



**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2017**



**Government of Andhra Pradesh
Report No.3 of 2018**

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PREFACE

This report deals with results of audit of Government Companies and Statutory Corporations for the year ended March 2017.

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 CAG under 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 Andhra Pradesh by CAG for laying before State Legislature under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in course of test audit for the period 2016-17 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 2016-17 have also been included, wherever necessary.

This Report includes one Performance Audit on "Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited" and four Compliance Audit paragraphs including one detailed Compliance Audit on "Non-operating revenue in Andhra Pradesh State Road Transport Corporation".

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

1. Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India. These financial statements are also subject to supplementary audit conducted by the Comptroller and Auditor General of India. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2017, the State of Andhra Pradesh had 64 working Public Sector Undertakings (61 Companies and 3 Statutory Corporations) and 22 Non-working Public Sector Undertakings (all Companies), of which working Public Sector Undertakings employed 0.94 lakh employees. Working Public Sector Undertakings registered a turnover of ₹ 61,972.50 crore as per their latest finalised accounts as of 30 September 2017. The Return on Equity of 60 Working PSUs exclusive to State and formed due to demerger was (-) 48.84 per cent based on latest finalised accounts as on 30 September 2017.

(Paragraph 1.1, 1.2 and 1.3)

Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long-term loans) in 86 Public Sector Undertakings was ₹ 61,345.31 crore. Of the total investments, 99.24 per cent was in Working Companies (exclusive to State and formed due to demerger) and 0.76 per cent in Companies (under demerger and Non-working Companies).

(Paragraph 1.6 and 1.7)

Performance of Public Sector Undertakings

There were 64 working PSUs in the State, out of which 37 PSUs finalised their accounts during October 2016 to September 2017, covering different reporting period. Of these, 15 working PSUs earned a profit of ₹ 1,164.23 crore and 20 PSUs incurred a loss of ₹ 3,240.49 crore. One PSU, i.e., Andhra Pradesh Power Finance Corporation Limited had prepared its accounts on no profit no loss basis and one PSU, i.e., Bhogapuram International Airport Corporation Limited had not started its operations.

(Paragraph 1.14(a))

Nine out of 64 PSUs had accumulated losses of ₹ 25,367.89 crore. The huge accumulation of losses by these PSUs was eroding public wealth which is a cause of serious concern.

(Paragraph 1.14(b))

Explanatory notes to Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) are to be submitted within three month of their tabling in the State Legislature. Explanatory notes to 98 Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) relating to 13 departments are yet to be received. Action Taken Notes on the 464 recommendations contained in reports of the Committee on Public Undertakings (COPU) were yet to be received from the departments as on 30 September 2017.

(Paragraph 1.19 and 1.21)

2. Performance Audit relating to Government company

Andhra Pradesh State Seeds Development Corporation Limited was incorporated on 26 March 1976 with authorized share capital of ₹ 5.00 crore. The paid up share capital of the Company as at 1 June 2014 stood at ₹ 275.80 lakh. The share of Government of Andhra Pradesh was ₹ 107.51 lakh (39 per cent), GoI was ₹ 90.00 lakh (33 per cent) and Seed Growers was ₹ 78.29 lakh (28 per cent)

Performance Audit on **Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited** was conducted. Overview of audit findings is given below:

- There was shortfall in production of 16.40 lakh quintals certified seeds during the period 2012-13 to 2016-17 compared to targets. The reason for shortfall was insufficient distribution of breeder and foundations seeds to the seed growers (individual farmers), considering Seed Multiplication Ratios lesser than the norms in respect of Paddy and higher in respect of Blackgram, Greengram and Groundnut and short supply of foundation and certified seeds by the seed growers.

(Paragraph 2.7.1.2)

- The agreements made with the seed organisers (private seed producing Companies) were defective in respect of Earnest Money Deposit which led to undue favour amounting to ₹ 5.16 crore.

(Paragraph 2.7.2.3)

- Delay in procurement of Bengalgram JG-11 certified seeds from the seed organisers during Rabi season 2015-16 led to re-fixation of procurement prices thrice, which were higher than the price fixed in March 2016, resulting in excess procurement cost of ₹ 38.24 crore.

(Paragraph 2.7.2.4)

- The Company revised the price incentive twice within one year. This revision was made on the request of seed Growers' Directors without any cost analysis by the Company.

(Paragraph 2.7.2.7)

- The Company had planned construction of 25 godowns (3.78 lakh sqft) under schemes of GoI. The Company could complete the construction of only eight godowns (1.40 lakh sqft) till March 2016 and could not complete (June 2017) construction of four godowns (1.18 lakh sqft). They did not take up construction of 13 godowns. This led to hiring of private godowns incurring avoidable expenditure of ₹ 5.24 crore.

(Paragraph 2.7.3.2)

- One of the objectives of the Company was to distribute certified and other quality seeds to the farmers. However, complaints were received against the supply of 4,945.60 quintals of poor quality seeds valuing ₹ 1.40 crore. Out of the above, the Company replaced seeds valuing ₹ 33.24 lakh free of cost and paid compensation of ₹ 15.06 lakh.

(Paragraph 2.7.4.4)

- Company failed to sell 3.69 lakh quintals of seeds during their validity period. The delay led to loss of vigour, viability and loss of rate of germination. The Company had to condemn the seed and sell these seeds as grain. This resulted in a loss of ₹ 25.25 crore.

(Paragraph 2.7.4.5)

3. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in financial implications. Overview of compliance audit findings is as given below:

- Award of supplemental item to a contractor, against terms and conditions of tender and agreement led to additional financial burden of ₹ 7.10 crore on **Andhra Pradesh Power Generation Corporation Limited**.

(Paragraph 3.1)

A detailed compliance audit in respect of **Non-Operating Revenue** of **Andhra Pradesh State Road Transport Corporation** was carried out and an overview of the important findings is as below:

- Allotment of open space on nomination basis at lower license fee than the existing rates in the same premises led to loss of revenue of ₹ 0.91 crore.
- Cancellation of existing licenses of stalls without proper planning for development of “elegant corporate structure” at Tirupati Bus Depot resulted in loss of revenue of ₹ 22.65 lakh.
- Delay in implementation of Service Tax provision and Corporation’s decision not to recover Service Tax from stall licensees resulted in payment of Service Tax of ₹ 7.46 crore.
- Delay in taking action for recovery of outstanding license fee even after exceeding security deposit led to loss of revenue of ₹ 90.71 lakh.

(Paragraph 3.2)

Other compliance audit observations on Andhra Pradesh State Road Transport Corporation:

- Failure to draw term loan funds on need basis for procurement of buses led to parking of funds in short-term deposits resulted in avoidable interest burden of ₹ 4.52 crore.

(Paragraph 3.3)

- Procurement of medicines from the Distributor at higher rates instead of following the established system of procuring from drug manufacturers by inviting tenders, led to an extra expenditure of ₹ 1.75 crore.

(Paragraph 3.4)

Chapter I

1. Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of a commercial nature keeping in view the welfare of the people. They occupy an important place in the State economy.

The Andhra Pradesh Reorganization Act, 2014 (AP Reorganisation Act) came into effect from 2 June 2014, which bifurcated the erstwhile composite State of Andhra Pradesh and the residual Andhra Pradesh State came into existence on that date. Under the AP Reorganisation Act, a PSU shall pass to that State where it is exclusively located in or its operations are exclusively confined. Assets and liabilities of the PSUs with interstate operations were to be apportioned between the two States as under:

- The operational units on location basis; and
- Assets and liabilities at headquarters on the basis of population ratio.

Total 33 PSUs¹ were identified in the Act, with interstate operations, which were to be demerged. Out of these, 28 PSUs² were functionally bifurcated. However, the transfer of assets and liabilities of these demerged PSUs is yet to be finalised.

As on 31 March 2017, there were 86 PSUs in Andhra Pradesh. Of these, 64 were working PSUs (32 PSUs were exclusive to State, 28 PSUs, including Statutory Corporation, were formed due demerger and 4 PSUs were under demerger) and 22 were non-working PSUs. None of the PSUs was listed on the stock exchange(s). Five companies³ were newly incorporated during the year 2016-17. Four companies⁴ incorporated in 2015-16 but incorporation details were received after finalisation of Audit Report 2015-16. No company was closed down during the year. The details of the State PSUs in Andhra Pradesh State as on 31 March 2017 are given as below:

¹ Five companies viz., The Nizam Sugars Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Infrastructure Corporation of Andhra Pradesh Limited, Andhra Pradesh Tribal Power Company Limited and Andhra Pradesh State Film, Television and Theatre Development Corporation Limited. The Nizam Sugars Limited which was shown as PSUs under demerger in the previous Report has been excluded in this Report, as it has been treated as Company exclusive to Telangana State.

² 25 Government companies and three Statutory Corporations.

³ Andhra Pradesh Centre for Financial System & Services, Andhra Pradesh Medtech Zone Limited, Andhra Pradesh Township & Infrastructure Development Corporation Limited, AP Towers Limited, and Godavari Gas Private Limited.

⁴ Amaravati Development Corporation Limited, Greater Visakhapatnam Smart City Corporation Limited, Andhra Pradesh State Kapu Welfare & Development Corporation Limited and Andhra Pradesh Brahmin Welfare Corporation Limited.

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working companies	Total
Government Companies (exclusive to State) ⁵ plus (formed due to demerger) ⁶	57	0	57
Government Companies under demerger ⁷ (Working/Non-working)	04	22	26
Statutory Corporations formed due to demerger	03	0	03
Total	64	22	86

Source: Information furnished by State Government and PSUs

The 64 working PSUs⁸ had a work force of 0.94 lakh employees as at the end of March 2017.

Out of 60 working PSUs exclusive to State and formed due to demerger, as of 30 September 2017, 49 PSUs⁹ had submitted the accounts for atleast one of the reporting period since their inception. The remaining 11 PSUs had not submitted even the first accounts since their inception. The 49 PSUs registered a turnover of ₹ 61,948.62 crore. These PSUs incurred a net loss of ₹ 2,913.43 crore as per their latest finalised accounts as on 30 September 2017. The Return on Equity and Return on Investment of the above working PSUs were (-) 48.84 per cent and 7.39 per cent respectively based on the latest finalised accounts as on September 2017. The Return on Investment was positive as there was overall profit before interest and tax.

Out of 4 working PSUs under demerger, as of 30 September 2017, 3 PSUs had submitted the accounts for atleast one of the reporting period since their inception. The remaining 1 PSU had not submitted even the first accounts since its inception. The 3 PSUs registered a turnover of ₹ 23.88 crore as per their latest finalised accounts as of 30 September 2017. These companies incurred a net loss of ₹ 12.34 crore as per their latest finalised accounts. The Return on Equity and Return on Investment of these working PSUs were (-) 37.31 per cent and 11.09 per cent respectively as per their latest finalised accounts.

The number of loss making PSUs was showing an increasing trend. A review of five years' data showed that some PSUs have been continuously incurring heavy losses. Some PSUs had not finalizing their accounts (*Annexure 1.2 (a), 1.2 (b) & 1.2 (c)*).

As on 31 March 2017, there were 22 non-working companies existing for over 21 years and having an investment of ₹ 259.19 crore. This is a critical area, as the investments in non-working companies do not contribute to the economic growth of the State. All these non-working companies are under demerger.

⁵ (a) Companies, which are completely falling under Andhra Pradesh State after bifurcation due to its operations being entirely in the State before bifurcation (b) New companies formed on or after bifurcation of the State.

⁶ Companies, which are formed upon bifurcation of the State.

⁷ Companies, which are yet to be bifurcated as per The Andhra Pradesh Reorganization Act, 2014.

⁸ PSUs includes Statutory Corporations also.

⁹ As of 30 September 2017, these PSUs had submitted the accounts for atleast one of the reporting period since their inception.

Accountability framework

1.2 The process of audit in the case of 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 the Central Government and partly by one or more State Governments 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.

1.3 The Statutory Auditors are appointed by the Comptroller and Auditor General of India under Section 139 of the Companies Act, 2013. The Statutory Auditors conduct audit of accounts of the Government companies in accordance with Section 143 of the Companies Act, 2013.

The accounts of PSUs are subject to supplementary audit by CAG under Section 143 of the Companies Act, 2013. The CAG plays an oversight role by monitoring the performance of the Statutory Auditors. The overall objective of CAG audit is that the Statutory Auditors discharge the functions assigned to them. This function is discharged by exercising the powers as under:

- to issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013, and
- to supplement or comment upon the Statutory Auditor’s report under Section 143 (6) of the Companies Act, 2013.

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. The audit of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation 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 are to be placed before the Legislature under Section 394 of the Companies Act. Separate Audit Reports are also required to be placed before the Legislature in case of Statutory Corporations 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 of by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2017, the Government investment (capital and long-term loans) in 86 PSUs is detailed below:

Table 1.2: Total investment in PSUs

(₹ in crore)

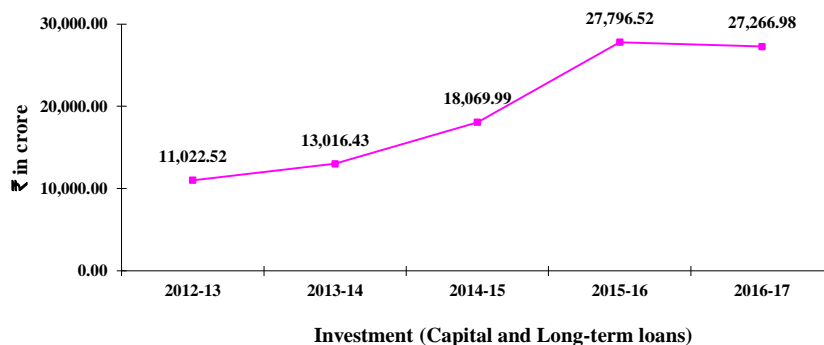
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans*	Total	Capital	Long Term Loans	Total	
60 (57+3) Working PSUs	6,068.50	49,229.64	55,298.14	337.08	5,244.43	5,581.51	60,879.65
4 Companies under demerger- (Working)	36.64	169.83	206.47	NA	NA	NA	206.47
22 Companies under demerger- (Non-working)	74.66	184.53	259.19	NA	NA	NA	259.19
Total	6,179.80	49,584.00	55,763.80	337.08	5,244.43	5,581.51	61,345.31

Source: Information furnished by PSUs.

NA: Not Applicable

*The long term loans include loans from Central and State Governments, Public Financial Institutions and Commercial Banks.

As on 31 March 2017, of the total investments in State PSUs, 99.24 per cent was in Working PSUs (exclusive to State and formed due to demerger) and remaining 0.76 per cent in companies under demerger (4 companies yet to be demerged and 22 non-working companies). This total investment consisted of 9.89 per cent in capital and 80.25 per cent in long-term loans. The investment had grown by 147.38 per cent from ₹ 11,022.52 crore in 2012-13 to ₹ 27,266.98 crore in 2016-17 as shown in the following graph:

Chart 1.1: Total Investment in PSUs (Exclusive Andhra Pradesh PSUs)**Sectoral analysis of investments**

1.7 The sector-wise summary of investments in the Working PSUs (including Statutory Corporations) as on 31 March 2017 is given below:

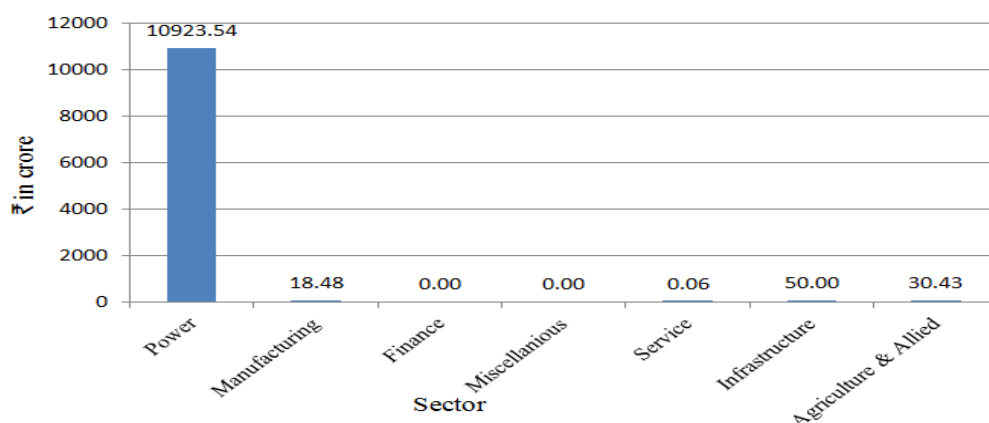
Table 1.3: Sector-wise investment in 86 PSUs

(₹ in crore)

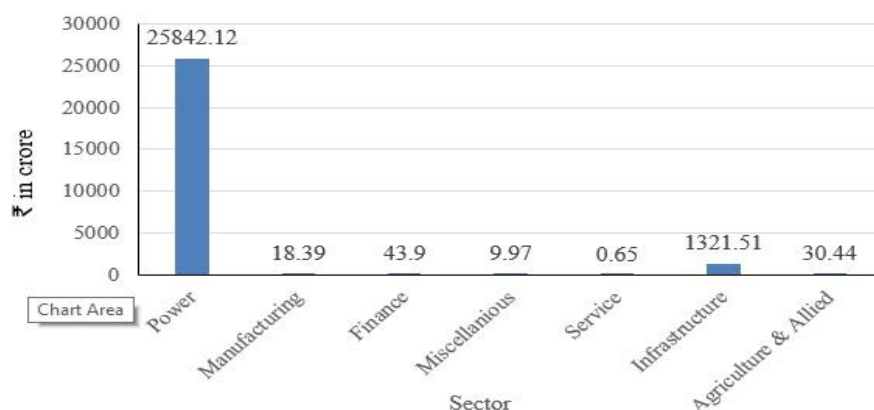
Name of Sector	Government Investment		
	2016-17	2015-16	Per cent Increase/decrease
Power	41,736.79	30,535.97	36.68
Manufacturing	268.92	339.72	(-) 20.84
Finance	4,556.84	4,782.54	(-) 4.72
Miscellaneous	12.18	13.96	(-) 12.75
Services	3,408.32	5,331.46	(-) 36.07
Infrastructure	10,894.61	590.67	1,744.45
Agriculture & Allied	467.65	528.79	(-) 11.56
Total	61,345.31	42,123.11	

Source: Information furnished by PSUs

The sector-wise investment at the end of 31 March 2013 and 31 March 2017 in 32 exclusive Andhra Pradesh PSUs is indicated in the following bar charts:

Chart 1.2 (a): Sector-wise investment (32 Exclusive Andhra Pradesh PSUs) – 2012-13

**Chart 1.2 (b): Sector-wise investment
(32 exclusive Andhra Pradesh PSUs) – 2016-17**



Of the total investment in 2016-17, Government investments were highest in the Power Sector followed by Infrastructure Sector (Table 1.3). The losses in Power Sector accounted for 99.54 *per cent* of the total losses incurred by the State working PSUs in 2016-17. There was an increase of 178.31 *per cent* in investments (loans) in Power Sector largely through loans raised by Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited. Similarly, there was an increase in investments in Infrastructure Sector due to formation of new infrastructure company and loans raised by the other existing companies.

Budgetary support to PSUs

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards Equity, Loans, Grants/ Subsidies, loans written-off and interest waived-off in respect of Working PSUs and PSUs under demerger for the year ended 31 March 2017 are as follows:

Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)

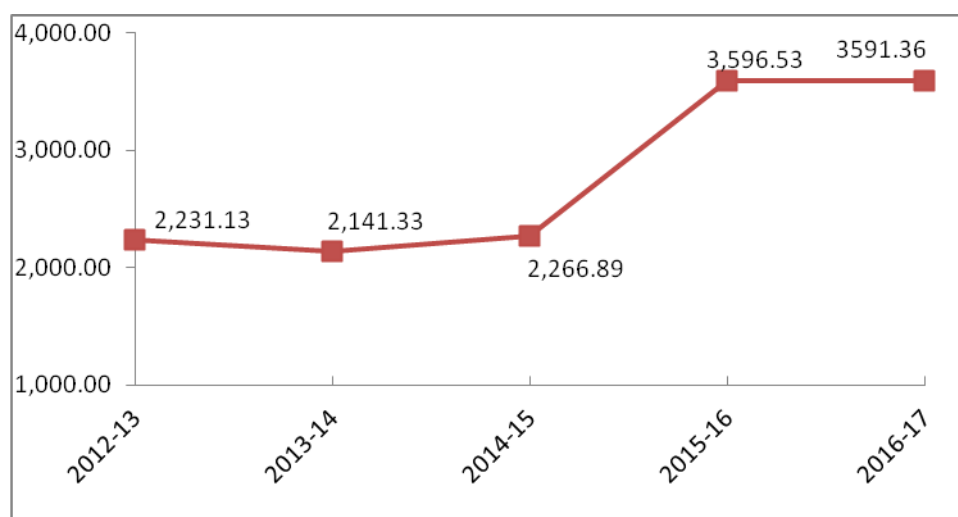
Sl. No.	Particulars	2016-17		2015-16	
		60 Working PSUs		52 ¹⁰ Working PSUs	
		No. of PSUs	Amount (₹)	No. of PSUs	Amount (₹)
1	Equity capital outgo from budget	10	224.84	7	16.28
2	Loans given from budget	6	423.68	3	536.94
3	Grants/Subsidy given from budget	27	11,833.85	17	6,737.45
4	Total outgo to PSUs	35	12,482.37	25	7,290.67

¹⁰ Out of these 52, only 46 have furnished information. Andhra Pradesh Solar Power Corporation Limited which was included in 52, converted as central PSUs. Hence, it was not taken in this Report as State PSU.

Sl. No.	Particulars	2016-17		2015-16	
		60 Working PSUs		52 ¹⁰ Working PSUs	
		No. of PSUs	Amount (₹)	No. of PSUs	Amount (₹)
5	Interest/Penal interest written-off	0	0.00	0	0.00
6	Guarantees issued ¹¹	2	1,200.00	0	0.00
7	Guarantee Commitment ¹²	9	10,645.29	6	1,342.77
8	Total Outgo to PSUs ¹³ exclusive to State out of Sl. No 4 above	3	3,591.36	NA	3,596.53

Source: Information furnished by PSUs. NA: Not Applicable

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies (32 exclusive to Andhra Pradesh)



Budgetary support by State Government in respect of 32 PSUs decreased marginally from ₹ 3,596.53 crore during 2015-16 to ₹ 3,591.36 crore during 2016-17.

Reconciliation with Government

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 PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 was as follows:

¹¹ Government guarantees issued to the PSUs during a particular year.

¹² Closing balance of Government guarantee in respect of PSUs at the end of a particular year.

¹³ 15 companies that were exclusive to Andhra Pradesh, as per previous report, have only been considered in the chart in order to have a uniform comparison. Companies under demerger, companies formed due to demerger and newly formed companies are excluded, as five years data is not available/uniform.

Table 1.5(a): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (exclusive to State)**(₹ in crore)**

Outstanding in respect of	As per Finance Accounts		As per records of companies	Difference (₹)
	Amount (₹)	No of Companies	Amount (₹)	
Equity	117.90	20	880.81	(-) 762.91
Loans	1.55	8	909.24	(-) 907.69
Guarantees	854.00	3	631.37	222.63

Table 1.5(b): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (Formed due to demerger)**(₹ in crore)**

Outstanding in respect of	As per Finance Accounts		As per records of companies	Difference (₹)
	Amount (₹)	No of Companies	Amount (₹)	
Equity	5,094.92	23	3,221.21	1,873.71
Loans	12,307.23	15	13,313.11	(-) 1,005.88
Guarantees	5,533.45	7	10,013.92	(-) 4,480.47

Source: Finance Accounts and information provided by respective PSUs.

Audit observed that there were differences in figures in respect of Equity, Loans and Guarantees in records of State PSUs and Finance Accounts. These differences were in respect of 49 PSUs (24 exclusive Andhra Pradesh PSUs and 25 PSUs formed due to demerger). Some of these differences are pending reconciliation for more than two decades. The matter was taken up (October 2017) with the State Government and replies are awaited. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Guarantee fee

The State Government helps the PSUs to raise loans from Banks and Public Financial Institutions by giving guarantees to repayment of principal and interest. For this purpose, the Government charges guarantee commission which varies from 0.25 per cent to one per cent as decided by the State Government, depending upon the loanees. The guarantee commitment increased from ₹ 1,342.77 crore during 2015-16 to ₹ 10,645.29 crore during 2016-17 in respect of nine PSUs including PSUs under demerger. There were three¹⁴ PSUs which had not paid guarantee fee/commission during the year and accumulated outstanding guarantee fees/commission thereagainst was ₹ 2.68 crore (as on 31 March 2017).

¹⁴ New and Renewable Energy Development Corporation of Andhra Pradesh Limited (₹ 3 lakh), Andhra Pradesh State Industrial Development Corporation (₹ 56.86 lakh) and Andhra Pradesh State Financial Corporation (₹ 208 lakh).

Timeliness of accounts

1.10 Section 96(1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under Section 99 and Section 137(3) of the Companies Act, 2013. 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 the Working PSUs in finalisation of accounts as on 30 September 2017:

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

Sl. No.	Particulars	2016-17	2015-16
1	Number of Working PSUs*	64	57
2	Number of accounts finalised during the year ¹⁵	59	29
3	Number of accounts in arrears	127	122
4	Average arrears per PSU (3/1)	1.98	2.14
5	Number of Working PSUs with arrears in accounts	51	49
6	Extent of arrears	1 to 12 years	1 to 14 years

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

* Working PSUs include PSUs exclusive to State, PSUs formed due to demerger and PSUs under demerger.

As on 30 September 2017 it was seen that:

- The accounts of 22 companies (38 accounts) exclusive to State were in arrears ranging from one to five years. The accounts of 25 PSUs (74 accounts) formed due to demerger were in arrears ranging from one to twelve years. In respect of four companies under demerger, 15 accounts were in arrears ranging from one to nine years.
- Except two PSUs, the accounts of all 23 PSUs (excluding Statutory Corporation) formed due to demerger were in arrears, though 26 accounts were received during the year. Of these 25 PSUs, two PSUs had not furnished their first accounts (*Annexure 1.1 (c)*).

It is pertinent to note that Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha and Andhra Pradesh Mahila Sadhikara Samstha (exclusive to State), AP Tribal Power Corporation Limited (under demerger) and Andhra Pradesh Aviation Corporation Limited (formed due to demerger) have not submitted their first accounts though they were formed long back (2005-06 to 2013-14).

The Public Enterprises Department as well as the Administrative Departments had the responsibility to oversee the activities of these entities and to ensure that the accounts were finalised by the PSUs and adopted by the Boards of the respective PSUs within the stipulated time period. The arrears of accounts continue to exist though the Departments concerned were informed regularly.

¹⁵ Accounts received during the period October 2016 to September 2017.

1.11 The State Government had invested ₹ 4,571.10 crore in Equity, Loans and Grants in the 22 PSUs (exclusive to Andhra Pradesh), for which accounts had not been finalised, as detailed in *Annexure 1.1 (a)*.

The State Government had also invested ₹ 2,518.56 crore in Equity, Loans and Grants in the 25 PSUs (formed due to demerger), for which accounts have not been finalised as detailed in *Annexure 1.1 (c)*.

The State Government had invested an amount of ₹ 17.64 crore towards grants in respect of 3 companies under demerger during the years, for which accounts have not been finalised as detailed in *Annexure 1.1 (b)*.

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

Placement of Separate Audit Reports on Statutory Corporations

1.12 Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations are required to be tabled in the Legislature. However, two SARs of Andhra Pradesh State Financial Corporation are yet to be placed in the Legislature. Table 1.7 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations, in the Legislature:

Table 1.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year upto 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	2014-15	2015-16	14-02-2017
			2016-17	09-11-2017
2	Andhra Pradesh State Warehousing Corporation	2014-15 (upto 1 June 2014)	Accounts are in arrears	Not applicable
3	Andhra Pradesh State Road Transport Corporation	2012-13	2013-14 (upto 1 June 2014)	18-12-2017
			Accounts are in arrears	Not applicable

Source: Information as furnished by PSUs.

Impact of non-finalisation of accounts

1.13 As pointed out above (*Para 1.10 to 1.11*), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in 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 Gross State Domestic Product for the year 2016-17, could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

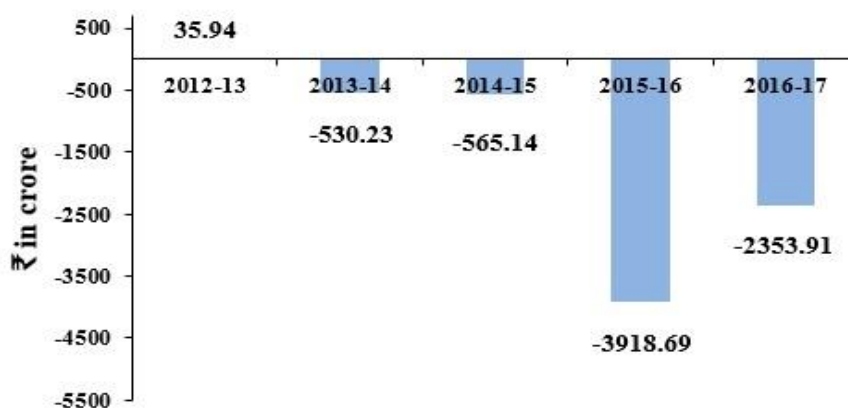
- set up a cell to oversee the clearance of arrears and set the targets for individual PSUs, which would be monitored by cell;

- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalized accounts

1.14 (a) Overall profit earned/ loss incurred by working PSUs (32 exclusive to State) during 2012-13 to 2016-17 is shown in the chart below. The net loss incurred by the PSUs decreased by 39.93 per cent from last year:

Chart 1.4: Profit/ Loss of Working companies (Annexure 1.2(a))



As per their latest finalised accounts, 32 Working PSUs exclusively to State incurred an aggregate loss of ₹ 2,353.91 crore. However, 25 working companies formed due to demerger incurred aggregate profit of ₹ 418.85 crores and 3 Statutory Corporations incurred aggregate losses of ₹ 978.37 crore. Further, 4 PSUs under demerger incurred aggregate loss of ₹ 12.34 crore. There were three companies¹⁶, which prepared their accounts on no profit no loss basis and their expenditures were borne through grants/ assistance/ commission. There was one company¹⁷, which did not start its operations.

Out of 64 working PSUs in the State, 37 PSUs¹⁸ finalised their accounts during October 2016 to September 2017. Fifteen working PSUs which finalised their accounts, earned a profit of ₹ 1,164.23 crore and 20 PSUs incurred a loss of ₹ 3,240.49 crore.

Major contributors to profit were Andhra Pradesh Power Generation Corporation Limited (₹ 609.17 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 307.40 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 85.45 crore).

Heavy losses were incurred by Southern Power Distribution Company of Andhra Pradesh Limited (₹ 1,890.09 crore), Andhra Pradesh State Housing Corporation Limited (₹ 844.33 crore) and Eastern Power Distribution Company of Andhra Pradesh Limited (₹ 441.31 crore) (*Annexures 1.2 (a) to (c)*). This

¹⁶ Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh State Police Housing Corporation Limited and Andhra Pradesh Power Finance Corporation Limited.

¹⁷ Bhogapuram International Airport Corporation Limited.

¹⁸ 37 PSUs include 20 companies exclusive to Andhra Pradesh, 14 Companies formed due to demerger, 1 Statutory Corporation formed due to demerger and 2 companies under demerger.

was mainly due to excess expenditure on power purchase in comparison to the revenue realized and increase in operational expenditure.

As per their latest finalised accounts, four PSUs under demerger incurred an aggregate loss of ₹ 12.34 crore.

Five¹⁹ PSUs declared a dividend of ₹ 19.72 crore. However, three²⁰ PSUs did not pay declared dividend of ₹ 7.62 crore.

Erosion of capital due to losses

1.14 (b) The paid-up capital and accumulated losses of the State PSUs as per their finalised accounts as on 30 September 2017 were ₹ 6,096.76 crore and ₹ 24,044.63 crore respectively as detailed in *Annexure 1.2 (a) 1.2 (b)* and 1.2(c). Analysis of investment and accumulated losses disclosed that net worth had eroded in respect of nine out of 64 PSUs²¹. The paid-up capital and accumulated losses of these nine PSUs were ₹ 626.17 crore and ₹ 25,367.89 crore respectively.

Of these nine PSUs, the net worth had primarily eroded in two PSUs viz., Andhra Pradesh State Housing Corporation Limited ((-) ₹ 7,872.40 crore) and Southern Power Distribution Company of Andhra Pradesh Limited ((-) ₹ 5,359.89 crore). The accumulated losses of these PSU was ₹ 21,357.97 crore as against the paid-up capital of ₹ 358.97 crore (*Annexure 1.2 (a) and 1.2(c)*).

Thus, the accumulation of huge losses by these PSUs is eroding public wealth, which is a cause of serious concern.

1.15 Some other key parameters of PSUs are given below:

Table 1.8: Key Parameters of working PSUs and PSUs under demerger

(₹ in crore)

Particulars	2016-17			2015-16		
	Working PSUs		PSUs under demerger	Working PSUs		PSUs under demerger
	PSUs exclusive to State	Formed due to demerger		PSUs exclusive to State	Formed due to demerger	
Return on Equity (per cent)	(-) 152.47	(-) 7.45	(-) 37.31	(-) 50.80	(-) 3.76	(-) 29.01
Return on capital employed (per cent)²²	0.17	7.07	11.03	(-) 14.41	13.07	3.94
Debt	22,184.25	48,676.89	0.10	20,216.30	32,631.20	56.05
Turnover²³	25,358.42	36,590.20	23.88	20,654.87	34,281.19	47.60

¹⁹ Andhra Pradesh Handicrafts Development Corporation Limited (₹ 0.10 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 1.58 crore), Andhra Pradesh State Financial Corporation (₹ 5.65 crore), Andhra Pradesh State Seeds Development Corporation Limited (₹ 0.39 crore) and Andhra Pradesh State Warehousing Corporation (₹ 12.00 crore).

²⁰ Andhra Pradesh State Financial Corporation (₹ 5.65 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 1.58 crore) and Andhra Pradesh State Seeds Development Corporation Limited (₹ 0.39 crore).

²¹ Out of 64 PSUs 12 PSUs had not submitted their first Accounts.

²² Capital Employed represents Shareholders' Fund + Long term borrowings. Return on Capital Employed represents Profit/ Loss before interest.

²³ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2017.

Particulars	2016-17			2015-16		
	Working PSUs		PSUs under demerger	Working PSUs		PSUs under demerger
	PSUs exclusive to State	Formed due to demerger		PSUs exclusive to State	Formed due to demerger	
Debt/ Turnover Ratio	0.87	1.33	0.004	0.98	0.96	1.18
Interest Payments[^]	2,388.83	4,702.30	16.00	2,116.99	6,209.80	6.90

Source: As per latest finalised accounts of PSUs

[^] Relating to PSUs who have finalised their accounts till September 2017

Above parameter showed a mixed trend in financial position of the PSUs. In respect of working companies exclusive to State, return on capital employed increased to 0.17 *per cent* in 2016-17 as against (-) 14.41 *per cent* in 2015-16. This was due to increase in return on capital employed in Power Sector companies viz., Southern Power Distribution Company of Andhra Pradesh Limited and Eastern Power Distribution Company of Andhra Pradesh Limited. Debt-turnover ratio reduced marginally from 0.98 in 2015-16 to 0.87 in 2016-17 in respect of 32 companies exclusive to State.

Audit on Accounts

Status of audit

1.16 Out of 32 working companies exclusive to state, 20 companies forwarded their 29 audited accounts to PAG during the year 2016-17. Of these, 21 accounts were selected for supplementary audit²⁴.

Out of 28 PSUs formed due to demerger, 15 PSUs submitted their 28 audited accounts. Of these, 25 accounts were selected for supplementary audit.

Out of four PSUs under demerger, two PSUs²⁵ forwarded their audited accounts to PAG during the year 2016-17 and the accounts were selected for supplementary audit.

Result of audit by the Statutory Auditors

During the year, the Statutory Auditors gave:

- unqualified certificates in respect of two accounts;
- qualified certificates in respect of 23 accounts of 15²⁶ companies; and

²⁴ Eight accounts (of five companies viz. Amravati Metro Rail Corporation Limited (2016-17), Andhra Pradesh Heavy Machinery and Engineering Limited (2016-17), Ongole Iron Ore Mining Company Private Limited (2013-14 & 2014-15), Vizag Apparel Park for Export (2013-14, 2014-15 & 2015-16), Visakhapatnam Urban Transport Company Limited (2016-17)) were given Non-Review Certificate.

²⁵ Andhra Pradesh Rajiv Swagruha Corporation Limited & Andhra Pradesh State Film, Television and Theatre Development Corporation Limited.

²⁶ Andhra Pradesh Gas Infrastructure Corporation (P) Limited, Andhra Pradesh Power Development Company Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Andhra Pradesh State Film, Television and Theatre Development Corporation Limited, Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh State Minorities Finance Corporation Limited, Andhra Pradesh Power Finance Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Housing Corporation Limited, Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Civil Supplies Corporation Limited.

- disclaimers (meaning the Auditors are unable to form an opinion on accounts) in respect of one²⁷ PSU formed due to demerger.

Results of audit by CAG

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. Two²⁸ companies had revised their accounts based on the supplementary audit conducted. The details of impact of audit comments of statutory auditors and CAG are given below:

Table 1.9: Impact of audit comments on Working PSUs

(₹ in crore)

Sl. No.	Particulars	2016-17	
		No. of accounts	Amount (₹)
1	Decrease in profit	15	385.93
2	Increase in loss	9	3,551.68
3	Non-disclosure of material facts	12	2,017.77
4	Errors of classification	1 ²⁹	5,257.02

Source: As per comments issued by CAG and Statutory Auditors.

Winding up of Non-working PSUs

1.17 There were 22 non-working PSUs as on 31 March 2017. The stage of closure in respect of non-working PSUs is given below:

Table 1.10: 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.

Out of these non-working PSUs, 10 were reported in the process of liquidation since decades. The official liquidator was appointed in respect of these companies as far back as 11 to 27 years. Audit enquired (May 2017 and August 2017) their status from the Public Enterprises Department of the State Government. The reply was awaited (December 2017). The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may like to consider winding-up of remaining non-working companies, where no decision about their continuation or otherwise had been taken after they became non-working.

²⁷ Andhra Pradesh State Irrigation Development Corporation Limited.

²⁸ Andhra Pradesh Centre for Financial Systems and Services and Overseas Manpower Corporation Andhra Pradesh Limited.

²⁹ In respect of Southern Power Distribution Corporation of Andhra Pradesh Limited.

Response of the Government to Audit

1.18 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one Performance Audit (PA) and four compliance audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with the request to furnish replies within six weeks. Replies to the Performance Audit and all four compliance audit paragraphs had been received from the State Government (November 2017).

Follow up action on Audit Reports

Replies outstanding

1.19 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, had issued (June 2004) instructions to all Administrative Departments to submit replies/Explanatory Notes (ENs) to Paragraphs/Reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation in the Legislature, in the prescribed format, without waiting for any questionnaires from the COPU.

Table No.1.11: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/PSUs)	Date of placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which ENs were not received			
				Exclusive to State		Common (AP & TS)	
		PAs	Para-graphs	PAs	Para-graphs	PAs	Para-graphs
Upto 2011-12		77	385	0	1	18	60
2012-13	06/09/2014	2	9	0	1	2	2
2013-14	26/03/2015	2	5	0	0	1	2
2014-15	30/03/2016	1	4	1	3	0	0
2015-16	31/03/2017	1	6	1	6	0	0
Total		83	409	2	11	21	64

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

From the above, it could be seen that, out of 492 Paragraphs/Performance Audits, ENs to 98 Paragraphs/PAs in respect of 13³⁰ Departments, which were commented upon, were awaited (September 2017).

Discussion of Audit Reports by COPU

1.20 The status, as on 30 September 2017, of PA and Paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under:

³⁰ (1) Industries & Commerce (2) Environment, Forest, Science & Technology (3) Revenue (4) Animal Husbandry (5) Energy (6) Agriculture & Co-operation (7) Transport, Roads & Buildings (8) Housing (9) Youth Advancement, Tourism and Culture and (10) Municipal Administration & Urban Development (11) Consumer Affairs, Food & Civil Supplies, (12) Home (13) General Administration.

Table No.1.12: PAs/Paragraphs that appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

Year of the Audit Report (Commercial/PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
Upto 2011-12	77	385	21	210
2012-13	2	9	0	0
2013-14	2	5	0	0
2014-15	1	4	0	0
2015-16	1	6	0	0
Total	83	409	21	210

Source: As compiled by office of PAG (Audit), Andhra Pradesh

Compliance to Reports of Committee on Public Undertakings

1.21 Action Taken Notes (ATNs) on 464 paragraphs pertaining to 50 Reports of the COPU presented in the State Legislature between April 1983 to March 2007 had not been received (September 2017). The details are as given below:

Table No.1.13: 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
Upto 1998-99	22	592	380
2000-01	13	114	52
2002-03	1	24	0
2004-05	9	66	7
2004-06	1	14	0
2006-07	4	25	25
Total	50	835	464

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

Note 1: The above information pertaining to erstwhile composite State of Andhra Pradesh

Note 2: after 2006-07 no Report was issued by the COPU.

These reports of COPU contained recommendations in respect of Paragraphs pertaining to 12³¹ Departments, 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) submission of replies/ Explanatory Notes to IRs/ Draft Paragraphs/ PAs 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

1.22 This Report contains four Paragraphs and one Performance Audit, i.e., Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited for the period 2012-13 to 2016-17. These audit findings relate to PSUs which fall under Department of Agriculture and Co-operation; Energy, Infrastructure and Investment and Transport, Roads and Buildings. The number of PSUs, investment, turnover

³¹ (1) Industries & Commerce (2) Irrigation and Command Area Development (CAD) (3) Revenue (4) Animal Husbandry (5) Energy (6) Agriculture & Co-operation (7) Transport, Roads & Buildings (8) Housing (9) Youth Advancement, Tourism and Culture, (10) Consumer Affairs, Food & Civil Supplies (11) General Administration and (12) Home.

and Return on Equity (RoE) in respect of all PSUs under these three Departments is given below:

Table 1.14: Key parameters of the Departments covered in the Report

Sl. No.	Name of Department	No. of PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Agriculture and Co-operation	3	662.86	906.33	25.32
2	Energy, Infrastructure and Investment	6	34,196.77	34,729.81	(-) 193.65
3	Transport, Roads and Buildings	1	11,516.92	7,727.55	(-) 16.75
Total		10	46,376.55	43,363.69	(-) 32.39

It can be seen that the investment in PSUs under Energy, Infrastructure and Investment was ₹ 34,196.77 crore with turnover of ₹ 34,729.81 crore, having RoE of (-) 193.65 per cent.

The investment, turnover and RoE in respect of the PSUs commented upon in the Report are given below:

Table 1.15: Key parameters of the PSUs covered in the Report

Sl. No.	Name of the PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Andhra Pradesh State Seeds Development Corporation Limited	208.80	556.84	1.24
2	Andhra Pradesh Power Generation Corporation Limited	22,263.12	12,909.62	15.97
3	Andhra Pradesh State Road Transport Corporation	11,516.92	7,727.55	(-) 16.75
Total		33,988.84	21,194.01	(-) 5.05

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

Production, Procurement, Processing, Storage
and Sale of seeds by Andhra Pradesh State
Seeds Development Corporation Limited

Chapter II

Performance Audit relating to Government Company

2. Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited

Executive Summary

Introduction

Andhra Pradesh State Seeds Development Corporation Limited was incorporated on 26 March 1976 with authorized share capital of ₹ 5.00 crore. The paid up share capital of the Company as at 1 June 2014 stood at ₹ 275.80 lakh. The share of Government of Andhra Pradesh was ₹ 107.51 lakh (39 per cent), GoI was ₹ 90.00 lakh (33 per cent) and Seed Growers was ₹ 78.29 lakh (28 per cent).

- There was shortfall in production of 16.40 lakh quintals certified seeds during the period 2012-13 to 2016-17 compared to targets. The reason for shortfall was insufficient distribution of breeder and foundations seeds to the seed growers (individual farmers), considering Seed Multiplication Ratios lesser than the norms in respect of Paddy and higher in respect of Blackgram, Greengram and Groundnut and short supply of foundation and certified seeds by the seed growers.
- The agreements made with the seed organisers were defective in respect of Earnest Money Deposit which led to undue favour amounting to ₹ 5.16 crore. Further, the Company had released an excess amount of ₹ 33.06 crore to seeds organisers as advance and thus, had to bear a loss of interest ₹ 0.75 crore on excess release.
- The delay in procurement of Bengalgram JG-11 certified seeds from the seed organisers during Rabi season 2015-16 led to re-fixation of higher procurement prices thrice. This had resulted in excess procurement cost of ₹ 38.24 crore.
- The Company revised the price incentive twice within one year. This revision was made on the request of seed Growers' Directors without any cost analysis of the component of additional cost incurred by the growers on production of foundation and certified seeds.
- The Company had planned construction of 25 godowns (3.78 lakh sqft) under schemes of GoI. The Company could complete the construction of only eight godowns (1.40 lakh sqft) till March 2016 and could not complete (June 2017) construction of four godowns (1.18 lakh sqft). They did not construct remaining 13 godowns due to which the grants amounting to ₹ 28.39 crore was lying with the Company as on March 2017. Delay in construction of godowns by the Company led to hiring of private godowns incurring an expenditure of ₹ 5.24 crore, which was avoidable.
- Due to delay in construction of godowns, the commissioning of processing equipment in the godowns was also delayed. The delay led to

avoidable expenditure of ₹ 91.39 lakh on processing of seeds through outside agencies.

- The Company sold seeds to the farmers at subsidy under different schemes of GoAP through distribution system. As on 31 March 2017, ₹ 12.26 crore was outstanding from distributing agencies, of which, ₹ 5.84 crore was outstanding for more than three years. It was due to defective system of collection of sale proceeds from the distributing agencies.
- One of the objectives of the Company was to distribute certified and other quality seeds to the farmers. However, complaints were received against the supply of 4,945.60 quintals of poor quality seeds valuing ₹ 1.40 crore. Out of the above, the Company replaced seeds valuing ₹ 33.24 lakh free of cost and paid compensation of ₹ 15.06 lakh.
- Company failed to sell 3.69 lakh quintals of seeds during their validity period. The delay led to loss of vigour, viability and loss of rate of germination. The Company had to condemn the seed and sell these seeds as grain. This resulted in a loss of ₹ 25.25 crore.

2.1 Introduction

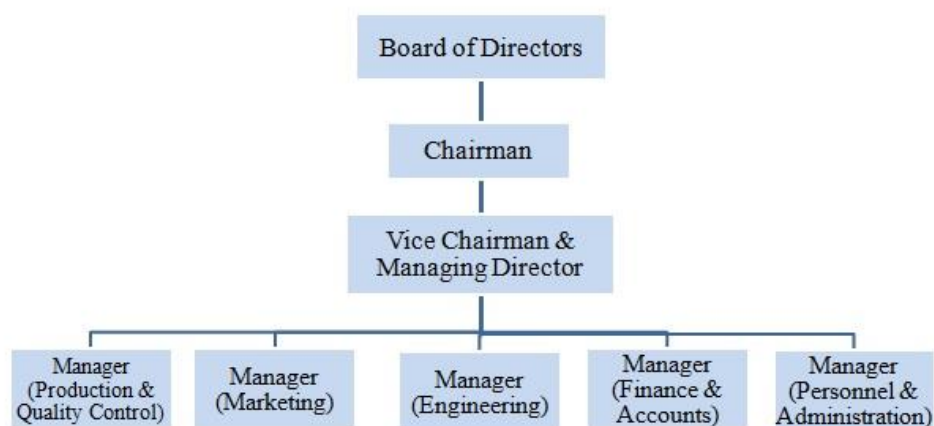
Andhra Pradesh State Seeds Development Corporation Limited (Company) was incorporated on 26 March 1976 with authorized share capital of ₹ 5.00 crore. The purpose of establishing the Company was to improve quality seed production and to implement the National Seed Project. After implementation of Andhra Pradesh State Reorganisation Act, 2014, a demerger scheme was prepared³², bifurcating the Company into two separate companies. It was effective from 2 June 2014 and approved on 30 April 2015 by the Expert Committee (EC) appointed for the purpose. The demerger scheme was approved by the EC and communicated to both the State Governments³³. The demerger was to be effected after approval of the scheme by Government of India, (GoI). The approval of GoI was awaited (October 2017). The paid up share capital of the Company as at 1 June 2014³⁴ stood at ₹ 275.80 lakh. The share of Government of Andhra Pradesh (GoAP) was ₹ 107.51 lakh (39 per cent), GoI³⁵ was ₹ 90.00 lakh (33 per cent) and Seed Growers³⁶ was ₹ 78.29 lakh (28 per cent).

The main objectives of the Company were:

- to undertake the production of the certified seeds of all crop varieties and distribution of the same to farmers at reasonable prices and in sufficient quantities;
- to enter into contracts with individuals, cooperatives and other agencies in growing, processing, drying, procuring, storing, transporting and marketing of certified and other quality seeds;
- to make arrangements for supply of foundation seeds to seed growers;
- to undertake state or centrally sponsored programmes; and
- to install, manage and operate processing plants and seeds storage facilities.

2.2 Organisation Structure

The organisation structure of the Company is given below:



³² Company falls under Schedule IX of Andhra Pradesh State Reorganisation Act, 2014.

³³ Government of Andhra Pradesh and Government of Telangana.

³⁴ Prior to appointed day of AP Reorganisation Act, 2014, i.e., 2 June 2014.

³⁵ Through National Seeds Corporation Limited (NSCL).

³⁶ Farmers, who take up the production of seeds based on the agreement entered with the Company.

The Company had 20 Units³⁷ located in various parts of the combined State. Out of these, 12 Units fall in the State of Andhra Pradesh. Each Unit was headed by a District Manager, who played key role in the overall activity of the Company and reported to the Vice Chairman & Managing Director (VC&MD). In the combined State of Andhra Pradesh, the actual strength of manpower was 215 on the appointed day (2 June 2014) against the sanctioned strength of 354 employees. Andhra Pradesh was allotted a sanctioned strength of 207 employees and with existing strength of 125 employees.

2.3 Financial Results

The assets and liabilities of the Company, on the appointed day were divided between the two Companies on provisional basis³⁸ pending approval of demerger scheme by GoI. The reasons for delay in approval of demerger scheme were not on record. The Company reflected the un-bifurcated opening balances of assets and liabilities in its annual Financial Statements.

The financial results of the Company for the past five-year period is in Table No. 2.1 below:

Table 2.1: Statement showing financial results of the Company

(₹ in lakh)					
Particulars	2012-13 ³⁹	2013-14	2014-15 ⁴⁰	2015-16	2016-17
Income	54,590.22	48,875.33	46,725.94	44,448.11	55,948.66
Expenditure	54,061.12	48,646.09	46,492.80	44,279.36	55,810.43
Gross Profit	529.10	229.24	233.14	168.75	138.23
Net Profit	521.25	135.82	158.26	115.71	92.53

Source: Annual Reports of the Company.

2.4 Audit Objectives

The objectives of audit were to ascertain whether:

- Adequate quantity of breeder and foundation seeds were organised to achieve the targeted production of certified seeds;
- The procedure followed in procurement of seeds was economical, efficient and effective;
- The processing units and storage godowns had been created & utilized economically, efficiently and effectively; and
- The Company had efficient and effective system for sale of seeds.

³⁷ (12 Units in Andhra Pradesh) Ananthapuramu, Chittoor (Srikalahasti), East Godavari (Kakinada), Guntur, Kadapa, Krishna (Vijayawada), Kurnool, Nellore, Prakasam (Ongole), Vizianagaram, Srikakulam and West Godavari (Eluru/ Tanuku), (8 Units in Telangana) Mahabubnagar (Wanaparthy), Warangal, Karimnagar, Khammam, Nizamabad, Nalgonda (Nidamanoor), Rangareddy (Jeedimetla) and Adilabad (Nirmal).

³⁸ As per the Andhra Pradesh State Reorganisation Act, 2014.

³⁹ Accounts for 2012-13 and 2013-14 (for 14 months upto 1 June 2014) are for the combined State of Andhra Pradesh.

⁴⁰ Accounts for 2014-15 are for 10 months from 2 June 2014 to 31 March 2015 by consolidating the accounts of both Andhra Pradesh State Seeds Development Corporation Limited and Telangana State Seeds Development Corporation (a new Company was incorporated on 05 February 2015, upon demerger) for the combined state of Andhra Pradesh.

2.5 Audit Criteria

The audit criteria for the Performance Audit were drawn from the following sources:

- Seed Act, 1966, the Seed Rules, 1968 and Seed Control Order, 1983;
- Memorandum and Articles of Association;
- Instructions/ Guidelines/ Orders of GoI/ State Government/ Company/ Schemes;
- Agenda and Minutes of meetings of Board of Directors (BoD), Manuals of the Company;
- Annual Budgets/ Targets of Production, Procurement, Processing and Sale of seeds; and
- Terms & conditions of agreements entered with the individual seed growers/ co-operative seed growers/ seed organizers and Memorandum of Understanding (MOU) for execution of the infrastructure facilities.

2.6 Scope and Methodology of audit

Performance Audit covered the activities relating to the Company, involving examination of records maintained at Corporate Office and five selected Units⁴¹ for the period 2012-17. These five Units were selected for detailed study in order to cover major portion of activities of the Company.

Scope, methodology and objectives of the Performance Audit were explained in an Entry Conference (February 2017) to the representatives of GoAP and the Company. The audit findings were reported to the Government in August 2017 and discussed in Exit Conference held in November 2017. Exit Conference was attended by Special Chief Secretary (Agriculture & Cooperation), GoAP and the senior officials of the Company. The reply of the Government has been included in the Report.

2.3 Audit Findings

Seed multiplication chain

Breeder seed⁴² is the progeny of nucleus seed, from which foundation seed⁴³ is produced. As per Procedure Manual⁴⁴ (Production & Quality Control), the Company purchases breeder seeds from the Agriculture Research Institutes/ Universities (supplying agencies) based on the allocation⁴⁵ made by the GoI. The Company distributes the breeder seeds to identified seed growers for multiplication into foundation seeds and further into certified seeds. The certified seeds are certified by Government certifying agency⁴⁶. Company sells

⁴¹ Srikakulam, Vizianagaram, Vijayawada, Eluru (West Godavari), Srikalahasthi (Chittoor).

⁴² Breeder seed is produced from nucleus seed under the supervision of a qualified plant breeder in a research institute of Agricultural University.

⁴³ Off springs of the breeder seeds, which can be clearly traced to breeder seeds, are called foundation seeds.

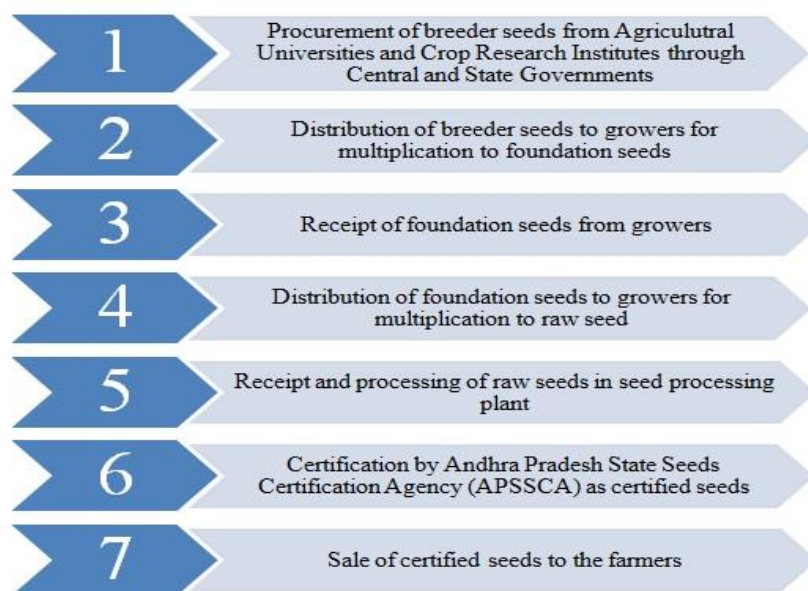
⁴⁴ Procedure for planning of breeder seeds and production of foundation and certified seeds.

⁴⁵ The Company submits indents to the GoI for the requirement of breeder seeds. The GoI, allocates the breeder seeds of various crops to the Company to be supplied by Agriculture Research Institutes/ Universities.

⁴⁶ Andhra Pradesh State Seed Certification Agency.

the certified seeds⁴⁷ to the farmers through its distribution system, i.e., own outlets, dealers, cooperative agencies⁴⁸ or by engaging officials⁴⁹ of Department of Agriculture (DoA). For sale of certified seeds, the Company receives indents every year from Commissioner & Director of Agriculture (C&DA), GoAP for positioning them at sale points. These yearly indents ideally form the basis for estimation of quantity of breeder seeds that need to be purchased.

A flow chart of seed multiplication chain followed by the Company is as under:



2.2.1 Production of seeds

2.7.1.1 Organising breeder seeds to achieve the targeted production of foundation and certified seeds

Company is engaged in production of seeds mainly of Paddy, Groundnut, Bengalgram, Blackgram, Greengram and Redgram and its sale to farmers. A scrutiny of the details of organising breeder seeds during the period 2012-13 to 2016-17 revealed that the supplying agencies had not supplied the full quantity of breeder seeds allotted by GoI to the Company in any of the period covered in audit, except 2013-14. Audit noticed that the Company had not followed and taken up the matter of short supply with the State Government and GoI. The short supply of breeder seeds ranged between 608.50 quintals (29 per cent) and 2,117.68 quintals (77 per cent). Short supply of breeder seeds, had affected further production of foundation and certified seeds.

Government during Exit Conference (November 2017) accepted and stated that presently the Company is pursuing with the supplying agencies to supply sufficient quantity of breeder seeds.

⁴⁷ Certified seed is the progeny of foundation seed and must meet the standards of seed certification prescribed in the Indian Minimum Seeds Certification Standards, 1988. This is the last stage of development of seed, which actually reaches a farmer.

⁴⁸ Primary Agriculture Cooperative Societies, Agriculture Marketing Cooperative Societies, Agro Rythu Seva Kendras, Girijan Cooperative Societies.

⁴⁹ Mandal Agriculture Officers.

2.7.1.2 Production of certified seeds

As per Procedure Manual⁵⁰ (Production & Quality Control), the Company should supply the breeder seeds & foundation seeds to the seed growers for production of foundation and certified seeds respectively. In this regard, the Company enters into agreements with seed growers.

Seed Multiplication Ratios⁵¹ (SMR) for multiplication of breeder to foundation seeds and foundation to certified seeds were prescribed by GoI for each crop variety⁵².

The Table No 2.2 depicts the production targets and actual achievement in production of certified seeds during the period 2012-13 to 2016-17:

Table 2.2: Statement showing production targets for certified seeds

(Quantity in quintals)				
Year	Production targets	Actual production	Short fall	Percentage of shortfall
2012-13*	14,35,030	8,95,261	5,39,769	37.61
2013-14*	10,07,520	5,70,784	4,36,736	43.35
2014-15	5,30,225	2,34,356	2,95,869	55.80
2015-16	8,35,650	6,63,571	1,72,079	20.59
2016-17	8,69,165	6,74,103	1,95,062	22.44
Total	46,77,590	30,38,075	16,39,515	35.05

Source: Information furnished by the Company.

* The figures are for the combined State of Andhra Pradesh;

As seen from the above table, the Company had not achieved the production targets of certified seeds in any of the years. The shortfall in achievement ranged from 20.59 per cent to 55.80 per cent.

Audit observed that the main reasons attributable to shortfall in achievement in production of certified seeds were:

(i) Sufficient breeder and foundation seeds were not distributed to seed growers because the Company had not maintained any database⁵³ of the seed growers. In the absence of database, proper planning for distribution of seeds was not possible. It was noticed that the Company had condemned 3,024.74 quintals of breeder seeds and 39,684.38 quintals of foundation seeds. As production of breeder seed requires lot of effort apart from supervision of a Plant Breeder, its wastage and condemnation is matter of serious concern. The condemnation of breeder and foundation seeds affects the production of foundation and certified seeds, which affects the production of various crops ultimately;

(ii) While fixing the production targets, the Company considered lesser SMRs in respect of Paddy (1:50) and higher in respect of Blackgram (1:100), Greengram (1:50) and Groundnut (1:9) than the norms of GoI;

⁵⁰ Procedure for production of seeds.

⁵¹ Seed Multiplication Ratio (SMR) is the reproduction capacity of the seed.

⁵² Paddy (1 : 80), Redgram (1 : 100), Blackgram (1 : 40), Greengram (1 : 40) and Groundnut (1 : 8)

⁵³ Area available, type of soil, irrigation facilities etc.

(iii) Seed growers had not supplied the foundation seeds (0.91 lakh quintals) and certified seeds (3.99 lakh quintals) as per the agreements made. The Company had not monitored and ensured that the entire quantity produced by the seed growers was received by it. Despite penal clause in the agreement for short supply, the Company neither assessed the reasons for short supply nor invoked penal clause against the defaulting growers. This had resulted in non-recovery of ₹ 565.48⁵⁴ crore (double the procurement cost of foundation and certified seeds) from the defaulting growers.

Failure to achieve seed production targets led to a shortfall in production of 16.40 lakh quintals of certified seeds during the period 2012-13 to 2016-17.

In Exit conference (November 2017), Government stated that presently the Company is distributing the breeder and foundation seeds fully. The Company was told to adhere to the SMR norms, notified by GOI as they are prepared by Indian Council of Agricultural Research (ICAR) on a scientific basis. In regard to short supply of seeds by growers, Government directed the Company to convey the farmers that they are bound to adhere to the provisions of the agreement which was signed by them. The Company was told to convey the farmers that in case of short/ non-supply penalty will be imposed as per the agreement.

2.7.1.3 Failure to estimate the requirement and prepare suitable production plan

The Company receives the indents for various seeds from C&DA, GoAP. These indents form the basis for estimation of quantity of breeder seeds that need to be purchased and multiplied to produce the required quantity of certified seeds. As per the Procedure Manual⁵⁵ (Production and Quality Control), the annual marketing demands were to be assessed by the Marketing Division at Head Office. The assessment was to be based on the information received from the Units. The marketing demands so assessed were to be communicated to the Production Division for finalization of production plan of various seed varieties. Audit observed that the Company had not carried out any such exercise as prescribed in the Manual. In the absence of the procedure to be carried out, the Company failed to estimate the required production quantities.

Government stated (October 2017) that the Company had been advised for estimation and preparation of production plan.

2.2.2 Procedure followed in procurement of seeds

2.7.2.1 Defective agreements with the individual seed growers for production of seeds

Some of the important clauses of the format of agreement⁵⁶ with the individual seed growers for production of foundation/ certified seeds given in Procedure

⁵⁴ Foundation seeds (2012-13: ₹ 1.33 crore; 2013-14: ₹ 2.33 crore; 2014-15: ₹ 1.84 crore; 2015-16: ₹ 7.96 crore; 2016-17: ₹ 48.31 crore = ₹ 61.77 crore) and Certified seeds (2012-13: ₹ 30.69 crore; 2013-14: ₹ 45.35 crore; 2014-15: ₹ 18.14 crore; 2015-16: ₹ 47.56 crore; 2016-17: ₹ 79.23 crore = ₹ 220.97 crore).

⁵⁵ Procedure for finalisation & Monitoring of Production and Marketing targets.

⁵⁶ Doc No.F/Prodn/03/01, effective from December 2010.

Manual (Production & Quality Control) are as under:

- Details of seed variety to be produced, seed type (foundation/certified), required quantity of breeder/foundation seeds purchased from the Company and quantity of foundation/ certified seeds to be supplied to the Company after production;
- The Seed Officer/ District Manager (Seeds) of the Company should conduct the field inspections during the cultivation as per minimum seed certification standards and issue Field Inspection Reports;
- As per Condition (4c) of Schedule (1) of agreement, the production, estimated based on the final field inspection by the Company or the quantity as per the Schedule-2 to the agreement, whichever is lower should be supplied to the Company by the seed grower. In case of default, the seed grower is liable to pay towards damages, an amount equal to twice the procurement price for such produce, for the shortfall.

During audit, it was observed in five selected Units that:

(i) The details⁵⁷ as required in the format were not recorded in the agreements entered with the seed growers in two Units⁵⁸. The date of agreement was also not mentioned. Vijayawada Unit had not even entered into agreements with the seed growers in 2016-17.

(ii) The Field Inspection Reports were not signed by the seed growers in two Units⁵⁹ and in one Unit (Vijayawada), the Field Inspection Reports were not signed by the Seed Officer. The field inspections as prescribed in the Manual were not conducted in two Units⁶⁰. In Vijayawada Unit, the first and second field inspections in respect of Blackgram (Rabi season 2016-17) were conducted within a gap of one day as against 20 to 30 days prescribed in the Manual. The quality of certified seed cannot be stated to be of the prescribed standards in the absence of field inspections.

The reasons for not adhering to the procedure laid down in the manual were not on record.

The Government replied (October 2017) that as observed by Audit the seed growers' agreement will be verified once again and defects, if any, will be rectified without giving scope for loss to the Company.

2.7.2.2 Inability to procure seed through seed growers

The Company produces seeds through individual seed growers, some of whom are its shareholder growers. The Board of Directors (BoD) advised (June 2012) the Company that efforts should be made to develop relation with the individual seed growers in achieving production targets.

The Company, with the approval (November 2013) of the BoD, had allowed the production of seeds (Groundnut and Pulses) through organisers⁶¹. BoD

⁵⁷ Crop variety, quantity of seed to be supplied after production and the signature of the grower and Company representative.

⁵⁸ Srikalahasti and Tanuku.

⁵⁹ Tanuku & Vijayawada.

⁶⁰ Tanuku and Vijayawada.

⁶¹ The organisers are private seed producing Companies.

envisaged that 50 per cent production through individual growers and 50 per cent through organisers. Further, priority was to be given to the individual seed growers to produce beyond 50 per cent also. The details of seeds produced through seed growers and organisers are given in the Table No. 2.3:

Table 2.3: Statement showing production of seeds through seed growers and organisers

(Quantity in lakh quintals)

Year	Certified seed production		Total certified seed production	Percentage of production	
	Through seed growers	Through seed organisers		Through seed growers	Through seed organisers
2012-13*	7.68	1.27	8.95	85.81	14.19
2013-14*	5.30	0.41	5.71	92.82	7.18
2014-15	2.29	0.06	2.35	97.45	2.55
2015-16	2.89	3.74	6.63	43.59	56.41
2016-17	2.57	4.17	6.74	38.13	61.87
Total	20.73	9.65	30.38	68.24	31.76

Source: Information furnished by the Company.

* The figures are for the combined State of Andhra Pradesh.

It can be seen that the production of certified seeds through seed organisers increased from 2.55 per cent (2014-15) to 61.87 per cent (2016-17) vis-a-vis production through seed growers. The production through seed organisers was at the cost of the seed growers and it was against the directions of the BoD.

It was further observed in audit that the production of Bengalgram seeds through seed organizers during the year 2015-16 and 2016-17 was 90 and 84 per cent respectively and that of Groundnut seeds was 96 and 88 per cent respectively of the total seed production of these crops. This was against the norms (50 per cent) approved by BoD.

Thus, the objective of encouraging the individual seed growers was not ensured.

Government replied (October 2017) that necessary steps will be taken for production of Groundnut and Bengalgram seeds also to procure more seed through production programmes. During Exit Conference (November 2017), it was stated that the Company is now implementing Community Managed Seed System to eliminate production through organisers.

2.7.2.3 Defective agreements with the organisers for production of seeds

(a) As per the Procedure Manual (Production and Quality Control), the agreement with organizers shall contain clauses⁶² stipulating that the seed organiser shall pay an amount equivalent to five per cent of procurement cost of production allotted (i) based on last year's procurement price as Earnest Money Deposit (EMD) to the Company at the time of allotment of seed production, (ii) the seed organiser shall ensure delivery of at least 90 per cent of the expected production based on the average yield obtained in the production centre, otherwise the EMD collected will be forfeited by the Company.

⁶² Clause No.13 and 14 of the format of agreement with organisers.

A test check of the agreements with organisers for the seeds procured during the period 2014-15 to 2016-17 revealed that:

(i) agreements with organisers for production of groundnut during the year 2014-15 stipulated that EMD @ two per cent on procurement price of previous year/ season or ₹ 5.00 lakh, whichever is higher, shall be deducted from the advance payment. This clause in the agreement to deduct EMD from the advance payable to the seed organisers and at lower rate was in violation of the Manual provisions, which prescribed collection of EMD at the time of agreement. The Company was supposed to collect ₹ 1.66 crore⁶³ as EMD from the seed organisers who had not supplied the agreed seeds to the Company. **The Company had not collected EMD of ₹ 1.66 crore, which led to extending undue benefit to the seed organisers.**

(ii) The Company entered into agreements (October 2015 to August 2016) with the organisers for production of 1.97 lakh quintals certified seeds of Bengalgram. The agreement did not contain the clause to collect the EMD contrary to the format of agreement. The organisers supplied only 1.08 lakh quintals of certified seeds. The Company had not collected the EMD amount of ₹ 3.50 crore based on the five per cent of the procurement price of the previous year for short supply of seeds, as there was no clause in the agreement. Thus, defective agreement led to extension of undue benefit to the organisers.

(b) The agreements⁶⁴ entered with the organisers for production of groundnut certified seeds (Rabi season 2015-16) stipulated that 75 per cent of the value of the seeds supplied shall be released within 15 days of receipt of Goods Received Note/Acknowledgement on Invoice Receipt/ Delivery Challan from the Units of the Company to which the seed stocks have been sent. Balance 25 per cent will be released within 60 days after confirmation that no complaints were received from the seed distribution Units and for standard lots of seeds as per the quality control lab test results.

Audit observed that the Company received (April to June 2016) 2.49 lakh quintals of certified Groundnut seeds. The Company fixed (May 2016) the purchase rate of ₹ 6,850 per quintal. As per the agreement, the Company was to release ₹ 128.12 crore⁶⁵. The Company, however, paid ₹ 161.18 crore⁶⁶ resulting in excess payment of ₹ 33.06 crore in contravention of the terms and conditions of the agreement. The excess payment had also resulted in avoidable loss of interest of ₹ 0.75 crore⁶⁷ to the Company. The release of excess amount was undue benefit to the private seed organisers.

Government replied (October 2017) that due to urgency for positioning of Groundnut seeds as per the indent of DoA, and to accelerate the activity to meet the seed sales, the organisers were pressurised for immediate positioning of seeds and released the funds to suppliers. During Exit Conference (November 2017) Government stated that Company is not paying excess

⁶³ 76,052 quintals x ₹ 4,378.50 per quintal x 5 per cent = ₹ 1.66 crore.

⁶⁴ Condition No.13 of the agreement.

⁶⁵ @ 75 per cent of the purchase rate of ₹ 6,850 per quintal.

⁶⁶ April to July 2016.

⁶⁷ From the date of release of advance to the date of final settlement of the balance amount @7.25 per cent.

advance at present. It also advised the Company to collect EMD and implement the agreement without any deviation.

The reply regarding payment of excess advance was not acceptable as the advance paid was not in line with the terms of the agreement.

2.7.2.4 Delay in procurement resulting in avoidable expenditure

The Company organised production of certified seeds of Bengalgram JG-11 variety during Rabi season 2015-16 through organisers. The Company fixed procurement price of ₹ 5,485 per quintal in March 2016. As per the agreement⁶⁸, the organizers were to supply the seeds by May 2016.

Audit observed that the Company started procurement in July 2016 and continued till August 2016 instead by May 2016. Due to delay in procurement, the Company re-fixed higher procurement prices as given in Table No. 2.4 below:

Table 2.4: Price fixed for procurement of Bengalgram in Rabi season 2015-16

Dates of Price fixation committee meetings	Rate fixed per quintal (₹)	Quantity procured (in quintal)	Difference in price as compared to March 2016 (₹)	Extra expenditure (₹ in crore)
1	2	3	4	5 (col.3 x col.4)
03-03-2016	5,485	Nil	Nil	Nil
25-07-2016	9,357	28,411.75	3,872	11.00
19-08-2016	8,930	76,989.25	3,445	26.52
14-09-2016	8,486	2,392.50	3,001	0.72
Total				38.24

The delay in procurement of seeds resulted in excess procurement cost of ₹ 38.24 crore. The reasons for delay in procurement of seeds were not on record.

Government replied (October 2017) that procurement price of Bengalgram seed was fixed in March 2016 during peak harvesting period. It further stated that because of abnormal hike in Bengalgram market price and according to Buffer Seed Stocking Operations guidelines procurement price was fixed periodically from July 2016 to August 2016.

The reply was not acceptable as the Company failed to procure the agreed quantity seeds by May 2016 from the organisers, which resulted in payment at higher rates. The reply was silent on delay in procurement of seeds.

2.7.2.5 Delay in issue of supply orders resulting in avoidable excess expenditure

As per the Procedural Manual⁶⁹ (Marketing Division), the Company should enter into agreements with the suppliers and issue supply order on receipt of the approval from the VC&MD. As a practice, the Company submits the details of prices negotiated to Government for approval.

⁶⁸ Clause 4 of the agreement with organisers.

⁶⁹ Para 4.9 of the Procedure Manual (Marketing Division).

Based on the indents, the Company invited tenders for procurement of certified seeds of two seed varieties, i.e., Greengram and Bengalgram from open market. The offers received from the suppliers were valid for six months.

In respect of Greengram and Bengalgram the suppliers had represented in October 2015 and October 2016 respectively to the Company and expressed their inability to supply the seeds at the negotiated prices stating the prices have gone up. The Company went for retender (November 2015) in case of Greengram and renegotiation (October 2016) with the suppliers in case of Bengalgram. The details of prices finalised against initial tender and the prices obtained against retender/ renegotiation are given in the below Table No. 2.5:

Table 2.5: Statement showing details of seed procured at higher prices

Sl. No	Name of seed	Date of tender	Rate finalised per quintal (₹)	Revised negotiated rate/ Retender rate (₹)	Quantity procured (in quintals) at higher rate (₹)	Extra expenditure (₹ in crore)
1	2	3	4	5	6	7=(5-4)*6
1	Greengram	July 2015	8,500	10,500	6,869.60	1.37
2	Bengalgram	August 2016	9,800	11,000	8,889.75	1.07
Total						2.44

In this regard, Audit observed that:

- GoAP approved the prices in respect of Greengram certified seeds in August 2015. The Company had not issued supply orders but went for retender in November 2015. The reasons for not placing supply orders, were not on record.
- In respect of Bengalgram certified seeds, Director of Agriculture advised (August 2016) the Company to go for retender stating that the prevailing price on the day of tender was ₹ 7,800 per quintal and there was an indication of falling prices. The Company, however, had not gone for retender but renegotiated the prices with the suppliers and procured the seeds at higher price than the initial negotiated price. The reasons for deviation from Government instructions were not on record.

Deviation from instructions of GoAP and procurement of seeds at higher prices, resulted in extra expenditure of ₹ 2.44 crore.

During Exit Conference (November 2017), Government stated that the conditions of tender will be enforced. It also stated that the bidders request for enhancement of prices would not be allowed in the current year.

2.7.2.6 Avoidable excess procurement

The C&DA instructed (June 2015) the Company to position 400 quintals of Guar gum seeds for distribution to the farmers in Ananthapuramu district in Kharif season of 2015. The Company, however, procured 593.60 quintals of Guar gum seed for a total value of ₹ 56.39 lakh from NSCL @ ₹ 9,500 per quintal. The seeds were delivered to Ananthapuramu Unit and the Company incurred an expenditure of ₹ 1.78 lakh towards handling charges. The GoAP, approved the sale price of ₹ 9,800 per quintal and allowed a subsidy of 50 per cent. The Company could sell only 24.32 quintals and the balance quantity of 569.28 quintals valuing ₹ 55.79 lakh were lying (October 2017) in the storage godown.

Company though dealt with the Guar gum seeds for the first time, had not assessed the market demand and ascertained the buyback arrangement from the C&DA, for the seeds produced by the farmers. Company had not explored the possibility of procuring and positioning a minimum quantity on trial and consignment basis. Thus, due to not following the procedure prescribed in the Manual and procuring excess quantity than the indent resulted in blocking up of ₹ 55.79 lakh in addition to storage space.

The Government replied (October 2017) that the Company procured Guar gum seeds as per the instructions of the C&DA. It further stated that the farmers had not preferred the seeds, as it was new crop to Ananthapuramu district and the farmers were unaware of the cultivation practices of the crop.

The reply was not acceptable as the Company dealt with the Guar gum seeds for the first time. It should have assessed the market demand before procuring huge quantity of this new seed. The Company had procured the seed in excess of indented quantity which will lose its vigour and germination capacity over a period of time leading to loss of ₹ 55.79 lakh.

2.7.2.7 Fixation of procurement price

As per the Procedure Manual⁷⁰ (Production and Quality Control), the procurement price of the seeds to be procured from identified seed growers is fixed by the Price Fixation Sub-Committee⁷¹. For fixation of the procurement price of clean seeds, as a practice, the Company considered the weighted average of highest price of the variety, prevailing⁷² in the prominent Agricultural Marketing Committees (AMCs) or the Minimum Support Price (MSP) announced by GoI for the variety, whichever was higher. The Company also added incentive⁷³ over and above the price to arrive at and fix the final procurement price.

Audit scrutiny of the details of price fixation revealed that the Company revised (December 2012) the incentive from 20 to 25 *per cent* for Paddy varieties and from 16 to 20 *per cent* for Greengram varieties from the Kharif season of 2012. It further revised (November 2013) to 30 *per cent* for Paddy varieties and to 20 *per cent* for pulses.

Audit observed that the revision of incentive was done within one year at the request of the Growers' Directors without any analysis of the additional cost incurred by the growers to substantiate the revision in the incentive. Test check revealed that during the years 2013-14 and 2014-15 the Company procured 6.74 lakh quintals of paddy certified seeds and the total procurement value with 25 *per cent* incentive was ₹ 118.98 crore and with 30 *per cent* incentive was ₹ 123.74 crore. The additional financial burden on account of revision of incentive was ₹ 4.76 crore. The revision of incentive also led to

⁷⁰ Procedure for finalisation of procurement and sale prices.

⁷¹ The Price Fixation Sub-Committee consists of the VC&MD as Chairman, Addl. Secretary, (Finance Dept.), GoAP, Nominee from C&DA, Regional Manager (NSCL) and Seed Growers' Directors as members.

⁷² The market rates prevailing at Seed Production Unit Centres through Directorate of Agriculture Marketing during previous 30 days period before convening Price Fixation Sub-Committee.

⁷³ As a percentage for additional cost incurred by the growers towards foundation seeds, registration and inspection charges paid to the Certification Agency, roughing charges, process rejection & loss and transportation charges (from the farm to the Company's processing plant).

fixation of consequential higher sale price making it uncompetitive. Audit further observed that the Telangana State Seeds Development Corporation Limited had, however, reduced the incentive on Paddy varieties from 30 to 25 per cent in June 2016 with a view to fix competitive sale price and to make seeds available at reasonable rates to the farmers.

During Exit Conference (November 2017), the Company assured that price fixation would be done on scientific basis.

2.2.3 Storage and Processing

2.7.3.1 Storage facilities

As of 1st April 2012, the Company had own godowns of 2.11 lakh sqft capacity, in five districts⁷⁴, for storing the seeds. As per Company's Annual Report⁷⁵ the requirement of storage capacity was 7.00 lakh sqft.

The Table No. 2.6 depicts storage capacity required, available, capacity augmented during the period 2012-13 to 2016-17:

Table 2.6: Statement showing augmentation of storage capacity vis-à-vis requirement

Particulars	(lakh sqft)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Required capacity	NA	NA	7.00	7.00	7.00
Capacity at the beginning	2.11	2.11	2.11	2.63	3.23
Capacity augmentation	0.00	0.00	0.52	0.60	0.00
Capacity at the end	2.11	2.11	2.63	3.23	3.23
Shortage	NA	NA	4.37	3.77	3.77
Percentage of shortage	NA	NA	62	54	54

Source: Information furnished by Company.

NA: Not available

It can be seen from the above that the storage capacity added during the five year period was only 1.12 lakh sqft (0.52 lakh sqft (2014-15) plus 0.60 lakh sqft (2015-16)). Thus, there was still shortage of 3.77 lakh sqft (54 per cent) of the required capacity as at 31 March 2017. As on date (October 2017), Company did not have its own godowns in five districts⁷⁶ of State. Audit observed that the Company had no concrete plan to increase the storage capacity to fulfil the needs in the State.

The Government stated (October 2017) that the Company will construct the godowns as per requirement upon allotment of lands.

2.7.3.2 Construction of godowns

The Company, during the period 2009 to 2011 made proposals for augmentation of 6.49 lakh⁷⁷ sqft. of storage capacity in Andhra Pradesh under various schemes of GoI viz., Rashtriya Krishi Vikas Yojana (RKVY), Central Sector Scheme (CSS), Seed Bank Scheme (SBS) and Additional Central Assistance (ACA). The total capacity of the godowns actually planned for

⁷⁴ West Godavari, Krishna, Chittoor, Ananthapuramu and Kurnool.

⁷⁵ Annual Report for the year 2014-15.

⁷⁶ Visakhapatnam, East Godavari, Guntur, Prakasam and Kadapa.

⁷⁷ 0.80 lakh sqft. (RKVY), 2.74 lakh sqft. (CSS), 2.51 lakh sqft. (SBS) and 0.44 lakh (ACA).

construction, based on the amount of grants⁷⁸ received under the four schemes was 3.78 lakh sqft. Out of the grants received, the Company had earmarked specific amounts of grants for construction of godowns. The Table No. 2.7 given below depicts the details of construction of godowns planned and constructed under the schemes:

Table 2.7: Statement showing construction of godowns under Schemes

Name of the Scheme	No. of districts where godowns planned	No. of godowns planned	Capacity of godowns planned (in lakh sqft.)	Amount earmarked out of grants (₹ in crore)	No. of godowns completed	Capacity of completed godowns (in lakh sqft.)	Amount spent for completed godowns (₹ in crore)
RKVY	5	5 ⁷⁹	0.80	9.10	4	0.77	6.93
CSS	2	2 ⁸⁰	0.33	4.00	2	0.33	3.11
SBS	10	15 ⁸¹	2.21	26.56	1	0.20	2.17
ACA	3	3 ⁸²	0.44	4.62	1	0.10	0.75
Total		25	3.78	44.28	8	1.40	12.96

Source: Information furnished by Company.

Audit scrutiny of records revealed that:

- Company had constructed only eight godowns under all the four schemes upto March 2016 and construction of four godowns⁸³ (1.18 lakh sqft) was yet to be completed (June 2017), indicating abnormal delay in construction.
- Company had not initiated any action for construction of 13 godowns under the schemes viz., one under RKVY, two under ACA, ten under SBS till date (June 2017) though an amount of ₹ 28.39 crore⁸⁴ was lying with Company as on March 2017.
- A single godown of 60,000 sqft. capacity was constructed at Srikalahasti under SBS by clubbing three godowns proposed at Kurnool, Ananthapuramu and Kadapa. This led to insufficient storage space in Kurnool and Ananthapuramu as storage capacity of only 1.15 lakh sqft. was available there and no storage facility was available in Kadapa district. Company had not completed the godown at Srikalahasti so far (October 2017) for want of third party inspection.

Audit observed that there was delay in acquisition of required lands at four locations by the Company. Further, the Company had changed the locations

⁷⁸ ₹ 40.42 crore (in February 2009 for RKVY), ₹ 4.00 crore (in October 2009 for CSS), ₹ 91.26 crore (between July 2012 to January 2015 for SBS) and ₹ 11.09 crore (in May 2012 for ACA) for the combined State of Andhra Pradesh, out of which the Company earmarked amounts for construction of godowns, location wise as given in Table 2.9.

⁷⁹ Srikakulam (20,000 sqft.), Vizianagaram (20,000 sqft.), Kadiri (Ananthapuramu) (10,000 sqft), Proddatur (Kadapa) (10,000 sqft.), Srikalahasti (Chittoor) (20,000).

⁸⁰ Kurnool (31,500 sqft) and Srikalahasti (1500 sqft).

⁸¹ As per Action Plan, Company planned construction of godowns during the scheme period 2011-12 to 2014-15 at Nellore (20,000 sqft.), Maruteru in West Godavari (5,000 sqft.), Vijayawada (two godowns: 20,000 and 8,000 sqft.), Ananthapuramu (2 x 10,000 sqft.), Kadapa (two godowns: 15,000 sqft. and 28,000 sqft.), Vizianagaram (20,000 sqft.), Guntur (10,666 sqft. and 15,000 sqft.), East Godavari (20,000 sqft.) and Prakasam (14,800 sqft.), Kurnool (1000 sqft. and 20,000 sqft.).

⁸² Kurnool (8,000 sqft.), Ongole (26,000 sqft.) and Guntur (10,000 sqft.).

⁸³ Maruteru (6,000 sqft), Salur & Nellivada (52,000 sqft) and Srikalahasti (60,000 sqft.)

⁸⁴ ₹ 2.28 crore (RKVY), ₹ 21.14 crore (SBS) and ₹ 4.96 crore (ACA).

and capacity of six godowns by clubbing two or more godowns, which led to delay in commencement of construction. While entering into MOU with Andhra Pradesh Medical Services Infrastructure Development Corporation and YSR Horticulture University to whom the work of construction of godowns was entrusted, had not specified the time schedule for completion of the construction.

Lack of proper planning led to delay in completion of construction of godowns and consequent shortage of storage space in the State. This led the Company to hire private godowns by incurring expenditure of ₹ 5.24 crore during the period from 2014-15 to 2016-17, which was avoidable, had the godowns been constructed in time.

The Government replied (October 2017) that the delay was mainly due to non-alienation of suitable, accessible Government land. It further stated that keeping in view the activities of the Company and proper utilisation of funds, the locations have been changed. It proposed to take-up the construction of godowns through Andhra Pradesh Industrial Infrastructure Corporation Limited. It also stated that necessary penalty clauses along with time schedule will be incorporated in future MoUs with executing agencies.

2.7.3.3 Processing of seeds

Seed received from the field often have typical contaminants such as weed seeds, small seeds, damaged seeds, broken and shriveled seeds, straw, chaff, leaves, twigs, stones and soil particles. As such, seed processing is necessary in order to remove or reduce to the extent possible the various contaminants and get the seeds of desired quality. For processing of seeds, processing plants are being used.

(i) Processing facilities

The Company had seven⁸⁵ processing plants (April 2012) in the residual State of Andhra Pradesh, with a processing capacity of 2.82 lakh quintals. The seed production (foundation and certified seeds) targets, seed processing capacity and shortfalls during the period are given in Table No. 2.8:

Table 2.8: Statement showing production targets vis-à-vis available processing capacity

Particulars	(lakh quintals)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Production target [#]	7.43	5.57	5.71	8.87	9.76
Processing capacity	2.82	3.88	3.88	3.88	4.40
Shortfall compared to target	4.61	1.69	1.83	4.49	5.36
Percentage of shortfall to target	62	30	32	56	55

Source: Information furnished by Company and Annual Reports.

[#]Includes production targets of foundation and certified seeds.

It is evident from above table that there was huge shortfall of processing capacity compared to the production target. The shortfall ranged between 30 per cent and 62 per cent.

⁸⁵ Srikakulam (0.18 lakh quintals), Vizianagaram (0.36 lakh quintals), West Godavari (1.03 lakh quintals), Krishna(0.32 lakh quintals), Prakasam (0.09 lakh quintals), Chittoor (0.67 lakh quintals), Kurnool (0.18 lakh quintals)

It was observed in audit that:

- The Company had not augmented the capacity, considering the targeted production in the subsequent years, though there was a shortfall of 4.61 lakh quintals in 2012-13, which went upto 5.36 lakh quintals in 2016-17.

Thus, due to lack of sufficient processing facility, seed processing was done through private custom processing plants. The Company had incurred an expenditure of ₹ 91.39 lakh on processing of the seeds through outside agencies during the period from 2014-15 to 2016-17.

The Government stated (October 2017) that the Company planned to provide new processing plants at required places.

(ii) Delay in commissioning of processing and allied equipment

In the year 2009, the Company received grants under RKVY for procurement of processing plants and allied equipment. An amount of ₹ 9.72 crore was allocated for this purpose. Company purchased seed processing line equipments⁸⁶ and allied⁸⁷ equipment from various firms through Andhra Pradesh State Agro Industries Development Corporation Limited. The equipments were to be commissioned at the godowns proposed for construction under the schemes. There was delay in commissioning/ utilisation of equipments due to delay in construction of godowns. The delay in commissioning of equipments ranged between 3 months and 83 months. The details are in **Annexure-2.1**.

During the audit, it was observed that:

1. Gravity Separator⁸⁸ of 4 TPH capacity along with feeding Vertical Bin Elevator and Holding Bin procured (May 2015) at a cost of ₹ 9.86 lakh were not put to use till date (October 2017). The equipment was procured specifically for Srikalahasti Unit, based on the request (8 November 2010 & 27 December 2012) of the Unit. As such, the purpose for which the machine was purchased had not been served.
2. Groundnut pod cleaner procured (November 2011) at a cost of ₹ 4.92 lakh was kept idle at Eluru till date (October 2017). Audit observed that installation of groundnut pod cleaner at Eluru Office was useless as the processing of seeds was not being done there.

Non-utilisation/ installation of above two equipments had resulted in blocking up of ₹ 14.78 lakh⁸⁹ and storage space.

The Government replied (October 2017) that the installation and commissioning of processing equipment in some of the locations had got delayed due to non-completion of godowns, and insufficient power. The

⁸⁶ 4 TPH Seed process line with Gravity Separator, Destoner, Treator and Air Pollution Control system, 4 TPH Seed process line with Destoner, Air pollution Control system.

⁸⁷ 4 TPH Automatic seed packing, weighing and sealing machines: 1 to 5 Kgs capacity and 10 to 50 Kgs, Heavy Duty conveyerised bag closing machines and Groundnut pod cleaners.

⁸⁸ The machine separates seeds of the same density, but of different sizes, seeds of the same size but of different densities. This method makes use of a combination of weight and surface characteristics of the seed to be separated.

⁸⁹ ₹ 9.86 lakh (Gravity Separator) + ₹ 4.92 lakh (Groundnut Pod cleaner).

gravity separator available at Srikalahasthi is to be installed in new godown soon after taking over from the executing agency.

2.2.4 Sale of seeds

The Company sells seeds to the farmers at subsidy under different schemes of GoAP as well as on full cost basis. The sale of certified seeds to farmers was through distribution system consisting of own outlets, dealers⁹⁰ and officials⁹¹ of DoA, GoAP. For distribution of seeds, service charges are paid to the seed distributing agencies at the rates prescribed the Head office from time to time. The concerned unit organises positioning of seeds at the sale points and based on the sales carried out, the District Manager collects the non-subsidy amount of the sales and deposits in Company account.

2.7.4.1 Sales performance

A scrutiny of sales targets, indents received from the C&DA, seeds positioned by the Company and the actual sales during the five year period ending 31 March 2017 is given in Table No. 2.9:

Table 2.9: Statement showing sale of seeds

(Quantity in lakh quintals)

Year	Sales targets (as per Budget) (Qty.)	C&DA Indent (Qty.)	Seeds positioned (Qty.)	Actual sales (Qty.)	Percentage of seeds positioned to the targets	Percentage of Actual Sales to the targets	Percentage of actual sales to positioned seed	Percentage of seeds positioned to the C&DA indents	Percentage of actual sales to the C&DA indents
2012-13*	14.21	17.20	12.49	11.67	87.90	82.13	93.43	72.62	67.85
2013-14*	15.28	14.88	11.97	10.48	78.34	68.59	87.55	80.44	70.43
2014-15	7.71**	7.46	4.45	4.24	57.72	54.99	95.28	59.65	56.84
2015-16	8.11	10.78	6.79	6.61	83.72	81.50	97.35	62.99	61.32
2016-17	9.99	11.74	9.51	7.50	95.20	75.08	78.86	81.01	63.88
Total	55.30	62.06	45.21	40.50	81.75	73.24	89.58	72.85	65.26

Source: Information furnished by Company

* The figures are for the combined State of Andhra Pradesh

** The budgeted targets of sales were prepared for combined State. Hence, the targets for Andhra Pradesh were taken as 58.32 per cent in the ratio of 58.32:41.68 as per the demerger scheme.

It can be seen from the above that the Company fixed sales target of 55.30 lakh quintals against which 45.21 lakh quintals were positioned and 40.50 lakh quintals were sold. The Company had positioned only 72.85 per cent of the seeds with reference to C&DA indent. Further, the Company neither positioned the seeds as per the sales targets nor sold fully the seeds positioned. The percentage of quantity positioned to the sales targets ranged between 57.72 per cent (2014-15) and 95.20 per cent (2016-17) and the actual quantity of sales to the target ranged between 54.99 per cent (2014-15) and 82.13 per cent (2012-13).

⁹⁰ Individuals, Mana Gromore Centres, Primary Agriculture Cooperative Societies, Agriculture Marketing Cooperative Societies, Agro Rythu Seva Kendras, Girijan Cooperative Societies.

⁹¹ Mandal Agriculture Officers.

Audit observed that the Company had not carried out the assessment of the market demands by obtaining information from the units as prescribed in the Procedure manual.

The Government accepted the observation during the Exit Conference (November 2017) and stated that maximum sales would be made as per the targets fixed.

2.7.4.2 Non-collection of sales proceeds

The seeds sold at subsidy constituted 89 *per cent* and on full cost basis constituted 11 *per cent* of the total sales. For seeds sold at subsidy, the subsidy portion was claimed from the GoAP and the non-subsidy amount from farmers. As per Procedure Manual (Marketing Division), the non-subsidy amount should be collected and deposited within one week from the day of sale.

A scrutiny of the details revealed that non-subsidy amount receivable from distributing agencies was ₹ 12.26 crore as on 31 March 2017 towards sale of seeds. Of the total non-subsidy amount receivable, ₹ 6.42 crore was outstanding for the last three years and the balance ₹ 5.84 crore for more than three years. The Company had not taken any action to recover the outstanding sale proceeds due from the distributing agencies.

Thus, defective system in collection of sale proceeds for subsidised seeds resulted in accumulation of ₹ 12.26 crore due from the distributing agencies.

The Government replied (October 2017) that the Company would make necessary arrangements to have a financial security to recover the seed cost/sale proceeds from the dealers/ distributors/ others to avoid accumulation of dues. Regarding subsidy receivable during Exit Conference (November 2017) it state that the Company would make efforts to get the amounts from GoAP.

The Company needs to improve its system of collection of sale proceeds to safeguard its financial interest.

2.7.4.3 Incorrect payment of service charges

Srikalahasti Unit entered into agreement (April 2011) with Chittoor District Cooperative Marketing Society (CDCMS) for distribution of seeds on subsidy at service charges of 1.5 *per cent* on the non-subsidy amount. The Head Office fixed (May 2011) service charges @ ₹ 33.00 per quintal. The service charges agreed by the Unit worked out to ₹ 53.38 per quintal⁹² as against the prescribed rate of ₹ 33 per quintal. Thus, due to entering into agreement by the Unit before fixing of services charges by the Head Office led to excess payment of service charges by ₹ 16.00 lakh. The excess amount of service charges paid was yet to be realized (March 2017).

The Government replied (October 2017) that the Company is continuously pursuing with CDCMS for recovery of this amount.

⁹² The total Service charges @ 1.5 *per cent* was ₹ 42.09 lakh on 78,867.30 quintals, which works out to ₹ 53.38 per quintal.

2.7.4.4 Sale of sub-standard seeds

One of the objectives of the Company was to distribute certified and other quality seeds to the farmers.

The Company received 31 complaints against the supply of 4,945.60 quintals of poor quality of the seeds valuing ₹ 1.40 crore during the period 2012-13 to 2016-17. The complaints were mainly with regard to poor germination, admixture of 'Other Distinguishable Varieties' (ODVs), mud particles, fungal growth and poor luster seed. Scrutiny of complaints together with details of compensation paid by the Company revealed that the Company replaced 1,277.80 quintals of seeds valuing ₹ 33.24 lakh free of cost. The Company paid compensation to the extent of ₹ 15.06 lakh for 675.80 quintals of seed.

Audit observed that the reasons attributable for supply of poor quality of seeds were unscientific storage system and lack of regular spraying of anti pest chemicals. It led to loss of ₹ 48.30 lakh⁹³ due to payment of compensation/ replacement/ write-off.

In two out of the above 31 cases, the Company was liable to pay compensation to the farmers due to poor quality as discussed below:

- In Tanuku Unit, the Company received a complaint in 2013-14 on Paddy BPT 5204, due to admixture of other varieties, wherein the farmers claimed compensation of ₹ 24.00 lakh for loss of crop. The Company advised the Unit to submit a detailed report, after field visit along with the scientists. However, the details of the report were not on record. The case is pending in State Council Forum, Vijayawada;
- Company distributed 1,044.90 quintals of Paddy RP-Bio226 certified seeds during Kharif season 2016 in East Godavari district, which was received from the NSCL. The farmers made complaint for supply of poor quality⁹⁴ seeds, which was confirmed by the technical team. The District Collector ordered the Company to pay compensation of ₹ 2.50 crore @ ₹ 10,000 per acre for 2,500 acres of land.

The Government replied (October 2017) that, whenever complaints were received, the seeds were replaced or seed cost was reimbursed to compensate the loss incurred by the farmers. In respect of compensation payable for supply of poor quality Paddy RP-Bio226 certified seeds, Company stated that NSCL agreed to take responsibility for poor quality seeds supplied by them.

The Government accepted the observation. However, the reply in respect of supply of poor quality Paddy RP-Bio226 certified seeds was not acceptable as the responsibility to settle the compensation lies with the Company as the seeds were supplied by the Company to the farmers.

2.7.4.5 Condemnation of seeds

The seeds, which are not fit for further seed multiplication, due to loss of germination, vigour and viability are condemned and sold in the market as grain.

The Company failed to sell 3.69 lakh quintals of various varieties of seeds

⁹³ ₹ 33.24 lakh (replacement of seeds) + ₹ 15.06 lakh (compensation)

⁹⁴ ODVs in the seeds ranged between 17 and 24 per cent as against 0.10 per cent.

during the period 2012-13 to 2016-17. The delay led to loss of vigour, viability and loss of rate of germination. The year wise details of quantity of seeds condemned are in Table No. 2.10:

Table 2.10: Statement showing quantity of breeder, foundation and certified seeds condemned

(Quantity in quintals)

Year	Class of Seed condemned			
	Breeder (Quantity)	Foundation (Quantity)	Certified (Quantity)	Total quantity condemned
2012-13	1,006.37	4,206.63	73,575.00	78,788.00
2013-14	111.78	4,878.12	16,489.06	21,478.96
2014-15	1,872.63	21,876.73	11,193.85	34,943.21
2015-16	32.46	7,371.55	1,40,616.25	1,48,020.26
2016-17	1.50	1,351.35	84,274.15	85,627.00
Total	3,024.74	39,684.38	3,26,148.31	3,68,857.43

Source: Information furnished by Company

As seen from the above table, the Company condemned a huge quantity of breeder seeds, which were procured from supplying agencies specifically for multiplication into foundation seeds and attaining the seed multiplication chain. Condemnation of breeder seeds, which are scarcely available, indicated that the entire chain of placing of indents with GoI, distribution to seed growers and market demand of certified seeds was not assessed by the Company on a scientific basis. Further, the Company also condemned huge quantity of foundation and certified seeds.

Audit observed that there were no norms to what extent the seeds could be condemned.

Condemnation of 3.69 lakh quintals (breeder, foundation and certified seeds) of seeds led to loss of opportunity to produce 1,350.21 lakh quintals⁹⁵ of grain. **The procurement cost of 3.69 lakh quintals of seeds which were condemned was ₹ 139.66 crore. The Company sold the same as grain for a value of ₹ 114.41 crore and suffered a loss of ₹ 25.25 crore⁹⁶.**

During Exit Conference (November 2017) Government accepted the audit observation and assured to look into the matter.

2.2.5 Internal Control System

2.7.5.1 Internal Audit

The Company had outsourced the internal audit activity to practicing Chartered Accountants from the year 2007. As per the terms and conditions of appointment of Internal Auditors, the scope of audit *inter alia* included review of, trial balance, general ledgers & schedules, fixed assets, production, marketing, engineering departments, costing, review of replies to AG audit paras, propriety audit, review of Reports of C&AG at Corporate Office.

Scrutiny of the Internal Audit Reports revealed that the Internal Auditors had not attended to the above items of work. Thus, the internal audit was not functioning effectively to address the issues relating to scope of work.

⁹⁵ Computed based on the Seed Multiplication Ratio of each seed variety.

⁹⁶ ₹ 139.66 crore (cost of seeds) minus ₹ 114.41 crore (amount realised).

Government replied (October 2017) that necessary steps are being taken to ensure that Internal Auditors comply with scope of audit.

2.7.5.2 Internal Controls

(a) The Company had to constitute Audit Committee⁹⁷ as required under Section 177 of the Companies Act, 2013. The Company had not constituted the Audit committee so far (October 2017);

(b) The Company had to constitute a Stakeholders' Relations Committee (SRC) as required under Section 178 of the Companies Act, 2013. The main function of the committee was to consider and resolve the grievances of shareholders of the Company. The Company had not constituted SRC so far (October 2017) to look into the grievances of shareholders;

(c) The Company had not evolved any system to identify the farmer shareholders, who were not taking part in the seeds production programme of the Company. This is prescribed in the Memorandum of Association. The Company also had not evolved any system to identify and debar the farmers, who participated in the seeds production programme and not supplied the seeds to the Company.

(d) The Company had no system of registration of individual seed growers, organizers and suppliers and updating the data at regular intervals. There was no system of black listing the defaulters.

(e) The Company had no system in place for entering into agreements with seed distributing agencies and to obtain sufficient financial security for the seeds positioned with them.

(f) The Company had not entered into MOU with the Public Enterprises Department (PED) for the years 2013-14 to 2016-17.

The Government replied (November 2017) that the Company (i) had taken necessary steps to constitute Audit Committee and SRC, (ii) prepared draft MOU and would submit the same to the PED, (iii) would enter into agreements with distributing agencies, and (iv) would maintain database of organisers and suppliers and the defaulters will be blacklisted.

The Company needs to develop Internal Control system to comply with the statutory regulations and to achieve its objectives.

2.2.6 Performance of the Company over the years - issues raised in previous CAG Reports

Performance audit report on the Company was previously included in the Report of C&AG of India for the years 2001-02 and 2007-08. Issues like production performance, issue of sub-standard seed, realisation of sale proceeds and condemnation of seed were raised in the previous reports. Audit noticed that these issues continued to persist during the period covered in this Report. There was some improvement with regard to the extent of seeds

⁹⁷ The functions of the audit committee include (i) recommendations for remuneration of Auditors of the Company (ii) examination of financial statements and Auditors' Report thereon (iii) scrutiny of inter-corporate loans and investments (iv) evaluation of internal financial controls and risk management systems (v) monitoring the end use of funds raised through public offers and related matters.

condemned, issue of quality seeds and realization of sale proceeds but no improvement with regard to production performance.

Conclusions

The Company had not achieved the production targets of certified seeds as it had not distributed sufficient breeder & foundation seeds to the seed growers and had not considered the SMR norms of GoI. The Company was not following the prescribed format of the agreement with seeds organisers. It had also not invoked the agreement terms/ conditions with seeds growers for short supply of seeds. The Company had not procured the seeds in time from the seed organizers which resulted in procurement at higher prices subsequently. The Company had neither augmented the required storage and processing capacity nor fixed the time schedule for construction of godowns and commissioning of processing plants. The Company had not recovered the sale proceeds in time from the distributing agencies which resulted in accumulation of dues with distributing agencies.

Recommendations

The Company should:

- *evolve plan to distribute available breeder & foundation seeds and consider Seed Multiplication Ratios norms to produce required certified seeds;*
- *incorporate suitable clause in the agreements with seed growers and organisers and invoke the same in default cases to protect the financial interest of the Company;*
- *fix the time schedule and monitor the completion of construction of godowns and commissioning of processing plants.*

CHAPTER III

COMPLIANCE AUDIT OBSERVATIONS

Chapter III

3. COMPLIANCE AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Andhra Pradesh Power Generation Corporation Limited

3.1 Deviation from the terms and conditions of tender

After awarding the contract, Company awarded a supplemental item of extra lead with an additional financial burden of ₹ 7.10 crore despite terms and conditions in the tender stipulated that no extra lead would be payable under any circumstances.

Andhra Pradesh Power Generation Corporation Limited (Company) invited a tender for the work of strengthening of Ash Pond Bund No.II, at its Thermal Power Station⁹⁸. The tender contained *inter-alia* the following terms and conditions:

- *Clause 29.00*: Collection, supply and stacking of gravel material including cost and conveyance of all materials including taxes with all leads and lifts etc., complete for finished item of work as directed by Engineer-in-Charge;
- *Clause 29.01*: Payment should be made on the basis of cubic meters for finished items of works;
- Schedule C (Lead Statement) of tender specified that gravel should be obtained from Donabanda with a lead of 16 KMs and stipulated that no extra lead would be payable under any circumstances.

The Company awarded (February 2015) the work to M/s. AMR-KCL-RVR Joint Venture (Contractor) for ₹ 30.21 crore⁹⁹ based on bids received. The Company issued (February 2015) letter of intent to the Contractor. The Contractor entered into agreement with the Company in May 2015. The agreement contained the following terms and conditions:

- *Clause 3*: Contractor should obtain gravel from Donabanda with a lead of 16 KMs;
- *Clause 16*: Contractor should complete 10 *per cent* of work within one month, 40 *per cent* of work within six months, 75 *per cent* within 12 months and entire work within 18 months.

The Contractor, however, requested (December 2015) the Company for obtaining gravel from Polavaram Right Bank Canal (Polavaram) with a lead of

⁹⁸ Dr.Narla Tata Rao Thermal Power Station (Dr.NTTPS), Ibrahimpatnam, Krishna District, Andhra Pradesh.

⁹⁹ Quoted amount was 4.09 *per cent* excess on estimated cost of ₹ 29.02 crore.

42 KMs. The Contractor requested for extra lead of 26 KMs¹⁰⁰ on the plea that (i) cost of land in Donabanda for supply of gravel increased due to bifurcation of State and (ii) sample of the soil at gottimukkala site panchayat (in Donabanda) failed in the relevant tests. The request of Contractor was accepted and a supplemental agreement (June 2016) was executed for additional item with the Contractor.

Audit observed that the Company approved the supplemental item for additional lead involving additional costs, despite the terms and conditions of the tender and agreement which clearly stipulated that no extra lead would be payable under any circumstances. Thus, the action of Company in awarding supplemental item was not justified as it disregarded the impact of the delay and slow progress caused by the Contractor.

Audit further observed that the bund was to be completed before monsoon season of 2016 to ensure its safety. It was noticed that the bund embankment was necessary as the ash slurry may flow into the surrounding fields and nearby villages. As per the agreement the Contractor was to complete the work by October 2016. The Contractor, not only delayed in entering into agreement and also had not achieved the milestone as per the agreement as shown in the Table No. 3.1:

Table 3.1: Statement showing the details of milestones vis-à-vis actuals

Sl. No.	Period after date of commencement, i.e. May 2015.	Cumulative per cent of the work to be completed based on contract amount	Actual achievement in per cent (July 2016)
1	At the end of 1 st month	10	0.58 (May/ June 2015)
2	At the end of 6 th month	40	4.18 (October 2015)
3	At the end of 12 th month	75	12.68 (April 2016)
4	At the end of 18 th month	100	22.46 (July 2016)

Source: Agreement with contractor and statement of progress of work

The contractor had completed only 5.05 per cent of the work at the time of his request for obtaining gravel from polavaram in December 2015.

The Company awarded supplemental item valuing ₹ 7.10 crore to the Contractor contrary to the tender provisions even though the Contractor delayed the work. Award of supplemental item resulted in an additional financial burden of ₹ 5.09 crore¹⁰¹ (upto July 2017) to the Company.

The Government in reply (October 2017) stated that during execution of work, Chief Engineer/ O&M informed that gravel at Donabanda was not available. The land owners/ farmers were unwilling to give gravel from their land even though they were approached through Revenue Department. The soil test of the land of the only land owner willing to provide gravel was not suitable. It further stated that the reason for non-availability of gravel at the source was beyond the reach of APGENCO/ Contractor. If the bund is not strengthened there would be damage/ slips thereby all the Units would be forced to shut

¹⁰⁰ 42 KMs lead for Polavaram minus Original lead of 16 KMs for Donabanda.

¹⁰¹ Value of supplemental work done is calculated based on gravel obtained and used in the bund.

down due to non-availability of ash pond. In view of the above the supplemental item was considered as per Clause 24 of the tender.

The Government's reply was not tenable as the Contractor had submitted the bid for the contract considering all the provisions of the tender. The Contractor not only delayed entering into agreement but also had not completed the work as per milestones even though reminded by the Company several times. Thus, it was evident that the delay in execution of work resulted in a situation where the Company had to award supplemental item considering the importance of work. Further, the additional lead awarded was contrary to the terms and conditions of contract. The Company should consider taking punitive action against the Contractor.

STATUTORY CORPORATION

Andhra Pradesh State Road Transport Corporation

3.2 Non-Operating Revenue in Andhra Pradesh State Road Transport Corporation

3.2.1 Introduction

The Andhra Pradesh State Road Transport Corporation (Corporation) is a Statutory Corporation established¹⁰² under The Road Transport Corporations Act, 1950. The Corporation had maintained separate records from 3 June 2015 after bifurcation of State. It is under the administrative control of Transport, Roads and Buildings Department of Government of Andhra Pradesh (GoAP).

It provides transportation services to commuters within and outside the State through 11,799 buses¹⁰³ held as of 31 March 2017. The Corporation also has non-operating revenue, which mainly includes:

- **Rent:** From leasing out of stalls, shops, canteens, open spaces etc, in the bus stations;
- **Advertisements:** By sale of advertising rights for advertisements in the premises of bus stations, on/in buses;
- **Others:** By sale of scrap (vehicles and materials), interest on bank deposits, dividends, interest on advances to employees.

The non-operating revenue accounted for 3.28 *per cent* during 2016-17 and the average for last three years worked out to 2.84 *per cent* of the total revenue. Non-operating Revenue (NOR) showed a growth of 64.76 *per cent* over the three years 2014-17.

¹⁰² Established on 11 January 1958 by the State Government under Section 3 of the Road Transport Corporations Act, 1950 as its wholly owned Corporation.

¹⁰³ Includes 2,707 hired buses.

3.2.2 Organisational set up

The Management of the Corporation is vested with Board of Directors (Board) headed by a Vice-Chairman & Managing Director.

3.2.3 Methodology and sampling

Audit was conducted from 31 March 2017 to 31 May 2017. The objective was to seek an assurance that the policies and practices for maximizing the non-operating revenue from rent and advertisement were effective. The Corporation had 12 Regional Offices, out of which records at five¹⁰⁴ Regional Offices and Head Office were reviewed.

3.2.4 Audit Findings

The deficiencies noticed in audit are as under:

3.2.4.1 Irregular allotment of stall in Krishna Region

As per the instructions issued (July 2012) by the Corporation, the tender committee should assess the prevailing market price before inviting tenders.

The Corporation allotted (August 2015) on nomination basis an open space¹⁰⁵ admeasuring 4,356 sqft. in Pandit Nehru Bus Station (PNBS), Vijayawada, to an entrepreneur¹⁰⁶ on lease for setting up of two mini digital theatres. The space was allotted at a license fee of ₹ 3,53,185 (@ ₹ 81.08 per sqft.) per month for a period of five years¹⁰⁷. The entrepreneur had requested (December 2015) for allotment of an additional space of 3,773¹⁰⁸sqft. in the same premises for setting up of food court and installing generator, bore etc. The Corporation had allotted the additional space at the same rate of license fee for a period of 15 years¹⁰⁹.

The Corporation had allotted (March and July 2014) another two open spaces¹¹⁰ for running bakery in the same premises through open tenders @ ₹ 246 and ₹ 253/per sqft., which were much higher than that of allotment on nomination basis.

Thus, the allotment on nomination basis led to loss of revenue of ₹ 0.91 crore¹¹¹ (upto September 2017) in respect of additional space of 2,640 sqft. allotted for use in food court. The Corporation had also to suffer loss of revenue for the remaining agreement period.

¹⁰⁴ Ananthapuramu, Chittoor, Krishna, Kurnool and Visakhapatnam.

¹⁰⁵ The ground floor of PNBS.

¹⁰⁶ M/s.Aditya Pranava Infra & Management Services India Private Limited, Vijayawada.

¹⁰⁷ From 12 September 2015 to 11 September 2020.

¹⁰⁸ 2,640 sqft. (food court) + 1,133 sqft. (generator, bore, etc).

¹⁰⁹ Upto 11 September 2030.

¹¹⁰ Stall Nos. A-47 and A-52.

¹¹¹ 2,640 sqft. x (₹ 246 - ₹ 81.08) x 21 months (January 2016 to September 2017) = ₹ 0.91 crore.

Government replied (October 2017) that for lesser areas of occupation, license fee will be more whereas for larger area the license fee will be less.

Reply of Government was not acceptable as the Corporation had not analysed the prevailing market rates as instructed in July 2012. However, the stall was allotted on nomination basis without inviting the tenders.

3.2.4.2 Cancellation of stalls at Tirupathi Bus Depot

With a view to developing an 'Elegant Corporate Structure' at Tirupathi Bus Depot, Corporation terminated (November/ December 2016) the agreements with licensees of eight allotted stalls¹¹² in the Depot. Subsequently, Corporation re-allotted (October 2016) a total space of 32,280 sqft including the space of these eight stalls, to a new licensee¹¹³ for 25 years on nomination basis. The license fee fixed was ₹ 8.15 lakh per month. The Corporation, again cancelled this allotment (March 2017) within a short span of five months.

Audit observed that the Corporation had terminated the agreements without any firm planning for development of the depot. It cancelled the subsequent allotment also without any justification. Therefore, the eight stalls, which were already allotted, remained vacant from December 2016 to September 2017, due to premature termination of agreements and not taking up any developmental activity. Thus, due to lack of firm planning for development of the Depot caused loss of revenue of ₹ 22.65 lakh¹¹⁴ to the Corporation.

Government replied (October 2017) that the firm was awarded contract under Public Private Partnership for 25 years with an objective to realise more commercial revenues. It further, replied that subsequently the Corporation called for tenders for four shops and excluded the remaining four shops because they are obstructing the passenger entry to the Bus Station.

Government's reply was not acceptable as the Corporation cancelled the existing licensees of eight stalls without having a proper plan in place for developing the area.

3.2.4.3 Non-recovery of dues from Build Operate and Transfer agencies

The Corporation had awarded contracts to two agencies¹¹⁵ for development of vacant lands at two locations¹¹⁶ under Build Operate and Transfer basis for a period of 33 years. However, the lease deed in respect of both the agencies was not registered with the concerned Government Authority. As per terms

¹¹² March 2016 to March 2020 (Stall No.SHC-2), March 2014 to March 2019 (Stall No.SHO-41), October 2012 to October 2017 (Stall No.SHO-42), July 2012 to July 2017 (Stall No.SHO-44 & 45), March 2016 to March 2021 (Stall No.SHO-62), March 2014 to March 2019 (Stall No.SHO-64), January 2016 to January 2021 (Stall No.SHO-65). The total area was admeasuring 4,424 sqft.

¹¹³ M/s.Bioscope Films.

¹¹⁴ From November/ December 2016 to September 2017.

¹¹⁵ (1) M/s Greenwood Malls and Multiplexes Private Limited & M/s.Prathyasha Resources & Infra Private Limited from 2.12.2013 to 1.12.2046 for Annual Premium of ₹ 30,29,000 (2) M/s.S.S.Paramtej Infrastructure Private Limited & M/s.Visishta Constructions from 8.03.2015 to 7.03.2048 for Annual Premium of ₹ 24,23,000.

¹¹⁶ (1) Visakhapatnam (7,573 sq. yards) (2) Rajahmundry (2,423 sq.yrds).

and conditions of the agreements, the agencies had to pay annual premium fee from the date of agreement and additional development premium (after three years from the date of agreement). In case of delay in payment, penalty @ 18 per cent per annum would be collected from the agencies.

Scrutiny of the details of amounts to be collected from the agencies revealed that an amount of ₹ 2.67 crore was outstanding from the agencies as on March 2017. The details are in Table No.3.2:

Table 3.2: Statement showing details of amounts collected from agencies

Sl. No.	Agency	Dues outstanding as on March 2017 (₹)	Security Deposit collected from the agency (₹)	Dues outstanding over and above Security Deposit (₹)
1.	Agency-1	1,62,37,190	71,25,000	91,12,190
2.	Agency-2	1,04,26,086	20,01,000	84,25,086
Total		2,66,63,276	91,26,000	1,75,37,276

Source: Information furnished by the Corporation.

Audit observed that Corporation accepted part payments from the agency on several occasions though the terms of agreement stipulated for payment of full license fee. Due to acceptance of part payments, the short payments accumulated to ₹ 2.67 crore as on March 2017. Audit further observed that though Corporation issued termination notices to the agencies, it would not be able to proceed legally to recover the dues due to non-registration of lease deeds.

Government replied (October 2017) that the action would be taken to terminate the contract of the Agency-II after forfeiting the SD and Bank Guarantee (BG). It further stated that for Agency-I, the Corporation had BG for ₹ 71.25 lakh. It also stated the Agency-II had submitted the lease deed to concerned authority for registration.

Reply of Government was not acceptable as the Corporation was to collect the dues regularly but failed to do so. Further, it also had to get the lease deed registered by the agencies within four months of execution of agreement. The Corporation failed to get the lease deeds registered so far (October 2017). The Corporation had accepted part payments from the agencies, which resulted in accumulation of dues and interest of ₹ 2.67 crore.

3.2.4.4 Non-collection of pro-rata license fee for the encroached area

As per terms and conditions of the agreements entered into with the licensees in respect of stalls/open space allotted in bus stations, the licensees were to be levied a penalty of ₹ 1,000 for any breach of condition in the agreement. Test check revealed that the 74 licensees had encroached upon open space, measuring a total of 15,000 sqft. The encroachment was in excess of the area allotted. Corporation had collected an amount of ₹ 0.61 lakh from the licensees towards encroached area. In 49 cases, Corporation collected penalty

of ₹ 1,000 from each licensee, in 2 cases proportionate license fee was levied and in remaining 23 cases no penalty was collected for the encroached area.

Audit observed that the agreements with the licensees had penal clause of ₹ 1,000 for each encroachment instead of collecting pro-rata license fee for the encroached area. The license fees for the encroachment works out to ₹ 2.15 crore (*Annexure 3.1*) on pro-rata basis for the period April 2013 to February 2015 whereas the penalty ₹ 0.61 lakh only was levied during the period. This had resulted in loss of revenue of ₹ 2.15 crore.

Government accepted the audit observation and replied (October 2017) that action would be taken to incorporate a suitable clause in the agreements for charging license fee on pro-rata basis for area encroached by the licensee.

3.2.4.5 Non-recovery of Service Tax from the licensees

Rental income from immovable property was taxable under Section 66B of Finance Act, 1994 as per the Government of India Notification No.30/2012 dated 20 June 2012 of Service Tax. However, after a delay of 21 months, the Corporation issued a 'circular' (April 2014) for mandatory collection of 'Service Tax' on the license fee, in respect of the agreements entered after April 2014.

Further, in respect of agreements entered before April 2014, the Corporation had considered the license fee received as inclusive of Service Tax. However, as per the agreements, the license fee was exclusive of taxes and the licensee had to pay all applicable taxes.

Audit observed that the circular (April 2014) for collection of Service Tax was issued two years later from issue of Notification (No.30, dated 20 June 2012) by the Government of India. Thus, the Corporation could not collect ST in respect of the licensees with whom Corporation entered into agreements between June 2012 and April 2014. The reasons for delay in issuance of circular were not available.

Thus the Corporation had to pay ST of ₹ 9.83¹¹⁷ crore out of its own resources. The Corporation had paid of ₹ 7.46 crore to the tax authorities as of date (March 2017) and balance ₹ 2.37 crore was yet to be paid. Thus the payment of taxes out of its own resources was loss to the Corporation and undue benefit to the licensees.

Government replied (October 2017) that in all the existing contracts entered prior to the issuance of circular, ST clause was not included in the respective agreements and it would not be ethical on the part of the Corporation to levy ST on these contracts. It further stated the burden of ST was borne by the Corporation duly reducing the license fee.

¹¹⁷ ₹ 7.46 crore from July 2012 to March 2014 and ₹ 2.37 crore from April 2014 to March 2017.

The reply was not acceptable, as the license fee was exclusive of taxes and thus it was mandatory to pay Service Tax as per the Finance Act, 2012.

3.2.4.6 Non-allotment of advertisement rights

As per instructions issued by the Corporation, tenders were to be invited within three months before expiry of the existing agreements. In case the tenders were not invited for any reason, the existing contracts were to continue till fresh contracts were awarded.

In three Regions¹¹⁸, Corporation had awarded contracts to advertisement agencies for display of advertisements on three types¹¹⁹ of buses. The contracts expired in September 2016.

Audit observed that the Corporation had neither awarded fresh contracts even after lapse of six months nor extended the existing contract to ensure continuous flow of advertisement revenue. As a result, Corporation lost revenue of ₹ 77.26 lakh (September 2016 to March 2017). The details are in Table No. 3.3:

Table 3.3: Statement showing details of buses not awarded after lapse of contract

Name of the Region	No. of buses	Date of expiry of the agreement	Period lapsed from date of expiry (upto March 2017)	License fee per month (in ₹)	Loss of revenue (₹ in lakhs)
Krishna	763	September 2016	6 months	916	41.93
Guntur	730	September 2016	6 months	503	22.03
West Godavari	398	September 2016	6 months	557	13.30
Total					77.26

Source: Information furnished by the Corporation.

The Government replied (October 2017) that Corporation had not allotted fresh tenders after expiry of the existing contracts as it approached Information & Public Relations Department (I&PRD), GoAP to obtain Government related advertisements directly.

The reply of the Government was not acceptable as Corporation neither initiated action to invite tenders nor extended the existing contracts to ensure continuous flow of revenue.

3.2.4.7 Irregular refund of license fee of advertisement contract for display of advertisements on hired buses

The Corporation entered into 12 agreements (between August 2013 and June 2014) with three licensees¹²⁰ for display of advertisements in and outside

¹¹⁸ Krishna, Guntur and West Godavari.

¹¹⁹ Express, City Ordinary, Palle Velugu buses.

¹²⁰ M/s.Koushik Group (one agreement), M/s.UNI Ads (nine agreements), M/s.Valayam Creations (two agreements).

buses¹²¹ hired by it. The terms of agreements with both the owners of hired buses and advertisement agencies provided the right to the Corporation to utilise the hired buses for advertisements.

The advertisement licensees paid monthly license fee in respect of both owned and hired buses against their respective advertisement contracts till April 2014. Subsequently, one advertisement licensee¹²² (which had 9 out of 12 agreements) had not paid the license fee in respect of hired buses allotted to it for displaying advertisements. The licensee requested (April 2014) the Corporation to exclude the hired buses from the purview of advertisement contract, as the owners of hired buses did not permit advertisements on their buses. The licensee also requested the Corporation to refund the license fee already paid in respect of these hired buses. Accordingly, the Corporation excluded (December 2015) the hired buses retrospectively (March 2014) from the purview of advertisement contract. Subsequently, based on similar requests from other two licensees¹²³, the Corporation excluded the hired buses from the purview of advertisement contracts retrospectively. The Corporation adjusted license fee of ₹ 0.79 crore, already paid by the above three licensees against the license fee payable in respect of display of advertisement on its own buses for the subsequent period till March 2017.

Audit observed that the Corporation had not enforced the terms of agreement to insist the advertisement agencies for display of advertisement on hired buses though the Corporation had already entered into agreements with hired bus owners, which included advertisement rights. Thus, withdrawing the hired buses from the purview of advertisement contract on the request of the advertisement agencies and refunding the license fee was contrary to the terms of agreements with advertisement agencies. **This resulted in loss of revenue of ₹ 5.27 crore for the period upto September 2017 (including ₹ 0.79 crore).**

The Government replied (October 2017) that most of the hired buses were new and the owners were worried about the appearance of the buses after defacing of advertisements. It also stated that to solve the problem amicably without penalizing the parties, it had excluded the hire buses retrospectively and license fee already paid was refunded.

The reply of Government was not acceptable as the hired bus owners had agreed to allow the Corporation to display advertisements on their buses as per the terms and conditions of agreements. Thus, the withdrawal of advertisement rights was contrary to the agreement terms and conditions.

3.2.4.8 Non-recovery of license fee from the advertisement agencies

As per Clause 8 of agreement, if the advertisement agency (licensee) fails to pay the monthly license fee for three consecutive months or fails to pay

¹²¹ Pallevelugu and Express.

¹²² M/s.UNI Ads.

¹²³ M/s.Koushik Group and M/s.Valayam Creations.

monthly instalment within stipulated period thrice during the course of a calendar year, the Corporation shall have the right to terminate the contract. Corporation entered (September 2011) into agreement with a licensee¹²⁴ for 'display of advertisements on the buses¹²⁵ under Krishna Region. The period of agreement was for five years from September 2011 to September 2016.

Corporation terminated (14 September 2016) the agreement as the licensee was not regular in payment of license fee as per the agreement. The Corporation terminated the agreement in September 2016 just one day before the normal expiry date of the agreement. The accumulated dues of license fee as on date of termination of agreement were ₹ 138.04 lakh.

Audit observed that Corporation accepted part payments from the agency on several occasions though clause 7 of the agreement with advertisement agencies stipulated for payment of full monthly license fee. Due to acceptance of part payments, the short payments accumulated during the agreement period. Audit further observed that Corporation had not initiated any action for recovery of outstanding dues. These outstanding dues exceeded the Security Deposit in June 2015. Corporation had forfeited Security Deposit of ₹ 47.33 lakh against the dues of ₹ 138.04 lakh. Thus, Corporation had suffered a loss of ₹ 90.71 lakh due to non-pursuance of dues.

Government replied (October 2017) that a Civil Suit was filed (March 2017) to recover the outstanding license fee.

Reply was not acceptable as the Corporation failed to recover the dues as per agreement.

Conclusion

The Corporation had not followed open tender and allotted open spaces at lower rates than the prevailing market rates. The Corporation allowed accumulation of license fees, lease premium over and above the available Security Deposit resulting non-safeguarding of its financial interest. The agreement with the licensee in respect of shops/open spaces did not include stipulation for collection of pro-rata license fee in respect of the encroached area in addition to the allotted space. The Corporation did not collect the Service Tax from the licensees, though the agreements provided for collection of all taxes, resulting in liability on the Corporation. The Corporation did not enforce the terms and conditions of hired bus/ advertisement agreements and excluded and refunded the license fee in respect of advertisement contract, thereby losing an opportunity to revenue.

¹²⁴ M/s.Shubakurthi Ads.

¹²⁵ Pallevelugu buses, Express buses, City buses of above two years old and all buses purchased under JNNURM.

3.3 Avoidable interest

Failure to draw term loan funds on need basis for procurement of buses led to parking of funds in short deposits resulting in avoidable interest burden to the tune of ₹ 4.52 crore.

The Andhra Pradesh State Road Transport Corporation (Corporation) approached State Bank of India (SBI), Hyderabad (October 2015) and Housing and Urban Development Company Limited (HUDCO) Vijayawada (January 2016) for term loan of ₹ 400 crore for purchase of buses. SBI and HUDCO sanctioned ₹ 100 crore (interest @ 10.80 *per cent* per annum) (February 2016) and ₹ 300 crore (interest @ 10.65 *per cent* per annum) (March 2016) respectively.

The terms and conditions (Clause 2.5) of loan agreement with HUDCO provided for disbursement of loan in one lumpsum or in suitable number of installments to be decided by the HUDCO with reference to the need or progress of implementation of project. Further, as per the sanction letter/ terms and conditions of agreements with SBI/ HUDCO the loan fund should be used only for the purpose for which the funds were sanctioned.

As per the schedule of payment for purchase of buses, the Corporation was to make payments from June 2016 to June 2017. The payment schedule was based on the number of buses supplied by the suppliers.

Scrutiny of the details of drawal and utilization of loan amounts by the Corporation, revealed that the Corporation drew ₹ 100 crore (February/ March 2016) from SBI. Out of this, the Corporation utilized (February to May 2016) ₹ 57 crore for purchase of buses. The balance loan of ₹ 43 crore was deposited (March 2016) in short-term deposits at interest rate of 7.30/6.75 *per cent* per annum in other Banks till 30 October 2016. The Corporation earned interest of ₹ 1.86 crore on these deposits during the period and paid interest of ₹ 2.81 crore for the same period. Similarly, out of the loan of ₹ 300 crore drawn (March/ May 2016) from HUDCO, the Corporation utilised ₹ 23 crore for purchase of buses (during July & August 2016), and spent ₹ 6 crore on other activities. The Corporation had deposited the remaining ₹ 271 crore in short term deposits (interest @ 6.50 to 9.03 *per cent* per annum) in other banks. The Corporation had earned interest of ₹ 7.47 crore on deposits from March 2016 to November 2016 and paid interest of ₹ 11.04 crore for the same period.

Audit observed that the purpose of the loan taken from the Bank/ HUDCO was not fulfilled. It was a clear deviation of the terms & conditions of sanction/ agreement with Bank/HUDCO.

Further the Corporation had to bear an unavoidable interest of ₹ 4.52 crore on the unutilised loan amount. This liability would have been avoided were the loans drawn as per need.

Government replied (August 2017) that the SBI and HUDCO used to

continuously request the Corporation to avail term loans. The Corporation had withdrawn the same as it felt that if the loans were not drawn immediately, the banks might withdraw the sanction. The Government, however, stated that Corporation was instructed to avail loan on need basis only.

3.4 Avoidable extra expenditure

Corporation procured medicines from the Distributor at higher rates instead of following the established system of procuring from drug manufacturers by inviting tenders, thus incurring an extra expenditure of ₹ 1.75 crore.

The erstwhile Andhra Pradesh State Road Transport Corporation (APSRTC) established a Hospital at Hyderabad in 1978 to cater to the medical needs of all its employees and had 34 dispensaries. Consequent upon Reorganisation of Andhra Pradesh State, the residuary Andhra Pradesh State Road Transport Corporation (Corporation) started functioning separately from 3 June 2015. The Corporation shifted its administrative machinery to Vijayawada, with effect from 27 June 2016. After bifurcation of APSRTC, the hospital and 14 dispensaries came under the control of Telangana State Road Transport Corporation (TSRTC). The Corporation was left with 20 dispensaries to provide medical facilities to its employees in the residual state of Andhra Pradesh.

As per the system in vogue before bifurcation, APSRTC (Contract Cell) procured the medicines from identified/ approved drug manufacturers registered with it, by inviting limited tenders. The procurement was based on the indents received from the Chief Medical Officer/Hospital and Dispensary Doctors. After bifurcation, the Corporation continued to meet the requirements of medicines for its dispensaries through the Hospital (TSRTC) till April 2016. As such the medicines required by the Corporation were also procured by TSRTC from the drug manufacturers as per the existing system of inviting tenders.

However, as the supply of medicines from the Hospital to its dispensaries was poor, the Corporation decided (April 2016) to procure medicines from M/s Apollo Pharmacy Limited (Distributor). As per procurement order, the Distributor will supply the medicines/ surgical items/ IV fluids/ consumables¹²⁶ to the dispensaries. Further, the Distributor had to supply branded admissible life-saving medicines to the beneficiaries¹²⁷ of the Corporation through its outlets from May 2016 onwards. The Corporation procured medicines costing ₹ 2.30 crore (at a discount of 17.50 per cent) from the Distributor during the period May 2016 to March 2017.

Audit observed that the Corporation had not followed the system of procuring medicines by inviting limited tenders from the drug manufacturers, as was done by APSRTC before bifurcation. The TSRTC had continued the past practice after bifurcation. However, the Corporation procured the medicines

¹²⁶ As per the requirement of Dispensaries against the separate monthly indents made by the Dispensaries.

¹²⁷ To the employees at the outlets of the Distributor against separate prescriptions issued by the Dispensary Doctors.

from the Distributor at higher rates. Audit further observed that the manufacturers were offering discounts from 50 to 90 *per cent* on MRP. The Corporation procured medicines of ₹ 2.30 crore from the Distributor during the period May 2016 to March 2017. The cost of the medicine worked out to ₹ 0.55 crore (*Annexure 3.2*), if procured from manufacturers directly. Thus, by procuring the medicines from Distributor at rates much higher than the rates of manufacturers, the Corporation had to incur an extra expenditure of ₹ 1.75 crore.


Government replied (August 2017) that necessary manpower and infrastructure is being acquired and procurement of medicines will be taken-up by restoring the earlier system.



Hyderabad
The 21.03.2018

(L. TOCHHAWNG)
Principal Accountant General (Audit)
Andhra Pradesh

Countersigned



New Delhi
The 22.03.2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1.1 (a)

Statement showing investments made by State Government in PSUs (exclusive to State only) whose accounts are in arrears

(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 account are 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 Centre for Advanced Research on Livestock Private Limited	2014-15	0.01	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
2	Andhra Pradesh Meat Development Corporation Limited	2013-14	6.87	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		6.88		0.00	0.00	0.00
	FINANCE						
3	Andhra Pradesh State Kapu Welfare and Development Corporation Limited	First Accounts Not submitted	4.00	2015-16	0.00	0.00	100.00
				2016-17	0.00	0.00	1000.00
4	Andhra Pradesh Brahmin Welfare Corporation Limited	2015-16	25.00	2016-17	0.00	0.00	75.00
	Sub Total		29.00		0.00	0.00	1175.00
	INFRASTRUCTURE						
5	Amaravati Development Corporation Limited	First Accounts Not submitted	100.00	2015-16	0.00	0.00	0.00
				2016-17	100.00	0.00	0.00
6	Andhra Pradesh State Fibernet Limited	2015-16	7.00	2016-17	0.00	135.00	53.46
7	Andhra Pradesh Gas Infrastructure Corporation (P) Limited	2015-16	55.44	2016-17	0.00	0.00	0.00
8	Andhra Pradesh Township and Infrastructure Development Corporation Limited	First Accounts Not submitted	0.25	2016-17	0.25	20.00	0.00
9	AP Towers Limited	First Accounts Not submitted	5.00	2016-17	5.00	0.00	1.00

Sl. No.	Sector and name of Company	Year upto which account are 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
10	Bhogapuram International Airport Corporation Limited	2015-16	4.00	2016-17	3.00	50.00	0.00
11	Greater Visakhapatnam Smart City Corporation Limited	First Accounts Not submitted	0.05	2015-16	0.00	0.00	0.00
				2016-17	0.03	0.00	200.00
12	Kakinada Smart City Corporation Limited	First Accounts Not submitted	200.00	2016-17	99.98	0.00	1.88
Sub Total			371.74		208.26	205.00	256.34
MANUFACTURING							
13	Andhra Pradesh Medtech Zone Limited	First Accounts Not submitted	0.01	2016-17	0.01	0.00	2.96
14	Ongole Iron Ore Mining Company Private Limited	2015-16	0.11	2016-17	0.00	0.00	0.00
Sub Total			0.12		0.01	0.00	2.96
SERVICES							
15	Andhra Pradesh State Beverages Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	0.00
16	Vijayawada Urban Transport Company Ltd.	First Accounts not submitted	0.50	2012-13	0.00	0.00	0.00
				2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
17	Vizag Apparel Park for Export Limited	2015-16	0.05	2016-17	0.00	0.00	0.00
Sub Total			0.60		0.00	0.00	0.00
MISCELLANEOUS							
18	Andhra Pradesh State Skill Development Corporation Limited	2015-16	7.36	2016-17	0.00	0.00	301.94
19	Andhra Pradesh Mahila Sadhikara Samstha Limited	First Accounts not submitted	10.00	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	2405.62
20	Andhra Pradesh Urban Greening and Beautification Corporation Limited	2015-16	0.25	2016-17	0.25	0.00	15.72

Sl. No.	Sector and name of Company	Year upto which account are 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
21	Krishnapatnam International Leather Complex Private Limited	2014-15	0.10	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
22	Rythu Sadhikara Samstha Limited	First Accounts not submitted		2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
			1.00	2016-17	0.00	0.00	0.00
	Sub Total		18.71		0.25	0.00	2723.28
	Grand Total		427.05		208.52	205.00	4157.58

Annexure 1.1(b)

Statement showing investments made by State Government in PSUs (under demerger)
whose accounts are in arrears

(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 account are 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						
	POWER						
1.	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted	0.25	2008-09	0	0	2.44
				2009-10	0	0	1.57
				2010-11	0	0	0.23
				2011-12	0	0	0.89
				2012-13	0	0	0.98
				2013-14	0	0	0.52
				2014-15	0	0	0.67
				2015-16	0	0	1.31
				2016-17	0	0	1.41
	Sub Total		0.25		0.00	0.00	10.02
	INFRASTRUCTURE						
2	Andhra Pradesh Rajiv Swagruha Corporation Limited	2014-15 (2 months)	0.05*	2015-16	0	0	0
				2016-17	0	0	0
3	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	30.12	2015-16	0	0	0
				2016-17	0	0	5.00
	Sub Total		30.17		0.00	0.00	5.00
	FINANCE						
4	Andhra Pradesh State Film, Television and Theatre Development Corporation Limited	2015-16	6.22	2016-17	0	0	2.62
	Sub Total				0.00		2.62
	Total				0.00	0.00	17.64

* Share capital shown before bifurcation as the accounts after bifurcation is not yet submitted till the finalisation Report.

Annexure 1.1(c)

Statement showing investments made by State Government in PSUs (formed due to demerger*) whose accounts are in arrears

(Referred to in paragraph 1.10 & 1.11)

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

Sl. No.	Sector and name of Company	Year upto which account are 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 Forest Development Corporation Limited	2013-14	12.72	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
2	Andhra Pradesh State Agro Industries Development Corporation Limited	2014-15	21.50	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
3	Andhra Pradesh State Irrigation Development Corporation Limited	2014-15	133.81	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		168.03		0.00	0.00	0.00
	FINANCE						
4	Andhra Pradesh Power Finance Corporation Limited	2015-16	16.91	2015-16	0.00	0.00	215.22
5	Andhra Pradesh State Christian Minorities Finance Corporation Limited	2013-14	0.00#	2014-15	0.00	0.00	0.17
				2015-16	0.00	0.00	16.50
				2016-17	0.00	0.00	55.68
6	Andhra Pradesh State Minorities Finance Corporation Limited	2013-14	2.91	2014-15	0.00	3.80	20.03
				2015-16	0.00	0.00	58.00
				2016-17	0.00	0.00	88.32
	Sub Total		19.82		0.00	3.80	453.92
	INFRASTRUCTURE						
7	Andhra Pradesh State Police Housing Corporation Limited	2013-14	0.75	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
8	Andhra Pradesh Industrial Development Corporation Limited	2013-14	96.23	2014-15	0.25	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00

Sl. No.	Sector and name of Company	Year upto which account are 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	Andhra Pradesh Industrial Infrastructure Corporation Limited	2014-15	9.52	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	2.08
10	Andhra Pradesh State Housing Corporation Limited	2013-14	0.25	2014-15	0.00	429.12	0.00
				2015-16	0.00	287.66	0.00
				2016-17	0.00	132.18	0.00
11	Andhra Pradesh Urban Finance Infrastructure Development Corporation Limited	2013-14	0.15	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	160.00
				2016-17	0.00	0.00	160.00
12	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	0.00	0.00	30.98
			0.25	2015-16	0.00	0.00	13.26
				2016-17	0.00	0.00	31.04
	Sub Total		107.15		0.25	848.96	447.81
	MANUFACTURING						
13	Leather Industries Development Corporation of Andhra Pradesh Limited	2013-14	2.27	2014-15	33.42	0.00	1.56
				2015-16	0.00	0.00	2.85
				2016-17	1.42	0.00	0.00
14	Andhra Pradesh Mineral Development Corporation Limited	2012-13	6.31	2013-14	0.00	0.00	0.00
				2014-15	0.00	15.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		8.58		34.84	15.00	4.41
	POWER						
15	New & Renewable Energy Development Corporation of Andhra Pradesh	2013-14	0.22	2014-15	0.00	0.00	0.87

Sl. No.	Sector and name of Company	Year upto which account are 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
				2015-16	0.00	0.00	1.28
				2016-17	0.00	0.00	1.74
16	Transmission Corporation of Andhra Pradesh Limited	2015-16	454.44	2016-17	0.00	0.00	148.12
	Sub Total		454.66		0.00	0.00	152.01
	SERVICES						
17	Andhra Pradesh State Civil Supplies Corporation Limited	2013-14	3.00	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
18	Andhra Pradesh Trade Promotion Corporation Limited	2013-14	0.5	2014-15	0.00	0.00	0.19
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
19	Andhra Pradesh Technology Services Limited	2015-16	0.31	2016-17	0.00	0.00	0.00
20	Andhra Pradesh Tourism Development Corporation Limited	2013-14	2.19	2014-15	0.00	0.00	0.63
				2015-16	0.00	0.00	88.00
				2016-17	0.00	0.00	0.00
21	Andhra Pradesh Beverages Corporation Limited	2014-15	0.14	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		6.14		0.00	0.00	88.82
	MISCELLANEOUS						
22	Overseas Manpower Company of Andhra Pradesh Limited	2015-16	21.49	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
23	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2.00	2014-15	0.00	0.00	0.37
				2015-16	0.00	0.00	1.48
				2016-17	0.00	0.00	10.00
	Sub Total		23.49		0.00	0.00	11.85
	WORKING CORPORATIONS						
	AGRICULTURE						
24	Andhra Pradesh State Warehousing Corporation	2013-14	8.97	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		8.97		0.00	0.00	0.00

Sl. No.	Sector and name of Company	Year upto which account are 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
	SERVICES						
25	Andhra Pradesh State Road Transport Corporation	2013-14	201.27	2014-15	0.00	13.21	0.00
				2015-16	0.00	249.18	118.00
				2016-17	0.00	76.50	0.00
	Sub Total		201.27		0.00	338.89	118.00
	Total		998.11		35.09	1206.65	1276.82

* Includes Andhra Pradesh Beverages Corporation Limited which has finalized its accounts after duly considering (demerger proposals) assets and liabilities of Andhra Pradesh State.

Paid up capital of Andhra Pradesh State Christian Minorities Corporation is ₹ 200.

Annexure 1.2(a)

Summarised financial position and working results of PSUs (exclusive to State only*) as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.1 & 1.14)

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

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Centre for Advanced Research on Livestock Private Limited	2013-14	2015-16	0.01	0	(-) 0.18	0	(-) 0.1	0	349.06	(-) 0.10	(-) 0.03	0
2	Andhra Pradesh Meat Development Corporation Limited	2013-14	2014-15	6.87	0	(-) 17.81	0	0	0	(-) 8.13	0	0	0
	Sub Total			6.88	0	(-) 17.99	0	(-) 0.1	0	340.93	(-) 0.1		0
	FINANCE												
3	Andhra Pradesh Centre for Financial Systems and Services Limited	08-11-16 to 31-03-17	2017-18	4.90	10.00	(-) 0.83	0.00	(-) 0.83	0.00	14.07	(-) 0.83	(-) 5.90	43
4	Andhra Pradesh State Kapu Welfare & Development Corporation Limited	First Accounts not submitted											19
5	Andhra Pradesh Brahmin Welfare Corporation Limited	2015-16	2016-17	25.00	0.00	(-) 1.00	34.75	(-) 1.00	(-) 1.46	24.00	(-) 1.00	(-) 4.17	1
	Sub Total			29.90	10.00	(-) 1.83	34.75	(-) 1.83	(-) 1.46	38.07	(-) 1.83		63

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Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
	INFRASTRUCTURE												
6	Amaravati Development Corporation Limited	First Accounts not submitted											0
7	Amaravati Metro Rail Corporation Limited	2016-17	2017-18	5.00	0	(-) 0.51	0	(-) 0.16	0.00	27.57	(-) 0.16	(-) 0.58	17
8	Andhra Pradesh Gas Distribution Company Limited	2016-17	2017-18	42.93	1.00	(-) 2.21	0.00	(-) 0.67	0.00	54.65	(-) 0.67	(-) 0.01	11
9	Andhra Pradesh Gas Infrastructure Corporation (P) Limited	2015-16	2016-17	50.00	0.00	(-) 57.41	0.00	(-) 31.67	0.00	(-) 7.41	(-) 31.67	4.27	1
10	Andhra Pradesh State Fibernet Limited	2015-16	2016-17	7.00	54.84	(-) 0.49	0.00	(-) 0.49	0.00	61.35	(-) 0.48	(-) 0.01	46
11	Andhra Pradesh Township and Infrastructure Development Corporation Limited	First Accounts not submitted											13
12	AP Towers Limited	First Accounts not submitted											3
13	Bhogapuram International Airport Corporation Limited	2015-16	2016-17	1.00	0.00	0.00	0.00	0.00	0.00	1.51	0.00	0.00	45
14	Godavari Gas Private Limited	2016-17	2017-18	10.00	0.00	(-) 0.89	0.08	(-) 0.89	0.00	9.11	(-) 0.89	(-) 9.77	13
15	Greater Visakhapatnam Smart City Corporation Limited	First Accounts not submitted											0
16	Kakinada Smart City Corporation Limited	First Accounts not submitted											0
	Sub Total			115.93	55.84	(-) 61.51	0.08	(-) 33.88	0.00	146.78	(-) 33.87		149
	MANUFACTURING												
17	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	2016-17	2017-18	17.27	0.00	46.39	97.57	2.99	0.00	63.66	3.02	4.74	294

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
18	Andhra Pradesh Medtech Zone Limited	First Accounts not submitted											0
19	Ongole Iron Ore Mining Company Private Limited	2015-16	2016-17	0.11	0.00	(-) 0.28	0.00	(-) 0.06	0.00	(-) 0.17	(-) 0.06	35.29	0
Sub Total				17.38	0.00	46.11	97.57	2.93	0.00	63.49	2.96		294
POWER													
20	Andhra Pradesh Power Development Company Limited	2016-17	2017-18	2094.62	10205.53	(-) 297.26	4266.72	(-) 11.81	(-) 85.75	12002.89	1041.33	8.68	0
21	Eastern Power Distribution Company of Andhra Pradesh Limited	2016-17	2017-18	121.23	2761.16	(-) 3329.85	8193.18	(-) 441.31	(-) 3348.97	4201.19	(-) 5.92	(-) 0.14	7639
22	Southern Power Distribution Company of Andhra Pradesh Limited	2016-17	2017-18	358.72	9143.54	(-) 13485.12	12731.28	(-) 1890.09	4591.17	3783.65	(-) 990.3	(-) 26.17	15895
Sub Total				2574.57	22110.23	(-) 17112.23	25191.18	(-) 2343.21	1156.45	19987.73	45.11		23534
SERVICES													
23	Andhra Pradesh State Beverages Corporation Limited	2015-16	2016-17	0.05	0.00	(-) 0.03	0.00	(-) 0.03	(-) 0.02	0.02	(-) 0.03	(-) 150.00	334
24	Vijayawada Urban Transport Company Limited	First Accounts not submitted											0
25	Visakhapatnam Urban Transport Company Limited	2016-17	2017-18	0.05	0.00	(-) 0.03	0.00	(-) 0.01	0.00	0.02	(-) 0.01	(-) 50.00	0
26	Vizag Apparel Park for Export Limited	2015-16	2016-17	0.05	0.00	0.54	0.00	0.18	0.00	12.51	0.18	1.44	0
Sub Total				0.15	0	0.48	0	0.14	(-) 0.02	12.55	0.14		334

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
	MISCELLANEOUS												
27	Andhra Pradesh Mahila Sadhikara Samstha Limited	First Accounts not submitted											0
28	Andhra Pradesh State Skill Development Corporation Limited	2015-16	2016-17	7.37	0.00	24.49	34.84	25.46	23.80	31.86	25.49	80.01	68
29	Andhra Pradesh Urban Greening and Beautification Corporation Limited	2015-16	2016-17	0.25	8.18	(-) 2.79	0.00	(-) 2.79	0.00	17.64	(-) 2.79	(-) 15.82	10
30	Krishnapatnam International Leather Complex Private Limited	2014-15	2016-17	0.10	0.00	(-) 7.57	0.00	(-) 0.55	0.00	2.53	(-) 0.12	(-) 4.74	10
31	Rythu Sadhikara Samstha Limited	First Accounts not submitted											0
32	Swacha Andhra Corporation Limited	2016-17	2017-18	0.25	0	-0.19	0	-0.08	0.08	0.06	-0.08		0
	Sub Total			7.97	8.18	13.94	34.84	22.04	23.88	52.09	22.5		88
	Grand Total			2752.78	22184.25	(-) 17133.03	25358.42	(-) 2353.91	1178.85	20641.64	34.92		24462

* Excluding Andhra Pradesh Beverages Corporation Limited which has finalized its accounts after duly considering (demerger proposals) assets and liabilities of Andhra Pradesh State.

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/decrease in losses and (-) in case of decrease in profit/ increase in losses.

^ Capital employed represents 'Shareholders' fund + Long term borrowings as per revised formula.

\$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure 1.2(b)

Summarised financial position and working results of PSUs (under demerger) as per their latest finalised financial statements/accounts
(Referred to in paragraph 1.1 & 1.14)

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

Sl.No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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 COMPANIES												
	INFRASTRUCTURE												
1	Andhra Pradesh Rajiv Swagruha Corporation Limited (No profit/loss)	2014-15 (2 months)	2015-16	0.05	0.00	(-) 1.67	9.56	(-) 10.97	(-) 24.15	(-) 1.62	4.89	301.85	35
2	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	2015-16	30.12	0	(-) 3.82	0.26	(-) 1.55	0	26.30	(-) 1.55	(-) 5.89	106
	Sub Total			30.17	0.00	(-) 5.49	9.82	(-) 12.52	(-) 24.15	24.68	3.34		141
	POWER												
3	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted											9
	Sub Total			0	0	0	0	0	0	0	0	0	9
	FINANCE												
4	Andhra Pradesh State Film, Television and Theatre Development Corporation Limited	2015-16	2016-17	6.22	0.10	2.17	14.06	0.18	0.15	8.49	0.32	3.77	24
	Sub total			6.22	0.10	2.17	14.06	0.18	0.15	8.49	0.32		24
	Grand Total A			36.39	0.10	(-) 3.32	23.88	(-) 12.34	(-) 24.00	33.17	3.66		174
B.	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	0	0	(-) 7.24	0	0	

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Sl.No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
2	Proddutur Milk Foods Limited	1983-84	1990-91	1.96	0	0	0	0	0	0	0	0	8
3	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 M)	2014-15	15	0	(-) 5.24	0	0	0	9.76	0	0	
	Sub Total			21.63	8.67	(-) 26.99	0	0	0	2.52	0		8
	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	2.93	2.18	74.4	
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	2	0	0.07	0.11	0.11	0	2.05	0.11	5.37	
	Sub Total			11.62	13.92	(-) 19.96	0.13	2.29	0	4.98	2.29		0
	MANUFACTURING												
6	Allwyn Auto Limited	1994-95		0.15	14.45	(-) 13.54	0	(-) 6.46	0	(-) 2.97	(-) 6.46	217.51	
7	Allwyn Watches Limited	1998-99	2002-03	0.15	64.93	(-) 248.7	13	(-) 70.69	0	95.75	(-) 70.69	(-) 73.83	
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	12.72	0.68	(-) 10.74	0	(-) 0.75	0	3.68	(-) 0.75	(-) 20.38	
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	11.11	11.19	(-) 34.49	0	(-) 3.7	0	(-) 3.79	(-) 3.7	97.63	
10	Andhra Pradesh Steels Limited	1991-92	1993-94	2.03	2.12	(-) 6.51	0	(-) 2.09	0	(-) 2.51	(-) 2.09	83.27	
11	Apronix Communications Limited			0	0	0	0	0	0	0	0	0	
12	Hyderabad Chemicals and Fertilizers Limited	1984-85	1986-87	0.78	8.25	(-) 0.63	0	0.62	0	(-) 1.34	0.62	(-) 46.27	
13	Marine and Communication Electronics (India) Limited	1992-93	1994-95	1.89	4.77	(-) 4.21	0	(-) 4.7	0	7.23	(-) 4.70	(-) 65.01	
14	Republic Forge Company Limited	1991-92	1993-94	7.77	54.77	(-) 23.41	0	(-) 3.24	0	8.82	(-) 3.24	-36.73	

Sl.No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
15	Southern Transformers and Electricals Limited	1993-94	1996-97	0.58	0.78	(-) 5.78	0	(-) 0.57	0	(-) 1.45	(-) 0.57	39.31	
16	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	NA	0.75	0	(-) 0.77	0	0	0	0	0	0	
17	Golkonda Abrasives Limited	1997-98	NA	0.55	0	(-) 7.44	0	(-) 0.01	0	0	(-) 0.01	0	
18	Krishi Engineering Limited	1984-85	NA	0.52	0	(-) 3.54	0	(-) 0.52	0	0	(-) 0.52	0	
19	PJ Chemicals Limited	1989-90	NA	0.38	0	(-) 3.56	0	(-) 0.51	0	0	(-) 0.51	0	
20	Suganthy Alloy castings Limited	1983-84	NA	0.2	0	(-) 0.26	0	(-) 0.16	0	0	(-) 0.16	0	
21	Vidyut Steels Limited	1985-86	NA	0.88	0	(-) 1.55	0	(-) 0.4	0	0	(-) 0.4	0	
	Sub Total			40.46	161.94	(-) 365.13	13	(-) 93.18	0	103.42	(-) 93.18		0
	SERVICE												
22	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14 months)	2017-18	1.13	0.00	9.46	0.00	(-) 0.04	0	10.59	(-) 0.04	(-) 0.38	0
	Sub Total			1.13	0.00	9.46	0.00	(-) 0.04	0.00	10.59	(-) 0.04		0
	Grand Total B			74.84	184.53	(-) 402.62	13.13	(-) 90.93	0.00	121.51	(-) 90.93		8
	TOTAL A+B			111.23	184.63	(-) 405.94	37.01	(-) 103.27	(-) 24.00	154.68	(-) 87.27		182

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/decrease in losses and (-) in case of decrease in profit/ increase in losses.

^ Capital employed represents 'Shareholders' fund + Long term borrowings as per revised formula.

\$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure 1.2 (c)
Summarised financial position and working results of PSUs (formed due to demerger*) as per their latest finalised financial statements/accounts
(Referred to in paragraph 1.1 & 1.14)

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

Sl. No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Forest Development Corporation Limited	2013-14	2014-15	21.82	20.61	288.10	240.33	176.80	(-) 6.11	455.4	182.25	40.02	470
2	Andhra Pradesh State Agro Industries Development Corporation Limited	2014-15	2016-17	21.50	49.11	(-) 15.56	50.61	(-) 2.72	(-) 2.90	107.41	(-) 1.53	(-) 1.42	98
3	Andhra Pradesh State Irrigation Development Corporation Limited	2014-15	2016-17	133.81	48.08	(-) 42.42	44.10	10.85	6.43	139.47	14.71	10.55	159
4	Andhra Pradesh State Seeds Development Corporation Limited	2016-17	2017-18	2.76	133.62	16.90	556.84	0.93	1.57	208.80	2.50	1.20	92
	Sub Total			179.89	251.42	247.02	891.88	185.86	(-) 1.01	911.08	197.93		819
	FINANCE												
5	Andhra Pradesh State Minorities Finance Corporation Limited	2013-14	2016-17	5.00	10.05	(-) 46.77	1.72	3.55	0.34	(-) 31.71	4.04	(-) 12.74	31
6	Andhra Pradesh State Christian Minorities Finance Corporation Limited	2013-14	2017-18	0.00%	0.00	2.09	0.60	0.42	0.00	2.09	0.42	20.10	19

Sl. No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
7	Andhra Pradesh Power Finance Corporation Limited	2015-16	2016-17	16.91	2144.39	0.00	216.94	0.00	0.00	2178.21	216.72	9.95	0
	Sub Total			21.91	2154.44	(-) 44.68	219.26	3.97	0.34	2148.59	221.18		50
	INFRASTRUCTURE												
8	Andhra Pradesh State Police Housing Corporation Limited	2013-14 (14 M)	2015-16	1.81	0	0.01	190.92	0	0.00	1.82	0	0	87
9	Andhra Pradesh Industrial Development Corporation Limited	2013-14	2015-16	96.23	8.06	0.00	13.8	8.1	(-) 14.38	183.95	8.33	4.53	20
10	Andhra Pradesh Industrial Infrastructure Corporation Limited.	2014-15	2016-17	9.52	302.65	310.04	749.64	36.78	13.67	629.79	36.78	5.84	166
11	Andhra Pradesh State Housing Corporation Limited.	2013-14 (14 M)	2016-17	0.25	17931.60	(-) 7872.85	137.16	(-) 844.33	69.90	10059.25	(-) 232.45	(-) 2.31	1497
12	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2013-14 (14 M)	2015-16	0.15	0	(-) 0.09	0	(-) 0.05	0	0.06	(-) 0.05	(-) 83.33	35
13	Andhra Pradesh Aviation Corporation Limited	First Accounts not submitted since 2005-06											0
	Sub Total			107.96	18242.31	(-) 7562.89	1091.52	(-) 799.5	69.19	10874.87	(-) 187.39		1805
	MANUFACTURING												
14	Andhra Pradesh Mineral Development Corporation Limited	2013-14 (14 M)	2015-16	6.31	0.00	884.60	523.79	307.40	234.87	1049.12	307.40	29.30	128

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Sl. No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
15	Leather Industries Development Corporation of Andhra Pradesh Limited	2013-14	2015-16	3.90	26.93	(-) 81.75	0.01	(-) 8.67	(-) 1.42	(-) 14.43	(-) 7.55	52.32	16
	Sub Total			10.21	26.93	802.85	523.80	298.73	233.45	1034.69	299.85		144
	POWER												
16	New & Renewable Energy Development Corporation of Andhra Pradesh	2013-14 (14M)	2015-16	0.22	0	32.13	52.87	12.1	(-) 0.03	32.39	12.35	38.13	54
17	Andhra Pradesh Power Generation Corporation Limited	2016-17	2017-18	2106.80	18448.47	2075.11	12909.62	609.17	92.96	22960.84	3151.07	13.72	5608
18	Transmission Corporation of Andhra Pradesh Limited	2015-16	2017-18	454.44	3003.81	431.87	842.60	85.45	3.59	3890.12	338.63	8.70	2150
	Sub Total			2561.46	21452.28	2539.11	13805.09	706.72	(-)10.83	26883.35	3502.05		7812
	SERVICES												
19	Andhra Pradesh State Civil Supplies Corporation Limited	2013-14 (14 M)	2017-18	3.00	48.25	161.60	11239.88	16.82	(-) 3.57	229.03	438.11	191.29	399
20	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	7
21	Andhra Pradesh Technology Services Limited	2015-16	2017-18	0.31	0.00	66.04	20.64	9.98	6.13	68.85	9.98	14.50	102
22	Andhra Pradesh Tourism Development Corporation Limited	2013-14	2015-16	3.55	9.79	16	145.06	(-) 6.43	150.49	29.54	(-) 0.22	(-) 0.74	99

Sl. No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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
23	Andhra Pradesh Beverages Corporation Limited	2014-15 (2nd June to march 31st)	2015-16	0.14	0	9.60	116.05	(-) 2.36	0	9.74	(-) 2.36	(-) 24.28	2
	Sub Total			7.86	58.04	324.26	11557.53	20.96	144.73	432.02	448.49		609
	MISCELLANEOUS												
24	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2015-16	2.00	0.49	12.41	78.23	2.14	0.00	24.49	2.14	8.74	45
25	Overseas Manpower Company of Andhra Pradesh Limited	2014-15	2017-18	0.05	1.00	(-) 0.02	0.01	(-) 0.03	0.00	1.03	(-) 0.03	8.70	0
	Sub Total			2.05	1.49	12.39	78.24	2.11	0.00	25.52	2.11		45
	WORKING CORPORATIONS												
	FINANCE												
26	Andhra Pradesh State Financial Corporation	2016-17	2017-18	206.01	1866.86	248.53	396.45	54.07	0.12	2711.88	245.81	9.06	285
	Sub Total			206.01	1866.86	248.53	396.45	54.07	0.12	2711.88	245.81		285
	AGRICULTURE												
27	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	120
	Sub Total			8.97	2.13	330.21	298.88	122.83	(-) 4.72	359.03	0		120

Sl. No	Sector / Name of the Company	Period of accounts	Year in which accounts are 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												
28	Andhra Pradesh State Road Transport Corporation	2013-14	2015-16	201.27	4620.99	(-) 3805.08	7727.55	(-) 1155.27	0	11516.92	(-) 705.13	13.94	56513
	Sub Total			201.27	4620.99	(-) 3805.08	7727.55	(-)1155.27	0	11516.92	(-) 705.13		56513
	Total of Corporation			416.25	6489.98	(-) 3226.34	8422.88	(-) 978.37	(-) 4.60	14587.83	(-) 459.32		56918
	Grand Total			3307.59	48676.89	(-) 6908.28	36590.20	(-) 559.52	538.62	56897.95	4024.90		68202
	Excluding Corporations			2891.34	42186.91	(-) 3681.94	28167.32	418.85	543.22	42310.12	4484.22		11284

- * Including Andhra Pradesh Beverages Corporation Limited which has finalized its accounts after duly considering (demerger proposals) assets and liabilities of Andhra Pradesh State.
- # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/decrease in losses and (-) in case of decrease in profit/increase in losses.
- ^ Capital employed represents 'Shareholders' fund + Long term borrowings as per revised formula.
- \$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.
- % Paid-up Capital is ₹ 200/-

Annexure 2.1
Statement showing receipt and commissioning of equipment
(Referred to in paragraph 2.7.3.3)

Location (District)	Description of the equipment	Make	Cost (₹ in lakh)	Date of receipt	Actual date of commissioning/ trial run/ put to use	Delay in months
Srikakulam	4 TPH Seed process line with Destoner and Air pollution control system	Agrosaw	34.93	19-1-2012	7-4-2016	52
	4 TPH Seed Weighing & Packing equipment	-do-	5.92	19-1-2012	7-4-2016	52
Salur (Vizianagaram)	4 TPH Seed process line equipment	CIMBRIA	84.31	June 2011	March 2016	57
	4 TPH Automatic Weighing & Packing machine	Agrosaw	5.92	7-11-2011	March 2016	53
	2 nos. Heavy duty conveyor type stitching machine	-do-	5.00	7-11-2011	March 2016	53
Tanuku (West Godavari)	4 TPH Seed process line equipment with Gravity Separator, Destoner, Treator and Air pollution control system	Fowler Westrup	84.79	6-1-2011	2-12-2015	59
	4 TPH Automatic Weighing and packing machine	Agrosaw	7.57	6-1-2011	24-1-2012	12
	2 nos. Heavy duty conveyor type stitching machine	-do-	5.00	6-1-2011	1-9-2012	20
	Air pollution control system	-do-	12.00	20-3-2012	2-9-2013	17
Eluru (West Godavari)	Groundnut pod cleaner	-do-	4.92	22-11-2010	Not being used (as on October 2017)	83
Kurnool (Kurnool)	2 nos. Heavy duty conveyor type stitching machine	-do-	5.00	28-11-2010	1-7-2012	10
	3 nos. Groundnut pod cleaner	-do-	14.76	30-11-2010	1-3-2011	3
	2 nos. 4 TPH Automatic Weighing and Packing machine	-do-	7.57 5.92	26-11-2010	8-2-2012	14
	2 nos. 4TPH Seed process line with Gravity Separator, Destoner, Treator and Air pollution Control System	Fowler Westrup	169.58	26-11-2010	4-7-2012	19
	4 TPH Seed process line with Destoner and Air pollution Control system	-do-	42.73	26-11-2010	4-7-2012	19
Srikalahasti (Chittoor)	4 TPH Seed processing line equipment	CIMBRIA	84.31	June 2011	28-1-2013	19
	4 TPH Automatic Weighing and packing	-do-	5.92	22-12-2010	29-10-2012	22

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Location (District)	Description of the equipment	Make	Cost (₹ in lakh)	Date of receipt	Actual date of commissioning/ trial run/ put to use	Delay in months
	machine					
	Air pollution control system	Padsons	12.00	30-8-2012	27-3-2014	19
	2 nos. Heavy duty Conveyor type stitching machine	Agrosaw	5.00	22-10-2010	29-10-2012	22
	Specific Gravity Separator	-do-	9.86	6-5-2015	Not installed (as on October 2017)	29
Ongole (Prakasam)	4 TPH Seed process line with Gravity Separator, Destoner, Treator and Air pollution control system	-do-	54.85	14-12-2010	5-2-2013	25
	4 TPH Automatic Weighing and packing machine	-do-	7.57	5-11-2011	1-2-2013	15

Annexure 3.1

Statement showing non-collection of balance penalty due to absence of suitable clause
(Referred to in paragraph 3.2.4.4)

Sl. No.	Nature of business	Stall No	Name Of Licensee	Penalties to be collected (₹)	Penalties collected (₹)	Penalties not collected (₹)
CITY TERMINAL						
1	Tea and Somasa	C7	Y Suresh Babu	109539	1000	108539
2	Sweet stall	C8	S. Nageswara Rao	32046	1000	31046
3	Fast Food Hotel	C9	Ch. Venkataratnam	412005	0	412005
4	Cool Drinks Stall	C11	Ch. V. Ratnam	32000	0	32000
5	Icecream, Fruits & Fruit Juiced	C12	Y Suresh Babu	4728	0	4728
6	Nursary	C13	S Sita Devi	506	506	0
7	Bake, Cool Drink	C16	M Pitchi Reddy	253764	1000	252764
8	Herb Prod & Pooja Shop	C20	S Sankara Reddy	72852	1000	71852
9	Coconut And Fresh Fruit	C21	E Yesu Babu	8256	0	8256
10	Coffe & Tea Kiosk	C22	K Anil Kumar	71820	1000	70820
11	Dairy Products Stall	CA23	S Nageswara Rao	273999	0	273999
12	T Book/Xerox & Fancy Stall	CA24	P Vijaya Kumar	347714	1000	346714
13	Sugar Cane Stall	C25	V V S Rao	25942	1000	24942
14	Fruits & Fruit Juice Stall	C26	J Sambaiah	353004	1000	352004
15	Soda & Cool Drink Stall	C29	G Srinivasu Reddy	953994	1000	952994
16	Foot Wear Shop	C30	Ch Padma	70840	1000	69840
17	Fancy Stalls	C31	P Naresh	112125	1000	111125
18	Water Kiosk & Ice. Cream	C33	K. Ashok Kumar	308275	0	308275
19	Bakery Stall	C34	K Anil Kumar	161760	0	161760
20	Fruits & Fruit Juice Stall	C36	G.R.Subba Reddy	31924	1000	30924
21	Chat Bhandar Stall	C37	E.V.N Reddy	96624	1000	95624
22	Photo Studio & Xerox Shop	C38	K. Ramadevi	3450	1000	2450
23	Fast Food Hotel	C44	Ch. P.M Kondaiah	118701	1000	117701
	Total			3855868	15506	3840362
ARRIVAL BLOCK						
1	Cool Drinks Stall	AF1	E Yesu Babu	29668	0	29668
2	A/C Non-A/C Canteen	A5	M?S Marvel Hsp Ltd	52632	1000	51632
3	Ice Cream Parlour Stall	A6	Y Guravamma	106428	1000	105428
4	Fancy Stalls	A17	U Prasad	466969	1000	465969
5	Water Kiosk & Ice. Cream	A21	A Sreenu	108592	1000	107592
6	Dairy Parlour Stall	A26	S.Kavuya	133067	1000	132067

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Sl. No.	Nature of business	Stall No	Name Of Licensee	Penalties to be collected (₹)	Penalties collected (₹)	Penalties not collected (₹)
7	Bakery & Sweet Stalls	A27	Sk Moulali	23932	1000	22932
8	Cool Drinks Stall	A31	A.V. Rao	22330	1000	21330
9	Godown	A32	S.N.Rao	4600	0	4600
10	Corn Club Stall	AA35	E Ramakrishna	83076	11188	71888
11	Bio-Gas Plant	A37	K.H.Kumar	426719	0	426719
12	Godown	A39	S N Rao	3780	0	3780
13	Godown	A41	D.Babu Rao	8372	1000	7372
14	Godown	A43	M N. Raju	1219	0	1219
15	Cycle & Scooter Stand	A50	C.Soma Sekhar	5572	0	5572
16	Soda & Cool Drink Stall	A53	E Tirupati Reddy	105210	0	105210
17	Time Repairer Room	AQ	Quantum Services	18400	1000	17400
18	Parcel Services	ANL	Anl Parcel In Front Of Pf 59	417772	1000	416772
			Anl Courier Besides Post Office	15548	0	15548
			Anl At In-Gate Pnbs	3670800	0	3670800
Total				5704686	21188	5683498
DEPARTURE BLOCK						
1	Fruit Juice Cream	D1	S Sankara Reddy	814320	1000	813320
2	Fancy & Cloak Room	D3	I Venkateswarlu	506138	1000	505138
3	Book Stalls	D4	S.H. Vittal	179446	1000	178446
4	Bakery Stall	D5	E.T.Reddy	854760	1000	853760
5	Sai Balaji Food Crop Hotel	DF5	P Srinivasa Rao	685216	1000	684216
6	Dairy & Dairy Product	D6	Y Kanaka Rao	830039	1000	829039
7	Fruit Juice Cream	D7	L Srinu	116235	1000	115235
8	Cool Drinks	D8R	A Rajani	1354631	0	1354631
9	Cool Drinks	D9	Ch. V. Ratnam	73340	1000	72340
10	Fruit & Fruit Juice Stall	D10	P Suneetha	96000	0	96000
11	Internet Centre	D12	G Sarat Babu	91494	1000	90494
12	Cloak Room	D15	U Prasad	48230	1000	47230
13	Branded Packed Pre Food Shop	D18	M Ram Prasad	42066	1000	41066
14	Pharmacy & Clinic	D20	B Krishna Mohan	9270	1000	8270
15	Fancy & Stationery Stall	D22	K. Nagarjuna	20587	1000	19587
16	Ladies Emporium Stall	D23	B Tirupatamma	409080	1000	408080
17	Ice-Cream Parlour Stall	D24	E Yesu Babu	90800	0	90800

Sl. No.	Nature of business	Stall No	Name Of Licensee	Penalties to be collected (₹)	Penalties collected (₹)	Penalties not collected (₹)
18	Soda& Cool Drink	D25	N Kiran Kumar	1916360	0	1916360
19	Bakery & Readymade Chips	D26	E Gangadhara Rao	47400	1000	46400
20	Sweet Stall	D29	L Rama Rao	957582	0	957582
21	Cool Drinks stall	D31	P Suneetha	149831	1000	148831
22	Fax, Internet & Xerox	DA31	P.Vs Prasad	119232	0	119232
23	Bakery, Cool Drinks & Ice Cream	DA32	M Ashok Kumar	116820	0	116820
24	Water Kiosk	D34	P V Ramana	229398	1000	228398
25	Pop-Corn Stall	D36	A Basi Reddy	93952	1000	92952
26	Hot & Cold Badam Milk Stall	D41	O L Tirupathamma	289662	0	289662
27	Bakery & Cool Drinks	D42	K Saida Reddy	190176	1000	189176
28	Water Kiosk Stall	D44	G.Narasimha Reddy	414666	0	414666
29	Cool Drinks Stall	DA45	I.L.Narasimha	153678	1000	152678
30	Somosa & Veg. Puff	D47	G.Srinivasa Rao	99858	1000	98858
31	Water Kiosk Stall	D48	A Sreenu	847990	1000	846990
32	A.T.M	DSBI	Sbi	52049	1000	51049
33	Cycle Scooter & Car Stand	C1/DB	P.Gangi Reddy	89964	1000	88964
	Total			11990270	24000	11966270
	Grand Total			21550824	60694	21490130

Annexure 3.2

Statement showing the differences in the cost of medicines purchased from Distributer and Manufacturer during the period May 2016 to March 2017

(Referred to in paragraph 3.4)

(Amount in ₹)

Name of the Dispensary	Cost of Medicines purchased from Distributer (Appolo Pharmacy)	Cost of Medicines Purchased from Manufacturers	Difference
Nellore	3081071.00	586371.56	2494699.44
Visakhapatnam	4650893.00	1179743.00	3471150.00
Tirupati	2785492.00	632966.00	2152526.00
Nandyal	2665022.00	645448.00	2019574.00
Kadapa	2834959.64	851240.61	1983719.03
Machilipatnam	5701287.45	1179555.72	4521731.73
Hindupur	1329129.48	438159.98	890969.50
Total	23047854.57	5513484.87	17534369.70



GLOSSARY

Glossary

ACA	Additional Central Assistance
AMCs	Agricultural Marketing Committees
APGENCO	Andhra Pradesh Power Generation Corporation Limited
APSRTC	Andhra Pradesh State Road Transport Corporation
ATN	Action Taken Notes
BoD	Board of Directors
BOT	Build Operate and Transfer
CAG	Comptroller and Auditor General of India
C&DA	Commissioner & Director of Agriculture
CDCMS	Chittoor District Co-operative Marketing Society
COPU	Committee on Public Undertakings
CSS	Central Sector Scheme
DoA	Department of Agriculture
Dr NTTPS	Dr. Narla Tata Rao Thermal Power Station
EC	Expert Committee
ED	Executive Director
EMD	Earnest Money Deposit
EN	Explanatory Note
GO	Government Order
GoAP	Government of Andhra Pradesh
GoI	Government of India
HUDCO	Housing and Urban Development Company Limited
I&PRD	Information & Public Relations Department
IL&FS	Infrastructure Leasing and Financial Services
KM	Kilometre
MOU	Memorandum of Understanding
MSP	Minimum Support Price
NSCL	National Seeds Corporation Limited
O&M	Operations & Maintenance
ODVs	Other Distinguishable Varieties
PED	Public Enterprise Department
PNBS	Pandit Nehru Bus Station
PSU	Public Sector Undertakings
RKVY	Rashtriya Krishi Vikas Yojana
RM	Regional Manager
SARs	Separate Audit Reports
SBI	State Bank of India
SBS	Seed Bank Scheme
SD	Security Deposit
SMR	Seed Multiplication Ratio
SRC	Stakeholders' Relations Committee
ST	Service Tax

TPH	Tonnes Per Hour
TSRTC	Telangana State Road Transport Corporation
VC&MD	Vice Chairman and Managing Director

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