

SUBJECT NO : 50

Sub:- Accounts – VUDA –Visakhapatnam -VUDA Funds utilized to send to the Government under Resource Mobilization to support State Budget –Requested to release of amount Rs.294.86 Corers by the Government to VUDA towards reimbursement of VUDA Funds/ Administrative charges-Submitted for perusal- Reg.

Ref:- 1. GO MS NO 1401 Revenue(Assignment-I) Department dt 02.11.2007
2. GO Ms No 199 Revenue(Assignment-I) Department dt 20.04.2013
3. Audit Report of the Chartered Accountant dt 19.06.2013
4. This office letter addressed to Prl. Secretary MA & UD Dt 19.06.2013

AGENDA NOTE

The Government vide D.O letter No 1730-A/113/AC/PC-111/07 Dt 10.04.2007 have fixed a target of Rs. 1000.00 Crores under Resource Mobilization to State Budget through Sale of Land etc., to VUDA for the year 2007-08. Similarly for the year 2008-09, the Government have fixed the annual target of Rs. 1400.00 Crores communicated vide the minutes of the meeting dt 06.03.2008 towards Resource Mobilization to State Budget. During the review meeting conducted by the Hon'ble Chief Minister on dt 08.09.2009, the Government have fixed a target of Rs. 336.00 Crores for the year 2009-10 under Resource Mobilization.

The Government issued guidelines vide GO MS No 1401 Revenue (Assignment-1) Department dt 02.11.2007 regarding Mobilization of Resources in support of State Budget by the District Collector, Visakhapatnam & VUDA. In Para No 5 of the said GO, it was informed that the Empowered Committee headed by the Chief Commissioner of Land Administration after examining in detail the 23 proposals submitted by the District Collector, Visakhapatnam made recommendations in two Categories i.e.,

- 1) Government lands which are required to be sold by auction by the District Collector Visakhapatnam and remit the sale proceeds to Government account towards resource mobilization.

- 2) Government lands to be alienated in favour of VUDA by the Government for development of townships for resource mobilization. The alienation proposals in favour of VUDA will be examined in consultation with the Chief Commissioner of Land Administration, Hyderabad separately.

Vide the above G.O, the Government accorded permission to the District Collector, Visakhapatnam to dispose 10 parcels of Government lands in Public Auction and remit the sale proceeds for Resource Mobilization. It was also clearly mentioned in the GO that the auction shall be conducted through the VUDA on which the VUDA will collect the Service charges.

However instead of the above 10 parcels of lands, the Government lands i.e., the balance 13 parcels falling under category-(II) identified by the Empowered Committee headed by the Special Chief Secretary and Chief Commissioner of Land Administration were auctioned under Resource Mobilization to support State Budget as the land is potential for immediate realization of the sale proceeds (Statement enclosed)

The following are the details of amount realized through sale proceeds of Government lands, targets fixed by the Government and amount paid to Government Under Resource Mobilization to State Budget by VUDA for the years 2007-08 to 2009-10.

Sl No	Year	Sale proceeds of Government lands	Target Fixed by the Government (Rs.in Crores)	Amount Paid (Rs.in Crores)
1	2007-2008	1018.45	1000.00	1000.00
2	2008-2009	51.60	1400.00	175.00
3	2009-2010	4.71	336.00	5.00
		1074.76	2736.00	1180.00

The Income Tax Department has reopened the Income tax returns levied income tax on sale of Government lands and attached the funds of VUDA to a tune of Rs.382.60 Crores (Rs.356.40 + Rs.26.19 Crores) for the Assessment years 2008-09 & 2009-10. The VUDA has approached various legal forums. Basing on directions of ITAT to the assessee (VUDA) to furnish the documents which bring out the intention of the Government in categorization of the Government lands in two categories and offer its explanation in that regard and directed the Assessing officer to decide the issue in accordance with law, the Government was addressed to give a clarification on the sale proceeds of Government lands.

The Government vide GO MS No 199 dt 20.04.2013 clarified that "the sale proceeds derived from public auction of government lands conducted by VUDA in terms of both categories of lands as indicated in G.O. Ms. No.1401, Revenue (Assn.I) Department, dated 01.11.2007 have been utilized for Resource Mobilization to support the State Budget. The sale proceeds are government receipts, but not the income of VUDA and the VUDA has acted as an agent of government. It is also hereby confirm that the sale proceeds of the lands covered in the said G.O. have been credited to the government account".

The Government have been requested vide this office letters dt 26.05.2011 & 08.01.2012 for reimbursement of Rs.294.86 Crores (Rs.85.22 Crores towards excess amount remitted + Rs.111.51 Crores towards Service and Administrative Charges + Rs.98.13 Crores towards refund payable to M/s Devona Infrastructure Ltd Mumbai). In response to the request of VUDA, the Government vide Letter dt 12.04.2012 has requested to furnish the following information.

1. To conduct an audit by a reputed Chartered Accountant for total land auction Proceeds in the first instance with regard to the request of VUDA for release of an amount of Rs.85.22 Corers.

2. To indicate whether, any orders issued on service and administrative Charges in land auction cases regarding the request for release of Rs.111.51 Corers towards Service and Administrative charges.
3. To indicate the latest status of the Court case in W.A.No.288/2011 in WP No. 575/2010.

As per the instructions of the Government vide point No.1 above, an Audit on sale proceeds realized on sale of Government Lands has been entrusted to M/s Laxminaryana & Madhu, Chartered Accountants .The Chartered Accountant firm has audited the Government Lands Account and furnished the Audit report dated 03.06.2013(copy enclosed).

In the Audit report, the Chartered Accountant has reported that in the DCB registers maintained by VUDA exhibits gross receipts of Rs.1128.76 Crores, but the DCB registers erroneously included auction of own lands of VUDA of Rs.54.02 Crores to Educational & Medical institutions (as detailed below) and after eliminating such erroneous amount, the actual realized funds as per DCB are Rs.1074.76 Crores.

Sl No	Name of the Area / Firm	Sy No / Plot No	Area in Acre	Amount Realized Rs in Corers
1	Kapulauppada Lavu Educational Society	312/P	5.00	8.17
2	Rushikonda	333/P	2.38	25.92
	M/s Aditya Infrastructure Developers corporation	23	2.50	2.50
3	Rushikonda Dr C.S Padmavathi Rushikonda Layout Madhurwada	336/P Plot No H-1	4.50	17.43
			14.38	54.02

Out of Rs.1074.76 Crores, the firm has deducted Rs.6.10 Crores towards Expenditure on Development of Government lands & Rs.3.32 Cr towards Interest paid on loans from Government funds and arrived the net sale proceeds of Government lands at **Rs.1065.34 Crores**.

The audit firm has also reported that an amount of Rs.131.06 Crore is due from the Government to VUDA (i.e Rs.114.66 Cr remitted in excess of Auction proceeds + Rs.13.40 Cr towards Interest paid to Banks from VUDA funds exclusively made for remittance of funds+R.3.00 Cr towards refund of partly Auctioned proceeds to the bidder M/s Devona Infrastructure Pvt Ltd from VUDA funds).

The above firm has further reported that in addition to the above, A.S charges @10% are admissible vide G.O.Ms.No1401 Revenue (Assignment-1) Department dt 02.11.2007 on sale proceeds of Government lands to a tune of Rs.107.48 Crores is also arrived.

Regarding point No 2, about the admissibility of 10% A.S Charges on the sale proceeds of Government lands, it is submitted that the Government in the said G.O, permission has been accorded to the District Collector to dispose 10 parcel of Government lands in Public auction and the auction shall be conducted through the VUDA on which the VUDA will collect the service charges. But the VUDA has not auctioned the Government lands in the 10 parcels. The VUDA has auctioned Government lands under the remaining 13 parcels under the possession of VUDA and remitted the sale proceeds to the Government under Resource Mobilization to support state Budget. Hence the Government is requested to examine the eligibility of A.S charges payable to VUDA as per the available provision in the said G.O.

Moreover, vide Go MS No 199 dt 20.04.2013, it is clarified that sale proceeds derived from the public auction of Government lands conducted by VUDA in terms of both categories of lands as indicated in GO MS No 1401 have been utilized for Resource Mobilization to support the State Budget. This GO also supports the eligibility of VUDA to receive Service and A.S Charges as requested by VUDA vide reference 1 & 2.

Regarding the latest status of the court case in WA No 288/2011 in WP No 575/2010, it is submitted that the writ appeal filed by VUDA is numbered as WA No 288/2011 and WASR No 48290/2011 and as on today, it is pending for hearing in the Hon'ble High Court

It is submitted that VUDA spends huge amounts for providing infrastructure facilities besides providing Master Plan roads and other civic amenities for a smooth and balanced development in the Visakhapatnam Metropolitan Region. VUDA is not receiving any Financial Aid/Grant from the Government from 2007 onwards and is depending on its own resources to take up new works, for its Establishment, Maintenance of Parks, Greenery, Engineering works and day to day expenditure, which is a heavy financial burden on VUDA.

Therefore, in the light of the facts explained above, the Government has been requested vide letter dt 19.06.2013 to release totally Rs.235.54 Crores i.e., the amount of Rs.131.06 Crores which was spent from VUDA's own funds (Rs.114.66 Crores remitted in excess of Auction proceeds + Rs.13.40 Crores towards Interest paid to Banks from VUDA funds on loans on FDRs exclusively made for remittance to state funds + R.3.00 Cr towards refund of partly Auctioned proceeds to the bidder M/s Devona Infrastructure Pvt Ltd from VUDA funds) and the A.S Charges to the tune of Rs.104.48 Crores as per the audit report of Chartered Accountant firm for survival and healthy development of VUDA and to maintain the credibility of VUDA as a responsible organization committed to development and public interest.

The matter is placed before the Board for favour of perusal.

Audit Report for land auction proceeds

VUDA is a local Authority constituted under Andhra Pradesh Urban Area Development Act. The Authority was entrusted the job of sale of bulk lands for mobilization of the state budget. The specific activity was entrusted to VUDA by Government of Andhra Pradesh- Municipal Administration and Urban Development Department. In the process of the said bulk land auction, VUDA received auction proceeds which was duly conducted as per GO Ms No 1401 Revenue (Assignment-1) department dt 02.11.2007 of Government of Andhra Pradesh.

The said auction took place in Financial Year 2007-08 and the proceeds were realized in the year of auction and partly in the subsequent two Financial Years. The VUDA has incurred Rs.6.10 Crores towards development of Government lands. As per the auction conditions further infrastructure works to be taken up from the Government lands account.

The Authority conducted the total auction proceeds with its own Engineering and Administrative staff To compensate these services of the Authority, as per GO, it was entitled to Administration and Supervisory Charges @ 10 % on the auction proceeds. The funds remitted by the Authority to State Government for resource mobilizations are more than the auction proceeds received. In other words, the Authority's own funds were also utilized for remittance to Government towards Resource Mobilization to State Budget.

The year wise details of auction proceeds are as under (Area wise statement enclosed)

Financial Year	Amount (Rs.in Crores)
2007-08	1018.45
2008-09	51.60
2009-10	4.71
<i>Sub Total (sale proceeds)</i>	1074.76
<i>Expenditure on development of Govt. lands</i>	6.10
<i>Interest paid on loans</i>	3.32
<i>Net sale proceeds of Govt. Lands</i>	1065.34

The year wise breakup of remittance as per treasury challans is as under

Financial Year	Targets fixed by Government	Amount remitted towards Resource Mobilization to state budget (in Crores.)
2007-08	1000	1000
2008-09	1400	175
2009-10	336	5
Total	2736	1180

The Authority was advised by the Govt. through various meetings conducted in the chambers of Chief Minister of Andhra Pradesh communicated to VUDA through minutes of meetings to remit the entire proceeds as per targets fixed by Government. The Authority started remitting the proceeds even before the auction of bulk lands for the said purpose.

The Government in their letter No 11954/H2/2007-2 dt 29.10.2007 advised the VUDA to transfer VUDA funds but not borrowed loans to Government to meet the target of Resource Mobilization. Since the funds were under the deposits in various banks and the pre-mature closure of deposits will attract forfeiture of huge amount of interest the VUDA has borrowed loans on its own deposits for the time being to meet the targets.

The VUDA has paid Rs.13.40 Crores towards interest on loans borrowed from the above banks from its own funds.

The DCB Register which was being maintained by Allotment wing of VUDA was verified by us and it exhibits gross receipts of Rs 1128.78 Crores. The DCB Register erroneously included auction of own lands of VUDA to Educational and Medical Institutions. After eliminating such erroneous amount, the actual realized funds as per DCB are 1074.77 Crores which was in agreement with the financial records i.e. Rs 1074.77 Crores.

We have verified the DCB, financial records and the above GOs. Upon our verification, we hereby report as under:

- The Authority is due to reimburse its own funds to a tune of Rs.131.06 Crores which were utilized towards Resource Mobilization to State Budget.
- The particulars of the above dues are as under are as under (Rs. in Crores)

Funds remitted in excess of auction proceeds (Rs.1180.00 - 1068.66)	114.66
Interest paid to nationalized banks from VUDA funds on borrowals exclusively made for remittance of funds	13.40
Refund of partly auctioned proceeds to M/s Devona Infrastructure (P) Ltd from VUDA funds	3.00
Total	131.06

- ❖ In addition to the above amount, AS Charges @ 10% are admissible vide G.O.Ms.No 1401 Revenue (Assignment-1), department, dt. 02-11-2007 on sale proceeds of Govt. lands to a tune of Rs. 107.48 Rs. 1074.77*10%)
- ❖ M/s Devona infrastructure (P) Ltd was the highest bidder for Plot No 15 in Madhurwada Government land. The firm has paid Rs.98.13 Crores towards land cost. But part of the land is under court dispute. Hence the firm has filed a W.P in the Hon'ble High Court in WP No 575/2010 against VUDA and Government for refund of site cost. As per the order the VUDA has paid Rs.19.50 Crores (Rs.16.50 Crores sale proceeds of Government lands & Rs.3.00 Crores from VUDA funds). Balance Rs.78.63 Crores along with interest due to be paid to the firm. Hence Rs.81.63 Crores (Rs.78.63 + Rs.3.00 Crores) is due to be reimbursed from Government to VUDA.

**Details of Govt. Lands Auctioned and amount realized/Remitted to Govt. under
Resource Mobilization from 2007-08 to 2009-10**

SI No	Name of the Area / Firm	Sy No / Plot No	Area in Acre	Date & proceedings of handing over by Dist. Collector	Date of Auction	Amount Realized (Rs.in Crores)
Government Lands						
1. Sites & Services						
1	Kummaripalem	Old S.No. 87 New S.No.88	14.30	27.07.1999 Rc No 323/99/Cf dt 27.07.1999 of MRO BHL	06.08.2007	16.60
2	Sontyam	110 (old S. No.347) New S.No. 348/3,4,6	34.20	28.01.2005	09.08.2007	16.24
3	Madhurawada	S.No. 108/P, 110/P, 111/P	16.71	12.2005 Rc No 1/2005/SPL.RI dt 12/2005 of MRO VSP (R)	25.09.2008	26.80
4	Yendada Layout	S.No. 1/P	17.30	12.2005 Rc No 1/2005/SPL.RI dt 12/2005 of MRO VSP (R)	28.12.2008	25.45
2. Bulk Lands						
1	Madhurawada M/s. Ambiance Projects	New S.No.421 S.No. 27 Bit-1	44.25	27.08.2007 Rc No 1/2005/SPL.RI dt 27.08.2007 of MRO,VSP(R)	31.08.2007	76.18
2	Nerallavalasa Badari Babu & Others	S.No. 93/P	4.11	01.03.2006 Rc No 794/2005 C dt 01.03.2006 of MRO,BHL	31.08.2007	4.93
3	Nerallavalasa Dr.C.S.Padmavathi	S.No.92/P	2.17	01.03.2006 Rc No 794/2005 C dt 01.03.2006 of MRO,BHL	31.08.2007	3.26
4	Vemulavalasa V.Srihari Raju	S.No.151/1	1.68	04.03.2006	31.08.2007	1.39
5	Madhurawada M/s. Aditya HIDCO	Plot No.2, S.No.288/P	1.25	24.01.2005 Rc.No 1/2005/SPL.RI dt 07.01.2005 of MRO,VSP (R)	01.11.2007	6.11

6	Madhurawada M/s. Aditya HIDCO	Plot No.1, S.No.127/P New S.No. 420	28.31	07.01.2005 Rc.No 1/2005/SPI.RI dt 07.01.2005 of MRO ,VSP (R)	01.11.2007	135.32
7	Madhurawada M/s. Aditya HIDCO	Addl. Extent S.No.128/P	3.58	07.01.2005 Rc No 1/2005/SPL.RI dt 01.2005 of MRO,VSP(R)	01.011.2007	17.95
8	Madhurawada M/s. Aditya HIDCO	Addl. Extent S.No. 350/1P & 2P	2.42	24.01.2005 Rc.No 1/2005/SPI.RI dt 07.01.2005 of MRO,VSP (R)	07.03.2008	11.57
9	Madhurawada M/s Berggruen Real Estates	Plot No.2, S.No. 126/P, 3P,5P,6P,9P, 10P,11P&12P	5.30	12.08.2005 Rc.No 1/2005/SPL.RI dt 12.08.2005 of MRO VSP (R)	01.11.2007	23.91
10	Madhurawada M/s.Neptune Developers	Plot No.3, S.No. 126/P	5.90	12.08.2005 Rc.No 1/2005/SPL.RI dt 12.08.2005	01.11.2007	26.61
11	Madhurawada M/s Finishing Touch Properties (OMAX)	Plot No.5, S. No. 355/1P, 6P,7P, 8P, 9P& 10P	19.35	05.07.2005 Rc.No 1/2005/SPI.RI dt 05.07.2005 of MRO,VSP (R)	01.11.2007	99.65
12	Madhurawada M/s Logistic Developers	Plot No.6 S.No.353/1P, 2P,3P, 4P& 5P	3.50	07.01.2005 Rc.No 1/2005/SPI.RI dt 07.01.2005 of MRO,VSP (R)	01.011.2007	14.01
13	Madhurawada M/s. Bharat Infratech	Plot No.9, & 9A S.No. 331/6, 7,8, 9 & 335/5	9.50	08.05.2007 Rc.No 1/2005/SPI.RI dt 07.01.2005 of MRO,VSP (R)	06.01.2008	41.99
14	Madhurawada M/s. Airmid Real Estates (India Bulls)	Plot No.11, S.No.355/7P & 8P	4.83	23.02.2005 Rc.No 1/2005/SPI.RI dt 07.01.2005 of MRO,VSP (R)	06.01.2008	24.44
15	Madhurawada M/s. Sandhya Hotels (P) Ltd	Plot No.12 S.No. 131/2P	2.64	06.07.2005 Rc.No 1/2005/SPI.RI dt 07.2005 of MRO,VSP (R)	06.01.2008	10.50
16	Madhurawada M/s. Visakha Reality	Plot No.13, S.No.355/3 & 5	6.70	07.2005 Rc.No 1/2005/SPL.RI dt 05.07.2005 of MRO VSP (R)	06.01.2008	26.93

17	Madhurawada Sri. Praveen Thota (NRI)	Plot No.14, S. No.126/3P, 5P	2.52	12.08.2005 Rc.No 1/2005/SPI.RI dt 12.08.2005 of MRO,VSP (R)	06.01.2008	10.16
18	Madhurawada M/s. Devona Infrastructure (India Bulls)	Plot No.15, S.No.126/3P, 6P, 7P, 351/1 to 4, 128/1P, 3P, 350/1,2	13.90	20.07.2007 Rc.No 1/2005/SPI.RI dt 26.04.2006 of MRO,VSP (R)	06.01.2008	98.13
19	Madhurawada M/s.Deccan Infrastructure	Plot No.17, S.No. 335/P	3.13	20.07.2007 Rc.No 1/2005/SPI.RI dt 26.04.2006 of MRO,VSP (R)	06.01.2008	10.08
20	Paradesipalem M/s. Maytas	Plot No.1, S.No. 1/ 2	25.60	26.10.2007 Rc No 1/2005/SPL/RI dt 26.10.2007 of Thalsidar VSP (R)	06.01.2008	43.79
21	Paradesipalem M/s. L & T	Plot No.2, S. No.134/P	15.00	Rc No 288/2008/SP/RI dt 03.06.2008 of Thalsidhar VSP (R)	06.01.2008	22.95
22	Kapulauppada M/s. Aditya HIDCO	Plot No.1, S.No.383/1P	4.70	30.01.2008 Rc No 26/2008/C dt 30.01.2008 of Thalsidar BHL	02.03.2008	19.32
23	Kapulauppada M/s. Aditya HIDCO	Plot No.2, S.No. 357/2	4.00	30.01.2008 Rc No 26/2008/C dt 30.01.2008 of Thalsidar BHL	02.03.2008	18.20
24	Yendada Madhurawada M/s. Global Entrepolish	S.No.1, S.No.336/P	80.00	12.2005 Rc No 1/2005/SPL.RI dt 12/2005 of MRO VSP (R)	26.03.2008	242.29
	Total sale particulars of lands auctioned so far under Bulk land and Sites & Services	376.85			1074.76	

- 41 -

SI No	Subject No	Subject	RESOLUTIONS
50	50	Accounts – VUDA – Visakhapatnam – VUDA funds utilized to send to the Government under Resource Mobilization to support State Budget – Requested to release of amount Rs.294.86 crores by the Government to VUDA towards reimbursement of VUDA Funds / Administrative charges – submitted for perusal – reg	Perused. VC to pursue with the government for early release of the funds to VUDA by government
51	51	VUDA – Projects – Development of High Rise residential complex in an extent of Ac.15.00 cts in plot nos.1, 2 & 3 in Sy.No.134/p of Paradesipalem village – reg	It is directed to refer the issue to the Committee as constituted in the Agenda No.36
52	52	VUDA – Govt Lands – Sy.No.126/11P & 12 of Madhurawada village – M/s Berggruen Real Estates, Chennai – Bulk Land disposed through auction for State Budgetary Support – reg	Perused. The registration process completes the responsibility of the VUDA as per the auction conditions. VC to deal accordingly and directed to take action wherever registration is not completed so far.



CHAIRMAN, VUDA

