

**ANDHRA PRADESH POWER FINANCE
CORPORATION LIMITED**



Annual Report for 2000-2001



DIRECTORS' REPORT

BOARD OF DIRECTORS

SRI S.K. ARORA, IAS Chairman

SRI V.S. SAMPATH, IAS Director

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BOARD OF DIRECTORS

The GOAP have nominated and appointed the following as the Directors on the Board of your Company.

- | | | | |
|----|----------------------------|-------------------|-------------------|
| 1. | SRI S.K.ARORA, IAS | Chairman | |
| 2. | SRI V.S.SAMPATH, IAS | Director | |
| 3. | SRI A.K.KUTTY, IAS | Director | (Upto 23.10.2000) |
| 4. | SRI P.RAMAKANTH REDDY, IAS | Director | (From 23.10.2000) |
| 5. | SRI J.PARTHASARATHY | Director | |
| 6. | SRI T.V.S.N.PRASAD, IAS | Director | (From 20.09.2000) |
| 7. | SRI B.ARAVINDA REDDY, IAS | Managing Director | (From 27.01.2001) |

AUDITORS :

M/S.GANESHAM & SRIDHAR
CHARTERED ACCOUNTANTS
410, Raghava Ratna Towers,
5-8-354, Chirag Ali Lane,
Abids, HYDERABAD - 500 001.

BANKERS :

STATE BANK OF HYDERABAD
Gunfoundry, Abids,
HYDERABAD.



DIRECTORS' REPORT

To
Dear Members,

Your Directors have pleasure in presenting the first Annual Report of your Company for the year ending **31st March 2001**.

BACKGROUND FOR FORMATION :

The Government of Andhra Pradesh (GoAP) had undertaken a total and comprehensive programme for restructuring the Power Sector in the State. The programme is intended to enable the power sector to be viable and self-sustaining. The Andhra Pradesh Electricity Reform Bill was approved by the State Legislative Assembly on April 28 1998 for the restructuring of the power sector. The Reform Act was notified on October 29th 1998 and the GoAP made the Act effective from 1st February 1999. Recognizing the need for extending net financial support to the newly formed entities in place of Andhra Pradesh State Electricity Board (APSEB), viz., Transmission Corporation of Andhra Pradesh Limited (APTRANSCO); Andhra Pradesh Generation Corporation Limited (APGENCO); and the four Distribution Companies (DISCOMs) under APTRANSCO, the Government had undertaken to provide assistance to enable the power sector to get over the teething problems during the period of reforms. The Government thus gave clearance, vide G.O. Ms. No. 54, dt. 19-05-2000, to form your company to meet the requirements of the unbundled entities during the transition period and also to provide an impetus for infrastructure and development of the power sector.

The Registrar of Companies, Andhra Pradesh, Hyderabad, issued the Certificate of Incorporation on 12th July 2000 and the Certificate of Commencement of business on 13th July 2000.

Further, the Reserve Bank of India, vide letter no. DNBS (H) No. 714/04,039/2000-2001, dt. 25-08-2000, registered your company as a Non-Banking Finance Company (NBFC) under the RBI Act 1934.

MAIN OBJECTIVES:

Your Company was formed with the following main objectives -

1. To acquire shares or provide long term finance to any enterprise wholly engaged in the business of developing, maintaining and operating power, including but not limited to a generating, transmission, distribution facilities or any infrastructure facilities, as specified in Section 10 (23) (G) of the Income Tax Act 1961 or any amendment or modification thereto; and
2. To subscribe for, underwrite, purchase, or otherwise acquire and to hold, dispose of and deal with the shares, stocks, securities appoint date evidences of indebtedness, or the right to participate in profits or other similar documents issued by any Government, Authority, Corporation, or body of persons and any option or right in respect thereof.

FIRST YEAR SCENARIO :

Your company had raised an amount of Rs.2474.51 Crores during the first Financial Year commencing on 12th July 2000 and ending on 31st March 2001 through private placement of non-convertible and redeemable bonds.

BOARD MEETINGS HELD DURING THE YEAR :

A total of Twenty three Board Meetings were held during the first Financial Year ending 31st March 2001.

AUDITORS :

M/s Ganesham & Sridhar, Chartered Accountants, Hyderabad, were appointed by the C & AG as statutory auditors of your company for the first financial year ending 31st March 2001.

PERFORMANCE :

The supplementary audit was conducted by the Accountant General of the C&AG. The accounts of the company were revised for better presentation on the basis of C&AGs comments during supplementary audit.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO :

- A. Conservation of Energy: Since the company is not engaged in any of the activities indicated in Schedule-A of the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules 1988, the details in this regard may be taken as NIL.
- B. Technology Absorption: Since the company is formed as an NBFC, the details in this regard may be taken as NIL.
- C. Foreign Exchange Earnings and Outgo: The foreign exchange earning and outgo may be taken as NIL during the FY 2000-2001.

PARTICULARS OF EMPLOYEES :

None of the employees of the Company were in receipt of remuneration as envisaged under Section 27 (2A) of the Companies Act 1956.

FUTURE STRATEGY :

Your Company has started raising funds through private placement of non-convertible and redeemable bonds and the Members at the Extraordinary General Meeting have approval to raise funds to the extent of Rs. 5,000 crores. The amount raised would be utilized for the on-going reforms in the power sector of the State.

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 31st March 2001, 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 on 31st March 2001;
- (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; and
- (iv) that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their deep appreciation for the continued support extended by the Government of Andhra Pradesh, especially the Energy and Finance Departments, and Bankers and Agencies, which were instrumental in the smooth functioning of the operations of the company. Your Directors also wish to thank the employees for their efficient and dedicated services to the company.

For and on behalf of the Board of APPFCL

Sd/-

(B.ARAVINDA REDDY, IAS)

Managing Director

Place : Hyderabad.

Date : 26-12-2001

**AUDITOR'S REPORT****GANESHAM & SRIDHAR**

Chartered Accountants
410, Raghava Ratna Towers,
Chirag Ali Lane, Hyderabad - 1
Tel : 040-2320 3922

To

THE MEMBERS OF ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

We have audited the attached Balance sheet of **Andhra Pradesh power Finance Corporation Limited** as at 31st March, 2001 and also the profit and loss Account for the period ended on that date and report that :

1. As required by the Manufacturing and other companies (Auditor's Report) order. 1988 issued by the Company Law Board in terms of section 227(4A) of the companies Act, 1956 we enclose in the Annexure, a statement on the matters specified in paragraphs 4 of the said Order, to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - 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 accounts as required by law have been maintained by the company in so far as it appears from our examination of the books.
 - c. The Balance sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account
 - d. In our opinion, the Balance sheet and profit and loss Account complies with the Accounting Standards referred to in section 211(3c) of the Companies Act 1956.
 - e. In our opinion, and based on the information and explanations given to us, none of the directors are disqualified as on 31st March 2001 from being appointed as Directors in terms of clause (g) of sub - section (1) of section 274 of the companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations submitted to us, the said accounts read with the notes annexed thereto give the information required by the companies Act, 1956 in the manner so required and give a true and fair view :
 - (a) in the case of the Balance sheet, of the state of affairs of the company as at 31st March, 2001 and
 - (b) in the case of the profit and loss account of the No Profit - No Loss for the period ended on that date

This Report is issued on the revised accounts of the company for the period 12-7-2000 to 31-3-2001.

For **GANESHAM & SRIDHAR**

Chartered Accountants

Sd/-

N. Sridhar Venkata Rao

Partner

Place : Hyderabad

Date : 28-12-2001

**AUDITOR'S REPORT****GANESHAM & SRIDHAR**

Chartered Accountants
410, Raghava Ratna Towers,
Chirag Ali Lane, Hyderabad - 1
Tel : 040-2320 3922

To

THE MEMBERS OF ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

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 - 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 accounts as required by law have been maintained by the company in so far as it appears from our examination of the books.
 - c. **The Balance sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account**
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 - e. In our opinion, and based on the information and explanations given to us, none of the directors are disqualified as on 31st March 2001 from being appointed as Directors in terms of clause (g) of sub - section (1) of section 274 of the companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations submitted to us, the said accounts read with the notes annexed thereto give the information required by the companies Act, 1956 in the manner so required and give a true and fair view :
 - (a) in the case of the Balance sheet, of the state of affairs of the company as at 31st March, 2001 and
 - (b) in the case of the profit and loss account of the No Profit - No Loss for the period ended on that date

This Report is issued on the revised accounts of the company for the period 12-7-2000 to 31-3-2001.

For **GANESHAM & SRIDHAR**

Chartered Accountants

Sd/-

N. Sridhar Venkata Rao

Partner

Place : Hyderabad

Date : 28-12-2001

11. There are no undisputed amounts payable in respect of Income Tax as at 31.03.2001 outstanding for a period more than six months.
12. The Company has a system of verifying and authorizing all expenditure. No personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
13. The Company is not a sick company as per 2(1) of the Sick Industrial (Special) Provisions Act, 1985.

For **GANESHAM & SRIDHAR**

Chartered Accountants

Sd/-

N. Sridhar Venkata Rao

Partner

Place : Hyderabad

Date : 28-12-2001



Balance Sheet as at 31-3-2001
1002-3-15 of 0002-7-21 dated 15/03/2001

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 31st March 2001.

In view of the revisions made in the accounts as a result of the observations made by the Comptroller and Auditor General of India as indicated in the last para of the Auditors' Report to the shareholders and note number 6 of notes forming part of accounts, there are no further comments to offer upon or supplement to the Auditor's Report under Section 619(4) of the Companies Act 1956 on the accounts of the Andhra Pradesh Power Finance Corporation Limited, Hyderabad of the period ended 31st March, 2001

Hyderabad.

20-2-2002

Sd/-
ACCOUNTANT GENERAL (AUDIT) - II
ANDHRA PRADESH

Balance Sheet As at 31-3-2001

	Schedule No.	
LIABILITIES		
SHARE CAPITAL	1	27,00,00,700
UNSECURED LOANS	2	2474,51,00,000
Total		<u>2501,51,00,700</u>
ASSETS		
FIXED ASSETS		
Office Equipment at original cost		20,030
CURRENT ASSETS & LOANS AND ADVANCES		
Cash on Hand		2,030
Cash with Scheduled Bank		44,24,63,026
Loan to A.P. State Govt.		2427,42,70,000
Other Receivables	3	75,24,27,622
		<u>2546,91,62,678</u>
LESS : CURRENT LIABILITIES & PROVISIONS	4	47,41,02,008
		<u>2499,50,60,670</u>
MISC. EXPENSES AND LOSSES		
INCORPORATION EXPENSES		2,00,20,000
Total		<u>2501,51,00,700</u>
Notes forming part of the accounts	5	

As per our Report of even date
For **GANESHAM & SRIDHAR**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
N. Sridhar Venkata Rao
Partner

Sd/-
Manaing Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Sd/-
Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Place : Hyderabad
Date : 28-12-2001



**Profit and Loss Account
for the period 12-7-2000 to 31-3-2001**

EXPENDITURE

Interest on Bonds	47,56,55,140
Interest on Application money	7,81,57,170
Stamp Duty on Bonds	18,55,88,750
Arrangers fees	2,83,90,598
Credit rating fees	31,50,000
Printing & Stationary	4,36,787
Registrar fees	4,24,189
Trustee fees to SBH	3,93,957
Vehicle Hire Charges	46,500
Consultant fees	1,21,703
Prof. Consultancy fees	34,640
Postage	21,728
Fiting fees	14,000
Stamp charges	1,196
Statutory Audit fees	10,000
Books and periodicals	522
Bank Charges	42

77,24,46,922

INCOME

NIL

Transferred to A.P. State Govt. A/c.

77,24,46,922

As per our Report of even date
For **GANESHAM & SRIDHAR**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
N. Sridhar Venkata Rao
Partner

Sd/-
Manaing Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Sd/-
Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Place : Hyderabad

Date : 28-12-2001

**SCHEDULES TO BALANCE SHEET**As at 31-3-2001
Rs.**SCHEDULE 1****SHARE CAPITAL****AUTHORISED CAPITAL**

30,00,00,000 Equity Shares of Rs. 100 each

3000,00,00,000**SUBSCRIBED & PAID UP CAPITAL**

27,00,00,007 Equity Shares of Rs. 100 each Fully paid up

27,00,00,700**SCHEDULE 2****UNSECURED LOANS**

Power Bonds (Series I/2000) 1st Series

356,97,00,000

Power Bonds (Series II/2000) 2nd Series

505,62,00,000

Power Bonds (Series I/2001) 3rd Series

433,56,00,000

Power Bonds (Series II/2001) 4th Series

1178,36,00,000**2474,51,00,000****SCHEDULE 3****OTHER RECEIVABLES**

Expenses reimbursable from A.P. State Govt

77,24,46,922

Misc. Receivables

700**77,24,47,622**

Less : Incorporation expenses paid by Govt. of A.P.

2,00,20,000**75,24,27,622****SCHEDULE 4****CURRENT LIABILITIES & PROVISIONS**

Interest accrued but not due

28,50,43,248

Stamp duty on Bonds payable

18,55,88,750

Provision for expenses

29,91,389

Tax: deducted at source

4,78,621**47,41,02,008**

Schedule of Assets for the Year ending 31st March, 2001

Sl. No.	Description of Asset	Gross Block			Depreciation			Net Block	
		As at 1-4-00 Rs.	Additions during the year	Deletions during the year	Total 31-03-01 Rs.	As at 31-3-00 Rs.	for the year Rs.	As at 31-3-01 Rs.	As at 31-3-00 Rs.
1	Land		0		0		0	0	0
2	Building		0		0		0	0	0
3	Plant & Machinery		10750		10750		0	10750	0
4	Office Equipments		9280		9280		0	9280	0
5	Furniture & Fixtures		0		0		0	0	0
	Total		20030		20030		0	20030	0
	Previous Year		0		0		0	0	0

Sd/-
For GANESHAM & SRIDHAR
 Chartered Accountants,
 Hyderabad. A. P.

SCHEDULE 5**Significant Accounting Policies****1. Basis of Accounting**

The Company prepares its accounts on Accrual basis under the historical cost convention and in accordance with the applicable Accounting Standards in India.

2. Revenue Recognition :

The company does not recognise any income on the loans given to the Government of Andhra Pradesh out of the various series of Bonds issued on Private Placement basis. Various expenses incurred by the company are transferred to the Government of Andhra Pradesh account for reimbursement.

3. Fixed Assets :

Fixed assets are stated at Cost of Acquisition inclusive of duties, taxes, etc. No Depreciation has been provided since the asset has not been put to use during the year. Depreciation will be provided on Straight Line Method from the date the assets are put to use.

NOTES FORMING PART OF ACCOUNTS AS AT 31-3-2001 :

1. Andhra Pradesh Power Finance Corporation Ltd., (APPFCL) has been formed under 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 13th, 2000 APPFCL has obtained registration from the Reserve Bank of India (RBI) as a Non - Banking Finance Company (NBFC) under the Reserve Bank of India Act 1934 vide letter No. DNBS(H) No. 714/04. 039 /2000-2001 dated August 25th, 2000

2. UNSECURED LOANS :

The company has issued Bonds under various series styled "POWER BONDS" during 2000-2001 on Private Placement Basis. The common features of the Bonds are as under

- The Bonds are in the nature of Non-Convertible and Redeemable Bonds in the nature of Debentures
- Interest payment and principal repayment are unconditionally and irrevocably guaranteed by Government of Andhra Pradesh.
- The Payments to the Bond holders are governed by a "Structured Payment Mechanism", through a tripartite Agreement between the company, Government of Andhra Pradesh and state Bank of Hyderabad; the 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 the Government of Andhra Pradesh 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

2.1 Power Bonds Series 1/2000 :

The bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30 % p.a. for a tenor or 10 years payable semi - annually with put/call options at the end of 5 years and 7 years respectively.



2.2 Power Bonds Series II/2000 :

Regular Income Bonds :

The bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30% p.a. for a tenor of 10 years and 13.50% for a tenor of 12 years payable semi - annually with put/call options at the end of 5 years and 7 years and 10 years resectively

Cumulative Interest Bonds :

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

2.3 Power Bonds Series I/2001 :

Regular Income Bonds :

The Bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30% p.a. for a tenor of 10 years and 13.50% for a tenor of 12 years, payable semi-annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

Cumulative Interest Bonds :

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

2.4 Power Bond Series II/2001 :

The Bonds carry a coupon rate of 12.30% p.a. for a tenor of 7 years and 12.60% p.a. for a tenor of 10 years and 12.80% for a tenor of 12 years payable semi - annually with put/call options at the end of 5 years, 7 years and 10 years respectively.

3. Other information as required by Schedule VI, Part II of the Companies ACT 1956 relating to exports, imports and earnings in foreign currency, remittance in foreign currency is not given, as the same is not applicable.
4. As the Company is not a manufacturing company, information under to paragraphs 3 and 4 of the Schedule VI of the Companies ACT 1956 is not given
5. This being the first year of operation, previous year's figures are not given.

Sd/-

For **GANESHAM & SRIDHAR**
Chartered Accountants,
Hyderabad, A.P.



6. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956 :

1. **Registration No. : 01-34911-00-2001** State Code : 01
Balance Sheet Date : 31-03-2001

2. **Capital Raised during the year (Rs. in lakhs)**

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	2700.01

3. **Position of mobilisation & Deployment of Funds (Rs. lakhs)**

Total Liabilities	2501.51	Total Assets	2501.51
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Sources of Funds (Rs.)

Paid -up Capital	27,00,00,700	Reserves & Surplus	NIL
Uncured Loans	2474,51,00,000	Unsecured Loans	NIL

Application of Funds (Rs.)

Net Fixed Assets	20,030	Investments	NIL
Net Current Assets	2499,50,60,670	Misc. Expenses	2,00,20,000
Accomulated Losses	NIL		

Performance of the Company

Turnover/Income	NIL	Total Expenditure	NIL
Profit Before Tax	NIL	Profit after Tax	NIL
Earnings per share	NIL	Dividend rate(%)	NIL

4. **Generic names of principal products / services of the company**

Item Code	Not applicable
Product description	Not applicable

As per our Report of even date
 For **GANESHAM & SRIDHAR**
 Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE CORPORATION LTD

Sd/-
N. Sridhar Venkata Rao
 Partner

Sd/-
 Manaing Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Sd/-
 Director
Andhra Pradesh
Power Finance Corpn. Ltd.
Hyderabad

Place : Hyderabad
 Date : 28-12-2001