

**ANDHRA PRADESH POWER FINANCE  
CORPORATION LIMITED**



**Annual Report for 2009-2010**



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**BOARD OF DIRECTORS**

1.	SRI A K GOEL, IAS	Chairman	(Upto 17.07.2009)
2.	SRI G SUDHIR, IAS	Chairman	
3.	SRI SUTIRTHA BHATTACHARYA, IAS	Director	
4.	SMT.VASUDHA MISHRA, IAS	Director	
5.	SRI K VIJAYANAND, IAS	Director	
6.	SRI AJAY JAIN, IAS	Director	(From 29.01.2010)
7.	SRI D.MURALI MOHAN, IIS	Managing Director	

**REGISTERED OFFICE :**

ANDHRA PRADESH SECRETARIAT  
HYDERABAD - 500 022.

**STATUTORY AUDITORS :**

**P.S.N. Ravishanker & Associates**  
CHARTERED ACCOUNTANTS  
Flat no. 205, II Floor, B-Block, Kushal Towers,  
Khairatabad, Hyderabad - 500 004.

**REGISTRARS & BOND TRANSFER AGENTS**

**M/s.KARVY Computershare Pvt. Ltd.**  
17-24, Vittal Rao Nagar, Madhapur,  
HYDERABAD - 500 001.

**TRUSTEES & BANKERS :**

**STATE BANK OF HYDERABAD**  
Gunfoundry Branch, Abids,  
HYDERABAD - 500 001.



**DIRECTORS' REPORT**

To  
The Members  
**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

Your Directors have pleasure in presenting the 10th Annual Report on the operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2010.

**THE ECONOMY**

India's GDP grew by 7.4% in 2009-10 on account of whopping 8.6% growth in the fourth quarter of financial year, 2009-10. Although global economic recovery remains uncertain, the situation improved significantly as compared to last year. The GDP for 2010-11 is expected to grow at 8.7% on the back of strong manufacturing and service sector performance and worries on agricultural front receding with bright prospects for better rainfall this year as compared to the last. The occasional rearing of global imbalances especially in the euro zone might still be a niggling concern for the robust performance of the external sector. Yet those very concerns about the economic trouble spots may help India garner a sizeable chunk of capital flows and help garner the investments required to fund the domestic growth.

**INDUSTRY SCENARIO**

According to the Ministry of Power, power supply growth needs to be over 15% annually in order to support GDP growth of around 7% per annum. In view of rising power consumption, the Ministry of Power has projected demand requirement of 1,57,000 M W for the Eleventh Five Year Plan. The Eleventh Plan document envisages a capacity addition of around 78,000 M W during the Eleventh Plan period. In the Mid-term review of the Eleventh Plan, the CEA has revised its target downwards and identified capacity addition of 74,964 MW by the end of the Plan Period.

According to 17th Electric Power Survey, India requires 968.7 billion units of electricity in FY2011-12 while the current generation in FY2009-10 was 771.2 billion units, 6.6% higher than FY2008-09 and 2.3% lower than the target estimates set for FY2009-10.

This implies that power generation has to increase at a CAGR of minimum 12% just to meet the demand, almost double the growth rate of 6.6% witnessed in FY2009-10.

In order to meet this target of capacity addition and the associated transmission and distribution set up, we need to galvanise substantial investment, creating an immense business opportunity to the Power Finance Corporations, both at national and State level, like us.

**FINANCIAL RESULTS**

Particulars	For the year ended 31st March, (Rupees in Crores)	
	2010	2009
Income	303.52	350.73
Expenditure	303.52	350.70
Profit / (Loss) Before Tax	-	-
Provision for Tax- FBT	-	0.03
Profit / (Loss) After Tax	-	-
Balance brought forward from previous year	-	-
Balance carried to Balance Sheet	-	-

**OPERATIONS**

The Company has not raised any funds during the year. The cumulative advances made to the Government of Andhra Pradesh for financing the requirements of power sector as at 31st March 2010 were Rs.2846.33 Crores as against Rs.3043.35 Crores in previous year.

The Company incurred expenditure including interest on Power Bonds at Rs.303.52 Crores during the year as against Rs.350. Crores in the previous year.

**POWER BONDS**

The amount of Power Bonds outstanding as at 31st March, 2010 was Rs.2704.33 Crores as against Rs.2,865.35 Crores in the previous year and the servicing of the same is regular and up to date.

The Company has redeemed Power Bonds for an aggregate amount of Rs.161.02 Crores on exercising Call Option and Put Option as per terms of the issue of the same during the year.

**MOBILIZATION OF FUNDS**

The Board of Directors in their meeting held on 27th March, 2010 authorised the Company for raising Rs.2,000 Crores by issue of Power Bonds on private placement basis pursuant to permission accorded by the Government of Andhra Pradesh and the necessary arrangements are being made in this regard.

**DIRECTORS**

The Government of Andhra Pradesh, in exercise of the powers conferred on it by Article 31 (i) (a) of the Articles of Association of the Company, appointed Sri A K Goel, IAS, Sri G Sudhir, IAS and Sri K Vijayanand, IAS as Directors in place of Sri A K Goyal, IAS, Sri I Y R Krishna Rao, IAS and Sri Ajay Jain, IAS on 08.07.2007, 17.07.2009 and 23.07.2009 respectively. Sri A K Goel, IAS was elected as Chairman of the Board of Directors of the Company with effect from 7th August, 2009 consequent on cessation of Sri A K Goyal, IAS as Director of the Company.

The Government of Andhra Pradesh, in exercise of the powers conferred on it by Article 31 (i) (a) of the Articles of Association of the Company, appointed Sri Sutirtha Bhattacharya, IAS and Sri Ajay Jain, IAS as Directors in place of Sri A K Goel, IAS and Sri Sutirtha Bhattacharya, IAS on 16.01.2010 and 29.01.2010 respectively. Sri G Sudhir, IAS was elected as Chairman of the Board of Directors of the Company with effect from 27th March, 2010 consequent on cessation of Sri A K Goel, IAS as Director of the Company.

**AUDITORS**

M/s P S N RAVISHANKER AND ASSOCIATES, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2010-11.

**C & A G COMMENTS**

The NIL comments Report of the Comptroller & Auditor General of India on the Annual Accounts for the year ended 31st March, 2010, will be circulated to the members and laid at the ensuing Annual General Meeting for adoption of Annual Accounts for the year, 2009-10.

**AUDIT COMMITTEE**

The Audit Committee of the Board was reconstituted on 7th August, 2009 with Sri A K Goel, IAS as Chairman of the Company and Sri G Sudhir, IAS and Sri D Murali Mohan, IAS as members consequent on appointment of Sri A K Goel, IAS and Sri G Sudhir, IAS as Directors of the Company in place of Sri A K Goyal, IAS and Sri I Y R Krishna Rao, IAS respectively.

The Audit Committee of the Board was further reconstituted on 27th March, 2010 with Sri G Sudhir, IAS as Chairman of the Company and Sri Sutirtha Bhattacharya, IAS and Sri Ajay Jain, IAS as members consequent on appointment of Sri Sutirtha Bhattacharya, IAS and Sri Ajay Jain, IAS as Directors of the Company in place of Sri A K Goel, IAS and Sri Sutirtha Bhattacharya, IAS respectively.

**RISK MANAGEMENT COMMITTEE**

The Risk Management Committee of the Board was reconstituted with Sri A K Goel, IAS as Chairman and Smt. Vasudha Mishra, IAS and Sri D Murali Mohan, IAS as Members in the meeting of the Board held on 7th August, 2009 consequent on appointment of Sri A K Goel, IAS as Director of the Company in place of Sri A K Goyal, IAS.



The Risk Management Committee of the Board was further reconstituted with Sri Sutirtha Bhattacharya, IAS as Chairman and Smt. Vasudha Mishra, IAS and Sri D Murali Mohan, IIS as Members in the meeting of the Board held on 27th March, 2010.

The Risk Management Committee of the Board was further reconstituted with Sri Sutirtha Bhattacharya, IAS as Chairman and Smt. Vasudha Mishra, IAS, Sri Ajay Jain, IAS and Sri D Murali Mohan, IIS as Members in the meeting of the Board held on 11th August, 2010.

#### DISCLOSURES

- i) The information of conservation of energy, technology absorption and foreign exchange earnings and outgo as required U/S 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 was not annexed as the same were not applicable.
- ii) No statement giving particulars as required by the provisions of the Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules 1975 as amended, annexed hereto since none of the employees of the Company are in receipt of remuneration in excess of the limits specified therein, during the year under review.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that

- (i) that in the preparation of the annual accounts for the year ended March 31, 2010, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at March 31, 2010.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting the fraud and other irregularities.
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

#### PUBLIC DEPOSITS

During the year under review, the Company has neither invited nor accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

#### STATUS OF UNDISBURSED AMOUNTS IN THE INVESTOR ACCOUNTS

As on 31st March, 2010, the aggregate amounts of matured bonds and periodic interest on bonds remaining undisbursed due to cheques un-encashed/ returned undelivered from 19 bondholders on account of various reasons, in the No Lien Account with the Trustees i.e State Bank of Hyderabad, Gunfoundry Branch, Hyderabad was Rs.3.79 Crores to 53 bond holders. However, the corresponding figures for the above are Rs.9.85 Crores to 26 bondholders as on date.

#### SECRETARIAL COMPLIANCE CERTIFICATE

The Company has obtained Secretarial Compliance Certificate from a Company Secretary in whole-time practice for the year ended 31st March, 2010 and a copy of the same is annexed hereto.

#### ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep appreciation of the continued support received from the Government of Andhra Pradesh, especially the Departments of Energy and Finance and Bankers and other agencies, which are instrumental in smooth operations of the Company. Your Directors also wish to thank the employees of the Company for their efficient and dedicated services.

For and on behalf of the Board

Place : Hyderabad.

Date : 30-09-2010

(G. SUDHIR)  
Chairman



## AUDITORS' REPORT

To  
The Members of  
**M/s. ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

We have audited the attached Balance Sheet of M/s. ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED as at 31st March, 2010 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. We enclose in the Annexure a statement on the matters specified in --
  - a) Paragraph 4 and 5 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of sub-section(4A) of Section 227 of the Companies Act, 1956 ("the Order").
  - b) Paragraph 3 and 4 of the directions conferred Section 45MA(1 A) of the Reserve Bank of India Act, 1934, to the extent applicable.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books of the company;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) In terms of the notification issued by the Department of Company Affairs, Ministry of Corporate Affairs, Government of India, the clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 with regard to the qualification of directors is not applicable to the directors of the company, as the company is a Government Company;
  - f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and Notes hereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) in the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2010;
    - ii) in the case of the Profit and Loss Account for the year ended on that date of NIL profit / loss(the total expenditure is met / reimbursed by Government of AP); and
    - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P.S.N. RAVISHANKER & ASSOCIATES**  
Chartered Accountants

**(Y. SAI KARUNAKAR)**  
Partner  
M. No. 207033

Place : Hyderabad  
Date : 07-09-2010

**ANNEXURE TO THE AUDIT REPORT****Statement on the matters referred to in Paragraph 2 (a) of our Report**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) Fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were found during the year under review.  
(c) As explained to us, no fixed assets were disposed off during the year.
2. As the company does not carry inventory of stores and the other materials, clause 4 (ii) of the Order is not applicable.
3. The company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses 4(iii) (a) to 4(iii)(g) of the Order are not applicable.
4. Having regard to the company's nature of business and based on our scrutiny of company's records and the information and explanations received by us, we report that the company's activities do not include purchase and sale goods. In our opinion, and according to the information and explanations given to us, there are adequate internal procedures commensurate with the size of the company and nature of its business with regard to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets.
5. In our opinion and according to the information and explanations provided by the management, we are of the opinion that there are no transactions during the year, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has complied with the provisions of Section 58A and 58AA and the rules framed there under and the directives issued by the Reserve Bank with respect to Non-Banking Finance Companies, to the extent applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
8. In respect of this company, maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the company and information and explanations given to us, the Employees Provident Fund and other Miscellaneous Provisions Act and Employees State Insurance Act are not applicable to the Company, for the time being.  
(b) According to the records of the company and information and explanations given to us, the company is not required to pay any statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with any of the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31st, 2010 for a period of more than six months from the date on which they become payable.  
(c) According to the information and explanations given to us and the records of the company examined by us, there are no dues of Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year, which have not been deposited on account of any dispute.
10. As per the information and explanations furnished to us by the Management, the operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loans and other operational expenses is being met / reimbursed by the Government of Andhra Pradesh and hence the operations do not reflect any Profit/Loss in the profit & loss account as disclosed in detail in





clause 1(b)(iii) to the notes on accounts, and accordingly clause 4(x) of the said Order is not applicable to the company.

11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to banks or debenture holders.
12. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a Chit fund or a Nidhi/Mutual Benefit Fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in Shares, Securities, debentures and other investments, accordingly, the provisions of clause 4 (xiv) of the Order is not applicable to the company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purpose for which they were obtained. However, during the year, the company has not obtained any term loans.
17. According to the information and explanations given to us, on overall basis, funds raised on short term basis, prima facie, have not been used during the year for long term investment or vice versa.
18. The company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956, during the year.
19. No debentures were issued by the company during the year. According to the information and explanations given to us and the records examined by us, the Government of Andhra Pradesh unconditionally and irrevocably guaranteed the interest and principal repayments of the various bonds issued by the company in the earlier years. However, being a Government Non-Banking Finance Company, the company is exempted from creating securities in respect of bonds issued.
20. The Company has not raised any money through public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**Statement on the matters referred to in Paragraph 2 (b) of our Report**

- I. The company is engaged in the business of non-banking financial institution and it has obtained a Certificate of Registration (CoR) from the Reserve Bank of India under the Provisions of Section 45-IA of the Reserve Bank of India Act, 1934 vide registration No.09.00266 dated 25-08-2000.
- II. The company is entitled to continue to hold such CoR in terms of its asset/income pattern as on 31-03-2010.
- III. The company is classified and treated as a Government Company as defined in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 with reference to the business carried on by it during the applicable financial year 2009-10, as the Company is wholly owned by the Government of AP and the total funds of the company raised from the bonds of various series are lent to the Government of AP only for their intended onward use for infrastructure development in the power sector.
- IV. The company has not defaulted in paying to its bond holders the interest and /or principal amount of the deposits after such interest and/or principal became due;

For **P.S.N. RAVISHANKER & ASSOCIATES**  
Chartered Accountants

**(Y. SAI KARUNAKAR)**

Partner  
M. No. 207033

Place : Hyderabad  
Date : 07-09-2010



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED, HYDERABAD, FOR THE YEAR ENDED 31 MARCH 2010.**

The preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 7th September, 2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

For and on the behalf of  
**The Comptroller and Auditor General of India**

Place : Hyderabad  
Date : 29-09-2010

**(SADU ISRAEL)**  
Accountant General (C&RA)

**Balance Sheet As at 31st March, 2010**

PARTICULARS	Schedule No.	As at 31-3-2010 Rupees	As at 31-3-2009 Rupees
<b>I SOURCE OF FUNDS :</b>			
<b>1 SHARE HOLDERS FUNDS :</b>			
Share Capital	1	290,020,700	290,020,700
<b>II LOAN FUNDS :</b>			
Unsecured Loans	2	28,463,300,000	30,433,500,000
<b>TOTAL</b>		<b>28,753,320,700</b>	<b>30,723,520,700</b>
<b>II APPLICATION OF FUNDS :</b>			
<b>1 FIXED ASSETS :</b>			
Gross Block		421,378	387,768
Less: Depreciation	3	264,684	249,840
<b>NET BLOCK</b>		<b>156,694</b>	<b>137,928</b>
<b>2 CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
CASH & BANK BALANCES	4	20,079,996	20,240,106
LOAN TO AP GOVERNMENT		28,463,300,000	30,433,500,000
LOANS, ADVANCE & RECEIVABLES	5	271,240,948	272,582,103
Total Current assets		28,754,620,944	30,726,322,209
Less: Current Liabilities & Provisions	6	1,456,938	2,939,437
<b>Net Current Assets</b>		<b>28,753,164,006</b>	<b>30,723,382,772</b>
<b>TOTAL</b>		<b>28,753,320,700</b>	<b>30,723,520,700</b>
NOTES ON ACCOUNTS	7	-	-

As per Audit Report of even date

For P.S.N. Ravishanker & Associates  
Chartered AccountantsFor ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD(Y. Sai Karunakar)  
PartnerD. Murali Mohan, IIS  
Managing DirectorK. Vijayanand, IAS  
DirectorPlace : Hyderabad  
Date : 07-09-2010

**Profit and Loss Account for the year ended 31-3-2010**

PARTICULARS	Year Ended 31-03-2010 Rupees	Year Ended 31-03-2009 Rupees
<b>INCOME :</b>		
Interest on Fixed Deposit	1,865,208	1,908,016
Govt. Receipt - Interest on Bonds	2,875,930,383	3,248,070,127
Govt. Receipt - Interest on Term Loan	147,637,672	249,804,109
Govt. Receipt - Reimbursement of Expenses incurred	9,770,815	7,527,637
<b>TOTAL INCOME</b>	<b>3,035,204,078</b>	<b>3,507,309,889</b>
<b>EXPENDITURE :</b>		
Interest on Bonds	2,875,930,401	3,248,070,156
Interest on Term Loan	147,637,672	249,804,109
Rating fee (survelience fee)	1,654,500	1,685,400
Trustee fees to SBH	3,084,408	3,389,883
NSE Listing fee	729,581	662,600
Bond servicing Exp.	76,512	87,855
ROC Filing fees	5,675	11,884
E-tds filing fee	856	3,816
Custodial Service fee	110,300	67,416
Consultant & Professional Charges	267,889	159,858
Sitting fee	32,000	-
Advertisement Expenses	4,041,992	1,973,600
Printing & Stationary	31,888	32,721
Postage & Telegrams	637	743
Vehicle Hire Charges	236,400	174,468
Conveyance	-	5,461
Folio maintenance charges	157,729	167,199
Telephone & Internet Expenses	61,647	47,484
Bank Charges	4,400	-
Office Maintenance	9,942	19,286
Board Meeting Expenses	3,067	-
Audit Expenses	6,347	-
Misc. Expenses	7,736	4,894
Salaries	1,026,673	632,700
<b>Auditors Remuneration :</b>		
- For Statutory Auditors	22,336	22,336
Depreciation	15,357	25,101
Remuneration to Managing Director	40,956	33,111
Asset Written off	7,177	-
<b>TOTAL EXPENDITURE</b>	<b>3,035,204,078</b>	<b>3,507,082,081</b>
Provision for FBT	-	227,808
Net Income / Expenditure for the year	-	-

As per Audit Report of even date

For **P.S.N. Ravishanker & Associates**  
Chartered AccountantsFor **ANDHRA PRADESH POWER FINANCE**  
**CORPORATION LTD****(Y. Sai Karunakar)**  
Partner**D. Murali Mohan, IIS**  
Managing Director**K. Vijayanand, IAS**  
Director

Place : Hyderabad

Date : 07-09-2010

**Schedule forming part of Balance Sheet and Profit & Loss A/c**

PARTICULARS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED SHARE CAPITAL: (30,00,00,000 Equity Shares of Rs.100 each)	<b>30,000,000,000</b>	<b>30,000,000,000</b>
ISSUED & PAID UP SHARE CAPITAL 29,00,207 Equity Shares of Rs.100/- each Fully paid up	<b>290,020,700</b>	<b>290,020,700</b>
<b>SCHEDULE - 2</b>		
<b>UNSECURED LOANS</b>		
2/2000 Bond issue 2nd Series	1,556,500,000	1,556,500,000
1/2001 Bond issue 3rd Series	994,700,000	994,700,000
2/2001 Bond issue 4th Series	613,500,000	613,500,000
3/2001 Bond issue 5th Series	1,123,500,000	1,123,500,000
4/2001 Bond Issue 6th Series	999,700,000	999,700,000
5/2001 Bond Issue 7th Series	585,000,000	585,000,000
1/2002 Bonds Issue 8th Series	665,800,000	830,500,000
2/2002 Bonds Issue 9th Series	473,800,000	698,400,000
3/2002 Bonds Issue 10th Series	-	942,800,000
1/2003 Bonds Issue 11th Series	-	228,100,000
2/2003 Bonds Issue 12th Series	1,640,000,000	1,640,000,000
3/2003 Bonds Issue 13th Series	1,507,400,000	1,507,400,000
4/2003 Bonds Issue 14th Series	5,582,700,000	5,582,700,000
1/2004 Bonds Issue 15th Series	5,140,000,000	5,190,000,000
1/2005 Bonds Issue 16th Series	5,972,000,000	5,972,000,000
<b>Cumulative Bonds</b>		
2/2000 Bond issue 2nd Series	13,600,000	13,600,000
1/2001 Bond issue 3rd Series	175,100,000	175,100,000
	<b>27,043,300,000</b>	<b>28,653,500,000</b>
<b>Unsecured Loan from Banks :</b>		
Term Loan -Canara Bank	1,420,000,000	1,780,000,000
<b>TOTAL</b>	<b>28,463,300,000</b>	<b>30,433,500,000</b>

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD

D. Murali Mohan, IIS  
Managing Director

**SCHEDULE - 3**
**Schedule of Fixed Assets as at 31st March, 2010** (Amount in Rupees)

Sl. No.	Description	Gross Block				Depreciation				Net Block		
		As at 1-4-2009	Rate of Dep. %	Additions	Deletion	As At 31-03-10	As at 1-4-2009	Adj. for the year	for the year	As at 31-3-10	As at 31-3-10	As at 1-4-2009
1	Office Equipments	127,807	6.33	19,800	7,690	139,917	66,904	513	8,773	75,164	64,753	60,903
2	Computer System	157,129	16.21	6,300	-	163,429	157,128	-	17	157,145	6,284	1
3	Furniture & Fixtures	102,832	6.33	15,200	-	118,032	25,808	-	6,567	32,375	85,657	77,024
	<b>Totals</b>	<b>387,768</b>		<b>41,300</b>	<b>7,690</b>	<b>421,378</b>	<b>249,840</b>	<b>513</b>	<b>15,357</b>	<b>264,684</b>	<b>156,694</b>	<b>137,928</b>
	Previous Year	369,318		18,450	-	387,768	224,740		25,101	249,840	137,928	144,579

As per Audit Report of even date

For **P.S.N. Ravishanker & Associates**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

(**Y. Sai Karunakar**)  
Partner

Place : Hyderabad

Date : 07-09-2010

**D. Murali Mohan, IIS**  
Managing Director

**K. Vijayanand, IAS**  
Director



## Schedule forming part of Balance Sheet and Profit &amp; Loss A/c

PARTICULARS	As at 31-3-2010 Rupees	As at 31-3-2009 Rupees
<b>SCHEDULE - 4</b>		
<b>Cash &amp; Bank Balances</b>		
Cash in Hand	44	25
Balances with Scheduled Banks		
- In Current Account - SBH	79,952	240,081
- In Fixed Deposits - SBH	20,000,000	20,000,000
<b>TOTAL</b>	<b>20,079,996</b>	<b>20,240,106</b>
<b>SCHEDULE - 5</b>		
<b>LOANS, ADVANCE &amp; RECEIVABLES</b>		
Other Receivables from AP Govt.	270,501,421	272,121,968
TDS receivable	721,719	431,779
Interest Receivable from fixed deposit	17,808	28,356
<b>TOTAL</b>	<b>271,240,948</b>	<b>272,582,103</b>
<b>SCHEDULE - 6</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Liabilities For Expenses	1,456,938	2,939,437
<b>TOTAL</b>	<b>1,456,938</b>	<b>2,939,437</b>

For ANDHRA PRADESH POWER FINANCE  
CORPORATION LTDD. Murali Mohan, IIS  
Managing Director

**SCHEDULE - 7****SIGNIFICANT ACCOUNT POLICIES AND NOTES TO ACCOUNTS :**

Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated pursuant to the Andhra Pradesh Government Order G.O.Ms. No.54 dated 19.05.2000. APPFCL was incorporated as a Government company under the Companies Act 1956, on 12 July, 2000 and has commenced business on July 13, 2000. APPFCL has obtained registration from the Reserve Bank of India as a non-banking finance company under the Reserve Bank of India Act, 1934 vide letter No.DNBS(H) NO. 714/04.039/2000-2001 dated August 25, 2000.

**I. Significant Accounting Policies :****a. Basis of Accounting :**

- i. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- ii. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.
- iii. This year's presentation of financial statements is changed by depicting the Government Receipts in the form of Interest on bonds Rs.287.59 Crores (Previous year Rs.324.80 Crores), Interest on term loan Rs.14.76 Crores(Previous Year : 24.98 Crores) and Reimbursement of expenses incurred by the company on behalf of the Government Rs.0.97 Crores(previous year : 0.75 Crores) under the head 'Income' in the profit & loss account of the company by also regrouping / reclassifying / rearranging the previous year figures.

**b. Revenue Recognition :**

- i. The company recognizes income on the loans given to the Government of Andhra Pradesh, out of the various series of Bonds issued on Private Placement basis and the same is shown as interest income in the profit & loss account.
- ii. The expenditure incurred by the company viz., interest and other operating expenses is reimbursed by the Government of Andhra Pradesh and the same is taken to the profit & loss account.
- iii. The operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loans and other operational expenses is being met / reimbursed by the Government of Andhra Pradesh and hence it does not result in any Profit/Loss and accordingly liability on account of taxation does not arise.

**c. Fixed Assets :**

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, upto the date of commissioning and attributable to the fixed assets are capitalised.

On account of re-classification of assets from Plant and Machinery to Office Equipment with retrospective effect on depreciation, the Net block of Furniture and Fixtures reported at higher value by Rs.7,517/- at the end of the year.

**d. Depreciation :**

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year 2009-10.

On account of re-classification of assets from Plant and Machinery to Office Equipment with retrospective effect on depreciation, resulted in reduction of depreciation to the extent of Rs.7,517/- for the year 2009-10.

**II Notes on Accounts :**

1. Contingent Liabilities not provided for - NIL - (Previous year -NIL-)
2. Capital commitment not provided for (net of advances) - NIL- (Previous Year -NIL-)



3. UNSECURED LOANS: Rs.2846,33,00,000/- (last year Rs. 3043,35,00,000/-).

3.1. The company has issued Bonds under various series styled "POWER BONDS" during the previous years on Private Placement Basis. The common features of the Bonds are as under:

- The Bonds are in the nature of Non-Convertible Bonds, in the nature of Debentures. Government of Andhra Pradesh unconditionally and irrevocably guarantees the interest and principal repayments.
- The payments to the Bond holders are governed by a "STRUCTURED MECHANISM", through a Tripartite Agreement between the company, Government of Andhra Pradesh and State Bank of Hyderabad, Trustees to the Bondholders, which assures budgetary support, if required, from the Government of Andhra Pradesh for servicing the bonds. The payment due on bonds, trustees remuneration and all other monies relating thereto are secured by:

- (a) First charge on all the monies received/to be received by the company in the Designated Account from the State Government of Andhra Pradesh pursuant to the obligations undertaken by it under the Tripartite Agreement
- (b) First charge on all monies in the designated account and all monies and other revenues transferred to that account by the company.

3.2 Unsecured Loans at the end of the year includes the following bonds issued under different series, which were issued to the Creditors of AP TRANSCO, for consideration other than cash.

Sl. No.	Series	Rupees in Crores
1.	Power Bond Series 5/2001	7.00
	<b>TOTAL</b>	<b>7.00</b>

**3.2.1 Power Bonds Series 2/2000 : Rs.155.65 Crores. (Previous Year Rs.155.65 Crores)**

The bonds carry a coupon rate of 13.30% p.a. for a tenure of 10 years and 13.50% for a tenure of 12 years, payable semi-annually with put/call options at the end of 7<sup>th</sup> year and 10<sup>th</sup> year respectively.

**Cumulative Interest Bonds : Rs.1.36 Crores. (Previous Year Rs.1.36 Crores)**

The bonds carry coupon rate of 13.53% p.a. for a tenure of 7 years and 13.74% p.a. for a tenure of 10 years and 13.96% for a tenure of 12 years, payable on redemption.

**3.2.2 Power Bonds Series 1/2001: Rs.99.47 Crores. (Previous Year Rs.99.47 Crores)**

The bonds carry a coupon rate of 13.30% p.a. for a tenure of 10 years and 13.50% for a tenure of 12 years, payable semi-annually with put/call options at the end of 7<sup>th</sup> year and 10<sup>th</sup> year respectively.

**Cumulative Interest Bonds : Rs.17.51 Crores. (Previous Year Rs.17.51 Crores)**

The bonds carry coupon rate of 13.53% p.a. for a tenure of 7 years and 13.74% p.a. for a tenure of 10 years and 13.96% for a tenure of 12 years, payable on redemption.

**3.2.3 Power Bond Series 2/2001 : Rs.61.35 Crores (Previous Year Rs.61.35 Crores)**

The bonds carry a coupon rate of 12.80% for a tenure of 12 years, payable semi-annually with put/call options at the end of 10<sup>th</sup> year.

**3.2.4 Power Bond Series 3/2001 : Rs. 112.35 Crores. (Previous Year Rs.112.35 Crores)**

The bonds carry a coupon rate of 12.50% for a tenure of 12 years, payable semi-annually with put/call options at the end of 10<sup>th</sup> year.

**3.2.5 Power Bond Series 4/2001 : Rs. 99.97 Crores. (Previous Year Rs.99.97 Crores)**

The bonds carry a coupon rate of 12.50% for a tenure of 12 years, payable annually with put/call options at the end of 10<sup>th</sup> year.



**3.2.6 Power Bond Series 5/2001 : Rs.58.50 Crores. (Previous Year Rs.58.50 Crores)**

The bonds carry a coupon rate of 12.00% for a tenure of 12 years, payable annually with put/call options at the end of 10<sup>th</sup> year including Bonds issued for consideration other than cash Rs.7.00 Crores.

**3.2.7 Power Bond Series 1/2002 : Rs. 66.58 Crores. (Previous Year Rs.83.05 Crores)**

The bonds carry a coupon rate of 11.60% p.a. for a tenure of 10 years and 11.80% for a tenure of 12 years, payable -annually with put/call options at the end of 7<sup>th</sup> year and 10<sup>th</sup> year respectively.

**3.2.8 Power Bond Series 2/2002 : Rs.47.38 Crores. (Previous Year Rs.69.84 Crores)**

The bonds carry a coupon rate of 11.40% p.a. for a tenure of 10 years and 11.60% for a tenure of 12 years, payable annually with put/call options at the end of 7<sup>th</sup> year and 10<sup>th</sup> year respectively.

**3.2.9 Power Bond Series 3/2002 : Rs. Nil . (Previous Year Rs.94.28 Crores)**

The bonds carry a coupon rate of 11.15% p.a. for a tenure of 10 year, payable annually with put/call options at the end of 7<sup>th</sup> year.

**3.2.10 Power Bond Series 1/2003 : Rs. Nil . (Previous Year Rs.22.81 Crores)**

The bonds carry a coupon rate of 10.90% p.a. for a tenure of 10 years and payable annually with put/call options at the end of 7<sup>th</sup> year.

**3.2.11 Power Bond Series 2/2003 : Rs. 164.00 Crores. (Previous Year Rs.164.00 Crores)**

The bonds carry a coupon rate of 10.90% p.a for a tenure of 10 years, payable annually with put/call options at the end of 7<sup>th</sup> year.

**3.2.12 Power Bond Series 3/2003 : Rs. 150.74 Crores. (Previous Year Rs.150.74 Crores)**

The bonds carry a coupon rate of 10.65% p.a for a tenure of 10 years, payable annually with put/call options at the end of 7<sup>th</sup> year.

**3.2.13 Power Bond Series 4/2003 : Rs.558.27 Crores. (Previous Year Rs.558.27 Crores)**

The bonds carry a coupon rate of 10.65% p.a for a tenure of 10 years, payable annually with put/call options at the end of 7<sup>th</sup> year.

**3.2.14 Power Bond Series 1/2004 : Rs. 514.00 Crores. (Previous Year Rs.519.00 Crores)**

The bonds carry a coupon rate of 7.50% p.a for a tenure of 7 years and 7.70% p.a for a tenure of 10 years, payable annually with put/call options at the end of 5<sup>th</sup> year and 7<sup>th</sup> year respectively.

**3.2.15 Power Bond Series 1/2005 : Rs. 597.20 Crores. (Previous Year Rs.597.20 Crores)**

The bonds carry a coupon rate of 8.15% p.a., for a tenure of 15 years payable annually with put/call options at the end of 12<sup>th</sup> year.

4. The Company, earlier had taken an unsecured term loan outstanding as on 31.03.2010 at Rs.142.00 Crores (Rs.178.00 Crores as on 31.03.2009) from Canara Bank, for the purpose of implementation through M/s. APTRANSCO by Govt. of AP of the scheme for energisation of individual farmer pump sets/wells in rural areas. The Government of Andhra Pradesh has guaranteed the repayment of this loan, interest, costs, charges, etc.
5. Interest accrued but not due on regular bonds amounting to Rs.93,23,09,970/- (Previous year Rs.120,05,03,724/- is not provided in the accounts due to the following reasons:
  - a) The tax cannot be deducted at source as required under Chapter XVII of the Income Tax Act, 1961, as the bonds are tradable in nature and the ultimate beneficiary cannot be ascertained.
  - b) The actual Interest expenditure incurred by the company is reimbursable by the A.P. State Government.
6. Interest on cumulative Bonds amounting to Rs.43,71,38,525/- (previous year Rs.36,05,24,021/-) is not



provided due to the following reasons:

- a) The interest is due and payable only on maturity of the Bonds as per the terms of the offer document.
  - b) The quantum of interest due to a bondholder cannot be ascertained, as they are tradable bonds.
  - c) The tax due payable by a bondholder cannot be deducted at source as the quantum of interest cannot be determined.
  - d) The actual Interest expenditure incurred by the company is reimbursable by the A.P. State Government.
7. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is Rs.73,79,59,390/- (last year Rs. 57,22,13,747/-) against which cheques have already been dispatched to the Bondholders.
8. Loans to the Government of Andhra Pradesh :
- Upto the year ending 31-03-2010, the Funds mobilized by the issue of Bonds (net of redemption) amounting to Rs.2704,33,00,000/- (Previous year Rs.2865,35,00,000/-) and Term Loan (net of repayments) taken from Canara Bank of Rs.142,00,00,000/-(Previous year Rs.178,00,00,000/-) were shown as "Loan to Govt. of Andhra Pradesh" under the head "Current Assets, Loans and Advances".
- Out of the above, the Bonds issued for consideration other than cash were Rs.7,00,00,000/-, (previous year Rs.7,00,00,000/-) which were issued to the creditors of APTRANSCO.
9. (a) 'Other Receivables' from the Government of Andhra Pradesh shown under 'Loans & advances' is subject to confirmation and reconciliation.
- (b) Percentage of such unconfirmed amount to the total amount Outstanding 0.95% (Previous 0.89%).
10. Managerial Remuneration :

Particulars	Managing Director	
	2009-10 Rs.	2008-09 Rs.
Salaries, Allowances	-	-
Contribution to Provident Fund and welfare Fund	-	-
Others - Additional Charge allowance to Managing Director	40,956/-	33,111/-

11. During the year, to the extent information provided by the suppliers, the company has not entered into any transactions either with Small Scale Industries or any other enterprises which come under the purview of Micro, Small and Medium Enterprises Development Act, 2006.
12. Other information required to be disclosed as per paragraphs 3 and 4 of the Schedule VI to the Companies Act 1956 is 'NOT APPLICABLE' in the case of the company.

For **P.S.N. Ravishanker & Associates**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

(**Y. Sai Karunakar**)  
Partner  
M. No. 207033

**D. Murali Mohan, IIS**  
Managing Director

**K. Vijayanand, IAS**  
Director

Place : Hyderabad

Date : 07-09-2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

PARTICULARS	31st March, 2010 Rupees	31st March, 2009 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation	15,357	25,101
Interest Income	(1,865,208)	(1,908,016)
Assets written off	7,177	-
Preliminary Expenses written off	-	-
<b>Operating Profit Before Working Capital Changes</b>	<b>(1,842,674)</b>	<b>(1,882,915)</b>
Adjustments for :		
Trade and Other Receivables	1,341,155	(1,697,977)
Other advances	1,970,200,000	(5,361,900,000)
Trade Payables and Other Liabilities	(1,482,499)	1,775,441
<b>Increase/(Decrease) in Net Current Assets</b>	<b>1,970,058,656</b>	<b>(5,361,822,536)</b>
<b>Net Cash From Operating Activities (A)</b>	<b>1,968,215,982</b>	<b>(5,363,705,451)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(41,300)	(18,450)
Interest Received	1,865,208	1,908,016
<b>Net Cash Used In Investing Activities (B)</b>	<b>1,823,908</b>	<b>1,889,566</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (Net)	(1,970,200,000)	5,361,900,000
Interest Paid on borrowings	-	-
<b>Net Cash used in financing Activities (C)</b>	<b>(1,970,200,000)</b>	<b>5,361,900,000</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(160,110)</b>	<b>84,115</b>
<b>Cash and Cash Equivalents at the beginning the year</b>	<b>20,240,106</b>	<b>20,155,990</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>20,079,996</b>	<b>20,240,106</b>
	<b>(1,60,110)</b>	<b>84,115</b>

As per Audit Report of even date

For P.S.N. Ravishanker & Associates  
Chartered AccountantsFor ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD(Y. Sai Karunakar)  
Partner

Place : Hyderabad

Date : 07-09-2010

D. Murali Mohan, IIS  
Managing DirectorK. Vijayanand, IAS  
Director

**Balance Sheet Abstract & Company's General Business Profile**  
(Submitted in terms of Part IV of the Schedule VI to the Companies Act, 1956)**I Registration Details :**

Registration No.	34911	State Code	01
Balance Sheet Date :	31.03.2010		

**II Capital raised during the year** (Amount in Rs. '000)

Public Issue	Nil	Rights Issue	Nil
Total Liabilities	28,753,321	Total Assets	28,753,321

**Sources of funds**

Paid up capital	290,021	Reserves & Surplus	Nil
Secured loans	Nil	Unsecured loans	28,463,300

**Application of funds**

Net fixed assets	157	Investments	Nil
Net current assets	28,753,164	Misc. Asset.	Nil
Accumulated losses	0		

**IV. Performance of company** (Amount in Rs. '000)

Turnover	3,035,204	Total expenditure	3,035,204
Profit / Loss before Tax	Nil	Profit / Loss After Tax	Nil
Earnings per share in Rs.	Nil	Dividend Rate %	Nil

**V. Generic names of three principle products/services of company**

(As per monetary terms)

Item Code No. (I.T.C. Code)

Production description NBFC

For **P.S.N. Ravishanker & Associates**  
Chartered AccountantsFor **ANDHRA PRADESH POWER FINANCE**  
**CORPORATION LTD****(Y. Sai Karunakar)**  
Partner

Place : Hyderabad

Date : 07-09-2010

**D. Murali Mohan, IIS**  
Managing Director**K. Vijayanand, IAS**  
Director



**Andhra Pradesh Power Finance Corporation Limited**

# 403, 'L' Block, Andhra Pradesh Secretariat, Hyderabad - 500 022.

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