

SUBJECT NO.45

Sub: - VUDA –Establishment – Visakhapatnam – Verification of works taken up by Visakhapatnam Urban development Authority (VUDA) - Construction of Mega housing Project at Madhurawada – Vigilance Report – Recommendations - Explanation of HODs submitted - Reg.

Ref: 1.Letter No.12799/E1/2012-2 dt.27-6-2012 of Principal Secretary to Govt. MA & UD Department along with Vigilance report No.28 (318/V & E/E1/2010) dated.9-5-2012

2. U.O. Note No.12799/E1/2012-1, dated.27-6-2012 of the Principal Secretary to Govt. MA & UD Department.

AGENDA NOTE :

I. Brief History of the project as follows:

VUDA proposed Mega Housing Project with 2000 dwelling units at Madhurawada in Visakhapatnam in an area of 40 acres and entrusted to M/s Jurong Infrastructure Private Limited (JIPL), a franchise of Singapore based company in 2004 with completion period of 30 months.

- Administrative approval accorded by MA & UD Dept., vide G.O.Rt.No.1079 MA & UD (H2) Dept., dt. 04-10-2004 to undertake the said project subject to condition that it should be developed with VUDA own funds.
- Contractual Agreement was entered with M/s. Jurong Infrastructure (India) Pvt. Ltd., Bangalore, for the subject work under Design-Build-Contract Mode with a construction rate of Rs.635/- per sft of Built-Up Area.
- Mobilization Advance of Rs.6,93,05,000/- was released in two spells i.e., on 31.12.2004 and 10.3.2005 respectively in accordance with the Agreement conditions based on the request of Contractual agency M/s. Jurong Infrastructure (India) Pvt. Ltd., Bangalore.
- Since the work could not be grounded due to various reasons and approvals based on the request of Contractual agency and after conducting meeting on 24-11-2006, it was mutually agreed to revise the construction cost and to fix up the contract rate at Rs.934/- per sft of built-up area, against Rs.635/- per Sft agreed before in the agreement.
- Accordingly, the site for the subject work was handed over to the Contractual Agency on 22-12-2006 and a supplemental agreement was concluded for the revised contract rate of Rs.934/- per Sft on Built-up area of

27,35,017 Sft and no. of units are 2024 Units of eleven floors consisting of HIG and MIG units on 12.01.2007.

- Building plans of the said project were approved with Built-up area of 29,72,310 Sq.ft. including all amenities against the earlier Built-up area of 21,81,000 Sft on 4-12-2007.
 - Subsequently, the Contractual Agency has represented vide their letters dated 9.5.2008, 10.6.2008 & 2.4.2009 to revise the contract price to Rs. 1,007/- per Sft. Rs.1200/- per Sft and Rs.1429/- per Sft respectively instead of Rs.934/- per Sft fixed earlier as the prices of building materials have increased abnormally.
 - There upon Government was addressed on Dt. 14.05.2009, to issue necessary orders to VUDA for implementation of the suitable enhanced construction rate per sq. ft. of Built-up area by taking into consideration of the Agreement entered by VUDA with the Contractual Agency.
 - In response the Government have informed that VUDA has been permitted vide Memo No.7451/A1/2008, dt.3-5-2008 to follow the orders of T.R. & B.(R-I) Department vide G,O.Ms.No.94 Dt.16-4-2008 subject to certain conditions. The Government also informed that the price adjustment shall be applicable within the original contract period (or) period extended on grounds of the Departmental delays and valid reasons and shall not be applicable to the extensions granted on account of the contractor's fault.
 - There after series of meetings were convened on the Revision of the project with Contractual Agency in the Chambers of Vice-Chairman, VUDA on 11.08.2009, 14.09.2009 and 03.10.2009 and various issues were deliberated at length on the revised project modalities which were mutually agreed and accepted by both the parties VUDA and M/s. Jurong Infrastructure (I) Pvt. Ltd., as mentioned below.
1. The project shall be taken-up in two phases of development i.e., Phase-I & Phase-II. Presently Phase-I Development measuring an extent of Ac.20.17Cts with 710 units consisting of 11 blocks of 5 categories of housing viz., L1G, MIG-IA, MIG-IB, MIG-2 and H1G shall be taken-up.
 2. Keeping in view of the recession in the building construction industry, the entire housing construction shall follow the concept of Affordable Housing. The proposed construction of the Mega Housing Project shall be taken-up in Stilt +Ground+4 floors configuration so that the building height does not exceed 18 Mts.

3. The entire proposed development should be in compliance with the G.O.Ms. 678 MA&UD, dated 7.9.2007. A provision should be made to suit the requirements of the LIG Housing to the extent of 10% of the total built-up area as per the guidelines.
4. The entire layout shall be strictly made 'Vastu' Compliance including the individual units for achieving better marketability.
5. The development and construction shall be conceived with eco-friendly building materials. The building construction practices shall strictly be in accordance with the guidelines laid down in the NBC-2005.
6. The BOQs shall be prepared by the Contractual Agency strictly as per the APSSR rates of 2009-2010 and with reference to APDSS.
7. The Contractual Agency shall register their name in VUDA as per G.O.Ms. No.678 MA&UD, dated 7.9.2007
8. A further Supplementary Agreement shall be entered with the Contractual Agency for the revised housing development before commencement of the construction.
9. The Building Scrutiny committee meeting conducted on 19.09.2009 in VUDA to process for statutory approvals for the first phase development of the housing project for which the M/s Jurong Infrastructure (I) Pvt. Ltd., Bangalore has suggested certain modifications to the plans for which the Contractual Agency have been strictly informed to submit all necessary drawings.
10. Model housing units of each category shall be constructed at the project site to enable VUDA to receive necessary feedback from the prospective buyers.
11. Walk-through presentation shall be prepared for the entire project for better perception of the scheme.
12. Audited reports of the M/s Jurong infrastructure (I) Pvt. Ltd., Bangalore shall be furnished to VUDA by the Contracting Agency for the years 2006-07 & 2007-08.
13. Rate analysis to arrive at the revised Contractual price, if any, based on the Statutorily approved drawings has been done by the Engineering Wing of VUDA.
14. Supplementary Agreement shall be concluded before commencement of the construction, keeping in view of the modified features of the project and with the revised construction cost.
15. The Contractual Agency is required to extend the Bank Guarantees, as

- necessary, well within the expiry period.
16. The Chief Engineer shall take steps to expedite the vetting of the Structural Drawings from the Andhra University.
 17. The project period is reduced to 24 months as against earlier conceived 30 months period, as the project is proposed in the extent of Ac. 20.17 Cts. Phase-I development,
 18. Aspects viz., the quantum of the work, phasing of payment schedule as worked out on the ratio of the project size, area applicability, Jurisdiction, phasing of development, scheduling of project period shall be included in the Supplementary Agreement in consultation with the Legal Officer, VUDA, duly vetted by the Standing Counsel of VUDA.
 19. The sale price of the housing units shall take into account aspects such as land cost, bulk water supply, external source electrification, marketing, brochures, statutory permissions, model houses, third party quality control, etc.
 20. The working drawings for the housing project shall be furnished by the Contractual Agency within a fortnight after concluding the Supplementary Agreement with VUDA.
 21. The fiber optic cabling system shall be incorporated in the project components for laying of the telephone lines with BSNL as trusted customer as and when the construction advances to a certain stage of development.
 22. The layout, pipeline and proposed connections with necessary safety norms for the Reticulated Gas Supply System envisaged in the housing project, shall be finalized in consultation with BPCL during the project execution.
 23. The Construction Rate per Sq.ft shall be arrived based on the Rate per Sft of super Built-up area for approval (Overall Abstract, General Abstracts) for each category of housing blocks. General Abstract for Infrastructure and Miscellaneous items based on detailed Estimates for all the items with BOQs.
- Accordingly M/s. Jurong Infrastructure (India) Pvt. Ltd. submitted Drawings, Structural Details, BOQs to VUDA.
 - After scrutiny and conduct of Meetings on the above, Statutory approval for Building Plans was accorded on 1-10-2009 for a total super built-up area of housing blocks as 87,655 Sq. mts and built-up area of other amenities as 3,480.44 sq.mts totaling to 91,135.44 Sq. mts (9,80,617.33 sq. ft).

- Modalities of the Housing Project are finalized and construction cost arrived by the Engineering Wing at Rs.1,054/- per Sft of super built-up area duly taking into calculations of amenities blocks area in 3,480.44 Sq. Mtrs (37,449.53 Sq.ft.) loaded on to the cost of Super Built-up area of housing blocks of 87,655 Sq. Mtrs (9,43,167.80 sft) was approved.
- As per the above, Administrative sanction (Revised) for the said project has been accorded on 7-10-2009 for Rs.99.41 Crores and Technical Sanction was also been given on 7-10-2009 for Rs.99.41 Cores by Chief Engineer, i/c. VUDA.
- The work has been taken up with a built-up area of 9,43,168 Sft @ Rs. 1054/- per Sft. The project was limited to Stilt +Ground +4 floors consisting of eleven blocks and the HIG houses proposed are 100 Nos., MIG-IA are 160 Nos., MIG-IB are 120 Nos., MIG-II Type are 210 Nos. and LIG Type are 120 Nos. totaling to 710 Units. The project is a Gated Community project with facilities for Community Hall, Hospital and Shopping Complex, Reticulated Gas System and underground Drainage System, Sewerage Treatment Plant with water being recycled and the all-round compound wall is provided with Solar Fencing.
- 2nd Supplemental agreement was concluded with M/s.Jurong Infrastructure (India) Pvt. Ltd., on 6-11-2009 duly obtaining legal opinion from the Standing Counsel regarding terms and conditions to be stipulated in concurrence with the original agreement concluded with the Contractual agency earlier and as per the decisions taken. The Agreement value is Rs.99.41Crores and time allowed for completion of the project is two years. The Mobilization Advance given to the Contractual Agency previously was Rs.6.93 Crores.(in two spells). The structural designs submitted by the Contractual agency were vetted by Andhra University. The site was handed over to the Contractual Agency on 02-12-2009
- The 3rd Party Quality Control check was entrusted to Andhra University, Civil Engg. Dept., to ensure better quality. The work was started and initially the work was delayed due to factors – time taken for vetting of modified Structural Designs and approval, mobilisation of men and material and cyclonic rains. The work was supposed to be completed by 31-5-2012.

II.Termination of Contract entered with M/s. JIPL:

- After completion of 20% of the project work, the Contractual Agency has requested for escalation of contract price citing reasons viz., increase in cost of steel, cement and other materials. VUDA denied the same as the same was not allowable as per terms & conditions of the Agreement.
- During the payment of part bills amounts of Rs. 1,92,09,087/- and Rs. 56,26,101/-were recovered towards principal and interest components respectively against the Mobilization Advance of Rs.6.93 Crores paid earlier.
- The contractual agency M/s. Jurong Infrastructure (I) Pvt. Ltd. has sent proposals on 12-11-2010 to appoint M/s. Aparna Group of companies as Sub-contractor for part of the work. The VUDA through letter Dt:01-01-2011 has requested the agency to furnish details of part of the works proposed to be entrusted to M/s. Aparna Group of Companies not exceeding 50% of agreement value in accordance with the terms and conditions of the agreement and relevant G.O.'s of Government in force. But the contractual agency has not submitted the details.
- The contractual agency requesting for escalation of price has stopped the work on 26-05-2011 citing reasons viz. increase in cost of Steel, Cement and other materials and it was denied by VUDA and as per the procedure the contractual agency was given final notice on 02-07-2011 to commence the work within 14 days failing which the work will be automatically terminated. However the contractual agency resumed the work on 13-07-2011 and work is in brisk progress for a period of 1 ½ months and thereafter the contractor slowed down the work from 20-09-2011 onwards citing escalation of price and internal problems with the Sub-contractors.
- The contractor was issued notice to resume the work but there was no response and the work was stopped by the contractor from 29-09-2011 onwards. The value of work done by the contractor so far is Rs. 24.84 Crores out of Rs.99.41 Crores which is the project value. The contractual agency has completed only 25% of the work. Hence the final notice is issued to the contractor on two grounds 1) on Sub-contracting the work entirely to M/s. Aparna Group of Companies 2) for stopping the work from 29-09-2011 and not resuming thereafter and if the contractor fails to respond within 14 days the work will be automatically terminated as per the agreement conditions and as

per the procedure in vogue, then VUDA goes for tendering for the balance work.

- The contractual agency has approached the District Court, Visakhapatnam on the grounds (i) not to entrust the work to 3rd party (ii) not to encash the Bank Guarantees. The VUDA has filed the counter immediately to defend the case. Keeping in view of the magnitude of the project and involvement of Multi National Company Sri S. Ravi, Senior Advocate, High Court, Hyderabad was engaged to take up arguments on behalf of VUDA effectively in addition to the Standing Counsel, Sri L. Satyanarayana, Advocate, Visakhapatnam. The matter was posted for several hearings and on behalf of VUDA Sri S. Ravi, Senior Advocate, High Court, Hyderabad appeared and gave his pleadings in favour of VUDA.
- Meanwhile as per the advice of the Standing Counsel and Senior Advocate, the Bank Guarantees furnished by the contractual agency to a tune of Rs.11.90 Crores (4.97+6.93) towards Performance Guarantee and Mobilization Advance paid by VUDA were invoked and credited to VUDA account on 17th and 19th of November, 2011.
- In this regard 4 more sub-petitions were filed by the contractual agency out of which 3 petitions were dismissed. Finally arguments of both the parties were completed during the month of March, 2012 and the Judgement was expected during the first week of April, 2012. But all of a sudden the Principal District Court Judge, Visakhapatnam was transferred and hence the Judgement was not pronounced.
- After swearing in of the new Judge the hearings were started afresh from both the parties and finally completed on 26-4-2012 and it was informed on 29-4-2012 that the Judgement is reserved. After summer vacation, the Judgement was pronounced by the Hon'ble Judge on 20-6-2012 in favour of VUDA by dismissing all the petitions filed by the contractual agency i.e., M/s. Jurong Infrastructure (I) Pvt. Ltd. The Copy of Judgement was received from the Principal Judge Court, Visakhapatnam on 10-7-2012 through Sri L. Satyanarayana, Standing Counsel, VUDA.
- Consequently Standing Counsel and Senior Advocate at Hyderabad were consulted regarding further course of action to be taken by VUDA and based on the advice 6 Nos. of caveats were filed in the Hon'ble High Court during the 3rd week of June, 2011 as a precautionary measure to prevent the contractual

agency in obtaining any stay from the Hon'ble High Court and also to facilitate VUDA to take up the process of tendering for completion of balance work.

As the matter stood thus, the Principal Secretary to Government, MA & UD (E1) Dept., while enclosing the copy of Vigilance Report No.28 (318/V&E/E1/2010) dt.9-5-2012 and requested the Vice-Chairman, VUDA to take further action as per the recommendations of GA (V&E) Department and to furnish Action Taken Report to the Government vide Lr. No.12799/E1/2012-1, Dt.27-06-2012 of the Prl. Secretary to Govt. MA& UD Dept received on 16-07-2012. The following are the recommendation of GA (V&E) department:

Abstract of Recommendations:

Sl. No.	Name of officers Sarvasree	Nature of irregularity	Recommendation
1	G. Venkatarami Reddy, IAS, former, VC, VUDA	Announcing Marketing rights to M/s JIPL for flats developed without taking prior permission from Govt, thereby the progress of work suffered causing loss to those who purchased flats from VUDA.	Action deemed fit
2.	V.N. Vishnu, IAS, former, VC, VUDA	Sft rate was enhanced from Rs. 934/- to Rs. 1054/- without Govt, approval. Instead of terminating the contract of M/s JIPL even after dissatisfying with their performance as expressed in the minutes of meeting dated. 14-9-2009 continued M/s JIPL causing loss to the purchasers who purchased the flats from VUDA.	Action deemed
3	I.Viswanadha Rao, C.E., VUDA	Execution of 2 nd supplemental agreement not backed by Agt. Provision though M/s JIPL delayed the work on their own and also failed to recommend liquidated damages against M/s JIPL for slow progress of work .	Departmental action
4	D. Vijaya Bharathi, CAO, VUDA	Failure to propose recovery of mobilization advance from the running bills of the contractor even after reaching 24.6% of work progress.	Departmental action

Recommendations:

- 1) Terminate the contract of M/s Jurong Infrastructure Pvt. Ltd (M/s JIPL) in pursuance to the agreement clause 15.2 for failure to complete the project work within the schedule time by confiscating the performance security & other payable amounts available with VUDA, and to recall fresh Global Tenders to complete the work as the present progress stood around meager 24.6% only even after seven years.

- 2) Stop the construction of Mock up units including furniture which are meant for display for the interested entrepreneurs buying flats, as the public response is positive i.e. out of 710 units only 55 are left over, there by an amount of Rs. 64.78 lakhs can be saved from making payment to the contractor.
- 3) Restrict the payment to the Contractor for a built up area of 9,39,913 sft. only as per the detail drawings approved by VUDA against 9,43,168 Sft. mentioned in the contract Agreement.
- 4) Initiate immediate action by VUDA by arranging the compensation amount to the entrepreneurs purchased flats by collecting loans from the financial institutions. The same may be recovered from the contractor M/s JIPL at the time of making final payment.

In this regard, it is to be submitted that despite the report of Vigilance & Enforcement Department communicated to VUDA by July 2012, for the last 1 ½ years, the departmental action is not initiated. Lot of many changes happened in the project subsequent to the submission of report by the Vigilance & Enforcement Department to the Government and its communication to VUDA.

Hence, it is imperative to get the remarks of the Head of the departments' viz. Chief Engineer and Chief Accounts Officer before proceeding to take further course of action and especially, in this case, as the project is going to be completed by July 2014, i.e. within next five months.

Hence, the Chief Engineer and Chief Accounts Officer are directed to offer remarks on the allegations of Vigilance & Enforcement Department and their response –point wise so that the remarks can be put up to the ensuing board to take a decision.

In compliance with the above, the Chief Engineer and Chief Accounts officer VUDA are offer their remarks are as follows:

III. Remarks of Sri I. Viswanadharao, Chief Engineer, VUDA are submitted for kind consideration:

As per the Vigilance Report of GA (V&E) Dept., the following are the recommendations made.

- i) *Terminate the contract of M/s. Jurong Infrastructure Pvt. Ltd.(M/s. JIPL) in pursuance to the agreement clause 15.2 for failure to complete the project work within the schedule time by confiscating the performance security and other payable amounts available with VUDA, and to recall*

fresh Global Tenders to complete the work as the present progress stood around meagre 24.6% only even after seven years.

- ii) Stop the construction of Mock up units including furniture which are meant for display for the interested entrepreneurs buying flats, as the public response is positive i.e., out of 710 units only 55 are left over, there by an amount of Rs.64.78 lakhs can be saved from making payment to the Contractor.*
- iii) Restrict the payment to the Contractor for a built-up area of 9,39,913 Sft only as per the detail drawings approved by VUDA against 9,43,168 Sft mentioned in the contract Agreement.*
- iv) Initiate action against the officers as indicated.*
- v) Initiate immediate action by VUDA by arranging the compensation amount to the entrepreneurs purchased flats by collecting loans from the financial institutions. The same may be recovered from the Contractor M/S. JIPL at the time of making final payment.*

With regard to the above, VUDA has already taken action on the points raised at i), ii) & iii) almost in concurrence with the recommendations made in the Vigilance Report and the details of Action Taken are as noted below.

Point –I : The Contract of M/s. Jurong Infrastructure Pvt. Ltd. was terminated on 14-10-2011 as per Clause-15.2 of Agreement due to stoppage of work and failure to complete the project work. The Bank Guarantees furnished to a tune of Rs.11.90 Crores (4.97 + 6.93) by the contractual agency M/s. Jurong Infrastructure Pvt. Ltd. towards Performance Guarantee and Mobilization Advance paid by VUDA were invoked and credited to VUDA on 17-11-2011.

On terminating the contract M/s. Jurong Infrastructure Pvt. Ltd. had filed a petition against VUDA in Principal District Judge Court, Visakhapatnam during October, 2011 and the same was dismissed recently. The Judgment was pronounced on 20-6-2012. Immediately caveats were filed in the Hon'ble High Court on 22-6-2012 to protect the interests of VUDA for taking up the balance work and to prevent the Contractual agency in obtaining stay as per the advice of Senior Advocate at Hyderabad. The copy of judgment was received on 10-7-2012. Further as advised by the Senior Advocate, Hyderabad assessment of value of the work done so far by M/s. Jurong Infrastructure (I) Pvt. Ltd. has been taken up through National Academy of

Construction (NAC) to avoid complications at the time of settlement of claims or amounts payable if any to the contractual agency at a later date. In the mean time action is being initiated to invite tenders to complete the balance work as per the procedures laid down.

Point-ii : With regard to construction of Mock-up units including furniture, the same was not taken up at all. And no payment was made to the contractor on this account so far.

Point-iii : In fact the payment was made to the contractor for the total Built-up area of 9,39,913 Sft only as per the detailed drawings approved by VUDA. The same was clearly recorded in Measurement Books while releasing payment.

Point-iv : With regard to the initiation of the action against the officers as indicated the same was kept in abeyance in view of the developments taken place subsequently.

Point-v : As regards to arranging the compensation amount to the Entrepreneurs who purchased the flats, no such claims are pending with VUDA. Further losses/ damages occurred so far and that may accrue afterwards as per the assessment made due to the Breach of Contract will be recovered from the contractor M/s. Jurong Infrastructure (I) Pvt. Ltd. at the time of making final payment.

The Action Taken Report as noted above point wise was already submitted to the Government vide Letter Rc.No. 10/2005/CE/EE-I/VUDA, Dt.20-7-2012, while requesting permission to take up the balance work by way of tenders on turnkey basis

III.a. Resuming the balance works of Harita Housing Project

- Further, to take up the balance work tenders are to be invited under Engineering, Procurement and Contract (EPC) mode according to the G.O.Ms.No.94, I&CAD, Dt.1-07-2003 since the value of balance work is about Rs.75.00 Crores (more than Rs.10.00 Crores). Whereas the Senior Advocate and Standing Counsel, VUDA opined that the balance work should be taken upon the similar lines of original work entrustment made without any procedural deviation adopted earlier to defend the case effectively in further appeals and to protect the interests of VUDA.
- It is also opined that in case of any change or deviation in the procedure for entrustment of balance work, it would weaken the strength of the present

court case in further appeals which may be made by the contractual agency at later stage and it would be a burden to VUDA in terms of monetary aspects due to invoking of Arbitration and other claims by contractual agency as per the terms and conditions of the agreement. As such it was finally advised to follow the same procedure and with same specifications only, as it was done earlier though it is not in conformity with the regular tender procedures or Regulations / G.Os prevailing, to complete the balance work and if necessary special conditions may be incorporated.

- Apart from the above, it is to submit that all the 710 units were allotted and allottees have paid four to five instalments so far out of total six instalments fixed at the time of allotment of units. The residential flats are supposed to be handed over by June, 2012 as per the original commitment of VUDA. But the work could not be progressed and completed as per the schedule due to litigation and court cases filed by the contractual agency. Owing to the above delay allottees are pressurizing VUDA to compensate the delay occurred by way of paying interest for the amounts paid by them so far till completion of work or to refund the amounts paid with interest. The allottees are stating that they are paying interest for the loans they borrowed from Banks and other agencies and getting financial loss considerably besides mental agony for failure in handing over of the houses.
- Accordingly the Government was requested to accord permission to carry out the balance work and clarify the procedure to be followed for entrustment of the balance work to protect the interests of VUDA in particular and the allottees in general and to consider the proposal to refund the amounts without interest paid by those allottees who desire to withdraw or cancel the allotment made earlier in their favour on genuine reasons or any forfeiture as a special case for this Madhurawada Housing Scheme to retain the credibility of VUDA.
- Thereupon Hon'ble Minister for MA & UD Department convened a meeting on 20-12-2012, with Principal Secretary to Government, MA & UD. Vice-Chairman, VUDA and Engineers of VUDA and instructed to work out the Project Economics and submit a comprehensive report. Accordingly a letter was communicated to Vice-Chairman, VUDA on 22-12-2013. In accordance with the directions of the Government, a comprehensive report of the said project along with the answers to the queries made were prepared and submitted for

consideration and to accord permission to carry out the balance works vide Letters No 10/2005/CE/EE-I/VUDA, Dt.11-2-2013 & 21-2-2013.

- Meanwhile, a Technical Committee was constituted with Chief Engineer-GVMC, Superintending Engineer - Public Health Department and Chief Engineer - VUDA for scrutiny of estimates prepared for balance works to be taken up and construction cost arrived. As per the above, the Technical Committee verified the estimates prepared for balance works (based on the SoR for the year 2012-2013) and construction cost arrived and found to be reasonable.
- Subsequently a meeting was convened on the subject work in the Chamber's of Hon'ble Minister for MA&UD along with Principal Secretary to Government, Vice Chairman, VUDA and Engineers concerned on 08-03-2013 and discussed on the possibilities and plan of action for completion of balance work so that the residential flats can be handed over to the respective Allottees. The Vice Chairman, VUDA submitted that, it is better to start the work firstly to create confidence among the Allottees by splitting up the total work into different packages instead of single package by keeping the period of completion as 12 months. Finally it was agreed upon to take up the balance works as requested by Vice Chairman, VUDA.
- Accordingly, the Government vide Letter No.3916/H2/2010, Dt.01-04-2013 communicated the clarification regarding entrustment of balance works, as below.
 1. Balance work may be entrusted by
 - a. Inviting tenders
 - b. On the similar lines of original work entrusted to the contractor M/s. Jurong Infrastructure Pvt. Ltd.
 - c. As advised by the Standing Counsel of VUDA
 2. Take action as per the terms of allotment conditions keeping in view that there should not be any monetary loss to VUDA in future regarding refunding the amounts without interest paid by those allottees who desire to withdraw or cancel the allotment.

Apart from the above, legal opinion was also sought from Sri S.Ravi Senior Advocate, Hyderabad regarding the circumstances prevailing over and explaining the reasons for taking up the balance work by splitting up into different packages.

- In view of uproar from the Allottees, borne out of distress & agony and for the convenience of speedy execution of balance work, it is proposed to take up the balance work of Harita Housing Project on Lump sum (L.S.) contract system i.e. item wise payment which is always safe and better for the department for all purposes.
- Accordingly detailed and abstract estimates in respect of balance works related to construction of buildings in HIG, MIG-IA, MIG-IB, MIG-II and LIG categories block wise are prepared, (not exceeding Rs.10.00 Crores each work) to get good competition and to facilitate more agencies for participation in tenders. The estimates are prepared based on the SoR for the year 2012-13 and local market rates for the items not covered in the SoR.
- Thereafter Vice Chairman, VUDA accorded Administrative Sanction for Rs.97.00 Crores towards balance work of construction of buildings in HIG, MIG-IA, MIGIB, MIG-II & LIG Categories on 06-04-2013. The Chief Engineer, VUDA accorded Technical Sanction for all the 10 Sub-Estimates of HIG, MIG-IA, MIGIB, MIG-II & LIG (710 units proposed in 11 blocks) amounting to Rs.97.00 Crores on 12-04-2013 and towards the balance infrastructure works for Rs.27.77 Crores.
- Accordingly, tenders were invited for all ten blocks block-wise by Chief Engineer, VUDA on 15-04-2013, and 13-05-2013 as first and second calls through 'e' – Procurement platform as per G.O.Ms.No.94, Dt.1-7-2003 of I & CAD Dept., After scrutiny and evaluation, the tenders were finalized and approved by Commissionerate of Tenders (COT) and subsequently by Vice-Chairman, VUDA.
- The VUDA Board, vide Resolution No.5, Dt.20-7-2013 has ratified the action taken by the Vice-Chairman, VUDA in sanctioning Administrative sanction for Rs.97.00 Crores towards construction of Buildings (Balance work), accorded administrative sanction to a tune of Rs.27.77 Crores to execute the balance infrastructure works and ratified the process followed in taking up balance works of building dividing into 10 packages block wise in each category not exceeding Rs.10.00 Cores instead of a single package.

Further the Board has taken the following decision,

- As informed by the Government, the request for paying the interest accrued to the installments paid by the Allottees who have subsequently withdrawn on their volition need not be further entertained.

- The VC is directed to arrive at the exact cost of the project after arriving at the various revenues including interest accrued on the installments paid or to be paid by the Allottees and the various expenditures of the project and come with a proposal to the board after having interaction with the allottees in this regard.
- The provision of penal interest is part of the allotment conditions and there are no changed circumstances to review or revisit the same.
- The remaining installments can be spaced out duly taking the period of completion of housing.

The existing Allottees can be given advantage during the allotment of resultant vacant flats due to voluntary withdrawal and VC to work out the modalities.

Later the VUDA Board during its meeting held on 14-12-2013 has resolved the following on placing of the revised construction cost for existing and continuing Allottees and for new allotments including postponement of 5th & 6th installment payable dates.

- Rescheduling of 5th and 6th payments by VC is ratified.
- Proposals of arrival of final price of both the retained plots and vacant plots are agreed.
- As earlier resolved, give the priority to the existing Allottees for the remaining vacant plots subject to their agreeing for paying the revised and increased charges and to the overall terms and conditions of earlier allotment.
- Benefit of accrued interest out of individual's timely payment should be passed on to the individual while arriving at the balance payment beyond 6th payment.
- Timely completion of the project is the responsibility of CE and EEs concerned and any laxity will be viewed seriously and necessary disciplinary action will be initiated against them.
- The remaining points i.e., revised construction of cost for the existing and continuing Allottees and for fresh allotments of vacant flats resulted due to withdrawals are agreed as proposed.
- At present building works in all the ten packages are in brisk progress and programmed to complete by July, 2014. Simultaneously infrastructure works

have also been taken up for retaining walls, compound walls and tender process is under finalization for balance items of works.

As per the analysis and findings of Vigilance Report bearing No.28(318/V&E/E1 /2010),Dt.09-05-2012 of Vigilance & Enforcement Department as on the date of V & E inspection i.e., 15-07-2010, "the progress of the work is as low as 24.6% and no liquidated damages were imposed against the contractor till date. VUDA is releasing the running bills which are processed through (i/c.,) Chief Engineer, CAO/ VUDA without imposing any LDs on the contractor except levying a meagre penalty of Rs.2.00 Lakhs towards slow progress of work".

According to the Vigilance Report furnished the following are the abstract of recommendations.

As per the above, the nature of irregularity observed / pointed out against him i.e. Sri I. Viswanadharao, CE, VUDA for execution of 2nd Supplemental Agreement not backed by Agreement provision though M/s. JIPL delayed the work on their own is incorrect and not tenable. With regard to recommending liquidated damages there is no failure on his part since penalties and LDs were levied against M/s. JIPL from time to time for slow progress of work and failure in achieving mile stones as per agreement.

With regard to the findings – No liquidated damages were imposed against the contractor and running bills are processed without imposing any LDs on the contractor except levying a meagre penalty of Rs.2.00 Lakhs towards slow progress of work is not correct and following are the details of penalties levied and LDs recovered from the part bills for slow progress of work.

- A penalty of Rs.2.00 Lakhs was imposed and recovered in L.S. IV and part bill, Dt16-11-2010.
- Further penalty of Rs.4.00 Lakhs was imposed and recovered in L.S.VIII and part bill, Dt. 19-5-2011.
- Liquidated damages were levied to a tune of Rs.5.00 Lakhs and recovered in L.S. IX and part bill, Dt.12-8-2011.

Thus an amount of Rs.11.00 Lakhs (2.00+ 4.00 + 5.00) towards penalties and liquidated damages was levied and recovered from the part bills of M/s. Jurong Infrastructure Pvt. Ltd. (Details of recoveries made towards penalty and Liquidated Damages are herewith enclosed for kind perusal)

It is clear from the above that there is no failure on part of Chief Engineer i/c. in enforcing the penal conditions of the agreement and necessary steps were taken from time to time by serving notices and issuing instructions at field during site inspections to the contractual agency to monitor the progress of work.

It is also submitted that 1st Supplemental Agreement was concluded by the then i/c., Chief Engineer during the year 2007 when the contract rate was revised as per the orders of Higher Authorities and in accordance with the procedure in vogue.

Subsequently, the project was downsized and fresh contract price has been arrived afresh as per the BOQs worked out and in accordance with the permission accorded by the Government, thus the entire scope of work was modified. Therefore, it is necessitated to execute 2nd Supplemental Agreement as per the accepted and regular practice in Engineering contracts for execution of works. Since the original contractual agency is continued and scope of work has been changed including contract price, entering / concluding a supplement agreement is the only prescribed procedure as per relevant codes and the original agreement holds good for all purposes as per the terms and conditions stipulated in both supplement and original.

The execution of Supplemental Agreements is the regular procedure being followed, adopted and common practice in vogue in all Engineering Departments of A.P. Government. Even in case of deviations or modifications takes place either in quantities or in rates or entrustment of additional works during execution of work supplemental agreements will be concluded in all the works and there is no other alternative.

In the circumstances stated above and in compliance with the instructions issued by the then Vice-Chairman, VUDA vide Minutes of Meetings held with CEO & Representatives of M/s. JIPL and officials of VUDA, 2nd Supplemental agreement was concluded with the contractual agency M/s. JIPL on 06-11-2009 and accordingly a fresh work order was issued vide Lr.Rc.No.10/2006/CE/EE-VI/VUDA, Dt. 21-11-2009 to the Contractor M/s. JIPL.

It is evident from the above, that the conclusion of 2nd Supplemental Agreement was done as per the instructions of Higher Authorities and in accordance with the approved and standard procedures only since it is rider of original agreement according to the situational requirement and need of the hour. Therefore execution of 2nd Supplemental Agreement by Sri I. Viswanadha Rao, Chief Engineer cannot be treated as irregularity.

It is further submitted that Chief Engineer (Sri I. Viswanadha Rao) always strove hard to defend the interests of organization (VUDA) by serving the Notices and replies refuting all the demands including enhancement of contract price raised by contractual agency. Timely action was initiated on suspension of work by M/s. Jurong Infrastructure Pvt. Ltd., to determine the contract as per terms and conditions by consulting Standing Counsel and Senior Advocate and finally the contract was terminated due to failure of fulfilling the contractual obligations by M/s. JIPL Ltd., as per the agreement concluded.

In view of the termination of the original contract of M/s. JIPL duly forfeiting the Bank Guarantees furnished by the contractual agency M/s. JIPL to a tune of Rs.11.90 Crores (4.97+6.93) towards Performance Guarantee and Mobilization Advance paid by VUDA during the year 2011 besides the recovery of Rs.11.00 Lakhs towards penalties and liquidated damages from the running part bills of the said contractual agency and restoration of balance works of the project through different agencies by way of e-tendering in accordance with the permission accorded by Government, and request the Authorities to consider the real facts and circumstances prevailed during that period as noted above and request to drop the departmental action proposed against him.

IV. Remarks of Smt. D. Vijaya Bharathi , Chief Accounts Officer, VUDA :

It is to submit that, the irregularity pointed out in the Abstract of Recommendations made by Vigilance & Enforcement Department – “Failure to propose recovery of Mobilisation Advance from the running bills of the contractor even after reaching 24.60% of work progress” in the Vigilance Report furnished is not true. In reality, VUDA has started the recovery of Mobilization Advance after reaching the contract value of 2.18% and the same was continued in the running part bills subsequently. The recovery of Principal @ 10% on the value of work done was also affected from the 3rd part bill and interest @ 8.35% (the effective borrowing rate as fixed by the Government for the year 2004-2005) from VII & part bill onwards.

Further, as per the Government Memo No.22500/Reforms/2008-1, Dt.20-08-2008 of the Irrigation and CAD (PW – Reforms) Department, the recovery towards repayment of Mobilization Advance and interest on that starts only from the next running bills after 10% of the contract value is touched. In spite of the above, recovery of Mobilization Advance was commenced at the initial stage of the work i.e., the contract value touched was only 2.18% at that time in the present case.

The details of recoveries made towards Mobilization Advance and interest component from the work bills of the said project as per the terms & conditions of the agreement are furnished here under for kind perusal.

Bill No.	Date	Value of work	Mobilization Advance Recovered			Remarks
			Principal	Interest	Total	
LS 1 st & Part bill	06-01-10	70,24,244	--	--	--	Design Fee hence no recovery
LS II & Part bill	22-4-10	2,33,07,830	--	--	--	
III rd & part	01-07-10	1,60,43,560	23,30,783	--	23,30,783	
IV th part	18-11-10	1,42,65,620	16,04,356	--	16,04,356	10% of the value of the bill was recovered towards Principal of Mobilization Advance as per note orders of the then VC, Dt.29-06-2010.
V th part	31-12-10	2,03,14,520	14,26,562	--	14,26,562	
VI th part	19-02-11	6,04,36,390	20,31,452	--	20,31,452	
VII th part	30-03-11	6,04,36,390	60,43,639	11,10,622	71,54,261	
VIII th part	19-05-11	3,25,86,770	32,58,677	32,58,677	65,17,354	
IX th part	12-08-11	2,51,36,180	25,13,618	12,56,802	37,70,420	
			1,92,09,087	56,26,101	2,48,35,188	
X th part	9-9-2011	93,61,530	9,36,153	9,36,153	18,72,306	Though the bill was passed, the amount was not released to the contractor

It is evident from the above table that the irregularity as pointed out on the part of Chief Accounts Officer that "failure to propose recovery of Mobilization Advance from the running bills of the contractor even after reaching 24.6% of work progress" is incorrect and not tenable. As seen from the above, after execution of 26.75% of work, an amount of Rs.1.92 Crores i.e., 27.72% of the Mobilization Advance was recovered from the IX part bills in addition to Rs.0.56 Crores recovered towards interest.

Subsequently, the contract entered with M/s. JIPL was terminated for failure in fulfilling the contractual obligations under the agreement concluded after due issue of Final Termination Notice to the firm on 14-10-2011 by Chief Engineer, VUDA as per the terms & conditions of the Agreement. Later, as suggested by the Senior Advocate and Standing Counsel(local) VUDA, the Bank Guarantee No.APGBE040693 of HSBC for Rs.6,93,05,637/- furnished by M/s. JIPL towards Mobilization Advance was invoked and adjusted to the project funds vide Receipt No.1904/190400, Dt.21-11-2011.

Thus an amount of Rs.9,41,40,825/- is available with VUDA towards recovery of Mobilization Advance (Rs.2.48 Crores recovered from running work bills and Rs.6.93 Crores towards invoking of Bank Guarantee).

It is obvious from the above, that there is no failure on her part i.e., D. Vijaya Bharathi, Chief Accounts Officer, VUDA in proposing the recovery of Mobilization Advance from the running bills of the contractor.

Taking into consideration of all the facts mentioned above and in view of the circumstances prevailed during that period, it is requested to the Authorities to drop the departmental action proposed against her.

V. Remarks of the Vice Chairman on the issue:

Based on the remarks of the Chief Engineer and Chief Accounts Officer, VUDA and examination of the issue in a holistic manner, the departmental action on these 2 Heads of the department i.e. Chief Engineer and Chief Accounts Officer VUDA are not required at this juncture. Hence, the same can be recommended to Government to drop the further action on the 2 HODs as per the recommendation of the Vigilance report No.28 (318/V & E/E1/2010) dated.9-5-2012.

The matter is placed before VUDA board for kind perusal and necessary approval.

Sl. No.	Subject No.	Subject	Resolutions
46	45	VUDA-Establishment - Visakhapatnam - Verification of works taken up by Visakhapatnam Urban Development Authority (VUDA) - Construction of Mega Housing Project at Madhurawada - Vigilance Report - Recommendations - Explanation of HoDs submitted - Reg.	Agreed to recommend to the Government as VC, VUDA has proposed.
47	46	VUDA- VSP - Establishment - Representation of Sri.S.Kesava Rao for Re- employment as Legal Officer in VUDA on contract basis - Reg.	Deferred.
48	47	VUDA -PPP Projects - Status of PPP Projects in VUDA - For perusal of the Board - Reg	<p>Categorization of PPP Projects of VUDA under seven types are perused. Board records following remarks.</p> <ul style="list-style-type: none"> • Necessary action taken on the issue of Club House in Sunny Isles Project is to be brought to next board meeting • VC is directed to take necessary action in getting over the possession of the lands in Fusion Foods, where VUDA got favourable order from the Court in Stay Vacation Petition • Try to complete the actions pending towards implementing the directions of unfeasible projects