.

2.1.2 Tripartite MoU

In 2003, GoI unveiled a relief package for SFCs, enabling them to reduce their cost of borrowing, improve profitability and operate competitively in the emerging economic scenario. The relief concessions announced by GoI would be extended to SFCs, provided the concerned State Government and SFC signed a tripartite MoU with SIDBI. APSFC requested (March 2003) GoI and SIDBI to extend the required financial support by way of equity contribution, interest rate concession and relief by way of restructuring of refinance outstanding etc. In a meeting held (March 2003) by GoI with all SFCs, the following was decided:

- A reduction in interest rate by two *per cent* on all existing (31 March 2003) high cost refinance borrowings as well as on all fresh loans for refinance.
- An MoU should be entered into, defining the steps to be taken by each party to bring about the turnaround of the SFC.
- GoAP to provide required resource support for achieving the required capital adequacy, convert all loans in lieu of capital into its equity share capital, and appoint the Managing Director (MD) of APSFC in consultation with SIDBI for a minimum period of three years.
- APSFC to curtail the administrative and establishment expenditure to an agreed level (10 *per cent*) as a percentage of total income; and also devise a suitable strategy for raising resources at competitive cost.

Accordingly, an MoU was entered in November 2003 (under the GoI's relief package) for a five-year term for improvement of APSFC's profitability and viability. The MoU was renewed in January 2010 for another five years.

Consequent to the MoU, APSFC has gradually wiped out its accumulated losses of ₹ 157.95 crore (as in March 2003) by the year 2007-08, and continued to earn profits in succeeding years.

¹⁶ SIDBI: Small Industries Development Bank of India, the principal financial institution for the promotion, financing and development of the MSME Sector, set up through an Act of Parliament.

2.1.3 Organisational Structure and Processes

The Corporation is managed by an 11-member Board of Directors. It is headed by a Managing Director who is Chief Executive and is assisted by an Executive Director, four Chief General Managers, five General Managers and four Deputy General Managers at its headquarters. In addition, APSFC has four zones (located in the head office itself) and 25 branch offices.

2.1.4 Financial position and working results

A summary of key financial indicators relating to the functioning of APSFC during 2007-12 is depicted below:

Table 2.1- Summary of key financial indicators

Particulars	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
Loans and advances	1441.48	1660.50	1851.41	2117.35	2384.39
Capital Employed	1615.93	1728.16	1931.46	2157.55	2425.36
Net worth	266.05	266.59	333.52	377.16	409.14
Gross Income	226.87	237.53	288.17	322.43	368.01
Net Profit	89.51	42.85	67.68	67.33	68.33
Percentage of Return on Capital Employed	12.27	9.74	10.57	9.72	9.61
Percentage of average cost of borrowings	8.19	8.57	8.30	8.38	9.02

Details of the financial position and working results of APSFC for the period 2007-12 as indicated in **Annexure-2.1** revealed that during the review period, APSFC's net worth increased from ₹ 266.05 crore (2007-08) to ₹ 409.14 crore (2011-12) and APSFC created reserves and surplus amounting to ₹ 211.40 crore to the end of March 2012. APSFC's borrowings stood at ₹ 2229.90 crore as at 31 March 2012. The percentage of return on capital employed decreased from 12.27 (2007-08) to 9.61 (2011-12) due to increase in cost of borrowings [from ₹ 108.81 crore (2007-08) to ₹ 164.78 crore (2011-12)] and administrative expenditure [from ₹ 29.46 crore (2007-08) to ₹ 51.38 crore (2011-12)].

2.2 Audit Approach

2.2.1 Past Audits

The activities of APSFC were scrutinized and reported through the CAG's Audit Reports (Commercial) on several occasions in the past:

- A review of internal control system in State Financial Sector Undertakings (covering both APSFC and the Andhra Pradesh Industrial Development Corporation) was reported vide paragraph 2.4 of the CAG's Audit Report (Commercial) for the year ended 31 March 2006. This has not yet been discussed by the Committee on Public Undertakings (COPU).
- A topical review of the One Time Settlement (OTS) scheme was reported vide Chapter III of the CAG's Audit Report (Commercial) for the year ended 31 March 2003. COPU recommended (March 2006) that strict guidelines for OTS and for deviations therefrom, APSFC should approach GoAP for approval; discretion at the individual level should be curtailed;

the OTS scheme should be operated within a fixed time frame in future; and a detailed database in respect of promoters /guarantors should be maintained and updated. However, the Action Taken Report (ATR) on the COPU recommendations (27 November 2006) has not been taken up for discussion by the COPU.

- A review of financial companies (including APSFC) was reported vide Chapter 3 C of the CAG's Audit Report (Commercial) for the year ended 31 March 1998. This has not been discussed by the COPU.
- A comprehensive review on the activities of APSFC was reported vide Chapter 3B of the CAG's Audit Report (Commercial) for the year ended 31 March 1992. The review was discussed by the COPU and recommendations were issued by COPU. However, ATR from APSFC was not received.

2.2.2 Present Performance Audit

We felt that a Performance Audit of the activities of APSFC at this time would not only cover a review of the follow-up action taken on the earlier audit findings and COPU recommendations, but would also provide insight into how successful APSFC was in the medium-to-long term in the implementation of the tripartite MoU and completing its turnaround, besides APSFC's policies and procedures for appraisal, sanction, disbursement and recovery of loans would be reviewed.

The present Performance Audit covered the activities of APSFC for the period 2007-08 to 2011-12. Out of 6169 loans sanctioned for ₹ 5699.91 crore during this period, detailed audit scrutiny of loan files covered a stratified sample of 175 loans (the top 25 loans for ₹ 415.42 crore sanctioned across the State, and other 150 loans¹⁷ involving ₹ 773.07 crore in 10 branch offices¹⁸) which constituted about 21 *per cent* of the total sanctioned amount during 2007-12. In addition, 65 OTS (One Time Settlement) and recovery cases for loans sanctioned during earlier periods were also scrutinised.

2.2.3 Audit Objectives

The main objectives of the performance audit were to assess whether:

- The terms of the tripartite MoU were adhered to;
- APSFC's policies and procedures for appraisal, sanction and disbursement of loans were effective; and
- APSFC's processes for timely recovery of loans were adequate and effective.

2.2.4 Source of Audit Criteria

The main sources of criteria for the Performance Audit were the SFCs Act, 1951; the guidelines and circulars issued by SIDBI and RBI; and APSFC's

¹⁷ 55 loans of more than ₹ 5 crore; 25 loans of ₹ 3-5 crore; 40 loans of ₹ 60 lakh – 3 crore; 20 loans of ₹ 30-60 lakh, and 10 loans of less than ₹ 30 lakh.

¹⁸ 4 branches in and around Hyderabad and 6 other branches (Medak, Eluru, Kurnool, Anantapur, Vijayawada and Rajahmundry).

policies, procedures, circulars and other instructions.

2.2.5 Audit Methodology

An Entry Conference was held with APSFC in May 2012, wherein the scope, objectives and approach of the performance audit were discussed. Field audit, involving scrutiny of APSFC's records (both at the Headquarters as well as the selected branch offices), was conducted between May and July 2012. The audit findings were reported to APSFC and GoAP in November 2012; despite issue of a reminder (December 2012), for furnishing of replies and conducting of Exit Conference, their response is yet to be received (December 2012).

2.2.6 Acknowledgement

The co-operation and assistance extended by APSFC and its officials during the conduct of this performance audit is acknowledged.

2.3 Audit Findings

Our main audit findings are described below:

2.3.1 Adherence to MoU terms

Audit scrutiny revealed the following deficiencies in compliance with the terms of the tripartite MoU among APSFC, SIDBI and GoAP:

- **GoAP's equity contribution through land allotment-** In order to provide resource support to APSFC to strengthen their equity base for facilitating higher levels of borrowing and to achieve and maintain the required capital adequacy and net worth (as stipulated in the MoU), GoAP alienated (August 2007) 33.11 acres land and allotted (August 2007) 238.28 acres on a 99 year lease basis to APSFC, and demarcated and handed over possession of 32 acres and 164.23 acres respectively to APSFC. This was treated (February 2008) by APSFC as GoAP's equity contribution of ₹ 78.63 crore for demarcated land, and ₹ 30.16 crore as share application money for non-demarcated land (total equity contribution of ₹ 108.79 crore).

Audit scrutiny, however, revealed that:

- ❖ With regard to the 33.11 acres land, APSFC's request for exemption of land conversion charges¹⁹ had been referred by HMDA²⁰ (July 2011) to GoAP; the land had not yet been converted (July 2012) for industrial purpose.
- ❖ With regard to the 238.28 acres land, there were ten unauthorised quarries at the time of allotment, which continue illegal quarrying activities in 100 acres of APSFC's land, and APSFC was unable to secure the land through construction of a compound wall indicated that there was no specific demarcation between the Government land and the private land at the time of handing over; this stand is clearly detrimental to the interests of APSFC. Thus, the APSFC has not been

¹⁹ For change of land use from residential to industrial.

²⁰ Hyderabad Metropolitan Development Authority.

benefitted from GoAP's equity contribution of ₹ 108.79 crore by way of land due to encroachment.

- **Curtailing administrative and establishment expenditure** - As per the MoU of 2003, APSFC had agreed to curtail administrative and establishment expenditure in a phased manner, so as not to exceed 10 *per cent* of total income; in the renewed MoU (2010), APSFC agreed to consistently bring down such expenditure, without mentioning a specific target.

Audit scrutiny revealed that APSFC never brought down administrative expenditure to the stipulated 10 *per cent* during 2004-05 to 2011-12 (as per the 2003/2010 MoU); during the review period 2007-08 to 2011-12, the percentage of administrative expenditure to total income ranged between 14 and 17 *per cent*.

- **Appointment of Managing Director** - Contrary to the MoU's stipulation of appointment of a Managing Director, in prior consultation with SIDBI, for a minimum period of three years, the tenure of the two Managing Directors was only two years one month and one year 11 months respectively. Further, audit could not obtain documentary evidence of prior consultation by GoAP with SIDBI for appointment of Managing Director.
- **Product diversification** - As per the MoU of 2010, APSFC agreed to take steps to diversify product-based activities and explore new business avenues. However, during 2010-12, APSFC earned just ₹ 0.93 crore towards insurance commission alone and no income was generated in respect of other non-fund based revenue streams.
- **Credit Appraisal and Rating Tool** - APSFC did not implement the Credit Appraisal and Rating Tool (CART) for loans up to ₹ one crore, so as to ensure uniformity in loan appraisal and sanction as required by MoU.
- **Joint review of performance** - Although the MoU stipulated a joint review of APSFC's performance by SIDBI, APSFC and GoAP every year (or such intervals as fixed by SIDBI, APSFC and GoAP), no such reviews were conducted so far (November 2012). Further, the absence of such reviews also made it difficult to ascertain the extent of funds required to be provided by GoAP in the event of slippages in meeting standards (also stipulated under the MoU).
- **Relevance and long-term viability** - In terms of the MoU, GoAP had to initiate steps to study the relevance and long-term viability of APSFC. However, such impact assessment to assess the relevance of APSFC in the field of industrial financing sector in the State was not conducted.

2.4 Appraisal, Sanction, Disbursement and Recovery of Loans

2.4.1 Background

2.4.1.1 Lending Norms and Policy

- As per the SFC Act, 1951, APSFC can grant financial assistance to industrial concern (with aggregate paid up capital and free reserves less than ₹ 30 crore) upto ₹ 5 crore to a company or co-operative society and

upto ₹ 2 crore to other entities; this limit can be increased four times with the prior approval of SIDBI.

- Every year, APSFC formulates its annual “Lending Policy”, based on the performance of units in various lines of activities, feedback from branches, default ratio, NPAs, market outlook, Government policy etc. Lines of activities are classified as “**encouraged**” or “**not to be encouraged**”, with assistance to “not to be encouraged” activities requiring approval at the Head Office. Minimum Collateral Security requirements are also prescribed for each line of activity which ranged between 25 *per cent* and 150 *per cent* depending upon the line of activities as well as risk involved.
- Those who have availed of OTS are ineligible for future loan sanctions; however, if the OTS was due to failure of the unit for reason beyond control, APSFC could consider loan sanctions after five years from the date of closure under OTS, but with 50 *per cent* additional collateral security.

2.4.1.2 Appraisal, sanction and disbursement

- Upon receipt of loan enquiry and application along with DPR and sources of finance, the branch office conducts due diligence (including pre-sanction site inspection) for proposal to meet the KYC (Know Your Customer) norms²¹, as well as to facilitate project appraisal and credit rating. The pre-sanction inspection report is forwarded to the Head Office with the recommendations of the Branch Manager.
- Proposals in the form of enquiries/ applications are screened by the Project Screening Committee (PSC), which decides in principle whether to finance the project and may also impose restrictions, based on risks associated with the proposal/ promoter.
- Detailed project appraisal comprises of promoters’, technical appraisal, financial appraisal, market appraisal, and risk evaluation (involving due diligence from branches and credit rating from a third party agency²² from new customers for loans of more than ₹ 5 crore). The viability of the project would be appraised, and the repayment track record for loans availed from APSFC and other financial institutions, if any, would also be considered.
- APSFC’s lending policy stipulates that its term loans as well as working capital loan shall invariably be secured by primary security/ collateral security for which valuation of security will be carried out by APSFC.
- Sanction of loans is carried out at various levels, depending on the delegation of powers – Board (₹ five crore and above), Executive Committee (₹ three to five crore), Head Office Sanction Committee (₹ 60 lakh to ₹ 3 crore), Operational Zonal Screening-cum Sanction

²¹ In August 2002, RBI issued KYC (Know Your Customer) norms and Anti Money Laundering (AML) standards for commercial banks. SIDBI/ RBI felt (August 2007) that these norms shall also be applicable to SFCs.

²² ONICRA.

Committee (₹ 30 to ₹ 60 lakh), and Branch Sanction Committees (up to ₹ 30 lakh).

- APSFC introduced (September 2005) credit risk rating models for rating of loan proposals above ₹ one crore, which was subsequently extended (July/August 2009) to loans above ₹ 30 lakh. Proposals receiving credit ratings ranging from CR-1 (Excellent Safety) to CR-4 (Ordinary Safety) are to be considered for extending financial assistance. With effect from October 2009, interest rates for term loans are also fixed based on the credit rating.
- Disbursement of sanctioned loans takes place after compliance with the terms and conditions stipulated in the sanction, e.g. furnishing of collateral securities, personal guarantees etc.

2.4.2 Profile of sanctions, disbursements and recovery

A summary of loans sanctioned, disbursed and recovered by APSFC during the five year period 2007-12, along with the corresponding targets, is given below:

Table 2.2 – Sanctions, Disbursements and Recovery during 2007-12 (Targets vs. Achievements)

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Sanctions					
Targets	900.00	1250.00	1050.00	1452.00	1600.00
Achievements	1006.66	885.67	1052.38	1386.38	1368.82
Disbursements					
Targets	648.00	870.21	700.02	939.55	1120.00
Achievements	662.89	685.70	707.99	904.35	936.90
Recovery –Principal					
Targets	400.78	445.12	463.67	561.95	591.17
Achievements	421.72	449.25	528.04	614.48	636.14
Recovery - Interest					
Targets	190.34	226.65	263.53	289.41	327.41
Achievements	177.51	224.95	252.85	283.90	324.54
Recovery - Principal and Interest					
Targets	591.12	671.77	727.20	851.36	918.58
Achievements	599.23	674.20	780.89	898.38	960.68

- As can be seen from the above, there is a wide gap between sanctions and disbursements, resulting in cancellation of sanctioned loans; this was largely due to non-compliance by the borrowers with the stipulated collateral security conditions and also due to APSFC's charging higher rates of interest than banks. Actual disbursements were also consistently lower than targets (except in 2007-08 and 2009-10) due to premature closure of accounts and partial disbursement where required Collateral securities were not provided. The basis for fixing of targets for recovery was not documented. Normally, targets for recovery of principal and interest should have been based on the instalments of principal and interest

falling due (e.g. 95 per cent of instalments falling due). This was clearly not the case, since the achievements for principal recovery were higher than the targeted principal recovery in all five years.

2.4.3 Audit Findings – Appraisal and Sanction

The main audit findings relating to appraisals and sanction are indicated below:

2.4.3.1 Know Your Customer (KYC)

SIDBI stipulated (August 2007) compliance by the State Financial Institutions with the guidelines issued by the Reserve Bank of India on Know Your Customer (KYC) norms and Anti Money Laundering (AML) standards to banks and financial institutions, so as to understand their customers and their financial dealings better, which would, in turn, help the lending institutions to manage their risks prudently. However, audit scrutiny revealed certain deficiencies in APSFC's compliance with these norms:

- **Sources of funds (interest-free advances) not scrutinised** - KYC norms caution against use of funds invested by relatives/ third parties (other than the promoters) as money mules²³ and possible complicity with criminal entities. Audit scrutiny revealed that out of the top 25 loans sanctioned by APSFC during 2007-12, 16 units involved funds totalling ₹ 45.16 crore being brought in the form of interest-free advances. Except for stipulating non-withdrawal of these amounts during the loan period, APSFC did not conduct due diligence or verification of the provenance of the sources of these funds. Further, the due diligence reports of APSFC's branches and the project reports submitted by the promoters did not cover this important aspect.
- **Non-updation of customer data** - Audit scrutiny revealed that while the branches of APSFC were submitting due diligence reports (duly verifying the particulars of the promoters) at the time of loan sanctions, there was no mechanism for updating of customer data (promoters, guarantors and investors with address proof, latest photographs and commercial activities) on a periodical basis. The recommendation of the COPU in their 11th Report (March 2006) on OTS Topical Review reported through CAG's Audit Report (Commercial) for the year ended March 2003 that databank in respect of promoters and guarantors should be maintained and updated from time to time was also not being followed.
- **Lack of mechanism for watching utilisation of working capital loans** – Once the loan has been disbursed, it needs to be ensured by the Corporation whether the loan has actually been utilised and for the purpose for which it was sanctioned. Audit scrutiny of seven test-checked working capital term loans and marketing assistance loans for ₹ 60.40 crore indicated that APSFC was disbursing such loans, without insisting on evidence of utilisation (stock statements, cash flow statements etc.), nor was there any mechanism for verifying such utilisation post-disbursement.

²³ Money mules can be used by criminals to launder the proceeds of fraud schemes eg. phishing and identity theft.

2.4.3.2 Credit Rating and Use of CIBIL Reports

The Credit Information Bureau of India Ltd (CIBIL) acts as a repository of information regarding borrowers pooled in by its members (lending institutions operating in India), and provides a complete picture of the payment history of a credit applicant to its members.

Although APSFC joined CIBIL as a regular member in August 2008, audit scrutiny of one selected Branch²⁴ revealed that Credit Information Reports (CIRs) were not obtained in respect of two out of 13 test-checked loan cases. Further, APSFC was not uploading the defaulters list in respect of sanction of loans below ₹ 60 lakh, nor had it identified any defaulter as wilful defaulter²⁵ in data uploaded to CIBIL, although nine cases of wilful defaulters had been identified by audit as per OTS guidelines.

2.4.3.3 Deviations with regard to grant of interest concession

With effect from October 2009, the interest rate for term loans was based on the credit ratings assigned by APSFC. Audit scrutiny revealed the following instances of deviations and arbitrary/ non-transparent grant of interest concessions.

- At the time of loan appraisal of Kandhari Hotels (P) Ltd. Vijayawada, the project was rated as CR-3, and term loan of ₹ 10.50 crore was sanctioned by the Board of Directors in September 2011. However, within just one month, the credit rating was revised (October 2011) by the MD to CR-2, on the grounds of expected occupancy of 90 *per cent* against the projected occupancy of 50 *per cent* in the first year of provision. This arbitrary change resulted in the unit being eligible for interest concession of two *per cent*.
- Lohia Edible Oils Pvt. Ltd. was sanctioned (January 2011) an additional term loan of ₹ 18 crore with credit rating of CR-3 and applicable interest of 13.5 *per cent*. However, in the same month (January 2011), at the request of the promoter, APSFC decided to extend interest concession of one *per cent* stating that the unit falls under the Good Entrepreneur Scheme (GES), *i.e.*, the unit should earn net profit for one year and cash profit for two years preceding the year of sanction. However, while the unit earned profits of ₹ 0.28 crore for 2007-08 and 2009-10, in 2008-09, it suffered a loss of ₹ 0.32 crore (more than the depreciation of ₹ 0.28 crore), and that too without providing for deferred tax liability of ₹ 0.25 crore. Thus, undue interest concession for the loan period amounted to ₹ 0.63 crore.
- A term loan of ₹ 14.45 crore was sanctioned (August 2009) to GV Estates and Hotels Pvt. Ltd for taking over an existing term loan from SBI. Despite being a loss making unit operating from December 2007 with losses of ₹ 6.56 crore (during 2007-09) and occupancy of just 40 *per cent*, an interest rate of 13 *per cent* with a concession of one *per cent* under

²⁴ Rajahmundry Branch.

²⁵ Wilful defaulter is defined as one who defaults in meeting repayment obligations to lenders though he has the capacity to honour the said obligation; or who has diverted funds; or the default is intentional, deliberate and calculated.

Senior Successful Entrepreneur Scheme (SSES) was extended; this was irregular, since the SSES stipulation of earning of net profit for one year and cash profits for two years prior to the year of approval, was not complied with.

At the request of the promoter, the interest rate was arbitrarily reduced (February 2011) further to 12.5 *per cent* retrospectively from the date of drawl. Undue interest concession for the loan period amounted to ₹ 0.96 crore.

- APSFC sanctioned (July 2010) two term loans (including a medium term loan for working capital requirements) of ₹ 10 crore to NCS Industries²⁶. With credit rating of CR-3, the interest rates were fixed at 14 and 14.5 *per cent*. However, the MD, APSFC gave a special interest concession of one *per cent* in respect of both loans, treating the promoters as good/ existing borrowers, although they had availed of OTS earlier.

2.4.3.4 Sanction of Term Loans to Educational Institutions

Although educational institutions are not included under eligible activities as defined in the SFC Act, APSFC has been extending loans/ financial assistance to educational institutions. Despite APSFC taking up the matter (December 2009) with SIDBI for enlarging the definition of 'industrial concern', SIDBI did not agree with APSFC's interpretation. Such loans have also been objected to in the past audits, both due to non-eligibility and also the difficulty in seizing assets of educational institutions in cases of default. Out of ₹ 48.32 crore sanctioned to 12 educational institutions during January 2010 to March 2011, the outstanding amounts as of March 2012 was ₹ 34.22 crore inclusive of overdue amount of ₹ 2.02 crore.

Audit scrutiny also revealed that:

- Superwhizz Professionals Pvt. Ltd, a coaching institute not recognized as an educational institution by GoAP, was irregularly sanctioned (August 2010) a term loan of ₹ 4.19 crore. Lending to a coaching institute is *ultra vires* / beyond the scope of APSFC.
- APSFC decided (March 2012) to seize the assets of Ravi Rishi Education Society against the outstanding amount of ₹ 4.35 crore, and noted that it was difficult to seize the educational unit with more than 1000 students.

2.4.3.5 Other Deviations

Audit scrutiny also revealed other deviations:

- While sanctioning a term loan of ₹ 19.17 crore (September 2010) to MLR Auto Ltd. and disbursing ₹ 12.93 crore (November 2010 to June 2012), APSFC irregularly considered 75 *per cent* of the cost of the machinery for loan (instead of the stipulated 50 *per cent* of the cost of machinery more than 18 months ago) and disbursed ₹ 4.88 crore instead of the eligible amount of ₹ 3.25 crore.
- APSFC sanctioned (June 2011) a term loan of ₹ 16.88 crore to Srivalli Shipping and Transport Pvt. Ltd., Visakhapatnam for construction of

²⁶ Other deviations with regard to the sanctions for NCS Industries are covered subsequently.

warehouses at Autonagar, Visakhapatnam and APIIC Industrial Park, Vakalapudi, Kakinada. However, APIIC had allotted land of 7.82 acres at Kakinada for repairing and servicing of handling and other transport equipment, and not for a warehouse. Further APIIC clearly mentioned in its land allotment letter to the unit that the unit should utilize the land for the purpose for which it is allotted; if any of the terms and conditions stipulated in the allotment letter were not complied with, all the amounts paid by the allottee would be forfeited. Hence, APIIC could, at any time, revoke the allotment of land, thus jeopardizing the status of loan extended by APSFC. The loan had thus been sanctioned for an unapproved purpose.

- APSFC sanctioned (July 2010) two term loans (one term loan for expansion of existing oil refinery and oil storage tank unit and a medium term loan for working capital requirements under MSME-MTL scheme) of ₹ 10 crore each to NCS Industries. The promoters of the unit had availed of OTS in March 2001, and APSFC's recovery policy stipulated additional collateral security of 50 *per cent* for future sanctions, depending on project viability. However, additional collateral security (amounting to ₹ 6.75 crore) was not obtained. Further, the two loans were appraised as one loan, although they had to be appraised under two different models. Also, under the MSME-MTL Scheme, the unit should have earned net profits for two years and cash profit for one year (out of the last three years). However, the unit earned net profits for two years and incurred cash loss for one year i.e. 2008-09.
- While sanctioning (February 2009) a Working Capital Term Loan of ₹ 1.10 crore to Padmasree Steels Pvt. Ltd, existing machinery was valued at 100 *per cent* (instead of the stipulated 50 *per cent*) at the request of the company, arriving at an Asset Coverage Ratio (ACR) of 135 *per cent*. Had the machinery been valued as per guidelines, the ACR would have been 100 *per cent*, below the limit of 135 *per cent* stipulated by the PSC for being eligible for loan, and the unit would have been ineligible for the loan. Though the unit did not fit into the terms of working capital term loans, the Corporation sanctioned loan.
- A term loan of ₹ 30 lakh was sanctioned (October 2011) to Madhavi Nursing Home, Rajahmundry for purchase of additional medical equipment for the existing nursing home under 'Financial Assistance to Practising Doctors' scheme. However, the loan amount was disbursed (January 2012) for purchase of land for establishing a new hospital without any details regarding project cost, implementation etc. As per the terms of scheme, land cost should not be considered for sanction of loan.
- After having rejected an earlier proposal for ₹ 1.13 crore in January 2000 on account of poor financial conditions, APSFC sanctioned (November 2003) an additional term loan of ₹ 2.71 crore to Sanghi Zip Fasteners Pvt. Ltd., despite it being pointed out that credit by banks and financial institutions to associated units were categorised as NPAs. Security for the loan was represented by hypothecation of land of 1.42 acres and plant & machinery (including their sister concerns and "leasehold interest in ingress and egress rights"). After the unit failed to honour the repayment commitments, APSFC attempted (December 2010) to seize the assets and

found that identification of machinery hypothecated was difficult, due to absence of data of machinery of associated units with APSFC. Further, there were no responses to APSFC's advertisement for sale of land, as it was located within the compound wall of the Sanghi Industrial Clusters unit.

- Despite arrears of ₹ 0.23 crore on account of an earlier term loan of ₹ 3.59 crore disbursed (March 2006) as term loan to Cheminnova Remedies, APSFC irregularly sanctioned (March 2010) a medium term loan of ₹ 3 crore, and recovered arrears (which had risen to ₹ 0.45 crore). The unit requested (June 2010) for reschedulement, on account of cheating by its General Manager, which was accepted by APSFC without ensuring the financial viability of the unit which was prerequisite for reschedulement. The loan was classified as NPA in November 2012, with total outstanding of ₹ 4.78 crore²⁷ (arrears of ₹ 1.27 crore). Clearly, this was attributable to a series of irregularities and undue favours by APSFC.
- Despite a proposal for a term loan for ₹ 7.57 crore to Supriya Corn Products Pvt. Ltd recommended to APSFC's Board for consideration on account of low risk factors and techno-economic viability, the Board sanctioned (March 2011) the term loan but stipulated that the unit should deposit ₹ two crore in the form of FD and assign it as additional security for three years. The unit represented (July 2011) against this condition and did not take the loan. The stipulation of such a condition appears prima facie unreasonable and arbitrary in the context of deviations by APSFC in respect of other parties – in terms of relaxation for collateral security and sanction despite NPA/ OTS_status.

Further, Audit noted the absence of a note file system, which would have ensured transparency of action proposed and approved at various levels of the organisational hierarchy so that the basis of a decision is readily available. Although this was reported in the CAG's Audit Report (Commercial) for 2005-06, the absence of a note file system in APSFC continues.

2.4.4 Disbursement of sanctioned loans

As per disbursement manual of APSFC, *ad hoc* disbursements may be released in advance, without being linked with the implementation of the project. Such *ad hoc* disbursements shall be limited to 25 per cent of loan sanctioned can be considered selectively with the approval of the Managing Director for speedy implementation; for construction of civil works; for full payment to machinery suppliers to get the delivery of machinery or for full payment to machinery supplier for the imported machinery.

Further disbursements should not be considered, unless the earlier *ad hoc* release is regularised. Also, release of *ad hoc* amounts shall be subject to the borrower bringing 100 per cent of the capital and offering CS to a minimum of 50 per cent of the amount stipulated otherwise/or offering of 100 per cent CS

²⁷ Media reports (February 2012) refer to the unit's announcement that an Australian nutrition company, Rapid Nutrition Ltd., would be picking up a 74 per cent equity stake within 18 to 24 months. It is not known whether APSFC has been able to accelerate loan recovery pursuant to this announcement.

stipulated and bringing a minimum of 50 *per cent* capital stipulated. Also, *ad hoc* amount shall be regularised within 3 months from the release.

Audit scrutiny revealed that APSFC had been disbursing loan amounts on *ad hoc* basis in selective cases without verification of proof of expenditure on acquisition of assets/ project implementation. As of March 2012, *ad hoc* amount outstanding (pending adjustment) was ₹ 100.20 crore, of which ₹ 31.70 crore was pending adjustment for more than six months; this is contrary to RBI guidelines, which stipulate regularisation within three months. In fact, APSFC was irregularly treating these amounts as regular term loan amounts (without actual regularisation) and allowing interest rebate and concessions as for regular loans, whereas non-production of proof of implementation was tantamount to diversion of funds and the loanee should have been treated as a wilful defaulter.

Selected cases of such *ad hoc* releases, adversely affecting the financial interests of APSFC, are summarised below:

- After sanctioning (November 2007) a term loan of ₹ eight crore to Vensur India Builders and Developers²⁸, APSFC disbursed ₹ 6.56 crore during February 2008 – February 2009, including *ad hoc* release of ₹ five crore as against eligibility of ₹ two crore (25 *per cent*). As per APSFC's own inspection report of August 2009, the unit carried out civil works amounting to ₹ 3.36 crore only and stopped implementation, diverting balance loan funds for other purposes. APSFC issued (March 2011) a recall-cum-sale notice, but, on the request of the unit, released the collateral security worth ₹ 6.85 crore after accepting ₹ one crore and PDCs²⁹ for ₹ 2.50 crore (which were dishonoured on presentation). As of June 2012, the outstanding amount on this loan was ₹ 2.81 crore including interest of ₹ 0.31 crore.

APSFC made 14 *ad hoc* disbursements totaling ₹ 1.81 crore between December 2011 and March 2012 to Kandhari Hotels Pvt. Ltd, which were pending regularisation.

2.4.5 Recovery

2.4.5.1 Background

As per SIDBI Guidelines, loan assets are classified as **standard**, **sub-standard** (arrears of more than 90 days but not more than one year three months), **doubtful** (arrears of more than one year three months), and **loss assets** (security not available, losses identified but not written off). Collectively, assets which are not standard assets are termed as Non-Performing Assets (NPAs).

Detailed procedures have been laid down for action to be taken by APSFC in cases of delay in repayment of installments at different “trigger points” – delay of 10 days, 30 days and 60 days (deemed as “bordering on sub-standard”) and thereafter. APSFC's recovery policy stipulates that:

- As soon as a loan account becomes sub-standard, a Recall Cum Sale

²⁸ A partnership firm.

²⁹ Post-Dated Cheques.

(RCS) notice is served within 15 days. The Recovery Officers inspect the units, and insist on payment of substantial portion of the due amount, as well as a commitment letter for clearance.

- If no response to the RCS notice/ payment is received, the primary assets can be seized and sold under Section 29 of the SFC Act. In respect of collateral securities, the branch has to verify these and issue a notice under the SARFAESI³⁰ Act, 2002 for recovery. The Branch Manager is to prepare the sale note, get it internally audited, and send the proposal to Headquarters for release of sale advertisement within 10 days of seizure.
- In addition, APSFC can also apply to the concerned District Judge for an order of sale of property, for enforcing the liability of any surety, for transferring the management of the concern etc.
- APSFC can also recover loans from defaulting concerns as arrears of land revenue under the Andhra Pradesh Revenue Recovery Act (RR Act).
- From January 2009 onwards³¹, APSFC commenced recovery action as arrears of land revenue under Section 32G of SFC Act. The process involves issue of a notice for settlement within 15 days; in case of no response from the borrower/ surety/ guarantor, approval of MD for issue of a Revenue Recovery Certificate is taken. Subsequently, the Branch Manager (who is authorised to exercise powers of District Collector) issues notices under the RR Act, and the identified assets are sold after valuation of assets and fixing upset price.

2.4.5.2 Overall recovery performance

The classification of APSFC's loan assets as standard, sub-standard, doubtful and loss assets during the period 2007-12 is summarised below:

Table 2.3 - Overall recovery performance

Assets	Amount				
	2007-08	2008-09	2009-10	2010-11	2011-12
(₹ in crore)					
Performing Assets					
Standard	1351.89	1546.73	1732.44	2036.66	2284.65
Non-performing Assets					
Sub-standard	42.59	91.00	91.77	84.17	108.59
Doubtful	69.42	66.08	64.90	61.72	92.14
Loss	121.10	115.75	105.82	99.39	96.06
Total NPA	233.11	272.83	262.49	245.28	296.79
Total O/S loans	1585.00	1819.56	1994.93	2281.94	2581.44

As can be seen above, APSFC had heavy NPAs which increased from ₹ 233.11 crore in 2007-08 to ₹ 296.79 crore in 2011-12. Up to March 2012, APSFC had issued 21 Recovery Certificates (RCs) for recovery of dues of

³⁰ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

³¹ Pursuant to GoAP authorising the Managing Director and Branch Managers to authorise and recover amounts due as arrears of land revenue.

₹ 205.64 crore, against which recovery of ₹ 2.12 crore was made in 11 cases involving dues of ₹ 37.78 crore (including principal of ₹ 5.20 crore). No recoveries had been made in respect of the other 10 units.

Instances of deficiencies/ deviations in terms of recovery action noticed in audit scrutiny are summarised below.

2.4.5.3 Delay in disposal of seized assets

Audit scrutiny indicated that as against 617 loan accounts under doubtful category (arrears of principal of ₹ 92.14 crore as of March 2012), APSFC seized assets in respect of only 54 loan accounts (arrears of principal – ₹ 19.03 crore; total arrears – ₹ 77.06 crore). These assets were seized between 1996 and 2012, and were lying unsold; their valuation as of March 2012 was just ₹ 35.56 crore. Of these seizures, 28 assets seized were more than five years ago, and two assets were between four and five years ago.

Further, audit scrutiny revealed that out of the 54 cases, sale notices were yet to be issued in 3 cases; sale was not undertaken, due to pending action under OTS by APSFC in 11 cases; responses to sale advertisements were not received in 16 cases; and 10 cases were under litigation.

2.4.5.4 Acceptance of Defective Securities and Improper Release of Securities

Audit scrutiny revealed following instances of acceptance of defective securities, and improper release of security:

- In respect of Viceroy Garden function hall, submission of original link documents was relaxed by taking an affidavit from the proprietrix, as the loan (₹ 0.51 crore) was guaranteed by her husband who was then Vice-Chairman of the AP Wakf Board. The loan appraisal also indicated that the proprietrix had solvency of ₹ 2.90 crore. However, after the account became NPA (March 2005) and when APSFC wanted (September 2008) to seize the collateral security, it was found that as per Wakf records, the function hall was built on a Muslim graveyard and amounted to encroachment. Against the outstanding dues of ₹ 1.36 crore, APSFC approved (November 2011) OTS for ₹ 75 lakh against which only ₹ 11.20 lakh was paid by the borrower, and the outstanding amount has risen to ₹ 1.43 crore.
- In respect of Usha Art Printers/ Unnati Graphics P Ltd³², two terms loans and one working capital term loan totalling ₹ 2.63 crore were sanctioned between March 2001 and May 2003, and ₹ 2.48 crore disbursed. Collateral for the two term loans in the form of 117.03 acres of agricultural land (Medak District) and 14250 sq. yards of land (RR District) which was disposed off partly prior to mortgaging and partly thereafter and for working capital loan, a building at Hyderabad was offered. After several defaults, APSFC had sold (March 2007) the plant and machinery for ₹ 1.15 crore. The working capital term loan was closed and security documents returned in May 2009. However, after APSFC advertised the agricultural land (May 2008) for sale, a suit was filed for partition of this

³² Which took over Usha Art Printers.

land amongst multiple persons, and the Court allowed the rights of one-third of this land to two other persons. Further, it was found that the remaining two-thirds of this land was occupied by Scheduled Tribes and Lambada Thandas, and APSFC was informed that they had purchased the land 20 years back. On verification of the land (14250 Sq. Yards) in Rangareddy District, it was found that the passbooks with APSFC and the landholder did not tally, and the property was not actually mortgaged to APSFC. As of December 2011, the account had outstanding dues of ₹ 3.97 crore, and APSFC had addressed the unit for a detailed OTS proposal, failing which it threatened action against the collateral security.

- APSFC extended (October 1982) a term loan of ₹ 0.24 crore to Larsvin Appliances Pvt. Ltd. by accepting duplicate copy of sale agreement for land allotted by APIIC as against the requirement of obtaining original document. After the unit fraudulently obtained the original sale deed directly from APIIC and sold the land and building, APSFC could not enforce the security through legal proceedings and finally extended (March 2010) OTS for ₹ 0.14 crore against arrears of ₹ 11.52 crore (including interest of ₹ 11.38 crore).
- Shree Chakra Papers (SCP) and Shree Papers (SP), were given Term Loans amounting to ₹ 12.75 crore (September 2003 to December 2007) and eight Working Capital Term Loans amounting to ₹ 8.24 crore (July 2001 to December 2009) respectively. Despite rescheduling of loans under special regulatory treatment for both units in March and December 2009 respectively, repayment of both loans was irregular from December 2009 onwards. As against the securities of ₹15.03 crore available (₹5.63 crore for SCP; ₹9.40 crore for SP), the outstanding amount was ₹23.84 crore (₹ 18.41 crore – SCP and ₹ 5.43 crore - SP) as of June 2012, thus falling into Doubtful-I category³³. However, in March 2011 (when the assets were substandard), the APSFC Board permitted release of part of the collateral security valuing at ₹ 2.50 crore, by accepting just ₹ 1.50 crore from the promoters; this was contrary to APSFC's policy to return of any part of collateral security only after payment equal to its present value or value at the time of accepting the property (whichever was higher). Although APSFC had issued (February 2012) notices against the primary/ collateral security holders, the value of securities (₹15.03 crore) available with APSFC was substantially less than the outstanding amount (₹ 23.84 crore).
- APSFC sanctioned (March 2002) a term loan of ₹ 2.50 crore to Avera Graphics Pvt Ltd., and released ₹ 2.37 crore up to August 2002. APSFC released (September 2005) collateral security valuing ₹ 3.50 crore on payment of ₹ 2.30 crore and a PDC for ₹ 0.34 crore (without ensuring realisation) and considering primary security of machinery valued at ₹ three crore. The cheque was dishonoured, and when APSFC seized (May 2007) the unit, it noticed that machinery worth ₹ 0.48 crore was missing but lodged a police complaint in September 2008. After being advertised

³³ The principal and / or interest arrears for more than one year three months but not more than two years three months are classified under Doubtful I category.

six times, three machines were sold for just ₹ 0.03 crore, leaving outstanding arrears of ₹ 0.70 crore as of March 2012.

- APSFC sanctioned (July to December 2007) three loans totalling ₹ 14.10 crore to Raghava Estates, RP Transporters and PANC Transporters (all promoted by the same promoters, with owners of the collateral security properties being either the promoters or their family members). Due to volatility in the real estate market, APSFC proposed (March 2010) to credit the sale proceeds of any property in any loan account either to all accounts or one or two accounts, which was agreed to by the promoters. However, although the total outstanding loan amount as on 31.3.2010 was ₹ 17.09 crore and the collateral securities available were ₹ 15.50 crore, APSFC released properties worth ₹ 4.19 crore between March 2010 and March 2011. Consequently, as of December 2012, the collateral securities available (₹ 11.31 crore) were less than the outstanding balance of ₹ 13.09 crore.
- APSFC sanctioned one term loan and two working capital loans (November 2007 to February 2010) totalling ₹ 13 crore to KLR Industries Ltd. Despite the unit being a chronic defaulter and its cheques being dishonoured several times, APSFC accepted (February 2012) the unit's request for return of collateral security of four acres at Shamshabad valued at ₹ 1.20 crore on the grounds that collateral security of ₹ 8.45 crore was more than the outstanding amount of ₹ 6.72 crore. This was, however, contrary to APSFC's guidelines, as APSFC did not consider the repayment track record, nor did it revalue the collateral security to identify reduction in value, if any. The unit again defaulted and arrears as of June 2012 amounted to ₹ 0.71 crore.

2.4.5.5 Other Deficiencies

- In pursuance of the SFC Act, APSFC has, since December 2005, been appointing nominee directors on boards of units with aggregate sanctioned loan of ₹ 1 crore and above; this limit was raised (September/ November 2009) to ₹ 5 crore and ₹ 10 crore. In January 2010, APSFC decided to appoint nominee directors only for loans sanctioned for ₹ 5 crore and above and whose accounts were in NPA. However, the 11 units for which nominations were made were not inviting the APSFC nominees for their board meetings.
- The terms and conditions of sanction stipulate levy of 3 per cent premium on premature payments of principal amounts exceeding two instalments. However, audit scrutiny in Hyderabad, Rajahmundry and Eluru branches indicated that 85 loan accounts had been closed prematurely during 2007-12, and APSFC waived ₹ 59.35 lakh of premature repayment premium. Further, there was no transparent system for deciding waiver of such charges (varying from 25 per cent to 75 per cent).

2.4.6 One-Time-Settlement (OTS)

2.4.6.1 Introduction of OTS Scheme and continuance

APSFC initially introduced the One Time Settlement (OTS) scheme in June 1992, with the objective of realising “sticky” overdues. Since September 1997,

the OTS scheme has been continuously in existence, despite a COPU recommendation (March 2006) that the OTS scheme should be operated within a fixed timeframe. However, after being pointed out (2003) in audit, APSFC indicated (September 2003) the cut-off date for eligibility under the OTS scheme as 31 March 2004. SFC has been extending OTS scheme every year continuously till date (December 2012). The eligibility criteria for OTS are as follows:

- All doubtful assets as on 31 March 2004, and continuing in the same category as of the date of approaching APSFC for OTS settlement and all loss assets as on the date of approaching APSFC for OTS are eligible.
- The scheme does not provide settlement for wilful defaulters.
- Working capital term loans and loans sanctioned for commercial & residential complexes are normally not covered under OTS Guidelines. However, the OTS guidelines can be extended to loss assets covered under these categories, but only after the primary and collateral securities offered for these loans are disposed off.

During 2007-12, APSFC settled 1903 loan accounts under the OTS scheme, receiving ₹58.10 crore against outstanding dues of ₹1862.88 crore.

Audit scrutiny revealed the following deficiencies in implementation of the OTS Scheme.

2.4.6.2 Settling loan accounts under OTS for less than security available

Audit scrutiny revealed that during 2007-12 APSFC settled 33 accounts with outstanding dues of ₹ 44.65 crore for ₹ 17.10 crore, when the total security available was more than the OTS amount. Sale of securities by APSFC would have fetched it ₹ 10.92 crore more than the amounts received under OTS. Further, in 19 cases, APSFC settled for loan amounts deviating from the amounts collectable as per guidelines, which resulted in a loss of ₹ 2.31 crore as against the collectible amount of ₹ 3.92 crore. Despite the recommendation of COPU (March 2006) to obtain GoAP approval for any deviation from the approved OTS guidelines, APSFC settled OTS cases in deviation to the approved guidelines without obtaining GoAP's approval. Selected cases involving loss due to extending undue favour to the industrial units on account of OTS are summarised below:

- Against outstanding balance of ₹ 76.97 crore (including interest of ₹ 75.41 crore), APSFC agreed (December 2008) to settle the account of Ravi Rock Products under OTS by accepting ₹ 0.40 crore. APSFC's justifications for the OTS were contrary to the statements at the time of loan appraisal/ sanction viz. 50 acres of land in Kodangal, promoters' interest in Ravi Crane Services. Further, the affidavit that the promoter's wife had acquired house property in Hyderabad valued at ₹ 1.50 crore through "sthree dhanam" was not verified by obtaining sale deed/ gift deed.
- APSFC approved (September 2009) OTS by accepting payment of ₹ 0.22 crore from Sonar Caps & Lamps Ltd duly writing off of the balance principal of ₹0.22 crore and waiving interest of ₹27.81 crore although the promoter of the company was a reputed businessman in Anantapur District

having fertiliser factory, vegetable oil mill, residential houses and godowns. The OTS was granted without assessing the value of these assets.

- Despite COPU (March 2006) pointing out various irregularities committed and recommending action against officials responsible for these lapses, APSFC approved (August 2009) OTS for ₹ 0.12 crore, writing off/waiving ₹ 1.87 crore (including interest of ₹ 1.72 crore) of Avanti Kopp Electricals. As regards staff accountability, APSFC indicated (November 2006) in the Action Taken Report that there was no *malafide* intention, and no involvement of any staff member.
- APSFC approved (March 2008) OTS for ₹ 0.61 crore to Yugandhar Offset Printers duly waiving interest of ₹ 0.06 crore. However, despite the borrower's failure to pay the OTS amount, APSFC allowed the promoter to sell the machinery (valued at ₹ 0.27 crore) to Ajantha Art Printers for ₹ 0.40 crore, of which ₹ 0.10 crore would be a down payment and ₹ 0.30 crore would be treated as a term loan from APSFC. Further, APSFC waived (January 2010) 50 *per cent* of the interest for delayed period amounting to ₹ 0.04 crore.
- APSFC sanctioned (February 2004) a term loan of ₹ 0.30 crore to Samrat Scampi Hatchery, despite the unit falling under “not to be encouraged” category. Based on the request (February 2011) of the chief promoter, APSFC extended OTS by accepting ₹ 0.32 crore and waiving outstanding interest of ₹ 0.11 crore.

2.4.6.3 Extension of OTS to wilful defaulters

As per APSFC' OTS guidelines, wilful defaulters are not eligible for OTS benefits. However, audit scrutiny revealed instances of irregular extension of OTS to wilful defaulters, as summarised below:

- Though the sale of Veerabhadra Binny Modern Rice Mill was approved (June 2003) by APSFC, it refunded the sale consideration to the new purchaser who alleged that the original promoter had threatened him with dire consequences, and ultimately approved (March 2009) OTS by accepting ₹ 0.06 crore and waiving ₹ 0.20 crore.
- APSFC approved (September 2009) OTS by accepting ₹ 0.12 crore from Malasani Oil Mill Pvt. Ltd. and waived ₹ 7.95 crore, despite the promoter having shown properties as his own though actually were not.
- APSFC approved OTS at the request (September 2011) of one promoter of Resqu Drugs, accepting ₹ 2.65 lakh, and waiving ₹ 8.98 lakh; this was despite APSFC's noting that the promoter had shifted the machinery unauthorisedly and not lodging a police complaint, and also concurrent's audit pointing out that the managing partner of the unit was running a private limited company worth ₹ two crore.
- APSFC approved (September 2008) OTS, by accepting payment of ₹ 0.31 crore from Hyderabad Auto Service Corporation and waived interest outstanding of ₹ 1.55 crore after withdrawal of court cases by both APSFC and the borrower, despite the collateral security documents

deposited with APSFC being declared by the Court as forged documents.

2.4.6.4 Extension of OTS for Working Capital Loans

APSFC's OTS Guidelines stipulated that in respect of working capital term loans, OTS can be extended only after disposal of primary and collateral security and deposit / adjustment of sale consideration against outstanding dues. However, audit scrutiny revealed deviations from these guidelines:

- APSFC approved (February 2011) the OTS request of Roys Industries Ltd. for accepting an amount of ₹ 1.11 crore and waiving outstanding interest of ₹ 0.53 crore, despite collateral security properties valued at ₹ 8.60 crore available with APSFC.
- APSFC settled (September 2010) the account of Sri Sai Lakshmi Trading Company for ₹ 0.32 crore and waived ₹ 0.23 crore, despite collateral security of ₹ 1.21 crore available with APSFC.
- APSFC settled (August 2009) the account of Jahnvi Cotton Industries for ₹ 0.45 crore and waived interest of ₹ 0.22 crore, despite collateral security of ₹ 0.46 crore available with APSFC.

2.5 Planning and Mobilisation of Resources

2.5.1 Planning of financial resources

APSFC raises its financial resources through borrowings from SIDBI, issue of bonds to banks / institutions, acceptance of fixed deposits and internally generated resources (plough back amounts). Of these, SIDBI is the main source of finance, especially for the MSME Sector. Every year, APSFC prepares the disbursement targets as part of its Business Plan and Resource Forecast (BPRF), and submits it to SIDBI for approval. The targets projected by APSFC in the BPRF, targets accepted by SIDBI and funding actually availed/utilised by APSFC is indicated below:

Table 2.4 - Targets and actual funding from different sources during 2007-12

(₹ in crore)				
Particulars	Target projected in BPRF	Target accepted by SIDBI	Actuals	Variation
Borrowings from SIDBI	1575	1195	1302	107
Non-SLR Bonds	475	475	600	125
Banks	125	505	445	(-) 60
Others	146	146	159	13
Internal resources (Plough back)	1950	1950	1392	(-) 558
Disbursements	4271	4271	3898	(-) 373

Audit scrutiny, further, revealed that:

- APSFC could not generate the targeted plough back of internal resources fully as planned in any of the last five years. Due to shortfall (₹ 558 crore) in plough back of internal resources, APSFC incurred additional expenditure of ₹ 47.66 crore towards borrowing cost for the period from

2007-08 to 2010-12.

- During 2008-09, APSFC could not avail of the loan of ₹ 120 crore (at a concessional rate of 7.75 *per cent* per annum) sanctioned by SIDBI, since it could not provide additional security sought by SIDBI through extension of charge on the land alienated by GoAP to APSFC since some of the land allotted was unauthorisedly occupied as well as did not materialise guarantee from State Government for ₹ 40 crore.
- During 2010-11, APSFC could not issue non-SLR bonds at an interest rate of 8.3% p.a. (as GoAP did not provide guarantee) and was forced to borrow from banks at higher interest rates of 9.37 *per cent* per annum resulting in additional expenditure of ₹ 1.21 crore.

2.5.2 Excess payment of interest to SIDBI

APSFC had been repaying the outstanding SIDBI Loans as on 1 December 2003 at an interest rate of 9.73 *per cent*, after a reduction of 2 *per cent* from the weighted average rate of 11.73 *per cent*. However, this weighted average interest rate on outstanding balances as on 1st December 2003 was calculated incorrectly, and, as per audit's calculations worked out to only 11.68 *per cent*. This resulted in excess payment of interest to SIDBI of ₹ 0.68 crore for the period 2004-12.

2.5.3 Mobilisation of Fixed Deposits

While mobilising Fixed Deposits, APSFC did not comply with the RBI stipulated conditions of not raising deposits of more than ₹ 70 crore and not providing loans against term deposits accepted. As of September 2010 and February 2011, it has raised fixed deposits of ₹ 84.80 crore and ₹ 72.42 crore, and had also accepted FDs of ₹ 15.06 crore and ₹ 5.75 crore respectively as collateral security for loans sanctioned.

Further, SIDBI advised (December 2009) APSFC to ensure conformity with RBI guidelines for rollover the fixed deposits raised, since its CRAR of 8.65 *per cent* as of March 2009 was less than the RBI-stipulated norm of 10*per cent*. Further, APSFC also did not conform to the revised criteria of 4 *per cent* of Gross NPA to Gross Loans and Advances, with ratios of 6.23 *per cent* and 4.63 *per cent* as of March 2010 and March 2011. APSFC finally stopped mobilisation/ renewal of FDs only in May 2011. These violations were also not brought to the notice of APSFC's Board.

Conclusions

- *GoAP's efforts towards strengthening of APSFC's equity base were limited to alienation and allotment of 271.39 acres as equity contribution in kind. However, it failed to stop illegal quarrying on this land and hand over encroachment-free land to APSFC, resulting in the equity contribution remaining notional and inflating APSFC's net worth and capital adequacy. GoAP and APSFC were also not able to ensure full compliance with the terms of the tripartite MoU with SIDBI.*
- *Audit scrutiny revealed numerous deficiencies in appraisal of proposals (particularly with regard to application of KYC norms), arbitrary/ non-transparent grant of interest concessions, irregular sanction of term*

loans to educational institutions, and other instances of non-compliance with its own lending policy and instructions.

- *We also found delays/ deficiencies in taking timely recovery action in accordance with stipulated procedures, including delay in disposal of seized assets, acceptance of defective security and improper release of security. Further, APSFC had been operating the OTS Scheme for 15 years continuously without any fixed timeframe; we also noticed deficiencies in OTS implementation, including settling accounts for less than the available security, and irregular extension of OTS benefits to wilful defaulters as well as working capital loans.*

Recommendations

- *GoAP should immediately ensure land allotted to APSFC as equity contribution in kind is encroachment-free.*
- *APSFC should ensure that while sanctioning loans, due diligence is conducted not only in respect of the promoters, but also of funds brought in by third parties. Further, the lending policy and instructions should be followed strictly; deviations therefrom should, with proper justification, not only be approved by the Board but also intimated to GoAP.*
- *Specific financial limits (both absolute and as a proportion of the sanctioned loan) should be set for “ad hoc” releases. Further, ad hoc releases must be regularised within 3 months, or treated as NPAs with necessary consequences.*
- *In order to minimise problems in recovery of loans, APSFC should put in place systems for updating of customer data (promoters, guarantors and investors) on a periodical basis. Further, APSFC needs to implement its recovery policy diligently, and ensure that action for seizure of assets is initiated in timely manner (without a discretionary approach, especially for higher value loans). This also needs to be followed by quick action for sale of such assets (especially depreciable assets like plant and machinery).*
- *APSFC must offer ‘One Time Settlement’ (OTS) only within very short, clearly defined timeframes, and implement the approved OTS guidelines scrupulously.*

Chapter III

3. Thematic Audit

Land Allotments by Andhra Pradesh Industrial Infrastructure Corporation Limited

Executive Summary

Alienation/ acquisition and allotment of land to private parties is a major activity undertaken by the Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC). Audit has commented on land allotments by APIIC and instances of undue favours granted to private parties by APIIC and Government of Andhra Pradesh (GoAP) in recent Audit Reports (viz., 2006-07-Commercial and 2011-12-Civil). However, in order to present a comprehensive picture of land acquisition/ alienation and allotments by APIIC, a thematic audit on this subject, covering the Corporate Office of APIIC and 8 out of its 16 Zonal Offices was conducted in May to July 2012. The audited sample of 1096 cases involved 43,920 acres of land, covering 78 per cent of the total land allotment during 2006-12. The main findings and recommendations arising out of the thematic audit are summarized below.

Sale/Lease of land in advance possession of APIIC pending alienation by GoAP

Alienation orders of GoAP had not been received for 49,046 acres of land, which APIIC had already taken advance possession. Consequently, APIIC was making sales/lease to private parties based on the tentative market value of land.

Irregularities in allotment/ alienation

- Deficiencies in the award and implementation of the project for development of 'Integrated Vizag Knowledge City' over 1750 acres of land, with corresponding undue favour to the successful bidder and allottee, Unitech Ltd, besides substantial post-bid changes such that the Development Agreement bore virtually no resemblance to the project terms and conditions envisaged at the time of bidding, in detriment to the financial interests of APIIC.*
- Instances of allotment of land to private parties at rates well below the market value or well below acquisition cost'; notable instances of such allotment at irregularly low rates were to East Coast Energy Ltd., MLR Motors Pvt. Ltd, Orient Craft Fashion Institute of Technology, Krishnapatnam Power Corporation Ltd., and Kineta Power Pvt. Ltd., involving losses of ₹48.84 crore.*
- 82 allotments by APIIC at rates lower than those of APIIC's own Price Fixation Committee (PFC); notable instances of such allotments were to J.T. Holdings, Hyderabad Gems Ltd., Hetero Drugs Ltd., Aurobindo Pharma Ltd., and Gujarat NRE Coke Ltd., involving losses of*

₹ 69.83 crore. There were also instances of allotment of land by APIIC before fixation of cost by its Price Fixation Committee (PFC), which resulted in loss of ₹ 25.09 crore in respect of six cases.

- Other deficiencies in allotment detrimental to APIIC's financial interests, including allotment at reduced rates leading to the allottees undue benefit of ₹ 44.07 crore.
- Short-levy/ non-levy of service charges and process fee amounting to ₹ 65.37 crore, non-levy of commercial rates for commercial activities in Industrial/ IT Parks with loss of revenue of ₹ 16.13 crore, short-levy of conversion fee for non-agricultural purposes of ₹ 6.40 crore.
- Irregularities in allotments of land on lease basis by APIIC in several cases, notably in respect of Samuha Engineering Industries Ltd. with undue favour of ₹ 61.24 crore. Other cases of irregularities in lease allotment included Solar Semiconductor Pvt. Ltd., and XL Telecom & Energy Ltd. in Fab City (Rangareddy District) and Thermal Power Tech Corporation India Ltd., (SPS Nellore District), with loss of revenue of ₹ 25.99 crore.

Non-achievement/ partial achievement of objectives

Out of 6038 allotments, 4220 allotments during 2006-10 should have been completed within 2 years. Of these, 1204 units (involving 15292 acres of land) were yet to even commence implementation. Audit scrutiny also revealed instances of non-fulfillment of targeted objectives of investment and employment generation for various industries, despite the rebate for land cost.

3.1. Background

Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) was incorporated in September 1973 as a wholly owned undertaking of the Government of Andhra Pradesh (GoAP) with the objective of providing industrial infrastructure through the development of industrial areas. APIIC has developed more than 300 Industrial Parks (IPs), as well as industrial sheds, dormitory units and commercial shops. APIIC is also developing sector focused parks (e.g. apparel parks, food processing parks and leather parks) as well as Special Economic Zones (SEZs) in the State. It has also developed a HITEC City³⁴ as a PPP (Public-Private Partnership) project, and is acting as a principal facilitator in various “mega projects”.

APIIC is managed by a Board of Directors (headed by a Chairman) and a Vice-Chairman & Managing Director (VC&MD), who is its Chief Executive. He is assisted by two Executive Directors (EDs); functional heads for land acquisition, engineering, projects, finance, legal and administration and two Chief Engineers; and 16 Zonal Managers at the field level.

3.2. Land alienation/ allotments by APIIC

Alienation/ acquisition and allotment of land (in industrial parks, SEZ etc. as well as through various “mega projects” and other projects) to private parties is a major activity of APIIC during the last few years.

As of March 2012, APIIC had acquired 139372 acre land since inception. During 2006-12, APIIC acquired 73,992 acres of land at a cost of ₹ 5717 crore³⁵, and developed 22,103 acres at a cost of ₹ 767 crore. It allotted 56,003 acres of land (both developed and undeveloped) to 6038 allottees for a consideration of ₹ 6206 crore. The allotment of undeveloped lands over developed industrial plots has been on the increase, due to bulk allotments on Outright Sale (ORS) basis – 96 *per cent* of the land allotted (53,849 acres for ₹ 5744 crore) was on ORS basis. A year-wise profile of acquisition and allotment during 2006-12 is given below:

Table 3.1 - Land acquisition/ allotment by APIIC during 2006-12³⁶

Year	Land acquired/ alienated (acres)	Land developed (acres)	Land allotted (acres)	Sale consideration (₹ crore)
2006-07	6507	4236	4387	1078
2007-08	22145	4058	9212	2983
2008-09	25525	3861	14987	630
2009-10	8996	8729	14829	672
2010-11	7582	784	8754	474
2011-12	3237	435	3834	369
Total	73992	22103	56003	6206

³⁴ Hyderabad Information Technology and Engineering Consultancy (HITEC) City

³⁵ Excluding cases where APIIC had taken advance possession but alienation proceedings were pending, which are substantial.

³⁶ Source: data as provided by APIIC.

3.3. Land Alienation/ Allotment Procedures

3.3.1. Procedure for Alienation of Government Land by GoAP

Standing Orders of the erstwhile Board of Revenue (BSO) and the Andhra Pradesh (Telengana) Alienation of State Lands and Land Revenue Rules, 1975 authorise GoAP to alienate land for *bona fide* public purposes either free of cost (for public interest) or on payment of full or concessional market value (MV) (for private purpose). MV, as per AP Land Acquisition Act, 1894, is the price obtained with reference to the date notified for its acquisition by sale of adjacent lands with similar advantages.

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

- On receipt of application for requirement of land, it is processed by the local revenue authorities;
- Land is identified by the District Collector (DC) and notice calling for objections is published in the village within 15 days, which are disposed off on merit;
- Resolution of Gram Panchayat/ Municipal Council are also obtained, if the land falls within the limits of Gram Panchayat/ Municipality;
- Depending on the powers of the competent authority (linked to the area of land and its MV) recommendations of the DC are examined by the Empowered Committee³⁷ and recommendations thereof are placed before the Council of Ministers (CoM). After approval of the CoM, Government orders are issued for alienation;
- On issue of orders by the competent authority and after collection of land value, changes in the status of the land are incorporated in the Mandal/Village records.
- In cases of emergency, the BSO permits handing over the possession of land in advance, pending formal approval of the alienation process.

3.3.2. Procedure for Acquisition of Private Land by Government

Section 3 of the AP Land Acquisition Act, 1894 empowers Government to acquire private land for public purpose. The process involves several stages, which are summarized below:

- **Preliminary Proceedings** – The requisitioning Department sends an application to the Revenue authorities, indicating the purpose of acquisition, provision of funds, along with details of the land, and the officer to be nominated for joint inspection. In scheduled areas, Gram Sabha/ Panchayat is to be consulted, before taking up acquisition.
- **Draft Notification (DN) under Section 4(1)** – The DN, published in the Official Gazette and two daily newspapers, is crucial for determination of MV. It also empowers authorised officers to conduct survey/ joint

³⁷ Headed by the Chief Commissioner of Land Acquisition (CCLA) at the State level.

inspection of the land. Any interested persons can give their views within 30 days of DN, if any, that the land is not required for a public purpose. The DC; after giving the objectors an opportunity of being heard and further inquiry, shall under Section 5-A, give his recommendations, which shall be final.

- **Draft Declaration (DD) under Section 6** – After considering the report under Section 5-A, Government/ Collector shall issue a Draft Declaration (DD) within one year of the DN. After the DD, the Collector shall issue the order for acquisition.
- **Preliminary Valuation, Award etc.** – Upon issue of DD, preliminary valuation is carried out taking previous three years sale transaction as base. A notice is issued for inviting the claim for compensation and after enquiry the DC (with the approval of the GoAP) passes the award determining the area of land, compensation to be given to pattadar and the payment is made after acquisition of land
- **Special powers in case of urgency** – In case of urgency, the Collector can invoke the provisions of Section 17, and take possession after publication of notice under Section 9(1) of the Act, before passing the award; however, before taking possession, the Collector shall tender 80 *per cent* payment of compensation

3.3.3. *Procedure for Allotment of Land by APIIC*

APIIC formulated the ‘APIIC Allotment Regulations, 1998’, (with amendments being carried out from time to time), which prescribe the procedures and matters relating to applications, for allotment and their scrutiny, fixation of cost of plot/shed, auction, payments by allottees, allotment of alternate plots, execution of agreement for sale and sale deed, cancellations, restoration, refunds etc. The procedure followed by APIIC for allotment of land is summarised below:

- After development of new industrial areas, a notification is published in two daily news papers, which are widely circulated, inviting applications for establishment of industry. Also in case of existing industrial areas, APIIC displays the vacancy position on the notice board of the concerned Estate Office/District Industries Centers (DICs). From August 2011 onwards, APIIC is also inviting applications ‘online’. In respect of MoUs entered into by the State Government, the land is also being allotted as recommended by GoAP.
- Applications received along with requisite documents are scrutinized and placed before the concerned Allotment Committee, which then recommends allotment of plots. GoAP has constituted District Level Allotment Committees (DLACs)³⁸ for processing the applications for allotment of land/sheds, in the industrial parks of APIIC.
- Up to 31 March 2005, applications received for allotments up to five acres, were approved by DLAC, while those above five acres were sent to

³⁸ APIIC’s Zonal Manager as its Chairman, with representatives/members from District Industries Centre, Andhra Pradesh Pollution Control Board (APPCB), and Andhra Pradesh State Financial Corporation (APSFC) etc.

the Corporate Office for approval. After 1 April 2011, APIIC's Corporate Office has constituted a State Level Allotment Committee (SLAC)³⁹ for approval of allotments above five acres, or whose land value is more than ₹ one crore.

- Once the allotment is approved by the competent authority, APIIC issues a Provisional Allotment Order (PAO), indicating the amount to be paid within 90 days. In cases where the land cost has not been fixed by GoAP, APIIC also obtains an undertaking from the applicant to pay the differential amount, as and when fixed. On receipt of the entire sale consideration, APIIC enters into an "agreement for sale" with the allottee. Subsequently, on substantial/ full completion of the project, APIIC executes the sale deed in favour of the allottee.

3.3.4. Price Fixation

APIIC has a Price Fixation Committee (PFC), which usually meets once in a month, to fix the cost of land in respect of newly developed Industrial Estates/ IDA and also review the cost of land annually. The recommendations of PFC are approved by the VC& MD, APIIC and communicated to the Zonal Offices.

The methodology adopted for fixation of land cost by the PFC is summarized below:

- The land cost includes three items *i.e.* (a) land acquisition cost, (b) development cost and (c) other overheads thereon;
 - (a) Land acquisition cost is acquisition cost of patta/ government land (including an estimate of 10 *per cent* for *ex gratia*, where applicable), interest at the rate of 12 *per cent* per annum on amounts deposited with the Revenue Authorities till the date of land cost fixation/ allotment, one time interest at the rate of 12 *per cent* (to cover interest during construction period), and conversion charges for non-agricultural land as well as enhanced compensation, if any.
 - (b) Development cost (not levied for undeveloped land) includes the estimated cost of works proposed for layout, interest at the rate of 12 *per cent*, and administrative charges at the rate of 15 *per cent*.
 - (c) On the sum of land acquisition cost and development cost, 15 *per cent* overheads are levied. However, these overheads are not levied for undeveloped land acquired by APIIC on requisition from applicants with advance deposits; in such cases, process fee, EMD and service charges/ administrative charges are calculated separately (as described in paragraph 3.8.3).
- The total cost is divided by net usable area to arrive at the cost per acre or cost per sq.m.

³⁹ VC & MD as its Chairman, with representatives/members from APPCB, APSFC, Commissioner of Industries, and Andhra Pradesh Industrial and Technical Consultancy Organisation Limited (APITCO) etc.

3.4. Audit Approach

3.4.1 Audit Scope

In the past, we had scrutinized land allotments by APIIC and commented upon numerous instances of undue favours granted to private parties by APIIC and GoAP in several recent Audit Reports, notably in the CAG's Audit Reports (Commercial) for 2006-07, 2009-10 and 2010-11 and the Audit Report (Civil) on Land Allotments for 2011-12. A brief of the main audit findings included in recent CAG's Audit Reports is indicated in **Annexure 3.1** to this report.

However, in order to present a comprehensive picture of land acquisition/alienation and allotments by APIIC, we decided to conduct a thematic audit on this issue, by covering the Corporate Office of APIIC and 8 out of its 16 Zonal Offices. Our audited sample of 1,096 cases involved 43,920 acres of land, amounting to 78 *per cent* of the total land allotment (56,003 acres) during 2006-12, as detailed in **Annexure 3.2**.

Out of the test-checked 1096 cases involving 43,920 acres of land, we noticed significant deficiencies in respect of 193 allotments covering 30,207 acres (69 *per cent*), which are described below in this report; in most of the cases, reasons for deviations were not available on record. However, in respect of the remaining 903 cases involving 13,713 acres of land, no significant deficiencies, worth highlighting in this Report, were noticed.

3.4.2 Audit Objectives

The objectives of the thematic audit were to ascertain whether:

- The market value for alienation/acquisition of Government/ patta land was properly ascertained and fixed by GoAP;
- The land allotment process was transparent, uniformly applied in accordance with laid down guidelines, procedures and regulations, and was in public interest;
- The sale price and lease premium on plots was fixed properly and consistently in accordance with APIIC's pricing policy, and was realized in time; and
- The conditions governing the allotment were fulfilled, and the objectives of infrastructure creation and industrial development were achieved in a timely manner.

3.4.3 Audit Criteria

We adopted the following sources of audit criteria:

- The rules, regulations and decisions, orders and guidelines of GoAP and APIIC for alienation/ acquisition/ allotment and fixation of land cost/ land allotment cost;
- Terms and conditions of agreements/ MOUs with developers/ GoAP and terms and conditions for land allotment; and
- Scheme guidelines issued by GoAP/ GoI.

3.4.4 Audit Methodology

We conducted the audit during May to July 2012 by scrutiny of records in GoAP and the Corporate and Field Offices of APIIC, including notifications and G.Os issued by Revenue authorities, records relating to development and implementation of individual projects/schemes, minutes of meetings of APIIC's Board of Directors and Price Fixation Committee, and other related documents.

The draft findings were issued (30 October 2012) to GoAP and APIIC; despite issue of a reminder (30 November 2012), the reply is still awaited.

3.4.5 Acknowledgement

We acknowledge the co-operation extended by GoAP and APIIC in the conduct of this thematic audit.

Audit Findings

3.5. Sale/ lease of land in advance possession of APIIC pending alienation by GoAP

As of March 2012, APIIC had acquired 139,732 acre land since its inception, of which 50,511 acre was patta and 89,221 acre was Government land. However, alienation orders of GoAP had not been received for 49,046 acres (55 per cent of total Government land acquired), for which APIIC had already taken advance possession. Of this, alienation proceedings in respect of 32,428 acres of land were reportedly pending with the District Collectors, 10,239 acres with the Chief Commissioner of Land Administration (CCLA) and 6379 acres with GoAP. We observed that alienation proceedings in respect of these lands were pending from 1974 onwards. The reasons for such long pendency were not furnished, despite having been sought (May 2012). A district-wise profile indicates maximum pendency in SPS Nellore (15,053 acres), followed by Visakhapatnam (9,004 acres), YSR Kadapa (7,520 acres) and Rangareddy (5,946 acres).

Despite non-finalization of alienation proceedings, APIIC was making allotments of such lands to private parties and executed sale deeds based on the tentative market value of land. In our test checked sample, we found 31 such cases of allotments to private parties involving 7098 acres where alienation proceedings are still pending and in some of such cases the land was allotted at less than market value which has been discussed in this thematic audit.

Further, we did not find any cases of APIIC invoking the allottees' undertaking to pay the differential cost, indicating that APIIC did not have an effective mechanism for working out and recovery of such differential cost.

3.6. Irregularities in alienation/ acquisition of land

Apparel Export Park/ SEZ for Electronics Hardware, Maheswaram

In November 2001, APIIC requested the District Collector, Rangareddy District for alienation of 420 acres of land⁴⁰ for establishment of an Apparel

⁴⁰ 405 acres of Government land + 15 acres of patta land.

Export Park and advance possession as well as physical possession of 275 acres was handed over in August 2002. At the time of handing over, the land was reported as Government land, but not assigned land. Subsequently, the Apparel Export Park project was deferred, and APIIC proposed (June 2007) to construct a sector-specific SEZ for Electronics Hardware, which was approved by GoI (July 2007).

However, in August 2008, the Tahsildar, Maheswaram, Rangareddy District stated that 407.28 acre land was available, out of which 379.11 acre was assigned and that possession was given to APIIC, without notifying the assignees. Between December 2008 and November 2009, APIIC deposited ₹ 21 crore with the Revenue Authorities, of which ₹ 17.55 crore was disbursed as *ex gratia* to the assignees for cancellation and resumption of the assignments, and possession of additional 83 acres handed over. Subsequently, APIIC also paid ₹ 2.15 crore for acquisition of patta land of 15.10 acres. The fencing work taken up by APIIC had to be suspended and foreclosed (February 2012) after incurring an expenditure of ₹ 1.79 crore due to obstruction by villagers/ assignees on grounds of non-payment of *ex gratia*.

Thus, the land, which was stated by the Revenue Department to be unassigned in August 2002 and possession handed over to APIIC, was stated as assigned in August 2008 with an increase in habitations and assignees on the land, which could be attributed to inaction by the Revenue Department.

Hardware Park at Shamshabad

In response to APIIC's requisition (March 2004) for alienating identified Government land of 108.27 acres at Raviryala Village for establishment of Hardware Park at Shamshabad, Rangareddy District, the then MRO, Maheshwaram Mandal resumed the lands from the assignees in March 2006, without, however, issuing show cause notices to the assignees⁴¹ and waiting for 15 days thereafter before proceeding further for land alienation.

While one section of the assignees accepted *ex gratia* payment of ₹ 6 lakh/ acre, another section, involving 37.29 acres of land, were not satisfied and approached the AP High Court seeking higher compensation. Since, the revenue authorities failed to issue show cause notices in time in 2006, show cause notices were belatedly issued in September 2009, on the directions of the High Court. Registration statistics for 2006-09 were reworked, and a revised amount of compensation of ₹ 15 lakh/ acre was recommended and paid. This resulted in avoidable payment of additional *ex gratia* of ₹ 4.36 crore⁴².

Expansion of Hardware Park at Shamshabad

The MRO, Ibrahimpatnam on the instructions of the Special Grade Deputy Collector and Revenue Divisional Officer, Rangareddy, East Division, after conducting panchanama (28 March 2006) handed over 190.33 acres of Gairam sarkari/ unassigned land to APIIC. Thereafter, APIIC requisitioned (May 2006) the Revenue Department for alienation of Government land of 190.33 acres in Sy. No. 255 of Adibatla Village, Ibrahimpatnam Mandal,

⁴¹ As required under the AP Assigned Lands (Prohibition of Transfer) Act, 1977.

⁴² (₹ 15 lakh - ₹ 6 lakh) X 37.29 acre + 30 per cent thereof = ₹ 4.36 crore.

Rangareddy for expansion of its Hardware Park⁴³. While submitting the proposals to the District Collector (DC), the MRO, Ibrahimpatnam stated that the notice calling for objections had been published in the village notice board (as required under the Land Acquisition Act, 1894) and no objections were received within 15 days, and then noticed occupation⁴⁴ in 10 acres of land.

Consequently, after proposals of the District Collector (DC)/ CCLA and approval by the Empowered Committee for deletion of 10.30 acres, CCLA directed the DC (November 2006) to hand over 180 acres land in Sy No. 255. However, APIIC could take over (March 2007) only 139 acres of land (uncultivable/free), as the balance 41 acres of land was said to be under encroachment even after exclusion of 10 acres already encroached.

As APIIC had entered into MoUs (February/April 2007) with IT companies, it asked for allotment of the balance land as illegal encroachers were preventing these IT companies from undertaking construction activities. Strangely, the MRO, Ibrahimpatnam cancelled (August 2006) the allotment by his predecessor in March 2006, stating it to be void and not done in accordance with the law. By November 2008, APIIC had to deposit ₹ 4.35 crore as *ex gratia* to encroachers in 168 acres of land in Sy. No. 255.

The increase in the extent of encroachment from 10 acres (March 2006) to 51 acres (March 2007) to 178 acres (November 2008) out of a total of 190.33 acres, coupled with the cancellation of the earlier allotment by the subsequent MRO (due to non-compliance with the law, but without explanations) is clearly indicative of the Revenue Department officials not addressing encroachment of prime Government land. This is further compounded by the failure to furnish information on the number of encroachers, penalty imposed during jamabandi period, and details of UCs for amounts paid to encroachers, when requested by audit from the District Collector's Office.

My Home Industries Limited (MHIL)

In November 2008, My Home Industries Limited (MHIL) requested APIIC to acquire 27 acres of land for formation of rail and road connectivity from its cement plant at Mulakalapalli Village, Yelamanchili Mandal, Visakhapatnam District to Bayyavaram Railway Station. This finally culminated in acquisition (April 2010) by APIIC of 18.26 acres of patta land at a total compensation of ₹ 2.39 crore.

Audit scrutiny revealed that out of the 18.26 acres, the allottee had already acquired 1.73 acres before publication (January/February 2009) of the Draft Notification (DN), and further acquired 8.45 acres of patta land after publication of the Draft Notification, but before publication of Draft Declaration (DD) which is irregular. Thus, execution of sale deeds by the Sub-Registrar to the extent of 8.45 acres after publication of the DN is highly irregular.

⁴³ This was pursuant to the RDO's direction (March 2006) to hand over possession of Gairam Sarkari/ unassigned Government land of 190.33 acres to APIIC.

⁴⁴ 1 school, some graves and old houses

3.7. Irregularities in Allotment

3.7.1 Allotment at rates well below Market Rates/Acquisition Cost

Integrated Vizag Knowledge City

In August 2007, APIIC invited Expressions of Interest (EoI) for development of ‘**Integrated Vizag Knowledge City**’ (including International Standard Championship Golf Course) on 1750 acres land in Kapula Uppada Village, Bheemunipatnam Mandal, Visakhapatnam District already in its advance possession (November 2004), pending alienation proceedings of GoAP. The bid documents stipulated (August 2007) that the successful bidder should pay ₹ 350 crore for land cost (at ₹ 20 lakh/ acre for 1750 acres) and also offer revenue sharing at a minimum rate of 2 *per cent* per annum of Gross Revenue for a minimum period of 10 years. While 18 bidders⁴⁵ purchased bid documents in response to the EoI, only five bidders participated, and only two out of five bidders – Unitech Ltd. and A1 Hamra Real Estate Development – were deemed to have qualified on technical and financial criteria. Unitech Ltd. was the higher of the two bidders, offering an aggregate annual revenue share of ₹ 2938 crore over 10 years. The Development Agreement (DA) was concluded with Unitech Ltd. on 17 July, 2008 i.e. 9 months after the date of issue (September 2007) of the Letter of Award (LoA). However, even before entering into the Development Agreement, APIIC executed (08 July 2008) a sale deed for 5 acres of land and handed over possession to Unitech Ltd.

In fact, the allottee (Unitech Ltd.) did not comply with the terms of the LoA, stipulating payment of land cost of ₹ 350 crore within 180 days (i.e. by March 2008). Instead, the allottee paid only ₹ 255 crore (apart from ₹ 10 crore payable towards EMD and ₹ 5 crore towards project development expenses) and that only by October 2008. Due to failure of the allottee to pay the balance cost of ₹ 95 crore, despite repeated reminders, and not taking up the intended development, APIIC cancelled the agreement only in April 2011. Subsequently in May 2011, Unitech Ltd filed a writ petition in the City Civil Court, Hyderabad, seeking to restrain APIIC from creating third party rights on the project/land (i.e., re-allotting it to another party) and the matter is sub-judice, although no stay has been granted and the hearing has not taken place.

Audit scrutiny revealed the following deficiencies in the award and implementation of the project

(a) Selection of Project Consultant

APIIC nominated (29 August 2007) Capital Fortunes Pvt Ltd. Hyderabad as the project consultant. The basis for selection of consultant without going through a competitive process was not available on record. However, even before the terms of appointment and terms of payment for the consultant were

⁴⁵ AL Futtaim Pvt Co LLC, Al Hamra Real Estates, DLF Ltd., Elixir Conbuild Pvt Ltd., Emaar Properties PJSC, ETA Star Property Developers, Ferani Hotel Pvt Ltd., Gem Infra Pvt Ltd., GVK Power & Infra Ltd., Jai Prakash Associates Ltd., L&T Urban Infra Ltd., Lanco Hills Technologies Ltd., MAYTAS Properties Ltd., Millennia Realtors Pvt Ltd., Nagarjuna Constructions Co. Ltd., Rakindo, Tata Realty and Infra Ltd., and Unitech Ltd.

finalized, the consultant had already started the work⁴⁶. The consultancy fee of ₹ one crore was fixed *post facto* only in March 2009, well after the finalization of the Development Agreement (17 July 2008). Out of the agreed consultancy fee of ₹ one crore, APIIC paid ₹ 75.00 lakh between March & August 2009 to the consultant, that too without entering into an agreement with the consultant. Thus, the selection of consultant and terms and condition of payment were not finalized on a transparent and competitive basis. It may be noted that it was the consultant's report which formed the sole basis for disqualification of three bidders restricting competition to just two bids.

(b) Short lead time allowed for bidding

The EoI for the Integrated Vizag Knowledge City was published on 8 August 2007, with the last date for submission of bids as 31 August 2007. Before opening of bids, many of the leading bidders⁴⁷ requested APIIC for granting extension of time (EoT), ranging from 15 days (Unitech Ltd) to one month (others). We observed that EoT was granted for only 14 days i.e., up to 14 September 2007; reasons for rejecting longer EoT were not on record. It appears that the short period permitted for submitting bids acted as a deterrent to competition. Strangely, of the 18 bidders who purchased bids, only five submitted their bids. Out of 13 bidders who did not submit bids, three had earlier asked for extension up to 30 September 2007.

(c) Non availability of pre-bid meeting minutes & Non constitution of tender committee

Even though the CMD constituted a Committee consisting of ED, CE, and Vice President (Projects) for conducting a pre-bid meeting, APIIC did not maintain, or did not provide the minutes of the pre bid meeting conducted on 25 August 2007. In fact, in its letter of 28 August 2007 to APIIC, MAYTAS stated that "most of our queries were not answered at the pre bid meeting with a standard response being 'APIIC will get back to us in writing'. We are still waiting for APIIC's response". Also, ETA- Star Property Developers in its letter of 26 August 2007 reiterated several queries (on key issues such as FAR⁴⁸, Zero Date etc.) which were raised and were pending clarification. It was observed that though the replies to the queries were prepared but whether the same was forwarded to the individual bidders were not available on records. Further, no evidence exists of the constitution by APIIC of a Tender Committee for discussing and analyzing the technical and financial capabilities of the bidders.

(d) Selection and Short listing of Bidders

Out of the five bidders/Companies who submitted their bids, the Company disqualified three bidders i.e., DLF Ltd., ETA- Star, and AL Futtaim on various deficiencies, whereas, with regard to Unitech, the consultant's report deemed the bid to be responsive even though the following deficiencies existed in the bid:

⁴⁶ The EoI for Integrated Vizag Knowledge City was published on 8 August 2007.

⁴⁷ ETA Star Property Developers LLC, LANCO Hills Technology Park Pvt Ltd., MAYTAS Properties Ltd., Nagarjuna Construction Company Ltd., and Unitech Ltd.

⁴⁸ Floor Area Ratio.

- Unitech claimed to have developed a Golf Course under the brand Golf & Country Club, Gurgaon, which appears to be the same name as referred to in DLF's bid (Golf & Country Club).
- The certificate issued by the Statutory Auditor indicated that the bidder had 100 *per cent* “**beneficial interest**” in the Golf Course with villas. However, the format of the auditor's certificate in the bid document (BRS 2) required 51 *per cent* of share holding and not “beneficial interest”, whose meaning is *prima facie* unclear.

Further, there is a certificate from the Managing Director of Unitech Ltd. dated 19 September 2007 (the same date as the date of the consultant's evaluation report) that the Golf Course at Karma Lake Lands was owned and developed by Unitech Ltd.

The original Bid Documents of Unitech Ltd. along with their Technical and Financial Capabilities certified by appropriate authorities and responses in formats were not furnished to audit despite repeated pursuance. Consequently, we are unable to confirm that the qualification of Unitech Ltd. and disqualification of other bidders was conducted in a fair and transparent manner. Correspondence relating to effecting of changes in the DA was also not made available to audit.

(e) Delay in entering into Development Agreement (DA)

As per clause 3.1.4 of the bid document, the DA was to be executed between APIIC and the Special Purpose Vehicle (SPV) within a period of 60 days from the date of issue of the LoA (September 2007). However, the DA was executed only on 17 July 2008 (a delay of 9 months). While APIIC granted only 14 days of EoT for submission of bids, showing undue haste for awarding such a huge project, it took nine months to enter into the DA with the selected bidder.

(f) Post- bid amendments favoring Unitech Ltd.

As per clause 3.1.4 of the bid document, DA should have been finalized based upon the Terms of Reference (ToR) in the bid document. However, audit scrutiny revealed several deviations and departures from the bid document detrimental to the financial interest of APIIC.

1. The Zero Date is the base date for the purpose of project and is linked to payments. As per the LoA, Zero Date was supposed to be exactly one year after the date of DA. However, this was modified in the DA to a date after receipt of all approvals, thus, postponing the Zero Date substantially/indefinitely⁴⁹.
2. The year of commencement of the payment of Annual Minimum Guarantee (AMG) became ambiguous, because of changes in the definition of Zero Date in the DA.
3. As per bid document, EMD of ₹ 10 crore could be impounded in the event of defaults like failure to pay the total purchase price within the stipulated

⁴⁹ If APIIC intended the Zero Date to start after receipt of all approvals, thus considering the interest of the developer, indicating a contrary clause for Zero Date at the bid stage would have discouraged other bidders, and put them at a disadvantage.

period, failure to incorporate and obtain certificate of commencement of business for the SPV before execution of DA, approval of Memorandum and Articles of Association of SPV, failure to submit DPR, failure to submit Bank Guarantee, failure to execute DA/power of attorney, failure to execute sale deed and other omissions and commissions. However, the DA provided for refund/adjustment of EMD immediately on payment of the last instalment of total purchase price. In the given circumstances, the EMD cannot be impounded by APIIC in the event of any default other than non payment by the developer.

4. As per the bid document, the last instalment (₹ 175 crore) of the total sale price (₹ 350 crore) was to be paid within 180 days (i.e., by March 2008) from the date of issue of the LoA (September 2007). However, the DA provided for payment within a period of 45 days from the date of execution of the DA (July 2008), thus giving further extension to Unitech.
5. The bid document did not provide for any reduction or dilution of share holding pattern of the Developer. However, the DA provided for dilution of share holding of Unitech Ltd. in the SPV Company below 51 *per cent* in case of listing, and also that such shares could also be mortgaged to lenders.
6. The bid document provided that the right of APIIC on the land shall be supreme and the lender's right shall be subordinate to the rights of APIIC under all circumstances. However, the rights were reversed in the DA, which provided that the Company's interest on the land was subordinate to the interest of the lenders.
7. The bid document provided for joint and several liability of the successful bidder and SPV for non fulfilment of the obligation. However, in the DA, this liability was limited to the equity shares held by the members. Thus, Unitech Ltd. bore no direct liability for failure to comply with the project terms and conditions.
8. Compensatory payment (CP) by APIIC was not provided for in the bid document. However, the DA provided for CP by APIIC to the developer, even in the case of significant event of default by the developer, as well as title related issues, political *force majeure* etc. with the CP restricted to the compensated land under consideration and not the total project cost.
9. Though the bid document did not provide any substantial target, yet the DA provided that 60 *per cent* completion would be deemed to be completion of development.

Further, APIIC never apprised its BoD about the project and deviations from the Bid Document while entering into DA. The BoD was only apprised in May 2011, when APIIC finally took a decision to cancel the project.

(g) Unduly Low Land Price

The land price was fixed in the bidding documents at an unduly low rate of ₹ 20 lakh/ acre, although the cost of land registered in and around the project, as per information furnished by the Sub Registrar, varied between

₹ 19.50 lakh and ₹ 75.50 lakh/ acre. Further, VUDA⁵⁰ had auctioned (44.25 acres) land (August 2007) in the vicinity of 0.5 km and realized a market value of ₹ 2.14 crore/ acre. Even after including the revenue share over 10 years of ₹ 2938 crore (without discounting), there was a potential loss of revenue of ₹ 457 crore to APIIC⁵¹.

(h) Inadequate security through Bank Guarantee

The bid document specified that the Performance Security would be in the form of Bank Guarantee (BG) for the amount of Annual Minimum Guaranteed Amount (AMG), which was reflected in the DA. In this case, the land price was fixed at just ₹ 350 crore, while the revenue share offered by Unitech Ltd. was a much higher amount of ₹ 2938 crore for 10 years. However, the AMG offered for the initial four years, and the corresponding BG required, ranged from ₹ 5 crore to ₹ 78 crore only. It is only from the fifth to the tenth year, that the AMG increased to a range of ₹ 200 crore to ₹ 650 crore. Hence, the BG, linked to the low AMG amounts in the first few years, would provide negligible security to APIIC over the life of the project, since the land rights, including rights to mortgage land, would pass to the developer, merely after payment of the land cost alone. In fact, the DA allowed even the customers of the developer to mortgage their interest in the land to their lenders.

Thus, there were numerous deficiencies in the award and implementation of the project for development of ‘Integrated Vizag Knowledge City’ over 1750 acres of land, with corresponding undue favour to the successful bidder and allottee, Unitech Ltd. besides substantial post-bid changes such that the Development Agreement bore virtually no resemblance to the project terms and conditions envisaged at the time of bidding in detriment to the financial interests of APIIC. Also, due to cancellation of allotment and filing of legal suit against APIIC by Unitech, 1750 acres of prime land in Vizag District allotted at an unduly low price remained undeveloped.

East Coast Energy Pvt. Ltd.

Even before the request (March 2008) of East Coast Energy Pvt Ltd., APIIC gave advance possession (February 2008) of 2050 acres land in Santhabommali Mandal, Srikakulam District for establishment of a coal-based thermal power plant. Against the recommendation of Sub-Collector, Tekkali (October 2007), in consultation with Sub-Registrar, Kotabommali, of a fair market value of ₹ 1.50 lakh/ acre, GoAP approved (July 2008) a rate of ₹ 85,000/ acre⁵², on the basis of the Empowered Committee’s recommendation (July 2008). This resulted in a potential loss of revenue of ₹ 13.33 crore⁵³ on account of the difference in fair market value of ₹ 65,000, as well as differential service charges (at 15 per cent of cost of acquisition) of ₹ 2.00 crore, and corresponding undue benefit to the allottee. The project is still under implementation.

⁵⁰ Visakhapatnam Urban Development Authority.

⁵¹ One acre of land=4840 sq. yards; ₹ 3745 crore (1750 acres x ₹ 2.14 crore) – ₹ 350 crore (land cost) – ₹ 2938 crore (revenue share) = ₹ 457 crore.

⁵² The District Collector, Srikakulam had recommended a rate of ₹ 40,000/ acre.

⁵³ (1,50,000 – 85,000) x 2,050 acres.

MLR Motors Pvt. Ltd.

On the directions of the State Government in November 2006 for allotment of land to MLR Motors Pvt. Ltd., APIIC requisitioned alienation of 750 acres of land in Muppireddypally, Toopran Mandal, Medak District. The Tahsildar, Toopran Mandal handed over advance possession in March 2007, and proposed a rate of ₹ 5 lakh, against the market value of ₹ 10 lakh to ₹ 15 lakh per acre as locally enquired by the Deputy Tahsildar.

In April 2007, GoAP directed APIIC to allot 225 acres of land at ₹ 5 lakh/acre to MLR Motors for establishment of a four wheeler manufacturing unit, with estimated investment of ₹ 1200 crore and direct employment to 3000 workers and possession to be given after financial closure. In May 2007, APIIC allotted this land to MLR Motors at this rate, without even charging process fees and service charges, and handed over physical possession, without receipt of the balance land cost of ₹ 8.25 crore (out of ₹ 11.25 crore) and without obtaining a project report and ascertaining financial closure of the project. Although the balance land cost was due by August 2007, GoAP extended the time limit several times upto March 2012.

As of March 2012, MLR Motors had paid a total of ₹ 8.47 crore and was yet to pay an amount of ₹ 7.35 crore towards balance land cost and interest. Further, there was no progress on the project, except for construction of a building in 0.74 acres. Also, APIIC without approval of GoAP, permitted transfer of 25 acres in June 2011 in favour of MLR Auto Ltd. for mortgaging with APSFC for a loan of ₹ 19.17 crore.

Thus, there were a series of continuing irregularities with undue benefit to MLR Motors which resulted in merely exploiting the market value of the land through mortgages for loans, without in any way contributing to the purported objective of setting up a four wheeler manufacturing unit. Further, there was a loss of revenue on account of lower land cost of ₹ 11.25 crore⁵⁴, and process fee, service charges, frontage charges and conversion charges of ₹ 4.50 crore.

Orient Craft Fashion Institute of Technology

In response to a proposal (August 2007) by Orient Craft Limited (OCL), Gurgaon, it was decided (August 2007) to allot 25 acres of land available with APIIC at a concessional rate of ₹ 5 lakh/acre, against the prevailing rate of ₹ 60.70 lakh/acre, on the grounds that the institute would set up facilities to train 4,000 people per annum (for a fee), giving preference to people from BPL families, and secure employment in upcoming garment industries. The allottee was accorded to commence construction immediately and make it operational by December 2008.

In pursuance of a GoAP order of November 2007 and receipt of ₹ 1.09 crore, APIIC provisionally allotted and handed over possession of 21.83 acres of land and entered into a sale agreement in June 2008.

Further, the agreement stipulated a timeframe of two years from handing over possession for implementation of the project, with extension of time by up to two years at a penalty of 10 *per cent* of the land cost at the prevailing rate.

⁵⁴ Market value of ₹ 10 lakh less allotment rate of ₹ 5 lakh x 225 acres.

However, the project has not yet been implemented, despite issue of two show cause notices in November 2011 and April 2012 by APIIC, which requested (July 2012) GoAP to take a suitable decision on the land allotted. Neither had APIIC levied penalty of ₹ 4.60 crore for extension of time, nor had it cancelled the allotment so far. Thus, purpose of extending concession of ₹ 12.16 crore to OCL is defeated.

Vivimed Labs Ltd.

APIIC requisitioned (August 2008) DC, Srikakulam for alienation of 66.23 acres of Government land for allotment to Vivimed Labs Ltd. for establishment of a speciality chemicals and pharmaceutical unit at Boyapalem Village, Ranasthalam Mandal.

Audit scrutiny revealed that GoAP alienated (April 2011) 58.92 acres of land (Boyapalem – 36.49 acres, Chittivalasa – 7.53 acres and Narava – 14.90 acres) at rates far below the market value (₹ 1.20 lakh/ acre and ₹ 2 lakh/ acre in Boyapalem and Chittivalasa, against the market rates of ₹ 2 lakh/ acre and ₹ 8 lakh/ acre), resulting in loss of revenue of ₹ 0.35 crore⁵⁵ and corresponding undue benefit to the allottee, as well as loss of differential service charges (at the rate of 15 per cent) of ₹ 0.05 crore. Further, out of the total sale consideration of ₹ 1.47 crore recoverable from the allottee, APIIC was yet to recover ₹ 0.10 crore.

Krishnapatnam Power Corporation Ltd. (KPCL) and Kineta Power Private Ltd. (KPPL)

In January 2008, APIIC requested the Revenue authorities for alienation of Government land of 2370 acres in Chillakur Mandal, SPS Nellore District for allotment to Krishnapatnam Power Corporation Ltd. (KPCL) and Kineta Power Private Ltd. (KPPL), and deposited ₹ 14.30 crore (at ₹ 1.30 lakh/ acre) in respect of 1100 acres of assigned land as *ex gratia*, in response to a demand from Sub-Collector, Gudur in February 2008. Pending alienation orders, APIIC provisionally allotted 1847.98 acres of land at ₹ 2 lakh/ acre to KPCL and KPPL. 1972 acres of land was handed over by the Revenue authorities to APIIC between June 2008 and December 2010.

However, in February 2009, GoAP alienated 1847.98 acres of land at ₹ 60,000/ acre (in addition to ₹ 1.30 lakh *ex-gratia* already paid for 1100 acre), and APIIC issued revised allotment orders at ₹ 80,000/ acre (plus service charges at the rate of 15 per cent and process fee of ₹ 10,000/ acre) in May/ June 2009. Thus, in respect of the 1100 acres of assigned land, APIIC incurred a cost of ₹ 1.90 lakh/ acre but charged only ₹ 80,000/ acre. This resulted in a loss of ₹ 12.10 crore plus differential service charges and process fee of ₹ 1.82 crore, and corresponding undue benefit to the allottees. The projects are still under implementation.

3.7.2 Allotment at rates below those recommended by Price Fixation Committee

Audit scrutiny revealed numerous cases where APIIC allotted plots at

⁵⁵ 36.49 acre x (2 lakh – 1.20 lakh) + 7.53 acre x (8lakh – 2 lakh) + 14.90 acre x (2 lakh – 1.20 lakh) = ₹ 86.29-₹ 50.97 lakh towards *ex-gratia* = ₹ 35.32 lakh.

concessional rates below the rates fixed by PFC, either by reducing the price unilaterally or on recommendations of GoAP, resulting in undue benefit of ₹ 176.55 crore to 82 allottees (see **Annexure-3.3**). A summary of the important cases of allotment at concessional rates below PFC-fixed rates is given below:

J.T. Holdings

In accordance with MoU entered into (December 2004) with GoAP, APIIC allotted undeveloped land to the extent of 70 acres in two spells (March 2005 – 10 acres and June 2005 – 60 acres) to J.T.Holdings at ₹ 4.95 lakh per acre in Sy.No.1/1 of Kancha Imarat of Raviryal Village, Maheswaram Mandal, Rangareddy District for setting up an IT facility and undertaking associated business activities. On receipt of total sale consideration of ₹ 3.47 crore, an agreement for sale was executed in October 2005.

Audit scrutiny, however, revealed that the allotment rate of ₹ 4.95 lakh per acre was much lower than the PFC fixed rates of ₹ 200 per sq.mt (₹ 8,09,400 per acre) valid from August 2004 to March 2005 and; this resulted in loss of revenue of ₹ 2.20 crore. The project is under implementation.

Gitanjali Gems Limited

As per the MoU entered into (July 2005) between GoAP and Gitanjali Gems Limited (allottee), APIIC allotted (August 2005) 75 acres of land for setting up of Gems and Jewellery SEZ at ₹ 5.00 lakh per acre in Sy.No.1/1 of Kancha Imarat of Raviraryala Village, Maheswaram Mandal, Rangareddy District. On receipt of the total consideration of ₹ 3.75 crore, an agreement for sale was executed on 8 December 2005.

Further, on the directions of the GoAP (June 2007), APIIC additionally allotted (July 2007) 95.51 acres of land at ₹ 20 lakh per acre on outright sale basis to Hyderabad Gems (formerly Gitanjali Gems), and the sale agreement was executed in July 2007 itself. However, the allotment rate of ₹ 20 lakh per acre was far lower than the PFC fixed rates for undeveloped land of ₹ 1500 per sq mtr (₹ 60.71 lakh per acre) valid from April 2007 to September 2007, this resulted in a loss of ₹ 38.88 crore. The project is under implementation.

Pharma Formulations SEZ

APIIC developed (2006) a Pharma Formulations SEZ in Green Industrial Park, Jedcherla, Mahabubnagar District. As per Allotment Regulations, 1998, the allotment shall be made at the rates fixed by APIIC as on the date of issue of the Provisional Allotment Order (PAO). Disregarding this policy, APIIC allotted plots/lands at lower rates in two cases tabulated below resulting in loss of ₹ 11.25 crore:

Sl. No. (1)	Name of the allottee (2)	Date of allotment (3)	Extent in sq.mts (4)	Allotted Rate (per sq.mt) in ₹. (5)	PFC Rate (Per sq.mt.) in ₹ (6)	Loss (₹ in crore) (7)=(6)-(5)*(4)	Lease rentals per annum (per cent on cost of land) (8)	Loss of lease rentals per annum (₹ in crore) (9)=(7)*(8)
1	Hetero Drugs Ltd.	11.11.2006	2,67,102	173	371	5.29	2	0.11
2	Aurobindo Pharma Ltd.	02.08.2007	1,82,115	173	500	5.96	1	0.06
Total						11.25		0.17

Further, all the allotments in SEZ are made on lease basis. Hence, the lesser fixation of land cost affects the fixation of lease rentals also, resulting in short fixation of lease of ₹ 0.17 crore per annum over the 35 year lease period.

Gujarat NRE Coke Limited

APIIC allotted (June 2008) 250 acres land in Industrial Park, Attivaram (SPS Nellore District) at ₹ 6.00 lakh per acre to Gujarat NRE Coke Limited on “as is where is” basis for setting up of “Low ash metallurgical coke oven plant along with waste heat recovery based integrated power plant”. The allottee requested (November 2009) APIIC to transfer the allotted land situated at Industrial Park, Attivaram to APIIC’s new venture at Industrial Park, Naidupet, near Krishnapatnam Port, SPS Nellore District. On the request of the allottee, the cost of land was fixed at ₹ 8.00 lakh per acre and modified allotment orders were issued in July 2010 to the allottee.

APIIC’s Allotment Regulations provided for such requests for allotments only within 90 days of the Provisional Allotment Letter; subsequent requests for allotment should have been allotted at the then prevailing PFC rates. Thus, allotment of an alternate plot at ₹ 8 lakh per acre, against the then prevailing market rate of ₹ 15 lakh per acre, resulted in loss of ₹ 17.50 crore to APIIC.

Pallavi Education Society and Shalivahana Mines Private Limited

Pallavi Education Society and Shalivahana Mines Private Limited, both represented by the same owner(encrocher), were in unauthorised occupation of APIIC’s 2.84 acre (11500 sq.mt) land in Survey No.44 at IDA, Nacharam, Rangareddy District. When the encroacher requested (July 2003) for regularisation, APIIC tried (March 2004) to evict the encroacher from the premises. The encroacher again filed a writ petition in 2004, which was dismissed (November 2004) by the High Court, but the encroacher filed a writ appeal against the High Court order and obtained (December 2004) status quo.

Meanwhile, Shalivahana Mines requested (December 2005, March 2006 and February 2008) for regularisation of the encroached land for establishment of an Apparel Training Institute. In response to this, though the request made in March 2006 was turned down (5 July 2006) by the Board of Directors and directed obtaining of immediate vacation of the status quo, APIIC issued (March 2008) a Provisional Allotment letter for the land, subject to payment of ₹ 1200 per sq.m towards regularisation fee, withdrawal of the writ appeal and payment of legal expenses (₹ 0.60 lakh). On withdrawal of the writ appeal (August 2009) and payment of land cost of ₹ 1.38 crore and legal fee of

₹ 0.60 lakh, APIIC handed over possession of land (February 2010) and executed sale agreement (February 2010) and sale deed (November 2010).

The allotment rate of ₹ 1200/ sq.m was far lower than the prevailing PFC rate of ₹ 5400/ sq.m, and the allotment was contrary to the Board's direction, resulting in loss of ₹ 4.83 crore.

RU Service Centre (India) Pvt. Ltd. and ICICI Bank

Pursuant to GoAP's proposal (April 2002), APIIC decided to take up development of a Financial District in about 125 acres land at Nanakramguda Village, Serilingampally Mandal, Rangareddy District. In March 2003, the PFC tentatively worked out the cost of land at ₹ 78.75 lakh/ acre (based on a land cost of ₹ 22.50 lakh/ acre plus development and other costs), corresponding to an allotment price on ORS basis of ₹ 2000/ sq.m. (₹ 80.94 lakh/ acre). In March 2005, PFC recommended a market price for land of ₹ 35 lakh/ acre; however, APIIC did not revise the land costs which should have been increased by ₹ 255/- per sq.m and the frontage charges by ₹ 210/- per sq.m .

Audit scrutiny revealed that RU Service Centre (India) Pvt. Ltd. was allotted (August 2005) 11.04 acres at ₹ 2,000/ sq.m, without revision of rates. Further, APIIC also failed to levy frontage charges at 10 *per cent* of land cost and Development cost (₹ 85 lakh per acre at revised cost). Thus, the total loss incurred by APIIC amounted to ₹ 2.23 crore.⁵⁶

Similarly, APIIC allotted (October 2003) three acres land at ₹ 78.75 lakh/ acre to ICICI Bank, which regretted (August 2004) their inability to take up the offer. However, in August 2005, ICICI Bank again evinced interest and was allotted 8.46 acres at the old rate of ₹ 78.75 lakh/acre; the total loss incurred by APIIC amounted to Rs 1.71 crore⁵⁶.

Reliance Power Ltd./ Samalkota Power Ltd.

In response to a request (May 2010) of Reliance Power Ltd. (RPL) (name subsequently changed to Samalkota Power Ltd. (SPL)) for allotment of adjoining 60-65 acres for expanding their existing Power Project at IP, Peddapuram, Executive Director – I, APIIC approved allotment of 55.32 acres at the prevailing land cost of ₹ 1500/ sq.m, which was communicated by the ZM, Kakinada to RPL. However, RPL requested (July 2010) the VC & MD, APIIC to consider the minimum premium over and above the prevailing GoAP unit rates, which was followed by a communication from the OSD, Energy (PR. IV) Department, GoAP to the DC, Kakinada asking for early allocation of land to RPL. Subsequently, the PFC, which had fixed rates for IP, Peddapuram at ₹ 1500/ sq.m. valid from June 2009 till March 2011, revised the land cost downwards to ₹ 1000/ sq.m for Peddapuram. Consequently, 49.75 acres of land (201330 sq.m) was allotted at ₹ 1000/ sq.m. to a group company of RPL⁵⁷ in January 2011, which resulted in loss of revenue of ₹ 10.07 crore to APIIC, with corresponding undue benefit to the allottee.

⁵⁶ (₹ 255+₹ 210+ frontage charges) rounded off to ₹ 500x44,678 sq.m (R.U.Service) and ₹ 500x34,238 sq.m (ICICI Bank).

⁵⁷ Reliance Goa & Samalkot Ltd. – at the request of CEO, RPL.

Mindspace IT Park Pvt. Ltd.

In response to a request (14 November 2005) from Mind Space IT Park Pvt Ltd. (Raheja Group)⁵⁸, APIIC provisionally allotted (21 November 2005) 350 acres of land at Growth Centre, Hindupur at ₹ 60/ sq.m for developing an “Infrastructure & Knowledge Hub” for implementation within 2 years, without, however, receiving a Detailed Project Report. Within four days of allotment, the allottee stated (25 November 2005) that they did not intend to set up any industry, but wished to develop the land with infrastructural facilities and offer it to needy entrepreneurs. APIIC modified its allotment (21 February 2006) accordingly, stipulating 15 years for implementation of the project. Subsequently, in response to a request from the allottee (10 April 2007), APIIC allowed the line of activity to be changed to ‘Apparel Park SEZ’ without even charging the prevailing allotment rate (i.e. ₹ 300/ sq.m.).

Thus, there were a series of accommodations by APIIC to benefit the interests of the allottee, essentially for real estate development. On the request for ‘Apparel Park SEZ’, APIIC should have cancelled the earlier allotments and issued a fresh allotment, with the land cost calculated at ₹ 300/ sq.m (the prevalent rates as of the date of approval). Failure by APIIC to do so resulted in undue benefit to the allottee of ₹ 34 crore.

In May 2011, APIIC cancelled the sale agreement, as the allottee had not implemented the project; this has been stayed through a judicial order.

Shantha Biotechnics Ltd.

In September 2007, APIIC allotted 40 acres of land at Muppireddypally, Rangareddy District at a concessional rate of ₹ 12.50 lakh/ acre (against the prevailing rate of ₹ 25 lakh/ acre) to Shantha Biotechnics Ltd. for setting up a biopharma products unit, with envisaged investment and employment generation of ₹ 50 crore and 300 persons respectively; APIIC handed over possession of the land in July 2008, after waiving interest of ₹ 0.15 crore for delayed payment of land cost.

Instead of setting up a biopharma products unit, the allottee decided to set up a SEZ, which has not been implemented. Not only did APIIC grant undue benefit of ₹ 5 crore through concessional land rates, but also failed to cancel the allotment and make a fresh allotment for the new purpose (SEZ) at the then prevailing land cost rates. Instead, it extended the time limit for project execution upto December 2012, subject to penalty of payment of ₹ 0.27 crore; this has not been paid by the allottee, claiming that the delay was due to delayed handing over of land by APIIC and delay in getting SEZ approvals from GoI.

3.7.3 Allotment of land even before fixation of cost of land by Price Fixation Committee

Allotment of land by APIIC in SEZs/ IPs even before fixation of cost of land by the PFC (which turned out to be higher), resulted in undue benefit of ₹ 25.09 crore in respect of 248.83 acres of land to six allottees

⁵⁸ Name changed to Neogen Properties (P) Ltd.

(see **Annexure-3.4**). One such case relating to the MPSEZ at Naidupet, SPS Nellore District is described below.

Multi Product SEZ at Naidupet

APIIC developed a Multi Product SEZ at Naidupet, SPS Nellore District and prepared a tentative layout with 17 plots with net usable area of 1664 acres. Of these, APIIC allotted three plots covering 335 acres on lease basis at widely varying rates within a period of three months only (with annual lease rentals at 2 per cent of 50 per cent of the lease premium), well before the fixation of land cost by PFC:

- 100 acres was allotted (12 March 2009) to Prime Electricals Ltd. at a lease premium of ₹ 6 lakh/ acre (cost of land – ₹ 3.00 lakh/acre and development charges of ₹ 3 lakh/ acre payable in 5 yearly installments);
- 25 acres was allotted (14 May 2009) to Hemair Systems Ltd. at a lease premium of ₹ 12 lakh/ acre (including development charges of ₹ 6 lakh/ acre, with rebate of ₹ 3 lakh/ acre);
- 210 acres was allotted (27 May 2009) to Greentech Industries Ltd. on lease premium of just ₹ 1 lakh/ acre, reportedly on account of the worldwide recession in the industry. Vis-à-vis the rate of ₹ 12 lakh/ acre charged for Hemair Systems Ltd., this amounts to undue benefit of ₹ 23.10 crore. The corresponding benefit in terms of lease rentals over the 33 year lease period works out to ₹ 7.62 crore.

The PFC of APIIC fixed the land cost of the MP SEZ in February 2010 at ₹ 16 lakh/ acre, which is higher than the rates fixed for any of the above allotments.

3.7.4 Charging of cost of Government land at much lower rates than patta land

As per past practice, APIIC fixes the cost of acquired Government land on par with the cost of acquired patta land, while allotting land for development of Industrial Parks/ projects of private parties. However, in respect of five allottees, APIIC fixed the cost of 4581.79 acre Government land lower than that of patta land, resulting in a loss of ₹ 148.56 crore (see **Annexure-3.5**). One such case is discussed below.

Krishnapatnam Infratech Private Limited

For the development of an IP/ SEZ at Krishnapatnam Village, SPS Nellore district APIIC allotted (September 2010) 321 acres of patta land in Kota and Chillakur Mandals at ₹ 4.47 lakh/ acre + processing fee and service charges (for which consent awards for patta land were passed between March 2009 and July 2009 for about ₹ 4.50 lakh per acre) to Krishnapatnam Infratech Private Limited (allottee). However, APIIC had already given advance possession (29 May 2009) of Government land to the extent of 4409.72 acres and allotment orders were issued in two phases (2682.77 acres in February 2009 and 1726.95 acres in September 2010) to the allottee at ₹ 1.15 lakh/ acre only, resulting in loss of revenue of ₹ 146.40 crore.

3.7.5 Other irregularities in allotments

Trade Towers and Business District, Manchirevula

In October 2007, APIIC awarded the project for development of Trade Towers (100 floors building) and Business District at Manchirevula Village, Rajendra Nagar Mandal, Rangareddy District to a consortium of Reliance Energy Limited (REL) and Sobha Developers Private Limited (SDPL), who quoted the highest rate of ₹ 6.57 crore per acre; the contract agreements were signed in May 2008. The Project had two modules – Trade Towers in 30 acres (1st module) and Business District in the remaining area of 50.68 acres (2nd module). Paragraph 3.4 of the CAG’s Audit Report No. 4 of 2010-11 (Commercial), had highlighted several instances of undue favours extended to REL, viz. irregular removal of SDPL (key technical partner) from the SPV; dilution of development milestones especially with regard to the 100 floors Trade Tower; non-forfeiture of performance security for default in payment of consideration amount and submission of DPRs; irregular waiver of Development Premium; change in construction standard from international standard to warm shell etc.

Subsequent audit scrutiny revealed that APIIC extended further post-contractual favours to the allottee in July 2010, as summarized below:

- Cash performance security of ₹ 32.90 crore paid to APIIC was irregularly substituted by a Bank Guarantee for Performance Security, and that too from the SPV (CBD Towers Private Limited) and not from Reliance Energy Limited.
- The conditional conveyance deed for the land for the Business District (2nd module) was substituted by sale deeds (this was contrary to the allotment regulation which stipulates execution of sale deed only after full/substantial completion of the project) whereby charge was created in favour of APIIC and first charge would be ceded to lenders, subject to payment of balance amount of land cost and ‘substantial completion’⁵⁹. Ceding of first charge in favour of lenders may pose a threat to the very objective of implementation of project, in case the SPV raised loans by pledging the land and utilizing the funds for its working capital requirements or other purposes.

In addition, the Board approved (May 2011) extension of additional favours (summarized below) which were forwarded to GoAP and are pending approval:

- Change of development phasing, with the Business District to be developed first, followed by the Trade Tower.
- Equity lock-in condition of permitting dilution from 51 to 26 *per cent* three years after completion of the Trade Tower, to be amended to dilution three years after “financial closure” of the Trade Tower.

⁵⁹ This was modified to completion of 3 million square feet (including 1 million square feet of Module II)As against the stipulation in the October 2007 Letter of Award of minimum 100 floors and 4 million square feet for Module 1.

- As against the stipulated Project Implementation Period of four years from Zero Date for the Trade Tower, and seven years from Zero Date for the Business District, Project Implementation Period ending in 2020, and effective date to be shifted from April 2010⁶⁰ to the dates of execution of amendment agreements (not yet finalized), with further scope for extension of Project Implementation Period by up to 5 years *inter-alia* due to ‘uncertainties in the real estate market which may warrant such extension of time’.

The above amendments not only continue the trend of undue post-contractual favours on various accounts to the developer, but seek to completely change the nature of the project from the original intent of construction of the 100 floors Trade Towers preceding the Business District (as laid out at the time of bidding and contract award) as well as dilution/ extension of the project implementation timelines to 2020 (and even beyond).

This draft audit finding was issued separately (August 2012) to GoAP, with a copy to APIIC; their reply is yet to be received.

Quantum Green Pvt. Ltd.

On the request (August 2005) of Rajitha Crop Care Pvt Ltd., APIIC requisitioned 60 acres of land at Ravulakolanu village, Pulivendula for setting up soluble fertilizers, organic manure and hybrid seeds manufacturing units, but its request was turned down (November 2006) by the District Collector, YSR Kadapa District on the grounds that these lands were assigned lands, and attracted the provisions of the AP Assigned Lands (Prohibition of Transfer) Act, 1977.

However, on the directions (December 2007) of the State Government, the District Collector permitted (January 2008) handing over of advance possession of 24.87 acres of land (out of the same land) for allotment (February 2008) to Quantum Green Pvt. Ltd., Pulivendula for setting up milk chilling, hybrid feed, fruit and feed processing and cattle feed unit; this was followed by GoAP’s alienation order of March 2008.

GoAP’s stand was inconsistent in turning down land alienation for allotment to one party on grounds of assigned land, but approving such alienation (and even permitting advance possession) for another party – Quantum Green Pvt. Ltd. without any objections relating to assigned land being raised. Further, APIIC also failed to collect process fee and service charges of ₹ 0.06 crore from Quantum Green Pvt. Ltd.

Apache Investment Holdings Pte. Ltd.

GoAP entered into (January 2006) an MoU with Apache Investment Holdings Pte. Ltd., Singapore for setting up an Adidas shoe manufacturing unit (a sector-specific SEZ footwear industry) in 314.57 acres of land at Mambattu village, Tada Mandal, SPS Nellore District on a 25-year long term lease at a nominal rate of ₹ 1/acre p.a. The allottee was to invest ₹ 200 crore within four years of SEZ approval and upto ₹ 500 crore over five years ‘under favourable conditions’, and was also required to provide employment to 10,000 persons

⁶⁰ Already altered/ extended as a result of the approval of the first restructuring proposal (November 2009).

(minimum) and 30,000 persons (maximum) in four phases'; production (1st phase) was to commence by end 2006, and all operational facilities were to be completed within 4 years. Further, the MoU empowered Apache Investment with the option to assign, transfer and convey in perpetuity all title in the land, as soon as Apache Investment's employee count reached 15,000 or more.

APIIC identified and, pending acquisition/ alienation, handed over advance possession of 313.57 acres of land (79.43 acres of endowment land⁶¹ and 234.14 acres of Government land) to Apache Investment in February 2006, GoI approval for the sector-specific SEZ was obtained in August 2006, and the lease agreement with Apache Investment was concluded in October 2008.

In October 2009, APIIC recommended that GoAP transfer 100 acres of land at ₹ 1/acre in favour of Apache SEZ Development India Pvt. Ltd., a holding company of Apache Investment, because Apache Investment's operational difficulties had forced transfer of 100 acres on outright sale basis to Apache SEZ, which would in turn allot/ sell land to others. This was approved by GoAP in March 2010.

Clearly, even the original MoU, involving transfer of land free of cost, was loaded in favour of Apache Investment. Twenty five year long-term lease was also not smoothly enforceable, as Apache Investment could transfer the rights in the property against a consideration after reaching an employee count of 15,000.

Transfer of 100 acres to another entity, Apache SEZ Development India Pvt. Ltd., who could sell lands to others, transformed the exercise from setting up of a manufacturing unit futile and completion deviation of land obtained at zero cost from GoAP from its stated objectives while seeking allotment. This resulted in undue benefit of ₹ 20 crore, considering the then prevailing market value of ₹ 20 lakh per acre.

Tata Telecom Academy

Pending alienation orders, APIIC had acquired (April 2000) Government land of 1109 acres in Imarat Kancha, Raviryala Village, Maheshwaram Mandal, Rangareddy for developing various industrial parks. In June 2004, APIIC's Board decided to reserve land with frontage (i.e. road facing plots) in the Hardware Park, which amounted to 6.71 acres on 5 plots, for commercial advantage.

However, in April 2008, APIIC's Allotment Committee decided to allot these five plots. Despite knowing the fact that the area was reserved at the behest of the Board, on an internal noting suggesting Board's approval for such allotment, the then CMD ordered "no need to place in Board". The Provisional Allotment Order for these plots was issued in May 2008. Further, differential land cost of ₹ 0.94 crore, as per PFC fixed rates effective from May 2008, was yet to be recovered.

⁶¹ For which APIIC paid (March 2006) ₹ 0.67 crore to the Asst. Commissioner, Endowments, Nellore.

Bhuviteja Enterprises (India) Pvt. Ltd.

APIIC allotted (November 2005) a one acre developed plot in the Financial District, Nanakramguda at 1.5 times the prevailing rate (total cost - ₹ 1.52 crore) to Bhuviteja Enterprises (India) Pvt. Ltd. for establishing an integrated petrol bunk with hotel and restaurant, business support centre and other amenities in a phased manner, with the sale agreement/ transfer of possession in January 2006. The project was to be implemented within 2 years of taking possession; however, the project (involving construction of G+19 floor, which was not disclosed on submission of application) is still under implementation.

In violation of the allotment regulations, the sale deed was executed in November 2008 with only partial/ negligible operation (petrol bunk), to facilitate obtaining of loans from financial institutions. Further, the Project Manager (IPU) irregularly directed (November 2008) the Joint Sub-Registrar, Moosapet, Rangareddy to register the Sale Agreement/ Sale Deed at ₹ 1.11 crore, leading to undervaluation of property by ₹ 0.41 crore and evasion of stamp/ transfer duty of ₹ 0.05 crore.

Srini Food Park Private Limited

After obtaining in principle approval (December 2008) from Ministry of Food Processing Industries, GoI for establishing 'Mega Food Park', APIIC allotted (February 2009) 147.71 acres of land at Mogili Village, Bangarupalayam Mandal, Chittoor District to Srini Food Park Private Limited at a tentative cost of ₹ 4 lakh/ acre, which was revised to 141.03 acres of land at ₹ 2.50 lakh/ acre (₹ 352.57 lakh). Sale deeds were executed for 110 acres (February/ May 2009) after receipt of sale consideration of ₹ 2.75 crore; subject to the allottee's undertaking to pay the differential cost of land. PFC fixed (October 2011) the cost of land at ₹ 100/ sq.mtr (i.e., ₹ 4.00 lakh per acre) and the allottee was asked (November 2011) to pay the differential cost of ₹ 1.70 crore, which is yet to be paid.

During an inspection (April 2010), APIIC discovered unauthorized encroachment of 5.40 acres of its land by the allottee (who stated that these lands were required for road access and agreed to pay the land cost); this also denied APIIC access to its balance adjoining lands (31.03 acres). The allottee requested (July 2011) for allotment of the balance land, in respect of which clarifications sought by the State Level Allotment Committee (September 2011) on project implementation and land utilization are yet to be furnished by the allottee.

APIIC failed to take penal action against the allottee for illegal encroachment of land, nor had it recovered the differential land cost from the allottee.

UPI Polymers Pvt. Ltd.

Pending alienation orders, APIIC took advance possession (April 2011) of 50 acres of Government land for developing an IP at Survepalli Village, Venkatachalam Mandal, SPS Nellore District, and allotted 45 acres of the above land (May 2011) to UPI Polymers Pvt. Ltd. at ₹ 9.49 lakh/ acre (arrived at by taking basic value of land of ₹ 7.50 lakh/ acre). However, taking into cognizance correspondence between the District Collector and the CCLA, who

recommended (June 2011) fixing a market value of ₹ 7 lakh/ acre but without communication of firm market value from GoAP, APIIC unilaterally reduced the basic cost of land and revised its land cost to ₹ 8.85 lakh/ acre, resulting in undue benefit of ₹ 0.28 crore to the allottee. Incidentally, APIIC had allotted (May 2011) adjoining land of 2 acres in the same IP to Ms. A. Radha Devi for establishing a petroleum retail outlet at 1.5 times of ₹ 9.49 lakh/ acre.

SRI City (P) Ltd.

Whenever land utilization is converted from agriculture to non-agricultural purpose, the land owner/occupier has to pay land conversion fee under the AP Agriculture Land (Conversion to Non-Agricultural Purpose) Act, 2006 at 10 per cent of basic value of the land which will be fixed by the rules framed by GoAP from time to time.

Based on the application and agreement for acquisition of land (February/ June 2006) of SRI City (P) Ltd., APIIC acquired 7181.32 acres and allotted 7156.23 acres of land (Patta land – 3705.18 acres; and Government land– 3451.05 acres) between May 2007 and December 2011. However, APIIC did not pay the conversion fee payable for conversion for non-agricultural purpose, amounting to ₹ 9.03 crore⁶². APIIC stated that SRI City (P) Ltd. had remitted ₹ 2.63 crore⁶³ towards land conversion fee; thus there was short collection of ₹ 6.40 crore by APIIC from SRI City (P) Ltd. and corresponding short remittance to Government.

Vega Conveyors and Automation Ltd.

APIIC allotted (November 2006) a plot of 7497 sq.m at ₹ 600/sq.m at IP Pashamylaram to Vega Conveyors and Automation Ltd., and sale agreement (along with transfer of possession) was concluded (March 2008) after collection of land cost. Subsequently, (July 2009), the allottee requested for allotment of an alternate plot, because the land allotted was not sufficient for its project. APIIC irregularly accepted the request, which was beyond the period of 90 days from the provisional allotment letter stipulated in the Allotment Regulations for considering requests for alternate plot. Further, it allotted (September 2009) an alternate plot of 14,918 sq.m (much larger size) at the older rate of ₹ 600/ sq.m for the initial allotment area, and the prevailing rate of ₹ 1500/sq.m only for the balance area, although the Allotment Regulations stipulate levy of the prevailing land cost for the entire (alternate) plot; this resulted in loss of revenue of ₹ 0.62 crore.

Air Liquide India Holding Pvt. Ltd.

APIIC allotted (November 2007) 29.74 acres of land at IP, Vakalapudi, Kakinada to Air Liquide India Holding Pvt Ltd. at a cost of ₹ 24.07 crore for ‘fabrication of air and gas separation plants and providing related services and equipment’; it executed the sale agreement and handed over possession in September 2008. Although construction was to commence within 6 months of possession and project implementation was to be completed within 2 years, the

⁶² Conversion charges for Dry land:5501.36 acres X ₹ 12,000 (₹ 6.60 crore) & Wet land 1679.96 acres X ₹ 14,500 (₹ 2.43 crore); details for 25.01 acres of dry land are not available.

⁶³ Out of ₹ 2.77 crore for a total land of 7542 acre converted by allottee.

allottee did not commence construction. After issue of notices by APIIC, the allottee intimated (August 2010) their decision to surrender the land and requested (March 2011) for waiver of occupation charges which was granted. Such irregular waiver of occupation charges (₹ 2.17 crore), was accepted by VC&MD, APIIC and only the EMD of ₹ 0.75 lakh was forfeited. The allottee handed over possession of the land to APIIC in March 2011.

Apollo Hospital Pvt. Ltd.

Pursuant to GoAP Order (May 2006), APIIC allotted (1 July 2006) 10 acres of land at Health City, Visakhapatnam ₹ 2 crore/ acre payable in five yearly installments. Further, it issued the Provisional Allotment Order, concluded the Sale Agreement and handed over possession (3 July 2006) of 8.03 acres of land – evidently in undue haste – after receiving only the first installment of ₹ 4 crore, in clear violation of the Allotment Regulations. However, despite fixing of a lenient payment schedule over five years⁶⁴, the allottee has been continuously defaulting on payments. As of February 2012, a total amount of ₹ 13.93 crore (including interest of ₹ 3.12 crore) is due. Even after six years of handing over possession, the construction of the hospital buildings is stated to be in progress. Despite extension of undue favours from the very beginning, APIIC has failed to take punitive action for cancellation despite non-payment.

Institute of Cancer and Research Pvt. Ltd.

APIIC allotted (June 2007) 5.07 acres of land at Health City, Visakhapatnam to the 'Indian Institute of Cancer and Research Pvt. Ltd.' at ₹ 2.75 crore/ acre plus development cost of ₹ 0.50 crore/ acre, and handed over possession in February 2009. Further, it concluded (February 2009) the sale agreement, without receiving the development cost of ₹ 2.54 crore, which was also suppressed from the sale consideration (resulting in evasion of stamp/ transfer duty of ₹ 0.25 crore). As of February 2012, an amount of ₹ 3.55 crore (₹ 2.54 crore – principal plus ₹ 1.01 crore – interest) is outstanding. As regards project implementation, the construction of even the compound wall was said to be in progress.

3.8. Other deficiencies

3.8.1 Non-levy of commercial rates

APIIC was charging commercial rates i.e., double the normal land cost (as on the date of allotment) for plots for Common Facility Centre (CFC) and other commercial activities in Industrial Parks (IPs) located in Hyderabad and Visakhapatnam, while in respect of other IPs, one and half times of the normal land cost. From October 2009, a uniform approach of one and half-times of the normal land cost was adopted in respect of all IPs.

Audit scrutiny revealed that APIIC failed to levy commercial rates for allotment of plots in CFC areas and other commercial activities in its Industrial Parks, resulting in loss of revenue of ₹ 16.13 crore in respect of 16 allottees (see **Annexure-3.6**). One important case is discussed below.

⁶⁴ As brought out in Para 6.1 of the CAG's Audit Report No. 2011-12, other entrepreneurs were asked to pay within 1 week/ 60 days/ 90 days.

Sattva Infrastructure India Pvt. Ltd.

In December 2008, APIIC allotted 29 acres of land to Sattva Infrastructure India Pvt Ltd. – 22 acres at ₹ 1125/ sq.m and 7 acres at ₹ 750/ sq.m – in the Common Facilities Centre (CFC) area in the Automotive Park, Toopran, Medak District for setting up of logistics park⁶⁵ with proposed investment of ₹ 46 crore and employment generation for 300 people. The stipulation of 1.5 times of the normal rates for lands/ plots in CFC area for commercial use outside Hyderabad area viz. ₹ 1125/ sq.m in this case, was not followed, resulting in loss of revenue of ₹ 1.06 crore⁶⁶. Also, APIIC failed to levy interest of ₹ 0.63 crore on delays of 48 to 150 days in payment of land cost. Further, the allottee has not implemented the project, despite APIIC issuing show-cause notices in May 2010, March 2011, November 2011 and January 2012; however, APIIC has not levied penalty of ₹ 0.26 crore for extension of time, nor has it cancelled the allotment.

3.8.2 Non-levy/ Short levy of frontage charges

As per clause 7.5 of APIIC's Allotment Regulations, 1998, frontage charges are levied at the rate of 15 *per cent* for plots/sheds facing or abutting National or State Highways or Service Roads of APIIC parallel to such highways and at the rate of 10 *per cent* for plots/ sheds facing or abutting District, PWD or ZP Roads or Service Roads of APIIC parallel to such roads. The limit for levy of frontage charges was restricted for allotments of plots up to 20,000 sq.m. per allotment, but there was no specific policy for charging beyond 20,000 sq.m. We observed that in respect of 13 allotments, the area allotted abutting State/National highways ranged between 21975 sq.m and 1955794 sq.m., for which no frontage was charged. This needs to be addressed urgently by APIIC with specific requirements for frontage charges for larger plot allotments.

Audit scrutiny revealed non levy/short levy of frontage charges of ₹ 0.47 crore in 12 cases for limits up to 20,000 sq.mtrs (as per Allotment Regulations) (see **Annexure-3.7**).

3.8.3 Non-levy/ Short levy of process fee and service charges

On the requisition of allottees, APIIC also alienates and acquires land on which it collects Process Fee (PF), Earnest Money Deposit and Service Charges (SC)/Administrative Charges from the allottees as determined from time to time, the rates indicated below:

Charges	Upto November 2006	November 2006 to September 2010	From September 2010 onwards
Process Fee	₹ 20,000/ acre	₹ 10,000/ acre	₹ 15,000/ acre (upto 100 acres); ₹ 10,000/ acre (100-400 acres); ₹ 7500/ acre (above 400 acres)
EMD	₹ 10,000/ acre	₹ 20,000/ acre	₹ 20,000/ Acre
Service / Administrative Charges	15 <i>per cent</i>	15 <i>per cent</i>	15 <i>per cent</i> (upto 100 acres); 10 <i>per cent</i> (100- 400 acres); 7.5 <i>per cent</i> (above 400 acres)

⁶⁵ Including motel, petrol bunk and other related activities.

⁶⁶ 7 acres x 4047 sqm x (1125-750).

Audit scrutiny revealed short-levy/ non-levy by APIIC of Service Charges and Process Fees by ₹ 58.77 crore and ₹ 6.60 crore in respect of 21 and 12 allottees respectively; details are given in **Annexure-3.8**. One of the important cases involving such short levy/ non-levy is discussed below:

Anrak Aluminium Ltd.

In pursuance of an application (April 2008) by Anrak Aluminium Ltd. and directions of GoAP, APIIC identified and acquired 1925.36 acres of land (1658.90 acres of patta land and 266.46 acres of Government land) between April 2008 and February 2009. It issued the Provisional Allotment Order for the above land at IP, Makavaram (Visakhapatnam District) on 16 February 2009, the Final Allotment Order on 18 February 2009 and the sale deed for the patta land on 19 February 2009, showing remarkable speed in allotment rarely displayed for other transactions. However, APIIC only indicated a tentative cost of ₹ 2.51 lakh/ acre for patta land through the allotment orders, without indicating the amount payable for service charges and process fees. Even when the cost of Government land was fixed by the Revenue Department in July 2009 at ₹ 2.32 lakh/ acre, APIIC informed (August 2009) the allottee of the land cost, service charges and process fee only in respect of Government land, but not for the patta land.

It is only when an additional 132.92 acres of land required by the allottee was under acquisition that the ED, APIIC directed (May 2011) the Zonal Manager, Visakhapatnam to recover the differential cost of land cost (at ₹ 2.85 lakh/ acre) for land already allotted along with service charges and process fee. The ZM raised (November 2011/ February 2012) demands for ₹ 15.96 crore (differential land cost-₹ 7.01 crore; service charge-₹ 7.29 crore and processing fee-₹ 1.66 crore). In response, the allottee questioned (February 2012) the methodology for calculations, but had not made payment. The project is still under implementation.

3.8.4 Non-levy/ non-recovery of penal interest

As per its laid down pricing policy and allotment terms and conditions, APIIC charges interest/ penal interest at the rate of 12 *per cent* p.a. on non-receipt of sale consideration within the stipulated 90 days, *ex gratia*/ land cost deposited by APIIC with Revenue authorities on behalf of the allottees, and regularization of encroachments from the date of illegal occupation, and at the rate of 16 *per cent* p.a. on non-receipt of differential cost of land. Audit scrutiny revealed short levy/non recovery of interest/ penal interest of ₹ 3.68 crore in nine cases (see **Annexure-3.9**).

3.8.5 Loss due to extension of rebate to ineligible allottees

APIIC decided to extend, as a special incentive, rebate of 5 *per cent* on total sale consideration to allottees remitting the due amount within 30 days of issue of the Provisional allotment order; this rebate was in force from November 2008 to March 2010.

Information in respect of special incentive/ rebate was provided in respect of only 2 (Shamshabad and Kakinada) out of 16 zones. In respect of these two zones, audit scrutiny revealed irregular provision of rebate of ₹ 0.19 crore to

three allottees⁶⁷ despite delay in remittance of sale consideration by 36 to 215 days.

3.9. Irregularities in allotment on lease basis

In addition to outright sale, APIIC has also been allotting plots/ land on long term lease (ranging from 21 to 66 years) by charging lease premium/ upfront fee (by charging either PFC fixed rates or based on market value), and collecting lease rentals at the rate of 1 or 2 *per cent* p.a. (with or without an incremental clause) on the lease premium.

Audit scrutiny revealed that APIIC has not framed any policy in fixing lease premium and lease rentals, with instances of arbitrary fixing of lower lease premiums with consequent under-charging of lease rentals, as described below.

Solar Semiconductor Pvt. Ltd. and XL Telecom & Energy Ltd.

Fab City SPV (India) Pvt Ltd. (FCPL) was incorporated (May 2006) as an 89 *per cent* subsidiary of APIIC and notified in 1075 acres of land in Rangareddy as a sector-specific SEZ through different GoI notifications (January 2007 to July 2009). As of May 2012, allotments of 401.10 acres had been made by FCPL to 16 allottees on long lease basis (33 to 66 years), charging lease premium and annual lease rentals at the rate of 2 *per cent* of 50 *per cent* of the Lease Premium. However, in respect of two allottees (Solar Semiconductor Pvt. Ltd. and XL Telecom & Energy Ltd.), APIIC fixed annual lease rentals at a nominal rate of ₹ 100/ acre, resulting in loss of revenue of ₹ 13.13 crore over the 66 year lease period to APIIC and corresponding undue benefit to the allottees.

Thermal Power Tech Corporation (India) Limited

APIIC allotted (September 2009) 680.55 acres of land in Muthukur Mandal, SPS Nellore District to Thermal Power Tech Corporation (India) Limited on long lease (21 years) with an upfront fee of ₹ 9 lakh/ acre and a nominal annual lease rental of just ₹ 1,000/ acre, while lease rentals for other leases by APIIC in MP SEZ, Naidupet, SPS Nellore District⁶⁸ were fixed at the rate of 2 *per cent* of 50 *per cent* of the lease premium. This resulted in loss of ₹ 12.86 crore of revenue over the 21-year lease period to APIIC.

Samuha Engineering Industries Ltd. (SEIL)

APIIC earmarked land of 347.25 acres (240.43 acres in the SEZ area and 106.82 acres in non-SEZ area) in Adibatla Village, Ibrahimpatnam Mandal of Rangareddy for development of Aerospace SEZ. Between October 2007 and June 2009, APIIC allotted land at lease premiums ranging between ₹ 25 lakh to ₹ 30 lakh, and lease rentals at the rate of 2 *per cent* p.a. with annual incremental increase.

However, audit scrutiny revealed a series of undue favours to one allottee – Samuha Engineering Industries Ltd. (SEIL), as summarised below:

⁶⁷ Varasiddhi Vinayaka Agro, Peddapuram – 36 days; Thermo Cables Lt, Jedcherla – 42 days, and Raichem Pharma Pvt. Ltd. – 215 days.

⁶⁸ Prime Electric Ltd. – May 2009; Hemair Systems Ltd. – August, 2009 and Greentech Industries (India) Pvt. Ltd. – July 2009.

- APIIC decided to allot undeveloped land at ₹ 10 lakh/ acre on Outright Sale basis (against the prevailing market value of ₹ 30 lakh/ acre) after a decision was taken in a meeting held on 30 November 2009 between the Principal Secretary & CIP to Government, Industries & Commerce Department, C&MD, Executive Director, and Advisor-II of APIIC and representatives from the allottee company.
- In April 2010, SEIL submitted an application for establishing an Aerospace & Precision Engineering and Products Manufacturing Unit in the Aerospace SEZ. APIIC allotted (April 2010) land of 103 acres (later revised to 100.51 acres) to SEIL at a lease premium of ₹ 10 lakh/ acre on a 33 year lease. On receipt of the lease premium of ₹ 10.05 crore, the lease deed was concluded in January 2011; although in June 2010, the PFC had decided on annual lease rentals at the rate of 2 per cent with 5 per cent annual increment, in this case the lease rentals remained at 1 per cent with 5 per cent annual increment. APIIC also allotted (April 2010) the entire 93.18 acres of land in the Aerospace non-SEZ area adjoining the SEZ at ₹ 10 lakh/ acre, for which sale agreement was concluded in November 2010 after receipt of sale consideration.

The total undue benefit to SEIL amounted to ₹ 61.24 crore over the lease period:

- Under-recovery of lease premium of ₹ 15.08 crore (vis-à-vis the lease premium of ₹ 25 lakh/ acre charged to Punj Lloyd⁶⁹;
- Under-recovery of lease rentals (both due to lower lease premium and lower annual rental rate of 1 per cent) of ₹ 32.18 crore;
- Under-recovery of land cost on non-SEZ land of ₹ 13.98 crore.

Further, in February 2011, without going through a transparent tendering process, APIIC selected SEIL as its co-developer, and entered into a co-developer agreement with SEIL over the 100.51 acres of land, with SEIL being responsible for providing internal infrastructure but also empowered to sub-let/ sub-lease and also mortgage plots with APIIC's approval. Based on the recommendations of APIIC's VC&MD and DC, Visakhapatnam SEZ, the SEZ Board approved the selection of SEIL as co-developer in March 2011, despite reservations expressed on the lack of relevant expertise of SEIL.

3.9.1 Waiver of Lease Rentals

APIIC waived payment of lease rentals for the first five years from the date of possessions for seven allottees⁷⁰, although other allottees in the same IP/ SEZ did not receive such benefits. This resulted in loss of revenue of ₹ 1.41 crore to APIIC, with corresponding benefit to the allottees.

⁶⁹ A higher rate of ₹ 30 lakh/ acre was charged to Tata Advanced Systems and ₹ 25.00 lakh/acre to Punj Lloyd.

⁷⁰ Infotech Entp, Kakinada; KSK Surya Photovoltaic, Shamsabad; MyTec Software, Vizag; Precitat IT, Vizag; Tata Advanced Systems Ltd., Shamsabad; Titan Energy Systems, Shamsabad; and Xenosoft Technologies, Vizag.

3.10. Non-achievement/ partial achievement of objectives

3.10.1 Overall Status of Implementation

Out of 6,038 allotments (involving 56,003 acres of land) made during 2006-12, 2,447 allottees had implemented their units, 1,267 units were still under implementation, while 1,826 units (covering 22,542 acres of land) had yet to commence implementation and possession in respect of 498 allotments is yet to be handed over. Further, out of 4,220 allotments made during 2006-10, which should have been completed within 2 years (i.e. by now), 1,204 units (involving 15,292 acres of land) were yet to even commence implementation. Except for sending formal notices, APIIC had not taken serious action for cancellation/ resumption.

3.10.2 Non implementation of Projects

IT Towers and Park/ SEZ at Putlampalli

GoAP directed (February 2007) establishment of IT Towers and Park/ SEZ at Putlampalli in YSR Kadapa District and alienated (April 2007) 52.76 acres of land for establishment of IT Park/ SEZ on PPP basis; this was approved by GoI in July 2007.

However, despite expenditure by APIIC of ₹ 6.13 crore⁷¹ (excluding the land value of ₹ 10.50 crore), the objective of the IT Park/ SEZ has not been achieved. Just 5 acres of land were leased by APIIC (February 2008) to Raheja Corp Pvt Ltd., who requested (October 2010) cancellation of the lease and the development agreement on grounds of lack of proper access to the site and lack of interest by Indian/ MNC clients for Tier II/ III sites. Thus, the amount spent on creation of infrastructure facility to the extent of ₹ 6.13 crore was blocked up.

IT SEZ at Kakinada

GoI approved (October 2007) development and O&M of an IT SEZ at Kakinada, and notified (January 2008) 25.73 acres of land for IT and IT enabled services under the sector-specific SEZ. This land had been acquired by APIIC in 1992.

However, despite expenditure of ₹ 3.07 crore on civil works, APIIC could allot (October 2008) only five plots for 4.99 acres to one allottee, with the balance nine plots for 10.51 acres remaining unallotted. Further, the time period of three years for implementation of the IT SEZ stipulated by GoI expired in October 2010, and APIIC has not sought further extension.

IP at Kakinada

APIIC asked the Revenue Department to acquire 295.04 acres of patta land at Thammavaram Village, Kakinada (Rural) for development of an Industrial Park at Kakinada. Although APIIC paid ₹ 3.66 crore as land compensation, the total liability for land compensation was ₹ 19.01 crore⁷² on account of legal cases filed by unsatisfied farmers, and is likely to increase further.

⁷¹ ₹ 3.33 crore – roads, ₹ 2.10 crore – power supply; ₹ 0.70 crore for compound wall ₹ 6.13 crore.

⁷² Including the amount of ₹ 3.66 crore already paid.

Despite knowing that 186 acres land was under litigation, APIIC sold (March 2008/ March 2009) 25 acres for ₹ 10.12 crore to two entrepreneurs⁷³, who were unable to commence construction activities and operations due to the farmers' dispute with APIIC. APIIC also laid a bitumen/ asphaltic road 5.5 metre wide carriage way (including culverts) at a cost of ₹ 0.94 crore on an existing 30 feet-wide gravel-kutchra village road, which should not have been taken in the first instance as the work was obstructed for more than a year by the farmers.

IT SEZ at Gambheeram

APIIC developed (2008) an IT SEZ at Gambheeram, Visakhapatnam in 51.31 acres of land (gross area), carving out 23 plots (net usable area of 21.91 acres), and incurred expenditure of ₹ 1.66 crore on development works⁷⁴. However, all 23 plots remained vacant. Against 3 plots totaling 2 acres allotted to 3 IT companies, in terms of MoUs entered into in November 2009, only one company had shown some interest in the SEZ.

Gokaldas Image Pvt. Ltd. and Shahi Exports Pvt. Ltd.

GoAP allotted (December 2005) 8-10 acres of land each to five entrepreneurs, who had approached GoAP, for establishing garment manufacturing and export units with a promise of creating employment for 3000 persons each. While three units had implemented the projects, two units had failed to do so, as summarized below:

- Gokaldas Images Pvt. Ltd. was allotted (May 2006) 8.303 acres of land by APIIC at a concessional rate of ₹ 25 lakh/ acre (against the prevailing rate of ₹ 60.71 lakh/ acre) with the stipulation of completing the project within 2 ½ years and creating employment for 2500 persons. However, the project has not been implemented till date, despite issue of notices. APIIC's request (May 2010) to GoAP for cancellation of the allotment has not been acted upon by GoAP. In addition to the concession in land cost of ₹ 2.97 crore, penalty of ₹ 2.42 crore for delayed implementation has not been levied.
- Shahi Exports Pvt. Ltd., Haryana was allotted (May 2006) 9.13 acres of land at the concessional rate of ₹ 25 lakh/ acre (against the prevailing rate of ₹ 60.75 lakh/ acre) with the stipulation of creating employment for 3000 persons. While the allottee commenced production from May 2010, it had provided employment to only 1500 persons as of November 2010. We observed that concessional land allotments are made to IT companies, subject to recovery of proportionate concessional land rate in case of default in providing envisaged employment by the allottee. However, no such clause for recovery of proportionate land cost is incorporated in the allotment letter/agreement; as a result, proportionate land cost of ₹ 1.63 crore could not be recovered.

⁷³ 13 acres for ₹ 5.26 crore to Aishwarya Infrastructure & Services, and 12 acres for ₹ 4.86 crore to Emmel Infrastructure Pvt Ltd.

⁷⁴ ₹ 1.32 crore – laying of roads; ₹ 0.34 crore – fencing works.

Apache Footwear India Pvt. Ltd.

APIIC requisitioned (July 2009) alienation of 87.24 acres of DKT⁷⁵ land in Settigunta village, Kodur mandal, YSR Kadapa District for establishment of Industrial Park and allotment to Apache Footwear India Pvt. Ltd. for setting up a footwear stitching unit, within a stipulated period of 6 months.

APIIC deposited (September 2009) ₹ 1.40 crore⁷⁶ and took over possession of 20.27 acres in November 2009; the RDO furnished UCs (February 2012) for ₹ 1.11 crore, with unspent balance of ₹ 0.29 crore. However, Apache Footwear had not taken over possession, although it had confirmed (October 2009) the adequacy of 20.27 acres. Further, APIIC failed to collect EMD and Process Fee amounting to ₹ 0.69 crore from the allottee and the land is still lying unutilized with the company.

GVK Bio Science Pvt. Ltd.

APIIC allotted (November 2005) 20 acres of land at IDA Mallapur to GVK Bio Science Pvt. Ltd. for setting up of ‘contract research of development activities for pharma and biotech companies’, to be completed within two years. It entered into a sale agreement and transferred possession of land (March 2007) to the allottee on payment of ₹ 6.32 crore.

However, the allottee has failed to complete the project. APIIC has neither cancelled the allotment, nor levied penalty of ₹ 0.42 crore on the allottee.

Hinduja Foundries Ltd.

APIIC allotted (August 2007) 60 acres of land at ₹ 25 lakh/ acre in the Automotive Park, Muppireddypally, Toopran to Hinduja Foundries Ltd. for establishing an auto applications manufacture unit with proposed investment of ₹ 150 crore and employment generation for 700 people within a two year timeframe; it entered into a sale agreement and handed over possession in April 2008. However, the allottee had not commenced project implementation, except for construction of compound walls. Further, at the allottee’s request, APIIC extended the time limit to December 2012, without levying penalty of ₹ 4.59 crore on the allottee.

Aga Khan Foundation

GoAP directed (August 2005) APIIC to allot 100 acres (then prevailing market value of ₹ 8 crore) of undeveloped land in Hardware Park, Kancha Imrat, Hyderabad free of cost to the Agha Khan Foundation, Switzerland for opening a ‘Centre of Excellence’; the Foundation was also exempted from payment of state taxes and duties. As of February 2012, the project was still under implementation, and only the construction of buildings had been completed.

Wipro Ltd.

Pursuant to the IT Policy 2005-10 and an MoU (October 2005) between GoAP

⁷⁵ Darkhastudaru – a type of assigned land for which compensation is paid to assignee.

⁷⁶ In response to the District Collector’s request for depositing ₹ 6.02 crore for alienating the land, failing which deposit of ₹ 1.40 crore towards the cost of 20 acres for paying *ex gratia* at ₹ 7.00 lakh/ acre to the DKT land holders.

and Wipro Ltd., 7.14 acres of land was allotted (May 2006) at ₹ 80 lakh/ acre at Resapuvanipalem, Visakhapatnam and the sale agreement, along with land possession, was executed in April 2007 after payment of the land cost. Commencement of construction within 12 to 18 months from allotment and implementation within 5 years, along with providing employment to 2000 personnel was stipulated, failing which rebate on pro rata basis, along with interest at the rate of 16 *per cent* p.a. on daily product basis, was to be refunded by the allottee.

Wipro Ltd., did not implement the project within five years, and APIIC obtained (December 2011) GoAP approval for cancellation and resumption of land. Subsequently, after directions from the Minister, IT&C, APIIC issued a notice (March 2012) to the allottee, which assured (April 2012) project implementation within the next few months. Also, APIIC did not claim refund of rebate pro rata, which would have amounted to ₹ 28.56 crore.

Satyam Computer Services Ltd.

Pursuant to the IT Policy 2002-05 and an MoU (May 2002) between GoAP and Satyam Computer Services Ltd., 14.93 acres of land was allotted (October 2004) at ₹ 80 lakh/ acre at Hi-Tech City, Madhapur to Nipuna Services Limited, a subsidiary of Satyam, and possession of land handed over between May 2004 and April 2006. APIIC irregularly acceded to Satyam's request (July 2005) for resuming and transferring the land to Satyam at the same rate of ₹ 80 lakh/ acre, without either recovering occupation charges (₹ 0.72 crore) or making a fresh allotment at the then prevalent rates.

The allottee had to provide employment for 6500 persons by the end of the 7th year (extended to 64 months through the re-allotment to Satyam), failing which rebate/ subsidy was to be refunded at ₹ 20,000/ job failed in creation on a proportion to 2000 personnel was stipulated, failing which rebate on pro rata basis, along with interest at the rate of 16 *per cent* p.a. on daily product basis, was to be refunded by the allottee. However, APIIC did not claim the rebate due of ₹ 9.07 crore, along with interest thereon of ₹ 1.45 crore.

IT Park at Tirupati

Pending alienation proceedings, APIIC acquired (July 2007) 152.16 acres of Government land for establishing an IT Park at Tirupati (72.05 acres – IT SEZ, and 80.115 acres – IT Non-SEZ), and completed (October 2009) various development works at a cost of ₹ 6.21 crore (proportionate cost for Non-SEZ area: ₹ 5.63 crore). APIIC also allotted 72.945 acres in the IT Non-SEZ area to six entrepreneurs, realising revenue of ₹ 8.26 crore. These activities were undertaken, despite the fact that TUDA had not approved the proposed layout plan since the Tirupati Master Plan included a proposed 80 feet wide road through the IT Non-SEZ area⁷⁷. In fact, APIIC realised (April 2011) that the land allotted in the Non-SEZ area was undeveloped land, which was not indicated in APIIC's allotment orders (except in one case). In our opinion, APIIC should have undertaken development work and allotments only after getting the layout plan approved by TUDA. Until such approval is granted,

⁷⁷ APIIC has been requesting GoAP for deletion of this road, but no response/ approval has been received.

APIIC cannot approve the building plans of the allottees, who, thus, cannot implement their projects.

As regards the IT SEZ area, not even a single IT company had come forward to establish their units in the SEZ. The entire expenditure of ₹ 6.21 crore incurred by APIIC on development works (both SEZ and non-SEZ areas) is, thus, infructuous.

3.10.3 Non-Implementation of Projects by IT Companies as per MoUs

GoAP has been entering into MoUs with various IT companies, based on the recommendations of the Consultative Committee on Information Technology, and has been allotting land on concessional rates to these IT units, subject to achievement of periodical targets for investments and employment generation stipulated in the MoUs.

Audit scrutiny of achievements in respect of MoUs for 37 units during the period 2006-12 revealed the following:

- Out of the 37 units, 11 had been implemented, 9 were under implementation and 17 had not been implemented at all.
- Against the proposed investment of ₹ 1651.16 crore, the actual investment was ₹ 17143. 51 crore. However, this was largely due to a huge investment of ₹ 15,000 crore by Wipro at their Vattinagulapally Campus (against the projected investment of ₹ 100 crore). 22 out of 37 units made investments which were less than the investments proposed in the MoUs.
- Against the proposed employment generation of 85,490 up to 18 August 2012, the actual employment generation was only 25,511. Even in respect of the 11 implemented units, the actual employment generation was only 25,511 against the proposed 41,190, only 4 units could achieve the targeted/ proposed employment.

Conclusions

- *Audit scrutiny revealed a large number of allotments by APIIC, both on Outright Sale and lease basis, to private parties at rates which were fixed either below the market value or at rates below its acquisition cost and also below the recommended/approved rates by Price Fixation Committee; in some cases, these allotments were made to private parties, pending issue of alienation orders by GoAP. APIIC also failed to follow its own pricing policy and Allotment Regulations in respect of allotments by not collecting/levying commercial rates for undertaking commercial activities, failing to levy services charges/ process fee and frontage charges, and not levying fines and penalties etc.; this resulted in substantial loss of revenue to APIIC with corresponding benefit to the allottees.*
- *APIIC's allotment of the "Integrated Vizag Knowledge City" project in Visakhapatnam District to Unitech Ltd. was deficient. Qualification of Unitech Ltd. and disqualification of other bidders in a fair and transparent manner could not be established. Further, there were enormous post-bid changes in the Development Agreement for the project and contractual changes in the Trade Towers and Business*

District Project in Rangareddy District.

- ***Due to non implementation/ partial implementation of various projects for which land was allotted by APIIC, the stated objectives of industrial development and employment generation were not achieved.***

Recommendations

- ***Sale of land, which is in advance possession of APIIC, to private parties should be strictly avoided, till finalization of alienation proceedings and fixation of land cost by GoAP/APIIC. APIIC should strictly avoid allotments to private parties, before fixation of cost by its Price Fixation Committee.***
- ***Responsibility of concerned officials may be fixed in cases of allotments at rates below market value and/ or rates fixed by APIIC's PFC. Further, APIIC may also review cases where the allotment terms and conditions have not been complied within a timely manner in accordance with the stipulated milestones.***
- ***Any industry-specific relaxations granted by APIIC should be, applied uniformly and transparently across all allottees under that category.***
- ***All deviations from APIIC's approved policies and regulations must be duly justified to the Board of Directors of APIIC/ GoAP for their decision as to whether these deviations are appropriate and in public interest.***
- ***Government and APIIC should prevent extension of any favours to the developers through more post-contractual amendments to the agreement(s)/terms of bid documents. If the developers do not comply with the basic requirements which were clearly stipulated at the time of tendering and contract award (and made known to all other tendering parties, who were edged out by the successful bidder), the agreements should consider termination on grounds of the developer's default, after giving due notice and following stipulated contractual formalities.***

Chapter IV

4. Compliance Audit Observations

Important audit findings emerging from the test check of transactions made by the State Public Sector Undertakings are included in this Chapter.

Government Companies

Andhra Pradesh Industrial Infrastructure Corporation Limited

4.1 Irregularities in construction of Corporate Office building

APIIC obtained land allotment from the Government in a prime locality for construction of Corporate Office but resorted to unauthorised construction of arts theatre and commercial space. The incomplete building even after incurring ₹ 9.61 crore was kept idle for the past one year pending decision by the Government on its utilisation.

Government of Andhra Pradesh (GoAP) handed over (August 1991) and alienated (December 1994) 2033 square meters of land, in Banjara Hills, valuing ₹19.45 lakh, for construction of a new Corporate Office (CO) for Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC). The Board of Directors (Board) approved (March 1993) construction of the CO building at a cost of ₹ 3.15 crore (plinth area 49,795 sq. ft.). Though the plans of the building were approved (June 2003), it was decided (July 2003) to defer the development of site in view of a pending court case over the title of the land. After clearance of the court case (September 2006), it was proposed to recast the earlier estimates and take up the work. However, the then Vice Chairman & Managing Director (VC&MD) directed (December 2006) a fresh design for the building through another architect, who submitted (September 2007) the same, without any contract/agreement. The design comprised commercial space, coffee shop, an art gallery, theatre space dedicated to stage drama, dormitory space for visiting performers, theatre support areas, and two basements for car parking. This was totally in deviation from the objective of construction of APIIC's CO, for which GoAP allotted the land.

We observed that there were no recorded reasons for the change in usage of the building from CO to an arts theatre and commercial space. Further, APIIC concluded (June 2008) an agreement with the architect with a fee of 2.75 per cent of the estimated cost based on a letter of the architect (9 December 2007) received by APIIC (7 May 2008), though the work was already started by the architect.

The architect prepared the layout plan for the building with a total plinth area of 75,454 sq. ft. for which administrative sanction was accorded (August 2008) by the VC&MD for ₹ 23.10 crore based on incomplete and abstract estimate⁷⁸ furnished by the architect.

We observed that the approval of the Board for the increased cost of building was not obtained. After calling for tenders, the contract for construction work

⁷⁸ Lack of rate analysis and quotations.

was awarded (October 2008) to BPR Infrastructure Ltd., Hyderabad for a contractual value of ₹ 12.36 crore (with tender premium of 3.69 per cent). The construction commenced on 17 November 2008 and was scheduled to be completed by 16 November 2009.

While the construction work was in progress, three cultural organizations⁷⁹ requested (September/November 2009) for allotment of space and auditorium on lease basis. APIIC accepted all the three requests, without following any procedures, and leased out (December 2009) 43,996 sq. ft. (including common area), leaving only 556 sq. ft. with APIIC.

As against the scheduled completion date of November 2009, the construction of the building has not yet been completed (November 2012). The delay in completion was due to non-furnishing of complete construction drawings by the architect even after 21 months of awarding the work, coupled with problems encountered in executing the construction work viz., excavation of hard rock, heavy seepage of water in lower cellar, etc. APIIC has so far incurred ₹ 9.61 crore on the building.

The Board decided (May 2011) to refer the matter to GoAP and not to incur further expenditure till the GoAP direction was received. We observed that the issue of construction of cultural centre instead of a CO was raised by the Board only in May 2011, while the construction of this building had already commenced in November 2008. In August 2011, the Board resolved that the building be taken over for utilization of Cultural/Tourism Department or any other Department/Company as decided by GoAP and the expenditure incurred by APIIC be reimbursed by the concerned Department/Company. However, GoAP had not taken any decision on the request of APIIC (July 2012).

Thus, 2033 Sq. Mtrs. of land in a prime area, which was allotted by GoAP for construction of CO, was misutilised by APIIC, at the instance of the then VC&MD, for constructing an arts and cultural centre and the floor space therein allotted (even before completion) to three organizations for 20 years period. The Board belatedly took up the matter only in May 2011 (more than 2½ years after the commencement of construction) and resolved to approach GoAP to take over the incomplete building and reimburse APIIC's expenditure of ₹ 9.61 crore already incurred, on which no decision has been taken by GoAP (November 2012).

The Government/Management stated (December 2012) that action was being taken to bring the building to useful and serviceable condition, except for the auditorium.

GoAP should fix responsibility for the violation of its orders for usage of allotted land for APIIC's CO and decide, in association with APIIC, on the completion and lease of unfinished building.

⁷⁹ (1) Alliance Francaise; (2) Goethe Zentrum – Association for German Culture; and (3) Qadir Ali Baig Theatre Foundation, Hyderabad.

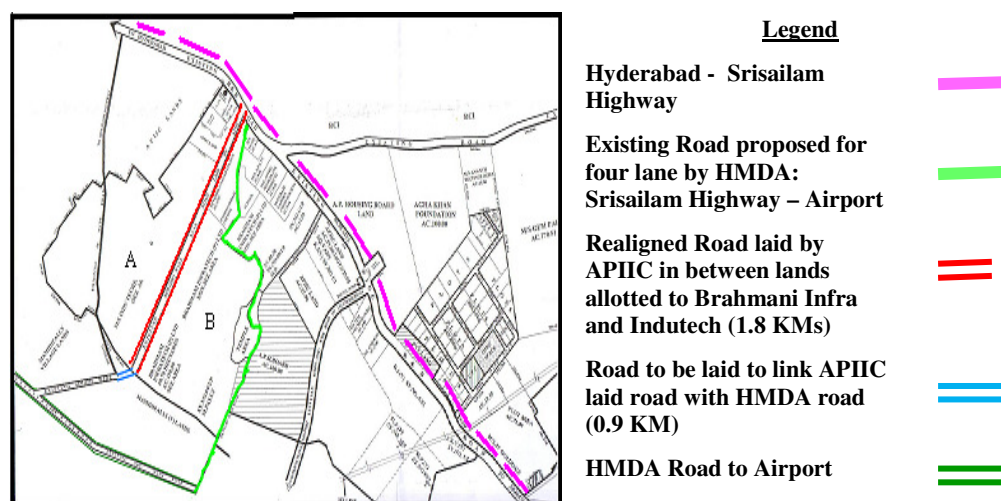
4.2 Undue benefit to the allottees

APIIC's decision to lay a road between lands allotted to two SEZs on its own without ensuring feasibility of the road for public use resulted in infructuous expenditure of ₹ 26.81 crore, besides extending undue benefit to the developers of these two SEZs.

Government of Andhra Pradesh (GoAP) entered into (May/July 2006) a Memorandum of Understanding (MoU) with Indu Techzone Private Limited (Developer 1) and Brahmani Infratech Private Limited (Developer 2) for development of IT/ ITES⁸⁰ product specific Special Economic Zones (SEZ) on international standards. Based on the MoU, APIIC issued (July 2006) Provisional Allotment Orders (PAO) allotting 250 acres of land each in Saroornagar and Maheswaram Mandals of Rangareddy District at a tentative cost of ₹ 20 lakh per acre. Both the Developers entered into agreement for Sale-cum-Power of Attorney (ASPAs) in November 2006 with APIIC. The MoU/ PAO/ ASPA stipulated *inter alia* that the Developers should:

- Commence construction of the Project within 12 months from the date of execution of ASPA or upon receiving all statutory approvals for the project, whichever was earlier.
- Develop and construct a minimum area of 4.5 million square feet (sq. ft.) of IT/ITES space over a period five years from the date of commencement of construction of project, out of which not less than 2 million sq. ft. should be constructed within three years.
- Ensure employment generation of not less than 45,000 persons for the entire project, of which 20,000 should be within three years.

As per the MoU/PAO, GoAP/APIIC would provide support infrastructure such as roads, power, water and sewerage only up to the periphery of the Project Land. However, APIIC agreed and executed a 1.8 Km road within the allotted lands in contravention to the terms of MoU/PAO.



A: Indutech Zone land; B: Brahmani Infratech land

⁸⁰ Information Technology/ Information Technology Enabled Services.

As shown in the above map, the draft master plan of Hyderabad Airport Development Authority (HADA)/Hyderabad Metropolitan Development Authority (HMDA) proposed (October 2006) to widen an existing road to four lane/six lane to provide connectivity from Shamshabad Airport to the Srisailem Highway for the benefit of the public as well as various units coming up in the Hardware Park, etc., in the vicinity. However, Developer 1 and Developer 2 initiated a plea (18/20 October 2006) to, instead, lay the road from within their jointly held lands to support their endeavour of providing a world class IT Park. The Developers also furnished maps indicating the proposed road. Further, APIIC also received (28 October 2006) a letter from the State Government directing APIIC to take immediate action to improve and four-lane the road falling in APIIC's area.

The land, through which the Developers persuaded APIIC to align the road, begins on a slight altitude, dips into a low-lying area (valley) and again regains height to end abruptly with a steep slope downward. This geological diversity, added to the granite rock hills in the concerned land, necessitated construction of a culvert type bridge on a very high embankment (reinforced earth retaining wall) of about 12 Meters in the valley portion, besides huge amount of hard rock excavation/ cutting/ blasting of 3.46 lakh Cubic Meters (cost involved: ₹ 14.13 crore, including conveyance of excavated rock). APIIC laid (July 2007 to April 2008) the 1.8 KMs road up to the end of the hill at an exorbitant cost of ₹ 26.81 crore and finally built a wall across at the end as shown below:



Road closed at verge of the cliff



Road aligned through hard rock hillock



HMDA road visible down below

HADA/HMDA was entrusted with connecting this road to Jalpalli – Mamidipalli village crossing point 910 meters away down the hill, but they

expressed their inability (November 2007) to build this “link road”, citing funding problem. Though the documents and correspondence termed it as a “link road”, it is clear from the on-site inspection and the photographs above taken by audit that a flyover with huge capital cost, rather than a road, was necessary.

Though it was initially proposed (October 2006) by APIIC that the Developers would have to contribute the proportionate cost of the road formation passing through their lands, APIIC subsequently decided (May 2007) to take up the formation of road passing between the two SEZs of the Developers by itself with its own funds, without any recorded reasons. This decision was unwarranted, as APIIC/GoAP were obligated to provide approach road only up to the periphery of the Developers’ land.

Thus, the road constructed by APIIC with huge expenditure of ₹ 26.81 crore benefited only the two Developers, as the flyover linking HADA master plan road for public use has not been completed even after four years. Even after provision of such infrastructure by APIIC, the Developers failed to develop the SEZs⁸¹ and have not created even a single job after completion of more than five years from the date of ASPA. Consequently, APIIC requested (November 2011) GoAP to cancel the MoUs and permit them to cancel all consequential allotments, agreements, sale deeds, and any other acts and deeds that had been taken in pursuance of the MoUs. The decision of GoAP is pending.

The Management conceded (April 2012) that though APIIC completed the connecting road within its boundaries, the linking portion was not completed by HMDA for reasons not known, thereby rendering the amount spent by APIIC infructuous.

Thus, the action of APIIC in undue haste to lay the road through the lands allotted to Developer 1 and Developer 2 without ensuring feasibility of its linking to HMDA road, resulted in infructuous expenditure of ₹ 26.81 crore, besides extending undue benefit to the two Developers. The matter was reported to Government (September 2012); despite issue of a reminder, their reply had not been received (December 2012).

Andhra Pradesh Gas Infrastructure Corporation Limited

4.3 Unfruitful expenditure

APGIC incurred unfruitful expenditure of ₹ 1.05 crore towards consultancy charges without deriving any significant services.

Government of Andhra Pradesh (GoAP) decided (August 2009) to create a nodal agency for exploring possibilities in Oil Exploration and Production (E&P) activities. Consequently, Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC) was incorporated (September 2009) with an

⁸¹ **Indu Tech Zone Private Limited:** Constructed two RCC frame structures without masonry work of 7.3 lakh sq. ft.; incubation centre of 0.50 lakh sq. ft.; laid 1.9 KM length of road and other small unfinished structures.

Brahmani Infratech Private Limited: Constructed incubation centre of 4294 Sq. Mtrs, formed 0.5 KM length of road and constructed compound wall for 7 KM.

initial equity base of ₹ one crore shared by Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) and Andhra Pradesh Power Generation Corporation Limited (APGENCO) in the ratio of 51:49. Before incorporation of APGIC, Ernst & Young (P) Limited (Consultant) was appointed (August 2009) by APIIC as independent advisor for the purpose of bidding for upstream E&P assets at Krishna Godavari (KG) Basin in Andhra Pradesh. The services to be extended by the consultant, *inter alia*, included finding strategic partners, assisting in finalization of proposed commercial and management arrangements with potential partner, preparation of financial model, co-ordination with technical advisors and assistance in the bidding process with respect to financial aspects and documentation and finalization of the bid to be submitted to Government. The remuneration payable was as follows:

- ₹ 10 lakh payable on the acceptance of terms and conditions of the contract;
- ₹ 15 lakh on signing Joint Venture agreement with strategic partner;
- ₹ 20 lakh for bidding the first block and ₹ 15 lakh for every subsequent block; and
- ₹ one crore on winning the first block and ₹ 75 lakh for each subsequent block as success fee.

We observed that APIIC had not followed an open competitive bidding process for selection of consultant, but obtained proposals from two consultants⁸². There was nothing on record to justify limiting the list of the consultants to two only. We further, observed that APIIC had not included any clause for termination of the contract, although the same was offered by the consultant in their offer letter. Appointment of the consultant was ratified (15 September 2008) in the first Board Meeting of APGIC, and an amount of ₹ 10 lakh was paid on acceptance of the contract.

Based on the request (19 September 2009) of GoAP to ONGC Ltd for allowing APGIC to participate in the bidding for E&P assets in the KG Basin under the New Exploration Licensing Policy (NELP) VIII, with a token equity share of 10 *per cent*, APGIC participated in the bidding for various oil and gas blocks by forming a consortium. Scrutiny of the records revealed that the entire process of bidding, preparation of bid documents and agreement was exclusively done by ONGC and other members of the consortium. However, upon award (October 2009) of four out of five blocks by Government of India to the consortium, the consultant submitted (October 2009) a claim for payment of ₹ 4.20 crore as fee payable towards the assistance extended in winning the bids, even though there was no role of the consultant. After repeated negotiations with the consultant, an amount of ₹ 0.95 crore was paid (April 2011) as per the agreement terms without deriving any consultancy services for the selection of strategic partner and bidding process, thus rendering the total expenditure of ₹ 1.05 crore unfruitful.

We observed that:

⁸² 1) Ernst & Young (P) Ltd., and 2) Deloitte Touche Tohmatsu India (P) Ltd.

- APIIC failed to include important clauses like termination clause, even though the same was offered by the consultant, depriving it of an opportunity to terminate the agreement in case of necessity; and
- As APGIC/GoAP itself initiated action for selecting the strategic partner in the bidding under NELP-VIII, the services of the consultant could have been discontinued by terminating the agreement.

While we take note of APGIC's efforts in negotiating down the amount payable to the consultant, the failure of APGIC to ascertain the requirement of services of a consultant led to unfruitful expenditure of ₹ 1.05 crore without getting any significant assistance in the NELP bidding process.

The Management replied (September 2011) that the then CMD of APIIC was of the view that as the Company did not have any expertise in the field of oil and natural gas, the services of the consultant, who was a well experienced and established consultant in the field, was required for success of the new SPV; hence, no penal clause like termination of the contract was included. Accordingly, the then CMD of APIIC, while approving the draft conditions, had suggested the removal of the drop dead/no go fees clause proposed by the consultant.

The reply is not acceptable, as non-inclusion of any penal clause or termination of the agreement clause was not in the interest of APGIC.

In future, APGIC should carefully assess the need, if any, for consultants and follow proper procedure for selection and termination of consultancy services.

Krishnapatnam International Leather Complex Private Limited

4.4 Abnormal delay in implementation of International Leather Complex project

Lack of proper planning and failure to assess the site suitability for the project delayed the implementation of the Project defeating the envisaged objective.

Government of Andhra Pradesh (GoAP) decided (February 2005) to develop an International Leather Complex (ILC) at Nellore under 'Indian Leather Development Programme (ILDPP)' of the Government of India (GoI), during 10th Five year Plan with the objective of exploiting emerging global leather trade opportunities, boosting leather exports from India and generating sustainable employment (expected employment – 15000 persons), especially to the disadvantaged sections. GoI approved (March 2005) the ILC project with an estimated cost of ₹ 194 crore (including ₹ 50 crore for providing connecting roads and power supply) with central assistance of ₹ 29 crore. GoAP issued (April 2006) orders permitting Leather Industries Development Corporation of Andhra Pradesh Limited (LIDCAP) to register a Special Purpose Vehicle (SPV) for managing the ILC. GoAP also identified 412.41 acres of land in possession of Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC – 104.92 acres) and Andhra Pradesh Power Generation Corporation Limited (APGENCO – 307.57 acres). LIDCAP was directed to call for Expression of Interest and appoint a developer for implementing the project. However, no further action was taken for more than two years (June 2008), without any recorded reasons. Subsequently, GoAP issued

orders (June 2008), appointing APIIC as the developer for the ILC at Krishnapatnam in SPS Nellore district.

Krishnapatnam International Leather Complex Private Limited (KILCPL) was incorporated (August 2008) as an SPV for development of the ILC with the equity of LIDCAP (49 per cent) and APIIC (51 per cent). GoI released (October 2008) ₹ 15 crore as part of the grant for the development of the project, while GoAP released ₹ 10 crore for development of infrastructure (March 2011).

We observed that although the site was identified (at Krishnapatnam) as early as June 2006, however, site suitability study was not conducted till formation of the SPV in August 2008. Site suitability study conducted (2010) by the National Institute of Oceanography revealed that a substantial portion of the land (100 acres) fell under the Coastal Regulatory Zone. In addition, coal conveyors of power plants were passing through this land, rendering the land unsuitable for any project pertaining to leather industry. Further, without ensuring suitability of site and obtaining environmental clearance, KILCPL released (March 2009) ₹ 9.56 crore to APIIC for development of external infrastructure. APIIC incurred ₹ 4.09 crore for construction of roads in the old site, which remained unfruitful due to non-suitability of site.

KILCPL, after a further delay of two years, decided (June 2011) that an alternate site of 538 acres at Kothapatnam may be utilised for development of the ILC as the same was technically and environmentally suitable. The revised detailed project report for the Kothapatnam Project is still to be approved and environmental clearance has also not been obtained for the project so far (April 2012), even after a delay of seven years from approval of the project by GoI.

As KILCPL failed to implement the project even at the end of 11th Plan Period, GoI demanded (January 2012) that the whole grant of ₹ 15 crore should be refunded by the SPV with penal interest and the proposal to develop the project at new site would be treated as a new and different project. In reply, KILCPL requested GoI that since there was no change in content or parameters of the project and objectives were not overlapping, the alternate site for development of the ILC may not be treated as a new and different project. Final action by GoI on this issue is still awaited (November 2012).

GoAP stated (October 2012) that they had impressed upon GoI, Department of Industrial Promotion & Policy (DIPP) for not treating the alternate site at Kothapatnam as a new project, for which response from DIPP is awaited.

Thus, lack of planned approach in project implementation, coupled with unexplained delays in decision making, resulted in failure to implement the ILC project even after abnormal delay of seven years from the sanction, and defeated the envisaged objective of exploiting emerging global leather trade opportunities and creation of sustainable employment in the State.

KILCPL and the Government should strive to implement projects with better planning and initiate suitability studies before projects are sanctioned.

Indira Gandhi Centre for Advanced Research on Livestock Private Limited

4.5 Unfruitful expenditure

Government of Andhra Pradesh (GoAP) accorded (January 2008) approval for establishing the Indira Gandhi Centre for Advanced Research on Livestock (IGCARL) at Pulivendula, Kadapa District⁸³. IGCARL was envisaged as a world class institute for advanced research on livestock with nearly 650 acres of land. The project involved establishment of six research groups⁸⁴, laboratories for conducting research on bacteria and viruses and diseases caused by them.

By 2009-10, GoAP proposed to construct the institutional buildings etc. with Government funds (with a tentative budget of ₹ 386.24 crore), while selecting a suitable developer to run the institute under PPP (Public Private Partnership) mode. Consequently, IGCARL was incorporated (November 2008) as a Private Limited Company.

A brief chronology of events from the conception to current developments on activities of IGCARL given in **Annexure-4.1** clearly shows that the acquisition of land and entering into contracts for construction of buildings, JV agreements with PPP partners, etc. was not dovetailed with creation of basic amenities, providing institutional set-up and recruitment of envisaged manpower to kick-start the research work and co-ordinate with various PPP partners.

The following are the significant audit observations:

Site selection

APIIC appointed (January 2008) Ernst & Young Ltd. (E&Y) as a consultant for preparation of feasibility and project development report, but before the consultant's report was finalised a year later (23 January 2009), the MoU with the main PPP partner, IMAC Consortium, had already been signed. The E&Y report had indicated that, despite having certain favourable factors like availability of livestock, utilities etc., the site was not suitable for setting up a livestock based R&D hub, due to lack of direct connectivity to the metros; low quality of life in the region unattractive to skilled manpower; lack of social and recreational infrastructure required to attract residents/tenants to the site; and lack of organised livestock rearing farms and non-existence of livestock R&D activity in the region. The consultant, further, stated that sustained efforts by GoAP for promoting the region was required to make the location attractive, which was not done by GoAP as discussed in the succeeding paragraphs.

Project Execution

APIIC was entrusted with the work of construction of the project buildings (Estimated cost: Phase I – ₹ 110 crore; Phase II – ₹ 124 crore, which was

⁸³ Since renamed as YSR Kadapa District.

⁸⁴ Molecular and cyto-genetics; reproduction and cryobiology; biotechnology and nano-biology; microbiology and immunology; animal nutrition; and quality control; four related centres; and Bio Safety/ Animal Bio Safety Level-3 (BSL-3 and ABSL-3).

increased (February 2011) by an aggregate amount of ₹ 29.66 crore due to change in designs and additional works taken up). Though APIIC completed⁸⁵ (September 2009) most of the building works (6.64 lakh sq. ft of floor area valued at ₹ 236.67 crore), these buildings could not be put to use due to lack of basic amenities viz., power, water, sewerage/effluent treatment plants etc., for which funds to the tune of ₹ 52.62 crore were required, but GoAP did not release the same. There were no recorded reasons for non-release of funds.

Out of the total project land of 647 acres, 79 acres was earmarked for a Biotech Special Economic Zone (SEZ). Though the Ministry of Commerce, GOI approved (October 2008) the proposal for a sector specific Biotech SEZ, for development within a period of three years, APIIC failed to develop the Biotech SEZ and unauthorisedly diverted ₹ 50 lakh released by GOI for development of roads and power supply in the Biotech SEZ to another project. There were no recorded reasons for non-development of the Biotech SEZ, and GoAP had not pursued the matter with APIIC for implementation of the SEZ.

Involvement of Private Partners in PPP mode for research activities

After release of global invitation of Expression of Interest (EOI) in July 2008, only one private party (IMAC (USA) – Dodla Dairy Consortium), out of nine parties who responded to the EOI invitation, remained in the fray and was issued LoI in November 2008. Accordingly, the JV Company (Global Vet Med Concepts India Pvt. Ltd) was formed. The JV Company had so far invested only ₹ 6.05 crore against the proposed investment of ₹ 100 crore (phase wise in five years) and established a laboratory and feed plant (which were found to be non-functional for lack of power connection during the site visit by the audit team) and dairy; however, no tangible research activity had been undertaken by the JV company due to non-creation of basic facilities by the developers (APIIC and IGCARL).

Indus Gene Expressions Inc. (USA) and Elbit India Agricultural Ventures, Israel approached GoAP (January/July 2009) for establishment of Research projects in IGCARL. On the recommendation of GoAP, IGCARL entered into JV agreements, made allotments and handed over land and built up area within three to four months. However, both the JV companies did not start any research activity and IGCARL was yet to terminate the JV agreements (September 2012).

Lack of institutional set up

Even after four years after incorporation, IGCARL does not have a full-time CEO, with additional charge being held by Director, Animal Husbandry.

There were no basic accounting records in IGCARL. In the absence of records, compilation of accounts and subsequent audit was pending since incorporation of the IGCARL.

In August 2011, the Board of Directors decided to - i) appoint a regular CEO; ii) call for fresh EOI inviting private companies on PPP mode; iii) take over completed buildings and provide protection, security measures; and iv) appoint minimum skeletal staff and provide budget for salaries thereof etc. In

⁸⁵ Except for a primary school and auditorium (not completed) and laboratory animal house (put on hold).

October 2012, IGCARL invited fresh bids for strategic partnership in advanced research and development on livestock.

Site visit by the audit team (March 2012) confirmed the unfruitfulness of the expenditure and non achievement of the targeted world class centre of excellence in advanced livestock research, as can be seen from the following photographs.



Animal house used for storing fodder

Unfinished auditorium

Vacant Laboratory Space

Conclusion

Despite expenditure of ₹ 236.67 crore till March 2012 on buildings, land acquisition and other pre-operative expenses, the objective of a functional world class livestock research centre could not be achieved. Basic amenities (viz. water, power, effluent/ sewerage treatment plants) required for such a research facility had not been made available; funds required for completion of outstanding works and provision of basic amenities were yet to be provided. The infrastructural assets created and largely completed with 6.64 lakh sq. ft. of floor area were being put to limited use only as a cattle diary and for cultivation of fodder crops, rather than for research on livestock. Also, the Bio-Tech SEZ was a non-starter.

Given the huge expenditure already incurred, GoAP should take immediate steps to ensure provision of basic requirements (water, electricity, sanitation) as well as minimum lifestyle amenities, release the balance fund requirements to APIIC for completing infrastructure creation, and make all out efforts to attract Indian and foreign parties to undertake partnerships in research, so that the objective of a centre for excellence in advanced livestock research could be achieved.

The matter was reported to the Management/ Government in June 2012; despite issue of a reminder in September 2012, their reply has not been received (December 2012).

Statutory Corporation

Andhra Pradesh State Road Transport Corporation

4.6 Deficiencies in regulation of pay & allowances and related expenditure

4.6.1 Introduction

Andhra Pradesh State Road Transport Corporation (APSRTC) has a fleet strength of 22,597 buses (18,843 own and 3,754 hired) and employee base of 1.27 lakh, and carries 1.48 crore passengers per day (May 2012). Of late, the performance of APSRTC has been deteriorating rapidly. While APSRTC registered accumulated loss of ₹ 1,151.84 crore during the period from 1957-58 to 2008-09, it incurred a loss of ₹ 1,417.26 crore during the last three years itself (2009-12), taking the total accumulated loss to ₹ 2,569.10 crore as of March 2012. To bridge the gap between income and expenditure, APSRTC resorted to heavy borrowings, increasing its debts from ₹ 1,299.74 crore in 2007-08 to ₹ 3,755.55 crore by 2011-12. In a short span of two years (2010-12), it borrowed ₹ 3,107.36 crore, out of which only ₹ 1301.14 crore (42 per cent) was capital expenditure, while ₹ 851 crore was spent towards repayment of loans and ₹ 955.22 crore towards revenue expenditure. APSRTC got into a debt trap (debt equity ratio is 18.66:1⁸⁶ as on 31 March 2012) due to indiscriminate borrowings with an interest burden of approximately ₹ one crore⁸⁷ per day (May 2012).

We observed that while APSRTC, without any fare hike during 2006-09, managed to register profits⁸⁸ (2007-09), however, during 2009-12, it incurred a loss of ₹ 1,417⁸⁹ crore despite two fare revisions (January 2010 and July 2011), indicating that there may not be much scope for further increase of fare to substantially improve its financial performance. Thus, the only alternative left was to control expenditure. Audit scrutiny revealed that the rapid deterioration in the financial position of APSRTC was mainly due to implementation of revised pay scales with effect from 1 April 2009 (RPS 2009) and financial indiscipline/lack of control over expenditure, especially personnel cost. During 2007-12, personnel cost increased from ₹ 1,645.10 crore in 2007-08 to ₹ 2,944.45 crore by 2011-12, which ranged between 36.06 and 41.93 per cent of the total expenditure of the organisation (although the number of employees increased by just 9.06⁹⁰ per cent over the same period). Irregularities in regulation of pay and allowances and related expenditure, which are partly responsible for the present precarious financial position of APSRTC, are discussed in the succeeding paragraphs.

⁸⁶ Equity and debt as on 31 March 2012 were ₹ 201.27 crore and ₹ 3,755.55 crore respectively.

⁸⁷ Interest payment per day increased from ₹ 0.25 crore in 2007-08 to ₹ 1 crore in 2011-12.

⁸⁸ Profits earned during 2007-08 and 2008-09 were ₹ 135.67 crore and ₹ 110.79 crore respectively.

⁸⁹ Losses incurred during 2009-10, 2010-11 and 2011-12 were ₹ 514.55 crore, ₹ 317.40 crore and ₹ 585.31 crore, respectively.

⁹⁰ Number of Employees increased from 1,13,340 in 2007-08 to 1,23,615 in 2011-12.

4.6.2 Revision of pay scales from 1 April 2009 – Fitment benefit

APSRTC revises the pay scales of its employees after every four years, and the latest revision was from 1 April 2009 (RPS 2009). We observed that, while revising (January 2007) the pay scales with effect from 1 April 2005 (RPS 2005), a “fitment benefit” of only 12 *per cent* was allowed at that time; then APSRTC had an accumulated loss of ₹ 1,191.03 crore and debts of ₹ 1,095.69 crore. By the time of implementation of RPS 2009 (February 2010), accumulated loss increased to ₹ 1295.97 crore and debt to ₹ 1486.46 crore. In spite of this, fitment benefit of 24 *per cent* was allowed by APSRTC. The Management failed to convince the union that higher fitment benefit might be attractive in the short term, but the same would be detrimental to the future of all the stake holders involved especially the employees. Had the fitment benefit been restricted to 15 *per cent*, APSRTC could have avoided additional burden to the tune of ₹ 165 crore per annum.

Post RPS 2009, the financial position of APSRTC deteriorated rapidly as it incurred losses of ₹ 514.55 crore, ₹ 317.38 crore and ₹ 585.31 crore during 2009-10, 2010-11 and 2011-12 respectively, threatening its very existence. Further, APSRTC informed the Government that the additional burden of RPS 2009 (₹ 475 crore) would be met from internal accruals. The fact, however remained, that APSRTC failed to generate internal resources as assured, and, instead, the burden of RPS 2009 was met through heavy borrowings.

4.6.3 Revision of allowances without Government’s approval

As part of RPS 2009, various allowances to the officers/staff were revised upwards only on the basis of negotiation with the union and without any study. Audit scrutiny revealed that increase in allowances to officers ranged between 33 *per cent* and 483 *per cent*, and was without the approval of the Government. The financial impact projected due to revision of allowances as informed to the Board was ₹ 5.79 crore per annum, but the break up for the same was not furnished to us in spite of a request (September 2011). Audit scrutiny, however, revealed that the actual impact of the revision of allowances was ₹ 8.02 crore per annum.

The Management replied (September 2012) that allowances were revised with the approval of the Board and except night duty allowance to doctors, all other allowances witnessed an increase of 33 to 100 *per cent*. It also stated that the additional impact for the years 2010-11 and 2011-12 was ₹ 1.40 crore and ₹ 1.45 crore respectively, which is far below the additional impact informed to the Board. Reply is not convincing, as the same is silent about the reasons for revision of allowances without approval of the Government. Reply that the actual impact is much less than the projected impact is also factually incorrect, as the additional financial impact of the newly introduced Professional Development Allowance alone was more than ₹ 1.50 crore per annum.

4.6.4 Payment of HRA arrears

It is a general practice, whether in the State Government (whose House Rent Allowance (HRA) pattern was adopted by APSRTC) or Government of India/Central Public Sector Undertakings that consequent to revision of pay scales, arrears of basic pay and dearness allowance only shall be paid from the effective date and allowances, including HRA, on the revised scales shall be

paid from a prospective date. However, APSRTC, consequent to RPS 2009, without approval of the Board/Government, paid HRA arrears retrospectively from April 2009 along with basic pay and dearness allowance even though other revised allowances were paid from February 2010 only, which resulted in additional burden of ₹ 57.06 crore.

The Management replied (September 2012) that whenever revision of pay scales was done, basic pay and HRA on revised pay was paid with effect from the date of implementation of revised pay scales and this was followed from RPS 1976 as per Memorandum of Settlement (MoS) entered into with the union. Reply is not tenable as nowhere in the MoS was it mentioned that HRA on the revised pay shall be paid from the date of implementation of RPS. Further, payment of HRA arrears was not brought to the notice of the Board/Government. This is not in consensus with the procedures followed by State/ Central Government and its organisations.

4.6.5 Avoidable expenditure due to payment of HRA without ceiling limit

APSRTC was following a ceiling limit⁹¹ for payment of HRA as per the limits fixed by the Government. However, while issuing orders for implementation of RPS 2009, the wording relating to HRA ceiling limit was removed without prior approval of the Board/Government, which was stated (August 2011) to have been removed as per the MoS reached with the union. This was factually incorrect, as it was mentioned in the MoS that in case the State Government notified any changes in the rates of HRA to any specific place in future, the same would be modified accordingly, indicating that the HRA pattern of the State Government was followed. Thus, the Government prescribed ceiling limit⁹² for payment of HRA to its employees should have been adopted.

After we pointed this out, the Board ratified (November 2011) payment of HRA without ceiling limit on the basis of misinformation that the ceiling limit was removed as per the MoS. Due to removal of HRA ceiling limit, APSRTC had already been put to an additional burden of ₹ 1.35 crore up to June 2012. As APSRTC is paying HRA as part of earned leave encashment, there was also an additional burden due to removal of HRA ceiling limit, which is not ascertainable in the absence of details.

The Management replied (September 2012) that the State Government had enhanced the HRA ceiling limit for its employees by 100 *per cent* in March 2010 and the HRA for employees up to senior scale level would not exceed the ceiling limit of the Government; in respect of few officers, it was exceeding ₹ 15,000, and therefore the additional impact due to removal of ceiling limit was also a part of the pay package approved by the State Government.

The reply is not convincing as we have worked out the above loss over and above the enhanced ceiling limits as prescribed by the Government.

⁹¹ HRA ceiling limit per month in Greater Hyderabad Municipal Corporation (GHMC) limits (officers-₹ 10,000 & staff-₹ 6,000) and at places other than GHMC limits (officers-₹ 7,000 & staff-₹ 4,500).

⁹² Ceiling limit specified by GoAP was ₹ 12,000 (GHMC limits) and ₹ 8,000 (other places).

4.6.6 Irregular payment of professional development allowance

As part of revision of allowances post RPS 2009, APSRTC introduced (February 2010) a new allowance called Professional Development Allowance⁹³ (PDA) to its officers with the stated objective of increasing their professional skills by subscribing to periodicals/ journals, attending seminars etc. While seeking approval of the Board for the PDA, neither the necessity for introduction of the same nor the individual financial impact was brought out in the approval note and the Board accorded its approval without considering these vital aspects. APSRTC did not frame any guidelines for utilisation of PDA and the same was paid every month (based on self certification by the officers that the amount has been incurred for official purpose) in a routine manner without obtaining proof of incurring such expenditure which was against the accepted standards of financial propriety. Though, APSRTC was already incurring expenditure on its employees for purchase of newspapers, periodicals and journals (₹ 3.62 crore); purchase of books and periodicals (₹ 0.47 crore) and on training (₹ 4.30 crore) during 2007-12, yet it paid ₹ 4.07 crore towards PDA to its officers in addition to continued expenditure on the above items. Thus, payment of PDA for the purposes already provisioned for, without proof of incurring such expenditure, was irregular and resulted in additional burden on APSRTC and may have become a source of profit to the officers.

The Management replied (September 2012) that no specific guidelines were framed for utilisation of PDA, as this was provided to individual officers to develop their skills/ proficiency in individual parameters. It was also stated that PDA was reimbursed to the extent spent, as it was not possible to draft all the officers for trainings. Reply is not tenable as PDA was paid routinely, without any evidence of incurring the same. Further, as per the Guidelines issued (January 2002) by the Public Enterprises Department of GoAP, all new perquisites and allowances should be paid only with the prior approval of the Administrative Department, which was not obtained, and thus, the introduction of PDA is irregular.

Further, APSRTC also failed to deduct income tax on the PDA, merely terming it as reimbursement (based on self certification), which was also irregular and resulted in loss to the exchequer by ₹ 73.86 lakh⁹⁴ up to March 2012. The Management replied (May 2012) that as per Section 10(14) of the Income Tax Act, any allowance granted for encouraging academic, research and other professional pursuits is not taxable. The reply is not tenable, as Section 10(14), read with Rule 2BB of the Act, provides that such exemption is available for the allowances paid in educational and research institutions.

4.6.7 Fixation of minimum scale to Executive Directors' cadre at higher level resulted in additional burden

As part of RPS 2009, "fitment benefit" of 24 per cent was allowed to all the cadres. Accordingly, minimum of the pay scale in RPS 2009 in case of Executive Directors' (ED) cadre worked out to ₹ 51,100 including grade pay

⁹³ PDA is paid at ₹ 2000 per month to the Junior/ Senior Scale Officers and at ₹ 2500 per month to Heads of the Department / Executive Directors.

⁹⁴ ₹ 358.54 lakh x 20 per cent + 3 per cent cess.

of ₹ 6800. However, minimum of the scale for the EDs' cadre was fixed at ₹ 68,000 on the plea that an officer reached the post of ED cadre after putting in hard work of more than 25 years. This was not justified, as it is not just the senior officers who had put in 25 years or more service, but all the other employees (staff/ officers) were also expected to work hard and discharge their duties, irrespective of their cadre. Unjustified fixation of minimum scale by the top executives for their benefit, ignoring the precarious financial position of APSRTC, was highly irregular and resulted in additional burden to the tune of ₹ 1.31 crore on regular monthly payments and on retirement benefits up to June 2012.

The Management replied (September 2012) that there were 12 posts of EDs in APSRTC which was employing more than 1.25 lakh employees and keeping in view the salaries drawn by the policy makers of various organisations, the Board accorded approval for fixing scale of the EDs at a higher level. The reply is not tenable. With more number of officers due to get proforma promotion to ED's cadre under Career Advancement Scheme on completion of 26 years service, there would be substantial additional burden on APSRTC due to fixation of minimum scale of ED's cadre at higher level, which is unacceptable considering its precarious financial position.

4.6.8 Introduction of Career Advancement Scheme to officers without approval of the Government

As part of RPS 2009, APSRTC intended to introduce Career Advancement Scheme (CAS) to its officers, replacing the existing Stagnation Grade System (SGS). It was submitted to the Board that CAS was proposed to mitigate the hardship of delayed promotions to officers, the modalities of which were to be worked out. The Board approved (February 2010) the implementation of RPS 2009, pending sanction from the Government, and resolved that CAS be implemented after getting sanction from the Government. Accordingly, APSRTC requested (February 2010) the Government for sanction for implementation of RPS 2009 and also CAS, without mentioning the modalities/financial impact. Government conveyed (October 2010) its approval for implementation of RPS 2009, but remained silent about CAS. The management, however, misinformed the Board that Government had approved the CAS; the modalities of the scheme were approved (November 2011) and the scheme is under implementation. In this regard, the following was observed.

- Modalities of the scheme together with the financial impact were never brought to the notice of Government, and hence, approval of CAS by the Government does not arise. Further, in the letter received from the Government approving implementation of RPS 2009, no mention of CAS was made. Thus, implementation of CAS without approval of the Government is irregular and any financial benefit extended under the scheme would be tantamount to unauthorised payment.
- In the notes submitted to the Board (February 2010/ November 2011/ April 2012), financial impact due to implementation of CAS was not brought out, yet the Board approved the proposals.

The Management replied (September 2012) that the Government's approval of RPS 2009 shall be construed as approval of CAS. Reply is not acceptable as CAS required specific approval of the Government, which was not received. Further, as per the Guidelines issued (January 2002) by the Public Enterprises Department of Government, State Level Public Enterprises (SLPEs) should not sanction automatic time-bound promotions without reference to the performance of the SLPEs or needs of the organisation or availability of vacancies and any violation of these orders would be viewed seriously, including recovery of amounts sanctioned from the responsible officials.

4.6.9 Payment of gratuity in excess of the ceiling limits without approval of the Board/Government

The payment of gratuity to the employees of APSRTC is regulated by the Gratuity Act 1972 subject to various ceiling limits⁹⁵ prescribed from time to time under the Act.

Further, as per the Guidelines issued (January 2002) by the Public Enterprises Department of Government, SLPEs are permitted to enhance the maximum gratuity limit to their employees as and when enhancement is announced by GoI after obtaining the Board's approval. For any deviation from the GoI announcement, the SLPE should obtain prior approval of the State Government.

Disregarding the Act's provisions and Government orders, APSRTC, without approval of the Board, paid gratuity to its employees in excess of the ceiling limit. As per records made available, APSRTC paid gratuity upto ₹ 18.03 lakh as against the prescribed ceiling limit of ₹ 10 lakh,⁹⁶ which resulted in total excess payment of ₹ 5.13 crore during 2007-12 in respect of Head Office, Greater Hyderabad Zone and three regions viz. Hyderabad, Secunderabad and Rangareddy. Particulars of gratuity paid in respect of the remaining 5 zones and 20 regions were not furnished, in spite of repeated requests. Consequently, the total excess payment of gratuity during 2007-12 was not ascertainable.

The Management replied (September 2012) that APSRTC had not specifically appraised the Board regarding the amendments in the Act, and this matter would be placed before the Board for information and its approval.

The reply of Management confirms the fact that the amendments to the Gratuity Act, fixing ceiling limits, were not brought to the notice of the Board, indicating a serious lapse on the part of APSRTC. Further, continued payment of gratuity, without applying the statutory ceiling limit, even after being pointed out in audit, shows lack of financial propriety and prudence. The reply is also silent on ignoring the specific orders of the Government that any deviations in the gratuity ceiling limits shall be with its prior approval only.

⁹⁵ Ceiling limit from 1 October 1987 to 23 May 1994 (₹ 50,000), from 24 May 1994 to 23 September 1997 (₹ 1,00,000), from 24 September 1997 to 23 May 2010 (₹ 3,50,000) and from 24 May 2010 (₹ 10,00,000).

⁹⁶ ₹ 10 lakh is ceiling limit prescribed by GoI when GoAP has prescribed limit of ₹ 8 lakh only. Approval of Board for enhancement up to ₹ 10 lakh has also not been obtained.

4.6.10 Payment of HRA in excess of the rates notified by the Government resulted in excess payment

As per the agreement reached with the union in connection with RPS 2005, APSRTC shall pay HRA as per the classification of cities/towns notified by the State Government. Accordingly, whenever the State Government enhanced the HRA, the same was adopted. It was, however, observed, that at several places⁹⁷, APSRTC paid HRA at rates higher than the rates notified by the State Government, which was irregular and resulted in excess payment of ₹ 9.78 crore during 2007-12. Audit scrutiny also revealed that though orders were issued several times to restrict HRA as per State Government notified rates and also to recover the excess paid HRA, they were kept in abeyance time and again. Further, as APSRTC was allowing HRA component as part of earned leave encashment, there was excess payment on this account also, which was not ascertainable in the absence of details.

The Management replied (September 2012) that the reduced rates of HRA at some places had not been implemented due to representation of the union. It was further stated that APSRTC would once again review the case and propose for recovery. However, final recovery is awaited (November 2012).

4.6.11 Other observations

4.6.11.1 Heavy expenditure on light vehicles

Government imposed (January 1994, February 2004 and July 2005) a ban on purchase of light vehicles by any department or Government owned organisations, and directed hiring of vehicles in case of necessity. Also, it was stated that in exceptional circumstances like creation of post, departments etc., proposals may be sent to the State Government for consideration and all such proposals may be below ₹ 7 lakh per vehicle. During 2007-12, the expenditure on running and maintenance of vehicle for officers/staff increased from ₹ 14.11 crore during 2007-08 to ₹ 18.80 crore by 2011-12. In this regard, the following observations are made.

- During the period from May 2006 to April 2012, APSRTC purchased 106 light vehicles at a cost of ₹ 5.86 crore without prior approval of the Government. Out of them, 23 light vehicles exceeded the cost of ₹ 7 lakh (the costliest vehicle was ₹ 18.36 lakh). Further, APSRTC continued to purchase light vehicles without approval of the Government which was highly irregular, even though the ban was brought to its notice in audit (October 2011).
- Even though a significant number of light vehicles were provided to officers (534 as on 29 February 2011), APSRTC had not formulated any policy on allotment of light vehicles, except fixation of quota for fuel.
- Government repeatedly issued instructions for hiring of light vehicles, instead of purchase, in view of cost advantages. However, APSRTC ignored these orders, as out of a total of 534 light vehicles, only 24 were hired (4.49 per cent). Audit scrutiny revealed that had APSRTC hired

⁹⁷ BHEL, Mancherial, Medchal, Padugupadu (SPS Nellore), Rajendranagar, and Uppal.

light vehicles, instead of purchasing 106 vehicles as directed by the Government, it could have saved ₹ 1.19 crore during 2007-12.

The Management replied (September 2012) that cost of the vehicles proposed was included in the budget estimates, which was approved by the Government up to the year 2005-06 and approval for the remaining years up to 2011-12 was awaited. Reply is not acceptable. As per the Government's orders, specific approval of the Government is a must in each case. Reply is silent about purchase of light vehicles in excess of the ceiling limit prescribed by the Government, lack of vehicle allotment policy and extra expenditure due to not hiring light vehicles in spite of repeated instructions by the Government.

4.6.11.2 Extension of interest free furniture advance out of borrowed funds resulted in additional burden

APSRTC is extending the facility of interest free furniture advance⁹⁸ to its employees up to ₹ one lakh which is to be recovered in 60 monthly instalments. Once the advance taken earlier is cleared, the official is eligible for another advance. As APSRTC is borrowing heavily from banks etc., at interest rates ranging up to 13.75 *per cent*, it was not a prudent decision to extend interest free advance out of the borrowed funds, that too for an unlimited number of times. APSRTC had to bear interest burden of ₹ 2.98 crore during 2007-12 on the outstanding interest free furniture advance amount. APSRTC should desist from extending interest free advances, as the corporation itself is dependent on borrowed funds.

The Management replied (September 2012) that in view of the present financial position, APSRTC would review whether the advance could be extended as an interest bearing advance.

4.6.11.3 Additional burden due to non-revision of man hour rates in respect of workshops

APSRTC pays Productivity Incentive Bonus (PIB) to its employees working in the workshops. It engaged the services of Andhra Pradesh Productivity Council (APPC), an autonomous non-profit making body, to prepare a report on standard man hour rates of various activities of workshops based on which the PIB shall be paid and a report was submitted (2004). Audit scrutiny revealed that APPC proposed to reduce/increase various activities for overall reduction in man hours by 31.59 *per cent* for all activities put together in Tata area, and an overall reduction in man hours by 41.99 *per cent* in Leyland area. From this, it is clear that there was ample scope to improve the efficiency of activities in workshops and incentive payment of at least 25 *per cent* could have been avoided, had APSRTC implemented the APPC proposed man hour rates, instead of continuing to pay PIB on the existing norms fixed in 1995-96 i.e. 15 years back. In spite of this being pointed out (June 2008) in audit, APSRTC had not revised the rates on the plea that the union had not come forward to discuss the issue in spite of several reminders. Abnormal delay in implementation of revised man hour norms resulted in additional burden of

⁹⁸ Jr. scale/ Sr. scale officers (₹ 80,000) and Heads of the Department/ Executive Directors (₹ 1,00,000).

₹ 5.37 crore (₹ 21.49 crore x 25 per cent) towards payment of PIB during 2007-12.

The Management replied (September 2012) that action was being taken to revise the man hours in workshops and discussions were being held with the unions. However, reply is silent on the abnormal delay in implementation of the proposal for revised man hours.

4.6.11.4 Heavy expenditure on officers' Travelling/ Daily Allowance due to higher rates and lack of control

During 2007-12, APSRTC incurred ₹ 13.29 crore towards payment of Travelling/ Daily Allowance (TDA). A test check of bills relating to TDA in respect of 500 tours undertaken (July 2011 to April 2012) by various officers of Head Office revealed the following:

- Officers of APSRTC are entitled for fixed TDA ranging from ₹ 1800 to ₹ 3,600 (including lodging charges) for the visit to metro cities. Production of bills/ receipts is not mandatory whereas for similar tours, GoAP pays TDA ranging from ₹ 550 to ₹1,275 per day, subject to production of lodge rent receipt. Similar disparities in TDA rates for other places exist.
- Most of the tours performed in the field by the Regional/Depot Managers and other officers are in connection with meetings, route survey, checking illicit operations, routine inspections, site inspection etc., with period of absence from headquarters up to eight hours which do not involve night stay and journeys are performed mostly in staff cars/ jeeps. In spite of this, officers were paid TDA ranging from ₹ 600 to ₹ 1,200 per day for absence exceeding 8 hours and half of the TDA for absence between six to eight hours. Test check also revealed that officers boarding bus at 23.30/00.00 hours and reaching headquarters after 06.00 hours were also paid TDA up to ₹ 1,200. Audit scrutiny also revealed that field officers of the State Government were paid Fixed Travelling Allowance (FTA) ranging from ₹450 to ₹ 700 per month/₹ 550 to ₹ 800 per month, if the minimum number of days required to be on tour is up to 15 days/20 days respectively. From this, it is clear that FTA paid to the officers of APSRTC for a single day is more than the FTA received by the Government officials in a month. Paying TDA without insisting on proof of travel could lead to large scale misuse.

Further, we observed that Gazette Orders issued by the Government for regulation of travelling on tour/fixed travelling allowance were also forwarded to APSRTC, but APSRTC ignored these orders and continued with its TDA structure. Further, approval of the Government for the TDA structure adopted by APSRTC was not obtained.

The Management replied (September 2012) that APSRTC followed its own TA and DA rules as per the regulations, which was approved by the Government and the rate of DA applicable had always been different from the rates applicable as per the Government Gazette and therefore, the TDA structure as per the Gazette was not applicable to APSRTC. Reply is not tenable. As per the guidelines issued (January 2002) by the Public Enterprises Department of Government, SLPEs shall adopt TA/DA rates prescribed by Government from time to time subject to prior approval of the Administrative

Department which had to ensure that whenever a proposal is referred to it, only the prescribed rates were adopted and any deviation must be referred to Public Enterprises Department in Government. Gazette orders of the Government are thus applicable to APSRTC.

4.6.11.5 Surrender of privilege bus passes

APSRTC issues Privilege Bus Passes⁹⁹ (Passes) to its staff and officers to enable them to travel free of cost in APSRTCs' buses. However, instead of travelling in the buses of APSRTC, officers were allowed (May 1998) the facility of reimbursement of Leave Travel Concession (LTC) in lieu of surrender of passes at the rates¹⁰⁰ prescribed from time to time. This was stopped (August 2005), citing huge losses incurred by APSRTC. It was, however, restored (December 2007) on the plea that APSRTC made handsome surplus, disregarding the fact that APSRTC had accumulated loss of ₹ 1263.63 crore and debts of ₹ 1299.74 crore (March 2008).

Initially, LTC was allowed for travel anywhere in India, but it was extended (July 2008) to foreign trips, that too without approval of the Government. Further, APSRTC incurred heavy loss of ₹ 1417 crore (ranging from ₹ 317 crore to ₹ 585 crore) during 2009-12. In spite of this, there was no evidence of review of this facility and its stoppage. In fact, encashment of a third set was also permitted and rate of reimbursement was also increased (February 2010). Considering the accumulated losses of APSRTC, restoration (December 2007) of the facility of encashment of passes and continuation of the same in spite of heavy losses was not appropriate. Had the facility of passes to officers also been restricted to travel in APSRTCs' buses as was done in respect of staff, APSRTC could have avoided expenditure of ₹ 4.69 crore during 2007-12. We also observed that there were instances of payment of accommodation charges also, even though the facility was meant for journeys only. However, complete details of the claims settled were not made available for ascertaining the details of amounts reimbursed towards accommodation, food and other ineligible payments.

The Management replied (September 2012) that as per APSRTC (Bus Pass) Regulations, 1964, all the employees of APSRTC would be eligible for three sets of privilege passes per calendar year and the Bus Pass Regulations had the sanction of the Government. It was stated that the officers were allowed to avail of package tours subject to the financial limits notified from time to time. Reply is not tenable as the Bus Pass Regulations were approved by the Government and any amendments to the Regulations should be with the prior approval of the Government. Reply is silent about allowing LTC to foreign countries without Government's approval. Apart from this, as per the guidelines issued (January 2002) by the Government, SLPEs shall follow the LTC/Leave encashment rules provided or as applicable to Government employees and, in any case, not in excess of Government policy, without prior approval of the Administrative Department.

⁹⁹ Two sets of Passes up to November 2001 and three sets from December 2001.

¹⁰⁰ From February 1 2010, rate for reimbursement of cash in lieu of passes is at ₹ 15,000 per set (previous ₹ 11,000 per set) for Executive Directors/ Heads of the Departments and at ₹ 12,000 per set (previous ₹ 8,500 per set) to Senior/ Junior scale officers.

4.6.11.6 Reimbursement of expenditure on LTC to foreign countries

As per Section 10 (5) of the Act, the value of any travel concession or assistance received by an individual from his employer in connection with his proceeding on leave to any place in India is exempted from tax. In two instances noticed in audit, it was observed that ₹ 1.42 lakh LTC reimbursements were made in connection with foreign tours but the same was also exempted from income tax, which resulted in loss of ₹ 0.29 lakh (₹ 1.42 lakh x 20 per cent+ 3 per cent cess) to the exchequer. Details of similar cases called for (February 2012) were yet to be furnished.

The Management replied (May 2012) that transport facility provided by a transport undertaking is exempted from income tax under Section 17(2) of the Act. Reply is not relevant as the amount reimbursed on surrender of privilege passes for undertaking LTC to foreign countries does not come under Section 17(2) of the Act.

Conclusion

From the foregoing, it is clear that there is considerable scope for controlling the expenditure on personnel and related cost, but APSRTC failed to do so, which resulted in additional burden/avoidable expenditure to the tune of ₹ 92.93 crore. Financial indiscipline and lack of control over the personnel cost was one of the reasons for the present precarious financial position of APSRTC, which could adversely affect it and its employees unless drastic steps are taken. However, we are not against benefits being extended by APSRTC to its employees. The challenge lies in extending these benefits, without compromising the future of the entity and its employees. In our view, any benefit such as revision of pay scales/ allowances, introduction of new allowances, other benefits etc., should be in line with the provisions of various Acts/Schemes/Orders of Central/State Governments etc., and also keeping in mind the financial position of APSRTC.

Recommendations

- **Revision of pay scales and allowances and Career Advancement Scheme should be based on affordability and with the prior approval of the State Government;**
- **The provisions of various Acts, Schemes, Orders etc., of the Central/ State Governments should be strictly followed;**
- **With regard to pay and allowances, incentives etc., not specifically governed by orders of the Public Enterprises Department, the Board should consider the financial position also before sanctioning/ratifying any proposal.**
- **The TDA structure should be revised to remove the imbalances of abnormally higher TDA to officers and also to ensure that TDA may not lead to large scale misuse;**
- **Vehicle allotment policy may be formulated to control the expenditure on provision of light vehicles of officers;**

- *APSRTC should strictly avoid new proposals, interest free advances etc., out of borrowed funds, which would put additional burden on APSRTC, till improvement of its financial position; and*
- *APSRTC should restrict the facility of privilege passes for utilisation for travel in its own buses and stop its encashment.*



(K.R. SRIRAM)

Principal Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh

Hyderabad
The 14 FEB 2013

Countersigned



(VINOD RAI)

Comptroller and Auditor General of India

New Delhi
The 15 FEB 2013

Annexure - 1.1

**Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations
(Referred to in paragraphs 1.3.1 and 1.8.1)**

(Figures in Column 5(a) to 6(d) are ₹ in crore)

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
A	Working Government Companies												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh State Agro Industries Development Corporation Limited	Agriculture and Co-operation	05.03.1968	18.81	2.69	0.00	21.50	25.07	0.00	0.00	25.07	1.17:1 (1.17:1)	245
2	Andhra Pradesh Forest Development Corporation Limited	Forest, Environment Science and Technology	16.06.1975	21.32	0.50	0.00	21.82	22.99	0.00	41.84	64.83	2.97:1 (2.97:1)	679
3	Andhra Pradesh State Irrigation Development Corporation Limited	Irrigation and CAD	07.09.1974	132.86	0.95	0.00	133.81	48.08	0.00	0.00	48.08	0.36:1 (0.36:1)	466
4	Andhra Pradesh Meat Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	31.10.1977	29.02	1.41	0.00	30.43	0.00	0.00	0.00	0.00	-	0
5	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	Animal Husbandry, Dairy Development and Fisheries	11.11.2008	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	-	0

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
6	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	Agriculture and Co-operation	30.03.1976	1.07	0.90	0.80	2.77	133.62	0.00	0.00	133.62	48.24:1 (48.24:1)	262
	Total			203.09	6.45	0.80	210.34	229.76	0.00	41.84	271.60	1.29:1 (1.29:1)	1652
	FINANCE												
7	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	General Administration	10.10.75	6.22	0.00	0.00	6.22	0.00	0.00	0.00	0.00	(-) (0.05:1)	36
8	Andhra Pradesh Handicrafts Development Corporation Limited	Industries and Commerce	10.11.1981	1.50	0.50	0.00	2.00	0.49	0.00	0.00	0.49	0.25:1 (0.25:1)	136
9	Andhra Pradesh State Minorities Finance Corporation Limited	Minorities Welfare	19.01.1985	139.85	0.00	0.00	139.85	9.45	0.00	0.00	9.45	0.07 (0.10:1)	87
10	Andhra Pradesh State Christian Minorities Finance Corporation Limited	Minorities Welfare	11.02.2010	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	-	26
11	Andhra Pradesh Power Finance Corporation Limited	Energy	12.07.2000	29.00	0.00	0.00	29.00	0.00	0.00	2925.19	2925.19	100.87:1 (93.46:1)	0
	Total			178.57	0.50	0.00	179.07	9.94	0.00	2925.19	2935.13	16.39:1 (15.39:1)	285
	INFRASTRUCTURE												
12	Andhra Pradesh Industrial Development Corporation Limited	Industries and Commerce	16.12.1960	130.87	1.04	0.00	131.91	15.56	1.48	0.00	17.04	0.13:1 (0.13:1)	78
13	Andhra Pradesh Industrial Infrastructure Corporation Limited	Industries and Commerce	26.09.1973	16.33	0.00	0.00	16.33	0.70	0.00	403.75	404.45	24.77:1 (25.37:1)	449

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
14	Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B)	Industries and Commerce	02.09.2009	0.00	0.00	40.00	40.00	0.00	0.00	0.00	0.00	-	1
15	Andhra Pradesh Gas Distribution Corporation Limited (619-B)	Infrastructure and Investment	10.01.2011	0.00	0.00	10.00	10.00	0.00	0.00	0.00	0.00	-	0
16	Andhra Pradesh State Housing Corporation Limited	Housing	05.07.1979	0.25	0.00	0.00	0.25	10409.34	0.00	647.45	11056.79	44227.16:1 (41307.52:1)	6907
17	Andhra Pradesh State Police Housing Corporation Limited	Home	20.05.1971	1.81	0.00	0.00	1.81	0.00	0.00	20.66	20.66	11.41:1 (18:73:1)	209
18	Andhra Pradesh Rajiv Swagruha Corporation Limited	Housing	27.08.2007	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	-	145
19	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration and Urban Development	12.01.1993	0.15	0.00	0.00	0.15	0.00	0.00	0.00	0.00	-	4
20	Fab City (India) Pvt. Limited (S)	Industries and Commerce	02.05.2006	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	-	0
21	Hyderabad Growth Corridor Limited (619-B)	Municipal Administration and Urban Development	25.12.2005	0.00	0.00	0.15	0.15	664.14	1584.13	0.00	2248.27	14988.47:1 (9520.33:1)	44
22	Infrastructure Corporation of Andhra Pradesh Limited	Infrastructure and Investment	31.05.2005	20.12	0.00	0.00	20.12	0.00	0.00	0.00	0.00	-	37
23	Pashamylaram Textile Park	Industries and Commerce	29-06-2005	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	-	0
24	Andhra Pradesh Aviation Corporation Limited	Infrastructure and Investment	31-03-2006	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00	-	22
	Total			169.88	1.04	50.16	221.08	11089.74	1585.61	1071.86	13747.21	55.72:1 (61.03:1)	7896

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	MANUFACTURING												
25	Andhra Pradesh Beverages Corporation Limited	Revenue	23.07.1986	8.34	0.00	0.00	8.34	0.00	0.00	0.00	0.00	-	879
26	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	Energy	01.09.1976	0.15	0.00	17.12	17.27	1.00	0.00	0.00	1.00	0.06:1 (0.06:1)	504
27	Andhra Pradesh Mineral Development Corporation Limited	Industries and Commerce	24.02.1961	6.31	0.00	0.00	6.31	0.00	0.00	0.00	0.00	-	232
28	Damodhara Minerals Private Limited(S)	Industries and Commerce	28.01.2000	0.00	0.00	0.04	0.04	0.00	0.00	0.00	0.00	-	0
29	Leather Industries Development Corporation of Andhra Pradesh Limited	Industries and Commerce	04.10.1973	38.07	0.00	0.00	38.07	9.50	0.00	0.00	9.50	0.25:1 (0.41:1)	86
30	Krishnapatnam International Leather Complex Private Limited (619-B)	Industries and Commerce	19.08.2008	0.00	0.00	0.10	0.10	0.00	0.00	0.00	0.00	-	9
31	The Nizam Sugars Limited	Industries and Commerce	17.04.1937	33.49	0.00	0.51	34.00	61.23	0.00	34.57	95.80	2.82:1 (1.15:1)	16
32	The Singareni Collieries Company Limited	Energy	18.11.1920	885.60	847.56	0.04	1733.20	0.00	331.68	0.00	331.68	0.19:1 (0.23:1)	66466
	Total			971.96	847.56	17.81	1837.33	71.73	331.68	34.57	437.98	0.24:1 (0.25:1)	68192
	POWER												
33	Andhra Pradesh Power Generation Corporation Limited	Energy	29.12.1998	2106.80	0.00	0.00	2106.80	0.00	0.00	11193.40	11193.40	5.31:1 (5.27:1)	10658
34	Central Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	728.47	0.00	0.00	728.47	31.59	0.00	2789.89	2821.48	3.87:1 (2.90:1)	14388

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
35	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	121.23	0.00	0.00	121.23	46.37	0.00	338.37	384.74	3.17:1 (3.51:1)	7647
36	Northern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	274.76	0.00	0.00	274.76	19.37	0.00	1144.43	1163.80	4.24:1 (3.87:1)	8845
37	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	Energy	20.10.1969	0.19	0.00	0.03	0.22	0.00	0.00	0.00	0.00	0.00:1 (0.36:1)	158
38	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	358.72	0.00	0.00	358.72	34.17	0.00	2128.10	2162.27	6.03:1 (6.00:1)	12833
39	Transmission Corporation of Andhra Pradesh Limited	Energy	29.12.1998	779.22	0.00	0.00	779.22	467.90	0.00	2735.31	3203.21	4.11:1 (3.34:1)	3969
40	Andhra Pradesh Power Development Company Limited (619-B)	Energy	01.03.2006	50.00	0.00	882.03	932.03	1909.78	0.00	3232.96	5142.74	5.52:1 (4.24:1)	77
	Total			4419.39	0.00	882.06	5301.45	2509.18	0.00	23562.46	26071.64	4.92:1 (4.43:1)	58575
	SERVICES												
41	Andhra Pradesh State Civil Supplies Corporation Limited	Consumer Affairs, Food and Civil Supplies	31.12.1974	3.00	0.00	0.00	3.00	0.00	0.00	0.00	0.00	-	1191
42	Andhra Pradesh Tourism Development Corporation Limited	Youth advancement, Tourism & Culture	18.02.1976	3.76	0.00	0.00	3.76	0.00	0.00	37.00	37.00	9.84:1 (4.06:1)	697
43	Andhra Pradesh Technology Services Limited	Information Technology & Communications	17.01.1985	0.20	0.00	0.00	0.20	0.00	0.00	0.00	0.00	-	114

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
44	Andhra Pradesh Trade Promotion Corporation Limited	Industries and Commerce	05.06.1970	0.85	0.00	0.01	0.86	0.00	0.00	0.00	0.00	-	38
45	Hyderabad Metro Rail Limited	Municipal Administration and Urban Development	18.05.2007	0.57	0.00	0.00	0.57	0.00	0.00	0.00	0.00	-	108
46	Vizag Apparel Park for Export	Handlooms & Textiles	31.03.2004	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	-	1
	Total			8.43	0.00	0.01	8.44	0.00	0.00	37.00	37.00	4.38:1 (1.81:1)	2149
	MISCELLANEOUS												
47	Overseas Manpower Company of Andhra Pradesh Limited	Employment and Training	10.01.2006	0.21	0.00	0.00	0.21	0.00	0.00	0.00	0.00	-	15
	Total			0.21	0.00	0.00	0.21	0.00	0.00	0.00	0.00	-	15
	Total Government Companies: A			5951.53	855.55	950.84	7757.92	13910.35	1917.29	27672.92	43500.56	5.42:1 (4.84:1)	138764
B.	Working Statutory Corporations												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh State Warehousing Corporation	Agriculture and Co-operation	05.08.1985	3.81	0.00	3.81	7.62	0.00	0.00	4.76	4.76	0.62:1 (0.80:1)	313
	Total			3.81	0.00	3.81	7.62	0.00	0.00	4.76	4.76	0.62:1 (0.80:1)	313
	FINANCE												
2	Andhra Pradesh State Financial Corporation	Industries and Commerce	01.11.1956	176.86	28.87	0.27	206.00	1.94	11.40	2216.59	2229.93	10.82:1 (9.41:1)	466
	Total			176.86	28.87	0.27	206.00	1.94	11.40	2216.59	2229.93	10.82:1 (9.41:1)	466

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	SERVICES												
3	Andhra Pradesh State Road Transport Corporation	Transport, Roads and Buildings	11.01.1958	140.20	61.07	0.00	201.27	306.00	49.66	3449.55	3805.21	18.91:1 (12.28:1)	123615
	Total			140.20	61.07	0.00	201.27	306.00	49.66	3449.55	3805.21	18.91:1 (12.28:1)	123615
	Total Statutory Corporations: B			320.87	89.94	4.08	414.89	307.94	61.06	5670.90	6039.90	14.56:1 (10.64:1)	124394
	Total Working PSUs: (A+B)			6272.40	945.49	954.92	8172.81	14218.29	1978.35	33343.82	49540.46	5.89:1 (5.01:1)	263158
C.	Non-working Government Companies												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Dairy Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	07.02.1974	18.72	0.00	0.00	18.72	0.00	0.00	0.00	0.00	-	
2	Andhra Pradesh Fisheries Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	05.07.1974	4.67	0.00	0.00	4.67	8.67	0.00	0.00	8.67	1.86:1 (1.86:1)	
3	Proddutur Milk Foods Limited	Animal Husbandry, Dairy Development and Fisheries	23.10.1978	1.96	0.00	0.00	1.96	0.00	0.00	0.00	0.00	-	
	Total			25.35	0.00	0.00	25.35	8.67	0.00	0.00	8.67	0.34:1 (0.34:1)	
	FINANCE												
4	Andhra Pradesh Small Scale Industries Development Corporation Limited	Industries and Commerce	18.03.1961	9.62	0.00	0.00	9.62	4.60	0.00	0.00	4.60	0.48:1 (0.48:1)	

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [®]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
5	Andhra Pradesh Tourism Finance Limited	Youth advancement, Tourism & Culture	07.03.2001	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.00	-	
	Total			9.65	0.00	0.00	9.65	4.60	0.00	0.00	4.60	0.48:1 (0.48:1)	
MANUFACTURING													
6	Allwyn Auto Limited	Industries and Commerce	31.05.1993	0.15	0.00	0.00	0.15	14.45	0.00	0.00	14.45	96.33:1 (96.27:1)	
7	Allwyn Watches Limited	Industries and Commerce	19.03.1993	0.15	0.00	0.00	0.15	64.93	0.00	0.00	64.93	432.87:1 (432.58:1)	
8	Andhra Pradesh Electronics Development Corporation Limited (S)	Industries and Commerce	21.11.1980	12.62	0.00	0.10	12.72	0.68	0.00	0.00	0.68	0.05:1 (0.06:1)	
9	Andhra Pradesh Steels Limited (S)	Industries and Commerce	16.11.1973	0.00	0.00	2.03	2.03	2.12	0.00	0.00	2.12	1.04:1 (1.04:1)	
10	Andhra Pradesh Scooters Limited	Industries and Commerce	21.08.1974	6.47	0.00	4.64	11.11	5.59	0.00	5.60	11.19	1.01:1 (1.01:1)	
11	Andhra Pradesh State Textile Development Corporation Limited	Industries and Commerce	31.05.1974	3.77	0.03	0.00	3.80	11.75	0.00	0.00	11.75	3.09:1 (2.96:1)	
12	Apronix Communications Limited (S)**	Industries and Commerce	27.02.1984	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	
13	Hyderabad Chemicals and Fertilizers Limited (S)	Agriculture and Co-operation	September, 1942	0.26	0.00	0.53	0.79	8.25	0.00	0.00	8.25	10.44:1 (10.45:1)	
14	Marine and Communication Electronics (India) Limited (S)	Industries and Commerce	29.08.1974	0.00	0.00	1.89	1.89	4.77	0.00	0.00	4.77	2.52:1 (2.52:1)	
15	Republic Forge Company Limited	Industries and Commerce	15.04.1957	7.07	0.00	0.70	7.77	54.77	0.00	0.00	54.77	7.05:1 (7.05:1)	
16	Southern Transformers and Electricals Limited (S)	Industries and Commerce	21.09.1976	0.00	0.00	0.58	0.58	0.78	0.00	0.00	0.78	1.34:1 (1.34:1)	
17	Andhra Pradesh Automobile Tyres & tubes Ltd (619-B)	Industries and Commerce	20.07.1972	0.73	0.00	0.02	0.75	0.00	0.00	0.00	0.00	-	

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of Incorporation	Paid-up capital [@]				Loans outstanding at the close of 2011-12*				Debt-equity ratio for 2011-12 (Previous year)	Man Power (No. of employees) (as on 31-03-12)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
18	Golkonda Abrasives Ltd (619-B)	Industries and Commerce	NA	0.38	0.00	0.17	0.55	0.00	0.00	0.00	0.00	-	
19	Krishi Engineering Ltd (619-B)	Engineering	NA	0.29	0.10	0.13	0.52	0.00	0.00	0.00	0.00	-	
20	PJ Chemicals Ltd (619-B)	Industries and Commerce	NA	0.16	0.22	0.00	0.38	0.00	0.00	0.00	0.00	-	
21	Suganthy Alloy castings Ltd (619-B)	Industries and Commerce	NA	0.10	0.04	0.06	0.20	0.00	0.00	0.00	0.00	-	
22	Vidyut Steels Ltd (619-B)	Industries and Commerce	NA	0.29	0.31	0.28	0.88	0.00	0.00	0.00	0.00	-	
	Total			32.44	0.70	11.13	44.27	168.09	0.00	5.60	173.69	3.92:1 (3.94:1)	
	SERVICES												
23	Andhra Pradesh Essential Commodities Corporation Limited	Food, Civil Supplies and Consumer Affairs	21.04.1984	1.13	0.00	0.00	1.13	0.00	0.00	0.00	0.00	-	
24	Andhra Pradesh State Non Resident Indian Investment Corporation Limited	Industries and Commerce	18.03.1981	1.57	0.00	0.00	1.57	0.05	0.00	0.00	0.05	0.03:1 (0.03:1)	
	Total			2.70	0.00	0.00	2.70	0.05	0.00	0.00	0.05	0.03:1 (0.03:1)	
	Total Non-working PSUs: C			70.14	0.70	11.13	81.97	181.41	0.00	5.60	187.01	2.28:1 (2.28:1)	
	Total PSUs: A+B+C			6342.54	946.19	966.05	8254.78	14399.70	1978.35	33349.42	49727.47	5.86:1 (5.36:1)	263158

1 Sl. No. 6, 14, 15, 21, 30 and 40 of Part-A are 619-B working companies and Sl. Nos. 17 to 22 of Part-C are 619-B non-working companies.

2 * Loans outstanding at the close of 2011-12 represent long term loans only.

3 ** no activity since inception.

4 @ paid up capital includes share application money of ₹ 325.54 crore in respect of the companies against Sl. No. 4, 6, 9, 12, 22, 25, 29, 40 and 47 of working PSUs and ₹ 4.06 crore in respect of Sl. No. 1 and 24 of non-working PSUs.

5 Except in respect of companies and corporations which finalised their accounts for 2011-12 figures are provisional and as provided by the respective company and corporation.

Annexure - 1.2

Statement showing summarised financial results of Government Companies and Statutory Corporations which have finalised their accounts for 2011-12

(Referred to in paragraph 1.7.2)

(Figures in columns 5(a) to 11 are ₹ in crore)

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/loss(-)	Capital employed @	Return on capital employed \$	Percentage of return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A.	Working Government Companies													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh Forest Development Corporation Limited	2011-12	2012-13	42.75	7.27	1.23	34.25	88.63	0.00	21.82	142.71	322.31	41.52	12.88
2	Andhra Pradesh State Irrigation Development Corporation Limited	2011-12	2012-13	15.98	6.18	3.41	6.39	43.08	-3.05	133.81	-88.11	189.93	12.57	6.62
3	Andhra Pradesh Meat Development Corporation Limited	2011-12	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	30.43	-17.82	15.42	0.00	0.00
4	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	2011-12	2012-13	4.71	0.00	0.41	4.30	524.40	-0.53	2.77	2.07	221.15	4.30	1.94
	TOTAL			63.44	13.45	5.05	44.94	656.11	-3.58	188.83	38.85	748.81	58.39	7.80
	FINANCING													
5	Andhra Pradesh Film Television and Theatre Development Corporation Limited	2011-12	2012-13	0.41	0.21	0.15	0.05	10.07	0.00	6.22	1.67	7.96	0.26	3.27
6	Andhra Pradesh Power Finance Corporation	2011-12	2012-13	241.86	241.86	0.00	0.00	0.18	0.00	29.00	0.00	2490.90	241.86	9.71

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage of return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	Limited (No profit/ loss)													
	TOTAL			242.27	242.07	0.15	0.05	10.25	0.00	35.22	1.67	2498.86	242.12	9.69
	INFRASTRUCTURE													
7	Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B)	2011-12	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	40.00	0.00	21.33	0.00	0.00
8	Andhra Pradesh Gas Distribution Corporation Limited (619-B)	2011-12	2012-13	-0.22	0.00	0.00	-0.22	0.00	0.00	10.00	-0.22	9.78	-0.22	0.00
9	Infrastructure Corporation of Andhra Pradesh Limited	2011-12	2012-13	-0.72	0.00	0.08	-0.80	0.76	0.00	20.12	-1.30	18.82	-0.80	0.00
	TOTAL			-0.94	0.00	0.08	-1.02	0.76	0.00	70.12	-1.52	49.93	-1.02	0.00
	MANUFACTURING													
10	Andhra Pradesh Beverages Corporation Limited	2011-12	2012-13	1.29	0.37	0.87	0.05	14895.47	0.00	8.34	0.61	33.85	0.42	1.24
11	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	2011-12	2012-13	8.25	0.83	0.22	7.20	81.12	0.00	17.27	16.93	22.90	8.03	35.07
12	Damodhara Minerals Private Limited(S)	2011-12	2012-13	-0.01	0.00	0.00	-0.01	0.00	0.00	0.04	-0.06	-0.03	-0.01	0.00
13	The Singareni Collieries Company Limited	2011-12	2012-13	751.17	34.46	358.44	358.27	9316.44	0.00	1733.20	539.15	6220.55	392.73	6.31
	TOTAL			760.70	35.66	359.53	365.51	24293.03	0.00	1758.85	556.63	6277.27	401.17	6.39
	POWER													
14	Andhra Pradesh Power Generation Corporation Limited	2011-12	2012-13	3152.90	1649.36	1102.02	401.52	11438.51	0.00	2106.80	940.65	18905.15	2050.88	10.85

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage of return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
15	Central Power Distribution Company of Andhra Pradesh Limited	2011-12	2012-13	1329.90	935.50	390.35	4.05	11928.90	-22.85	728.48	-110.57	4325.36	939.55	21.72
16	Eastern Power Distribution Company of Andhra Pradesh Limited	2011-12	2012-13	482.64	266.33	191.51	24.80	3982.81	0.00	121.23	121.95	4318.51	291.13	6.74
17	Northern Power Distribution Company of Andhra Pradesh Limited	2011-12	2012-13	532.85	333.80	195.84	3.21	2566.28	0.00	274.76	-12.80	2145.18	337.01	15.71
18	Southern Power Distribution Company of Andhra Pradesh Limited	2011-12	2012-13	933.36	551.98	377.93	3.45	6039.17	-2463.23	358.72	146.97	4548.17	555.43	12.21
19	Transmission Corporation of Andhra Pradesh Limited	2011-12	2012-13	1005.90	301.94	395.50	308.46	1261.89	0.00	779.22	728.30	4439.30	610.40	13.75
20	Andhra Pradesh Power Development Company Limited (619-B)	2011-12	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	932.03	0.00	0.00	0.00	0.00
	TOTAL			7437.55	4038.91	2653.15	745.49	37217.56	-2486.08	5301.24	1814.50	38681.67	4784.40	12.37
	TOTAL: A			8503.02	4330.09	3017.96	1154.97	62177.71	-2489.66	7354.26	2410.13	48256.54	5485.06	11.37
B.	Working Statutory Corporations													
	FINANCING													
1	Andhra Pradesh State Financial Corporation	2011-12	2012-13	234.35	164.78	1.25	68.32	330.33	0.00	206.01	140.50	2425.36	233.10	9.61
	TOTAL			234.35	164.78	1.25	68.32	330.33	0.00	206.01	140.50	2425.36	233.10	9.61

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage of return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	SERVICE													
2	Andhra Pradesh State Road Transport Corporation	2011-12	2012-13	1592.45	272.64	1905.12	-585.31	5704.66	0.00	201.27	-2569.10	1535.48	-312.67	0.00
	TOTAL			1592.45	272.64	1905.12	-585.31	5704.66	0.00	201.27	-2569.10	1535.48	-312.67	0.00
	TOTAL: B			1826.80	437.42	1906.37	-516.99	6034.99	0.00	407.28	-2428.60	3960.84	-79.57	0.00
	TOTAL: A+B			10329.82	4767.51	4924.33	637.98	68212.70	-2489.66	7761.54	-18.47	52217.38	5405.49	10.35

Notes:

- Sl. No. 4, 7, 8 and 20 of Part A are 619-B Companies.
- # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/ decrease in losses and (-) in case of decrease in profit/ increase in losses.
- @ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of State Financial Corporation where the capital employed is worked out as a mean of aggregate value of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).
- \$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure - 1.3

Statement showing summarised financial results of Government Companies and Statutory Corporations whose accounts for 2011-12 are in arrears

(Referred to in paragraphs 1.7.6)

(Figures in columns 5 (a) to 11 are ₹ in crore)

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A.	Working Government Companies													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2010-11	2011-12	6.71	1.50	0.13	5.08	449.68	-0.02	21.50	-8.79	75.81	6.58	8.68
2	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	First accounts not submitted												
	FINANCING													
3	Andhra Pradesh Handicrafts Development Corporation Limited	2009-10	2011-12	2.82	0.00	0.85	1.97	64.46	3.83	2.00	6.68	12.36	1.97	15.94
4	Andhra Pradesh State Minorities Finance Corporation Limited	2009-10	2011-12	0.57	0.46	0.19	-0.08	0.00	-143.79	139.85	-12.03	138.12	0.38	0.28
5	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First accounts not submitted												
	INFRASTRUCTURE													
6	Andhra Pradesh Industrial Development Corporation Limited	2008-09	2011-12	2.42	1.46	0.11	0.85	15.71	0.00	130.61	17.96	96.13	2.31	2.40

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
7	Andhra Pradesh Industrial Infrastructure Corporation Limited	2010-11	2012-13	38.74	28.00	2.22	8.52	164.86	62.34	16.33	415.47	649.86	36.52	5.62
8	Andhra Pradesh State Housing Corporation Limited	2008-09	2011-12	5.40	626.34	2.58	-623.52	177.23	-629.97	0.25	-3554.28	11646.14	2.82	0.02
9	Andhra Pradesh State Police Housing Corporation Limited (No profit/loss)	2010-11	2011-12	3.95	3.69	0.26	0.00	46.35	0.00	1.81	0.00	35.73	3.69	10.33
10	Andhra Pradesh Rajiv Swagruha Corporation Limited (No profit/loss)	2009-10	2011-12	44.38	44.31	0.07	0.00	395.40	0.00	0.05	0.00	653.85	44.31	6.78
11	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2005-06	2011-12	0.00	0.00	0.01	-0.01	0.00	0.00	0.15	0.00	0.15	-0.01	0.00
12	Fab City SPV (India) Pvt. Ltd.(Subsidiary to APIIC w.e.f. 19-07-2007)	2007-08	2009-10	-0.44	0.00	0.00	-0.44	0.09	1.45	0.01	-0.29	-0.29	-0.44	0.00
13	Hyderabad Growth Corridor Limited (619-B)	2009-10	2011-12	-0.76	0.00	0.04	-0.80	0.62	0.00	0.15	-3.71	-3.56	-0.80	0.00
14	Pashamylaram Textile Park	First accounts not submitted		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	Andhra Pradesh Aviation Corporation Limited	First accounts not submitted		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	MANUFACTURING													
16	Andhra Pradesh Mineral Development Corporation Limited	2008-09	2012-13	24.65	0.72	0.91	23.02	145.51	-5.82	6.31	149.65	189.74	23.74	12.51

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
17	Leather Industries Development Corporation of Andhra Pradesh Limited	2009-10	2012-13	-2.99	1.12	0.34	-4.45	0.85	-0.63	7.25	-59.88	22.38	-3.33	0.00
18	Krishnapatnam International Leather Complex Private Limited (619-B)	2008-09	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	15.05	0.00	15.03	0.00	0.00
19	The Nizam Sugars Limited	2010-11	2011-12	1.31	11.23	0.07	-9.99	0.00	5.78	34.00	-224.85	33.46	1.24	3.71
POWER														
20	New & Renewable Energy Development Corporation of Andhra Pradesh Limited (No profit/ loss)	2010-11	2012-13	7.24	0.19	1.93	5.12	28.15	0.00	0.22	5.06	6.00	5.31	88.50
SERVICE														
21	Andhra Pradesh State Civil Supplies Corporation Limited	2009-10	2011-12	14.74	5.60	0.78	8.36	253.67	0.00	3.00	113.00	444.46	13.96	3.14
22	Andhra Pradesh Trade Promotion Corporation Limited	2009-10	2010-11	3.08	0.17	0.62	2.29	25.53	-4.08	0.86	67.44	73.22	2.46	3.36
23	Andhra Pradesh Technology Services Limited	2009-10	2011-12	2.76	0.00	0.31	2.45	14.10	-0.22	0.20	22.56	22.55	2.45	10.86
24	Andhra Pradesh Tourism Development Corporation Limited	2008-09	2010-11	17.11	1.64	11.23	4.24	110.16	-0.40	3.76	22.24	118.72	5.88	4.95
25	Hyderabad Metro Rail Limited	2009-10	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.57	0.00	0.00	0.00	0.00
26	Vizag Apparel Park for Exports*	2004-05	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	2.26	0.00	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	MISCELLANEOUS													
27	Overseas Manpower Company of Andhra Pradesh Limited	2009-10	2011-12	-0.06	0.00	0.03	-0.09	0.18	0.00	0.21	0.00	0.32	-0.09	0.00
B.	Working Statutory Corporations													
	AGRICULTURE AND ALLIED													
28	Andhra Pradesh State Warehousing Corporation	2010-11	2011-12	25.64	0.51	1.48	23.65	109.62	0.00	7.61	39.77	144.10	24.16	16.76
C	Non-working Government Companies													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02	2003-04	0.00	0.00	0.00	0.00	0.00	0.00	4.67	-21.75	-7.24	-0.13	0.00
2	Proddutur Milk Foods Limited	1983-84	1990-91	0.00	0.00	0.00	0.00	0.00	0.00	1.96	0.00	0.00	0.00	0.00
3	Andhra Pradesh Dairy Development Corporation Limited	2001-02	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	18.72	-5.23	20.51	0.00	0.00
	FINANCING													
4	A.P Small Scale Industrial Development Corporation Limited	2001-02	2003-04	2.18	0.00	0.00	2.18	0.02	0.00	9.62	-20.03	2.93	3.25	110.92
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	0.11	0.00	0.00	0.11	0.11	0.00	2.00	0.07	2.05	0.11	5.37
	MANUFACTURING													
6	Allwyn Auto Limited	1994-95	1997-98	-6.46	0.00	0.00	-6.46	0.00	0.00	0.15	-13.54	-2.97	-5.24	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
7	Allwyn Watches Limited	1998-99	2002-03	-70.69	0.00	0.00	-70.69	13.00	0.00	0.15	-248.70	95.75	-30.03	0.00
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	-0.75	0.00	0.00	-0.75	0.00	0.00	12.72	-10.74	3.68	-0.75	0.00
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	-3.70	0.00	0.00	-3.70	0.00	0.00	11.11	-34.49	-3.79	-2.26	0.00
10	Andhra Pradesh State Textile Development Corporation Limited	1997-98	2010-11	-0.07	0.12	0.02	-0.21	6.77	-0.53	3.80	-4.01	3.68	-0.09	0.00
11	Andhra Pradesh Steels Limited (S)	1991-92	1993-94	-2.09	0.00	0.00	-2.09	0.00	0.00	2.03	-6.51	-2.51	-1.68	0.00
12	Apronix Communications Limited (S)*			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Hyderabad Chemicals and Fertilizers Limited (S)	1984-85	1986-87	0.62	0.00	0.00	0.62	0.00	0.00	0.78	-0.63	-1.34	-0.28	0.00
14	Marine and Communication Electronics (India) Limited (S)	1992-93	1994-95	-4.70	0.00	0.00	-4.70	0.00	0.00	1.89	-4.21	7.23	-3.29	0.00
15	Republic Forge Company Limited	1991-92	1993-94	-3.34	0.00	0.00	-3.34	0.00	0.00	7.77	-23.41	8.82	-0.26	0.00
16	Southern Transformers and Electricals Limited (S)	1993-94	1996-97	-0.57	0.00	0.00	-0.57	0.00	0.00	0.58	-5.78	-1.45	-0.21	0.00
17	Andhra Pradesh Automobile Tyres & tubes Ltd.	1992-93	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.75	-0.77	0.00	-0.02	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
18	Golkonda Abrasives Ltd.	1997-98	NA	-0.01	0.00	0.00	-0.01	0.00	0.00	0.55	-7.44	0.00	-0.01	0.00
19	Krishi Engineering Ltd.	1984-85	NA	-0.52	0.00	0.00	-0.52	0.00	0.00	0.52	-3.54	0.00	-0.52	0.00
20	PJ Chemicals Ltd.	1989-90	NA	-0.51	0.00	0.00	-0.51	0.00	0.00	0.38	-3.56	0.00	-0.51	0.00
21	Suganthi Alloy castings Ltd.	1983-84	NA	-0.16	0.00	0.00	-0.16	0.00	0.00	0.20	-0.26	0.00	-0.16	0.00
22	Vidyut Steels Ltd.	1985-86	NA	-0.40	0.00	0.00	-0.40	0.00	0.00	0.88	-1.55	0.00	-0.40	0.00
SERVICE														
23	Andhra Pradesh Essential Commodities Corporation Ltd.	2003-04	2007-08	0.00	0.00	0.00	0.00	0.00	0.00	1.13	9.61	10.75	0.00	0.00
24	Andhra Pradesh Non-Resident Indian Investment Corporation Ltd.	2002-03	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	1.57	-3.53	-2.16	0.00	0.00

Notes:

1. Sl. No. 13 and 18 of Part A and Sl. No. 17 to 22 of Part C are 619-B Companies.
2. # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/ decrease in losses and (-) in case of decrease in profit/ increase in losses.
3. @ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.
4. \$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure - 1.4

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Referred to in paragraph 1.4.1)

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	Working Government Companies												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh State Agro Industries Development Corporation Limited	0.00	0.00	0.00	0.00	11.00	11.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Andhra Pradesh State Seeds Development Corporation Limited	0.00	0.00	11.09	1.48	0.00	12.57	0.00	0.00	0.00	0.00	0.00	0.00
3	Indira Gandhi Centre Advanced Research on Livestock Private Limited	0.00	0.00	0.00	50.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	11.09	51.48	11.00	73.57	0.00	0.00	0.00	0.00	0.00	0.00
	FINANCING												
4	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	0.00	0.00	0.00	6.38	0.00	6.38	0.00	0.00	0.00	0.00	0.00	0.00
5	Andhra Pradesh State Minorities Finance Corporation Limited	0.00	0.00	50.56	277.81	0.00	328.37	0.00	9.45	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
6	Andhra Pradesh State Christian Minorities Finance Corporation Limited	0.00	0.00	0.00	17.13	0.00	17.13	0.00	0.00	0.00	0.00	0.00	0.00
7	Andhra Pradesh Handicrafts Development Corporation Limited	0.00	0.00	1.27	0.97	0.00	2.24	0.00	0.00	0.00	0.00	0.00	0.00
8	Andhra Pradesh Power Finance Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	4000.00	6710.20	0.00	0.00	0.00	0.00
	Total	0.00	0.00	51.83	302.29	0.00	354.12	4000.00	6719.65	0.00	0.00	0.00	0.00
	INFRASTRUCTURE												
9	Andhra Pradesh Industrial Development Corporation Limited	0.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Hyderabad Growth Corridor Limited (619-B)	0.00	331.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Andhra Pradesh Industrial Infrastructure Corporation Limited	0.00	0.00	0.00	10.00	40.00	50.00	0.00	403.75	0.00	0.00	0.00	0.00
12	Andhra Pradesh Aviation Corporation Limited	0.00	0.00	0.00	17.68	0.00	17.68	0.00	0.00	0.00	0.00	0.00	0.00
13	Andhra Pradesh Gas Infrastructure Corporation (P) Limited	19.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Infrastructure Corporation of Andhra Pradesh Limited	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	21.67	331.50	0.00	27.68	40.00	67.68	0.00	403.75	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
	MANUFACTURING												
15	Andhra Pradesh State Housing Corporation Limited	0.00	939.63	847.62	524.58	0.00	1372.20	0.00	647.45	0.00	0.00	0.00	0.00
16	Andhra Pradesh State Police Housing Corporation limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00
17	Andhra Pradesh Beverages Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00
18	Leather Industries Development Corporation of Andhra Pradesh Limited	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	The Singareni Collieries Company Limited	0.00	0.00	53.58	0.00	0.00	53.58	0.00	0.00	0.00	0.00	0.00	0.00
	Total	5.00	939.63	901.20	524.58	0.00	1425.78	0.00	747.95	0.00	0.00	0.00	0.00
	POWER												
20	Andhra Pradesh Power Generation Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5023.39	0.00	0.00	0.00	0.00
21	Central Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	2633.56	0.00	2633.56	99.64	245.53	0.00	0.00	0.00	0.00
22	Eastern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	379.56	0.00	379.56	0.00	0.54	0.00	0.00	0.00	0.00
23	Northern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	1672.06	0.00	1672.06	0.00	420.51	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
24	Southern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	1017.13	0.00	1017.13	17.17	12.38	0.00	0.00	0.00	0.00
25	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	0.00	0.00	14.65	6.37	0.00	21.02	0.00	0.00	0.00	0.00	0.00	0.00
26	Transmission Corporation of Andhra Pradesh Limited	0.00	148.41	0.00	0.00	0.00	0.00	0.00	704.37	0.00	0.00	0.00	0.00
27	Andhra Pradesh Power Development Company Limited	20.00	1415.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	20.00	1563.94	14.65	5708.68	0.00	5723.33	116.81	6406.72	0.00	0.00	0.00	0.00
	SERVICE												
28	Andhra Pradesh State Civil Supplies Corporation Limited	0.00	0.00	0.87	228.00	0.00	228.87	0.00	0.00	0.00	0.00	0.00	0.00
29	Andhra Pradesh Tourism Development Corporation Limited	0.00	0.00	7.82	2.26	0.00	10.08	0.00	0.00	0.00	0.00	0.00	0.00
30	Vizag Apparel Park for Export	0.00	0.00	0.00	0.06	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	8.69	230.32	0.00	239.01	0.00	0.00	0.00	0.00	0.00	0.00
	Total A	46.67	2835.07	987.46	6845.03	51.00	7883.49	4116.81	14278.07	0.00	0.00	0.00	0.00
B	Working Statutory Corporations												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh State Warehousing	0.00	0.00	0.00	0.40	0.70	1.10	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
	Corporation												
	Total	0.00	0.00	0.00	0.40	0.70	1.10	0.00	0.00	0.00	0.00	0.00	0.00
	FINANCING												
2	Andhra Pradesh State Financial Corporation	0.00	0.00	0.00	0.00	0.00	0.00	200.00	645.25	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	0.00	0.00	200.00	645.25	0.00	0.00	0.00	0.00
	SERVICE												
3	Andhra Pradesh State Road Transport Corporation	0.00	200.00	22.19	100.10	0.00	122.29	0.00	356.30	0.00	0.00	0.00	0.00
	Total	0.00	200.00	22.19	100.10	0.00	122.29	0.00	356.30	0.00	0.00	0.00	0.00
	Total B	0.00	200.00	22.19	100.50	0.70	123.39	200.00	1001.55	0.00	0.00	0.00	0.00
	Grand Total A+B	46.67	3035.07	1009.65	6945.53	51.70	8006.88	4316.81	15279.62	0.00	0.00	0.00	0.00

@ Figures indicate total guarantees outstanding at the end of the year.

Annexure - 1.5

**Statement showing investments made by State Government in PSUs whose accounts are in arrears
(Referred to in paragraphs 1.6.3)**

(Figures in Columns 4, 6 to 9 are in ₹ in crore)

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
A.	Working Government Companies								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2010-11	21.50	2011-12	0.00	0.00	0.00	0.00	1
2	Indira Gandhi Centre for Advanced Research on Livestock Private Limited (11.11.2008)	First account not finalised		2008-09	0.00	0.00	75.00	0.00	4
				2009-10	0.00	0.00	75.00	0.00	
				2010-11	0.00	0.00	37.50	0.00	
				2011-12	0.00	0.00	50.00	0.00	
	TOTAL		21.50		0.00	0.00	237.50	0.00	5
	FINANCING								
3	Andhra Pradesh state Minorities Finance Corporation Limited	2009-10	139.85	2010-11	0.00	0	199.73	0.00	2
				2011-12	0.00	0	277.81	0.00	
4	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First accounts not finalised		2009-10	0.00	0	199.73	0.00	3
				2010-11	0.00	0	8.00	0.00	
				2011-12	0.00	0.00	0.00	17.13	
5	Andhra Pradesh Handicrafts Development Corporation Limited	2009-10	2.00	2010-11	0.00	0.00	0.00	1.56	2
				2011-12	0.00	0.00	0.25	0.72	
	TOTAL		141.85		0.00	0.00	685.52	19.41	7

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
	INFRASTRUCTURE								
6	Andhra Pradesh Industrial Development Corporation Limited	2008-09	131.48	2009-10	0.26	0.00	0.00	0.00	3
				2010-11	0.48	0.00	0.00	0.00	
				2011-12	0.56	0.00	0.00	0.00	
7	Andhra Pradesh State Police Housing Corporation Limited (No profit/loss)	2010-11	1.81	2011-12	0.00	0.00	0.00	0.00	1
8	Andhra Pradesh Rajiv Swagruha Corporation Limited	2009-10		2010-11	0.00	0.00	0.00	0.00	2
				2011-12	0.00	0.00	0.00	0.00	
9	Andhra Pradesh Urban finance and Infrastructure Development Corporation Limited	2005-06	0.15	2006-07	0.00	0.00	57.52	88.37	6
				2007-08	0.00	0.00	3.62	6.51	
				2008-09	0.00	0.00	0.00	0.00	
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
				2011-12	0.00	0.00	0.00	0.00	
10	Andhra Pradesh Industrial Infrastructure Corporation Limited	2010-11	16.33	2011-12	0.00	0.00	10.00	0.00	1
11	Fab City SPV (India) Pvt. Ltd. (Date of incorporation: 02.05.2006)	2007-08	0.01	2008-09	0.00	0.00	0.00	0.00	4
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
				2011-12	0.00	0.00	0.00	0.00	
12	Andhra Pradesh State Housing corporation Limited	2008-09	0.25	2009-10	0.00	371.14	0.00	1130.00	3
				2010-11	0.00	891.68	0.00	733.46	
				2011-12	0.00	939.63	0.00	524.58	

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
13	Hyderabad Growth Corridor Limited	2009-10	0.15	2010-11	0.00	332.64	0.00	0.00	2
				2011-12	0.00	331.50	0.00	0.00	
14	Andhra Pradesh Aviation Corporation Limited	first accounts not submitted		2005-06	NA	NA	NA	NA	7
				2006-07	NA	NA	NA	NA	
				2007-08	NA	NA	NA	NA	
				2008-09	NA	NA	NA	NA	
				2009-10	NA	NA	NA	NA	
				2010-11	NA	NA	NA	NA	
				2011-12	0.00	0.00	17.68	0.00	
15	Pashamylaram Textile Park	First accounts not submitted		2005-06	NA	NA	NA	NA	7
				2007-08	NA	NA	NA	NA	
				2007-08	NA	NA	NA	NA	
				2008-09	NA	NA	NA	NA	
				2009-10	NA	NA	NA	NA	
				2010-11	NA	NA	NA	NA	
				2011-12	0.00	0.00	0.00	0.00	
	TOTAL		150.18		1.30	2866.59	88.82	2482.92	36
	MANUFACTURING								
16	Andhra Pradesh Mineral Development Corporation Limited	2008-09	6.31	2009-10	0.00	0.00	0.00	0.00	3
				2010-11	0.00	0.00	0.00	0.00	
				2011-12	0.00	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
17	Leather Industries Development Corporation of Andhra Pradesh Limited	2009-10	7.25	2010-11	15.83	2.60	10.00	0.00	2
				2011-12	5.00	0.00	0.00	0.00	
18	Krishnapatnam International Leather Complex Private Limited	2008-09	0.10	2009-10	0.00	0.00	0.00	0.00	3
				2010-11	0.00	0.00	0.00	0.00	
				2011-12	0.00	0.00	0.00	0.00	
19	The Nizam Sugars Limited	2010-11	33.49	2011-12	0.00	0.00	0.00	0.00	1
	TOTAL		47.15		20.83	2.60	10.00	0.00	9
	POWER								
20	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2010-11	0.22	2011-12	0.00	0.00	5.12	1.24	1
	TOTAL		0.22		0.00	0.00	5.12	1.24	1
	SERVICE								
21	Andhra Pradesh Technology Services Limited	2009-10	0.20	2010-11	0.00	0.00	0.00	0.00	2
				2011-12	0.00	0.00	0.00	0.00	
22	Andhra Pradesh State Civil Supplies Corporation limited	2009-10	3.00	2010-11	0.00	0.00	0.00	235.00	2
				2011-12	0.00	0.00	0.00	228.00	
23	Andhra Pradesh Tourism Development Corporation Limited	2008-09	3.76	2009-10	0.00	0.00	0.05	2.45	3
				2010-11	0.00	0.00	0.00	2.50	
				2011-12	0.00	0.00	15.00	2.26	
24	Andhra Pradesh Trade Promotion Corporation Limited	2009-10	0.86	2010-11	0.00	0.00	0.00	0.00	2
				2011-12	0.00	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
25	Hyderabad Metro Rail limited	2010-11	0.57	2011-12	0.00	0.00	350.00	0.00	1
26	Vizag Apparel Park for Exports (Date of Incorporation : 31.03.2004)	2004-05	0.05	2005-06	0.00	0.00	0.00	0.00	7
				2006-07	0.00	0.00	1.00	0.67	
				2007-08	0.00	0.00	2.00	0.75	
				2008-09	0.00	0.00	0.00	0.00	
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	1.25	0.00	
				2011-12	0.00	0.00	0.06	0.00	
	TOTAL		8.44		0.00	0.00	369.36	471.63	17
	MISCELLANEOUS								
27	Overseas Manpower company of Andhra Pradesh Limited	2009-10	0.21	2010-11	0.00	0.00	0.00	0.00	2
				2011-12	0.00	0.00	0.00	0.00	
	TOTAL		0.21		0.00	0.00	0.00	0.00	2
	TOTAL:A		369.55		22.13	2869.19	1396.32	2975.20	77
B	Working Statutory Corporation								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh State Warehousing Corporation	2010-11	0.57	2011-12	0.00	0.00	0.00	0.00	1
	TOTAL		0.57		0.00	0.00	0.00	0.00	1
	TOTAL :B		0.57		0.00	0.00	0.00	0.00	1
	TOTAL: A+B		370.12		22.13	2869.19	1396.32	2975.20	78

Sl. No.	Name of PSU	Year up to which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
C	Non-Working Government Companies								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh Fisheries Corporation Limited	1-4-02 to 9-5-02	4.67	2002-03	0.00	0.41	0.00	0.00	
	TOTAL		4.67		0.00	0.41	0.00	0.00	
	MANUFACTURING								
2	Allwyn Watches Limited	1998-99	0.15	2002-03	0.00	0.25	0.00	0.00	
				2003-04	0.00	0.25	0.00	0.00	
3	Andhra Pradesh State Textile Development Corporation Limited	1997-98	3.80	2000-01	0.00	0.18	0.00	0.00	
	TOTAL		3.95		0.00	0.68	0.00	0.00	
	TOTAL :C		8.62		0.00	1.09	0.00	0.00	
	TOTAL:A+B+C		378.74		22.13	2870.28	1396.32	2975.20	78

Annexure - 1.6

Statement showing the financial position of Statutory Corporations who have finalised accounts for the year 2011-12

(Referred to in Paragraph 1.7.2)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation		
Particulars	2010-11	2011-12
A. Liabilities		
Capital (including capital loan and equity capital)	201.27	201.27
Borrowings - Government	612.42	711.95
Others	1908.55	3094.83
Funds ¹⁰¹ (Including expenditure from betterment fund, receipt on capital account and receipt under TGKP scheme)	105.96	137.15
Trade dues and other current liabilities (including provisions)	2367.69	2849.39
Total - A	5195.89	6994.59
B. Assets		
Gross Block	2753.13	3308.98
Less: Depreciation	1919.80	1905.12
Net Fixed Assets	833.33	1403.86
Capital works-in-progress (including cost of chassis)	114.02	74.94
Investments	0.62	40.62
Current assets, loans and advances	2264.13	2906.07
Accumulated loss	1983.79	2569.10
Total - B	5195.89	6994.59
C. Capital Employed¹⁰²	843.79	1535.48

¹⁰¹ Excluding depreciation funds.

¹⁰² Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital, the element of interest on loans is included in current liabilities.

(₹ in crore)

2. Andhra Pradesh State Financial Corporation		
Particulars	2010-11	2011-12
A. Liabilities		
Paid up Capital	206.01	206.01
Reserve fund and other reserves and surplus	183.17	211.40
Borrowings:		
(i) Bonds and Debentures	504.97	645.25
(ii) Fixed Deposits	68.10	36.47
(iii) SIDBI	1187.33	1203.42
(iv) State Government	1.94	1.94
(v) Industrial Development Bank of India	11.40	11.40
(vi) Others	164.07	331.42
Other liabilities and provisions	233.68	279.24
Total - A	2560.67	2926.55
B. Assets		
Cash and Bank Balances	157.27	215.51
Investments	5.86	22.25
Loans and Advances	2117.35	2384.39
Net Fixed Assets	149.66	150.54
Other Assets	130.53	153.86
Accumulated loss	0.00	0.00
Total - B	2560.67	2926.55
C. Capital Employed¹⁰³	2157.55	2425.36

¹⁰³ Capital employed represents a mean of aggregate of opening and closing balances of paid-up capital, reserves (other than those which have been funded specially and backed by investments outside), bonds, deposits and borrowings (including refinance).

Annexure - 1.7

Statement showing the financial position of Statutory Corporation whose accounts for the year 2011-12 are in arrears

(Referred to in paragraph 1.7.6)

Andhra Pradesh State Warehousing Corporation

(₹ in crore)

Particular	2010-11
A Liabilities	
Paid-up capital	7.61
Reserve and surplus (incl. subsidy)	130.51
Borrowings (others)	5.98
Trade due and current liabilities (incl. provision)	183.17
Total A	327.27
B Assets	
Gross Block	58.89
Less-Depreciation	27.84
Net fixed assets	31.05
Current assets, loans and advances	209.49
Total B	327.27
C Capital employed¹⁰⁴	144.10

¹⁰⁴ Capital employed represents net fixed assets (including works-in-progress) plus working capital.

Annexure - 1.8

Statement showing working results of Statutory Corporations who have finalised accounts for the year 2011-12

(Referred to in Paragraph 1.7.2)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation			
Sl.No.	Particulars	2010-11	2011-12
1	Operating:		
	(a) Revenue	5210.77	5704.66
	(b) Expenditure	6422.59	7031.68
	(c) Surplus (+)/Deficit (-)	-1211.82	-1327.02
2	Non-Operating:		
	(a) Revenue	925.92	1044.00
	(b) Expenditure	36.50	301.18
	(c) Surplus (+)/Deficit (-)	889.42	742.82
3	Total		
	(a) Revenue	6136.69	6748.66
	(b) Expenditure	6459.09	7332.86
	(c) Net of prior period adjustments	5.00	-1.11
	(d) Net Profit(+)/Loss(-)	-317.40	-585.31
4	Interest on capital and loans	145.80	272.64
5	Total return on Capital Employed ¹⁰⁵	-171.59	-312.67
6	Percentage of return on Capital Employed	NIL	NIL

¹⁰⁵ Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

(₹ in crore)

2. Andhra Pradesh State Financial Corporation			
Sl.No.	Particulars	2010-11	2011-12
1	Income		
	(a) Interest on loans	287.90	330.33
	(b) Other income	34.53	37.69
	Total -1	322.43	368.02
2	Expenses		
	(a) Interest on long term and short term loans	142.41	164.78
	(b) Other expenses	79.74	91.11
	Total - 2	222.15	255.89
3	Profit before tax (1-2)	100.28	112.13
4	Prior period adjustments	3.57	0
5	provision for tax	28.16	30.18
6	Profit (+)/ Loss (-) after tax	75.69	81.95
7	Other appropriations	-8.36	-13.63
8	Profit (+)/Loss (-) after other appropriation	67.33	68.32
9	Total return on Capital Employed ¹⁰⁶	209.74	233.10
10	Percentage of return on Capital Employed	9.72	9.61

¹⁰⁶ Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

Annexure - 1.9

Statement showing working results of Statutory Corporation whose accounts for the year 2011-12 are in arrears

(Referred to in Paragraph 1.7.6)

Andhra Pradesh State Warehousing Corporation

(₹ in crore)

	Particular	2010-11
1	Income	
	(a) Warehousing charges	99.16
	(b) Other income	10.46
	Total-1	109.62
2	Expenses.	
	(a) Establishment charges	27.13
	(b) other expenses	58.83
	Total -2	85.96
3	Profit/loss before tax	23.65
4	Provision for tax	8.00
5	Prior period Adjustments	0.08
6	Other appropriations	2.31
7	Amount available for dividend	13.26
8	Dividend for the year	1.52
9	Total return on capital employed ¹⁰⁷	24.16
10	Percentage on return capital employed	16.76

¹⁰⁷ Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

Annexure - 1.10

Statement showing reviews/paragraphs for which explanatory notes were not received (as on 30 September 2012)

(Referred to in paragraph 1.11.1.2)

Sl. No	Name of the Department	1992-93		1993-94		1995-96		1996-97		1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		Total		
		R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P			
1	Industries & Commerce	1	0	0	0	0	2	0	0	1	4	0	2	1	6	1	0	0	0	1	0	2	0	1	0	2	1	3	0	1	0	2	0	3	0	9	5	38		
2	Agriculture & Cooperation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	1	2	0	0	0	0	0	0	2	1	7		
3	Irrigation & CAD	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0	0	0	0	0	5	
4	Food, Civil Supplies & Consumer Affairs	0	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3
5	Housing	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	0	0	0	0	3	1	
6	Energy	0	0	0	0	0	0	0	0	3	0	3	0	0	1	0	0	1	0	0	1	0	1	0	0	2	1	3	0	0	1	1	1	2	3	3	9	18		
7	Forest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1	
8	Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
9	Youth advancement, tourism and culture	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	
10	Municipal admn. & urban development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	2	
11	Home	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	
12	Road & Transport	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	0	4	1	7		
13	General Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	1	0	1	0	3	1	1	0	0	1	9		
Total		1	0	1	0	1	3	0	0	1	8	0	6	1	6	2	2	0	1	0	2	1	5	1	2	0	4	2	1	2	6	3	10	2	11	3	19	21	95	

Annexure - 1.11

**Statement showing department-wise break-up of outstanding Inspection Reports
(Referred to in paragraph 1.11.3)**

Sl. No.	Name of department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Agriculture and Co-operation	3	17	170	2004-05
2	Animal Husbandry, Dairy Development and Fisheries	2	2	10	2010-11
3	Consumer Affairs, Food & Civil Supplies	1	4	75	2006-07
4	Energy	11	509	1803	2004-05
5	Environment, Forest, Science & Technology	1	6	28	2004-05
6	General Administration	1	4	19	2004-05
7	Handlooms & Textiles	1	2	10	2010-11
8	Home	1	4	17	2004-05
9	Housing	2	9	88	2004-05
10	Industries and Commerce	13	45	385	2004-05
11	Infrastructure and Investment	3	4	19	2009-10
12	Information Technology & Communications	1	3	14	2004-05
13	Irrigation and Command Area Development	1	7	40	2004-05
14	Labour, Employment, Training & Factories	1	3	15	2005-06
15	Minorities Welfare	2	3	11	2004-05
16	Municipal Administration and Urban Development	3	11	63	2004-05
17	Revenue	1	6	25	2004-05
18	Transport, Roads and Buildings	1	222	752	2004-05
19	Youth Advancement, Tourism & Cultural Affairs	1	6	64	2004-05
	Total¹⁰⁸	50	861	3544	

¹⁰⁸ Status up to September 2012.

Annexure - 1.12**Statement showing the department-wise reviews and draft paragraphs to which replies are awaited****(Referred to in paragraph 1.11.3)**

Sl. No.	Name of the department	No. of reviews	Period of issue	No. of draft paragraphs	Period of issue
1.	Industries & Commerce	2	October and November 2012	1	September 2012
2.	Animal Husbandry, Dairy Development and Fisheries	-	-	1	June 2012
	Total	2		2	

Annexure - 2.1
(Referred to in Paragraph 2.1.4)

Financial position of APSFC for the five years from 2007-08 to 2011-12

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
A	LIABILITIES					
(1)	Paid up capital	206.01	206.01	206.01	206.01	206.01
(2)	(i) Reserves fund	22.76	27.90	39.87	52.67	70.89
	(ii) Profit and Loss Account	3.98	41.71	97.42	130.50	140.51
(3)	Borrowings ¹⁰⁹	1424.24	1574.40	1737.36	1937.81	2229.90
(4)	Other liabilities and provisions	183.19	184.68	287.57	233.68	279.24
	TOTAL	1840.18	2034.70	2368.23	2560.67	2926.55
B	ASSETS					
(5)	Cash and Bank balances	158.17	74.80	96.61	157.27	215.51
(6)	Investments	41.06	77.18	174.48	5.86	22.25
(7)	Loans and advances	1441.48	1660.50	1851.41	2117.35	2384.39
(8)	Net fixed assets	130.55	141.45	145.57	149.66	150.54
(9)	Other Assets	68.92	80.77	100.16	130.53	153.86
	TOTAL	1840.18	2034.70	2368.23	2560.67	2926.55
10	Contingent Liabilities	7.95	5.26	6.01	8.25	4.51
C	Capital Employed*¹¹⁰	1615.93	1728.16	1931.46	2157.55	2425.36
D	Net worth	266.05	266.59	333.52	377.16	409.14

¹⁰⁹ Including loans pending conversion to share capital.

¹¹⁰ Capital employed represents a mean of aggregate of opening and closing balances of paid up capital, P&L A/c and borrowings.

Working results of APSFC for the five years from 2007-08 to 2011-12

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
I	Income					
(a)	Interest	200.22	208.83	257.08	287.90	330.33
(b)	Other income	22.68	19.04	14.78	19.55	20.18
(c)	Bad debts written back	3.97	9.66	16.31	14.98	17.50
	Total	226.87	237.53	288.17	322.43	368.01
II	Expenditure					
(a)	Interest on long term loans	108.81	125.48	136.38	142.41	164.78
(b)	Personnel Expenses	29.46	31.63	35.45	47.86	51.38
(c)	Bad debts written off	68.36	29.47	9.96	24.31	32.51
(d)	Other expenditure	5.24	6.37	6.73	7.57	7.22
	Total	211.87	192.95	188.52	222.15	255.89
III	Operating Profit	15.00	44.58	99.65	100.28	112.12
(a)	Provision on NPA and standard assets	77.13	13.38	-0.90	2.88	-2.91
(b)	Differed tax asset	4.04	.77	-0.45	1.87	3.19
(c)	Provision for IT	-2.97	-10.42	-26.00	-28.16	-30.18
(d)	Other provisions	-3.69	-5.46	-4.62	-9.54	-13.89
IV	Net Profit	89.51	42.85	67.68	67.33	68.33
V	Return on Capital Employed ¹¹¹	198.32	168.33	204.06	209.74	233.11
VI	Percentage of Return on Capital Employed	12.27	9.74	10.57	9.72	9.61
VII	Percentage of interest income to average working funds	12.97	11.07	12.05	12.14	12.58
VIII	Percentage of average cost of borrowings	8.19	8.57	8.30	8.38	9.02
IX	Net Income Margin	4.78	2.50	3.75	3.76	3.56

¹¹¹ Return on capital employed represents net surplus plus total interest charged to profit and loss account.

Annexure - 3.1

Statement showing gist of the main audit findings included in recent CAG's Audit Reports on APIIC

(Referred to in paragraph 3.4.1)

I. Performance Review on Infrastructure Projects by APIIC – Audit Report for 2006-07 (Commercial)

Audit Report	Para No.	Subject	Gist of the para
2006-07 (Comm)	2.1.10	Allotment of land	Land was allotted to 11 allottees in the IT Sector at reduced rates (lower than PFC rates) on the directions of the Government, resulting in loss of ₹ 304.52 crore to APIIC. Further, allotments at old rates, lower than the prevailing PFC rates (4 cases), and non charging of commercial rates(one case) resulted in loss of ₹ 4.12 crore.
	2.1.11 & 2.1.12		
	2.1.24		
	2.1.25	Other Projects	(i)1000 acres of land were allotted on lease to Brandix India Apparel City, Visakhapatnam at a nominal rate of ₹ 1/- per acre, resulting in undue favour to the party. (ii)Delay in selection of the developer and consequent non-allotment of plots resulted in blocking up of funds to the extent of ₹ 174.06 crore in APSEZ, Vizag.
	2.1.27	Formation of SPVs for execution of Projects- Integrated Convention Centre and Township Project, Hyderabad	(i)Audit observed that three SPVs (EHTPL, BHPL& CCCPL) were formed with Emaar Properties, Dubai and the equity was to be held in the ratio of 24:76. As against ₹ 236.97 crore contributed by Emaar, the Company's contribution was ₹ 306.22 crore (the value of land was to be taken at ₹ 60 lakh per acre, but was instead taken at ₹ 29 lakh per acre); this ratio thus worked out to 56:44. The excess contribution by ₹ 85.36 crore without having controlling rights was unjustified. (ii)Leasing out 235 acres for golf course for 66 years and low fixation of lease rentals without assessing probable revenue earnings was detrimental to the financial interest of Company.

II. Draft Paragraphs printed in C&AG's Reports (Commercial) from 2005-06 to 2010-11

Audit Report No.	Para No.	Subject	Gist of the para
2005-06	3.10	Undue favour to a private party	Allotment of alternate plot at the behest of the Government at original allotment rate, instead of prevailing rate, resulted in loss of ₹ 78.52 lakh. (Siddhartha Enterprises, IE, Katedan)
2008-09	4.2	Undue benefit to an allottee	Allotment of alternate land to an allottee at a concessional rate resulted in loss of ₹ 20.17 lakh and consequential undue benefit to the allottee. (Konark Engineering Company, Kukatpally Industrial Development Area)
2009-10	3.2	Undue favour of ₹ 25.55 crore to an allottee	Company's decision to collect lesser service charges from an allottee resulted in loss of ₹ 25.55 crore, with consequential undue favour to that extent. (SRI City, Nellore & Chittoor)
	3.3	Undue favour of ₹ 25 crore to a bidder	Company's failure to invoke offer conditions against a defaulted allottee resulted in loss of ₹ 25 crore with consequential undue favour. (My Home Constructions Private Limited)
	3.4	Loss of ₹ 7.77 crore on sale of land	Extension of undue favour to an allottee by selling land at lesser rate resulted in loss of ₹ 7.77 crore. (Pearl Breweries Private Limited, Medak)
2010-11	3.3	Loss due to inclusion of a provision detrimental to the interests of the Company and violation of terms and conditions of Collaboration Agreement by the Developer	Inclusion of contradictory clause in the MOU, reassignment of development rights to other parties without in-principle approval of the Company and failure of the VC&MD of the Company to monitor and report the same and sale of plots below market rate resulted in loss of revenue of ₹ 126.90 crore in one SPV. In another SPV, the Company had suffered a loss of revenue of ₹ 3.67 crore with an expected loss of ₹ 109.37 crore for the balance period of lease. Emaar Properties PJSC, Dubai; Emaar Hills Township Pvt Ltd; Bowlder Hills Leisure Township Pvt Ltd; and Cyberabad Convention Centre Pvt Ltd
	3.4	Undue favour extended to an allottee	Extending undue benefit at every stage of project implementation led to forgoing of Development Premium revenue of ₹ 126.22 crore, reduction of debenture interest to two per cent for 2010-14 resulting in loss of ₹ 33.29 crore, deferred realisation of ₹ 230.27 crore towards land cost instead of lump sum receipt and non-forfeiture of Performance Security amounting to ₹ 32.90 crore, besides the project not yet taking off. (Reliance Energy Ltd-Sobha Developers Pvt Ltd)

Audit Report No.	Para No.	Subject	Gist of the para
	3.5	Loss of ₹ 29.17 crore due to allotment of lands at concessional rates and non-collection of other mandatory charges	Allotment of lands at concessional rates than those fixed by the Price Fixation Committee led to loss of revenue of ₹ 28.25 crore. Interest on belated payment, restoration penalty and land cost amounting to ₹ 0.92 crore were not collected before final allotment. Palnadu Infrastructure Pvt Ltd, Hyderabad; Nightingale Hotels Pvt Ltd, New Delhi; and V.Zone Hospitality Pvt.Ltd, New Delhi
	3.6	Allotment of land at concessional rate and waiver of lease rentals/penalty resulted in loss of ₹ 13.40 crore	The Company allotted land at a concessional rate of ₹ 40 lakh per acre as against the prevailing rate of ₹ 60 lakh per acre and also waived lease rental/penalty, resulting in loss of ₹ 13.40 crore. (Anjaney Alloys Ltd., Kolkata)
	3.7	Loss of ₹ 24.03 crore due to short/non-collection of service charges and process fee	The Company, contrary to its allotment regulations, collected only two per cent service charges against the prescribed 15 per cent and also did not collect the process fee of ₹ 10,000 per acre, resulting in loss of revenue of ₹ 24.03 crore. (Lepakshi Knowledge Hub Private Ltd, Bangalore)
	3.8	Failure to collect at commercial rate and process charges resulted in loss of revenue of ₹ 11.71 crore	Failure to collect at commercial rate and process charges resulted in loss of revenue of ₹ 11.71 crore. The Company failed to charge not only commercial rate for the land allotted but also the requisite process charges for change in constitution of allottee company, resulting in loss of ₹ 11.71 crore. It also allowed total elimination of initial promoter from the project, making the allotment irregular. (MAPE Infrastructure Projects (India) Pvt Ltd)
	3.9	Short collection of land cost and non-collection of interest on belated payments resulted in loss of ₹ 18.65 crore	Allotment of land at lesser rate and short/non-collection of interest for delayed payments resulted in loss of ₹ 18.65 crore. (Divyasree NSL Infrastructure Pvt Ltd)
	3.10	Loss of ₹ 3.84 crore due to non-compliance with the Allotment Regulations	The Company, contrary to its Allotment Regulations, short collected service and process charges and did not levy occupation charges while cancelling the allotment. (Thermal Power Tech Corporation (India) Ltd)
	3.11	Mid-course evaluation of the Special Economic Zones	Abnormal delay in finalization of land rate by Price Fixation Committee (PFC) and consequent allotment of land on ad hoc basis and violation of PFC recommendations resulted in loss of revenue of ₹ 54.86 crore. Lack of watch over imports resulted in

Audit Report No.	Para No.	Subject	Gist of the para
			foregoing of import duty of ₹ 17.59 crore. Monitoring was deficient with reference to fulfilment of commitments by units in respect of timely implementation of projects, employment creation, investments and exports.

III. Report of the C&AG of India on Land Allotment 2011-12 (Civil)

Audit Report	Para No.	Subject	Gist of the para
2011-12 (Civil)	4.6	Allotment to Obulapuram Mining Company(OMC)	APIIC's proposal to alienate 304.66 acres of land to OMC, when district administration had already rejected the earlier request, amounted to undue favour, but due to its illegal occupation by OMC, the rule of law was also compromised.
	4.7	Allotment to Bellary Iron Ore Pvt.Ltd.	Instead of taking action for eviction, on the proposal of APIIC for the land already under unauthorized occupation of allottee, 50.69 acres of land was alienated with the approval of the Government.
	4.8	Allotment to Lepakshi Knowledge Hub Pvt.Ltd.	Allotment of 3032.83 acres of land below the M.V. resulted in undue benefit of ₹ 37.91 crore. Other deficiencies included execution of sale deed before implementation of project, issue of NOC to obtain loans, mortgaging of land, non development of land and non generation of targeted employment.
	4.9	Allotment of land for ICT	Audit observed that alienation of Government land to an extent of 881.32 acres in Mamidipally village to APIIC for establishing IT Parks was made much below the market value (₹ 1 crore), which resulted in revenue loss of ₹ 874.03 crore.
	4.9.1	Allotment to Brahmani Infratech Pvt.Ltd	250 acres of land was allotted at ₹ 20 lakh per acre at Mamidipally village by APIIC to the allottee, who had neither implemented the project nor created required space and 45000 jobs as contemplated in MOU.
	4.9.2	Indu Tech Zone Pvt.Ltd.	250 acres of land was allotted at ₹ 20 lakh per acre at Mamidipally village by APIIC to the allottee, who had neither implemented the project nor created required space and 45000 jobs as contemplated in MOU. Further, NOC was issued by Government to mortgage/obtain loans.
	4.9.3	Allotment to Stargaze Properties Pvt.Ltd.	APIIC allotted 250 acres of land for development of IT SEZ at ₹ 20 lakh per acre, but even after five years the allottee failed to implement the project and did not create employment to 45000 people. Besides, APIIC issued NOC to allottee for obtaining loans from FIs.
	4.9.4	Allotment to Raheja Corporation Pvt.Ltd.	Prime Government land (110 acres) at Madhapur village, Rangareddy District was allotted by APIIC for development of Mindspace Cyberabad Project , for which SPV was formed in which APIIC holds 11 per cent equity. APIIC did not safeguard the Government's interest by permitting these private firms to mortgage/sell Government land.

Audit Report	Para No.	Subject	Gist of the para
	4.15	Allotment to Simhapuri Energy Pvt.Ltd and others	1015.42 acres of land was allotted by APIIC to two private power companies viz., Simhapuri Energy and Meenakshi Energy in Tamminapatnam, SPS Nellore District much below its M.V., resulting in loss of ₹ 39.60 crore. Besides, 1847.98 acres was also allotted to two other power companies at lesser than M.V., resulting in loss of ₹ 72.07 crore
	4.16	Allotment of assigned land to Apollo Hospitals	Assigned lands to an extent of 47.97 acres, which were prohibited under Prohibition of Transfer (POT) Act, were allotted for establishment of Mega Health Park.
	4.17	Allotment to Pearl Breweries Pvt.Ltd.	As against the prevailing market price of ₹ 20 lakh per acre, the State Government through APIIC, allotted 75.775 acres at concessional rate of ₹ 1.50 lakh per acre, resulting in undue benefit of ₹ 14.01 crore to allottee.
	4.19	Allotment to Indu Genome Valley Project (IGP)	Even though 20 acres of land was auctioned for expansion of bio-tech park to IGP, the allottee had used the land for implementation of township project involving construction of residential buildings, which is irregular.
	5.1	Employment generation by SEZs	This para relates to non creation of required employment by SEZs which were to be developed through/by APIIC. In many SEZs, the percentage of employment ranged between zero to 4 per cent only.
	6.1	Allotment to Health City	Allotments and terms of payment of cost of land to allottees were determined in an arbitrary manner by the Company. Besides, out of 10 allotments made, none of the allottees had established their hospitals defeating the objective of providing medical facilities to public in general and poor people in particular.
	6.2	Allotment to Hardware Park, Maheswaram	Out of 615.43 acres of land allotted to 58 units, projects in respect of 36 units possessing 329.32 acres remained unimplemented for period ranging from 1 to 11 years. Further, an extent of 11.97 acres was allotted for commercial purposes.

Annexure - 3.2

Statement showing the extent of land allotted and number of allotments checked by Audit in the Thematic Audit (2006-12)

(Referred to in paragraph 3.4.1)

Sl.No.	Name of the Zone	Extent allotted (in Acres)	No.of allottees	Extent reviewed (in Acres)	No.of allotments checked
1	Shamshabad	3524	177	2570	111
2	Visakhapatnam (R)	8686	655	8502	131
3	SPS Nellore	16598	485	12862	112
4	Tirupati	8633	334	7577	35
5	Kurnool	10256	646	10234	241
6	YSR Kadapa	1026	179	1021	170
7	Moula-Ali	106	232	99	217
8	Jeedimetla	1253	180	1055	79
	Total	50082	2888	43920	1096

Annexure - 3.3

Statement showing allottees to whom allotments were made at rates less than those recommended by Price Fixation Committee

(Referred to in paragraph 3.7.2)

Sl No	Name of the Allottee	Name of the village/Zone	Date/month of allotment	Extent of land (in sqm)	Rate at which allotted (₹ per sqm)	Rate as per PFC (₹ per sqm)	Loss (₹ in crore) (Sl.No.(7-6)X5)
1	Krishna Priya Constructions & Developers	Madhuravada/ Vizag Zone	06.07.2011	7,750.00	4950	6000	0.81
2	Beekay Steels	Bobbili/Vizag	21.12.2006	987,710.82	75	100	2.47
3	KTC Ferro Alloys Pvt. Ltd.	Parawada/Vizag	21.12.2004	88,224.60	248	313	0.57
4	Steel Exchange of India Ltd.	Bobbili/Vizag	10.08.2007	323,750.00	100	200	3.24
5	Ramky Enviro Engineers Ltd.	Hardware Park/Hyderabad	09.09.2006	9,713.60	1000	1500	0.49
6	J T Holdings	Hardware Park/Hyderabad	Mar-05	40,470.00	122	200	0.31
7	J T Holdings	Hardware Park/Hyderabad	Jun-12	242,820.00	122	200	1.89
8	Hyderabad Gems	Raviryal/Shamshabad	Aug-05	386,528.97	494	1500	38.88
9	Kovan Systems	Hardware Park/Hyderabad	23.11.2007	4,056.00	1800	2200	0.16
10	Rapid Applications Methodologies Ltd.	Hardware Park/Hyderabad	23.11.2007	4,056.00	1800	2200	0.16
11	Thermo Cables	GIP Jadcherla/ Shamshabad	14.03.2007	20,235.00	371	500	0.26
12	Kinetic Genco Ltd.	GIP Jadcherla/ Shamshabad	21.04.2007	12,141.00	371	500	0.16
13	Leesa Life Sciences Pvt. Ltd.	GIP Jadcherla/ Shamshabad	26.11.2007	20,639.70	500	1000	1.03
14	Kartikeya Pharma	GIP Jadcherla/ Shamshabad	27.11.2007	8,094.00	500	1000	0.40
15	Mallika Pharma	GIP Jadcherla/ Shamshabad	27.11.2007	8,498.70	500	1000	0.42
16	Plus Ventilation Pvt. Ltd.	GIP Jadcherla/ Shamshabad	29.11.2007	24,282.00	500	1000	1.21
17	Jaysung Controls (Konark Engg Works)	GIP Jadcherla/ Shamshabad	08.01.2008	4,047.00	500	1000	0.20

Sl No	Name of the Allottee	Name of the village/Zone	Date/month of allotment	Extent of land (in sqm)	Rate at which allotted (₹ per sqm)	Rate as per PFC (₹ per sqm)	Loss (₹ in crore) (Sl.No.(7-6)X5)
18	MGRM Medicare Ltd.	GIP Jadcherla/ Shamshabad	21.02.2008	20,639.70	500	1000	1.03
19	Kartikeya Pharma	GIP Jadcherla/ Shamshabad	10.01.2008	4,047.00	618	1000	0.15
20	MGRM Medicare Ltd.	GIP Jadcherla/ Shamshabad	17.01.2009	20,639.70	500	1000	1.03
21	Hetero Drugs Ltd.	Pharma SEZ, Jadcherla, Shamshabad	11.11.2006	267,102.00	173	371	5.29
22	APL Health Care Ltd.	Pharma SEZ, Jadcherla, Shamshabad	02.08.2007	105,222.00	173	500	3.44
23	Aurobindo Pharma Ltd.	Pharma SEZ, Jadcherla, Shamshabad	02.08.2007	182,115.00	173	500	5.96
24	Hetero Labs Ltd.	Pharma SEZ, Jadcherla, Shamshabad	27.12.2007	36,423.00	173	1000	3.01
25	Glochem Industries Ltd.	Pharma SEZ, Jadcherla, Shamshabad	08.01.2008	20,255.00	500	1000	1.01
26	Aurobindo Pharma Ltd.	Pharma SEZ, Jadcherla, Shamshabad	22.01.2009	16,188.00	173	1000	1.34
27	Kiran Technologies	Hardware Park/Hyderabad	18.05.2006	11,088.78	1000	1500	0.55
28	Gujarat NRE Coke Ltd.	Naidupeta/Nellore	26.06.2008	1,011,750.00	198	371	17.50
29	Tulip Granites Pvt. Ltd.	BP Growth Centre/Ongole	06.11.2009	61,887.00	297	400	0.64
30	Jyothi Granites Exports Pvt. Ltd.	BP Growth Centre/Ongole	22.02.2010	40,541.60	400	500	0.41
31	SNR Enterprises	BP Growth Centre/Ongole	26.04.2007	2,490.00	200	300	0.02
32	Biosyn Research Chemicals	BP Growth Centre/Ongole	08.05.2007	26,402.00	200	300	0.26
33	Muralikrishna Raw & Boiled Rice Mill	BP Growth Centre/Ongole	20.11.2009	16,189.00	300	400	0.16
34	Valluramma Raw & Boiled Rice Mill	BP Growth Centre/Ongole	20.11.2009	16,189.00	300	400	0.16
35	Lakshmi Metallurgy Ltd.	Gajulamandyam/ Tirupati	12.12.2007	102,352.00	150	200	0.51
36	Dora Plastics Ltd.	Gajulamandyam/ Tirupati	08.09.2010	19,795.00	250	350	0.20

Sl No	Name of the Allottee	Name of the village/Zone	Date/month of allotment	Extent of land (in sqm)	Rate at which allotted (₹ per sqm)	Rate as per PFC (₹ per sqm)	Loss (₹ in crore) (Sl.No.(7-6)X5)
37	Jagadeesh Food Packs (P) Ltd.	Gajulamandyam/ Tirupati	08.09.2010	20,236.00	250	350	0.20
38	Samalkot Power Ltd.	IP Peddapuram/ Kakinada	31.01.2011	201,329.84	1000	1500	10.07
39	A.Nagesh	IP,Vizag	29.03.2010	14,298.64	1800	2500	1.00
40	EVA Drugs Pvt. Ltd.	IP, Gajulamandyam, Tirupati Zone	11.01.2010	20,236.00	250	350	0.20
41	Tata Tele Services Ltd.	Hardware Park/Hyderabad	08.05.2008	27,155.37	2200	2500	0.81
42	Agarwal Industries	Kattedan	Sep-79	4,504.32	3750	5000	0.56
43	Gokaldas Images Pvt. Ltd., Bangalore	IDA Nacharam	May-06	33,596.00	618	1501	2.97
44	Rahman Industries Services, Hyderabad	IDA, Cherlapally	Feb-07	583.00	2600	4000	0.08
45	PVD Techno Coats	IDA, Cherlapally	Mar-08	977.00	4000	4500	0.05
46	Lakshminarasimha Entreprises	IDA, Cherlapally	Feb-07	501.00	2600	4000	0.07
47	Shalivahana Mines Pvt. Ltd.	IDA Nacharam	Mar-08	11,500.00	1200	5400	4.83
48	Victory Telecommunications	IDA Cherlapally	Aug-07	2,008.00	1500	5000	0.70
49	Sri Sai Raj Engineering works	IDA Cherlapally	Oct-09	758.00	2000	5000	0.23
50	Ravindra Enterprises	IP Uppal	May-10	1,000.00	2000	12000	1.00
51	Krishna Pharma	IP Uppal	May-10	923.00	2000	12000	0.92
52	Kavitha Industries, Ontimitta	IDP, Kadapa	Jul-07	5,000.00	200	300	0.05
53	Samyu Glass Pvt. Ltd.	IDP, Gundlamadugu	Sep-08	105,222.00	37	111	0.78
54	NSL Textiles Ltd., Hyderabad	IDP Pulivendula	Nov-08	303,525.00	37	111	2.25
55	RR Chemicals	MIP Kopparthi	Sep-11	7,666.00	99	222	0.09
56	SS Chemicals	MIP Kopparthi	Sep-11	16,188.00	99	222	0.20
57	Padmavathi Carbons	MIP Kopparthi	Sep-11	16,188.00	99	222	0.20
58	Krishna Bharathi Pulverising Industry	MIP Kopparthi	Sep-11	16,188.00	99	222	0.20
59	Berger Paints Ltd.,	GC, Hindupur	Feb-10	139,783.38	297	450	2.15

Sl No	Name of the Allottee	Name of the village/Zone	Date/month of allotment	Extent of land (in sqm)	Rate at which allotted (₹ per sqm)	Rate as per PFC (₹ per sqm)	Loss (₹ in crore) (Sl.No.(7-6)X5)
	Kolkata						
60	Berger Paints Ltd., Kolkata	GC, Hindupur	May-11	47,165.98	450	500	0.24
61	SPY Agro Industries	IDC, Nandyal	Sep-08	23,472.60	129	300	0.40
62	Neogen Properties Pvt. Ltd., Mumbai	GC, Hindupur	11/1/2005 & May 2007	1,416,450.00	60	300	33.99
63	Swathi Sun Source Power Pvt. Ltd.	IP, Penukonda	Oct-10	182,802.99	64	100	0.66
64	B.Srinivasulu, Tadipatri	IP, Anantapur	Mar-08	8,532.11	500	1500	0.85
65	Takshila Tech Park & Incubators (I) Pvt. Ltd.	Biotech Park, Karakapatla	Nov-09	4,047.00	618	988	0.15
66	Nektar Therapeutic India Pvt. Ltd.	Biotechnology Park, Turkapally	Oct-06	60,705.00	247	296	0.30
67	Shantha Biotechnic Ltd., Medchal	Automotive Park, Toopran	Sep-07	161,880.00	309	618	5.00
68	Pushpak Auto Components Pvt. Ltd., Hyderabad	Auto Park, Muppireddypalli	Jan-08	74,060.10	494	750	1.90
69	Confederation of Women Entrepreneurs	Automotive Park, Toopran	Mar-08	121,693.29	494	618	1.50
70	Excel Aluminium Profiles Pvt. Ltd.	Automotive Park, Toopran	Jul-08	19,903.00	618	750	0.26
71	Globin India Pvt. Ltd.	Biotech Park, Ph.III Karakapatla	Mar-07	40,470.00	297	618	1.30
72	Celestial Bio Labs Ltd.	Biotech Park, Karakapatla	Nov-07	24,282.00	371	618	0.60
73	Sri Biotech Laboratories	Biotech Park, Karakapatla	Mar-08	40,470.00	371	618	1.00
74	Aryashvik Bio Tech Pharma	Biotech Park, Karakapatla	Jan-09	40,470.00	371	618	1.00
75	Bio vin Research Ltd.	Biotech Park, Karakapatla	Feb-09	32,376.00	371	618	0.80
76	Sri Balaji Pharma	Biotech Park, Karakapatla	Apr-09	4,047.00	371	618	0.10
77	EPR Centre for Cancer Research	Biotech Park, Karakapatla	Jan-08	6,070.50	494	618	0.08

Sl No	Name of the Allottee	Name of the village/Zone	Date/month of allotment	Extent of land (in sqm)	Rate at which allotted (₹ per sqm)	Rate as per PFC (₹ per sqm)	Loss (₹ in crore) (Sl.No.(7-6)X5)
78	Lonza India Pvt. Ltd.	Biotech Park, Karakapatla	May-09	28,329.00	297	618	0.91
79	G.Krishna Prasad	Jeedimetla-II Housing	August-09	131.56	6000	12000	0.08
80	Md.Ziauddin	Jeedimetla-II Housing	May-09	138.00	6000	12000	0.08
81	M.Kavitha	Jeedimetla-II Housing	August-08	173.27	6000	12000	0.10
82	Rashmi.A	Jeedimetla-II Housing	February-10	523.50	6000	12000	0.31
Total							176.55

Annexure - 3.4

**Statement showing the loss incurred due to non-fixation of cost of land by Price Fixation Committee
(Referred to in paragraph 3.7.3)**

SI No.	Name of the Allottee	Name of the village/ Zone	Date of allotment	Extent of land in Acres	Rate per Acre to be adopted (₹)	Allotted Rate per acre (₹)	Differential loss (₹ in crore)
1	Greentech Industries	MPSEZ Naidupet/Nellore Zone	27.05.09	210.00	1200000	100000	23.10
2	Foods, Fats and Fertilisers Ltd.	IP Pantapalem /Nellore Zone	11.12.09	9.74	1500000	1000000	0.49
3	Louis Drefus Commodities India Pvt. Ltd.	IP Pantapalem /Nellore Zone	29.03.10	15.58	1500000	1000000	0.78
4	Geomatrix Laser Solutions Pvt. Ltd.	IP Mambattu /Nellore Zone	08.01.08	1.011	2500000	1500000	0.10
5	Parikh Fabrics Pvt. Ltd.	IP Mambattu /Nellore Zone	28.03.09	5.00	2500000	2000000	0.25
6	Parikh Socks & Accessories Pvt. Ltd.	IP Mambattu /Nellore Zone	09.07.09	7.50	2500000	2000000	0.38
Total				248.83			25.09

Annexure - 3.5

Statement showing the loss incurred due to non-charging cost of Government land at par with Patta land

(Referred to in paragraph 3.7.4)

SI No.	Name of the Allottee	Name of the village/Zone	Date of allotment	Extent of land in Acres	Cost of Patta land to be adopted (₹ in lakh)	Cost of Govt land fixed/ allotted (₹ in lakh)	Differential loss (₹ in crore)	Remarks
1	Sarada Energy & Metals Ltd.	Kankatapalli, Vizianagaram Dist/Vizag Zone	Jun-09	38.80	5.00	3.00	0.78	The Company failed to collect the equivalent cost of patta land and executed sale deed on 11.02.2010
2	Krishnapatnam Infratech Pvt. Ltd.	Kothapatnam, Siddavaram, Vellapalem, Karlapudi and East Kanuper / Nellore	12.02.2009	4409.72	4.47	1.15	146.40	
3	Kineta Power Pvt. Ltd.	Thamminpatnam and Momidi/Nellore Zone	14.03.2012	25.99	4.50	0.80	0.96	This extent is in addition to 814.77 acres (para was already commented in the (Civil) for 2011-12 on Land Allotment).
4	Mangal Precision Products (P) Ltd.	Thenepalli, Peta Agraharam/Chittoor	11.07.2011	79.22	3.04	2.65	0.31	-
5	Galla Foods Ltd.	Thenepalli, Peta Agraharam/Chittoor	06.07.2011	28.06	3.04	2.65	0.11	-
Total				4581.79			148.56	

Annexure - 3.6

Statement showing the loss incurred due to non-levy of Commercial Rate

(Referred to in Paragraph 3.8.1)

Sl No	Name of the Allottee	Name of the village/ Zone	Purpose	Date of allotment	Extent of land in sq.mt.	Rate at which to be allotted (₹ per Sqmt)	Allotted Rate (in Sq.mt)	Differential loss (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Varun Motors	Aganampudi VSP	Automobiles Centre	June-2009	4047.00	7200.00	2470.00	1.91
2	Varun Motors	Aganampudi VSP	Automobiles Centre	March-2011	8878.82	3300.00	2500.00	0.71
3	Sri Venkateshwara warehousing (P) Ltd.	Ballavolu / Nellore	Warehousing	20.01.2011	842059.29	37.06	30.24	0.57
4	Valli Agri Industries (P) Ltd.	IP Menakuru, Nellore	Social Infrastructure Development	12.11.2009	44517.00	111.19	74.13	0.17
5	Raghavendra Logistics	IP Mankhal/Shamshabad Zone	Transport and Godown for storage of goods	May 2009	644.00	3600.00	1800.00	0.12
6	Varun Motors Pvt. Ltd.	Nanakramguda, Cyberabad	Automobiles Service Centre	11.08.2006	2020.00	10000.00	2500.00	1.52
7	Varun Motors Pvt. Ltd.	Madhurawada/Vizag	Automobiles Service Centre	05.08.2010	5261.10	4950.00	3295.00	0.87
8	Carnation Realty India Pvt.Ltd., Noida	Moulali	Automobile Service - Comml.	Jun-08	7229.40	12000.00	6000.00	4.34

Sl No	Name of the Allottee	Name of the village/ Zone	Purpose	Date of allotment	Extent of land in sq.mt.	Rate at which to be allotted (₹ per Sqmt)	Allotted Rate (in Sq.mt)	Differential loss (₹ in crore)
9	GSN Service Centre	IDA, Cherlapally	Service Centre	Feb-07	501.00	4000.00	2600.00	0.07
10	Mega Industries Enterprises	IDA, Cherlapally	Sale of Drills, taps etc	May-09	500.00	10000.00	5000.00	0.25
11	Akshya Filling Station	IDA, Cherlapally	Petrol filling station	Dec-06	2000.00	2600.00	1500.00	0.22
12	NILM Academy of Higher Learning, New Delhi	IDP, Pulivendula	Setting up of schools for professional courses	Sep-08	404700.00	55.60	37.06	0.75
13	VC Subbaramireddy	IE Kadapa	Canteen-cum-Motel	May-07	835.86	750.00	375.00	0.03
14	Real Gruha Nirman Pvt. Ltd, Bangalore	GC Hindupur	Development of Technology Park	Jul-06	264390.51	300.00	200.00	2.64
15	Sattva Infrastructure	IHC, Jeedimetla, Phase II	Logistics Park including motel	Dec-08	28329.00	1125.00	750.00	1.06
16	Sri Madana Gopala Swamy, Adarsha Co-operative Bank Ltd.	Jeedimetla	Construction of bank head office	May-09	748.00	24000.00	12000.00	0.90
Total								16.13

Annexure - 3.7

Statement showing cases relating to Frontage charges up to the limit of 20,000 sq.m.

(Referred to in Paragraph 3.8.2)

Sl No	Name of the Allottee	Name of the village/Zone/IP	Purpose	Date of allotment	Extent of land in sq.m	Road Abutting	Cost of land (₹ In lakh)	Frontage Charges leviable (₹ in crore)	Frontage Charges levied (₹ in crore)	Loss (₹ in crore)
1	U 2 Exim Pvt. Ltd.	Hardware Park, Hyd	Manufacturing Electronic Hardware Products	July 2010	1000	S.H.	25.00	0.04	0.00	0.04
2	National Plastic Ind. Ltd.	IP Naidupet/ Nellore	Injunction and Moulding Unit	20.12.10	12141	PWD/ZP	45.00	0.05	0.00	0.05
3	National Plastic Ind. Ltd.	IP Naidupet/ Nellore	Plastic Furniture & Fixtures	20.12.10	8094	PWD/ZP	30.00	0.03	0.00	0.03
4	Lakshmi Narasimha Industry	IP Naidupet/ Nellore	Paper cups & plates	17.01.11	7285	PWD/ZP	30.00	0.03	0.00	0.03
5	Sri Anjaneya Ind.	IP Naidupet/ Nellore	Corrugated paper Board & Boxed	17.01.11	7285	PWD/ZP	30.00	0.03	0.00	0.03
6	SMRV Enterprises	IP Naidupet/ Nellore	Fuel Briquetts	27.01.11	14569	PWD/ZP	54.00	0.05	0.00	0.05
7	PVNR Enterprises	IP Naidupet/ Nellore	Seeds Processing Unit	09.02.11	5666	PWD/ZP	30.00	0.03	0.00	0.03
8	Sree Venkata Sai Ind.	IP Naidupet/ Nellore	Cement Bricks / Tiles	09.02.11	8094	PWD/ZP	30.00	0.03	0.00	0.03
9	Shree Sai Ind.	IP Naidupet/ Nellore	Precision Engg. Component	26.09.11	6071	PWD/ZP	22.50	0.02	0.00	0.02

Sl No	Name of the Allottee	Name of the village/Zone/IP	Purpose	Date of allotment	Extent of land in sq.m	Road Abutting	Cost of land (₹ In lakh)	Frontage Charges leviable (₹ in crore)	Frontage Charges levied (₹ in crore)	Loss (₹ in crore)
10	TRI-G Oil & Wax	IP Naidupet/ Nellore	Petroleum Products	05.10.11	4047	PWD/ZP	15.00	0.02	0.00	0.02
11	Alufit (India) Pvt. Ltd.	IP, Kuppam	Mfg.of Aluminium extrusion	24.06.07	17119	ZP	10.56	0.01	0.00	0.01
12	B.Srinivasulu, Tadipatri	IP, Anantapur	Material Testing, designing centre	March 2008	8532	S.H.	127.98	0.19	0.06	0.13
Total										0.47

Annexure - 3.8

Statement showing the loss incurred due to non-levy/ short levy of Service Charges and Process Fee

(Referred to in paragraph in 3.8.3)

Amounts in columns (7) & (8) ₹ in lakh; Amounts in columns (9) to (14) ₹ in crore

S. No	Name of the Allottee	Name of the village/Zone	Purpose	Date of allotment	Extent of land in Acres	Rate at which allotted (per acre)	Rate at which should have been allotted (per acre)	Service Charges leviable	Service Charges levied	Service Charges Loss	Process Fee leviable	Process Fee levied	Process Fee Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Thermal Powertech Corporation (India) Ltd.	Nellatur and Pynampuram (V) of Muthukur (M)/Nellore Zone	Power Project	29.09.09	1,408.70	9.00	0.00	19.02	0.00	19.02	1.41	0.00	1.41
2	Simhapuri Energy (P) Ltd. & Meenakshi Energy (P) Ltd.	Thamminapatnam and Mimmudi/Nellore Zone	Power Project	26.05.08	480.00/535.42	0.60	0.00	1.06	0.00	1.06	1.02	0.00	1.02
3	Apollo Hospitals	Murakambattu (V) of Chittur (M)/Chittur Zone	Hospital	27.05.08	93.24	1.50	3.50	0.49	0.00	0.49	0.09	0.00	0.09
4	East Coast Energy Pvt. Ltd.	Santhabommali Mandal/Srikakulam District	Thermal Power Project	Jul-08	2,050.00	0.85	1.50	4.61	2.61	2.00	2.05	2.05	0.00
5 @	Vivimed Labs Ltd.	Ranasthala Mandal, Srikakulam District	establishment of speciality chemicals and pharmaceutical unit	Under Allotment	58.92	1.00 to 2.00	2.00 to 8.00	0.05	0.00	0.05	0.06	0.06	0.00
6 @	Ammam-Try Sponge&Power (P) Ltd.	Sirisinamedu/Nellore	Spong Iron & Power Plant	03.06.09	75.18	1.60	2.00	0.23	0.18	0.05	0.07	0.07	0.00

S. No	Name of the Allottee	Name of the village/Zone	Purpose	Date of allotment	Extent of land in Acres	Rate at which allotted (per acre)	Rate at which should have been allotted (per acre)	Service Charges leviable	Service Charges levied	Service Charges Loss	Process Fee leviable	Process Fee levied	Process Fee Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
7	MAS Fabric Park (India) Pvt. Ltd.	Chintavaram and Yeruru Villages/Nellore	Textile and Apparel Park	10.02.07	714.00	0.55	1.00	1.07	0.00	1.07	0.71	0.00	0.71
8	SBQ Steels Ltd.	Ankulapaturu,Udathavaripalem and Kalvakonda/Nellore	Alloy & Carbon Steel	November 07 to May 11	675.23	1.25	1.50	1.52	0.28	1.24	0.68	0.00	0.68
9	Naural Foods & Facials	Thenepalli/Chittoor	Establishing Mango Fruit Pulp unit	05.05.12	14.77	2.00	1.00	0.02	0.00	0.02	0.01	0.01	0.00
10	Sri Venkateswara Ware housing Pvt. Ltd.	Ballavolu/Nellore	Warehousing activity	20.01.11	208.07	1.22	1.50	0.39	0.00	0.39	0.26	0.26	0.00
11	Krishnapatnam Infratech	IP Krishnapatnam village/Nellore	Development of Industrial Park	12.02.09 /10.09.10	4,409.72	1.15	4.47	29.57	7.61	21.96	4.41	4.41	0.00
12	Kineta Power Pvt. Ltd.	Thamminapatnam and Momidi/Nellore	Power Project	14.03.12	25.99	0.80	4.50	0.14	0.00	0.14	0.04	0.04	0.00
13	Anrak Aluminium Ltd.	Makavarapalem/ Vizag Zone	Alumina/ Aluminium refinery	16.02.09	1,658.90	2.51	-	6.25	0.00	6.25	1.65	0.00	1.65
14	AmaraRaja Infra Pvt. Ltd.	Yadamari/Bangarupalem/Thirupathi Zone	Electronic -Digital world city	Oct-10	483.27	1.80	-	1.32	0.92	0.40	0.51	0.51	0.00
15*	Zuari Cements	Kadapa Zone	Cement Industry	Oct-11	41.85	3.37	3.37	0.21	0.00	0.21	0.06	0.06	0.00
16	Govindaraja Textiles	Pulivendula	Textile mill	Jan-07	43.70	0.50		0.03	0.00	0.03	0.04	0.00	0.04
17**	BMM Ispat Ltd.	Kopparthy	Integrated steel plant	Jan-08	483.41	1.50	1.50	0.48	0.00	0.48	0.48	0.00	0.48

S. No	Name of the Allottee	Name of the village/Zone	Purpose	Date of allotment	Extent of land in Acres	Rate at which allotted (per acre)	Rate at which should have been allotted (per acre)	Service Charges leviable	Service Charges levied	Service Charges Loss	Process Fee leviable	Process Fee levied	Process Fee Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
18 ***	Brahmani Industries Ltd.	Jammulamadugu	Residential & Railway line	Mar-08	216.97	600.00	-	0.00	0.00	0.00	0.22	0.00	0.22
19	Quantum Green Pvt. Ltd., Pulivendula	Ravulakolanu	Milk chilling unit	Apr-08	24.87	0.50	0.50	0.02	0.00	0.02	0.02	0.00	0.02
20	MLR Motors Pvt. Ltd.	Automotive Park, Toopran	4 wheeler manufacturing unit	May-07	225.00	5.00	5.00	1.69	0.00	1.69	0.23	0.00	0.23
21	Lokesh Machines Ltd.	Automotive Park, Toopran	Automobile ancillary unit	Aug-07	50.00	5.00	5.00	0.38	0.00	0.38	0.05	0.00	0.05
22	Krishnapatnam Power Corpn. & Kineta Power Pvt. Ltd.	Thamminapatnam, Nellore	Power Project	May/ June 2009	1,847.98	1.02	2.28	3.14	1.32	1.82	1.85	1.85	0.00
Total										58.77			6.60

(@) 15 per cent on differential land cost recoverable from allottees.

(*) While Service Charges @ 15% was charged for 53.49 acres of land allotted in August 2010, the same was not charged for 41.85 acres of land allotted on 14.10.2011 (total land allotted in two spells 94.34 acres)

(**) The Allottee requisitioned 3560 acres and deposited ₹ 15 crore. Though APIIC allotted 483.41 acres of land at a tentative cost of ₹ 3.25 crore @ ₹ 1.50 lakh per acre, it refunded the amount deposited on the request of the allottee without recovering the service charges.

(***) Brahmani Industries requested the Company for allotment of 216.97 Acres of Patta land, 121.93 Acres of government land and assigned land of 430 Acres and deposited ₹ 600 lakh. Accordingly, the company without recovering the process fee, filed requisition for alienation/acquisition of land. While the acquisition of land was under process, Brahmani Industries informed the company that they had acquired patta land on its own. As such, the company had withdrawn the requisition proposal for patta land.

Annexure - 3.9

Statement showing non-levy and non-recovery of penal interest

(Referred to in Paragraph 3.8.4)

Sl. No.	Name of the Allottee	IP / Zone	Date of Allotment	Sale Consideration (₹ in crore)	Delay (in days)	Loss of Interest (₹ in crore)	Remarks
1	White Gold Integrated Spintex Park (P) Ltd.	Ibrahimpattam Khalsa, Shamshabad	02 April 2011	9.01	123	0.36	The Company failed to levy interest @ 12% on ex gratia deposited with Revenue Authorities on behalf of allottee and was not recovered.
2	Varun Motors (P) Ltd.	Madhurawada, VSP	05 August 2010	1.83	120	0.09	The Company failed to collect sale consideration within 90 days as stipulated in terms of allotments and did not levy penal interest @ 16 % for 120 days.
3	Srini Food Park (P) Ltd.	Mogili (V), Chittoor, Tirupati	February 2009	1.70	90	0.07	The Company did not recover interest @ 16% on differential cost of land from allottee.
4	Infotech Enterprises	IT/SEZ, Kakinada	October 2008	2.63	404	0.17	The Company failed to collect Lease Premium within the stipulated period of 90 days and instead of charging interest @ 12% on belated payments the Company waived the arrears.
5	East Coast Energy (P) Ltd.	Kakarapalli, Srikakulam	September 2008	22.09	8 to 65	0.38	The allottee failed to pay sale consideration within stipulated period of 90 days as per terms of allotments and the company also failed to collect interest @ 12% from the allottee.

Sl. No.	Name of the Allottee	IP / Zone	Date of Allotment	Sale Consideration (₹ in crore)	Delay (in days)	Loss of Interest (₹ in crore)	Remarks
6	Confederation of Women Enterprises	Automotive Park, Toopran	29 March 2008	5.99	490	0.26	The allottee failed to pay sale consideration in stipulated period of 90 days as per terms of allotment and the Company waived interest on belated payments.
7	Sattva Infrastructure	Automotive Park, Toopran	September 2008 (22 Ac)	10.02	112	0.42	The allottee failed to pay sale consideration within stipulated period of 90 days as per terms of allotment and the Company waived interest on belated payments.
			December 2008 (7 Ac)	2.12	48 to 150 days	0.21	
8	Shantha Biotechnics Ltd, Medchal	Automotive Park, Muppireddypalli	September 2007	5.00	0	0.15	Interest levied was waived.
9	MLR Motors	AP, Muppireddypalli	May 2007	11.25	60 Months	1.57	Land cost of ₹ 5.68 crore and interest ₹ 1.57 crore yet to be received.
Total						3.68	

Annexure - 4.1

Statement showing chronology of events relating to establishment of IGCARL

(Referred to in paragraph 4.5)

Date	Event
11 April 2007	The then Chief Minister got the idea of establishing a livestock research institute at Pulivendula.
6 September 2007	Foundation stone for the project was laid.
September 2007	Release of funds by GoAP (for construction etc.) commenced.
21 September 2007	MOU entered into by GoAP and APIIC as executing agency; APIIC acquired 647 acres of land valued at ₹ 12.89 crore between September 2007 and February 2009.
8 December 2007	EOI invited for construction works by APIIC.
17 December 2007	State Government issued orders sanctioning the establishment of IGCARL.
21 January 2008	Ernst & Young appointed as consultants for the project.
15 March 2008	APIIC entered into construction agreement with IVRCL for Phase-I works valued at ₹ 78.85 crore.
2 July 2008	APIIC sent proposal to GoI for Livestock Biotech SEZ in 77 acres of IGCARL land.
23 July 2008	Release of global invitation for EOI for PPP in livestock research from private parties.
2 August 2008	APIIC entered into second construction agreement with IVRCL for Phase-II works valued at ₹ 98.37 crore.
22 September 2008	GoI approved the proposal for Biotech SEZ.
11 November 2008	IGCARL incorporated as private limited company.
18 November 2008	LoI issued to IMAC (USA) – Dodla Dairy Consortium for Research JV (PPP); collaboration agreement signed on 10 January 2009; 26085 sq. ft. of built up area and 77 acres of non-SEZ land handed over to IMAC Consortium on 28 April 2009.
23 January 2009	Feasibility Report of E&Y (consultants) received.
25 January 2009	The then Chief Minister inaugurated the Research Block of the centre.
26 February 2009	LoI issued to Indus Gene Expressions for research work (PPP); 86 acres of land and 47,328 sq. ft. of built up area handed over on 28 April 2009.
11 August 2009	LoI issued to Elbit India for research work (PPP); 0.5 acres of land and 16,050 sq.ft. of built up area handed over on 21 December 2009.
February 2011	Construction of 40 buildings with 6.64 lakh sq. ft. area completed.
29 August 2011	Board of Directors decided to appoint a regular CEO; call for EOI inviting private

Date	Event
	companies on PPP; take over completed buildings, protection, watch & ward measures; and issue termination notices to 'Indus Gene Expressions' and 'Elbit India', who had not started R&D work at IGCARL.
29 February 2012	APIIC informed GoAP that due to change in designs and additional works, the cost of works had increased from ₹ 234 crore to ₹ 264 crore, and the revised estimates submitted in February 2011 were yet to be approved ¹¹² . Further, additional funds of ₹ 52.62 crore were required for clearance of pending bills (₹ 25.50 crore) as well as balance works (₹ 27.12 crore), especially since contractors had stopped works due to non payment of bills. APIIC also asked GoAP to arrange for taking over the buildings.
16 October 2012	Government invited fresh Expression of Interest for PPP in strategic partnership in advanced research and development on livestock.

¹¹² These revised estimates had been referred by GoAP in January 2012 to E-in-C, R&B Department for scrutiny, and were still pending approval.

Glossary

ACR	Asset Coverage Ratio
AMG	Annual Minimum Guarantee
AML	Anti Money Laundering
AP Discoms	Power Distribution Companies of Andhra Pradesh Ltd.
APERC	Andhra Pradesh Electricity Regulatory Commission
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
APITCO	Andhra Pradesh Industrial and Technical Consultancy Organization Limited
APPCB	Andhra Pradesh Pollution Control Board
APSFC	Andhra Pradesh State Financial Corporation
BG	Bank Guarantee
BoD	Board of Directors
BPRF	Business Plan and Resource Forecast
CA	Concession Agreement
CAG	Comptroller & Auditor General of India
CART	Credit Appraisal and Rating Tool
CCLA	Chief Commissioner of Land Administration
CE	Chief Engineer
CFC	Common Facility Centre
CIBIL	Credit Information Bureau of India Limited
CIRs	Credit Information Reports
CMD	Chairman and Managing Director
COPU	Committee on Public Undertakings
CR	Credit Rating
CRAR	Capital Riskweighted Adequacy Ratio
CS	Collateral Security
DA	Development Agreement
DC	District Collector
DIPC	District Industries Promotion Committee
DKT Patta	Darakastu Patta land
DLAC	District Level Allotment Committee
DN&DD	Draft Notification and Draft Declaration
DPR	Detailed Project Report
DSCR	Debt Service Coverage Ratio
EC	Empowered Committee
ED	Executive Director
EMD	Earnest Money Deposit
EoI	Expression of Interest
EoT	Extension of Time

FD	Fixed Deposit
GES	Good Entrepreneur Scheme
GO	Government Order
GoAP	Government of Andhra Pradesh
GoI	Government of India
HMDA	Hyderabad Metropolitan Development Authority
I&C Dept	Industries & Commerce Department
IDAs	Industrial Development Areas
IE	Industrial Estate
IP	Industrial Park
IRs	Inspection Reports
IT & C Dept	Information Technology & Communications Department
IT/ITES	Information Technology/ Information Technology Enabled Services
KYC	Know Your Customer
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MRO	Mandal Revenue Officer
MSME	Micro, Small and Medium Enterprises
MTL	Medium Term Loan
NH	National Highway
NPA	Non-Performing Assets
ORS	Outright Sale
OSD	Officer on Special Duty
OTS	One Time Settlement
PAO	Provisional Allotment Order
PDCs	Post Dated Cheques
PF	Process Fee
PFC	Price Fixation Committee
PSC	Project Screening Committee
PSU	Public Sector Undertaking
PV	Preliminary Valuation
RBI	Reserve Bank of India
RCS	Recall cum Sale
RCs	Recovery Certificates
RDO	Revenue Divisional Officer
RR Act	Revenue Recovery Act
SAR	Separate Audit Report
SARFAESI	Securitisation And Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SC	Service Charges

SE	Superintending Engineer
SEZs	Special Economic Zones
SH	State Highway
SIDBI	Small Industries Development Bank of India
SLAC	State Level Allotment Committee
SPV	Special Purpose Vehicle
Sq.mts	Square Meters
SSES	Senior Successful Entrepreneur Scheme
SSI	Small Scale Industries
Sy.No.	Survey Number
TUDA	Tirupathi Urban Development Authority
UCs	Utilisation Certificates
UDL	Undeveloped Land
VC&MD	Vice-Chairman & Managing Director
ZM	Zonal Manager
ZP	Zilla Parishad