

Chapter 13 - Youth Advancement, Tourism & Culture (Sports) Department

13.1 Department profile

The department has three wings viz., Culture, Youth Services & Sports and Tourism, each headed by a Principal Secretary/Secretary to the Government.

Sports Authority of Andhra Pradesh (SAAP) which is an executive arm of the department in the field of sports was created in 1988 by replacing the erstwhile Andhra Pradesh Sports Council and other Sports Councils for promotion of games and sports in the State and functions under the administrative control of Principal Secretary to Government (Youth Services and Sports). SAAP implements the sports development programmes/schemes of Government of India/Sports Authority of India, constructs stadia, sets up Sports Academies/Sports Schools, conducts various coaching camps, and hosts State, National and International tournaments in various disciplines.

During 2010-11, we reviewed¹ the '*Construction of Sports Hostel building at Gachibowli, Hyderabad*' taken up by SAAP. Our audit revealed that SAAP saddled itself with unwarranted loan burden while constructing a sports hostel by taking an injudicious decision in obtaining loan on unfavourable terms. The detailed audit findings are discussed below.

13.2 Unwarranted loan burden in construction of Sports Hostel

India was slated to host the Military World Games in 2007. Consequent to Government of India's decision (September 2003) to hold the event at Hyderabad in Andhra Pradesh, SAAP was tasked (June 2005) to organise the event. To accommodate the participants State Government, in February 2006 handed over 9.16 acres of land at Gachibowli, Hyderabad to SAAP for construction of a nine-storeyed (basement + ground + 7 floors) sports hostel building. The land to SAAP was alienated without fixing any specific terms and conditions. The estimated cost of the project was ₹ 40 crore². The work was entrusted (October 2006) to a Hyderabad based firm³ at an agreed value of ₹ 32.64 crore⁴. The hostel building (up to nine floors) was completed in October 2007 at a cost of ₹ 69.73 crore⁵ and the Games were conducted as planned in the same month. Thereafter, the completed portion (up to nine floors) of the building was not put to any use.

¹ under Section 14 of C&AG's (Duties, Powers and Conditions of service) Act 1971

² Administrative sanction: ₹ 40 crore; Technical Sanction: ₹ 30 crore

³ Nagarjuna Constructions Company Limited

⁴ at 33 per cent excess over estimated value

⁵ including expenditure for framed structure from 10 to 15 floors

Audit scrutiny of the relevant records of SAAP revealed the following:

- (i) Government of Andhra Pradesh offered initially to finance the construction of a games village at Gachibowli. The Government, at a later stage, reversed this position and instructed the SAAP to commence work using ₹ 12 crore available with the Authority. Vice Chairman and Managing Director, SAAP decided to approach HUDCO⁶ to secure a loan to fund the construction. Since Government could not back SAAP request with a guarantee the Authority, under advice from the Government, approached Punjab National Bank (PNB) for a commercial loan which it did (January 2007).
- (ii) PNB offered the loan subject to the condition that SAAP would add another six floors to the building to make the project commercially bankable. ***SAAP accepted this condition without, however, independently assessing the viability of the project with its scope enhanced.***
- (iii) To obtain the loan (₹ 48 crore), SAAP was obliged to mortgage its entire equipment and other fixed assets to PNB. Though the bye-laws of SAAP did not provide for mortgaging its assets, ***SAAP mortgaged (February 2007) its assets without actually amending its bye-laws. Though the amendment proposed (January 2007) by it had been approved by the Government, it was not formally processed and given effect. The mortgage of assets was, therefore, not legally valid.***
- (iv) Due to its precarious financial condition, SAAP could not repay the loan installments on time. Therefore, the loan payment was got rescheduled twice at the request of SAAP. This attracted 2 *per cent* additional interest on the defaulted amount. As of March 2011, SAAP repaid an amount of ₹ 23.52 crore to the bank (principal: ₹ 8.71 crore, interest: ₹ 14.81 crore). ***The balance principal amount of loan of ₹ 39.29 crore along with the interest is yet to be repaid (November 2011).***
- (v) Construction of additional six floors was taken up after the games event and was scheduled to be completed by January 2008. However, this portion of work is not yet completed due to non-payment of bills to the contractor on account of paucity of funds. ***As of August 2011, pending bills amounting to ₹ 9.71 crore were yet to be paid to the contractor and a further amount of ₹ 3.50 crore was required to complete the balance works viz., external electrification, external painting to the entire building, installation of lifts, etc.***

Considering that it was the first time that Military World Games were being held outside Europe and the State Government had consented to host the games in Hyderabad, the decision of the State Government not to fund the construction of the hostel and to leave SAAP in a situation where it had to obtain loan from PNB on unfavourable terms, pushed SAAP into financial crisis saddled, as it is, with a debt burden of ₹ 58.14 crore (principal: ₹ 39.29 crore and interest: ₹ 18.85 crore) as of end of March 2011.

⁶ Housing & Urban Development Corporation

The additional portion (six floors) of the building, which was scheduled for completion by January 2008, was not completed even after the lapse of four years. Inexplicably, even the built up space is lying unused thus, further accentuating the financial burden of SAAP. Government in its reply stated (July 2011) that it had decided to own the property by taking over the servicing of the debt in the interest of the State.

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