

ANDHRA PRADESH LEGISLATURE
(Eleventh Legislative Assembly)

EIGHTH REPORT
OF
THE COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2000 - 2001)

on

The Paragraphs Contained in the Report
of the Comptroller and Auditor Genral
of India (Commercial) for the years
1994-95 & 1995-96

on

A.P. State Film Television and Theatre
Development Corporation Limited,
(only Audit Report for 1994-95)
and

A.P. State Financial Corporation

(Presented to the Legislature on 29-03-2001)

Andhra Pradesh Legislature (P.U.C.) Secretariat
Public Gardens, Hyderabad - 500 004.

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ANDHRA PRADESH LEGISLATIVE ASSEMBLY
COMMITTEE ON PUBLIC UNDERTAKINGS
(2000-2001)
(Constituted on the 3rd April, 2000)

CHAIRMAN:

1. Sri A. Venkata Suryanarayana Raju

MEMBERS:

2. Sri Anne Babu Rao
3. Sri Balli Durga Prasad Rao
4. Sri S.A. Khaleel Basha
5. Sri P. Mahender Reddy
6. Smt. P. Ananta Lakshmi
7. Sri B. Janardhan
8. Sri R. Prakash Reddy
9. Sri Kondabala Koteswara Rao
10. Sri Kanna Lakshminarayana
11. Sri Patil Venugopal Reddy
12. Sri T. Jeevan Reddy
13. Sri M. Narsimhulu
14. Sri Kandula Nagarjuna Reddy
15. Sri Akbaruddin Owaisi

SPECIAL INVITEES:

16. Sri Reddy Satyanarayana
17. Sri M. Dharma Rao

LEGISLATURE SECRETARIAT:

1. Sri K. Tuljanand Singh, Secretary
2. Sri R. Bhaskaran, Joint Secretary
3. Sri B. Padma Reddy, Assistant Secretary
4. Sri A. Ram Reddy, Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2000-2001) having been authorised by the Committee to present the Report on their behalf, present this Eighth Report of Andhra Pradesh State Film Television and Theatre Development Corporation Limited and Andhra Pradesh State Financial Corporation.

The Committee on Public Undertakings (2000-2001) have examined the Reports of the C & AG of India (Commercial) for the years ended 31st March, 1995 and 1996 during the period from 27.4.2000 to 24.1.2001.

The Committee (2000-2001) have considered and approved this Report at their sitting held on 20.3.2001.

A statement showing the summary of Principal recommendations/observations of the Committee is appended to this Report.

A record of proceedings(*) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Principal Secretaries to Government, General Administration Department, and Industries & Commerce Department and also the Managing Directors, Andhra Pradesh State Film, Television and Theatre Development Corporation Limited, and Andhra Pradesh State Financial Corporation 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 Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General's Office.

(*) One Cyclostyled copy laid on the table of the House and one copy placed in the Legislature Library.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature Secretariat in the examination of the general working and audit paras relating to the said Public Undertakings and in preparation of this Report.

A.V. SURYANARAYANA RAJU,

Chairman,
Committee on
Public Undertakings.

Hyderabad,
Dated:

REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2000-2001)

I. A.P. STATE FILM, TELEVISION AND THEATRE DEVELOPMENT CORPORATION LIMITED.

(a) Infructious expenditure on Production of documentaries and news reels/magazines (Para No.4A.2.1 of the Report of the C & AG of India (Commercial) for the year 1994-95).

1.1. During the years from 1991-92 to 1993-94, the Company produced 33 documentaries/news reels at a cost of Rs.40.59 lakhs. Of these, 7 produced at a cost of Rs.6.27 lakh were not released for reasons such as non receipt of funds from Government, non-approval by Film Advisory Board for release, news lost its value due to change of Government etc.,

1.2 The Company stated in its reply that it acts as an agent of the Government only and it has no other source of income and the prints are preserved in library as archives for purpose of reference in future.

1.3 The Ex-Officio Secretary and Managing Director of the Company in his oral evidence stated that the Documentaries on the news had since become old.

(b) Belated drawal of loans by beneficiaries (Para No. 4A. 2.2 of the Report of C & AG of India (Commercial) for the year 1994-95.)

2.1 The Company advances loans to infrastructural units theatres, studios etc, at the same rate of interest at which it receives loans from State Government. On the recommendation of the Company, State Government released in September, 1993 Rs.345 lakhs by way of term loan carrying interests at 12 percent per annum for disbursement to 5 loanees. During April-December, 1994, the Company disbursed Rs.183.14 lakhs to two loanees leaving Rs.161.86 lakhs un-disbursed for want of completion of legal formalities. The undisbursed amount of Rs.161.86 lakhs was kept in term deposit. The differential amount of interest earned (Rs.33.77 lakhs) and paid (Rs.46.36 lakhs) by the Company was Rs.12.59 lakhs which was avoidable.

2.2 The Company in its reply stated that Rs.28.65 lakh (out of the unreleased amounts) were released to 20 Cinema Theatres for renovation on the order of the Government.

2.3 The Company (Managing Director) in its oral evidence stated that the undisbursed amount was diverted as per the orders of the Government of Andhra Pradesh and utilised accordingly.

2.4 The Committee feels that both the aspects viz., non-release of documentaries after production and belated drawal of loanees by the beneficiaries are results of improper planning leading to Financial loss to the Government. The Committee, therefore, recommends that the Company must ensure proper planning in future before taking up such projects.

2. A.P. STATE FINANCIAL CORPORATION:

[Report of the C & AG of India (Commercial) for the years 1994-95 and 1995-96].

AUDIT REPORT 1994-95 (COMMERCIAL)

(a) Extension of undue favour to loanees (Para 4B. 1.1)

3.1 The Corporation provides reliefs through one time settlement (OTS) to the defaulting units where the realisation of dues becomes difficult. Under the OTS Scheme the defaulting loanee is required to pay the principal with simple interest or an amount equal to the value of the assets, which is HIGHER.

1. Sri Ramulu Aluminium Industries:

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
12.65	12.61	4.50	12.61	2.00	10.61

3.2 The Corporation in its explanatory notes stated that the Corporation collected Rs.9.73 lakh (Principal Rs.3.69 lakh and interest Rs.6.04 lakh) as against total disbursed amount of Rs.3.69 lakh under OTS scheme.

2. M/s. Lohman castings, Anakapally

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
11.53	15.99	5.63	11.53	5.00	6.53

3.3 The Corporation in its explanatory notes stated that the Corporation collected Rs.13.93 lakh which consists of Rs.3.53 lakh towards Principal and Rs.10.40 lakh towards interest as against disbursed amount of Rs.8.34 lakh.

3. M/s. Hotel Sudha, Gajuvaka, Visakhapatnam

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
34.12	65.00	22.70	34.12	22.70	11.42

3.4 The amount received under OTS (Rs.22.70 lakh) is far less than the value of the Assets (Rs. 65.00 lakhs)

3.5 The Corporation in its explanatory notes stated that the Corporation collected Rs.41.02 lakh which consists of Rs.12.36 lakh towards Principal and Rs. 28.66 lakh towards interest as against the disbursed amount of Rs.29.80 lakh.

4. M/s. Teak Tiles (India), Hyderabad.

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
71.80	35.64	29.91	35.64	18.89	16.75

3.6 Amount received (Rs.18.89 lakh) is far less than the value of assets (Rs. 35.64 lakh).

3.7 The Corporaion in its explanatory notes stated that against the total loan disbursed Rs.10.69 lakh the loanee has paid Rs.21 lakh as OTS amount.

5. M/s. Blue Star Hotel, Hyderabad (Malakpet)

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
47.55	15.50	17.03	17.03	10.00	7.03

3.8 The amount received (Rs.10.00 lakh) is far less than the amount payable (Rs.17.03 lakh) under OTS.

3.9 The Corporation in its explanatory notes stated that as against the loan disbursed amount of Rs.6.67 lakh, the company paid Rs.16.23 lakh.

6. Sri N.V. Ramana Rao (TPT loanee), Hyderabad.

Amount out-standing	Value of assets	Interest	OTS amount	Amount received	Undue benefit extended
12.76	6.08	1.81	6.08	0.60	5.48

3.10 The Corporation in its explanatory notes stated that the loanee has paid Rs.2.88 lakh against Rs.3.04 lakh.

3.11 In his oral evidence the Managing Director of the Corporation stated that in One Time Settlement (OTS) cases interest is growing over and above the Principal. He also quoted an example where Principal was Rs.3.00 lakh and interest became due was Rs.65.00 lakh (M/s. Prameela Industries). He also stated that OTS was started in 1992 and revised in 1996, 1997, 1998 and 1999. Guidelines prepared from time to time will not suit in individual cases. Every unit has got its own problems. Some times cases are to be settled on humanitarian grounds also. Special drive is taken up and each senior manager is given 15 to 20 cases by name.

3.12 The Committee recommends that continuous monitoring and follow-up action shall be taken in coordination with the revenue authorities to recover the dues in time.

(b) Idle Floor space (Para 4B 1.2:)

4.1 8600 sft. space was available and kept vacant in the Head Office building and 10850 sft. floor space was vacant in the Annexure building.

4.2 But the Hyderabad and R.R. district branches were accommodated in rented accommodation of 7518 sft. which is few yards away from the Head Office .

4.3 Out of the 8600 sft. available 2600 sft. was leased-out to a Central Government Office leaving a balance of 6000 sft. The space in Annexure building was sold out to a coop. society in December, 1994.

4.4 The Corporation in its explanatory notes stated that, the Hyderabad Zone was bifurcated into Hyderabad Zone I and II and Hyderabad branch was brought back from leased accommodation. Hence, the 3 offices have been occupying the available floor space.

4.5 The Managing Director in his oral evidence stated that the floor space was vacant for just 7 months period only and now the Zonal Office has been accommodated in the space.

4.6 The Committee, therefore, recommends that in future, the Company shall go for hiring of space after due consideration and realistic assessment of need to avoid wastage of public money.

(c) Missing Units (Para 4B 1.3)

5.1 To the end of 1992-93 as per the information given by the branch there were as many as 1735 units whose assets were missing either fully or partly involving an outstanding loan and interest of Rs.1712.26 lakh.

5.2 The Corporation in its explanatory notes stated that the Corporation has instructed the Branch Managers to arrange to prepare detailed case sheets in respect of all the fully or partly missing units and to submit them to their higher ups for their periodical review. The amount involved (0.77%) and the cases involved (4.33%) in this respect was very negligible.

5.3. A separate MU cell is formed to closely monitor the aspects of the missing units. Presently the MU cell is de-centralised to monitor the issue at the respective branch level. An OSD has been appointed for 6 months to take disciplinary action against the employees who were responsible.

5.4 The Managing Director in his oral evidence stated that physical inspections are being conducted and MIS systems are being planned to know exactly where the fault lies and to plug loopholes.

5.5 The Committee recommends that number of such missing cases shall be reduced by taking a special drive by the Management from time to time and factual position intimated to the Committee at the earliest on the instant cases.

AUDIT REPORT 1995-96(Commercial)

(d) Disbursement of loan without verifying the credentials of promoters (Para 4B.1.1).

6.1 The Corporation sanctioned a term loan of Rs.96.95 lakh to Mijura Stores (P) Ltd., Nellore to meet the cost of import machinery intended for setting up of 100% export oriented granite unit estimated to cost Rs.241.50 lakh. The amount was sanctioned and disbursed without completing formalities relating to execution of loan agreement furnishing of collateral securities and without verifying the credit worthiness of the loanee.

6.2 The Corporation in its explanatory notes stated that after receiving the confirmation letter from the IDBI regarding refinance only the Corporation has released the amounts and the assets of the unit were sold and the amount due is Rs.92.55 lakh (principle).

6.3 In his oral evidence, The Managing Director stated that till 1993 collateral security has not been taken by the Corporation, but now collateral security is being accepted. The Corporation is trying to implement Revenue Recovery Act also. 20 acres of land was identified on the name of the loanee and a case under section 31(a) of SFC Act was filed so that the property would not be transferred.

6.4 The Committee recommends that collateral security shall be increased to 50% or the cost of imported machinery when a loan is extended for importing machinery for setting up a unit with the help of the Corporation to protect the interest of the Corporation. As the problem of genuineness of the loanee/machinery arises in respect of Export/Import trade or any machinery is being imported for setting up of a unit in India inspection shall be made by the Corporation on the export/import goods. This aspect shall be brought to the notice of the Association of SFCs in the country to help the Corporation to be more safe in respect of export and import trade.

(e) Sanction of loan for production of free flow and iodized salt (Para 4B.1.2)

7.1 The Corporation during 1988/1990 released a term loan of Rs.33.26 lakh, soft loan of Rs.4 lakh and seed capital Rs.6 lakh. The production of free-flow salt could not be started due to non-suitability of raw-salt available at the location. The Company diversified its line of production to Barium Chemicals during 1991 and could not continue its production beyond 1992 due to uneconomic cost of production.

7.2 The Corporation in its explanatory notes stated that the unit was sold out and notices were issued under R.R. act.

The Managing Director in his oral evidence stated that an amount of Rs.71.17 lakh is yet to be realised.

7.3 The Committee, therefore, recommends that in future, the Company shall make adequate realistic and independent assessment of all the projects with special reference to the suitability of raw material. In this instant case, the Corporation is advised to settle the case at the earliest and intimate the Committee.

(f) Financial accommodation to a promoter (Para 4B.1.3)

8.1 The Corporation disbursed a loan of Rs.20.62 lakh (1984-85) under IDBI refinance scheme to a unit to produce grinding media and magnesium steel castings. In 1986 the Company diversified its activity and started producing steel ingots for which no license was obtained and which was also a banned item for financing by IDBI.

8.2 The Corporation in its explanatory notes stated that this being a consortium finance case and APIDC being the lead institution the Corporation could not take drastic action for seizing the unit etc.

8.3 The Managing Director in his oral evidence stated that in consortium meeting held on 9.9.1992 it was decided to settle the account of the company on OTS basis and the company has paid Rs.20.99 lakh towards principal and interest and the account was closed. In consortium cases normally the Corporation follows the decision of the lead institution.

8.4 The Committee recommends that timely action shall be taken to seize the assets of sick units in coordination with the lead financier to recover the dues to the Corporation.

SUMMARY OF RECOMMENDATIONS

1. The Committee feels that both the aspects viz., non-release of documentaries after production and belated drawal of loans by the beneficiaries, are results of improper planning leading to Financial loss to the Government. The Committee, therefore, recommends that the Company must ensure proper planning in future before taking up such projects. (Paragraph No. 2.4)

2. The Committee recommends that continuous monitoring and follow up action shall be taken in coordination with the revenue authorities to recover the dues in time. (Paragraph No. 3.12)

3. The Committee recommends that, in future, the Company shall go for hiring of space after due consideration and realistic assessment of need to avoid wastage of public money. (Paragraph No. 4.6)

4. The Committee recommends that number of such missing cases shall be reduced by taking a special drive by the Management from time to time and factual position intimated to the Committee at the earliest on the instant cases.. (Paragraph No. 5.5)

5. The Committee recommends that collateral security shall be increased to 50% of the cost of the imported machinery when a loan is extended for importing machinery for setting up a unit with the help of the Corporation to protect the interest of the Corporation.

As the problem of Genuineness of the loanee/ machinery arises in respect of Export/import trade or any machinery is being imported for setting up of a unit in India, inspection shall be made by the Corporation on the export/import goods. This aspect shall be brought to the notice of the association of SFCs in the country to help the Corporation to be more safe in respect of export and import trade. (Paragraph No. 6.4)

6. The Committee recommends that, in future, the Company shall make adequate, realistic and independent assessment of all the projects with special reference to the suitability of raw material. In this instant case, the Corporation is advised to settle the case at the earliest and intimate the Committee. (Paragraph No. 7.3)

7. The Committee recommends that timely action shall be taken to seize the assets of sick units in coordination with the lead financier to recover the dues to the Corporation.

(Paragraph No. 8.4)