



**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2015**



**Government of Andhra Pradesh
Report No. 5 of 2016**

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Preface

This report deals with results of audit of Government Companies and Statutory Corporations for the year ended March 2015.

The accounts of the Government Companies (including Companies deemed to be Government Companies as per the provision of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Section 139 and 143 of the Companies Act 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Statutory Corporation are submitted to the Government of present Andhra Pradesh by CAG for laying before State Legislature of present Andhra Pradesh under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

CAG is sole auditor for one Statutory Corporation, i.e., Andhra Pradesh State Road Transport Corporation.

The instances mentioned in this Report are those, which came to notice in course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports; matters relating to the period subsequent to 2014-15 have also been included, wherever necessary.

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

OVERVIEW

1. Overview of State Public Sector Undertakings

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations which are established to carry out activities of commercial nature keeping in view the welfare of people.

The AP Reorganization Act, 2014 came into effect from 2 June 2014 vide which erstwhile composite Andhra Pradesh was bifurcated and Andhra Pradesh State was formed on the same day. In Andhra Pradesh, the State PSUs occupy an important place in the state economy. The accounts of these PSUs are subject to supplementary audit conducted by CAG as per the provisions of Section 143 of the Companies Act, 2013 and audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2015, there were 70 PSUs, falling under audit preview. Out of these, 15 working PSUs pertain exclusively to Andhra Pradesh and 33 PSUs are under demerger and remaining 22 are non-working PSUs (yet to be bifurcated). As on 31 March 2015, the investment (capital & long term loans) in 70 PSUs was ₹ 60,708.77 crore. The investment has grown by 65.27 per cent from ₹ 6,275.99 crore in 2010-11 to ₹ 18,069.99 crore in 2014-15 in respect of working PSUs and the thrust of investment was mainly in power sector.

- During 2014-15 total outgo from the budget of the State of Andhra Pradesh was ₹ 2,266.89 crore for working PSUs and ₹ 7,117.64 crore for PSUs under demerger.
- As per their latest finalised accounts 15 working PSUs (Exclusive Andhra Pradesh) incurred a loss of ₹ 565.14 crore. Thirty three PSUs under demerger, incurred a loss of ₹ 444.12 crore and four PSUs declared a dividend of ₹ 16.19 crore.
- During the year 2014-15 out of seven working PSUs (Exclusive Andhra Pradesh) which finalised accounts, one PSU (Andhra Pradesh Heavy Machinery & Engineering Limited) earned a profit of ₹ 2.50 crore and five PSUs incurred loss of ₹ 28.58 crore and one working PSU has not started its commercial operations. Out of 22 PSUs under demerger which finalised accounts, 14 PSUs earned a profit of ₹ 510.27 crore, seven PSUs incurred a loss of ₹ 1,221.54 crore and one PSU prepared its accounts on 'no profit no loss' basis. Major contributors to profit were Andhra Pradesh Forest Development Corporation Limited, Andhra Pradesh State Warehousing Corporation, Andhra Pradesh Industrial Infrastructure Corporation Limited and Andhra Pradesh State Irrigation Development Corporation Limited.

(Chapter I)

2. Performance Audit relating to Government company

Performance Audit of **Activities of Andhra Pradesh Forest Development Corporation Limited** was conducted. Executive summary of audit findings is given below:

Introduction

Andhra Pradesh Forest Development Corporation Limited (APFDC) was set up in June 1975 as a wholly owned Government Company to develop land for raising forest plantations and in particular, eucalyptus, tropical pines, rubber, cashew nut, cocoa and such other suitable species in the State for the purpose of development of industries based on their produce.

The Performance Audit covered the activities of the Company in Andhra Pradesh for the period 2009-14.

Eucalyptus Plantations

Nurseries - Non-usage of new and cost-effective technology

The Company introduced (2009-10) Sand Bed Nursery (SBN) Technique (development of propagules at one place) with a capacity of 18.08 lakh propagules per annum on experimental basis. SBN avoids transportation of propagules over long distances and increases survival rate (80 to 90 *per cent*). The Company did not expand this successful technique to the total available capacity of 134.95 lakh propagules which resulted in increased cost of clonal plants.

Abnormal delay in replacement of gall infested plantations

The Company identified (2006) that eucalyptus plants were affected with gall infestation (a type of pest) and took a decision to destroy the nursery plants belonging to the clone 10 variety and replace them with a pest resistant clonal variety in 2007. But the Company had started destroying/replanting the affected plantations only in 2011. Abnormal delay in replanting led to a loss of realisable revenue of ₹ 31.69 crore.

Non-conversion of seed origin plants to clonal plants

At the beginning of 2009-10, an area of 27,350.37 ha was under seed origin eucalyptus plantations. During the period 2009-14, the Company had set a target for conversion of 14,367.85 ha of seed origin plants into high yielding clonal plants, against which it achieved 11,613.71 ha. The shortfall had far-reaching financial implications on the Company.

Non-upgradation to cost-effective harvesting methods

The Company planned (July 2010) for procurement of harvester to minimize harvesting expenses. Non-procurement of harvesters resulted in avoidable harvesting expenditure of ₹ 5.95 crore during 2010-14.

Insufficient EMD adversely affected the Sales process

The successful bidders had failed to enter into agreement because EMD was not fixed as a percentage of estimated sale value of pulpwood. The Company allotted these units to second highest bidders which resulted in a loss of ₹ 142.37 lakh.

Performance Security

Refund of Security Deposit along with interest in violation of tender conditions resulted in loss of revenue to the tune of ₹ 1.13 crore and undue favour to the contractors to that extent.

Bamboo

Poor yield due to delay in harvesting

The yield obtained from bamboo plantations in Rajahmundry Division and Eluru Division was not up to the standard. The standard yield was 2500 number of Long Bamboos (LBs) per ha and 12 MT of Bamboo Industrial Cuts (BICs) per ha. During the period 2009-14 the number of LBs yielded in Rajahmundry division ranged between 404 and 1,461 and in Eluru Division it ranged between 1,750 and 2,509. In case of BICs, in Rajahmundry Division it ranged between 0.14 MT and 0.98 MT and in Eluru Division it ranged between 0.18 MT and 1.91 MT.

Cashew nut

Yield was low compared to standard yield

The average number of yielding plants was very low due to poor survivals and ranged from 20 to 29 trees per hectare as against the standard number of 204 trees per hectare. There were no rectification proposals on record. The yields from these trees during 2009-14 ranged between 13.52 Kg and 26.42 Kg per ha as against national average yield of 778 Kg per ha, indicating poor performance.

Gap plantation-Poor survival plantation due to lack of cultural operations

The Company raised 1,65,323 cashew grafts in gap plantations during 1993 to 2009 in 886.21 ha at 25 locations incurring an expenditure of ₹ 93.91 lakh. Of them, only 19 *per cent* survived due to lack of supervision and cultural operations. This resulted in unfruitful expenditure of ₹ 76.07 lakh.

Pine and Pepper plantations

Unjustified holding of pine plantations for 35 years

The Rajahmundry Division had raised Pine plantations in Maredumilli during the period 1976-1981 over an extent of 135 ha on experimental basis to study the viability of the species to provide homogenous long fibre for paper-making. These plants were being continued without generating any revenue for over 35 years.

Medicinal plants under Vanaspathi Van Programme

Amla plantations-Failure to ensure cost-effective collection charges

Vanaspathi Van Programme (VVP) was sponsored by GoI to promote Indian system of medicine and for development of medicinal plants. The Company raised amla plantations in Rajahmundry and Kadapa Divisions during the period 2001-04, at a cost of ₹ 5.81 crore including grant from GoI. During the 1st three years (2009-12) of harvesting, the Company earned an income of ₹ 8.22 lakh and did not take up harvesting from 2012-13 onwards on the

ground that the collection charges are more than the expected revenue. Thus the expenditure of ₹ 5.81 crore proved to be unfruitful.

Development of eco-park without visitor amenities

The Company envisaged (November 2006) to develop an eco-park along with base camp with visitors amenities with the objective of making available an access to rich variety of plants and animal life to the urban populace. The eco-park was developed (January 2009) at a cost of ₹ 3.71 crore in an area of 228.52 ha. The Company decided (October 2009) not to construct the base camp as it would be unviable. This had resulted in non-attraction of visitors and led to earning of an income of only ₹ 2.88 lakh up to 2014-15 as against the projected income of ₹ 63.13 lakh per annum.

(Chapter II)

3. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹ 1.98 crore in four cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.4.1.2, 3.4.1.3, 3.4.1.4 and 3.4.2.1)

Loss of ₹ 6.44 crore in three cases due to non-safeguarding the financial interest of organization.

(Paragraphs 3.1.1, 3.1.2 and 3.4.1.4)

Loss of ₹ 7.84 crore in one case due to defective/ deficient planning.

(Paragraph 3.2)

Loss of ₹ 1.54 crore in one case due to inadequate/ deficient planning.

(Paragraphs 3.3)

Gist of some of the important audit observations is given below:

Andhra Pradesh Power Generation Corporation Limited: Due to under insurance of assets by Company, the insurance Company settled the claim for ₹ 0.91 crore against the insurance value of ₹ 6.00 crore resulting in foregoing an amount of ₹ 5.09 crore.

(Paragraph 3.1.1)

Failure of the Company in meeting the maintenance requirements of the policy resulted in rejection of the insurance claim and loss to the Company to the extent of ₹ 84.24 lakh.

(Paragraph 3.1.2)

Infrastructure Corporation of Andhra Pradesh Limited: Cancellation of a drinking water project, by Government, resulted in infructuous expenditure of ₹ 3.41 crore incurred on preparation of DPRs and ₹ 4.43 crore incurred on maintenance of Project Monitoring Unit and Project Implementation Unit and blocking up of ₹ 49.24 crore towards mobilisation advances to contractors.

(Paragraph 3.2)

Andhra Pradesh Handicrafts Development Corporation Limited: Due to non-utilisation of 93.93 MTs Red Sanders procured (May 2012) at a value of ₹ 1.54 crore at subsidised rates resulted in blocking up of funds and failure to provide benefits to the artisans and develop their skills.

(Paragraph 3.3)

Andhra Pradesh State Road Transport Corporation: Erstwhile Andhra Pradesh state, with a view to augment non-traffic revenue had contemplated commercial exploitation of vacant lands. Accordingly two schemes viz., Deposit, Operate and Transfer (DOT) and Build, Operate and Transfer (BOT)

were contemplated in 1998 and 2001 respectively. Under both the schemes, the land/constructed shop would be given on long term lease i.e. 20 and 30/33 years respectively.

Under BOT Scheme, audit observed that contrary to the terms and conditions of agreement, service tax amounting to ₹ 1.49 crore was not billed and collected during the periods 2007 to 2015 from the licensees and remitted to the appropriate authorities. The Corporation short levied interest to the extent of ₹ 19.41 lakh for the belated payment resulting in loss of revenue. The licensees built excess areas, but the Corporation collected license fee only for approved built up area resulting in short realization of license fee of ₹ 64.83 lakh up to 2014-15.

Under DOT scheme, audit observed that service tax amounting to ₹ 16.24 lakh was not collected from the licensees, for the period July 2012 to March 2014 in Tirupati and Visakhapatnam Divisions.

(Paragraph 3.4)

(Chapter III)

Chapter I

1. Functioning of State Public Sector Undertakings

1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. The Andhra Pradesh Reorganisation Act, 2014 came into effect from 2nd June 2014 vide which erstwhile composite State of Andhra Pradesh was bifurcated and Andhra Pradesh State was formed on the same day.

This is the first Audit Report of the State of Andhra Pradesh after bifurcation of erstwhile composite State of Andhra Pradesh.

As per the above Act, the assets and liabilities relating to the PSUs of the erstwhile composite State of Andhra Pradesh where such undertaking or part thereof is exclusively located in, or its operations are confined to, a local area, shall pass to the State in which that area is included, irrespective of the location of Head Quarters¹. The assets and liabilities of the PSUs which had interstate operations shall have to be apportioned between the two States² as follows:

- (a) the operational units of the undertaking shall be apportioned between the two successor States on location basis; and
- (b) the headquarters of the such undertaking shall be apportioned between the two successor States on the basis of population ratio.

Accordingly in Andhra Pradesh State, as on 31 March 2015, there were 70 PSUs.

1.1 Of these, none of the PSUs were listed on the stock exchange(s). During the year 2014-15, three PSUs viz. Andhra Pradesh Solar Power Corporation Private Limited, Andhra Pradesh State Skill Development Corporation and Andhra Pradesh Mahila Sadhikara Samstha were incorporated whereas none of the PSUs was closed down. The details of the State PSUs in Andhra Pradesh State as on 31 March 2015 are given as follows:

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs*	Total
Government Companies (Exclusive Andhra Pradesh)	15	0	15

¹ PSUs coming under Andhra Pradesh State are referred in this Report as exclusive Andhra Pradesh PSUs

² PSUs having interstate operations are referred in this Report as PSUs under demerger

Type of PSUs	Working PSUs	Non-working PSUs*	Total
Government Companies under demerger	30	22*	52
Statutory Corporations under demerger	3	0	3
Total	48	22	70

Source: Information as furnished by State Government and PSUs

*Non-working Companies given above are also yet to be bifurcated and assets and liabilities are yet to be bifurcated between the two States.

The Government Companies (exclusive Andhra Pradesh) registered a turnover of ₹ 13,435.60 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 2.58 per cent of State Gross Domestic Product (GDP)³ for 2014-15. These PSUs incurred loss of ₹ 565.14 crore as per their latest finalised accounts as of September 2015. They had employed 0.25 lakh employees as at the end of March 2015.

The 33 PSUs under demerger (including 3 Statutory Corporations) registered a turnover of ₹ 34,593.50 crore as per their latest finalised accounts as of September 2015. These PSUs incurred aggregate loss of ₹ 444.12 crore as per their latest finalised accounts as of September 2015. They had employed 0.89 lakh employees as at the end of March 2015.

As on 31 March 2015, there were 22 non-working PSUs under demerger existing from over 20 years and having investment of ₹ 259.19 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

1.2 The process of audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, “Government company” means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State

³ Gross Domestic Product of Andhra Pradesh State - ₹ 5,20,030.00 crore

Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the CAG which, among other things, including financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

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

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Andhra Pradesh

1.5 The State Government has a significant financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 70 PSUs was ₹ 60,708.77 crore detailed as follows:

Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
15 Working PSUs (Exclusive Andhra Pradesh)	2,685.80	15,384.19	18,069.99	--	--	--	18,069.99
33 PSUs under demerger-Working	3,197.65	33,988.51	37,186.16	340.81	4,852.62	5,193.43	42,379.59*
22 PSUs under demerger-Non working	74.66	184.53	259.19	--	--	--	259.19
Total	5,958.11	49,557.23	55,515.34	340.81	4,852.62	5,193.43	60,708.77

Source: Information as furnished by PSUs

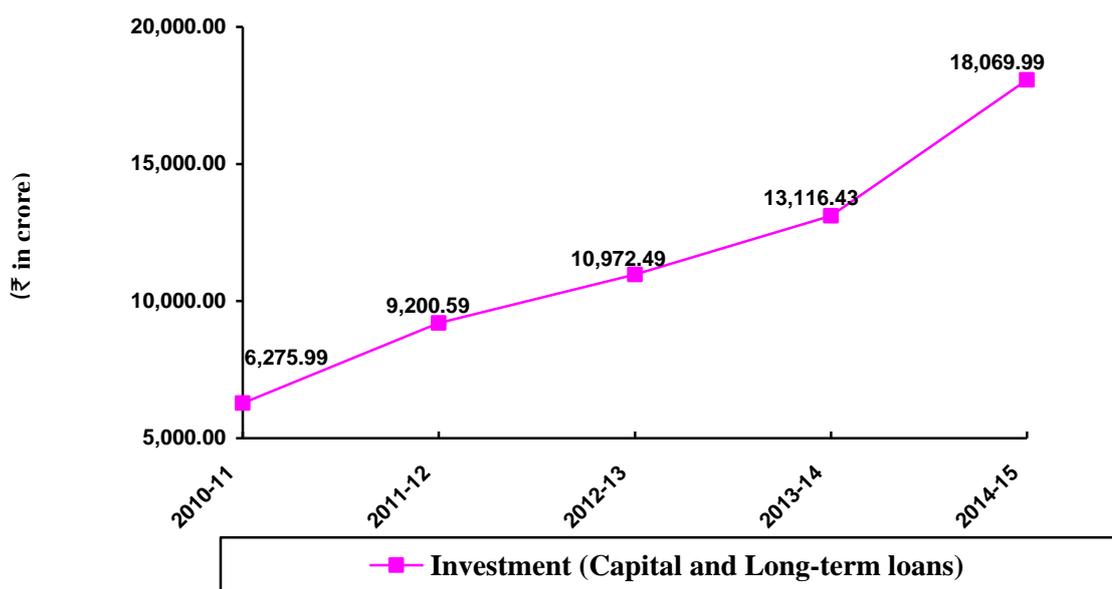
* AP GENCO – 2013-14

As on 31 March 2015, of the total investment, 29.77 per cent was in Working PSUs (exclusive Andhra Pradesh), 61.25 per cent was in PSUs under demerger, 8.55 per cent in Statutory Corporations and 0.43 per cent in non-working PSUs.

This total investment consisted of 14.86 per cent towards capital and 85.14 per cent in long-term loans in respect of Working PSUs (exclusive Andhra Pradesh). This total investment consisted of 8.47 per cent towards capital and 91.53 per cent in long-term loans in respect of PSUs under demerger.

The investment has grown by 65.27 per cent from ₹ 6,275.99 crore in 2010-11 to ₹ 18,069.99 crore in 2014-15 in respect of Working PSUs (exclusive Andhra Pradesh) as shown in the chart as follows:

Chart 1.1: Total investment in Working PSUs (Andhra Pradesh)



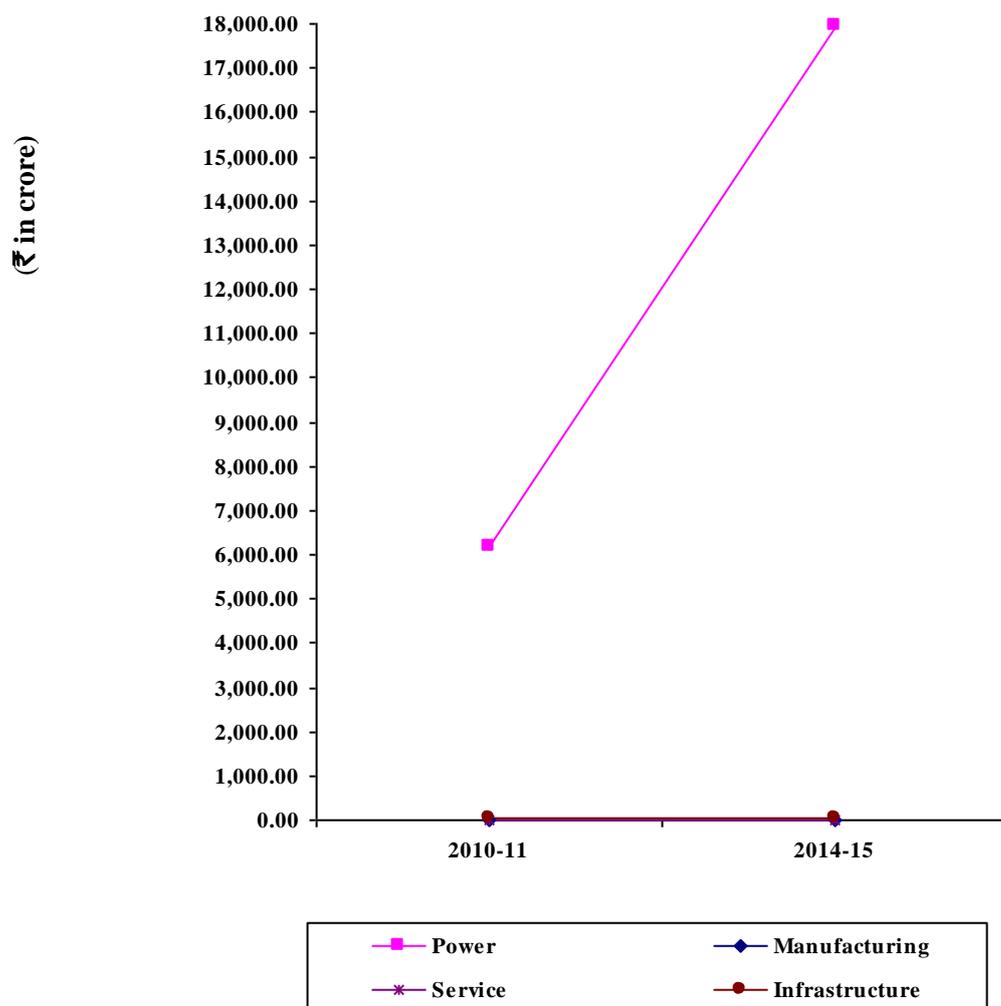
1.7 The sector wise summary of investments in the Working PSUs (exclusive Andhra Pradesh), PSUs under demerger (including Statutory Corporations) as on 31 March 2015 is given as follows:

Table 1.3: Sector-wise investment in PSUs

Name of Sector	Working PSUs (exclusive Andhra Pradesh)	PSUs under de-merger			Investment
		Working PSUs	Statutory Corporations	Non- working PSUs	
Power	17,957.86	16,927.03	--	--	34,884.89
Manufacturing	18.48	186.20	--	202.41	407.09
Finance	--	5,832.23	2,534.55	23.57	8,390.35
Miscellaneous	3.11	5.09	--	--	8.20
Service	0.10	5.50	2,564.41	1.13	2,571.14
Infrastructure	60.00	13,830.65	--	--	13,890.65
Agriculture & Allied	30.44	399.46	94.47	32.08	556.45
Total	18,069.99	37,186.16	5,193.43	259.19	60,708.77

Source: Information as furnished by PSUs

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 in respect of Working PSUs (exclusive Andhra Pradesh) are indicated below in the chart. The thrust of investment in respect of Working PSUs (exclusive Andhra Pradesh) was mainly in power sector, which increased from 98.73 per cent to 99.38 per cent during 2010-11 to 2014-15.

Chart 1.2: Sector wise investment in Working PSUs (exclusive Andhra Pradesh)

It may be seen from the above chart that there is a steep increase in investments in power sector indicating State Government's thrust towards creating infrastructure in power sector. As compared to power sector the investment in other sectors is negligible.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of Working PSUs (exclusive Andhra Pradesh) and PSUs under demerger for the year ended 2014-15 as follows.

Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)

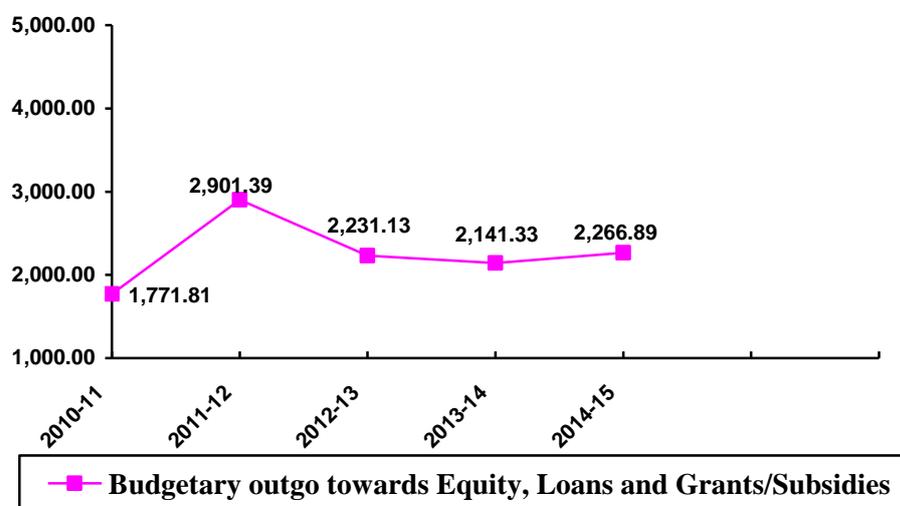
Sl. No.	Particulars	2014-15			
		15 Working PSUs (exclusive Andhra Pradesh)		33 PSUs under demerger	
		No. of PSUs	Amount (A)	No. of PSUs	Amount (B)
1	Equity capital outgo from budget	3	3.16	4	3,019.58

Sl. No.	Particulars	2014-15			
		15 Working PSUs (exclusive Andhra Pradesh)		33 PSUs under demerger	
		No. of PSUs	Amount (A)	No. of PSUs	Amount (B)
2	Loans given from budget	0	0.00	3	457.33
3	Grants/Subsidy given from budget	3	2,263.73	15	3,640.73
4	Total Outgo	6	2,266.89	22	7,117.64
5	Interest/Penal interest written off	0	0.00	0	0.00
6	Guarantees issued	1	0.45	1	100.00
7	Guarantee Commitment	3	132.51	5	7,448.83

Source: Information as furnished by PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years in respect of Working PSUs (exclusive Andhra Pradesh) are given in a chart as follows:

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Budgetary support by State Government to the PSUs increased from 2010-11 to 2011-12 but decreased from 2012-13 to 2013-14 and slightly increased in 2014-15.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 per cent to 1 per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 13,569.56 crore in 2012-13 to ₹ 7,581.34 crore during 2014-15 in respect of all PSUs including PSUs under demerger further, one PSU (APIIC) paid guarantee fee to the tune of ₹ 8.70 crore during 2014-15. There were four PSUs which did not pay guarantee fees/commission during the year and accumulated⁴ outstanding guarantee fees/commission there against was ₹ 3.60 crore (31 March 2015).

⁴ Andhra Pradesh Industrial Development Corporation Limited, New and Renewable Energy Development Corporation of Andhra Pradesh Limited, The Nizam Sugars Limited and Andhra Pradesh State Financial Corporation.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is as follows:

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts vis a vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs #			Difference
		(A)	Working PSUs (exclusive Andhra Pradesh)	PSUs under demerger	
Equity	5,181.70	611.33	1,347.28	1,958.61	3,223.09
Loans	8,651.68	1,311.45	19,371.11	20,682.56	-12,030.88
Guarantees	10,342.19	132.51	7,448.82	7,581.33	2,760.86

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

Information as furnished by PSUs

Audit observed that the differences occurred in respect of 38 PSUs and some of the differences were pending reconciliation since long. Matter was taken up with the State Government. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner. A meeting was held during 2014-15 for reconciliation of figures between Finance Department and Office of AG (Accounts & Entitlements). Some Companies where variations were noticed in the figures approached Office of AG (Accounts & Entitlements) for reconciliation. Reasons for variations were explained by the Office of AG (Accounts & Entitlements) in respect of some PSUs concerned. Variations were mainly because Corporations either omitted to show the loan amount taken from State government or were treated as grants or showing only part of the loan amount as outstanding.

Arrears in finalisation of accounts

1.10 The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their

accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2014-15*			Total
		Working PSUs (exclusive Andhra Pradesh)	Working PSUs	Statutory Corporations	
1.	Number of Working PSUs	15	30	3	48
2.	Number of accounts finalised during the year	12	22	3	37
3.	Number of accounts in arrears*	20	67	2	89
4.	Average arrears per PSU (3/1)	1.33	2.23	0.67	1.85
5.	Number of Working PSUs with arrears in accounts	11	29	2	42
6.	Extent of arrears	1 to 7 yrs	1 to 13 yrs	1 yr	1 to 13 yrs

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

* Position up to September 2015

It can be observed that in respect of Working PSUs (exclusive Andhra Pradesh), 20 accounts relating to 11 PSUs are in arrears. Similarly, for PSUs under demerger, 69 accounts (including Statutory Corporations) relating to 31 PSUs are in arrears as on 30 September 2015. Further, the extent of arrears of accounts ranged from one year to 13 years.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The arrears of accounts continue to exist though the concerned Departments were informed annually. In addition, the AG took up the matter with the State Government/ departments for liquidating the arrears of accounts. D.O. Letters were addressed to Secretaries for liquidating arrears of accounts and for necessary action at their end. As a result, two PSUs i.e. IGCARL-03 accounts and Vizag Apparel Park for export- 4 accounts (after September 2015) submitted arrear accounts for seven years.

1.11 The State Government had invested (a) an amount of ₹ 15.81 crore in four PSUs (Working PSUs (Andhra Pradesh)) {equity: ₹ (3.11) crore in two PSUs, loans: Nil and grants ₹ 12.70 crore two PSUs} during the years for which accounts have not been finalised as detailed in (Annexure 1a).

(b) an amount of ₹ 5,331.84 crore in 18 PSUs under demerger {equity: ₹ 14.52 crore in 05 PSUs, loans: ₹ 3,416.65 crore for 03 PSUs and grants ₹ 1,900.67 crore for 12 PSUs} during the years for which accounts have not been finalised (**Annexure 1b**).

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 22 non-working PSUs, 10 were in the process of liquidation whose accounts were in arrears for 2 to 13 years. Of the remaining 12 non-working PSUs, all the PSUs had arrears of accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
10	2 to 13 years	In the process of liquidation
12	Information not available	

Source: Information as furnished by Official Liquidator

The information in respect to non-working Companies, a letter was addressed to Public Enterprises Department of State Govt. The reply was awaited.

Placement of Separate Audit Reports

1.13 The position depicted in Table 1.8 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Andhra Pradesh State Financial Corporation	2011-12	2012-13	04-02-2014
			2013-14	30-09-2015
			2014-15	18-11-2015
2.	Andhra Pradesh State Warehousing Corporation	2012-13	2013-14	31-07-2015
			2014-15	17-08-2015
3.	Andhra Pradesh State Road Transport Corporation	2012-13		Not applicable

Source: Information as furnished by PSUs concerned

Impact of non-finalisation of accounts

1.14 As pointed out above (*para 1.10 to 1.12*), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs as per their latest finalized accounts

1.15 The financial position and working results of Working PSUs (Andhra Pradesh) and PSUs under demerger and Statutory Corporations are detailed in **Annexure 2a and Annexure 2b**. A ratio of PSUs turnover to State GDP shows the extent of PSUs, activities in the State economy. Table below provides the details of State working PSUs turnover and State GDP for the year ended 31 March 2015.

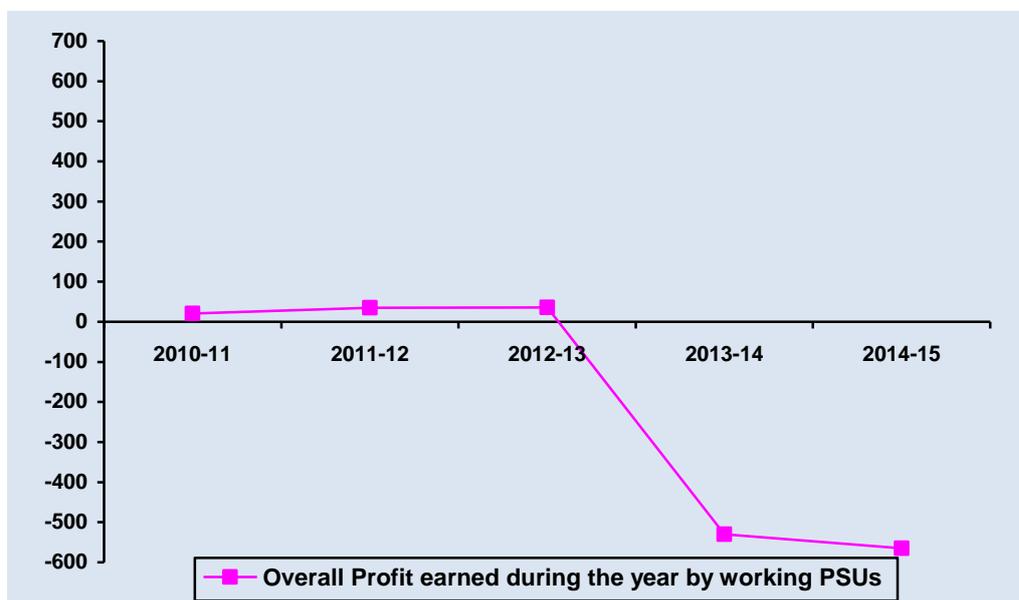
Table 1.9: Details of Working PSUs (exclusive Andhra Pradesh, Statutory Corporations and under demerger)-turnover vis-a-vis State GDP
(₹ in crore)

Particulars	2014-15		
	Working PSUs (exclusive Andhra Pradesh)	PSUs under demerger	Statutory Corporations under demerger
Turnover	13,435.60	26,129.81	8,463.69
Present Andhra Pradesh State GDP	5,20,030.00	Not Applicable	Not Applicable
Percentage of turnover to State GDP	2.58	Not Applicable	Not Applicable
Net profit(+)/loss (-)	-565.14	549.79	-993.91

Source: As per latest finalised accounts of PSUs

1.16 Overall profit (losses) earned (incurred) by Working PSUs (Andhra Pradesh) during 2010-11 to 2014-15 are given in chart as follows:

Chart 1.4: Profit/Loss of working PSUs (exclusive Andhra Pradesh)



During the year 2014-15, out of seven Working PSUs (exclusive Andhra Pradesh), one PSU (Andhra Pradesh Heavy Machinery & Engineering Limited) earned profit of ₹ 2.50 crore and five PSUs incurred loss of ₹ 28.58 crore. One working PSU (Andhra Pradesh Solar Power Corporation Private Limited) has not started its commercial operations. Losses were incurred by Andhra Pradesh Gas Infrastructure Corporation Limited, Andhra Pradesh Gas Distribution Corporation, Krishnapatnam International Leather Complex Private Limited, Indira Gandhi Centre for Advanced Research on Livestock Private Limited and Ongole Iron Ore Mining Company Private Limited.

During the year 2014-15, out of 22 PSUs under demerger which finalised accounts, 14 PSUs earned profit of ₹ 510.27 crore and seven PSUs incurred loss of ₹ 1,221.54 crore. One working PSU prepared their accounts on a 'no profit no loss' basis. The major contributors to profit were Andhra Pradesh Forest Development Corporation Limited, Andhra Pradesh State Warehousing Corporation, Andhra Pradesh Industrial Infrastructure Corporation Limited and Andhra Pradesh State Irrigation Development Corporation Limited. Heavy losses were incurred by Andhra Pradesh State Road Transport Corporation, Leather Industries Development Corporation of Andhra Pradesh Limited, The Nizam Sugars Limited, and Andhra Pradesh State Agro Industries Development Corporation Limited.

1.17 Some other key parameters of PSUs are given below.

Table 1.10: Key Parameters of Working PSUs (exclusive Andhra Pradesh) and PSUs under demerger

(₹ in crore)

Particulars	2014-15	
	Working PSUs (exclusive Andhra Pradesh)	PSUs under demerger
Return on capital employed	18.80	6,324.34
Debt	16,828.54	36,155.06
Turnover ⁵	13,435.60	34,593.50
Debt/ Turnover Ratio	1.25	1.05
Interest Payments	583.94	4,445.36
Accumulated Profits / (losses)	-6,636.67	-4,175.52

Source: As per latest finalised accounts of PSUs

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.18 As per their latest finalised accounts, 15 Working PSUs (exclusive Andhra Pradesh) incurred an aggregate loss of ₹ 565.14 crore.

As per their latest finalised accounts, 33 PSUs under demerger incurred an aggregate loss of ₹ 444.12 crore and four PSUs declared a dividend of ₹ 16.19 crore.

⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

Winding up of non-working PSUs

1.19 There were 22 non-working PSUs (22 Companies and nil Statutory Corporations) as on 31 March 2015. Of these, 10 PSUs have commenced liquidation process. The number of non-working companies at the end of each year during the year 2014-15 are given below.

Table 1.11: Non working PSUs

Particulars	2014-15
No. of non-working companies	22
No. of non-working corporations	0
Total	22

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

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. During 2014-15, three non-working PSUs incurred an expenditure of ₹ 0.19 crore towards establishment expenditure. The entire expenditure was met from the interest earned on FDRs kept with various scheduled banks, rents collected, amounts payable were written back and excess provisions made in earlier years.

1.20 The stages of closure in respect of non-working PSUs given as follows:

Table 1.12: Closure of Non-working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	22	0	22
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	10	0	10
(b)	Voluntary winding up (liquidator appointed)	Not available		
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	Not available		

Source: Information as furnished by Official Liquidator

During the year 2014-15, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 2 years to 13 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may take a decision regarding winding up of 12 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Comments on Accounts

1.21 (a) Seven Working PSUs (exclusive Andhra Pradesh) forwarded their audited 12 accounts to AG during the year 2014-15. All the accounts of seven Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows:

*Table 1.13. (a): Impact of audit comments on Working PSUs
(exclusive Andhra Pradesh)*

(₹ in crore)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	0	0.00
2.	Increase in loss	1	0.07
3.	Non-disclosure of material facts	1	0.00
4.	Errors of classification	0	0.00

Source: As per comments issued by C&AG and Statutory Auditors

1.21 (b) 19 PSUs under demerger forwarded their audited 22 accounts to AG during the year 2014-15. Of these, 22 accounts of 19 Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows.

Table 1.13. (b): Impact of audit comments on PSUs under demerger

(₹ in crore)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	4	12.08
2.	Increase in loss	0	0.00
3.	Non-disclosure of material facts	8	1408.42
4.	Errors of classification	6	596.98

Source: As per comments issued by C&AG and Statutory Auditors

During the year, the Statutory Auditors had given unqualified certificates for 13 accounts (six State working PSUs (AP) and seven PSUs under demerger), qualified certificates for 18 accounts (one State working PSU (AP) and 17 PSUs under demerger), while adverse certificates and disclaimers (meaning the auditors are unable to form an opinion on accounts) were not given for any accounts. The compliance of companies with the Accounting Standards remained poor as there were seven instances of non-compliance in four accounts during the year.

1.22 Similarly, three working Statutory Corporations forwarded their three accounts to AG during the year 2014-15. Of these, three accounts of three Statutory Corporations were audited. CAG is the sole auditor for one Statutory Corporation (Andhra Pradesh State Road Transport Corporation). The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows:

Table 1.14: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	2	297.59
2.	Increase in loss	0	0.00
3.	Non-disclosure of material facts	0	0.00
4.	Errors of classification	2	89.50

Source: As per comments issued by C&AG and Statutory Auditors

During the year, out of three accounts, only one account received unqualified certificate, two accounts received qualified certificate.

Response of the Government to Audit

Performance Audit and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, one performance audit and four audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of three compliance audit paragraphs were awaited from the State Government (January 2016).

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, erstwhile Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table No.1.15: Explanatory notes not received (as on 30 September 2015)

Year of the Audit Report (Commercial /PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
1992-93	29-03-1994	7	29	0	0
1993-94	28-04-1995	6	19	0	0
1995-96	19-03-1997	5	23	0	2
1996-97	19-03-1998	6	23	0	0
1997-98	11-03-1999	6	23	0	7
1998-99	03-04-2000	4	25	0	5
1999-00	31-03-2001	6	18	2	6
2000-01	30-03-2002	4	17	1	1
2001-02	31-03-2003	3	20	0	0
2002-03	24-07-2004	3	13	0	2
2003-04	31-03-2005	2	19	1	0
2004-05	27-03-2006	2	21	1	2
2005-06	31-03-2007	4	19	1	1
2006-07	28-03-2008	5	24	2	7
2007-08	05-12-2008	3	22	1	1
2008-09	30-03-2010	3	24	1	7
2009-10	29-03-2011	3	18	1	1
2010-11	29-03-2012	3	22	0	9
2011-12	21-06-2013	2	6	2	4
2012-13	06-09-2014	2	9	2	4
2013-14	26-03-2015	2	5	1	3
Total		81	399	16[^]	62^{&}

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

[^]all 16 pertain to both Andhra Pradesh State and Telangana State.

& out of this, 60 pertain to both Andhra Pradesh State and Telangana State & 2 pertain to Andhra Pradesh.

From the above, it could be seen that out of 480 paragraphs/performance audits, explanatory notes to 78 paragraphs/performance audits in respect of 10 departments⁶, which were commented upon, were awaited (September 2015).

⁶ 1. Industries & Commerce 2. Irrigation and Command Area Development 3.Revenue 4. Animal Husbandry 5. Energy 6. Agriculture & Co-operation and 7. Transport and Road & Buildings 8. Housing, 9. Youth Advancement, Tourism and Culture and 10. Municipal Administration & Urban Development

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under:

Table No.1.16: Reviews/Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2015

Year of the Audit Report (Commercial/PSU)	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
1992-93	7	29	6	29
1993-94	6	19	5	19
1995-96	5	23	3	12
1996-97	6	23	3	22
1997-98	6	23	2	10
1998-99	4	25	0	14
1999-00	6	18	1	7
2000-01	4	17	1	15
2001-02	3	20	0	13
2002-03	3	13	3	10
2003-04	2	19	0	8
2004-05	2	21	0	13
2005-06	4	19	0	11
2006-07	5	24	1	5
2007-08	3	22	1	9
2008-09	3	24	1	7
2009-10	3	18	1	7
2010-11	3	22	0	3
2011-12	2	6	0 ^{\$}	0 ^{\$}
2012-13	2	9	0 ^{\$}	0 ^{\$}
2013-14	2	5	0 ^{\$}	0 ^{\$}
Total	81	399	28	214

Source: As compiled by office of AG (E&RSA), AP & TS

^{\$} Even though COPU meetings were held only one para of 2012-13 was discussed and deferred.

Note: the above information pertaining to erstwhile composite State of Andhra Pradesh

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATNs) to 333 paragraphs pertaining to 48 Reports of the COPU presented to the State Legislature between April 1983 to March 2007 had not been received (January 2016) are indicated as follows:

Table No.1.17: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
1983-84	1	3	3
1990-91	1	4	4
1991-92	5	160	100
1993-94	5	177	97
1995-96	3	33	17
1996-97	2	38	24
1998-99	2	16	16
2000-01	13	110	43
2002-03	1	24	0
2004-05	9	66	5
2004-06	1	14	0
2006-07	4	25	24
Total	48	671	333

Source: As compiled by office of AG (E&RSA), AP & TS

Note: the above information pertaining to erstwhile composite State of Andhra Pradesh

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 12 departments⁷, which appeared in the Reports of the CAG of India for the years 1983-84 to 2006-07.

It is recommended that the Government may ensure: (a) sending of replies to IRs/explanatory Notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.27. This Report contains four paragraphs and one Performance Audit i.e. on Activities of Andhra Pradesh Forest Development Corporation Limited involving financial effect of ₹ 75.97 crore.

⁷: 1 Industries & Commerce 2. Irrigation and Command Area Development 3.Revenue 4. Animal Husbandry 5. Energy 6. Agriculture & Co-operation 7. Transport, Road & Buildings and 8. Forest, 9. Housing, 10. Youth Advancement, Tourism and Culture, 11. Municipal Administration & Urban Development and 12. General Administration.

CHAPTER II
**PERFORMANCE AUDIT RELATING
TO GOVERNMENT COMPANY**

Activities of Andhra Pradesh Forest
Development Corporation Limited

Chapter II

Performance Audit relating to Government Company

2. Activities of Andhra Pradesh Forest Development Corporation Limited

Executive Summary

Introduction

Andhra Pradesh Forest Development Corporation Limited (APFDC) was set up in June 1975 as a wholly owned Government Company to develop land for raising forest plantations and in particular, eucalyptus, tropical pines, rubber, cashew nut, cocoa and such other suitable species in the State for the purpose of development of industries based on their produce.

The Performance Audit covered the activities of the Company in Andhra Pradesh for the period 2009-14.

Eucalyptus Plantations

Nurseries - Non-usage of new and cost-effective technology

The Company introduced (2009-10) Sand Bed Nursery (SBN) Technique (development of propagules at one place) with a capacity of 18.08 lakh propagules per annum on experimental basis. SBN avoids transportation of propagules over long distances and increases survival rate (80 to 90 per cent). The Company did not expand this successful technique to the total available capacity of 134.95 lakh propagules which resulted in increased cost of clonal plants.

Abnormal delay in replacement of gall infested plantations

The Company identified (2006) that eucalyptus plants were affected with gall infestation (a type of pest) and took a decision to destroy the nursery plants belonging to the clone 10 variety and replace them with a pest resistant clonal variety in 2007. But the Company had started destroying/replanting the affected plantations only in 2011. Abnormal delay in replanting led to a loss of realisable revenue of ₹31.69 crore.

Non-conversion of seed origin plants to clonal plants

At the beginning of 2009-10, an area of 27,350.37 ha was under seed origin eucalyptus plantations. During the period 2009-14, the Company had set a target for conversion of 14,367.85 ha of seed origin plants into high yielding clonal plants, against which it achieved 11,613.71 ha. The shortfall had far-reaching financial implications on the Company.

Non-upgradation to cost-effective harvesting methods

The Company planned (July 2010) for procurement of harvester to minimize harvesting expenses. Non-procurement of harvesters resulted in avoidable harvesting expenditure of ₹5.95 crore during 2010-14.

Insufficient EMD adversely affected the Sales process

The successful bidders had failed to enter into agreement because EMD was not fixed as a percentage of estimated sale value of pulpwood. The Company allotted these units to second highest bidders which resulted in a loss of ₹ 142.37 lakh.

Performance Security

Refund of Security Deposit along with interest in violation of tender conditions resulted in loss of revenue to the tune of ₹ 1.13 crore and undue favour to the contractors to that extent.

Bamboo

Poor yield due to delay in harvesting

The yield obtained from bamboo plantations in Rajahmundry Division and Eluru Division were not up to the standard. The standard yield was 2500 number of Long Bamboos (LBs) per ha and 12 MT of Bamboo Industrial Cuts (BICs) per ha. During the period 2009-14 the number of LBs yielded in Rajahmundry division ranged between 404 and 1461 and in Eluru Division it ranged between 1750 and 2509. In case of BICs, in Rajahmundry Division it ranged between 0.14 MT and 0.98 MT and in Eluru Division it ranged between 0.18 MT and 1.91 MT.

Cashew nut

Yield was low compared to standard yield

The average number of yielding plants was very low due to poor survivals and ranged from 20 to 29 trees per hectare as against the standard number of 204 trees per hectare. There were no rectification proposals on record. The yields from these trees during 2009-14 ranged between 13.52 Kg and 26.42 Kg per ha as against national average yield of 778 Kg per ha, indicating poor performance.

Gap plantation-Poor survival plantation due to lack of cultural operations

The Company raised 1,65,323 cashew grafts in gap plantations during 1993 to 2009 in 886.21 ha at 25 locations incurring an expenditure of ₹ 93.91 lakh. Of them, only 19 per cent survived due to lack of supervision and cultural operations. This resulted in unfruitful expenditure of ₹ 76.07 lakh.

Pine and Pepper plantations

Unjustified holding of pine plantations for 35 years

The Rajahmundry Division had raised Pine plantations in Maredumilli during the period 1976-1981 over an extent of 135 ha on experimental basis to study the viability of the species to provide homogenous long fibre for paper-making. These plants were being continued without generating any revenue for over 35 years.

Medicinal plants under Vanaspathi Van Programme

Amla plantations-Failure to ensure cost-effective collection charges

Vanaspathi Van Programme (VVP) was sponsored by GoI to promote Indian system of medicine and for development of medicinal plants. The Company raised amla plantations in Rajahmundry and Kadapa Divisions during the period 2001-04, at a cost of ₹ 5.81 crore including grant from GoI. During the 1st three years (2009-12) of harvesting, the Company earned an income of ₹ 8.22 lakh and did not take up harvesting from 2012-13 onwards on the ground that the collection charges are more than the expected revenue. Thus the expenditure of ₹ 5.81 crore proved to be unfruitful.

Development of eco-park without visitor amenities

The Company envisaged (November 2006) to develop an eco-park along with base camp with visitors amenities with the objective of making available an access to rich variety of plants and animal life to the urban populace. The eco-park was developed (January 2009) at a cost of ₹ 3.71 crore in an area of 228.52 ha. The Company decided (October 2009) not to construct the base camp as it would be unviable. This had resulted in non-attraction of visitors and led to earning of an income of only ₹ 2.88 lakh up to 2014-15 as against the projected income of ₹ 63.13 lakh per annum

Introduction

2.1 Andhra Pradesh Forest Development Corporation Limited (Company) was incorporated on 16 June 1975 as a wholly owned Government Company with an authorised capital of ₹ 25 crore, to develop land for raising forest plantations and in particular eucalyptus, tropical pines, rubber, cashew nut, cocoa and such other suitable species in the State for the purpose of development of industries based on their produce.

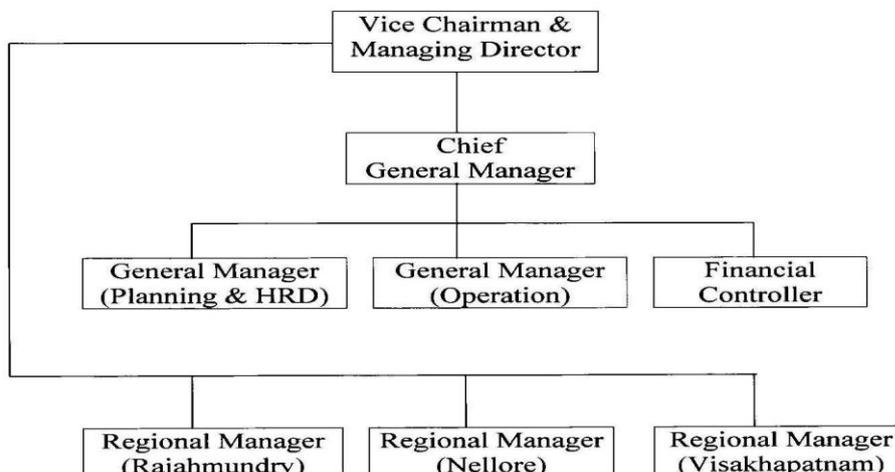
The Company, at the time of bifurcation of Andhra Pradesh (01 June 2014) had an area of 82,298.94 ha (Hectares). Upon implementation of Andhra Pradesh Re-organisation Act, 2014, the Company prepared a demerger plan. The Government of Telangana approved (22 April 2015) the demerger plan, but the Government of Andhra Pradesh (GoAP) was yet to accord (July 2015) its approval to it. Bifurcation and transfer of assets and liabilities between the two entities was under process. The present audit covers the activities of the Company in the residual state of Andhra Pradesh.

Core activities of the Company include raising nurseries, planting, harvesting and selling produce to industries. Activities which are incidental to the above, are maintenance, cultural (preparatory work before planting) operations, replacement of old, pest-infested, low-yield or uneconomical varieties with new varieties and gap plantation⁸.

Organisation set up

2.1.2 The Management of the Company is vested with Board of Directors consisting of six (6) Directors including the Vice Chairman & Managing Director (VC&MD) who is the Chief Executive Officer of the Company (31 March 2015). The Company, with four Regional Offices and 22 divisions has been maintaining plantations in the erstwhile un-divided State of Andhra Pradesh. In the residual state of Andhra Pradesh, there were 3 Regional Offices and 15 divisions. The organisation structure of the Company was as follows:

Organisation Chart



⁸ Transplanting seedlings into openings or gaps between trees to enrich the tree cover.

Manpower

2.1.3 As against the sanctioned strength of 713 employees, the un-divided Company had 316 (December, 2014) employees on its rolls.

The following table indicates year wise sanctioned strength of employees, actual strength and vacancies:

Table 2.1: Statement showing sanctioned, actual and vacancies of manpower

Remarks	As on 31 st Dec	Sanctioned strength	Actual Strength	Vacancies	Vacancies per cent
Data pertaining to Un-divided APFDC	2010	713	546	167	23.42
	2011	713	499	214	30.01
	2012	713	449	264	37.03
	2013	713	374	339	47.55
	2014	713	316	397	55.68
Data pertaining to Residual APFDC	2014	470	216	254	54.04
	As on 31 st March 2015	470	212	258	54.89

Source: information furnished by the Company

The vacancies as in December 2010 were 167 (23.42 per cent) and it increased to 397 (55.68 per cent) by December, 2014. Though the vacancies were increasing, the Management had not evolved any action plan to fill the same.

Failure of the Company to take timely action in recruitment of required staff adversely affected the activities like plantation and harvesting in achieving the targets, as discussed in subsequent paragraphs.

Financial results

2.1.4 The financial position of the Un-divided Company for the last five years was as follows:

Table 2.2: Statement showing sources of funds and application of funds

		(₹ in crore)				
		2009-10	2010-11	2011-12	2012-13	2013-14 ⁹
A	Sources of funds					
	Share capital	21.82	21.82	21.82	21.82	21.82
	P&L A/c – Surplus	84.96	108.45	132.43	164.34	288.10
	Replantation Reserve	31.51	39.90	48.46	59.86	104.06
	Fire Insurance Reserve	6.30	7.98	9.69	11.97	20.81
	Borrowings	120.46	97.92	84.88	63.02	20.61
	Trade dues & other liabilities	61.50	70.34	127.12	170.64	148.65
	Total	326.55	346.41	424.40	491.65	604.05

⁹ For the years 2009-10 to 2012-13 the figures are up to 31 March and for the year 2013-14 up to 1 June 2014.

	2009-10	2010-11	2011-12	2012-13	2013-14 ⁹
B Application of Funds					
Net Fixed Assets	5.80	5.73	8.73	7.89	7.02
Capital works in progress	3.96	3.85	0.80	0.15	0.10
Current Assets	316.79	336.83	414.87	483.61	596.94
Total	326.55	346.41	424.40	491.65	604.06
C. Capital employed	265.05	276.07	297.28	321.01	455.40
D. Net Worth	144.59	178.15	212.40	257.99	434.80

Source: Annual Reports of the Company

During 2009-14, the Capital employed increased by 70 per cent i.e. from ₹ 265.05 crore to ₹ 455.40 crore. The Net worth increased by 200 per cent i.e. from ₹ 144.59 crore to ₹ 434.80 crore.

The table below indicates the working results of the undivided Company for the five years ended 31 March 2014.

Table 2.3: Statement of working results

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
A Income from Business					
Sale of Eucalyptus	15.00	49.90	54.70	75.73	202.40
Cashew nut	1.81	2.47	1.97	2.61	3.42
Bamboo	6.41	6.19	7.65	5.91	12.56
Coffee seed	11.43	13.46	15.97	7.57	17.27
Pepper	0.16	1.76	0.93	0.67	1.07
Misc. items	3.04	2.70	7.42	2.37	3.61
Business Income Total	37.85	76.48	88.64	94.86	240.33
Other Income	4.34	4.42	4.79	4.70	13.96
Total Income	42.19	80.90	93.43	99.56	254.29
B Expenditure					
Plantation & Maintenance	5.42	6.76	7.49	6.99	8.85
Harvesting & Selling	5.67	10.94	10.57	12.25	22.08
Cost of plantation-written off	2.75	8.91	10.74	14.58	25.11
Accretion/decretion of stocks	(-) 0.25	(-) 5.20	6.70	(-)1.32	(-) 0.29
Administrative Expenses	26.72	40.52	37.51	37.74	38.62
Interest on borrowings	5.60	6.52	7.27	7.12	5.45
Depreciation	1.12	0.99	1.23	1.02	1.02
Total	47.03	69.44	81.50	78.39	100.86
Less. Capitalisation on plantations	19.93	22.09	22.33	24.42	23.37
Net Expenditure	27.10	47.34	59.16	53.97	77.49
Profit for the year	15.09	33.56	34.25	45.59	176.80

Source: Annual Reports of the Company

During 2009-14 the profit increased by 11.7 times i.e. from ₹ 15.09 crore to ₹ 176.80 crore. The income from sale of Eucalyptus, the major revenue earner, increased from ₹ 15.01 crore to ₹ 202.40 crore.

Scope and Methodology of Audit

2.2 The Performance Audit was conducted during January 2015 to July 2015, covering the activities of the Company in residual Andhra Pradesh, for the period 2009-14. However, the financial results, targets and achievements of various activities of the Company were presented in a combined form covering both the states of residual Andhra Pradesh and Telangana as no separate figures were available. Records maintained at Corporate Office, all the three Regional Offices (Nellore, Rajahmundry and Visakhapatnam), six out of 15 divisions viz., Naidupet, Satyavedu, Visakhapatnam, Chintapally South, Eluru and Rajahmundry and an eco-tourism unit at Kadapa pertaining to residual Andhra Pradesh were test checked (based on judgement sampling). The Entry Conference was held explaining audit objectives, scope and methodology of audit, on 10 June 2015. The Exit Conference was held in March 2016. The replies from the Government were considered.

Audit Objectives

- 2.3** The performance audit was undertaken to assess whether:
- i. the Company adopted proper measures for protection and conservation of forest land and raising plantations;
 - ii. the resources have been acquired, held and used economically and efficiently;
 - iii. the procedure followed in harvesting, processing and selling of the forest produce is systematic and to the best advantage of the Company;
 - iv. the Company's activities helped in protection of environment.

Audit criteria

- 2.4** The criteria adopted for achievement of audit objectives were:
- i. Memorandum and Articles of Association of the Company;
 - ii. Agenda notes and Minutes of Board meetings;
 - iii. National Forest Policy 1988; and
 - iv. General Financial Rules (GFR) 2005.

Audit findings

Planning:

2.5 The Company prepared its Management Plan (MP) for the period 2011-16, covering the activities of plantation and harvesting. Based on the projections made in the five-year plan, annual plans were prepared every year. However, it was noticed that:

- i) The Company was focusing on Eucalyptus alone and had not planned for diversification. No Research & Development was planned for alternative species from the resources available.

- ii) Even though the Company's objective was to conserve forest and protection of environment to maintain ecological balance, these were not planned and taken up.
- iii) The Company had no plan for human resource development to tackle the issue of increasing vacancies arising due to retirements.
- iv) In the absence of sufficient manpower, no planning was made to address the alternatives like mechanisation, etc.

Eucalyptus

Eucalyptus is one among the species that produces quality pulpwood for paper and newsprint. It plays major role in the total activity of the Company as it occupies more than 70 *per cent* of its total plantation area. Normally the eucalyptus tree has a life cycle of 22 years with three rotations¹⁰. The Company raised eucalyptus plantation through seed origin till 1994 and, thereafter, the plantations were raised by adopting clonal technology¹¹ in order to increase the yield per unit of area and to reduce the harvesting period.

On review of activities of nursery, plantation, harvesting, selling of the produce and the related activities, the following were revealed:

Nurseries - Non-usage of new and cost-effective technology

2.6 The Company earmarked Clonal Multiplication Areas¹² (CMA) and established clonal nurseries at four locations¹³ in residual Andhra Pradesh with a loading capacity of 134.95 lakh propagules¹⁴ per annum for development of clonal plants of eucalyptus. The propagules are transported from CMA to nurseries for development. The Company introduced (2009-10) Sand Bed Nursery (SBN) Technique (development of propagules at one place) at Divancheruvu and Satyavedu with a capacity of 18.08 lakh propagules per annum on experimental basis. In SBN, sand beds were located within the premises of the nursery complexes for avoiding transportation of propagules over long distances and increase in the survival rate (80 to 90 *per cent*) and also to reduce the cost of production when compared to CMA method. Further, a saving of 8 ha of plantation area for every 10 lakh propagules was envisaged as per the Management Plan 2011-16.

It was observed that though the units at two locations¹⁵ with SBN technology were working successfully, the Company did not expand these sand beds to the available capacity of 134.95 lakh propagules. This resulted in increase in cost of clonal plants. The savings in plantation area, as envisaged, were also forgone.

¹⁰ Harvesting of plants at standard intervals

¹¹ Developing plantation through stems

¹² Clonal Multiplication Areas are forest area earmarked for production of propagules

¹³ Satyavedu (Chittoor), Bathalavallam (Naidupeta), Diwancheruvu (Rajahmundry) and Pullalapadu (Eluru)

¹⁴ A plant part such as a bud, that becomes detached from the rest of the plant and grows into a new plant.

¹⁵ Satyavedu and Diwancheruvu

Abnormal delay in replacement of gall infested plantations

2.7 The Company planted (1998-2006) eucalyptus clonal variety (clone 10) in an area of 1,022.80 ha. It identified (2006) that these plants were affected with gall infestation (a type of pest) and took a decision to destroy the nursery plants belonging to the clone 10 variety and replace them with a pest resistant clone variety in 2007. Audit noticed that the Company had started destroying / replanting only in 2011, but the work was not completed so far. Audit observed that had the pest prone plants been replaced in 2007, they would have matured in 2013 and yielded the first harvest (realisable revenue of ₹ 31.69 crore¹⁶).

The Government replied (December 2015) that curative and preventive steps like spraying of pesticides and clipping of affected tender leaves were taken up to prevent spreading of the infestation. The reply is not tenable, since the decision of destroying / replanting had been taken up in 2007, but the Company has not initiated action and delayed it till 2011. Abnormal delay in replanting led to the loss of realisable revenue.

Non-conversion of seed origin plants to clonal plants

2.8 During the 5 year period 2009-10 to 2013-14, the Company harvested an area of 8,321.20 ha seed origin plantations¹⁷ and 17,773.98 ha of clonal plantations. The total yield obtained for seed origin plantations was 1,01,400.27 MT with an average of 12.18 MT per ha. For clonal plantations the yield obtained was 8,72,741.65 MT with an average of 49.10 MT per ha. The yield from clonal plantations was three times more (36.92 MT) than the seed origin plantations.

At the beginning of 2009-10, an area of 27,350.37 ha was under seed origin eucalyptus plantations. During the period 2009-14, the Company had set a target of 14,367.85 ha of seed origin plants for conversion into clonal plants against which it achieved 11,613.71 ha. A test check of records at Visakhapatnam Division revealed that the Division continued with old seed origin plantations of 1983-85 in 312.63 ha out of 778.83 ha. Non- replantation with new clonal plants by 2006-08, led to a loss of revenue to the extent of ₹ 5.47 crore (312.63 ha x 50 MT per ha x ₹ 3,500 per MT).

Audit observed that the above shortfall had far-reaching financial implications for the Company as the clonal variety can be harvested thrice in 19 years as against 22 years for seed origin variety, can be more densely planted (2,222 plants per ha. against 1,666 per ha.) and give thrice the yield.

The Government stated (December 2015) that the replantation was not carried out owing to workload, difficulty in accessing the plantation and anticipation that third harvest would yield very low quantities.

The reply is not tenable as these factors were known before setting the target.

¹⁶ Calculated as Area under clone 10 cultivation (1022.80 ha)* Average yield per ha (50 MT/ha)* Cost per MT (₹ 6,197/MT)

¹⁷ Tree plantations are of two types – seed origin plantations are grown the traditional way, by planting seeds and clonal plantations are grown from saplings produced from parts of trees with desirable qualities through micro propagation (tissue culture).

Non-achievement of harvesting targets

2.9 For residual AP, the Company set a target of 17,001.02 ha during the period 2009-14 for harvesting eucalyptus plantations. As against this, the Company achieved 13,747.21 ha (81 per cent) leaving a shortfall of 3,253.81 ha as follows:

Table 2.4: Year wise details of harvesting target and its achievement

Crop Year	Harvesting Target in ha	Harvesting achievement in ha	Shortfall in ha	Shortfall (Percentage)
2009-10	3,617.98	1,955.25	1,662.73	45.96
2010-11	2,672.80	2,163.36	509.44	19.06
2011-12	3,371.21	2,889.28	481.93	14.30
2012-13	3,255.53	3,166.82	88.71	2.72
2013-14	4,083.50	3,572.50	511.00	12.51
Total	17,001.02	13,747.21	3,253.81	

Source: Information furnished by the Company

The main reason for lesser achievement was attributed by the Government to deferment of harvesting due to various factors like getting lower sales price, high rainfall, presence of heavy thorny growth and shortage of skilled labour.

The reply is not tenable since deferment of harvesting has financial implications for the Company as the plantation cycle gets extended due to it. High rainfall, heavy thorn growth and fluctuations in availability of labour are normal operational constraints to be taken care of by the Company. Low sale price is part of business cycle and cannot be a reason to delay harvesting in plantation sector where productivity is linked to timely harvesting.

Non-upgradation to cost-effective harvesting methods

2.10 The Board authorized the VC&MD (July 2010) for purchase of one eucalyptus harvester initially to study its effectiveness. Its expected life was ten years and cost was ₹ 75.00 lakh (approx.). It could harvest 100 MT of pulpwood daily and 22,500 MT was expected to be harvested per year. As per the cost-benefit-analysis, the Company could save harvesting expenses by ₹ 120 per MT. However, it was observed that the Company did not initiate any action for procurement of the harvesters till date (July 2015). Reasons for non-procurement were not recorded and hence not brought to the notice of the Board. Non-procurement of harvesters resulted in avoidable harvesting expenditure of ₹ 5.95 crore on harvested pulp wood of 4,95,586 MTs during the 2010-14.

The Government replied that due to lack of expertise for operation and maintenance of harvester, its procurement was deferred. The Company proposed that in future the harvester can be taken on contract. The reply was not tenable as purchase of one harvester was to be made to study its effectiveness. The same could have been done by taking it on contract. As observed earlier (*para 2.8 & 2.9*) the Company was not able to achieve its harvesting targets due to lack of resources.

Insufficient EMD adversely affected the Sales process

2.11 The Company did not have a specialised marketing wing or any other mechanism to carry out the sales process.

The Company was inviting tenders for which the bidders had to submit Earnest Money Deposit (EMD) at a fixed rate of ₹ 25,000 (2009-10), and ₹ one lakh (2010-11 & 2011-12) per unit (unit means area demarked for selling eucalyptus pulpwood). During 2009-10 to 2011-12, there were instances where successful bidders had failed to enter into agreements and forfeited the EMD. The Company allotted these units to second highest bidders and the prices quoted by them were less than the prices quoted by the original bidders. The Company suffered a loss of ₹ 142.37 lakh on this account.

It was observed that the successful bidders had failed to enter into agreements because EMD was not fixed as a percentage of estimated value of pulpwood. In view of this, the Company was receiving insufficient amount of EMD.

The Government stated (December 2015) that EMD was enhanced to ₹ 10 lakh per unit from 2014-15.

The reply is not acceptable as the audit observation is about not fixing EMD according to the lot size. Fixing uniform EMD for a small lot and a big lot is not proper. This prevents bidders from competing in the case of low-yield units.

Performance Security

2.12 The Section II (condition No.3) of the tender for the sale of eucalyptus pulp wood (2013-14) specified that the successful bidder/purchaser, at the time of entering into agreement, has to submit Security Deposit (SD), equal to 25 per cent of the total sale value, in the form of Demand Draft (DD)/Fixed Deposit Receipt (FDR)/Bank Guarantee (BG), in favour of the VC & MD of the Company. As per the section II (condition No. 5) of the tender, the Security Deposit or the balance thereof, as the case may be, will be refunded to the purchaser at the end of the transaction.

During a test check of records of Nellore Region it was observed that during 2013-14, the Company refunded the Security Deposit along with interest amounting to ₹ 107.02 lakh to three contractors. Two FDRs (interest ₹ 5.77 lakh) were returned in original to the contractors, without encashing them, as the FDRs were held in joint name of the VC&MD and the contractor. The violation of tender conditions resulted in loss of revenue to the tune of ₹ 1.13 crore and caused undue benefit to the contractors to that extent.

The Government replied (December 2015) that the interest was never intended to be earned on Security Deposit. Reply is not correct. As per the tenders conditions, only the SD was to be refunded.

Bamboo

Non-achievement of plantation targets

2.13 The bamboo plantations were raised by the Company in Andhra Pradesh and at the beginning of 2009-10, the area under cultivation was

12,360.51 ha (3,237.41 ha relates to residual AP) which was reduced to 10,039.75 ha (2,155.63 ha relates to residual AP) by 2014-15. During the Management Plan period 2011-16, the Management proposed to convert the old plantations (1976 to 2000) with Eucalyptus in 2,142.10 ha and re-plantation of bamboo was planned in 651.42 ha. Further, an area of 711.93 ha of seed origin Eucalyptus plantations were also proposed for conversion to Bamboo plantations. The following are the annual targets set for planting and actuals achieved during the last 5 years ended 2013-14 (for un-divided APFDC):

Table 2.5: Statement showing plantation targets and achievements of Bamboo

Year	Target for plantation (ha)	Achievement (ha)	Achievement (Per cent)
2009-10	100	499.03	499.03
2010-11	300	152.65	50.88
2011-12	300	70.00	23.33
2012-13	300	82.50	27.50
2013-14	200	65.00	32.50

Source: Information furnished by the Company

Non-achievement of Harvesting Targets

2.14 The following table shows the annual targets set for harvesting of bamboo and actual harvesting achieved during the last 5 years ended 2013-14:

Table 2.6: Statement showing harvesting targets and achievement of Bamboo

Year	Targeted area for harvesting (ha)	Achievement (ha)	Achievement (per cent)
2009-10	5,288.93	2,591.35	48.99
2010-11	4,326.67	2,314.75	53.50
2011-12	3,117.61	1,608.56	51.60
2012-13	4,338.91	1,893.97	43.65
2013-14	3,123.79	2,207.45	70.66

Source: Information furnished by the Company

The targets set for the Divisions in residual Andhra Pradesh during 2009-14 were 5,287.45 ha for Long Bamboo¹⁸ (LBs) and 5,087.65 ha for Bamboo Industrial Cuts¹⁹ (BICs) against which the achievements were 2,612.11 ha (49.40 per cent) for LBs and 2,239.52 ha (44.02 per cent) for BICs. The Company could not achieve the targets due to non-suitability of soil and consequent plantation failure, as discussed in the subsequent paragraphs.

A review of the records in the field units revealed the following:

¹⁸ Long bamboos have a minimum length of five metres and minimum diameter of five to seven centimetres and are straight. They are sold in numbers.

¹⁹ Bamboo industrial cuts have a minimum length of one metre, do not have stringent diameter specifications and may not be straight. They are sold by weight.

Failure to convert uneconomical bamboo plantations

2.15 In the case of Nellore Region, during the period 1999-2001 a new variety of Bamboo plantation was raised in an area of 135.46 ha on experimental basis by incurring an expenditure of ₹ 10.14 lakh. During 2011-12, 42.20 ha of this variety was harvested which gave yield of 17.05 MT as against the estimated yield of 590.80 MT. The remaining area was not harvested. The reason attributed for not harvesting the remaining area in Nellore Region was poor and uneconomical yield.

In Kadapa Division, the Company had 1,497.22 ha of bamboo plantations, which were more than 30 years old (plantations of 1979-1981) and had become uneconomical to run. The Company retained 162 ha. of land and surrendered the remaining 1,335.22 ha (with bamboo) during 2012-13 stating that they were uneconomical and sought alternate land which had not been obtained till March 2015. Audit noticed that no income had been generated from the bamboo plantations in the retained land. The Company neither justified retention of the remaining land (162.00 ha) nor did it take any action to utilise the same purposefully.

Audit observed that though the experiment in raising Bamboo plantations in Nellore Region was a failure, Management did not take any action so far to uproot the failed Bamboo plantation and replant it. Even harvesting was not completed.

The Government replied (December 2015) that the failed plantations would be replanted with suitable species as per its Management Plan for 2016-21.

The Government reply confirms the fact that there has been an unreasonable delay in taking the decision to replant the plantation despite the failure of bamboo crop in 2012-13.

Poor yield due to delay in harvesting

2.16 As per the Management Plan, the Long Bamboos (LBs) are harvested initially which is followed by Bamboo Industrial Cuts (BICs) for supply to paper mills. The 1st harvest in the case of LBs was to be done at the 5th year of plantation and subsequent harvesting was to be done in every alternate year. The standard yield was 2500 number of LBs per ha and 12 MT of BICs per ha.

The average yield of Bamboo plantations at Rajahmundry (1976-1985) and Eluru (1989-2003) divisions was as follows:

Table 2.7: Statement showing average yield per ha for LBs and BICs

Season	Long Bamboo (Number)		Bamboo Industrial Cuts (MT)	
	Rajahmundry	Eluru	Rajahmundry	Eluru
2009-10	404	1,847	0.14	1.91
2010-11	1,287	1,941	0.33	0.88
2011-12	1,461	1,750	0.98	0.18
2012-13	857	1,913	0.24	0.25
2013-14	734	2,509	0.23	0.34

Source: Information furnished by the Company

It can be seen that the yield obtained from bamboo plantations in Rajahmundry Division and Eluru Divisions were not upto the standard. The number of LBs yielded in Rajahmundry division ranged between 404 and 1,461 and in Eluru Division it ranged between 1,750 and 2,509. In case of BICs, in Rajahmundry Division it ranged between 0.14 MT and 0.98 MT and in Eluru Division it ranged between 0.18 MT and 1.91 MT. The Company did not analyse the reasons for such wide variations and low yield and did not take any corrective action.

BICs are to be harvested immediately after harvesting long bamboos so that long bamboos will grow properly, it was observed that in Rajahmundry Division, Bamboo Industrial Cuts (BICs) were not harvested simultaneously with Long Bamboos. By postponement of harvest of BICs, the growth of long bamboos, which is the main product with high returns, was impeded.

The Government replied (December 2015) that due to age factor the plantations prior to 2002 gave less yield. Plantations from 2002 onwards would be developed well by second and third rotations. Further, it assured to issue instructions to streamline the harvesting. The reply was not tenable as the plantations at Eluru had crossed the second (7th year) and third (9th year) rotation stage without showing any significant improvement in the yield of BICs. Further, no action was proposed for the old plantations at Rajahmundry.

Cashew nut

2.17 The Company had Cashew plantations covering an area of 13,046.02 ha at the beginning of the year 2009-10 spreading to six districts of residual Andhra Pradesh under two regions viz., Nellore and Rajahmundry, which were in the age group of 30 to 36 years (planted during the period 1979 to 1985). After conversion to other plantations, the area during 2013-14 was 7,770.68 ha. The yield was expected from 8th year onwards and was expected to reach the peak by 15th year to 800 Kg per ha.

Yield was low compared to standard yield

It was observed that the average number of yielding plants was very low due to poor survival and ranged from 20 to 29 trees per hectare as against the standard number of 204 trees per hectare. The Company was not regularly monitoring and enumerating the trees. There were no rectification proposals on record. The yields from these trees during 2009-14 was ranging from 13.52 to 26.42 Kg per ha (which was at 68.23 kg. per ha in 2001-02) as against national average yield of 778 Kg per hectare, indicating poor performance. As per the Company, the reasons for low yields were on account of soil salinity and ill-suited climatic conditions – severe summer, hot winds, droughts in inland areas and cyclones in coastal areas.

It was noticed that the average income per hectare from cashew plantation was very low when compared to the income generated from other plantations viz., eucalyptus and bamboo. Some of the cashew plantations were also converted into eucalyptus clonal plantations in 2006-2015. As the Company was aware of the ill-suited climatic and soil conditions, continuation of old cashew plantations with such low revenue was not justifiable.

The Government stated (December 2015) that it would be converted into eucalyptus/other suitable plantations in future as suggested by Audit.

Gap plantation – Poor survival plantation due to lack of cultural operations

2.18 In gap plantation, seedlings are planted in the open spaces in the plantation to ensure maximum utilisation of space. Gap plantation was carried out to replace unproductive plantations with new cashew grafts in the existing cashew plantations. The Company raised 1,65,323 cashew grafts in gap plantation during 1993 to 2009 in 886.21 ha at 25 locations incurring an expenditure of ₹ 93.91 lakh. Only 31,436 plants (19 *per cent*) plants raised survived. This resulted in unfruitful expenditure of ₹ 76.07 lakh. Company stated that this was because they were planted in sandy soils with poor water holding capacity. Hot winds during summer, lack of supervision and poor cultural operations²⁰ also contributed to the low survival rate.

The reply is not tenable as old cashew plants were already existing in the area, and hence quality of soil and climate cannot be said to be the reason for poor survival. Adequate supervision and cultural operations should have been carried out.

The Government stated (December 2015) that it was proposed to discontinue the cashew grafts and proposed to replant the area eucalyptus clones / other suitable species.

Pine and Pepper plantations

Unjustified holding of pine plantations for 35 years

2.19 The Rajahmundry Division had raised Pine plantations in Maredumilli during the period 1976-1981 over an extent of 135 ha on experimental basis to study the viability of the species to provide homogenous long fibre for paper making. The Company proposed to harvest, based on enquiries from the market, an area of 65 ha (2011) and 70 ha (2012). But, no harvesting was done till date (March 2015) on the plea that harvesting expenses would be more than the revenue expected as it would be expensive to bring the material from hilly terrain to plain areas. These plants were continuing for over 35 years without generating any revenue. The Company did not explore alternative methods to use/sell the plantations.

Company also did not raise pepper plantations as proposed in its Management Plan since the area with high rainfall is conducive for development with the support of pine plantations.

The Government stated (December 2015) that it was proposed to harvest the crop in next plan period and replace the areas with suitable crop/pepper.

Medicinal plants under Vanaspathi Van Programme

Amla plantations–Failure to ensure cost-effective collection charges

2.20 Vanaspathi Van Programme (VVP) was sponsored by Government of India to promote Indian system of medicine and for development of medicinal plants. Under this programme, the Company during the period 2001-04, raised amla plantations in Rajahmundry (303.89 ha) and Kadapa (201.15 ha) Divisions at a cost of ₹ 5.81 crore including grant from GoI (₹ 4.80 crore).

²⁰ These are preparatory works prior to planting and maintenance work, and include clearing the miscellaneous bush/other growth, pruning, weeding, tilling, applying fertilizers etc.

A test check of records at Rajahmundry Division revealed that though the plantations started giving yield from 2009 onwards, the yield was not economical. During the first three years (2009-12) of harvesting, the Company earned an income of ₹ 8.22 lakh and from 2012-13 onwards, it never took up harvesting on the ground that the collection charges were more than the expected revenues. Thus the expenditure of ₹ 5.81 crore proved to be unfruitful.

The Government stated (December 2015) that remedial measures would be taken up after analysing reasons for the poor results.

Failure to grow Red Sanders, an endangered and commercially viable specie

2.21 The Ministry of Environment and Forest, GOI advised (March 2008) the Company to promote and develop endangered medicinal and aromatic plants within the available area. The Company prepared a Project Report (November 2008), to raise Red Sanders in Seshachalam Hills (Kadapa and Chittoor) for the purpose of establishing model nurseries and production of quality planting material for cultivation of Red Sanders, which is an endangered and commercially viable species.

Based on the Company's project report, the Company planned raising of Red Sanders in 400 ha. The Project was to be completed within a period of three years, i.e., 2008-09 to 2010-11.

Government of India approved the Project (December 2008) with an outlay of ₹ 1.65 crore for raising Red Sanders in 400 ha of land. The main objective of raising the plantations was conservation of natural populations and to meet the medicinal and timber demands in the international market. GoI released (January 2009) an amount of ₹ 35.00 lakh towards first instalment (against its 50 per cent share of total Project cost).

Audit noticed that the Company could raise Red Sanders plantations only in 39 ha²¹ incurring an expenditure of ₹ 21.89 lakh in 2008-10. GoI advised (August 2012) the Company to refund the released grant due to failure of the Company to furnish utilisation certificate. The Company refunded the unspent balance of ₹ 24.06 lakhs as it was unable to procure land for implementing the remaining part of the project.

The Government replied that as the Forest Department expressed inability to allot the Reserve Forest area and that the revenue wastelands were given to landless labour, hence planting could not be done.

The contention of the Company is not tenable as the Company, while preparing the DPR, had stated that red sanders were naturally occurring and were endemic to the area. Thus, due to lack of effort on the part of the Company to complete the project as envisaged, resulted in non-utilisation of grant.

Development of eco-park without visitor amenities

2.22 GoAP directed the Company (October 2006) to develop an eco-park at Idupulapaya (Kadapa) in 264 ha of Reserve Forest (RF) land along with 10 ha

²¹ 12 ha Revenue wasteland and 27 ha of Reserve Forest

of revenue wasteland located adjacent to RF. It was to have an Eco-restoration area, a herbivore safari and a Bird Park. The Draft Project Report also proposed to have a base camp in an area of 63.74 ha with amenities for visitors in the Eco-Park. The project of constructing the base camp was given (August 2008) to Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC).

The Company envisaged (November 2006) to develop the park with the objective of making available an access to rich variety of plants and animal life to the urban populace. It envisaged participation of Van Samrakshana Samiti (VSS) in maintenance of the park, which would enable it to procure funds from international agencies. When fully developed, the park would serve as an important conservatory of local and exotic flora along with different animals and birds, besides being an important study centre for students, researchers and general public, apart from offering recreation.

The eco-park was developed at a cost of ₹ 3.71 crore in an area of 228.52 ha, and the same was inaugurated on 25 January 2009.

The Board decided (October 2009) not to construct the base camp as it would be unviable. This resulted in non-utilization of land measuring Ac. 63.74 (March 2015). As a result, the work awarded to APIIC was cancelled. APIIC refunded (September 2011) an amount of ₹ 1.08 crore duly deducting the expenditure ₹ 4.17 lakh incurred thereon.

Audit observed that:

- 1) the decision of the Board to declare the project unviable in less than a year of its inauguration lacked justification, as lack of visitors' amenities would defeat the basic objective of the project as the area is far from the nearest towns and cannot attract visitors without providing amenities. The Company had already incurred an expenditure of ₹ 1.84 crore towards maintenance of the Eco-park and had earned an income of ₹ 2.88 lakh (till 2014-15) as against the projected income of ₹ 63.13 lakh per annum.
- 2) there was no participation of the Vana Samrakshana Samithi (VSS), as envisaged in the project report, thereby depriving the Company of the opportunity to obtain funds under World Bank aided AP Community Forest Management Project. Besides, social benefits envisaged in the Project Report like employment to VSS, Research & Training for students were not achieved.
- 3) The eco-park has an eco-restoration area of 86.40 ha in which different types of animals (Chowsingha-8, Spotted Deer-50, Sambar-2 and Black Buck-7) and birds were brought and left without taking adequate measures for their protection in contravention of the Wild Life (Protection) Act, 1972 which provides for protection of wild animals, birds to ensure ecological and environment security. No records are being maintained relating to these animals by the Company. Company also did not prepare any action plan for protection (habitation work, census, data base preparation, fodder availability and vaccination) of these animals. In the absence of the same, the Company cannot ensure the survival of these animals. After Audit observation was raised, the Government proposed to

handover the animals to the Forest Department or take trained staff on deputation to comply with the provisions of the Act.

The Company handed over, on the orders of GoAP, an area of 6.7 ha, (RF) (2009) and 30.08 acres (patta land) (2009), for creation of a Memorial, to the Forest Department, Kadapa after incurring an expenditure of ₹ 23.74 lakh (on infrastructure development and raising of red sander plantations) which is yet to be received from GoAP (March 2015).

Environmental and social impact

Lack of measures for protection of Forest Land

2.23 Though the Company's objective is to conserve forest and protection of environment for maintaining ecological balances, it did not plan for these activities. The Company takes forest lands on lease from the Forest Department, GoAP. The forest area is subjected to loss due to biotic pressure like encroachments, illicit felling, fire etc. Soil erosion and degradation also contribute to the failure of plantations and deforestation. The protection measures include soil conservation, fire protection and action against illicit felling of trees. The Company did not have any comprehensive plan for protective measures. It did not plan for recruiting the required watchers either.

Test check of records revealed that the lands were encroached by private individuals at Eluru (12.54 ha) and Rajahmundry divisions (165.55 ha) as the same were kept without any activity on them. Though the Company initiated action to evacuate the encroachers in Rajahmundry (2007 and 2011), it could not succeed and the encroachers approached the Court. The matter was still pending (March 2015).

During the meeting with Regional Managers (September 2011) it was pointed out that the boundaries of the plantations were not properly demarcated resulting in encroachments by private parties. This indicated that the Management was acting only after identifying encroachments instead of taking preventive measures to avoid such encroachments. Thus failure of the Company in safeguarding its plantations led to encroachment of an area to the extent of 178.09 ha

Illicit felling of trees

2.24 The Company issued instructions (2005) to its field staff on illicit felling of plantations and steps required to be taken to avoid such activities. The absence of sufficient watchers and lack of regular supervision resulted in illicit felling of plantations. A scrutiny of records revealed that 41 cases involving illicit felling of 451 number of eucalyptus trees (2009-15) were reported upon by the APMs/ PMs during their surprise visits. The penalty was recovered at a uniform rate per tree.

It was observed that the levy of penalty at uniform rate was not correct and it should vary depending upon the girth size of the trees.

The Government (December 2015) assured to issue necessary instructions regarding penalty.

Failure to coordinate development of revenue land for employment of landless poor

2.25 District Collector, Kadapa handed over (February 2007) revenue land measuring 665.39 acres to the Company at Konduru (Kadapa) for maintenance of existing plantations (150 acres) and to raise/develop suitable plantations on the hillock area (515.39 acres) through landless poor beneficiaries.

The Company entered into MoU (April 2007) with Konduru Grama Samithi (KGS) with the objectives of development and conservation of land, protection of environment, ground water table, soil fertility and providing employment. The Company was the coordinator in these development works. The District Collector would release the funds under schemes like Andhra Pradesh Rural Employment Guarantee Scheme (APREGS) and funds so released would be kept in joint account in the name of KGS and the Company. The net revenue would be distributed in the ratio of 60:40 between KGS and the Company respectively.

Audit observed that as against undeveloped hilly area of 515.39 acres, only 100 acres were utilised (2007-09) for raising Red sanders and Kanuga plants (as gap plantation). The District Collector (Kadapa) released funds only upto 2009-10 for the Project. In this connection, it was observed that development and maintenance works were stalled from 2010-11 onwards and the members of KGS were not showing any interest to participate in the works, to protect plantations or to develop the remaining area of 415.39 acres. The Company did not take any action to coordinate with KGS / approach District Collector for funds. As a result, the core objective of providing employment to landless poor households and maintenance of ecological balance were defeated.

The Company stated (December 2015) that as funds were not provided, the project would require it to use its own funds, for which it had no mandate. It would hand over these lands to revenue authorities. However, audit did not find any evidence of pursuance of this case with District Collector.

Internal Control and Internal Audit

2.26 Internal control is designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes essential for proper functioning as well as effectiveness of the organisation. Absence of suitable control mechanism for safeguarding plantations/land resulted in the following:

- i) **Internal Audit** was not conducted at Head Office, Regional Offices and Eco-Tourism unit from 2009-10 onwards. In other units, internal audit was not conducted periodically in a systematic manner. Proper records of internal audit were not maintained indicating the details of number of Inspection Reports, number of pending paras and reasons for non-settlement. This indicated that no mechanism existed in the Company for periodical review of pending paras and prompt pursuance for settlement of objections with concerned offices. The Statutory Auditors of the Company in their report (2009-10) had also stated that the internal audit system was not commensurate with the size and nature of business of the Company.

Audit also observed that last internal audit of the Company was conducted in 2012-13.

The Government in its reply stated that this had happened due to lack of adequate and experienced staff and that it was planning to engage outside agencies for the same.

- ii) **Audit Committee** - As per section 292 A of the Companies Act 1956, every Public Limited Company having paid up capital of not less than five crore rupees shall constitute an 'Audit Committee'. The Company had constituted the Audit Committee and meetings were being conducted only twice a year during the audit period, once before submission of accounts to the Statutory Auditor and once after receipt of the report of the Statutory Auditor. It is also supposed to ensure compliance with internal control systems. In spite of the existence of the Committee, no action was taken to strengthen Internal Audit in the Company and as per the Statutory Auditor's Report, the topic was not even discussed by the Audit Committee.
- iii) **Unutilised reserves** - Analysis of the financial position revealed that Replantation Reserve and Fire Insurance Reserve were created every year by transferring 25 per cent and 5 per cent of its profits respectively. However, it was observed that every year, the expenditure incurred on replanting (₹ 3,549.93 lakh during 2009-14) and expenses/damages on account of fire accidents were charged to the Profit and Loss account as normal business expenditure instead of utilizing these reserves. Hence, the creation of these reserves lacked justification.

The Government stated (December 2015) that it was adopting the policy of capitalising the expenditure on new plantations till the period of harvesting and adjusting the capitalised costs (deferred expenditure) against its revenues at a later stage. The reply is not acceptable as the Company had created specific reserves for Replantation and Fire Insurance and was not meeting the related expenditure from these reserves.

- iv) **Lack of Management Information System (MIS)** - The Company had not brought to the notice of the Board the extent of failed plantations and low yield. It had not maintained any Management Information System regarding allotment, possession, transfer/surrender and balance of land. The records maintained at divisions were not reconciled with the records at corporate office relating to area of land under operation, land surrendered and land under encroachment. The land details were also not reconciled with the Forest Department. The Government replied that it would develop separate web portal with MIS linking of all sub-offices to make the information available for the use of Management as well as other stakeholders.

Conclusions

The Company

- maintained uneconomical plantations for long periods and did not switch over to new and better yielding plantations in many cases;

- did not increase the use of technology (sand bed nursery and harvesters) and was thus deprived of the advantage they endowed;
- could not adhere to harvesting and replanting timelines owing to inadequate planning, delayed implementation of schemes, improper maintenance activities etc.; and
- did not collect Earnest Money Deposit based on the estimated value of sales.

Recommendations

The Company should

- conduct exhaustive study before taking up plantation in new area or planting of new species and should have an exit strategy in case targets are not met;
- adopt technology (sand bed nursery, harvesters, etc.) to reduce costs and increase the productivity of its plantations; and
- adhere to harvesting and replanting timelines to ensure maximum output.

CHAPTER III

COMPLIANCE AUDIT OBSERVATIONS

Chapter III

3. COMPLIANCE AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Andhra Pradesh Power Generation Corporation Limited

3.1 Andhra Pradesh Power Generation Corporation Limited (Company) insures the assets of its generating stations to cover risk of loss due to fire, explosion and machine breakdown etc.

Under insurance of asset resulted in short realisation of claim - ₹5.09 crore

Due to under insurance of assets by Company, the insurance company settled the claim for ₹ 0.91 crore against the insurance value of ₹ 6.00 crore resulting in foregoing an amount of ₹ 5.09 crore.

3.1.1 It insured (June 2009) the assets of Unit 6 of NTPS-Stage-III, Ibrahimpatnam through three insurance policies with M/s New India Assurance Co. Ltd., Hyderabad (Insurer) for the period from 7 June 2009 to 6 June 2010. The policies covered risks included in (a) Standard Fire and Special Perils (b) Boiler Explosion and (c) Machinery Breakdown. The Company paid ₹ 15.33 lakh towards insurance premium.

Subsequently, the generator failed and the Unit 6 tripped (23 December 2009). The stator coils failed, the rotor was short circuited and the Unit Auxiliary Transformer (UAT) was damaged, necessitating extensive repairs. The Company incurred an expenditure of ₹ 21.67 crore on repairs of the generator. The Company submitted (February 2011 and April 2011) a claim for the amount against which only ₹ 91.40 lakh was allowed by the insurer on the ground that the policy failed to cover the full value of the generator. The Company accepted (July 2015) the claim as finalised, foregoing an amount of ₹ 5.09 crore. This amount (₹ 5.09 crore) was deducted as per the 'average clause' of the policy, which states that if the assets are insured for less than their full value, the insured is to bear the loss in proportion to the amount by which it is undervalued. Audit noticed that the total value of the generator was ₹ 45 crore. However, the Company had taken the value of the generator for the purpose of insurance as ₹ 6 crore only. Thus the asset was under insured.

Management replied (May 2015) that due to severe power demand, capital overhauls had not been carried out. The reply was not relevant to the issue raised by Audit.

Thus, due to under insurance of the asset, the Company had to forgo an amount of ₹ 5.09 crore.

Not meeting basic requirements of the policy resulted in loss of ₹ 84.24 lakh

Failure of the Company in meeting the maintenance requirements of the policy resulted in rejection of the insurance claim and loss to the Company to the extent of ₹ 84.24 lakh.

3.1.2 The Company insured (November 2011) the assets of Unit 1 of RTPP-Stage-I through an insurance policy with National Insurance Co. Ltd. (insurer) for the period from 22 November 2011 to 21 November 2012. The insurance policy covered risks included in (a) Standard Fire and Special Perils (b) Boiler Explosion and (c) Machinery Breakdown. The Company paid ₹ 44 lakh towards insurance premium for total sum insured of ₹ 426.54 crore. A condition of the insurance policy stipulated, that generators, whose capacity exceeded 30,000 KW, should be overhauled after 24,000 hours of operation or at least once every three years, failing which any claim could be rejected by the insurer.

Audit observed that the Company had not overhauled the generator after 2007 even once and not even after insuring it.

The Unit 1 broke down on 13 June 2012. After rectification of the fault and overhauling, the generator was synchronized on 2 July 2012. The Company submitted (August 2012) a claim of ₹ 84.24 lakh under Machine Breakdown Policy. The insurer informed (July 2013) the Company that its claim had been rejected as the stipulations regarding overhauling of generator was not met, the last overhaul having been carried out in 2007. Thus, failure of the Company in meeting the maintenance requirements of the policy resulted in rejection of insurance claim and loss to the Company to the extent of ₹ 84.24 lakh.

Management stated (November 2015) that the matter was discussed with the insurers and they had agreed to reopen the claim. However, the Company could not submit any document to substantiate its reply.

Infrastructure Corporation of Andhra Pradesh Limited

Discontinuance of a project resulted in infructuous expenditure of ₹ 7.84 crore

Cancellation of a drinking water project, by Government, resulted in infructuous expenditure of ₹ 3.41 crore incurred on preparation of DPRs and ₹ 4.43 crore incurred on maintenance of Project Monitoring Unit and Project Implementation Unit and blocking up of ₹ 49.24 crore towards mobilisation advances to contractors.

3.2 Government of Andhra Pradesh (GoAP) contemplated (December 2012) a project for providing drinking water to major towns in Chittoor District from the Kandaleru reservoir situated in adjacent Nellore District. GoAP nominated (December 2012) M/s. Infrastructure Corporation of Andhra Pradesh Ltd (Company) as the nodal agency to supervise the implementation and commissioning of the Project. The Project consisted of two Phases with an estimated cost of ₹ 7,390 crore and was to be completed in two years.

Phase- I of the project was divided into two parts viz., Stage I & II. Stage I covered preparation of Detailed Project Reports (DPRs) for works (to be executed under Stage II) through consultants and obtaining necessary

clearances. GoAP released (February 2013) an amount of ₹ 137 crore for Stage I. Stage II was to cover construction of the Main Trunk Line and Secondary Trunk Line. Three consultants were appointed (October-December 2013) and they prepared and submitted the DPRs (March-June 2014). They were paid a total amount of ₹ 3.41 crore.

Audit noticed that, even before the consultants were appointed, the Company had set up a Project Monitoring Unit (PMU) at Hyderabad and a Project Implementation Unit (PIU) at Tirupati during January 2013 and March 2014 respectively, for executing the Project. However, the project actually never commenced. The Company incurred an expenditure of ₹ 4.43 crore on these Units up to November 2015, when the project was finally abandoned. The expenditure of ₹ 4.43 crore incurred on PMU and PIU was, thus, rendered wasteful. Before obtaining the requisite clearances, the Company had also entered into (February 2014) agreements for execution of works under Stage II, (even though DPRs had not yet been received) paid an amount of ₹ 49.24 crore towards mobilisation advances to contractors.

The Government in their reply stated (January 2016) that the Project was cancelled in November 2015. They also stated that mobilisation advances to the extent of ₹ 6.56 crore was recovered and recovery of the remaining advances was in process.

The fact remains that the Project was cancelled after Audit pointed it out. Further, mobilisation advance of ₹ 42.68 crore is still lying with the contractors in the absence of any pending bills, recovery of the same is remote.

With the cancellation of the Project, the expenditure of ₹ 3.41 crore incurred on preparation of DPRs and ₹ 4.43 crore incurred on maintenance of PMU and PIU were also rendered infructuous.

Andhra Pradesh Handicrafts Development Corporation Limited

Non utilization of Red Sanders procured at a cost of ₹ 1.54 crore

Due to non-utilisation of 93.93 MTs Red Sanders procured (May 2012) at a value of ₹ 1.54 crore at subsidised rates resulted in blocking up of funds and failure to provide benefits to the artisans and develop their skills.

3.3 The Development Commissioner (Handicrafts) New Delhi sanctioned (September 2008) a Scheme for setting up Raw Material Bank (RMB) for providing continuous supply of Red Sanders Wood (RSW) to artisans for manufacturing artistic furniture and handicrafts (artefacts) under Ambedkar Hastshilp Vikas Yojna (AHVY). Accordingly Andhra Pradesh Handicrafts Development Corporation Limited (Company) received ₹ 50 lakh (September 2008) under the scheme, as first installment to be utilized in 12 months. The second instalment was to be released only after submission of account for the first installment.

The Company requested (April 2011) the Forest Department, GoAP (three years after receipt of funds from the Development Commissioner) for allotment of 100 MTs of RSW for setting up the Raw Material Bank. It envisaged the manufacture of artefacts at Hyderabad and at Tirupati and

projected a net profit of ₹ 85 lakh on sale of artefacts so manufactured. The Company procured (May 2012) 100 MTs of RSW “C” grade at cost of ₹ 1.64 crore utilizing ₹ 50 lakh grant and ₹ 1.14 crore from internal resources. It was allotted RSW at a subsidized price so as to enable it to provide benefits to the artisans and develop their skills. The Company also incurred an expenditure of ₹ 9.81 lakh on organising an Integrated Design & Technical Development Project (May 2013 and November 2013) wherein 50 artisans were trained.

Audit observed that the Company had utilised only 6.07 MTs of RSW so far (May 2012 to July 2015) and 93.93 MTs of RSW were lying idle. The Company did not take any steps to engage the artisans for making value added products out of RSW, though 50 artisans were trained for this purpose. Thus the Company failed to provide the intended benefits to artisans and had also forgone the realisation of envisaged profit.

Management replied (July 2015) that the Government had been allotting RSW to the Company for taking up value-addition and marketing. However, sale of red sanders products was restricted to Indian markets on account of ban on export of red sanders and restriction on movement of the finished products.

The reply was not tenable as the ban was on export of RSW and there was no ban on export of value added products made out of RSW. Thus, non utilisation of RSW led to unwarranted blockage of funds of ₹ 1.54 crore since May 2012.

STATUTORY CORPORATION

Andhra Pradesh State Road Transport Corporation

Commercial exploitation of vacant lands in the State of Andhra Pradesh

3.4 Andhra Pradesh State Road Transport Corporation (Corporation), in erstwhile Andhra Pradesh state, with a view to augment non-traffic revenue had contemplated commercial exploitation of vacant lands. Accordingly two schemes viz., Deposit, Operate and Transfer (DOT) and Build, Operate and Transfer (BOT) were contemplated in 1998 and 2001 respectively. Under both schemes, the land/constructed shop would be given on long term lease i.e. 20 and 30/33 years respectively.

On review of both schemes, the following issues were noticed:

BOT Scheme:

3.4.1 Under BOT scheme, tenders for leasing the land are floated, finalised and agreements are entered into with the licensees, centrally at Corporate office level. License deeds are to be registered by the licensee who have to obtain all the required statutory permissions and are responsible for construction and operation of the project. Liquidated Damages would be collected from the licensee for any delay in achieving the Commercial Operation Date (COD). Besides, interest for belated annual payments, as per the terms of agreement, would be collected from the licensee.

The successful bidder, after taking possession of the shop, pays monthly license fee during the license period and has to bear statutory payments viz.,

property tax, service tax, electricity charges and comply with all other statutory levies under Central/State laws issued from time to time.

Under the BOT scheme, 15 projects were awarded in Andhra area of the erstwhile State of Andhra Pradesh between years 2005 to 2014. Out of these 15 projects, five projects are yet to commence, two projects were under litigation, two projects are in progress, and six projects were completed (March 2015). All the six²² completed projects were reviewed in audit. Audit observed that:

Non registration of BOT license agreement

3.4.1.1 It was noticed that in three²³ cases, the license deeds were not registered as was required under the terms of the agreement. In the absence of registered documents, the Corporation would not be able to defend its interest in realisation of its dues under the agreement in the event of any dispute/future legal complications. Non registration of agreements was also a loss to the exchequer in the form of stamp duty.

The Management in its reply to the audit enquiry stated that efforts would be made to get the license deeds registered as per the terms of agreement.

Non recovery of service tax in BOT Projects

3.4.1.2 In respect of four²⁴ BOT projects, it was observed that contrary to the terms and conditions of agreement, service tax amounting to ₹ 1.49 crore was not billed and collected during the periods 2007 to 2015 from the licensees and remitted to the appropriate authorities.

The Management replied that service tax on renting of immovable properties was not collected as per the guidelines (April 2009) as the license fee received was treated as inclusive of service tax. The service tax is being claimed with effect from 01 July 2012 as per the revised guidelines issued w.e.f. April 2014.

The reply of the Management is not correct as the relevant agreements had separate clauses for payment of taxes and for payment of license fee. Guidelines of April 2009 were applicable to shops, vacant spaces and stalls constructed under DOT scheme only and not to the projects awarded under the BOT scheme. Thus, non-adherence to the terms of the agreement and non-compliance with statutory laws resulted in non-realisation of service tax and loss of revenue to the exchequer.

Short levy of interest for delayed payment of license fees in two projects

3.4.1.3 As per BOT agreement, the license fees shall be paid in advance, every year on or before 10th of the month in which it was due, failing which interest @ 36 *per cent* p.a. would be levied for the delayed period. It was observed in audit that in two²⁵ BOT projects there was a delay in payment of license fees by

²² (i) Sri B Srimannarayana (Jyothi wines), Ongole (ii) Janatha Waiting Hall, Tirupati (iii) Dr. B. Jhansi Lakshmi Bai, Chamakalva, Nandyal (iv) Dwaraka Bus Station, Visakhapatnam, (v) Old Bus Station, Chilakaluripet, Guntur (vi) Chandana Brothers Multi Complex Pvt. Ltd., Visakhapatnam.

²³ (i) Sri B Srimannarayana (Jyothi wines), Ongole (ii) Janatha Waiting Hall, Tirupati (iii) Dr. B. Jhansi Lakshmi Bai, Chamakalva, Nandyal.

²⁴ (i) Sri B Srimannarayana (Jyothi wines), Ongole (ii) Chandana Brothers Multi Complex Pvt Ltd., Visakhapatnam (iii) Janatha Waiting Hall, Tirupati (iv) Dr. B. Jhansi Lakshmi Bai, Chamakalva, Nandyal.

²⁵ (i) Chandana Brothers Multi Complex Pvt. Ltd., Visakhapatnam (ii) Janatha Waiting Hall, Tirupati.

the lessees. The Corporation short levied the interest to the extent of ₹ 19.41 lakh for the belated payment resulting in loss of revenue.

The Management replied that as the penal rate was on the higher side, the same was relaxed.

The reply was not tenable as there was no provision in the agreement for relaxation in rate of interest.

Non levy of additional license fee

3.4.1.4 As per agreements under the BOT scheme, the Developer (licensee) shall strictly conform to the built up space specified in the Detail Project Report (DPR) approved by APSRTC. Deviations in built up space shall not be more than (+) or (-) 5 *per cent*. Any increase beyond this shall be with the prior permission of the APSRTC and the Developer should pay proportionate additional commercial license fee. It was observed that in the following two cases, the licensees built excess areas, but the Corporation collected license fee only for approved built up area as explained below:

- The licensee²⁶, entered into a license agreement in 2006 for construction of a Shopping Complex. But the licensee constructed extra 155.15 *per cent*²⁷ of the built up area and also utilised more land than the leased land. The Corporation did not revise the license fee for the excess land and for the excess built up area resulting in short realization of license fee of ₹ 51.07 lakh up to 2014-15.
- In another case²⁸, the licensee constructed 857 Sqm as against the approved built up area of 307 Sqm i.e. by 179 per cent beyond the area mentioned in the agreement (April 2006). The license fee was revised by the Corporation for the actual built up area but the licensee was not paying the revised license fee as supplementary deed was not finalized. This resulted in short collection of ₹ 13.76 lakh for the period upto 2014-15.

The Management reply was awaited (January 2016) in the first case. In respect of the second case the Management replied that the revised supplementary deed was not necessary (for increased built up area) as the methodology for collecting additional license fee was already defined in the agreement. The reply was silent about short collection of license fees.

The reply was not tenable as ‘the annexure attached to the relevant agreement’ stipulated year wise license fees payable and the same needed to be revised through a supplementary deed to safeguard the interests of the Corporation.

DOT scheme:

3.4.2 Under DOT scheme, approval on proposals received from different regions for construction of shops would be accorded by the Corporate office. The successful bidder, after taking possession of the shop, pays monthly license fee during the license period and has to bear statutory payments viz.,

²⁶ Sri B Srimannarayana (Jyothi wines).

²⁷ 8337.39 Sqm as against approved area of 3267.70 Sqm in the land of 2465 Sqm as against the leased land of 2020 Sqm

²⁸ Janatha Waiting Hall, Tirupati

property tax, service tax, electricity charges and comply with all other statutory levies under Central/State laws issued from time to time. A review of shops constructed under DOT scheme in two Divisions viz. Tirupati and Visakhapatnam out of six Divisions in Andhra area of erstwhile State of Andhra Pradesh revealed the following:

Non realization of service tax for shops leased under DOT Schemes

3.4.2.1 It was noticed in audit that service tax amounting to ₹ 16.24 lakh was not collected from the DOT licensees, for the period July 2012 to March 2014 in Tirupati and Visakhapatnam Divisions.

The Management replied that as per the guidelines contained in circular (April 2014) for all existing rental agreements, except agreements under BOT schemes, the license fees was to be treated as inclusive of service tax w.e.f. 1 July 2012 and for the future tenders, a clause would be incorporated for remittance of service tax by the licensee. Thus, service tax to the tune of ₹ 16.24 lakh from the DOT licensees in the above mentioned regions was not recovered.

The reply was not tenable as the terms of agreement cannot be changed by a circular. The service tax was to be collected from the lessees.

Hyderabad
The

(LATA MALLIKARJUNA)
Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh and Telangana

Countersigned

New Delhi
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1 a
Statement showing investments made by State Government in PSUs whose accounts are in arrears
of exclusive Andhra Pradesh

(Referred to in paragraph 1.11)

(Figures in Columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Sector and name of Company	Year upto which accounts finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A.	Working Government Companies						
	AGRICULTURE AND ALLIED						
1	Andhra Pradesh Meat Development Corporation Limited	2013-14	6.87	2014-15	0.00	0.00	0.00
2	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	2013-14	0.01	2014-15	0.00	0.00	11.39
	Total		6.88		0.00	0.00	11.39
	MANUFACTURING						
3	Krishnapatnam International Leather Complex Private Limited (619-B)	2012-13	0.10	2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00
4	Ongole Iron Ore Mining Company Private Limited	2010-11	0.11	2011-12	NA	NA	NA
				2012-13	NA	NA	NA
				2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00
	Total		0.21		0.00	0.00	0.00
	POWER						
5	Andhra Pradesh Power Development Company Limited	2013-14	1804.37	2014-15	0.00	0.00	0.00
6	Eastern Power Distribution Company of Andhra Pradesh Limited	2013-14	121.23	2014-15	0.00	0.00	0.00
7	Southern Power Distribution Company of Andhra Pradesh Limited	2013-14	358.72	2014-15	0.00	0.00	0.00
	Total		2284.32		0.00	0.00	0.00
	SERVICE						
8	Vizag Apparel Park for Export	2007-08	0.05	2008-09	0.00	0.00	0.00
				2009-10	0.00	0.00	0.00
				2010-11	0.00	0.00	1.25
				2011-12	0.00	0.00	0.06
				2012-13	0.00	0.00	0.00
				2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00

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Sl. No.	Sector and name of Company	Year upto which accounts finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
9	Visakhapatnam Urban Transport Company Limited	2013-14	0.05	2014-15	0.00	0.00	0.00
	Total		0.10		0.00	0.00	1.31
	MISCELLANEOUS						
10	Andhra Pradesh State Skill Development Corporation	First Accounts not submitted (2014-15)	NA	2014-15	2.11	0.00	0.00
11	Andhra Pradesh Mahila Sadhikara Samstha	First Accounts not submitted (2014-15)	NA	2014-15	1.00	0.00	0.00
	Total				3.11	0.00	0.00
	TOTAL: A		2291.51		3.11	0.00	12.70

Annexure 1 b
Statement showing investments made by State Government in PSUs whose accounts are in arrears
of PSUs under demerger

(Referred to in paragraph 1.11)

(Figures in Columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Sector and name of Company	Year upto which accounts finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A.	Working Government Companies						
	AGRICULTURE AND ALLIED						
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2013-14	21.50	2014-15	0.00	0.00	0.00
2	Andhra Pradesh Forest Development Corporation Limited	2013-14	21.82	2014-15	0.00	0.00	0.00
3	Andhra Pradesh State Irrigation Development Corporation Limited	2013-14	133.81	2014-15	0.00	0.00	0.00
4	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	2013-14	2.76	2014-15	0.00	0.00	0.00
	Total		179.89		0.00	0.00	0.00
	FINANCE						
5	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	2013-14	6.22	2014-15	0.00	0.00	2.64
6	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2.00	2014-15	0.00	0.00	0.37
7	Andhra Pradesh State Minorities Finance Corporation Limited	2009-10	5.00	2010-11	0.00	0.00	199.73
				2011-12	0.00	0.00	277.81
				2012-13	0.00	0.00	233.88
				2013-14	0.00	0.00	96.83
				2014-15	0.00	0.00	32.16
8	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First accounts not finalised		2009-10	0.00	0.00	199.73
				2010-11	0.00	0.00	8.00
				2011-12	0.00	0.00	17.15
				2012-13	0.00	0.00	8.23
				2013-14	0.00	0.00	11.75
				2014-15	0.00	0.00	0.17
	Total		13.22		0.00	0.00	1088.46
	INFRASTRUCTURE						
9	Andhra Pradesh State Police Housing Corporation Limited	2013-14	1.81	2014-15	0.00	0.00	0.00
10	Andhra Pradesh Industrial Development Corporation Limited	2013-14	96.23	2014-15	0.25	0.00	0.00

Sl. No.	Sector and name of Company	Year upto which accounts finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
11	Andhra Pradesh Industrial Infrastructure Corporation Limited	2013-14	16.33	2014-15	0.00	0.00	2.50
12	Andhra Pradesh State Housing Corporation Limited	2009-10	0.25	2010-11	0.00	891.68	0.00
				2011-12	0.00	939.63	0.00
				2012-13	0.00	0.00	0.00
				2013-14	0.00	1128.01	0.00
				2014-15	0.00	429.12	0.00
13	Andhra Pradesh Rajiv Swagruha Corporation Limited	2013-14	0.05	2014-15	0.00	0.00	0.00
14	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2013-14	0.15	2014-15	0.00	0.00	160.00
15	Infrastructure Corporation of Andhra Pradesh Limited	2013-14	24.12	2014-15	7.00	0.00	0.00
16	Andhra Pradesh Aviation Corporation Limited	Accounts not submitted since inception (2005-06)		2005-06	NA	NA	NA
				2006-07	NA	NA	NA
				2007-08	NA	NA	NA
				2008-09	NA	NA	NA
				2009-10	NA	NA	NA
				2010-11	NA	NA	NA
				2011-12	0.00	0.00	17.68
				2012-13	0.00	0.00	17.87
				2013-14	0.00	0.00	14.90
				2014-15	0	0	30.98
	Total		138.94		7.25	3388.44	243.93
	MANUFACTURING						
17	Andhra Pradesh Mineral Development Corporation Limited	2012-13	6.31	2013-14	0	0	0
				2014-15	0	15.00	0
18	Leather Industries Development Corporation of Andhra Pradesh Limited	2013-14	3.9	2014-15	2.56	0	0
19	Andhra Pradesh Beverages Corporation Limited	2013-14	0.24	2014-15	0	0	0
	Total		10.45		2.56	15.00	0
	POWER						
20	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2013-14	0.22	2014-15	0	0	0.87
21	Andhra Pradesh Power Generation Corporation Limited	2013-14	2106.8	2014-15	--	--	--
22	Transmission Corporation of Andhra Pradesh Limited	2013-14	779.22	2014-15	0	0	0
23	Andhra Pradesh Power Finance Corporation Limited	2013-14	29.00	2014-15	4.55	0	549.92
	Total		2915.24		4.55	0	550.79

Sl. No.	Sector and name of Company	Year upto which accounts finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
	SERVICE						
24	Andhra Pradesh State Civil Supplies Corporation Limited	2011-12	3.00	2012-13	0	0	0
				2013-14	0	0	0
				2014-15	0	0	0
25	Andhra Pradesh Trade Promotion Corporation Limited	2013-14	0.86	2014-15	0	0	0.19
26	Andhra Pradesh Technology Services Limited	2013-14	0.31	2014-15	0	0	0
27	Andhra Pradesh Tourism Development Corporation Limited	2012-13	3.76	2013-14	0.00	0.00	3.83
				2014-15	0.00	0.00	0.63
	Total		7.93		0	0	4.65
	MISCELLANEOUS						
28	Overseas Manpower Company of Andhra Pradesh Limited	2013-14	0.05	2014-15	0.00	0.00	0.00
29	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted since 2002-03		2002-03	0.00	0.00	0.87
				2003-04	0.00	0.00	0.00
				2004-05	0.00	0.00	1.00
				2005-06	0.00	0.00	0.00
				2006-07	0.00	0.00	0.75
				2007-08	0.00	0.00	2.91
				2008-09	0.16	0.00	2.44
				2009-10	0.00	0.00	1.57
				2010-11	0.00	0.00	0.23
				2011-12	0.00	0.00	0.89
				2012-13	0.00	0.00	0.98
				2013-14	0.00	0.00	0.52
				2014-15	0.00	0.00	0.67
	Total		0.05		0.16	0.00	12.83
	TOTAL: A		3265.71		14.52	3403.44	1900.67
	Working Statutory Corporations						
	AGRICULTURE AND ALLIED						
30	Andhra Pradesh State Warehousing Corporation	2013-14	8.97	2014-15	0	0	0
	SERVICES						
31	Andhra Pradesh State Road Transport Corporation	2013-14 Provisional Accounts	201.27	2014-15	0	13.21	0
	TOTAL:B		210.24		0	13.21	0
	TOTAL A+B		3475.95		14.52	3416.65	1900.67

Annexure 2 a

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/accounts of exclusive Andhra Pradesh
(Referred to in paragraph 1.15)

(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-) loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed@	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Andhra Pradesh Meat Development Corporation Limited	2013-14	2014-15	6.87	0.00	-17.81	0.00	0.00	0.00	-8.13	0.00	0.00	0
2	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	2013-14	2015-16	0.01	0.00	-0.18	0.00	-0.10	0.00	349.06	-0.10	-0.03	0
Total				6.88	0.00	-17.99	0.00	-0.10	0.00	340.93	-0.10		0
INFRASTRUCTURE													
3	Andhra Pradesh Gas Infrastructure Corporation Private Limited	2014-15	2015-16	40.00	0.00	-25.74	0.00	-21.32	0.00	14.26	-21.32	-149.51	0
4	Andhra Pradesh Gas Distribution Corporation Limited	2014-15	2015-16	20.00	0.00	-0.97	0.00	-0.37	0.00	19.03	-0.37	-1.94	4
Total				60.00	0.00	-26.71	0.00	-21.69	0.00	33.29	-21.69		4
MANUFACTURING													
5	Andhra Pradesh Heavy Machinery and Engineering Limited (s)	2014-15	2015-16	17.27	0.00	40.85	74.30	2.50	0.00	58.12	2.76	4.75	382
6	Krishnapatnam International Leather Complex Private Limited	2012-13	2014-15	0.10	0.00	-6.72	0.00	-6.72	0.07	3.37	-5.22	-154.90	11

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-) loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed@	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
7	Ongole Iron Ore Mining Company Private Limited	2011-12	2015-16	0.11	3.66	-0.07	0.00	-0.07	0.00	3.70	-0.07	-1.89	0
	Total			17.48	3.66	34.06	74.30	-4.29	0.07	65.19	-2.53		393
	POWER												
8	Andhra Pradesh Power Development Company Limited	2013-14	2014-15	1804.37	7361.44	0.00	0.00	0.00	0.00	9239.05	0.00	0.00	72
9	Eastern Power Distribution Company of Andhra Pradesh Limited	2013-14	2014-15	121.23	3379.95	-1694.45	6033.81	-135.85	-35.50	3046.07	23.49	0.77	7858
10	Southern Power Distribution Company of Andhra Pradesh Limited Limited	2013-14	2014-15	358.72	6083.49	-4931.42	7327.45	-403.12	-424.16	2856.59	19.72	0.69	16609
11	Andhra Pradesh Solar Power Corporation Limited	2014-15	2015-16	0.10	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0
	Total			2284.42	16824.88	-6625.87	13361.26	-538.97	-459.66	15141.81	43.21		24539
	SERVICES												
12	Vizag Apparel Park for Export	2007-08	2012-13	0.05	0.00	-0.15	0.04	-0.08	0.00	0.05	-0.08	-160.00	2
13	Visakhapatnam Urban Transport Company Limited	2013-14	2014-15	0.05	0.00	-0.01	0.00	-0.01	0.00	0.04	-0.01	-25.00	0
	Total			0.10	0.00	-0.16	0.04	-0.09	0.00	0.09	-0.09		2
	MISCELLANEOUS												
14	Andhra Pradesh State Skill Development Corporation	First Accounts not submitted											
15	Andhra Pradesh Mahila Sadhikara Samstha	First Accounts not submitted											
	Grand Total			2368.88	16828.54	-6636.67	13435.60	-565.14	-459.59	15581.31	18.80		24938

@ Capital employed represents Shareholders fund and long term borrowings

Annexure 2 b

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/accounts of PSUs under demerger
(Referred to in paragraph 1.15)

(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2013-14 (14 M)	2015-16	21.50	47.93	-12.84	27.55	-6.07	0.22	111.77	-4.40	-3.94	179
2	Andhra Pradesh Forest Development Corporation Limited	2013-14 (14 M)	2014-15	21.82	20.61	288.1	240.33	176.80	-6.11	455.40	182.25	40.02	392
3	Andhra Pradesh State Irrigation Development Corporation Limited	2013-14 (14 M)	2014-15	133.81	48.08	-53.28	62.17	24.83	0	128.61	30.27	23.54	209
4	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	2013-14 (14 M)	2014-15	2.76	133.62	2.81	486.85	1.36	-3.6	232.11	1.36	0.59	199
	Total			179.89	250.24	224.79	816.90	196.92	-9.49	927.89	209.48		979
FINANCE													
5	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	2013-14	2015-16	6.22	0.10	1.91	10.35	0.07	Accounts under finalisation	8.23	0.20	2.43	27
6	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2015-16	2.00	0.49	12.41	78.23	2.14	0	24.49	2.14	8.74	111
7	Andhra Pradesh State Minorities Finance Corporation Limited	2009-10	2011-12	139.85	17.65	-12.03	0	-0.08	-143.79	145.47	0.38	0.26	37

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
8	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First Accounts not submitted											35
9	Andhra Pradesh Power Finance Corporation Limited	2013-14	2014-15	29.00	5650.50	0.00	552.94	0.00	0.00	5679.50	552.41	9.73	5
	Total			177.07	5668.74	2.29	641.52	2.13	-143.79	5857.69	555.13		215
	INFRASTRUCTURE												
10	Andhra Pradesh State Police Housing Corporation Limited	2013-14 (14 M)	2015-16	1.81	0	0.01	190.92	0	Accounts under finalisation	1.82	0	0.00	173
11	Andhra Pradesh Industrial Development Corporation Limited	2013-14	2015-16	96.23	8.06	0.00	13.8	8.10	-14.38	183.95	8.33	4.53	57
12	Andhra Pradesh Industrial Infrastructure Corporation Limited	2013-14	2014-15	16.33	341.98	500.26	1213.75	28.31	0	871.57	28.31	3.25	166
13	Andhra Pradesh State Housing Corporation Limited	2009-10	2013-14	0.25	12011.88	-4213.86	68.26	-661.98	0.00	7798.52	-63.55	-0.81	5765
14	Andhra Pradesh Rajiv Swagruha Corporation Limited	2013-14	2014-15	0.05	0	9.3	41.71	-45.78	Accounts under finalisation	9.35	-9.77	-104.49	166
15	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2013-14 (14 M)	2015-16	0.15	0	-0.09	0.00	-0.05	0.00	0.06	-0.05	-83.33	40
16	Infrastructure Corporation of Andhra Pradesh Limited	2013-14 (14 M)	2014-15	24.45	0.00	-2.25	0.15	-0.48	0.17	22.21	-0.48	-2.16	60

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
17	Andhra Pradesh Aviation Corporation Limited	First Accounts not submitted											
	Total			139.27	12361.92	-3706.63	1528.59	-671.88	-14.21	8887.48	-37.21		6427
	MANUFACTURING												
18	Andhra Pradesh Mineral Development Corporation Limited	2012-13	2014-15	6.31	15.00	617.63	595.4	324.78	-68.04	752.32	327.02	43.47	177
19	Leather Industries Development Corporation of Andhra Pradesh Limited	2013-14	2015-16	3.9	26.93	-81.75	0.01	-8.67	-1.42	-14.43	-7.55	52.32	58
20	Andhra Pradesh Beverages Corporation Limited	2013-14	2014-15	0.24	0	16.15	57.58	15.28	0.00	16.47	15.28	92.77	386
21	The Nizam Sugars Limited	2014-15	2015-16	34.00	55.95	-241.49	0	-5.22	4.12	-149.92	0.57	-0.38	16
	Total			44.45	97.88	310.54	652.99	326.17	-65.34	604.44	335.32		637
	POWER												
22	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2013-14	2015-16	0.22	0	32.13	52.87	12.10	-0.03	32.39	12.35	38.13	79
23	Andhra Pradesh Power Generation Corporation Limited	2013-14	2014-15	2106.8	10818.78	1880.97	13862.60	555.76	0	15373.18	2536.52	16.50	12021
24	Transmission Corporation of Andhra Pradesh Limited	2013-14	2014-15	779.22	7.45	102.77	1332.40	102.77	16.6	786.67	489.96	62.28	4016
	Total			2886.24	10826.23	2015.87	15247.87	670.63	16.57	16192.24	3038.83		16116

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
SERVICE													
25	Andhra Pradesh State Civil Supplies Corporation Limited	2011-12	2014-15	3.00	0	144.56	7047.58	9.76	4.58	150.56	194.74	149.14	1074
26	Andhra Pradesh Trade Promotion Corporation Limited	2013-14	2014-15	0.86	0	71.02	35.9	2.95	-8.32	94.86	2.98	3.14	9
27	Andhra Pradesh Technology Services Limited	2013-14 (14 M)	2014-15	0.31	0	48.66	18.33	13.4	0.00	50.77	13.4	26.39	107
28	Andhra Pradesh Tourism Development Corporation Limited	2012-13	2014-15	3.76	11.72	22.43	139.91	-0.33	0.00	37.91	0.74	1.95	1147
Total				7.93	11.72	286.67	7241.72	25.78	-3.74	334.10	211.86		2337
MISCELLANEOUS													
29	Overseas Manpower Company of Andhra Pradesh Limited	2013-14	2015-16	0.05	0	0.25	0.22	0.04	-0.24	0.46	0.04	8.70	3
30	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted											
Total				0.05	0	0.25	0.22	0.04	-0.24	0.46	0.04		3
TOTAL: A				3434.90	29216.73	-866.22	26129.81	549.79	-220.24	32804.30	4313.45		26714
B. Working Statutory Corporations													
AGRICULTURE AND ALLIED													
31	Andhra Pradesh State Warehousing Corporation	2013-14	2015-16	8.97	2.13	330.21	298.88	122.83	-4.72	359.03	123.09	34.28	237

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	SERVICES												
32	Andhra Pradesh State Road Transport Corporation	2013-14* Provisional accounts	2015-16	201.27	4620.99	-3805.08	7727.55	-1155.27	0	11516.92	1605.41	13.94	61806
	FINANCE												
33	Andhra Pradesh State Financial Corporation	2014-15	2015-16	206.01	2315.21	165.57	437.26	38.53	0	3058.28	282.39	9.23	363
	TOTAL:B			416.25	6938.33	-3309.3	8463.69	-993.91	-4.72	14934.23	2010.89		62406
	TOTAL A+B			3851.15	36155.06	-4175.52	34593.50	-444.12	-224.96	47738.53	6324.34		89120
C.	NON-WORKING COMPANIES												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02		4.67	8.67	-21.75	0.00	0.00	0.00	-7.24	0.00	0.00	
2	Proddutur Milk Foods Limited	1983-84	1990-91	1.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8
3	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 M)	2014-15	15.00	0.00	-5.24	0.00	0.00	0.00	9.76	0.00	0.00	
	FINANCING												
4	A.P Small Scale Industrial Development Corporation Limited	2001-02	2003-04	9.62	13.92	-20.03	0.02	2.18	0.00	2.93	2.18	74.40	
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	2.00	0.00	0.07	0.11	0.11	0.00	2.05	0.11	5.37	
	MANUFACTURING												
6	Allwyn Auto Limited	1994-95		0.15	14.45	-13.54	0.00	-6.46	0.00	-2.97	-6.46	217.51	
7	Allwyn Watches Limited	1998-99	2002-03	0.15	64.93	-248.70	13.00	-70.69	0.00	95.75	-70.69	-73.83	
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	12.72	0.68	-10.74	0.00	-0.75	0.00	3.68	-0.75	-20.38	

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	11.11	11.19	-34.49	0.00	-3.70	0.00	-3.79	-3.70	97.63	
10	Andhra Pradesh Steels Limited (S)	1991-92	1993-94	2.03	2.12	-6.51	0.00	-2.09	0.00	-2.51	-2.09	83.27	
11	Apronix Communications Limited (S)			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
12	Hyderabad Chemicals and Fertilizers Limited (S)	1984-85	1986-87	0.78	8.25	-0.63	0.00	0.62	0.00	-1.34	0.62	-46.27	
13	Marine and Communication Electronics (India) Limited (S)	1992-93	1994-95	1.89	4.77	-4.21	0.00	-4.70	0.00	7.23	-4.70	-65.01	
14	Republic Forge Company Limited	1991-92	1993-94	7.77	54.77	-23.41	0.00	-3.24	0.00	8.82	-3.24	-36.73	
15	Southern Transformers and Electricals Limited (S)	1993-94	1996-97	0.58	0.78	-5.78	0.00	-0.57	0.00	-1.45	-0.57	39.31	
16	Andhra Pradesh Automobile Tyres & Tubes Limited (619-B)	1992-93	NA	0.75	0.00	-0.77	0.00	0.00	0.00	0.00	0.00	0.00	
17	Golkonda Abrasives Limited (619-B)	1997-98	NA	0.55	0.00	-7.44	0.00	-0.01	0.00	0.00	-0.01	0.00	
18	Krishi Engineering Limited (619-B)	1984-85	NA	0.52	0.00	-3.54	0.00	-0.52	0.00	0.00	-0.52	0.00	
19	PJ Chemicals Limited (619-B)	1989-90	NA	0.38	0.00	-3.56	0.00	-0.51	0.00	0.00	-0.51	0.00	
20	Suganthy Alloy castings Limited (619-B)	1983-84	NA	0.20	0.00	-0.26	0.00	-0.16	0.00	0.00	-0.16	0.00	
21	Vidyut Steels Limited (619-B)	1985-86	NA	0.88	0.00	-1.55	0.00	-0.40	0.00	0.00	-0.40	0.00	
	SERVICE												
22	Andhra Pradesh Essential Commodities Corporation Limited	2011-12	2014-15	1.13	0.00	9.51	0.00	0.08	0.00	10.65	0.08	0.75	1
	TOTAL : C			74.84	184.53	-402.56	13.13	-90.81	0.00	121.58	-90.81		9
	TOTAL A+B+C				36339.59	-4578.08	34606.63	-534.93	-224.96	47860.11	6233.53		89129



GLOSSARY

Glossary

AHVV	Ambedkar Hastshilpa Vikas Yojna
APFDC	Andhra Pradesh Forest Development Corporation Limited.
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
APMs	Assistant Plant Managers
APREGS	Andhra Pradesh Rural Employment Guarantee Scheme
APSRTC	Andhra Pradesh State Road Transport Corporation
ATNs	Action Taken Notes
BG	Bank Guarantee
BICs	Bamboo Industrial Cuts
BOT	Build Operate and Transport
CAD	Common Area Development
CMA	Clonal Multiplication Areas
COD	Commercial Operation Date
COPU	Committee on Public Undertakings
DD	Demand Draft
DOT	Deposit Operate and Transfer
DPRs	Detailed Project Reports
EMD	Earnest Money Deposit
FDR	Fixed Deposit Receipt
GDP	Gross Domestic Product
GFR	General Financial Rules
GoAP	Government of Andhra Pradesh
ha	Hectares
IGCARL	Indira Gandhi Centre for Advance Research on Livestock Private Limited
KGS	Konduru Grama Samiti
LBs	Long Bamboos
MIS	Management Information System
MoU	Memorandum of Understanding
MP	Management Plan
MT	Metric Tonne
PIU	Project Implementation Unit
PMs	Plant Managers
PMU	Project Monitoring Unit
PSUs	Public Sector Undertakings
RF	Reserved Forest
RMB	Raw Material Bank
RSW	Red Sanders Wood
SARs	Separate Audit Reports

SBN	Sand Bed Nursery
SD	Security Deposit
UAT	Unit Auxiliary Transformer
VC&MD	Vice Chairman and Managing Director
VSS	Van Samrakshna Samiti
VVP	Vanaspati Van Programme

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