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COMMITTEE ON PUBLIC UNDERTAKINGS
(1990-91)

1 to 20

NINTH LEGISLATIVE ASSEMBLY

FIRST REPORT
ON

**THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 1986-87 (COMMERCIAL) ON THE
ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE
CORPORATION LIMITED AND RECOMMENDATIONS
OF THE COMMITTEE ON THE CENTRAL
BUS STATION COMPLEX OF THE
ANDHRA PRADESH STATE ROAD
TRANSPORT CORPORATION
AT TIRUPATHI.**

(PRESENTED TO THE LEGISLATURE ON

18 SEP 1991

ANDHRA PRADESH LEGISLATURE
(ASSEMBLY SECRETARIAT)
HYDERABAD - 500 486

COMMITTEE ON PUBLIC UNDERTAKINGS (1990-91)

(Constituted on the 19th April, 1990)

CHAIRMAN:

1. Sri C. Ramachandra Reddy

MEMBERS:

2. Sri Gurunath Reddy
3. Dr. P.V. Ranga Rao
4. Sri C. Somasundara Reddy
5. Sri Puli Veeranna
6. Sri E. Tirupathi Naidu
7. Sri K. Rambhupal Reddy
8. Dr. T. Venkaiah
9. Sri P. Kista Reddy
10. Dr. M.V. Krishna Rao
11. Sri Chikkala Ramachandra Rao
12. Sri A. Chandrasekhar
13. Sri V. Chandar Rao
14. Sri P. Ramaiah
15. Dr. R. Ravindranath Reddy

LEGISLATURE SECRETARIAT:

1. Sri A.V.G. Krishnamurthy, Secretary
2. Sri G. Suryanarayana Reddy, Deputy Secretary
(upto 30-4-91)
3. Smt. M.V.S. Jayalakshmi, Deputy Secretary
(from 1-5-91)
4. Sri A. Venkata Rao, Assistant Secretary.
5. Sri N. Silas, Section Officer.(upto 5-2-1991)

(i)

ACCOUNTANT GENERAL'S OFFICE:

1. Sri K.S. Menon .. Accountant General
(Audit-II)
(Upto 29-6-'90)
2. Sri V. Prakasha Rao .. Accountant-General
(Audit-II)
(Upto 28-9-'90)
3. Sri G.V. Subrahmanyam .. Accountant-General
(Audit-II)
(Upto 6-12-'90)
4. Sri Samir Gupta .. Accountant-General
(Audit-II)
(Upto 5-6-'91)
5. Smt. V. Vedakumari .. Senior Deputy
Accountant-General
(Upto 31-8-'90)
6. Sri Sreekumar .. Deputy Accountant
General
(From 1-9-'90)
7. Sri K.H. Sastry .. Audit Officer
(Upto 7-6-'91)
8. Sri Balakrishna Murthy .. Audit Officer
(From 8-6-'91)

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1990-91) having been authorised by the Committee, present this Report on behalf of the Committee on the Andhra Pradesh Industrial Infrastructure Corporation Limited and Andhra Pradesh State Road Transport Corporation.

The Committee held two sittings on 16-7-90 and 17-7-90 to record the oral evidence and also visited Tirupathi for an on the spot study of the Industrial areas and Commercial Complex of the Andhra Pradesh Industrial Infrastructure Corporation Limited there.

The Committee also visited the Central Bus Station Complex at Tirupathi on 18-7-90 and inspected the passenger facilities available in the Station. The Committee also examined the Regional Manager and other officials of the Corporation.

The Committee met on 17-7-1991, considered and approved the draft Report.

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 the Accountant-General's Office and also the Secretary to Legislature, the other Officers and staff of the Legislature Department in the examination of the general working and in consideration of

Audit paras relating to the Andhra Pradesh Industrial Infrastructure Corporation Limited and in the preparation of this Report. The Committee wishes to express their thanks to the Principal Secretary to Government, Industries and Commerce Department and the Managing Director, Andhra Pradesh Industrial Infrastructure Corporation Limited and the Vice-Chairman and Managing Director of Andhra Pradesh State Road Transport Corporation for the co-operation they have extended and for placing the required information and material before the Committee.

Hyderabad,
Dt.17-7-1991.

C. RAMACHANDRA REDDY,
CHAIRMAN,
Public undertakings Committee.

DRAFT RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS
(1990-91)

Report of the Comptroller and Auditor General of India
for the year 1986-87 (Commercial)

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE
CORPORATION LIMITED (A.P.I.I.C)

Introduction

1. The Committee met at Tirupathi on 16th/17th July, 1990 for an on the spot study of the industrial areas and commercial complexes of the APIIC at Tirupathi. The Committee considered the audit paragraphs contained in the Report of the Comptroller and Auditor General of India for 1986-87 (Commercial) relating to the Company and examined the officials present.

Locking up of funds (Audit paragraph 5.1.2)

2. The Company constructed a Commercial Complex at Tirupathi close to the Municipal Office, at a cost of Rs. 9.15 lakhs with three floors viz., cellar, ground floor and first floor in an area of 1210 Sq.yds. The site, located in a small tank bed, is at a low level of about 8.5 feet on the western side and 6.0 feet on the northern side. The cellar floor constructed at a cost of Rs. 2.20 lakhs has mostly remained vacant ever since its completion in 1977. The General Manager deposing before the Committee accepted that the cellar has been remaining mostly unoccupied for over 4 years and that there was no demand. As against an anticipated rental income of Rs. 1.36 lakhs per year the Corporation presently gets Rs. 2,300 a year. The Committee also observed that similar sheds constructed in Srikakulam also were laying unused, because of water problem. The Committee could easily place the reason for vacancy to heavy leakage and stagnation of water. As reported in the Audit Report, the leakage was due to the openings provided on the southern side of the complex.

3. Further in his written statement the Managing Director explained as follows:

"Municipal Authorities at Tirupathi have dismantled the eastern side compound wall while laying the road on the market yard in 1985. The Municipal Authorities were requested to reconstruct the same and the matter is under correspondence. This is also one of the reason for entry of the rain water into the cellar of the Commercial Complex since the compound wall has not been constructed by the Municipal Authorities on date."

4. The Managing Director informed that the repairs and improvements to the cellar floor were undertaken at a cost of Rs. 32,657/- in 1987-88.

The repair works involved:-

(i) The vacant low laying land abutting the Municipal road was provided with compacted earth filling and concrete bed with suitable slopes for draining out rain water into a sump was also constructed in the north east corner of the complex; and

(ii) A pump also was installed to pump out the rain water collected into the existing Municipal drain. These repairs, it has been deposed, helped in arresting the seepage.

5. The Chairman of the Committee in the course of examination directed the Company to submit a detailed report of the completed construction (buildings, sheds etc.) which were lying vacant at all places. The General Manager, Finance has agreed to furnish the same. However, the Committee has not received the same so far.

6. The Committee in their visit to the Complex felt that moisture smell emanating from the cellar floor and observed the fact that there was not even proper outlet for the rain water and showed that the construction was undertaken without proper investigation and examination of the site and designs. The Committee was also informed that 10 rooms were let out to private parties. The Committee also examined one of the proposed tenants Sri S. Srinivas who has informed the Committee that he

has taken No. 6 to 10 rooms for use as godowns but the Committee felt that nobody would be willing to occupy the cellar due to lack of ventilation and because of stagnation of rain water. The General Manager assured the Committee that if the tenants desired to have any modifications the Company would be prepared to take it up accordingly.

Recommendations:

7. The Committee expressed surprise at undertaking the construction of Commercial complex with sheds and with cellar that too in a low lying area in a tank bed, without proper technical examinations and constructional safeguards. After making an 'on the spot' study of the case in Tirupathi, the Committee came to the conclusion that adequate attention was not paid in designing the building and in providing adequate anti seepage measures. When the land is located in the tank bed the Company should have taken adequate steps to prevent seepage by rain water. Though 13 years had passed after construction and about Rs. 2.57 lakhs been invested, the Company has not been able to let out the premises as contemplated. Besides loss of income and idle investment, the Community assets created out of public funds for use for Commercial purposes remained unused. The net effect is whatever be the intention, the infrastructure sought to be provided did not materialise.

8. The Committee expressed hope that atleast in future adequate attention will be paid by the Company before deciding on such an infrastructural facilities. They desire that action taken to let out the rooms in all the floors including cellar is reported to them.

Loss of interest on bridge loans (Audit paragraph 5.1.1)

9. The Company sanctioned bridge loans amounting to Rs. 42.50 lakhs to Tancap Electronics Limited, Patancheru during October, 1975 to October 1976 after obtaining promissory notes and on the security of bank guarantees.

The Company was allowed extension of time up to March 1979 for repayment of loans amounting to Rs. 18.50 lakhs and up to the end of June 1980 for repayment of balance of Rs. 24 lakhs.

10. Initially the loans carried simple annual interest of 15 per cent payable annually. However, in March 1977 the Board of Directors of the Company decided that interest on such bridge loans should be paid quarterly with effect from 26th March, 1977. While granting extension beyond 26-3-1977, the Company obtained revised promissory notes in respect of two loans of Rs. 27.50 lakhs only, which incidentally provided for interest with quarterly rests, as has been decided by the Board. The Company did not obtain such revised promissory note for the remaining amounts of loan of Rs. 15 lakhs.

11. The firm has not repaid the loan with interest inspite of extensions from time to time. The Company, had, therefore, filed a Civil suit against the guarantor banks impleading the latter and claiming the repayment of principal amount and interest with quarterly rests.

12. The Court decreed the suits in March 1983 stating that interest as per revised conditions would be payable by the firm only in cases where revised promissory notes were executed by them and that too from the dates of the revised promissory notes. Thus out of the entire loan amount of Rs. 42.50 lakhs the Company had obtained the revised promissory notes for Rs. 27.50 lakhs only. The Company had, therefore, suffered loss of interest to the extent of Rs. 8.26 lakhs.

13. The Managing Director in his written statement stated that at the time of sanction of bridge loans to the Tancap Electronics Limited interest was annually (15 per cent per annum). The procedure of payment of interest at quarterly rests was made effective from 26-3-77 only. The Managing Director explained that the revised procedure of charging rent was assumed to be applicable only to the loans sanctioned against State subsidy or Central subsidy to the units coming up in the

industrial estates or industrial development areas, approved only in March, 1977. The Managing Director felt that this revised scheme presumably was not applied to the loans sanctioned before 26-3-1977 to the Company against Security of bank guarantee.

14. During examination the Committee was informed that bridge loans were generally sanctioned to needy entrepreneurs for use during the intervening period from sanction till the receipt of subsidy from the State Government. The General Manager deposed that the present loans were sanctioned before the decision on 26-3-77 was taken and that Board's decision to recover the loans with the quarterly rests in respect of such loans. The General Manager was not able to explain as to why revised promissory notes were not taken for Rs. 15 lakhs when they would get such promissory notes for Rs. 27.50 lakhs.

15. To an enquiry from the Committee as to why bank guarantee could not be revoked the General Manager stated that the banks have not come forward to pay and the Company had, therefore, to resort to adjustment of other dues given to the bank. The General Manager informed the Committee that they reported the matter to the Reserve Bank of India also.

16. The Committee observed that when the Corporation had the occasion to grant extension of repayment period, which in a way, amounts to a fresh renewal of loan, the management should have insisted on the loanee firm accepting the revised terms of payment of interest and also obtained revised promissory notes. This is what any person exercising normal caution would do with a view to safeguard the financial interests. The Committee is not impressed with the specious argument of the management that the condition of payment of interest with quarterly rests would apply only to the loans sanctioned after 26-3-1977 and that the loans sanctioned prior to that date could not be brought under this revised conditions. If there was doubt, the corporation should have sought the clarification of Board, after obtaining proper legal advice. In fact, since there was the question of renewal

of loans, the company had every means of persuading the loanee firm to accept the revised condition. It was unfortunate that in two cases, the Company let go such an opportunity. Further, the fact that corporation obtained such revised promissory notes for three loans out of five, aggregating to 27.50 lakhs shown that the Corporation had every legal case of obtaining the revised promissory notes for the balance amount of Rs. 15 lakhs also. If the Corporation failed to obtain such revised promissory notes in the latter case, the failure in this regard is indefensible. This is further substantiated by the Court's decree that in the absence of revised promissory notes with revised condition regarding quarterly payment of interest duly incorporated, the corporation had no case to insist on the payment of interest on quarterly basis.

Recommendation:

17. The Committee hopes that the Corporation would draw lesson from the case and take appropriate action in implementing the decisions of the Board in the best interest of the Corporation. The Committee expressed disappointment that in the matter of recovery of interest in the context of the Board's decision of 25th March, 1977 the management failed to obtain revised promissory notes, which they could have easily obtained at the time of renewal. The Committee therefore, recommends that suitable action be taken against the officials responsible for this lapse.

SUMMARY OF RECOMMENDATIONS OF COMMITTEE ON
PUBLIC UNDERTAKINGS (1990-91)

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE
CORPORATION LIMITED

1. The Committee expressed hope that atleast in future adequate attention will be paid by the Company before deciding on such an infrastructural facilities. They desire that action taken to let out the rooms in all the floors including cellar is reported to them.

2. The Committee expressed disappointment that in the matter of recovery of interest, the management failed to obtain revised promissory notes which they could have easily obtained at the time of renewal. The Committee, therefore, recommends that suitable action be taken against the officials responsible for the lapse.

RECOMMENDATIONS OF COMMITTEE ON PUBLIC
UNDERTAKINGS (1990-91)

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

1. The Committee visited the Central Bus Station Complex at Tirupathi on 18th July, 1990 and inspected the passenger facilities available in the station. The Committee has also examined the Regional Manager and other officials of the Corporation present there.

2. The Committee observed that the rates of refreshments were not written in the canteen and other places in Telugu and the soda shops in the bus station were not kept neat and clean. The butter milk is now supplied to the travelling public in the bottles instead of in disposable plastic pouches in the interest of hygiene. The Committee also went round the various places in the bus station complex and observed the station appeared to be little congested and more facilities are yet to be created for the benefit of the passengers.

3. When the Regional Manager was examined as to the facilities provided, the Committee was informed that extra buses are provided when there is heavy traffic, keeping in view the requirements of the passengers, even private buses are hired for running the services.

4. The Regional Manager informed the Committee that the open space of 1.5 acres located by the side of the depot belonging to the Municipality is useful for extension of facilities to the passengers. The Committee also while inspecting the sanitary conditions observed that the toilets were constructed in the main building of the bus station, instead of in the area outside the building but within the complex.

5. After reviewing the working of the station and examination of various officials the Committee recommends that hygienic conditions should be improved at any cost in the canteen, soda shops etc., and desired that higher officials should frequently inspect these areas. The Committee suggested to the Regional Manager

to black top the roads and ground in the complex so that dust can be suppressed. The Committee desired that there should be minimum cancellations of services in this pilgrim centre where lakhs of passengers visit from our own State as well as from neighbouring States.

6. The Committee desired that the toilets located in the bus station complex should be shifted to a little open space nearer to the Complex. The Committee also recommends the Government may help the Corporation in acquiring the neighbouring land for improving further facilities in the station.

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PUBLIC UNDERTAKINGS (1990-91)

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

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