COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

(Ninth Legislative Assembly)

19th Report

NINETEENTH REPORT

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 1989 (COMMERCIAL) ON A.P. INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

(Presented to the Legislature on 26-03-93)

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT
PUBLIC GARDENS, HYDERABAD - 500 486.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1991 - 92)

(Constituted on the 8th October, 1991)

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Chairman :

1. Sri J.K. Reddy

Members :

2. Smt. Mary Ravindranath
3. Sri Ambati Rambabu
4. Sri B. Veda Vyas
5. Dr. K. Madan Mohan Reddy
6. Sri Gurunath Reddy
7. Sri P. Kista Reddy
8. Sri K. Rambhupal Reddy
   (upto 11-1-1993)
9. Sri J. Sriranganayakulu
10. Sri A. Sudarshan
11. Dr.S. Venugopalachari
12. Sri K. Ramchandra Raju
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2. Smt. M.V.S. Jayalakshmi, Joint Secretary
3. Sri A. Venkata Rao, Assistant Secretary
4. Sri J.S.R. Murthy, Section Officer

ACCOUNTANT GENERAL'S OFFICE

1. Sri J.C. Jagannadham
   Accountant General (Audit-II)
2. Sri K. Ramachandran
   Deputy Accountant General.
3. Sri V. Balakrishna Murthy
   Audit Officer
4. Sri A.V.G.V. Prabhakara Rao
   Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (199[illegible]2) having been authorised by the Committee, present this Report on behalf of the Committee on Andhra Pradesh Industrial Infrastructure Corporation Limited.

The Committee held 2 sittings to record the oral evidence.

The Committee met on 22-3-1993 considered and approved the Draft Report.

The Committee wishes to express their thanks to the Prl. Secretary to Government, Industries and Commerce Department, the Managing Director and other officials of the A.P. Industrial Infrastructure Corporation Limited for the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit-II), Andhra Pradesh, the other officers and staff of Accountant General's office and also the Secretary to Legislature, the other officers and staff of Legislature Department in the examination of the general working and in consideration of audit paras relating to Andhra Pradesh Industrial Infrastructure Corporation Limited and in preparation of this Report.

Hyderabad,

Dated : 22-3-1993.

J.K. REDDY,
Chairman
Committee on Public Undertakings.

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RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(9th Legislative Assembly)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 1989 (COMMERCIAL)

ON

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

1. Introduction :

Andhra Pradesh Industrial Infrastructure Corporation Limited was incorporated in September 1973 as a wholly-owned Government Company for the development and creation of industrial infrastructure in the State.

2. Action taken notes on earlier reports of the Committee :

2.1 The working of the Company was first reviewed in the Report of the Comptroller and Auditor General of India for the year 1977-78 and was again reviewed in the Report of the Comptroller and Auditor General of India for the year 1986-87 and the Committee's recommendations contained in its 1st Report was presented to 9th Legislative Assembly on 16th September 1991.

2.2 *The Committee observed that the Company/Government has not so far submitted the Action Taken Notes on the above mentioned recommendations made by the Committee. The Committee considers it as a serious lapse on their part and directs the Company and the Government to submit the Action Taken Notes by June 1993.*

3. Financial position and working results :

3.1 Audit observed that the Company switched over to cash system of accounting in respect of its income from the accounting year 1979-80. Preparation of accounts on cash basis in respect of income was not only opposed to the basic concept of mercantile system of accounting but was also not in conformity with the provision of Section 209 of the Companies Act, 1956.

(Paragraph 2A.6.2)

3.2 In its explanatory notes, the Company stated that accounting of certain items of unrealised income on cash basis will only exhibit true and fair view of the state of affairs of the Company and it is not contrary to the provisions of Section 209 of the Companies Act, 1956.

3.3 The Committee observed that the contention of the Company was that Government of India in its notifications of 16th May 1989 and 10th September 1990 has exempted the financing institutions from accounting

certain incomes on accrual basis. The Government of India notifications apply to a Company incorporated solely as financing organisations - like Industrial Development Corporation Limited, but does not certainly apply to IIC which was incorporated with a prime objective of developing infrastructure facilities in the State. Allotting sheds on hire purchase basis, advancing bridge loans as a one time measure, sanctioning loans to Co-operative Sugar Factories outside the purview of the activities of the Company can not be the criterion for considering the Company as a financing organisation. The contention of the Company that if the interest income is taken on accrual basis, the accounts do not give true and fair view for the purpose of Section 209 (a) is not tenable, since the Company is required to comply with the provisions of Sub-sections (a) and (b) of Section 209. Hence, accounting interest income on cash basis is in violation of Section 209 of the Companies Act.

3.4 The Committee therefore recommends that the Company may re-consider its stand on the subject and account for the interest income on accrual basis, so as to be in conformity with the provisions of Section 209 of the Companies Act.

4. Bridge Loans :

4.1 Government directed the Company to finance bridge loans to Co-operative sugar factgories and Government companies, while the Company, on its own accord, extended this facility to private companies also against Central and State subsidies to help the enterpreneur implement the projects since the actual release of subsidy amo would take time. For this purpose, the Company floated unguarante debentures to the extent of Rs.12.27 crores redeemable at the end 10 years, which have since been redeemed.

4.2 During the period from April 1976 to July 1978, the Company disbursed Rs.1856.28 lakhs towards bridge loans, of which Rs. 359.67 lakhs together with interest to the extent of Rs.635.42 lakhs was pending recovery as on 31st March 1989. Although these bridge loans were to be repaid in 3 to 6 months, 6 Co-operative Sugar Factories, four Government companies and seven Private Companies did not repay the principal and interest even after a lapse of 10 to 13 years. Since the bridge loans were not repaid by the Co-operative Sugar Factories and Government companies, despite close pursuance, the Company had been requesting the Government since 1980 for settlement of the loans on the ground that they were sanctioned as per the Government directives.

4.3 Even though Government ordered in August 1980 stoppage of further bridge loans, it had not taken any action for settlement of the age-old dues so far (July 1989). The Company, however, could not take any security (other than promissory notes) from the Co-operative Sugar Factories and Government companies before disbursing the loans.

4.4 The dues in respect of 3 private companies were considered by the Management in October 1988 as doubtful of recovery to the extent of Rs.23.78 lakhs. An amount of Rs. 13.19 lakhs due from a Government Company, Krishi Engines Limited was also doubtful of recovery as it remained dormant since February 1987. (Paragraph No. 2A.7.1)

4.5 In its explanatory notes, the Company stated that the loans were released to Co-operative Sugar Factories at the instance of the Government and according to the Government orders, no guarantee need be insisted as Government stake was involved in the Co-operative Sugar Factories. The Company added that some of the Sugar Factories were not even renewing the promissory notes despite close pursuance and that Government was requested to arrange repayment of loans with interest by adjustment; reply of the Government was awaited. The Company informed the Committee that the latest position of outstanding as on 31st March 1992 was Rs. 1086.19 lakhs (principal: Rs. 257.30 lakhs and interest: Rs. 828.89 lakhs) from 6 Co-operative Societies, Rs. 24.92 lakhs (principal: Rs. 2.44 lakhs and interest: Rs. 22.48 lakhs) from 2 Government companies and Rs. 126.38 lakhs (principal: Rs. 27.86 lakhs and interest: Rs. 98.52 lakhs) from 9 Private parties. Apart from the above, Rs.30 lakhs released to A.P. Industrial Development Corporation Limited as interest-free loan during 1978 and Rs. 30 lakhs released to A.P. Scooters Ltd. in February 1992 at the instance of Government (repayable by August 1992) were also outstanding.

4.6 The Committee observed that the sole objective of the Company being establishment of industrial infrastructure in the State by promoting small and medium industries with a planned and professional approach, giving bridge loans to Co-operative Sugar Factories, Government companies and private parties falls outside the purview of the objectives of the Company. The Committee also observed that these bridge loans were sanctioned without insisting on any security and that Government had also declined to give guarantee for their recovery. Thus these loans are unsecured as a result of which, the Company is not in a position to enforce recovery in cases of default. This is a fallout of pursuing an objective which is not authorised. The Committee is of the view that it is not financially prudent to release the loans of this high magnitude without safeguarding the interest of the Company by not insisting upon any security from the Sugar Factories. The Committee recommends that the Government, at whose orders the loans were released, should take all appropriate steps for the recovery of loan and interest from the Co-operative Sugar Factories. The Committee, therefore, directs the Governemnt to furnish a report on the action taken in this regard by June 1993 to the Committee.

4.7 In his oral evidence, the Managing Director of the Company (MD) informed the Committee that out of the 6 Co-operative Sugar Factories in question, the Vijayarama Gajapathi Co-operative Sugars Limited and Tandava Co-operative Sugars Limited are in a position to pay some amounts.

4.8 The Committee, however, observed that the total amount outstanding as on 31st March 1992 against The Vijayarama Gajapathi Co-operative Sugars Limited was Rs. 344.98 lakhs including interest element of Rs.253.73 lakhs on the principal of Rs. 91.25 lakhs, which clearly indicates that the sugar factory had not been paying any amount, although it was in a position to pay. Similar is the case with Tandava Co-operative Sugars Limited. *The Committee would like to be appraised by June 1993 of the financial status of the 6 co-operative sugar factories, as also their working condition and the prospects of recovery of loan and interest from them.*

4.9 In respect of the Government companies, the Committee observed that Krishi Engines Ltd. has closed its activities and is in the process of liquidation, while A.P. Heavy Machinery and Engineering Ltd. is also not financially sound as it has been incurring losses for the past few years. *In these circumstances, the Committee would like to be appraised of the prospects of recovery of the amounts due from these two Government companies.*

4.10 The Committee was informed that in view of its inability to recover the outstanding amounts from these Co-operative sugar factories and Government companies, the Company requested the Government to arrange repayment of these loans with interest by adjustment. In his oral evidence, the MD informed that the request has been pending with the Government since 1977. The Committee fails to understand why the Government has not taken a decision all these 15 years. While expressing its unhappiness over the unduly long time taken by the Government, the Committee urges the Government to take an immediate decision on the issue and close this long pending case. The Committee desires to have its compliance report by June 1993.

4.11 In respect of the interest-free loan of Rs. 30 lakhs due from APIDC, the Committee was informed that interest portion was due from the State Governemnt and that Government's decision in this regard was awaited. *The Committee directs the Government to immediately arrange for the payment of interest as committed by it in the Government order.*

4.12 Regarding the loan amounts due from private parties, the Company stated that out of the six cases, three cases were pending in Court/under R.R. Act, two cases were pending execution of decree and in respect of the remaining one case, the Company is in possession of the factory sheds pertaining to the loanee.

4.13 The Committee observed that the Company has not explained the circumstances under which these loans were at all disbursed to these parties, that too without any security or bank guarantee or any other surety. The Committee feels that it was not financially prudent to give loans to private parties without any security. The Committee directs the Company to investigate into the circumstances under which these loans were paid and fix up responsibility and report compliance to the

Committee. The Committee directs the Company to furnish the progress made in the recovery by June 1993.

4.14 During oral evidence, the MD informed that in the case of Tant Cap Electronics Limited, the balance of Rs.96.20 lakhs remained without any bank guarantee and thus unsecured, while the Secretary to the Government admitted that there was a mistake in documentation. *The Committee desires the Company and the Government to look into this and fix responsibility for the mistake in the documentation.* The Committee observed further that Khammam Solvent Oils Limited, Khammam and Tamarind Seed Products of India, Kothur are also cases where loans were disbursed without obtaining any security. *The Committee directs the Company to enquire into these three cases and fix responsibility and submit a report to the Committee by June 1993.*

4.15 Further, the Company does not appear to have assessed the value of assets available, if any, with these three units and whether it is adequate to cover the dues.

4.16 Similarly in respect of the two cases, where decrees were obtained, the Committee would like to know when actually these decrees were obtained and what action has been taken by the Company subsequently to execute the decrees.

4.17 The Committee observed that loan to A.P. Scooters Limited was disbursed in February 1992 at the instance of the Government (January 1992) and on the condition that the loan should be repaid within 6 months. It was also stipulated in the G.O. that Government will reimburse the loan together with interest out of the budget earmarked to A.P. Scooters Limited.

4.18 In his oral evidence, the MD confirmed that the amount is yet to be received. The Committee recommends that the commitment given by the Government to pay the amount within 6 months should be honoured. The Committee is unhappy with the diversion of funds from one Company to another and recommends to the Government that it should desist from such diversions in future.

5. Voluntary Loan Contribution :

5.1 Up to September 1985, the Company was paying to APSEB, on behalf of the industrial units, Voluntary Loan Contribution (VLC). While APSEB was to refund the amount after 5 years including interest at 6 per cent, the Company was to recover from the units interest at 9 per cent, being the difference between its borrowing rate of interest (15 per cent) and that allowed by APSEB (6 per cent).

5.2 Audit observed that although the Company preferred claims with APSEB within the due dates, APSEB refunded the amounts after a delay of 3 to 193 days resulting in additional interest burden to the extent of Rs. 4.56 lakhs at 15 per cent. Further, an amount of Rs. 25.44 lakhs representing the differential interest for the period from 1975-76

to 1982-83 was pending realisation from 10 entrepreneurs and of this, an amount of Rs. 21.33 lakhs due from 2 entrepreneurs was considered by the Management in October 1988 as doubtful of recovery.

(Paragraph 2A.7.2)

5.3 In its explanatory notes, the Company informed the Committee that as on 31st March 1992, the amount outstanding was Rs. 22.75 lakhs from 10 entrepreneurs, of which an amount of Rs. 0.10 lakhs was recovered from one entrepreneur in 1992-93.

5.4 The Committee observed that the Company has not worked out the total loss of interest on account of delay in repayment by APSEB. The Committee would like the Company to work out the same and intimate the Committee.

5.5 The Company has not explained whether the issue of interest lost by the Company on account of delay in refunding the amounts by APSEB was taken up with APSEB. The Committee directs the Company to take up the issue with APSEB, if not already done.

5.6 Out of Rs. 22.75 lakhs, Rs. 21.20 lakhs is due from A.P. Carbides Limited, which is sick from 1984. The Committee was informed that the suit against A.P. Carbides Limited was decreed in April 1984 in favour of the Company but Execution proceedings were not yet taken up. *The Committee desires to know the reasons for the delay in obtaining execution order and also action taken against the personnel responsible for the delay.* The Committee learnt further that in 1988 the Company considered the amount due from A.P. Carbides Limited as doubtful of recovery. The Committee desires to know the circumstances under which the Company considered the amount doubtful of recovery, when the Company was holding the Court decree.

5.7 The Committee directs the Company to submit a report on the above matters by June 1993.

6. Loans from Government :

6.1 Loans aggregating Rs. 159.86 lakhs were obtained during November 1973 to April 1975 by the Company from Government for establishment of Industrial Estates under half-a-million job programme and Employment Promotion Programme. The terms and conditions for the repayment of these loans were, however, finalised by Government only in March 1977, September 1977 and December 1978. As per these terms, the loans were repayable within 9 years with interest at 7.75 per cent per annum and at 11.625 per cent in case of default. Pending settlement with Government regarding the adjustment of amounts due for realisation by the Company towards bridge loans sanctioned by it to the Co-operative Sugar Factories and the Government Companies against the amounts payable to Government towards loans, etc., the Company had not remitted any amounts against principal/interest. Consequently, besides the principal of Rs. 159.86 lakhs, interest charges amounting

to Rs. 250.61 lakhs were pending payment as on 31st March 1989.

(Paragraph 2A.8)

6.2 The Committee learnt that the Company approached the Government, at the instance of Audit, in July 1989 to set-off Rs.923.65 lakhs due from Government towards the balance of bridge loans to Co-operative Sugar Factories and Government Companies, which were sanctioned as per the directives of Government as also other dues receivable from Government, against Rs. 1892.25 lakhs due to Government towards loans, interest, cost of Government land, value of assets transferred etc. and to treat the balance amount of Rs.968.60 lakhs payable to Government partly as equity (Rs. 176.41 lakhs) and partly as loan (Rs. 792.19 lakhs) carrying interest at 11.5 per cent per annum and that the decision of the Government was awaited (May 1990).

6.3 In its explanatory statement, the Company informed the Committee that the amounts payable to Government under this head as on 31st March 1992 were Rs. 470.92 lakhs (Principal: Rs. 159.86 lakhs and interest: Rs. 311.06 lakhs). The Company stated further that the decision of the Government for adjustment of the above dues towards dues from and to the Government was awaited.

6.4 The Company stated that it will reconcile the extent indicated in the Government reference and also the rate of market value adopted by the Revenue Officials with its records and physical possession of the ground. The Committee desires that the Company fixes up a time limit for the reconciliation and adjusts the amount payable to the Government.

6.5 The Committee deplores the inaction of the Government in not taking a decision in the matter for the last 15 years. The Committee directs the Government to take a decision expeditiously and settle the long standing issue and submit a compliance report by June 1993.

7. Implementation of perspective plan under Seventh Five Year Plan :

7.1 Government appointed (November 1986) a Committee to consider the perspective plan under Seventh Five Year Plan (1985-86 to 1989-90) prepared by the Company in August 1986. The Committee in its Report of May 1987 recommended the establishment of industrial townships in 12 growth centers, besides development of IEs/IDAs at 57 locations on an area of 10,730 acres of land. The Committee estimated the cost of development at Rs.152 crores to be met to the extent of Rs. 30 crores from plan allocation and the balance to be met by the Company from internal resources (Rs. 62 crores) and institutional finance (Rs. 60 crores). The Report of the Committee was accepted in to to by Government in October 1987. As per the Report, 7,190 acres of land, 8 industrial townships, 27 industrial estates, 10 autonagars and 6 low priority IEs were to be acquired/established upto 1988-89. However, the Company acquired 4,555 acres of land and established estates/townships in 20 locations only upto 1988-89. The poor achievement in implementing the perspective plan was mainly due to non-release of plan funds by Gov-

ernment, despite its acceptance in October 1987 to provide the funds; reasons for non-release of funds were not on record. Further, the efforts of the Company to raise institutional finances from commercial banks did not materialise (except in one case). Consequently, the Company had been implementing the schemes included in the perspective plan depending upon availability of its own resources.

(Paragraph 2A.9)

7.2 In its explanatory notes, the Company expressed that the shortfall in acquisition of land and development of industrial areas was mainly due to non-release of Plan funds by the Government, which has prevented the Corporation from approaching the financial institutions for availing term loans for development of industrial areas, since the plan funds have to be shown as the margin money while availing the term loans.

7.3 Having accepted the Company's proposal and the Committee's recommendations for the perspective plan, the Committee fails to understand why the Government had not released the funds from their plan budget. In the absence of providing funds, the sanctity for accepting the recommendations of the Committee is lost. The Committee apprehends that the Government did not review the progress made and examine the shortfall in achievements. *Non-releasing of funds by the Government placed the company in not getting loans from the financial institutions and this affected the progress of the project. The Committee would like to know the reasons for not providing the funds. The Committee directs the Company to give its proper explanation on this aspect in a report by June 1993.*

7.4 The Company also stated that major external infrastructure facilities like power supply and surface water supply were not adequate for taking up the ambitious plan of action for development of industrial areas. The Committee would like to know whether there was no Co-ordinating Committee to monitor the progress of development in all directions at all levels and at every stage of progress and whether APSEB and Water Supply Authority representatives were not members of the Committee constituted in November 1986 to consider the perspective plan of the Company. The Committee fails to understand how the perspective plan was prepared without amply examining the availability of power and water resources. *The Committee is of the view that there was no justification for explaining at a later date that development was poor for want of electricity and water. The Committee recommends that the Company should, in future, take into account all these aspects before finalising the perspective plan. The Committee further recommends that the Company should ensure that there are no slippages in execution of the plan and progress of execution is well co-ordinated.*

8. Development of IEs and IDAs :

8.1 Audit observed that though the backlog in development of plots was partly due to delays in acquisition of land etc., the main reason was

the Company's diversion of its activity from works relating to IEs/IDAs to deposit works for Government Departments. The expenditure on the deposit works increased from Rs. 11.02 lakhs in 1984-85 to Rs. 248.[illegible] lakhs in 1988-89, while the expenditure on the main activity of the Company decreased from Rs. 590.75 lakhs in 1985-86 to Rs. 296.31 lakhs in 1988-89. Audit further observed that the deposit works undertaken by the Company were not connected with the activity of industrial development.

(Para 2A.10.1)

8.2 In its explanatory notes, the Company stated that due to recession in the industrial growth the Company was finding it difficult for its very sustenance during mid-eighties and therefore, at the instance of the Government, deposit works were taken up for execution.

8.3 The Committee is not satisfied with the reply given by the Company and directs that the Company should, in future, take up its main activities for implementation, instead of spending its man power and financial resources on the activities not connected with industrial develeopments.

8.4 Audit observed that while promoting industrial estates, the concentration was more in and around Hyderabad instead of a balanced development in all the regions of the State. The construction of sheds etc. was taken up without conducting any survey with a view to assessing demand from the entrepreneurs.

8.5 The Company explained that the reason for developing less number of estates in Rayalaseema region was due to the fact that the development of some of estates had to be deferred due to lack of water facilities, ground water potential and absence of surface water supply schemes.

8.6 The Committee fails to understand how and why these aspects were not considered while preparing the project reports or feasibility reports. This clearly shows that the Company has been in the habit of preparing the reports without properly examining their feasibility. The Committee deplores this casual approach and recommends that, in future, the Company should take up only those schemes and at those locations where they are feasible and viable.

8.7 Audit also observed that the Company had not so far evolved a system to collect data relating to the project implementation by the allottees, the employment generated and the items manufactured etc. The main theme of industrialisation of the State would be lost if these 3 aspects, among all other things, are not covered and corrective measures taken in time. The Committee directs that the Company should, as early as possible, evolve a suitable system to get the feed back from the estates developed by it, in order to assess the industrial growth in that area, vis-a-vis the targets projected thereof.

9. Targets for 1992-93 and achievements thereof :

In the general note on its activities submitted to the Committee, the Company stated that the targets for 1992-93 were acquisition of 6602.60 acres of land at a cost of Rs. 3,293.46 lakhs, development of 1,[illegible]plots and construction of 235 sheds and 106 houses. *The Committee would like to have a report by June 1993 on the achievement during the year 1992-93, against the above targets.*

10. Non-payment of cost of land alienated by Government

10.1 Since inception of the Company to March 1989, Government alienated from time to time its land measuring 3,537.32 acres situated in various parts of the State for establishment of IEs/IDAs by the Company. While alienating the land, Government did not indicate the price payable for such land. However, for purposes of fixation of sale price in respect of such alienated land, the Company adopted the cost of private land at respective places and also added interest charges thereon for one year at 14 per cent per annum as if it were payable/paid to Government. The cost of land so adopted in respect of 3,537.32 acres worked out to Rs. 628.85 lakhs excluding Rs. 88.04 lakhs towards interest charges.

(Paragraph 2A.11.2(i))

10.2 In its explanatory statement the Company stated that while alienating the land, the Government did not indicate the market value of the land, but handed over possession of the land to the Company [illegible] as to enable the latter to commence development works. After mu[illegible] pursuance, a part demand has been received from the Government [illegible] October 1992, covering 16 locations for an extent of 1202.35 acres for an amount of Rs. 74.88 lakhs.

10.3 The Committee observed that there was inordinate delay in fixing the cost of land by the Government. Obviously no action was taken by the Company also to ascertain the cost of the land from the Government all these three years. Evenafter a lapse of three years, the cost of only a part of the total land was decided and demand was raised as recently as in October 1992. The Government has not explained the reasons for the delay in fixing the cost of the land. The Committee recommends that while explaining the reasons/constraints for the delay in fixing the cost of the land of 1202.35 acres, the Government should take immediate action to fix the price in respect of the remaining land. The Committee would like the Government to complete the formalities by June 1993 and report compliance to the Committee.

11. Acquisition of land at Kukatpally :

11.1 Pending finalisation of award by Land Acquisition Officer (LAO), the Company tookover 16.23 acres of land at Kukatpally in June 1977. Against the award of September 1977 of the LAO fixing the cost at Rs. 8 per Sq. Yard, the owner of the land filed a suit in October 1977 claiming compensation at Rs. 25 per Sq. Yard. In February 1979, the[illegible]

Court awarded the compensation payable at Rs. 24 per Sq. Yard. The Company, however, filed an appeal in June 1979 with the High Court and deposited Rs. 15.99 lakhs. In October 1986, the High Court fixed the compensation payable at Rs. 11 per Sq. Yard and consequently an amount of Rs. 10.67 lakhs became due for refund by the land owner to the Company. The Management had not filed restitution petition for realisation of the amount so far.

(Paragraph 2.11.2(ii))

11.2 In its explanatory notes the Company informed the Committee that it filed in March 1990 a review petition, in respect of solatium and interest (based on the judgement given by the Supreme Court in May 1985), seeking an amendment of the High Court decree from Rs. 10.67 lakhs to Rs. 13.00 lakhs and that the Company will have to file a restitution petition for recovery of the amounts from the owners of the land only after High Court decree is got amended through the review petition filed by it already.

11.3 From the replies to the para, it is clear that the Company had entangled itself in a legal battle. As reported in the Audit para, while filing the appeal in June 1979 in the High Court, the Company deposited a sum of Rs. 15.99 lakhs. The amount had been passed on to the land owner and only in 1986 the compensation payable was fixed at Rs. 11 per Sq. Yard. Consequently a sum of Rs. 10.67 lakhs became due from the land owner to the Corporation. The Committee fails to understand as to how the amount was paid to the land owners by the High Court before the disposal of the case.

11.4 In his oral evidence the Managing Director of the Company informed that although the High Court order was passed in October 1986, the Company could obtain the certified copy of the decree only in February 1989. *The Committee directs the Company to fix up responsibility for this lapse and report compliance.*

11.5 The Committee noticed that after filing the review petition in March 1990 in the High Court seeking an amendment to the decree, the Company did not pursue the matter further. The Committee would like to have a report from the Company what action has been taken by the Company, for obtaining amendment to the decree, during the period of almost three years.

11.6 The contention of the Company that restitution petition can not be filed unless an amendment to the decree order is obtained on the review petition pending with the High Court, is not acceptable. The Company should have filed the restitution petition immediately after getting the copy of the decree order in February 1989 atleast for the amount of Rs. 10.67 lakhs decreed by the High Court. In fact the Supreme Court's decision of May 1985 being earlier than the High Court's orders, the Company should have filed the review petition in May 1985 itself. The Committee would like the Company to re-examine this issue and take necessary action

immediately without further loss of time. The Committee would like to have a report on this aspect by June 1993.

11.7 In his oral evidence, the Managing Director admitted that the Company has not so far ascertained the solvency status of the owner of the land from the concerned Tahsildar. The Committee feels that, since the amount due from the land owner is quite significant it is advisable that the Company obtains the information of the assets owned by the party and keeps on the records of the Tahsildar, which will go a long way at the time of execution of the decree orders.

12. Allotment of land to Bhimavaram Cooperative Industrial Society :

12.1 The possession of 16 acres of land was handed over in April 1979 on receipt of initial advance of Rs. 0.50 lakh subject to fixation of cost. The cost of Rs. 0.29 lakh per acre fixed in May 1979 was enhanced in january 1982 to Rs. 1.43 lakhs per acre and the same was reduced in June 1982 to Rs. 1.29 lakhs per acre on a representation made by the Society. The cost was further reduced to Rs. 1.14 lakhs per acre on the basis of another representation of the Society in February 1984. Due to reduction in rates and non-levy of interest on the overdue amount, the Company sustained a loss of Rs. 16.41 lakhs. The facts of the case were not reported to the Board (July 1989).

(Paragraph 2A.11.2 (iii) (a))

12.2 In its explanatory notes the Company stated in November 1992 that the matter was being placed before the Board in its next meeting for ratification.

12.3 The Committee observed that the matter was being placed before the Board obviously after the matter has been brought out in the Audit Report. Evenafter the matter has come in the Audit Report, it has taken more than three years for the Company to take rectificatory action. This inordinate delay is inexcusable. The Committee desires that a definite procedure is evolved by the Company to bring such matters of importance the notice of the Board immediately. The Company may ensure necessary action in this direction.

13. Andhra Pradesh State Electricity Board :

13.1 Audit observed that an amount of Rs. 4.04 lakhs being the balance cost of land and Rs. 6.11 lakhs being the interest thereon upto July 1989 were pending payment by APSEB in respect of the 5.14 acres of land at Industrial Estate, Bhimavaram allotted to APSEB for construction of 132 KVA Sub station. The Company also did not pursue the payment of the amount overdue.

(Paragraph 2A.11.2(iii) (b))

13.2 In its explanatory notes the Company stated that APSEB was being pursued for the payment of the arrears.

13.3 The Committee observed that the case relates to 1982 and even after more than ten years the issue has not been settled between APSEB and the Company. The Company has also not explained the reasons for non-payment of arrears by APSEB. The Committee directs the APSEB and the Company to settle the matter amicably and report compliance to the Committee by June 1993.

14. Acquisition of land at Jeedimetla :

14.1 In April 1976, Government acquired 86.29 acres of land at Jeedimetla which was declared surplus under Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act, 1973 by a Land owner and handed over the said land (July 1976) to the Company on lease for a period of 99 years at a rent of Rs. 1,325.50 per annum.

14.2 The Company developed the land in 1982-83, together with 27.34 acres of private land acquired in October 1981 by it, into IDA - Jeedimetla, Phase-V at a total cost of Rs. 40.90 lakhs; 167 plots in all were developed and sheds were constructed on 74 plots. Allotment of plots/sheds commenced from July 1983 at Rs. 35 per Sq. Yard. The plots were allotted on lease-cum-sale basis for 90 years, while the sheds were sold on outright sale basis. The Company approached Government in July 1984 for ratification of its action of allotment of plots on lease-cum-sale and sale of sheds. Government, however, intimated in July 1986 that under the Act of 1973 it had no power to sell but to lease out the land for common use for the benefit of the community. The Company did not verify the provisions of the Act of 1973 before taking up development/construction of plots/sheds to determine whether it had the right to sell the plots and sheds.

14.3 In October, 1985 a protected tenant to the extent of 54 acres issued notice to the Company for surrendering 54 acres of land or for payment of compensation in lieu thereof, on the strength of tenancy orders passed (March 1984) by the Revenue Divisional Officer (RDO), Hyderabad.

14.4 The Special Tahsildar, Land Reforms, Ranga Reddy District, however, preferred in December 1985 an appeal before the Collector, Ranga Reddy District to set aside the order of RDO and the Joint Collector granted stay orders in December 1985. However, on a writ petition filed (December 1985) by the protected tenant, the High Court pronounced its judgement (October 1988) in favour of the tenant setting aside the orders of Joint Collector. The Company, thereafter filed (April 1989) writ appeal in the High Court and obtained stay orders (April 1989) for operation of the judgement. The final orders of the High Court were awaited (July 1989).

14.5 However, as per the judgement of the High Court (October 1988), compensation payable to the protected tenant (at prevailing rates for land acquisition) would work out to over Rs. 100 lakhs, as against which the realisation by the Company on allotment of developed

plots was only Rs. 55 lakhs (approximately).

(Paragraph 2A.11.2 (iv))

14.6 In its explanatory notes, the Company stated, inter-alia, as follows:

14.7 Sri C. Rami Reddy has surrendered the land in question as a protected tenant in the year 1956 itself which has been recorded by the Tahsildar, Medchal in the File No. 2/HTAA/56 and also made orders of cancellation on the basis of the said surrender of the land in question. The Tahsildar made an endorsement in the Protected Tenancy Register and rounded of the name of the said Rami Reddy in the P.T. Register. Thereafter the land holders (Pattedars) of the said land namely Sri M.V. Lakshmi Narasayya and others filed a declaration under A.P. Land Reforms (Ceiling on Agricultural Holdings) Act, 1973. The declarations have been disposed of by the Government and the excess land was taken over by Government on 14.4.2976 from the Pattedars under the Ceiling Act.

14.8 APIIC Limited took possession of the said land on 26.7.1976 pending lease/alienation by the Government in respect of said land. Sri C. Rami Reddy did not file any declaration under the said Act in respect of the land in question at any time before the competent authority.

14.9 Sri C. Rami Reddy subsequently filed declaration before the Tahsildar, Medchal under A.P. (Telangana) Tenancy and Agricultural Land Act, 1950 requesting to give possession of the said land to him styling himself that he is a protected tenant still. Subsequently Sri C. Rami Reddy and the pattedars of the said land namely M.V. Lakshmi narasayya with an ulterior motive have filed a compromise petition before the concerned officer to the effect that the name of the protected tenant be included in the Tenancy Register and that the pattedars do not have any objection to the same. The Tahsildar in the file No. 33/2968/79 dated 15.1.1981 disposed of the matter, but disallowed the petition for compromise on the ground that the name of the protected tenant was dealt in the P.T. Register. In pursuance of this C. Rami Reddy filed a petition under Section 4 of the Hyderabad Tenancy Records Corrections, Rules, 1956 before the Revenue Divisional Officer (East) for correction of the Tenancy Register. The Pattedars also filed Memos stating that they have no objection for correction of the name in the Register in favour of Sri C. Rami Reddy.

14.10 The Revenue Divisional Officer (East) passed orders on 1.7.1983 in the file No.H/9558/81 for correction of the name in the Register. After this correction was made by the Revenue Divisional Officer, C. Rami Reddy, alleged protected tenant made an application before the Revenue Divisional Officer (East) to issue ownership Certificate under Section 38-E of A.P. (Telangana) Tenancy and Agricultural Lands Act, 1950. The Revenue Divisional Officer (East) thereupon passed orders in favour of Sri C. Rami Reddy for 54 acres and owership certificate was

issued on 3.4.1984. The Revenue Divisional Officer (East) during the enquiry did not give any notice to the A.P.I.I.C Limited to file objections under whose posession the land in question is nor to the Authorised Officer of Land Reforms R.R. District for filing objections on behalf of the Government; and without going through all this, the Revenue Divisional Officer (East) has taken a hasty action in awarding ownership certificate to Sri C. Rami Reddy.

14.11 Aggrieved by the said order dated 31.3.1984 in the File No. 4603/83 in respect of issuing ownership certificate to C. Rami Reddy, the Authorised Officer, Land Reforms, RR District, on behalf of State of Andhra Pradesh filed an appeal before the Collector, RR District set aside the order of the Revenue Divisional Officer, East dated 31.3.1984 and also filed a petition of Stay of the operation of the order of the Revenue Divisional Officer.

14.12 The Joint Collector passed orders dated 3.12.1985 in the file No. 34/11802/85 granting stay of operation of the order dated 31.3.1984 after condoning the delay in filing Appeal. The said appeal was filed by the Authorised Officer on the following grounds:

(a) That C. Rami Reddy was not at all a protected tenant as he had surrendered the protected tenancy rights in the year 1956 itself as recorded in the file No. 2/HTA.56.

(b) The RDO East should have gone through all the records before issuing Section 38-E Certificate.

(c) That the Compromise between the pattedars and C. Rami Reddy is collusive transaction and the said compromise should not have been entertained by the RDO East as it amounts to defeating the Law relating to Regulation and Ceiling on Agricultural Holdings Act.

(d) That RDO-East should not have issued certificate on the ground that the said Rami Reddy got corrected and written the name in the tenancy register which is illegal and not maintainable.

14.13 Sri C. Rami Reddy filed W.P. No. 14129/85 in the High Court of A.P. against the order of the Joint Collector dated 3.12.1985 to declare the orders of Joint Collector as illegal and without jurisdiction. As the APIIC Limited is not a party in the said W.P., it got impleaded in the W.P. and also in the appeal filed by the Authorised Officer before the Joint Collector, RR District.

14.14 Basing on the Ownership Certificate issued by the Revenue Divisional Officer (East) under Section 38-E of the Tenancy Act. the High Court of A.P. allowed the W.P. The relevant records of the Government were not produced at the time of hearing before the High Court especially the File No. 2/HTAA/56 wherein the surrender of the protected tenancy by C. Rami Reddy was recorded in the year 1956 itself. It came to light that the said file No. 2/HTAA/56 was missing and not traceable in the concerned M.R.O. Office. This file is very material document to prove

the case of the Government. Now it is not traceable for being produced in the Court in support of the case of the Government.

14.15 On the said Judgement of the High Court in W.P. No. 14129/85 APIIC filed an appeal independently and also requested the Government to file separately another appeal to strengthen the case. The Government after a long delay filed the appeal before the High Court alongwith petition to condone the delay. Both the appeals are pending disposal before the High Court. The Government (Revenue Department) has also requested the Advocate General, High Court to argue the case on behalf of the Government through its letter dated 22.8.1989 in this matter.

14.16 The Committee's observations/recommendations are as follows:

(1) The Committee fails to understand that in these circumstances how could the Company allot the plots on lease-cum-sale basis and sheds on outright sale basis. Evidently the Company did not go into the legal aspects and did not examine various provisions of the Land Reforms Act. It did not appear to have even obtained the legal opinion before allotting the plots/sheds.

In reply to the Company's request, the Government clarified in July 1986 that under the Land Reforms Act 1973, the Company had no powers to sell but to lease out the land for common use for the benefit of the community, However, evenafter more than 6 years, the Company did not take any action to undo the transaction by amending the agreements with the entrepreneurs. The Committee directs the Company to take immediate action to rectify the error, after taking the legal opinion, if necessary, in order to be in conformity with the provisions of the Land Reforms Act 1973.

(2) The Company has not mentioned when exactly Sri Rami Reddy filed the declaration, for the first time, before the Tahsildar, Medchal under the A.P. (Telangana) Tenancy and Agricultural Land Act, 1950. However, the Company did not appear to have taken any action till the protected tenant obtained the certificate of ownership in April 1984. The Company could have as well filed a petition suo-motu with the Revenue Divisional Officer (East) preventing him from issuing ownership certificate. The Committee desires that the Company enquires into this and fix responsibility for the lapse.

(3) To start with, prior to the Government Pleader filing an appeal before the Collector, RR District to set aside the orders of the RDO, the Company could have as well filed a protest petition against the conferment of ownership by the RDO. This was not done. The Company did not appear to have taken up the matter with the RDO at any time.

(4) The Company lost the case before the High Court because the relevant records wherein the surrender of protected tenancy by Rami Reddy in 1956 could not be produced as the relevant file was found missing in the MRO's office. When that file was relevant and conclusive

proof for establishing surrender of tenancy, the Company should have taken over the file and kept in its safe custody or it should have requested the Collector concerned to seize the file for keeping in his safe custody for producing before the judicial authorities. This was not done by the Company.

(5) Loss of the file is a grave matter. The Committee cannot but take a serious view that such a relevant document could not have been lost without the connivance of a few persons in MRO's office as also the alleged protected tenant. In his oral evidence, the Spl. Secretary informed the Committee that some investigation is going on in the Revenue Department. The Committee directs the Government to appraise the Committee as to when was the investigation instituted, who was the investigating officer, what were the terms and conditions of reference for investigation, what was the time given to the investigating officer for completion of the investigation and for submission of his conclusions etc. The Committee directs the Government to expedite the investigation and take necessary action based on the recommendations of the Investigating Officer.

(6) The Committee notices that the case relating to missing file was not registered with the Police. Circumstances under which the case was not filed with Police to trace the file may also be investigated.

14.17 The Committee would like to have a detailed report and action taken on various recommendations made by the committee as above, by June 1993.

Acquisition of land at Bhongir - idle investment :

15.1 The Company acquired 60.05 acres in April 1981 for the establishment of industrial estate at Bhongir at a cost of Rs.2.59 lakhs and developed the same into 62 plots at a cost of Rs. 4.52 lakhs by June 1983. Power supply was provided in November 1985. Since there was no yield of water from the two bore wells and two open wells, the Company could not ensure supply of water and consequently the plots developed in the estate could not be allotted to the entrepreneurs so far (July 1989). The selection of site without conducting survey regarding availability of water resulted in idle investment of Rs. 10.19 lakhs. Had the Company obtained a report from Ground Water Department regarding availability of water before acquisition of land, the idle investment could have been avoided.

(Paragraph 2A.11.2(v))

15.2 In its explanatory notes the Company stated that in order to ensure continuous water supply to the entrepreneurs, an additional land measuring 0.75 acre was acquired in February 1989 and that the Company is now in a position to supply water to the present and future allottees also.

15.3 In his oral evidence, the VC&MD informed the Committee that out of 64 plots, 45 plots are still vacant and that it would take some more

time before all the plots are occupied.

15.4 The fact remains that more than 70 per cent of the estate is yet to be occupied, the main reason apparently being non- availability of water. This is another case of establishing industrial estate without properly assessing the availability of water and market demand. The Committee feels that initially the Company should be satisfied about the need, demand and availability of other facilities before taking up a project for establishment of estate. The Committee also feels that without satisfying the pre-requisites it is not advisable for the Company to go in for new estates just to yield to some pressures. The Committee desires that the Company ensures that in future new industrial estates are established only after taking into account all the above pre-requisites.

16. Delegation of powers :

16.1 Audit made the following observations :

(1) Tenders with premium up to 10 per cent are accepted by the CE directly after their technical evaluation. Neither any financial evaluation of the tenders is attempted nor are the tenders referred to Finance Wing for its concurrence.

(2) The delegation of powers should have taken into consideration, in addition to tender premium, the value of works also. In the absence of the limitations as to the value of work, the CE had been accepting the tenders for works with high value. During the period of 3 years up to 1988-89, the tenders accepted by the CE included 97 works for values ranging between Rs. 2.17 lakhs and Rs. 29.42 lakhs with tender premium up to 10 per cent; in fact 33 of these tenders for a total value of Rs. 227.97 lakhs were for a tender premium of 9 to 9.99 per cent which would indicate that in such cases the tendered rates were brought down during negotiations well within the powers of CE to avoid their processing by the Tender Committee.

(3) There is no system of periodical appraisal to the Board regarding the tenders accepted by the CE or by the Managing Director in respect of atleast high value works.

(Paragraph 2A.12.1)

16.2 In its explanatory notes, the Company stated that as per the delegation of powers, given by the Board of Directors of the Company, the CE has been given full powers for according Technical Sanction. Inasmuch as the CE has been vested with full powers in respect of according Technical sanction, the delegation of powers accorded to the CE in respect of accepting tenders up to 10 per cent in excess of tendered rates will apply for all technically sanctioned works. However, the Management constituted tender committee for important works.

16.3 The Committee observed that the reply of the Company was not to the point. The observations were that (1) in respect of all the cases

involving premium, Finance concurrence should be obtained, and (2) the delegation of powers to CE should also take into account the value of work, in addition to tender premium. The Committee recommends that, notwithstanding the fact that the company has been following CPWD A and D codes, the company should re-examine these issues for possible implementation in the interest of the company. In his deposition before the Committee, the VC & MD agreed that it was a good suggestion and that the Company would fix up according to the value of works also and inform the Committee. Regarding the periodical appraisal to the Board on the status of tenders accepted by the CE or by VC & MD, the Committee feels that it is necessary that the Company evolves a system now, if not already done, to periodically appraise the Board for the acceptance of tenders by CE/MD. The Committee would like to have a compliance report by June 1993.

16.4 During discussions, the Chief General Manager of the Company informed the Committee that up to Rs. 2.00 lakhs tenders will be called for by giving wide publicity throughout the State, between Rs. 2 lakhs and Rs. 5 lakhs tenders will be called for by the Chief Engineer giving wide publicity through tender notice and above Rs. 5 lakhs tenders are invited through press.

16.5 In this connection, the Committe recommends that the Company may give publicity through tender digest also.

17. Budget outlays vis-a-vis actuals :

17.1 Audit observed that actual expenditure incurred by the Company on development works (including deposit works and housing scheme) during the five years up to 1988-89 represented 36.0 per cent in 1988-89 to 86.0 per cent in 1986-87 of the budget outlay in respective years. The main reason attributed by the Management in their succeding budgets for the steep downward revision of the original budget outlays were - want of land, delay in approval of layouts by competent authorities and consequential delay in finalisation of tenders, deferred works for want of demand and on administrative grounds and non-receipt of sanction to estimates for power supply from APSEB. Consequently, the works actually executed during the years 1987-88 and 1988-89 were on low level at Rs. 750.09 lakhs and Rs. 545.17 lakhs respectively, as against actual expenditure of Rs. 1090.18 lakhs incurred during 1986-87.

(Para 2A.12.3)

17.2 In its explanatory statement, the Company stated that the development of estate in a particular area depends mainly on the demand at that area in setting up the industries, which again will depend upon various factors like incentives extended by the State and Central Governments, availability of power supply, water supply, communications, availability of man power, marketing facilities, and so on and if the demand is not encouraging at places where the estates are proposed to

be taken up, the developmental works are not taken up to avoid locking up of the Company's funds for long time. The Company also stated that non-achievement of the budgeted outlay was mainly due to low demand from entrepreneurs for the industrial plots in the proposed e[illegible].

17.3 The Committee observed that the situation was mainly becuase of taking up of the schemes without registering the demand and although land development was not taken up, cost of the land was locked up in these areas. The Committee observed further that the main reasons putforth by the management in their successive budgets for the steep downward revision of the original budgets, were mostly in the nature of managerial problems (except want of land) which could have easily been solved by the Company by taking appropriate measures in time. Further, the Company's contention that low demand from entrepreneurs, but the Company has been establishing the estates without providing necessary infrastructural facilities required by the entrepreneurs in the estates. Considering the achievements of the Company during the last 5 to 10 years, the Committee is of the view that what the Company had achieved was much less than what had been anticipated of it and that there was much more that the Company could do for the industrial development in the State. As far as the acquisition of land is concerned, most of the cases are getting struck-up in legal entanglements, while development of the land and construction of sheds etc. are facing draw-back of increased costs due to time overrun, and the occupancy ratio of the estates is very poor mainly for want of demand, which in turn is due to the absence of the required infrastructural facilities. The Committee desires that the Company and the Government examine these aspects and keep them in view while preparing the ann[illegible] budgets or the perspective plans.

18. Collapse of sheds at IDA, Block-D, Visakhapatnam:

18.1 The construction of 25 'F' type sheds in IDA Block-D at Visakhapatnam was completed in June 1984 at a cost of Rs. 20.24 lakhs. Of these, 3 sheds collapsed in October 1985 while in respect of several other sheds damages/defects were reported by the allottees in October 1985. The Consultant, appointed in October 1985 by the Company, stated that the collapse of sheds was due to sub-standard quality of construction as well as use of sub-standard construction materials. The Company, however, carried out repairs to 17 sheds during July 1987 to March 1988 at a cost of Rs. 3.94 lakhs. The cost of repair (Rs. 4.89 lakhs) could not be recovered from the contractor as the security deposit and EMD had already been released in June 1985 and Septemberr 1985 respectively, after the period of observation of 6 months. the Management, therefore, decided in July 1988 to recover the extra cost of Rs. 4.89 lakhs from the officials in charge of the work. It was, however, noticed that the services of the then Zonal Engineer had already been terminated by the Company in June 1986.

(Para No. 2A.12.4 (ii))

18.2 In its explanatory notes, the Company informed the Committee that the total expenditure incurred on repair work on 19 sheds was Rs. 3,08,368 of which Rs. 98,215 was recovered from the contractors and Rs. 36,526 was recovered from the employees, leaving a balance of Rs. 1,73,627, which was writtenoff in June 1990 under the orders of the Board, as there was no possibility of recovering this amount.

18.3 The Committee learnt that the Company recovered certain amounts from the present contractors, who were not connected with the work in question. The Committee is of the view that there was no justification for recovering the amounts even from the original contractors, once the observatin period of 6 months was over and all the dues to them were paid. On insistence by the Committee, the General Manager of the Company promised to look into the provisions in the agreement in this regard and clarify the position to the Committee. *The Committee would like to have a note on this issue by June 1993.*

18.4 The Company's representatives were not able to explain properly the exent of damages due to cyclone, due to usage of bad construction material, due to bad workmanship as also due to improper and inadequate supervision. In the absence of this analysis, it is not fair on the part of the Company to make the contractors solely responsible for the damages. The Committee directs that the Company examines this issue from the report of the Consultant appointed for the purpose in October 1985. The Committee would also like to have a copy of the Consultant's report for perusal. The Committee learnt further that the Committee constituted in 1988 to enquire into bridge loans to Co-opetative sugar factories was also entrusted with enquiry into sub-standard works and time barred debts. The Committee woule like to have a copy of this Enquiry Committee's report also for perusal. The Committee was informed that this special committee submitted two reports but no action was taken by the Corporation. In fact this Committee also fixed responsibility on the concerned officials, but there was no follow-up action by the Company. The Committee would like to have a report on the follow-up action taken by the Company on the recommendations of this special Committee, by June 1993.

19. Water supply to IDA, Cherlapally :

19.1 As per the recommendations of the implementation Committee in June 1981, 4.18 lakh gallons of water per day has to be supplied to the industrial areas at Kushaiguda and Cherlapally from Manjeera Water Supply Scheme- Phase II. Out of this, 2 lakh gallons per day has been earmarked for IDA Cherlapally Phase-I and II. As the duplicating gravity main of Manjeera Water Supply Scheme running from Alwal to Moula-Ali was at a distance of 4.5 KM, a separate pipe line was to be laid from a convenient off-take point on the duplicating gravity main running from Alwal to Moula-Ali at the cost of the Company.

19.2 The Company deposited in April 1985, Rs. 12.80 lakhs with Water Supply Division-IV, Hyderabad for laying the line from the dupli-

cating gravity main at Alwal to IDA Cherlapally. The Company had not stipulated any time limit for completion of the work. However, the work of laying the pipe line was completed by the Division only in September 1988, after a lapse of over 3 years.

19.3 In the meanwhile, as a result of enhancement of pipe line service charges and boring fee by Government from November 1986, the Company's commitment for obtaining water supply connection increased to Rs. 72.35 lakhs from Rs. 0.90 lakhs. Accordingly, the water supply division intimated the Company in October 1988 to deposit Rs. 72.35 lakhs for releasing the water supply and to enter into an agreement for the purpose. The failure of the Company to specify a reasonable time limit for completion of the pipe line work resulted in an extra commitment to the Company to the extent of Rs. 71.45 lakhs.

19.4 The Company, however, had not obtained the water connection so far (May 1990) on the ground that if payment was made as per the demand, it would be difficult to recover the amount from the allottees of IDA Cherlapally and that the entire amount may have to be borne by the Company itself. Alternatively, the Company had also not approached Government for waiver of the demand for service connection charges (May 1990).

(Paragraph No. 2A.12.4 (iv))

19.5 In its explanatory notes, the Company stated that if the Company required the full allotted quantity of 4.18 lakh gallons, a payment of Rs.41.80 lakhs had to be paid, whereas the department demanded Rs. 71 lakhs with a view that the ultimate demand of estimate for which the main was designed is for 7.10 lakh gallons of water. The Company also stated that when the demand for water increases to more than that is available in the bore wells drilled in the Estate, the extra water required will be taken from the department by paying necessary pipe line service charges at appropriate time.

19.6 The Committee observed that the Company has not explained the point raised by Audit. The point that due to not fixing a time limit for completion of laying the pipe line, and due to the delay of more than 3 years in completion of the work by the department, there existed an extra commitment of Rs. 71.45 lakhs, has not been explained by the Company. The Committee would like to have a note on this from the Company, by June 1993.

19.7 The Company's view point that the amount demanded by the department will be paid when the present water supply in the Estate is not adequate and when additional water had to be drawn from the department's supply, does not appear to be prudent. As has already been experienced once, the amount that the Company might have to pay after some time might become more than Rs. 71 lakhs, in case there is another revision of rates in service charges. The Committee recommends that the Company may consider this aspect and take a decision quickly and submit a note to the Committee by June 1993.

19.8 In his deposition before the Committee, the MD informed that poor occupancy in the Estate is partly due to the inadequate water supply. However, the MD also informed that the water available in the bore wells drilled by the Company in the Estate is adequate to the present occupants. The Committee is of the view that in such a case it is better that the Company takes the service connection from the department, so that the Estate will be fully occupied in course of time. The Committee, however, feels that the problem is that when the Company asked and is ready to take only 4.18 lakh gallons, the department is demanding that the Company should take 7 lakh gallons of water, which is not at all required by the Company. The Committee, therefore, recommends that the Government interferes in the matter and strike a compromise between the P.H. department and the Company, so that the Company can have the service connection and attract the entrepreneurs to occupy the sheds in the Estate. The Committee would like to have the progress report from the Government by June 1993.

20. Purchase of grooved steel galvanised pipes :

20.1 Audit observed that the Company placed orders in December 1987/March 1988 for supply of GSG pipes on the manufacturer, after calling for tenders, in which the manufacturer and his dealers only participated, since there was no other manufacturer in and around Hyderabad. The Company did not attempt to call for the price list of the pipes from the manufacturer to ascertain the reasonableness of the rates quoted by him. The extra expenditure, if any, on this account could not be ascertained by Audit in the absence of full details. Further, the files connected with these purchases were not produced to Audit as these files were handed over in April 1988 to Anti-Corruption Bureau (ACB) in connection with an enquiry.

(Paragraph No. 2A.12.4 (vii))

20.2 In his oral evidence, the MD could not explain under what circumstances and in what connection, the ACB took the files, but promised to examine the case and submit a note to the Committee. The Committee would like to have the report by June 1993.

20.3 The Committee could not ascertain from the representatives of either the Company or the Government whether ACB has given any report and if so its contents. The Committee directs the Government to appraise the Committee with full details of the case by June 1993.

21. Non-closure of accounts of works :

21.1 Audit observed that in respect of 213 works involving an expenditure of Rs. 959.53 lakhs completed between 1975-76 and 1986-87 were pending receipt from the divisions as on 31st March 1989. For the years 1987-88 and 1988-89 the Management had no information as to the total number of works completed and the number of completion

reports due from the Zonal Engineers. Due to delay in submission of completion reports, in respect of completed works, their accounts were not closed and consequently the expenditure thereon was not capitalised but exhibited in the accounts continuously as works-in-progress.

(Paragraph No. 2A.13)

21.2 In its explanatory notes, the Company stated that the value of works in respect of which completion reports are to be prepared up to 1991-92 has been brought down to Rs. 4.00 crores and that since the Company has been running with lesser establishment, the delay has occurred in finalising completion reports. The Company assured that extra efforts are being put in for clearing pending completion reports during the year 1992-93.

21.3 The Committee observed that non-finalisation of completion reports has the effect of -

- non-capitalisation of cost and consequential non- provision for depreciation in the concerned years,
- non-recovery of the actual cost from the entrepreneurs, who are presently charged on an estimation basis and
- non-recovery of surplus materials, if any, from the contractors.

21.4 The Committee feels that in order to avoid these adverse situations, the Company should make attempts to finalise the completion reports as quickly as possible once the work is completed. For this purpose, the Company may fix up a time limit, say 6 months for finalisation of the completion report after the work is completed. Regarding the clearance of arrears in finalisation of completion reports, the Committee desired to have a commitment from the Company.

21.5 In his oral evidence, the MD promised that all the completion reports in respect of works completed upto March 1992 will be cleared by December 1992. The Committee would like to have the compliance report by June 1993.

22. Sundry debtors :

The Committee observed that Audit made as many as 8 observations in this para, but the Company has not furnished its replies to each observation. Since certain important issues are involved in the observations made by Audit, the Committee directs the Company and the Government to furnish sub-para-wise replies, by June 1993. While giving the replies, the Company may give the position up to 31st March 1993 in all the cases.

23. Irregular allotment of sheds and plots to an educational institution and non-realisation of dues :

23.1 In 1979, the Company constructed four sheds at IE, Narasaraopet at a cost of Rs. 2.96 lakhs. Instead of allotting to industrial units, the Company allotted these four sheds during August 1979/September 1980

to Junior College (K) at a rent of Rs. 2,028 per month per shed for a temporary period of three months with a condition that it should vacate the sheds as and when required with three months notice on either side. On the plea of high rent, the College did not pay monthly rent except a small amount of Rs. 0.05 lakh in June 1982 as against the arrears of Rs. 2.36 lakhs. The College neither paid the dues nor vacated the premises, despite notices from the Company. The Company filed (January 1983) a suit in the Court at Narasaraopet for eviction by the College and for recovery of Rs.3.19 lakhs due towards rental arrears. The case was pending with the Court (July 1989).

23.2 However, the College while shifting (December 1984) to its own building, instead of surrendering the sheds to the Company, illegally handed over the sheds in December 1984 to another College (N) without prior intimation to or approval from the Company. The arrears of rent due from the College "K" accumulated to Rs. 8.49 lakhs upto March 1989.

23.3 In March 1985, the College "N" approached the Company/ Government for allotment of the four sheds as they were already in its occupation. Despite objection (May 1985) from the Company, Government directed (April 1986) that the sheds and also plots be allotted to the College till such time it secures an alternative accommodation. The Company, there upon informed (October 1986) Government that four sheds two plots only could be considered for outright sale at a cost of Rs. 11.68 lakhs. However, on the basis of an advice (February 1987) from Government, to allot the sheds and plots at the rates prevailing on the date of occupation (December 1984), the Company issued (September 1987) allotment orders on out right sale basis for Rs. 7.26 lakhs. As per allotment orders the College "N" was required to pay Rs. 2.18 lakhs (30 per cent cost) together with Rs. 3.29 lakhs towards interest at 16 per cent on the total cost from the date of occupation within 30 days. The balance 70 per cent cost (Rs. 5.08 lakhs) was payable within one year with interest at 16 per cent. The College "N" has not remitted any amount so far (July 1989) except Rs. 0.50 lakh in August 1988, as a result dues including interest upto March 1989 accumulated to Rs. 12.44 lakhs.

23.4 Not satisfied with the concession, the College further represented (August 1988) to Government for (i) charging actual cost of construction of sheds at Rs. 0.75 lakh per shed as against Rs. 1.72 lakhs fixed (ii) charging land cost at Rs. 5000 per acre as against Rs. 48,740 fixed (iii) waiving interest from the date of allotment or charging at RBI rate and (iv) allowing it to pay the cost of sheds and plots on instalment basis over a period of 10 years. The Company, however, reported (September 1988) to Government that it was not feasible to extent the concession sought for by the College except grant of time for a period of five years with interest which was pending with Government (July 1989).

23.5 Thus, the Company's allotment of sheds, meant for industrial purpose, to an educational institution was irregular. The concessions extended to College "N", on Government's advice, by fixing the selling price of sheds/plots at a lesser rate resulted in loss of Rs. 4.46 lakhs.

(Paragraph 2A.20)

23.6 In its explanatory notes, the Company stated as follows:

23.7 The Industrial Estate, Narasaraopeta was transferred by the Government to APIIC on 1.1.1974. Total extent of land is 25.00 acres, plots developed are 54 Nos. and 4 sheds were constructed.

23.8 During the yeaar 1979, M/s Kotha Raghuramaiah Junior College requested the Corporation to allot three sheds on rental basis. As all the four sheds constructed at the Estate were vacant and as there was no demand from the entrepreneurs for these sheds and plots for setting up of industries, three sheds were allotted to M/s Kotha Raghuramaiah Junior College, temporarily with a condition that they should vacate the sheds as and when required by the Corporation for allotment to the entrepreneurs for Industrial purpose.

23.9 As the College authorities have agreed to the above condition, possession of the above sheds was handed over on 2.8.1979 and economic rent was fixed at Rs. 2,208.33 per shed per month.

23.10 The College authorities have failed to pay the rentals, and arrears were accumulated to Rs. 2,35,560.40 as on 31.5.1982. Since enquires were received from the entrepreneurs for allotment of sheds for industrial purpose, the College Authorities were asked to vacate the sheds. But neither they vacated the sheds nor paid the rentals arrears. As such a suit O.S.No.17/83 was filed in the Court for recovery of rentals arrears of Rs. 3,18,764.45 and for eviction from the premises. In the year 1984, the said college was shifted to their own building and instead of surrendering the sheds to A.P.I.I.C., they have illegally handed over the same to another college M/s Smt. Nandamuri Basava Taraka Rama Rao College. The Corporation has objected for such illegal act and the above college was also added as one of the party in the suit filed in the Court. The arrears as on 31.3.1986 were accumulated to Rs. 6,05,353.00.

23.11 This was brought to the notice of the Government who advised that the sheds might be alloted to Smt. Nandamuri Basava Taraka Rama Rao College till such time they were able to secure alternate accommodation. According to the advice of the Govenment the College was allowed to occupy the sheds for the period of eleven months subject to payment of rentals fixed by the Corporation.

23.12 Though the Corporation has allotted only three sheds to the College, they have illegally occupied one more shed and two plots bearing No. 35 and 36 and taken up unauthorised construction work in the above plots. After occupying the sheds and plots illegally, the college has come up with a request through the Government to allot not

only the sheds but also a large number of plots bearing No. 30, 31, 33 to 45 and 54 to them.

23.13 The Government was informed that only four sheds and two plots could be considered for allotment to the college, since the other plots required by them were not available for allotment. But if they were to be allotted, the Government was informed that it should accord formal clearance for putting the plots and sheds to an end use which was different from the industrial use, as originally the land had been earmarked by the Government for industrial use. The Government was also informed that if this land was allotted to the college with the sheds, it was desirable to impose a condition that the college should construct a compound wall along its boundary so that there would be no interference from the college on the industries in the neighbourhood. It also informed the Government that it was desirable to obtain a commitment from the college that the functioning of the Industrial units would not be disturbed on any account as it had been reported then, that some of the industrial units were subjected to obstructions by the college.

23.14 The Government was also informed that cost of sheds had been worked out according to the formula of the Corporation. The plot value had been worked at the rate of Rs. 50 per sq.mtr. The total cost of 4 Nos. of sheds and two plots 35 and 36 was worked out to Rs. 11.68 lakhs.

23.15 The Government in their Lr.No.703/INF/86-3, dated 25.2.1987 has informed that a decision has been taken by the Government to allot the four sheds along with two plots to the said college as a special case. The Government has also advised to charge the same rates of rents for the plots/sheds in possession of the Smt. Nandamuri Basava Taraka Rama Rao College as it did in respect of sheds disposed off in favour of entrepreneurs, taking the date of occupation as the date of allotment.

23.16 As per the Government orders, the cost of sheds and land was revised as per the SSR of1984-85 and fixed at Rs. 7,25,567.00 as on December, 1984 as against Rs. 11,67,616 earlier fixed based on the present market value, together with interest @ 16 per cent per annum on Rs. 7,25,567 from the date of possession of sheds. If the amount is not paid within one year from the date of receipt of the communication, interest @ 18 per cent per annum will have to be charged. The land cost charged is Rs. 5 per sq. yard. (the rate applicable during December 1984) as against present land cost of Rs. 50 per sq.mtr.

23.17 Orders were also issued to the Regional Manager, to withdraw the Court case filed against M/s Smt. Nandamuru Basava Taraka Rama Rao College and Court case against the earlier allottee M/s Kotha Raghu-ramaiah Junior College would continue for recovery of rental arears for their occupancy period.

23.18 Above proposals for allotment of four sheds and plot Nos. 35 and 36 at a price of Rs. 7,25,567 as on December 1984 for college pur-

pose were approved by the Board in its 70th Meeting held on 18.7.1987. Accordingly, allotment order was issued to the College on 9.9.1987.

23.19 Plots bearing Nos. 39 and 40 were allotted by the Corporation to the entrepreneurs for industrial purpose. The college authorities have not allowed the allottees of these plots to start construction work and encroached the land earmarked for Administrative Building in the common facility area. After encroaching the land earmarked for Administrative building, taking the law into their hands, the college authorities have approached the Government requesting for allotment of above land also. The Government vide D.O. letter dated 13.4.1988 have issued orders for allotment of plot No. 39 and 40 at actual cost basis i.e. Rs. 12.18 per sq.mtr. as against the existing rate of Rs. 50 per sq.mtr. and the land earmarked for common facilities at Rs. 5,000 per acre the value at which the land was originally alienated to the Industries Department. Accordingly allotment orders were issued to the College on 19.5.1988.

23.20 The College authorities have paid Rs. 50,000 on 9.9.1988 towards part payment of shed and land cost and again approached the Government requesting for:

(1) Allotment of shed at actual cost of construction.

(2) Land cost for entire land at Rs. 5,000 per acre.

(3) Waiver of interest on cost of sheds and land or to charging of interest at R.B.I. rate.

(4) For allowing payment of cost of sheds and land in instalments payable in ten years.

23.21 The Secretary to Chief Minister vide Note No. S.C.M.P./704/88, dated 5.9.1988 has requested the Corporation for remarks on the above representation of the College Committee.

23.22 The Corporation vide D.O.Lr.No.924/DWA/D6/89, dated 22.9.1988 addressed to the Secretary to the Chief Minister, Government of Andhra Pradesh sent a detailed report on above four requests as follows:

(a) The sheds were constructed in 1980 and the cost of sheds as fixed in 1980 as per the standard formula taking into account the cost of construction was Rs. 84,750. The Corporation has a practice of periodically revising upwards the value of shed which has remained unsold, taking into account the latest schedule of rates in force. However, provision is also made for depreciation on the revised cost of the sheds taking into account the gap beween the period to which the latest SSR relates and the period of construction of the building in question. Thus while revising upwards the value of an old shed, depreciation is fully allowed. This is in pursuance of the advise given by the Government in their Lr.No. 703/INF/86-3, dated 23-1-1987 of the Principal Secretary to Government, Industries and Commerce Department to the Corporation to charge the same rate for plots/sheds allotted to the college as it has

been doing in respect of sheds allotted in favour of entrepreneurs in the industrial estates. The Corporation is not expected to discriminate between the allottees.

(b) The College "N" has sought allotment of total land at uniform rate of Rs. 5,000 per acre. This amounted to allotting the land as if the total land is undeveloped, since Rs. 5000 is only land acquisition cost.

(c) But the fact is that the estate is well developed with black topped roads and the college is using the roads and other infrastructure developed by the Corporation. It must also be noted that the College was charged at Rs. 5 per sq. yard taking into account the land cost on the date of occupation by the College, through the rate in force at the time of allotment was Rs. 50 per sq. yard.

(c) The College "N" has sought waiver of interest from the date of occupation and if it is not possible to charge interest at "RBI Rate". The college committee had been in occupation of the sheds and the land from 4-12-1984 and the cost was worked out as on the date of occupation. If interest is not charged from the date of occupation, to the date of payment, it amounts to allowing the College Committee enjoying possession without rentals or any other compensation for use and occupation of the sheds. Hence, the payment of interest is insisted upon. The Corporation cannot charge interest at RBI rate, since it is not under the refinance scheme of the RBI.

(d) The College Committee has also sought time for payment of the amount in instalments spread over a period of next ten years. Grant of time may be considered for a period of five years, with payment in quarterly instalments with interest.

It was also informed to the Government that any concession as sought for by the College Committee, other than the payment in instalments, might attract similar requests from the entrepreneurs of other estates and requested to advise the College Committee suitably to arrange for payment of the cost of the sheds and land.

As on May 1992 the dues from Smt. Nandamuri Basava Taraka Rama Rao College was as follows:

Principal : Rs. 7,25,567.00

Interest : Rs. 8,12,880.35

Total : Rs. 15,38,447.35

23.23 The following are the observations/recommendations of the Committee:

(1) The very object of the Company in alloting the plots/sheds is development of industries and overall industrial growth in the State. From this point of view, allotment of sheds and plots to an educational institution was unwarranted, irregular and ultra- vires its objectives.

(2) The sheds were allotted to College K in August 1979/ September 1980 on a monthly rent of Rs. 2,028.33 per shed and although the College did not at all pay the rent for years together, except a paltry sum of Rs. 5,000 in June 1982, the Company filed a suit in the Court at Narasaraopet only in January 1983, by which time arrears accumulated to Rs. 3.19 lakhs. This was a clear lapse on the part of the Company. The Company did not take any action from September 1979 and June 1982, when the College did not pay rent even for one month. The Committee fails to understand the circumstances under which the arrears were allowed to mount up over a period of more than three years from 1979 to 1983, before filing a suit in the Court in January 1983. The Committee directs the Company to investigate into this in action and fix responsibility.

(3) The case filed in the Court is only for recovery of arrears of rent for the period of occupation by the College at the rates agreed to ;between the Company and the College and therefore, there is no other legal aspect involved in the case. However, the Company has not been able to get the decree even after 9 years. This shows that the Company is not very serious of recovering the amount from the College. The Committee is displeased with this casual approach of the Company. The Committee would like to know what exactly has been done all these 9 years by its standing counsel/legal adviser dealing with this case. The Committee also would like to know how many hearings were held and how many times the casse was sought to be adjourned by each party and reasons for seeking adjournment, if any, by the Company.

(4) While shifting to its own building in December 1984, the College K, instead of surrendering the sheds to the Company, illegally handed over the sheds to another College N, without prior intimation to or approval from the Company. This shows that despite the fact that the College K did not pay rent, the Company did not keep a watch over the activities/movements of the College K and did not have any mechanism to know whether the College authorities are running a college etc. Apparently, the Company was not aware that the College K was constructing its own building and that it was proposing to shift to that building. Further, the case filed by the Company against the College K included a request to the Court for directing the College to vacate the premises. In such circumstances, the Company should have kept a close watch on the College vacating the premises. The Committee concludes from the above that the Company kept itself aloof intentionally from whatever was happening in this Estate, particularly in respect of the sheds in question. The Committee views this as a serious lapse and directs the Company to investigate and fix responsibility.

(5) Having come to know that College K, while vacating the premises, handed over to College N illegally and without informing or obtaining the approval of the Company, the Company should have immediately lodged a police complaint. The circumstances under which

the Company did not think of giving a police complaint needs to be investigated.

(6) Further, the occupation of the premises by College N being illegal, the Company should have filed a case against College N seeking evacuation, which was not done. This also needs to be investigated.

(7) The College N approached the Company and the Government in March 1985 for allotment of four sheds as it was already in its occupation. Despite objection from the Company, Government directed (April 1986) that the sheds and also the plots be allotted to the College N till such time it secures an alternative accommodation. This is a clear indication of favouritism shown by the Government to a particular organisation. The Government was aware that the Industrial Estate at Narasaraopet was meant solelyfor industrial development in that area and the plots/sheds were meant to be allotted only to the industries and not to any other organisation. Although this position was clearly brought out by the Company, the Government gave directives to allot the sheds/plots to College N, which was ultra-vires the objectives of the Company. Further, the Company specifically brought to the notice of the Government and the Government was aware that the occupation of College N was ab-initio illlegal. By giving such a directive the Government desired to make an illegal activity, a legal, thus according an ex-post facto approval to such an illegal activity. The action to legitimise the illegal occupation by the Government is considered by the Committee to be bad in action and governance, thus seting up a bad precedent which may compell the Government to accord approval to many such illegal activities in the years to come. The Committee expresses its utmost displeasure in this respect and directs the Government not to indulge in issuing such directives in future.

(8) The Company stated that according to the advice of the Government, the College N was allowed to occupy the sheds for the period of eleven months subject to payment of rentals fixed by the Corporation. However, although the College neither paid the rentals nor vacated the premises after the expiry of the 11 months period, the Company did not take any action either to recover the rentals or to get the College vacate the premises. Apparently, knowing that the College N had support from the Government, the Company did not take initiative. However, this fact should have been brought to the notice of the Government and obtained necessary directives as to the next course of action to be taken by the Company. Instead, the Company preferred to be a silent spectator.

(9) Although the College was alllotted only three sheds (for a period of 11 months), it had illegally occupied one more shed and two plots bearing No. 35 and 36 and started unauthorised construction work in the above plots. Again at this stage, except noticing the fact of illegal occupation of one more shed and two plots and unauthorised construction thereon, the Company did not take any action to prevent

the College N from this illegal activity. Even at this stage, the Company should have brought this illegal activity to the notice of the Government, lodged a police complaint and filed a case against the College N against illegal occupation and illegal and unauthorised constructions. This was not done by the Company. The Committee is forced to conclude that the initial illegal occupation of the three sheds by College N, its subsequent request to the Government for ratification of their illegal and unauthorised occupation, its further illegal and unauthorised encroachment of other sheds/plots and going ahead with again illegal and unauthorised construction on the illegal occupied plots had full backing and support of the Government. The Committee would like to have a detailed note from the Government in this respect.

(10) The Company informed the Government that the four sheds and two plots under occupation by College N can be considered for outright sale at a cost of Rs. 11.68 lakhs, calculated according to the formula in vogue. However, on the advice of the Government, the Company revised its pri9ce to Rs. 7.26 lakhs. But, the College N had not paid even this reduced price (except a paltry sum of Rs. 50,000 paid in August 1988) and represented to the Government for further concessions in the price and interest. The Company, however, reported to the Government in September 1988 that it was not feasible to extend the concession sought for by the College, except granting extension of time for payment. The case has been pending with the Government awaiting a decision, although it is more than four years. The Committee directs the Government to take a decision without further delay and report compliance to the Committee by June 1993. The arrears, including interest, as on 30th June 1992 accumulated to Rs. 15.38 lakhs. The Committee strongly feels that the Government should take responsibility for the irresponsible attitude of College N and pay up the amount due to the Company immediately.

(11) The Company complained to the Government that some of the industrial units located in the Estate were subjected to obstruction by the College N and therefore it was desirable to impose a condition that the College N would have to construct a compound wall along its boundary so that there would be no interference from the college on the industries in the neighbourhood and also to obtain a commitment from the College that the functioning of the industrial units would not be disturbed on any account. The Company could not explain whether the College N had since constructed a compound wall along its boundary and whether the commitment from the College as suggested by the Company was since obtained by the Government. The Committee would like to be appraised of the position in this respect by the Government.

(12) The Committee was informed tha the Government constituted a Committee of Enquiry in 1991 to go into the whole issue of the case and submit its report within three months. The Committee observved that even though it is more than two years, the Committee

of Enquiry has not completed its enquiry and that, in fact, the Committee has not yet commenced its enquiry; the Government did not ever even ascertain about the progress of enquiry all these two years. The Committee opines that with the lethargic attitude of the Government, the sanctity of an enquiry committee is lost and the purpose of constituting such a committee is defeated. The Committee directs the Government to expedite the completion of the enquiry and obtain report thereon immediately thereafter.

The Committee would like to know:

1. Why the Enquiry Officer did not start the enquiry all these two years.

2. Why the Company/Government did not pursue the Enquiry Officer to take up the enquiry and submit his report.

3. Why no time limit ws fixed for conclusion of enquiry and submission of report thereof.

The Committee further directs the Government to fix the responsibility for not conducting the enquiry all these two years. The Committee recommends that the Government should order the Enquiry Officer to take up and conclude the enquiry and submit the report in three months time and Government should take action on the recommendations immediately on receipt of the report.

The Committee would like to have the detailed notes/reports from the Government and the Company on the above recommendations/ observations by June 1993, without fail.

SUMMARY OF RECOMMENDATIONS

1. The Committee observed that the Company/Government has not so far submitted the Action Taken Notes on the above mentioned recommendations made by the Committee. The Committee considers it as a serious lapse on their part and directs the Company and the Government to submit the Action Taken Notes by June 1993.

(Para 2.2)

2. The Committee therefore recommends that the Company may reconsider its stand on the subject and account for the interest income on accrual basis, so as to be in confirmity with the provisions of Section 209 of the Companies Act.

(Para 3.4)

3. The Committee observed that the sole objective of the Company being establishment of industrial infrastructure in the State by promoting small and medium industries with a planned and professional approach, giving bridge loans to Cooperative Sugar Factories, Government companies and private parties falls outside the purview of the objectives of the Company. The Committee also observed that these bridge loans were sanctioned without insisting on any security and that Government had also declined to give guarantee for their recovery. Thus these loans are unsecured as a result of which, the Company is not in a position to enforce recovery in cases of default. This is a fallout of pursuing an objective which is not authorised. The Committee is of the view that it is not financially prudent to release the loans of this high magnitude without safeguarding the interest of the Company by not insisting upon any security from the Sugar Factories. The Committee recommends that the Government, at whose orders the loans were released, should take all appropriate steps for the recovery of loan and interest from the Co-operative Sugar Factories. The Committee, therefore, directs the Government to furnish a report on the action taken in this regard by June, 1993 to the Committee.

(Para 4.6.)

4. The Committee would like to be appraised by June 1993 of the financial status of the 6 co-operative sugar factories, as also their working condition and prospects of recovery of loan and interest from them.

(Para 4.8)

5. In these circumstances, the Committee would like to be appraised of the prospects of recovery of the amounts due from these two Government companies.

(Para 4.9)

6. The Committee was informed that in view of its inability to recover the outstanding amounts from these Cooperative sugar factories and Government companies, the Company requested the Government to arrage repayment of these loans with interest by adjustment. In his oral evidence, the MD informed that the request has been pending with

the Government since 1977. The Committee fails to understand why the Government has not taken a decision all these 15 years. While expressing its unhappiness over the unduly long time taken by the Government, the Committee urges the Government to take an immediate decision on the issue and close this long pending case. The Committee desires to have a compliance report by June, 1993.

(Para 4.10)

7. The Committee directs the Government to immediately arrange for the payment of interest as committed by it in the Government order.

(Para 4.11)

8. The Committee observed that the Company has not explained the circumstances under which these loans were at all disbursed to these parties, that too without any security or bank guarantee or any other surety. the Committee feels that it was not financially prudent to give loans to private parties without any security. The Committee directs the Company to investigate into the circumstances under which these loans were paid and fix up responsibility and report compliance to the Committee. The Committee directs the Company to furnish the progress made in the recovery by June, 1993.

(Para 4.13)

9. The Committee desires the Company and the Government to look into this and fix responsibility for the mistake in the documentation. The Committee directs the Company to enquire into these three cases and fix responsibility and submit a report to the Committee by June 1993.

(Para 4.14)

10. Similarly in respect of the two cases, where decrees were obtained, the Committee would like to know when actually these decrees were obtained and what action has been taken by the Company subsequently to execute the decrees.

(Para 4.16)

11. In his oral evidence, the MD confirmed that the amount is yet to be received. The Committee recommends that the Commitment given by the Government to pay the amount within 6 months should be honoured. The Committee is unhappy with the diversion of funds from one Company to another and recommends to the Government that it should desist from such diversions in future.

(Para 4.18)

12. The Company has not explained whether the issue of interest lost by the Company on account of delay in refunding the amounts by APSEB was taken up with APSEB. The Committee directs the Company to take up the issue with APSEB, if not already done.

(Para 5.5)

13. The Committee desires to know the reasons for the delay in obtainig execution order and also action taken against the personnel responsible for the delay.

(Para 5.6)

14. The Committee directs the Company to submit a report on the above matters by June 1993.

(Para 5.7)

15. The Committee deplores the inaction of the Government in not taking a decision in the matter for the last 15 years. The Committee directs the Government to take a decision expeditiously and settle the long standing issue and submit a compliance report by June 1993.

(Para 6.5)

16. Non-releasing of funds by the Government placed the Company in not getting loans from the financial institutions and this affected the progress of the project. The Committee would like to know the reasons for not providing the funds. The Committee directs the Company to give its proper explanation on this aspect in a report by June 1993.

(Para 7.3)

17. The Committee is of the view that there was no justification for explaining at a later date that development was poor for want of electricity and water. The Committee recommends that the Company should, in future, taken into account all these aspects before finalising the perspective plan. The Committee further recommends that the Company should ensure that there are no slippages in execution of the plan and progress of execution is well coordinated.

(Para 7.4)

18. The Committee fails to understand how and why these aspects were not considered while preparing the project reports or feasibility reports. This clearly shows that the Company has been in the habit of preparing the reports without properly examining their feasibility. The Committee deplores this casual approach and recommends that, in future, the Company should take up only those schemes and at those locations where they are feasible and viable.

(Para 8.6)

19. Audit also observed that the Company had not so far evolved a system to collect data relating to the project implementation by the allottees, the employment generated and the items manufactured etc. The main theme of industrialisation of the State would be lost if these 3 aspects, among all other things, are not covered and corrective measures taken in time. The Committee directs that the Company should, as early as possible, evolve a suitable system to get the feed back from the estates developed by it, in order to assess the industrial growth in that area, vis-a-vis the targets projected thereof. (Para 8.7)

20. The Committee would like to have a report by June 1993 on the achievement during the year 1992-93, against the above targets.

(Para 9)

21. The Committee observed that there was inordinate delay in fixing thecost of land by the Government. Obviously no action was taken by the Company also to ascertain the cost of the land from the Government all these three years. Even after a lapse of three years, the cost of only a part of the total land was decided and demand was raised as recently as in October 1992. The Government has not explained the reasons for the delay in fixing the cost of the land. The Committee recommends that while explaining the reasons/constraints for the delay in fixing the cost of the land of 1202-35 acres, the Government should take immediate action to fix the price in respect of the remaining land. The Committee would like the Government to complete the formalities by June 1993 and report compliance to the Committee.

(Para 10.3)

22. The Committee directs the Company to fix up responsibility for this lapse and report compliance.

(Para 11.4)

23. The Committee noticed that after filing the review petition in March 1990 in the High court seeking an amendment to the decree, the Company did not pursue the matter further. The Committee would like to have a report from the Company what action has been taken by the Company, for obtaining amendment to the decree, during the period of almost three years.

(Para 11.5)

24. The contention of the Company that restitution petition cannot be filed unless an amendment to the decree order is obtained on the review petition pending with the High Court, is not acceptable. The Company should have filed the restitution petition immediately after getting the copy of the decree order in February 1989 at least for the amount of Rs. 10.67 lakhs decreed by the High Court. In fact the Supreme Courts decision of May 1985 being earlier than the High Court's orders, the Company should have filed the review petition in May 1985 itself. The Committee would like the Company to re-examine this issue and take necessary action immediately without further loss of time. The Committee would like to have a report on this aspect by June 1993.

(11.6)

25. In his oral evidence, the Managing Director admitted that the Company has not so far ascertained the solvency status of the owner of the land from the concerned Tahsildar. The Committee feels that, since the amount due from the land owner is quite significant it is advisable that the Company obtains the information of the assets owned by the party and keeps on the records of the Tahsildar, which will go a long way at the time of execution of the decree orders.

(Para 11.7)

26. The Committee observed that the matter was being placed before the Board obviously after the matter has been brought out in the Audit

Report. Even after the matter has come in the Audit Report, it has taken more than three years for the Company to take rectificatory action. This inordinate delay is inexcusable. The Committee desires that a definite procedure is evolved by the Company to bring such matters of importance to the notice of the Board immediately. The Company may ensure necessary action in this direction.

(Para 12.3)

27. The Committee observed that the case relates to 1982 and even after more than ten years the issue has not been settled between APSEB and the Company. The Company has also not explained the reasons for non-payment of arrears by APSEB. The Committee directs the APSEB and the Company to settle the matter amicably and report compliance to the Committee by June 1993.

(Para 13.3)

28. The Committee's observations/recommendations are as follows:

(1) The Committee fails to understand that in these circumstances how could the Company allot the plots on lease-cum-sale basis and sheds on outright sale basis. Evidently the company did not go into the legal aspects and did not examine various provisions of the Land Reforms Act. It did not appear to have even obtained the legal opinion before allotting the plots/sheds.

In reply to the Company's request, the Government clarified in July 1986 that under the Land Reforms Act 1973, the Company had no powers to sell but only to lease out the land for common use for the benefit of the community. However, evenafter more than 6 years, the Company did not take any action to undo the transaction by amending the agreements with the entrepreneurs. The Committee directs the Company to take immediate action to rectify the error, after taking the legal opinion, if necessary, in order to be in conformity with the provisions of the Land Reforms Act 1973.

(2) The Company has not mentioned when exactly Sri Rami Reddy filed the declaration, for the first time, before the Tahsildar, Medchal under the A.P. (Telangana) Tenancy and Agricultural Land Act, 1950. However, the Company did not appear to have taken any action till the protected tenant obtained the certificate of ownership in April 1984. The Company could have as well filed a petition suo-motu with the Revenue Divisional Officer (East) preventing him from issuing ownership certificate. The Committee desires that the Company enquiries into this and fix responsibility for the lapse.

(3) To start with, prior to the government Pleader filing an appeal before the Collector, R.R. District to set aside the orders of the R.D.O., the Company could have as well filed a protest petition against the conferment of ownership by the R.D.O. This was not done. The Company did not appear to have taken up the matter with the R.D.O. at any time.

(4) The Company lost the case before the High Court because the relevant records wherein the surrender of protected tenancy by Rami Reddy in 1956 could not be produced as the relevant file was found missing in the MRO's Office. When that file was relevant and conclusive proof for establishing surrender of tenancy, the Company should have taken over the file and kept in its safe custody or it should have requested the Collector concerned to seize the file for keeping in his safe custody for producing before the judicial authorities. This was not done by the Company.

(5) Loss of the file is a grave matter. The Committee cannot but take a serious view that such a relevant document could not have been lost without the connivance of a few persons in MRO's Office as also the alleged protected tenant. In his oral evidence, the Spl. Secretary informed the Committee that some investigation is going on in the Revenue Department. The Committee directs the Government to appraise the Committee as to when was the investigation instituted, who was the investigating officer, what were the terms and and conditions of reference for investigation, what was the time given to the investigating officer for completion of the investigation and for submission of his conclusions etc. The Committee directs the Government to expedite the investigation and take necessary action based on the recommendations of the Investigating Officer.

(6) The Committee notices that the case relating to missing file was not registered with the police. Circumstances under which the case was not filed with Police to trace the file may also be investigated.

(Para 14.16)

29. The Committee would like to have a detailed report and action taken on various recommendations made by the Committee as above, by June 1993.

(Para 14.17)

30. The fact remains that more than 70 per cent of the estate is yet to be occupied, the main reason apparently being non-availability of water. This is another case of establishing industrial estate without properly assessing the availability of water and market demand. The Committee feels that initially the Company should be satisfied about the need, demand and availability of other facilities before taking up a project for establishment of estate. The Committee also feels that without satisfying the pre-requisites it is not advisable for the Company to go in for new estates just to yield to some pressures. The Committee desires that the Company ensures that in future new industrial estates are established only after taking into account all the above pre-requisites.

(Para 15.4)

31. The Committee observed that the reply of the Company was not to the point. The observations were that (1) in respect of all the cases involving premium, Finance concurrence should be obtained, and (2) the

delegation of powers to CE should also taken into account the value of work, in addition to tender premium. The Committee recommends that, notwithstanding the fact that the Company has been following C, WD A and D codes, the Company should reexamine these issues for possible implementation in the interest of the Company. In his deposition before the Committee, the VC & MD agreed that it was a good suggestion and that the Company would fix up according to the value of works also and inform the Committee. Regarding the periodical appraisal to the Board on the status of tenders accepted by the CE or by VC & MD, the Committee feels that it is necessary that the Company evolves a system now, if not already done, to periodically appraise the Board for the acceptance of tenders by CE/MD. The Committee would like to have a compliance report by June 1993.

(Para 16.3)

32. In this connection, the Committee recommends that the Company may give publicity through tender digest also.

(Para 16.5)

33. The Committee observed that the situation was mainly because of taking up of the schemes without registering the demand and although land development was not taken up, cost of the land was locked up in these areas. The Committee observed further that the main reasons put forth by the management in their successive budgets for the steep downward revision of the original budgets, were mostly in the nature of managerial problems (except want of land) which could have easily been solved by the Company by taking appropriate measures in time. Further the Company's contention that low demand from entrepreneurs for the industrial plots in the proposed estates was the reason for non-achievement of budgeted outlay is also not acceptable. The Committee feels that there is always a good demand for the industrial plots from the entrepreneurs, but the Company has been establishing the estates without providing necessary infrastructural facilities required by the entrepreneurs in the estates. Considering the achievements of the Company during the last 5 to 10 years, the Committee is of the view that what the Company had achieved was much less than what had been anticipated of it and that there was much more that the Company could do for the industrial development in the State. As far as the acquisition of land is concerned, most of the cases are getting struck-up in legal entanglements, while development of the increased costs due to time overrun, and the occupancy ratio of the estates is very poor mainly for want of demand, which in turn is due to the absence of the required infrastructural facilities. The Committee desires that the Company and the Government examine these aspects and keep them in view while preparing the annual budgets or the perspective plans.

(Para.17.3)

34. The Committee would like to have a note on this issue by June 1993. (Para. 18.3)

35. The Company's representatives were not able to explain properly the extent of damages due to cyclone, due to usage of bad construction material due to bad workmanship as also due to analysis, it is not fair on the part of the Company to make the contractors solely responsible for the damages. The Committee directs that the Company examines this issue from the report of the Consultant appointed for the purpose in October 1985. The Committee would also like to have a copy of the Consultant's report for perusal. The Committee learnt further that the Committee constituted in 1988 to enquire into bridge loans to co-operative sugar factories was also entrusted with enquiry into sub-standard works and time barred debts. The Committee would like to have a copy of this Enquiry Committee's report also for perusal. The Committee was informed that this Special Committee submitted two reports but no action was taken by the Corporation. In fact this Committee also fixed responsibility on the concerned officials, but there was no follow-up action by the Company. The Committee would like to have a report on the follow-up action taken by the Company on the recommendations of this special Committee, by June, 1993.

(Para. 18.4)

36. The Committee observed that the Company has not explained the point raised by Audit. The point that due to not fixing a time limit for completion of laying the pipe line, and due to the delay of more than 3 years in completion of the work by the department, there existed an extra commitment of Rs. 71.45 lakhs, has not been explained by the Company. The Committee would like to have a note on this from the Company by June 1993.

(Para 19.6)

37. The Company's view point that the amount demanded by the department will be paid when the present water supply in the Estate is not adequate and when additional water had to be drawn from the department's supply, does not appear to be prudent. As has already been experienced once, the amount that the Company might have to pay after some time might become more than Rs. 71 lakhs, in case there is another revision of rates in service charges. The Committee recommends that the Company may consider this aspect and take a decision quickly and submit a note to the Committee by June 1993.

(Para 19.7)

38. In his deposition before the Committee, the MD informed that poor occupancy in the Estate is partly due to the inadequate water supply. However, the MD also informed that the water available in the bore wells drilled by the Company in the Estate is adequate to the present occupants. The Committee is of the view that in such a case it is better that the Company takes the service connection from the department, so that the Estate will be fully occupied in course of time. The Committee, however, feels that the problem is that when the Company asked and

is ready to take only 4.18 lakh gallons, the department is demanding that the Company should take 7 lakh gallons of water, which is not at all required by the Company. The Committee, therefore, recommends that the Government interferes in the matter and strike a compromise between the P.H. department and the Company, so that the Company can have the service connection and attract the entrepreneurs to occupy the sheds in the Estate. The Committee would like to have the progress report from the Government by June 1993.

(Para 19.8)

39. In his oral evidence, the MD could not explain under what circumstances and in what connection, the ACB took the files, but promised to examine the case and submit a note to the Committe. The Committee would like to have the report by June 1993

(Para 20.2)

40. The Committee could not ascertain from the representatives of either the Company or the Government whether ACB has given any report and if so its contents. The Committee directs the Government to appraise the Committee with full details of the case by June 1993

(Para 20.3)

41. In his oral evidence, the MD promised that all the completion reports in respect of works completed upto March, 1992 will be cleared by December, 1992. The Committee would like to have the compliance report by June 1993.

(Para 21.5)

42. The Committee observed that Audit made as many as 8 observations in this para, but the Company has not furnished its replies to each observation. Since certain important issues are involved in the observations made by Audit, the Committee directs the Company and the Government to furnish sub-para-wise replies, by June 1993. While giving the replies, the company may give the position up to 31st March, 1993 in all the cases.

(Para 22)

43. The Following are observations/recommendations of the Committee.

(1) The very object of the Company in allotting the plots/sheds is development of industries and overall industrial growth in the State. From this point of view, allotment of sheds and plots to an educational institution was unwarranted, irregular and ultravires its objectives.

(2) The sheds were allotted to College K in August 1979/ September 1980 on a monthly rent of Rs. 2,02,833 per shed and although the College did not at all pay the rent for years together, except a paltry sum of Rs. 5,000 in June 1982, the Company filed a suit in the court at Narasaraopet only in January 1983, by which time

arrears accumulated to Rs. 3.19 lakhs. This was a clear lapse on the part of the Compny. The Company did not take any action from September, 1979 to June, 1982, when the College did not pay rent even for one month. The Committee fails to understand the circumstances under which the arrears were allowed to mount up over a period of more than three years from 1979 to 1983, before, filing a suit in the Court in January 1983. The Committee directs the Company to investigate into this inaction and fix responsiblity.

(3) The case filed in the Court is only of recovery of arrears of rent for the period of occupation by the College at the rates agreed to between the Company and the College and therefore, there is no otherlegal aspect involved in the case. However, the Company has not been able to get the decree even after 9 years. This shows that the Company is not very serious of recovering the amount from the College. The Committee is displeased with this casual approach of the Company. The Committee would like to know what exactly has been done all these 9 years by its standing counsel/legal adviser dealing with this case. The Committee also would like to know how many hearings were held and how many times the case was sought to be adjourned by each part and reasons for seeking adjournment, if any, by the company.

(4) While shifiting to its own building in December 1984, the College K, instead of surrender the sheds to the Company, illegally handed over the sheds to another College N, without prior intimation to or approval from the Company. This shows that despite the fact that the College K did not pay rent, the Company did not keep a watch over the activities/movements of the College K and did not have any mechanism to know whether the College authorities are running a college etc. Apparently, the Company was not aware that the College K was constructing its own building and that it was proposing to shift to that building. Further, the case filed by the Company against the College K included a request to the Court for directing the College to vacate the premises. In such circumstances, the Company should have kept a close watch on the College vacating the premises. The Committee concludes from the above that the Company kept itself aloof intentionally from whatever was happening in this Estate, particularly in respect of the sheds in question. The Committee views this as a serious lapse and directs the Company to investgate and fix responsibility.

(5) Having come to know that college K, while vacating the premises, handed over to college N illegally and without informing or obtaining the approval of the Company, the Company should have immediately lodged a police complaint. The circumstances under which the Company did not think of giving a police complaint needs to be investigated.

(6) Further, the occupation of the premises by College N being illegal,

the Company should have filed a case against College N seeking evacuation, which was not done. This also needs to be investigated.

(7) The College N approached the Company and the Government in March 1985 for allotment of four sheds as it was already in its occupation. Despite objection from the Company, Government directed (April 1986) that the sheds and also the plots be allotted to the College N till such time it secures an alternative accommodation. This is a clear indication of favouritism shown by the Government to a particular organisation. The Government was aware that the Industrial Estate at Narasaraopet was meant solely for industrial development in that area and the plots/sheds were meant to be allotted only to the industries and not to any other organisation. Although this position was clearly brought out by the Company, the Government gave directives to allot the sheds/plots to College N, which was ultra-vires the objectives of the Company. Further, the Company specifically brought to the notice of the Government and the Government was aware that the occupation of College N was *abinitio* illegal, By giving such a directive the Government desired to make an illegal activity, a legal, thus according an ex-post facto approval to such an illegal activity. The action to legitimies the illegal occupation by the Government is considered by the Committee to be bad in action and governance, thus setting up a bad precedent which may compell the Government to accord approval to many such illegal activities in the years to come. The Committee expresses its utmost displeasure in this respect and directs the Government not to indulge in issuing such directives in future.

(8) The Company stated that according to the advice of the Government, the College N was allowed to occupy the sheds for the period of eleven months subject to payment of rentals fixed by the Corporation. However, although the College neither paid the rentals nor vacted the premises after the expiry of the 11 months period, the Company did not take any action either to recover the rentals or to get the College vacate the permises. Apparently knowing that the college N had support from the government, the Company did not take initiative. However, this fact should have been brought to the notice of the Government and obtained necessary directives as to the next course of action to be taken by the Company. Instead, the Company preferred to be a silent spectator.

(9) Although the College was allotted only three sheds (for a period of 11 months), it had illegally occupied one more shed and two plots bearing No. 35 and 36 and started unauthorised construction work in the above plots. Again at this stage, except noticing the fact of illegal occupation of one more shed and two plots and unauthorised construction thereon, the Company did not take any action to prevent the College N from this illegal activity. Even at this stage,

the Company should have brought this illegal activity to the notice of the Government, lodged a police complaint and filed a case against the College N against illegal occupation and illegal and unauthorised constructions. This was not done by the Company. The Committee is forced to conclude that the initial illegal occupation of the three sheds by College N, its subsequent request to the Government for ratification of their illegal and unauthorised occupation, its further illegal and unauthorised encroachment of other sheds/plots and going ahead with occupied plots, had full backing and support of the Government.The Committee would like to have a detailed note from the Government in this respect.

(10) The Company informed the Government that the four sheds and two plots under occupation by College N can be considered for outright sale at a cost of Rs. 11.68 lakhs, calculated according to the formula in vogue. However, on the advice of the Government, the Company revised its price to Rs. 7.26 lakhs. But, the College N had not paid even this reduced price (except a paltry sum of Rs. 50,000 paid in August 1988) and represented to the Government for further concessions in the price and interest. The company, however, reported to the Government in September 1988 that it was not feasible to extend the concession sought for by the College, except granting extension of time for payment. The case has been pending with the Government awaiting a decision, although it is more than four years. The Committee directs the Government to take a decision without further delay and report compliance to the Committee by June 1993. The Committee directs the Government to take 30th June 1992 accumulated to Rs. 15.38 lakhs. The Committee strongly feels that the Government should take responsibility for the irresponsible attitude of College N and pay up the amount due to the Company immediately.

(11) The Company complained to the Government that some of the industrial units located in the Estate were subjected to obstruction by the College N and therefore it was desirable to impose a condition that the College N would have to construct a compound wall along its boundary so that there would be no interference from the college on the industries in the neighbourhood and also to obtain a commitment from the College that the functioning of the industrial units would not be distrubed on any account. The Company could not explain whether the College N had since constructed a compound wall along its boundary and whether the Commitment from the College as suggested by the Company was since obtained by the Government. The Committee would like to be appraised of the position in this respect by the Government.

(12) The Committee was informed that the Government constituted a Committee of Enquiry in 1991 to go into the whole issue of the case and submit its report within three months. The Committee

observed that even though it is more than two years, the Committee of Enquiry has not completed its enquiry and that, in fact, the Committee has not yet commenced its enquiry, the Government didnot ever even ascertain about the progress of enquiry all these two years. The Committee opines that with the lethargic attitude of the Government, the sanctity of an enquiry committee is lost and the purpose of constituting such a committee is defeated. The Committee directs the Government to expedite the completion of the enquiry and obtain report thereon immediately thereafter.

The Committee would like to know :

1. Why the Enquiry Officer did not start the enquiry all these two years.
2. Why the Company/Government did not pursue the Enquiry Officer to take up the enquiry and submit his report.
3. Why no time limit was fixed for conclusion of enquiry and submission of report thereof.

The Committee further directs the Government to fix the responsibility for not conducting the enquiry all these two years. The Committee recommends that the Government should order the Enquiry Officer to take up and conlude the enquiry and submit the report in three months time and Government should take action on the recommendations immediately on receipt of the report.

The Committee would like to have the detailed notes/reports from the Government and the Company on the above recommendations/ observations by June 1993, without fail.

Para (23.23)

PRINTED BY THE COMMISSIONER OF PRINTING, AT
LEGISLATIVE ASSEMBLY PRESS, HYDERABAD.