

**Annual Report for 2003-2004**



**ANDHRA PRADESH POWER FINANCE  
CORPORATION LIMITED**



BOARD OF DIRECTORS REPORT

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**BOARD OF DIRECTORS**

- |  |                   |
|--|-------------------|
| 1. Sri P. Ramakanth Reddy I.A.S. (From 02-02-2005)           | CHAIRMAN          |
| 2. Sri V.S. Sampath I.A.S. (Upto 02-02-2005)                 | CHAIRMAN          |
| 3. Smt. Rachel Chatterjee I.A.S.                             | Director          |
| 4. Sri S.V. Prasad I.A.S. (From 08.08.2005)                  | Director          |
| 5. Sri Jannat Husain I.A.S (Upto. 04.09.04)                  | Director          |
| 6. Sri Deepak Kumar Panwar I.A.S (From 04.09.04 to 08.08.05) | Director          |
| 7. Sri Ajay Jain I.A.S (From 27.11.04)                       | Director          |
| 8. Sri J Parthasarthy (Upto 11.06.04)                        | Director          |
| 9. Sri A Giridhar, I.A.S (From 08.08.05)                     | Director          |
| 10. Sri G Parthasarathi (From 08.08.05)                      | Director          |
| 11. Sri B. Siddhartha Kumar IFS (From 01.10.04)              | Managing Director |
| 12. Sri B.Aravinda Reddy I.A.S (Upto 01.10.04)               | Managing Director |

**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 Branch, Abids,

Hyderabad - 500 001.

## DIRECTORS' REPORT

### To The Members

Your Directors have pleasure in presenting the Fourth Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended **31st March 2004**.

### ECONOMY AND POWER SECTOR SCENARIO

India is one of the fastest growing economies in the world, To support the planned GDP growth rate in the coming years, with the manufacturing and service segments assuming importance, the electricity sector will need to grow at 9-10% annually, The Electricity Act, 2003 will facilitate the emergence of a commercially sound and self sustaining power sector and thereby attract investors and motivate promoters to take decisions based on market conditions rather than look to long term power purchase agreements with State owned utilities, under Government counter guarantees. Of late, several initiatives and measures have been taken to unbundle and privatize the sector to meet the targeted capacity additions in the 10th and 11th Five Year Plans to minimize the transmission and distribution losses, to cut down the operating losses suffered by electricity Boards and to ensure open access.

Despite growth in the economy, a large part of india's populaton, especially in the rural areas, still does not have access to electricity. The annual per capita energy consumption is a paltry 566 kWh against a world average of 1870 kWh. The National Electricity Policy announced recently, aims at providing electric connections to all households over the next five years and to improve the per capita availability of energy to 1000 kWh by the year 2012. India would need to an additional One Lakhas MW of generating capacity (not to speak of augmenting evacuation and distribution) and bring in investments of Rs. 9,000,000 Crores within a decade to meet this growing demand . This, indeed, is a mammoth task.

The institutions set up exclusively for financing poer sector both at national level like Power Finance Corpotation Limited and at state level like Andhra Pradesh Power Finance Corporation Limited will have to play a catlystrole in mobilizing the resources required of the order of Rs. 9,00,000crores within this decade.

### OPERATIONS

In furtherance of its avowed objective of raising and providing finance for restructuring and strengthening the power sector in the State of Andhra Pradesh, the Company raised funds to the tune of Rs. 1162,79 Crores by issue of Power Bonds in the nature of non-convertible and redeemable bonds during the year under review. An amount of Rs. 1162,79 Crores were made available to the Government for financing the requirements of power sector reforms and the cumulative advances as at 31st March 2004 were Rs. 6543.26 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs. 673.09 Crores and the same was transferred to the Government for reimbursement.

### POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2004 was Rs. 6543.26 Crores and the servicing of the same is regular and up to date.

## 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 Deepak Kumar Panwar, IAS, Principal Secretary to Government, Energy Department, Sri B Siddhartha Kumar, IFS, Additional Secretary, Energy Department, Sri Ajay Jain, IAS, Managing Director, APGENCO and Sri P Ramakanth Reddy, IAS, Principal Secretary, Finance Department as Directors of the Company in place of Sri Jannat Hussain, IAS, Sri B Aravind Reddy, IAS, Sri J Parthasarathy and Sri V S Sampath, IAS during their tenure as Directors of the Company.

The Government of Andhra Pradesh further appointed Sri S V Prasad, IAS, Principal Secretary to Government, Energy Department as Director of the Company in place of Sri Deepak Kumar Panwar. The Board placed on record its appreciation of the valuable contribution made by Sri Deepak Kumar Panwar, IAS during his tenure 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 A Giridhar, IAS, Secretary to Government, (IF) Finance Department and Sri G Parthasarathi, Dy-Secretary to Government, Finance Department as Directors of the Company.

## AUDITORS

M/s Ganesham & Sridhar, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2003-04.

## AUDIT OBSERVATIONS

The Comments of the Comptroller & Auditor General of India will be circulated to the members and laid at the ensuing reconvened Annual General Meeting for adoption of Annual Accounts for the year 2003-04.

## AUDIT COMMITTEE

The Audit committee had been reconstituted on 14th March, 2005 with Sri Deepak Kumar Panwar and Sri B Siddhartha Kumar as Members and Sri P Ramakanth Reddy as Chairman of the Committee.

The Audit committee has been reconstituted again on 8th August, 2005 with Sri S V Prasad and Sri B Siddhartha Kumar as Members and Sri P Ramakanth Reddy as Chairman of the Committee, consequent on appointment of Sri S V Prasad, IAS as Director in place of Sri Deepak Kumar Panwar, IAS.

## 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 Rs. 24,00,000 p.a. or Rs. 2,00,000 p.m. during the year under review.

## DIRECTOR'S 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, 2004, 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 judgements and estimated 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, 2004.
- 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.

## ACKNOWLEDGMENTS

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

Sd/-

**(P. Ramakanth Reddy)**

CHAIRMAN

Place: Hyderabad

Date : 08.08.2005

## AUDITORS' REPORT

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, 2004 and also the Profit and Loss Account 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 conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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.

As required by the companies (Auditor's Report) order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order and as per directions conferred by Section 45MA (1A) of the Reserve Bank of India Act 1934, on matters specified in paragraphs 3 and 4, to the extent applicable.

### Further to our comments in the Annexure referred to above, we report that subject to the following Note on accounts

Revenue recognition: The company does not recognise income on loans granted to the Government of Andhra Pradesh Rs. 6543,26,00,000 (Last year Rs. 58,13,35,70,000):

- (i) 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:
- (ii) In our opinion, the company as required by law has kept proper books of accounts in so far as it appears from our examination of those books.
- (iii) The Balance sheet and profit and Loss Account dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the balance sheet and profit and loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3c) of section 211 of the companies Act, 1956.
- (v) On the basis of written representations received from the directors, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of the companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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.

- a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2004 and
- b) in the case of the Profit and Loss Account for the year ended on 31st March 2004.

This Report is issued on the revised accounts of the company for the year 2003-04. The accounts have been revised based on the comments of C & AG of India and there is no increase of expenditure affecting the financial position of the company dealt with in our report dated 29.12.2004.

**For Ganesham & Sridhar**  
Chartered Accountant

Place: Hyderabad

Date : 19-05-2005

Sd/-

**N. Ganesham**  
PARTNER

For Ganesham & Sridhar  
Chartered Accountants

Sd/-  
**N. Ganesham**  
PARTNER

Place: Hyderabad  
Date : 19-05-2005



## ANNEXURE TO THE AUDITORS' REPORT

(referred to in paragraph (1) of our Report of even date)

1. (a) The company is maintaining proper records to showing full particulars, including quantitative details and situation of its fixed assets.  
(b) These fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies noticed on such verification books of account;  
(c) No fixed assets have been disposed off during the year, hence not affected the going concern;
2. The company is registered under the provisions of Section 45 of Reserve Bank of India Act 1934 as Non Banking Financial Company;
3. The company has accepted deposits from the public by a issue of Unsecured Bonds, as per directives issued by the Reserve Bank of India being a Non-Banking Financial Company and no funds were raised under the provisions of sections 58A and 58AA of the Act and the rules framed there under
4. The company does not have on internal audit system commensurate with its size and nature of its business;
5. (a) The company is not covered under the provisions of the Provident Fund, Employees, State Insurance Custom Duties, Excise Duties, cess.  
(b) Income-Tax, Sales-Tax, Wealth Tax, and any other statutory dues. There are no statutory dues outstanding as attracts as at the last Day of the financial year concerned for a period of more than six months from the date they became payable
6. The company has not defaulted in repayment of dues to a financial institution or bank.
7. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
8. The company does not conduct any business of nidhi/ mutal benefit fund / societies;
9. The company is not dealing of trading in shares, securities, debentures and other investments,
10. The company has not given any guarantee for loans taken by others from bank or financial institutions
11. The company has not made any preferential allotment of shares;
12. The company has not issued any Debentures
13. During the period covered by our audit report, the Company has not raised any money by public issues other than Bonds
14. 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 has been noticed during the course of our audit

For **Ganesham & Sridhar**  
Chartered Accountants

Place: Hyderabad  
Date : 19-05-2005

Sd/-  
**N. Ganesham**  
PARTNER

**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 for the year ended 31st March 2004.**

In view of the revisions made in the accounts as a result of the observation made by the Comptroller and Auditor General of India as indicated in para VI (b) of the Auditors Report, 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 for the period ended 31st March 2004.

ASSETS		LIABILITIES	
(a) Fixed Assets: Gross Block	4417.79	(a) Fixed Assets: Gross Block	4417.79
(b) Less: Depreciation	0.01	(b) Less: Depreciation	0.01
(c) Net Block	4417.78	(c) Net Block	4417.78
(d) Current Assets: Loans & Advances	8815.28	(d) Current Assets: Loans & Advances	8815.28
(e) Miscellaneous Expenditure	2.00	(e) Miscellaneous Expenditure	2.00
(f) TOTAL	13235.06	(f) TOTAL	13235.06
(g) Capital Employed	4252.08	(g) Capital Employed	4252.08
(h) Net worth	22.00	(h) Net worth	22.00

Place : Hyderabad  
Date : 06-06-2005

Sd/-  
**Principal Accountant General (C&RA)**

Note: (i) The above statements are prepared on the basis of the accounts submitted to the Comptroller and Auditor General of India. (ii) Capital employed represents net fixed assets plus working capital.



## ANNEXURE TO THE AUDITORS' REPORT

Financial Review of Accounts of Andhra Pradesh Power Finance Corporation Limited, for the year ended 31st March, 2004 by the Controller and Auditor General of India

Note: This review of accounts has been prepared without taking into account of the comments under section 619(4) of the companies act, 1956 and qualifications contained in the Statutory Auditors Report.

## 1. FINANCIAL POSITION

The table below summarises the financial position of the company for the last three years ended 31 March 2004

(Rs. in crore)

Particulars	2001-02	2002-03	2003-04
<b>LIABILITIES</b>			
(a) Paid up Capital			
i) Government of Andhra Pradesh	27.00	27.00	27.00
(b) Sharing Application Money			2.00
(c) Borrowings			
Unsecured Loans	4230.08	5823.47	6543.26
(d) Current Liabilities & Provisions	162.72	157.18	245.02
<b>TOTAL</b>	<b>4419.80</b>	<b>6007.65</b>	<b>6817.28</b>
<b>ASSETS</b>			
(e) Fixed Assets: Gross Block	0.03	0.03	0.03
(f) Less: Depreciation	0.01	0.01	0.01
(g) Net Block	0.02	0.02	0.02
(h) Current Assets, Loans & Advances	4417.78	6005.63	6815.26
(i) Miscellaneous Expenditure (to the extent not written off or adjusted)	2.00	2.00	2.00
<b>TOTAL</b>	<b>4419.80</b>	<b>6007.65</b>	<b>6817.28</b>
(j) Capital Employed	4255.08	5848.47	6570.26
(K) Net worth	25.00	25.00	25.00

Note : (I) Capital employed represents net fixed assets plus working capital.

(II) Net worth represents paid up capital plus reserves and surplus less intangible assets.

## 2. WORKING CAPITAL

The working capital (Current assets, loans and advances less current liabilities and provisions) at the end of each of the three years ended 31 March 2004 amounted to Rs. 4255.06 crores; Rs. 5848.45 crores; and Rs 6570.24 crore respectively.

## 3. Working Results

The working results of the company for the three years ended 31 March 2004 are tabulated below :

Sl.No.	Particulars	2001-02	2002-03	2003-04
I	<b>Income</b>			
	Interest	----	0.04	0.14
	<b>TOTAL</b>	----	0.04	0.14
II	<b>Expenditure</b>			
	(a) Interest on long term loans	481.54	530.41	661.27
	(b) Other Expenditure	15.58	14.27	11.96
	<b>TOTAL</b>	497.12	544.68	673.23
	Net expenditure transferred to Government of Andhra Pradesh	497.12	544.64	673.09

Place: Hyderabad

Date : 06-06-2005

Sd/-  
Accountant General (C & RA)

**BALANCE SHEET AS AT 31st MARCH 2004**

Particulars	Sch. No.	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
<b>I. Source of Funds</b>			
<b>I. Share Holders Funds :</b>			
Share Capital	1	270000700	270000700
Share Application Money		20020000	0
<b>II Loan Funds</b>			
Unsecured Loans	2	65432600000	58234700000
<b>TOTAL</b>		<b>65722620700</b>	<b>58504700700</b>
<b>II. Application of Funds :</b>			
<b>1. FIXED ASSETS</b>			
Gross Block		301191	286471
Less : Depreciation	3	82306	49941
<b>NET BLOCK</b>		<b>218885</b>	<b>236530</b>
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
CASH ON HAND		1581	3598
CASH WITH SCHEDULED BANKS		59509	617753
LOAN TO AP GOVERNMENT		65432600000	58133570000
OTHER RECEIVABLES FROM AP GOVT.		2699897465	1902095171
DEPOSITS, LOANS & ADVANCES	5	20016164	20023836
Total Current Assets		68152574719	60056310358
Less : Current Liabilities & Provisions	6	2450192904	1571866188
Net Current Assets		65702381815	58484444170
<b>III. Miscellaneous Expenditure :</b>			
(To the extent not written off or adjusted)		20020000	20020000
<b>TOTAL</b>		<b>65722620700</b>	<b>58504700700</b>
Notes on Accounts	7		

As per Audit report of even date  
For GANESHAM & SRIDHAR  
Chartered Accountants

For Andhra Pradesh Power  
Finance Corporation Limited

Sd/-  
**N. GANESHAM**  
Partner

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director

Sd/-  
**P. RAMAKANTH REDDY**  
Director

Place : Hyderabad  
Date : 19-05-2005



**PROFIT AND LOSS ACCOUNT FOR  
THE PERIOD 01-04-2003 TO 31-03-2004**

**Rupees**

Particulars	As at 31-3-2004	As at 31-3-2003
<b>1. EXPENDITURE</b>		
Interest on Bonds	6571550030	5264616326
Interest on Application money	41109811	39546573
Arrangers Fees	24017782	15448017
Stamp Duty on Bonds	87209250	119504250
Bond Issues Expenses	486370	850723
Registrar fees	0	100000
Surveillance Fees to CRISIL	1620000	1575000
Trustee fees to SBH	5016975	4542491
Consultant fees	172800	172800
Accounting services fees	23200	20000
Filing fees	3525	0
Books and periodicals	14893	9800
Printing & Stationery	6123	8961
Postage charges	410	58230
Vehicle Hire Charges	154800	150639
Company Secretary Charges	29706	0
Repairs & Maintenance	15923	11527
Stamp Charges	3800	2300
Statutory Audit Fees	17400	20250
Traveling Expenses	10250	
Telephone charges	43314	47909
Legal fees	5000	0
Listing fees	707500	0
Misc. expenses	6256	4240
Depreciation	32365	31368
Remuneration to Managing Director	49240	84786
<b>Total Expenditure</b>	<b>6732306723</b>	<b>5446806190</b>
<b>INCOME :</b>		
Interest on TDR	1398664	386336
NSDL Fees	50	165
<b>Expenditure Transferred to A.P. Govt.</b>	<b>6730908009</b>	<b>5446419689</b>

As per Audit report of even date  
For GANESHAM & SRIDHAR  
Chartered Accountants

For Andhra Pradesh Power  
Finance Corporation Limited

Sd/-  
**N. GANESHAM**  
Partner

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director

Sd/-  
**P. RAMAKANTH REDDY**  
Director

Place : Hyderabad  
Date : 19-05-2005

**SCHEDULE FORMING PART OF BALANCE SHEET AND PROFIT & LOSS A/C**

PARTICULARS	As at 31.03.2004	As at 31.03.2003
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED SHARE CAPITAL : (30,00,00,000 Equity Shares of Rs. 100 each)	<u>30000000000</u>	<u>30000000000</u>
ISSUED & PAID UP SHARES CAPITAL 27,00,007 Equity Shares of Rs. 100 each Fully paid up	<u>270000700</u>	<u>270000700</u>
<b>SCHEDULE 2</b>		
<b>UNSECURED LOANS</b>		
1/2000 Bond issue 1st series	3569700000	3569700000
2/2000 Bond issue 2nd series	5056200000	5056200000
1/2001 Bond issue 3rd series	4335600000	4335600000
2/2001 Bond issue 4th series	8621800000	13051800000
3/2001 Bond issue 5th series	3424500000	3424500000
4/2001 Bond issue 6th series	2933900000	2931900000
5/2001 Bond issue 7th series	9931100000	9931100000
I/2002 Bonds 8th series	5580400000	5580400000
II/2002 Bonds 9th series	2006500000	2006500000
III/2002 Bonds 10th series	4987500000	4987500000
I/2003 Bonds 11th series	3357500000	3357500000
II/2003 Bonds 12th series	1640000000	0
III/2003 Bonds 13th series	3927900000	0
IV/2003 Bonds 14th series	6060000000	0
	<u>65432600000</u>	<u>58234700000</u>

For GANESHAM & SRIDHAR  
Chartered Accountants

Sd/-  
**N. GANESHAM**  
Partner

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director / APPFCL

**SCHEDULE OF FIXED ASSETS FOR THE YEAR ENDED 31st MARCH 2004**

**SCHEDULE - 3**

Sl. No.	Description	GROSS BLOCK		DEPRECIATION			NET BLOCK	
		As at 31-03-2003	Rate of Dep.	Additions 31-03-04	As at 31-03-03	For the Year 31-03-04	As at 31-03-04	As at 31-03-03
1.	Plant & Machinery	124,790	7.07	0	16,419	25,242	99,548	108,371
2.	Computer System	130,709	16.21	0	31,476	52,664	78,045	99,233
3.	Office Equipments	30,972	6.33	14,720	2,046	4,401	41,291	28,926
	Total	286,471		14,720	49,941	82,306	218,885	236,530
	Previous year	267,459		19,012	18,573	49,941	236,530	248,886

For GANESHAM & SRIDHAR  
Chartered Accountants

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director / APFCL

Sd/-  
**N. GANESHAM**  
Partner





PARTICULARS	As at 31-3-2004	As at 31-3-2003
<b>SCHEDULE 4</b>		
Balance in SBH Current a/c	59509	617753
	<u>59509</u>	<u>617753</u>
Other Receivables from AP Govt.	2699897465	1922115171
Less Incorp Exp. Paid by A.P. Govt.	<u>2699897465</u>	<u>20020000</u>
		<u>1902095171</u>
<b>SCHEDULE 5</b>		
<b>Deposits, Loans &amp; Advances</b>		
Fixed Deposit with SBH	20000000	20000000
Interest Receivable on TDR	16164	23836
	<u>20016164</u>	<u>20023836</u>
<b>SCHEDULE 6</b>		
<b>Current Liabilities &amp; Provisions</b>		
Interest accrued but not due on Bonds	2448862871	1542758331
Stamp duty on Bonds payable	0	25181250
Outstanding expenses	1330033	3926349
Tax deducted at source	0	258
	<u>2450192904</u>	<u>1571866188</u>

For GANESHAM & SRIDHAR  
Chartered Accountants

Sd/-  
**N. GANESHAM**  
Partner

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director / APPFCL

## NOTES FORMING PART OF THE ACCOUNTS AS ON 31.03.2004

### SCHEDULE - 7

#### I. Significant Accounting Policies followed

##### Basis of Accounting :

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

#### II. Revenue Recognition :

The company does not recognize income on the loans given to the Government of Andhra Pradesh out of the various series of bonds issued on Private Placement basis. The expenditure incurred by the company is transferred to the Government of Andhra Pradesh account for reimbursement.

#### III. Fixed Assets

1. Fixed assets are stated at Cost of Acquisition inclusive of duties, taxes etc. Depreciation is provided on Straight Line Method from the date of putting the asset to use. As per schedule XIV of the Companies Act, 1956.

2. Andhra Pradesh Power Finance Corporation Ltd., (APFCL) was incorporated pursuant to the Andhra Pradesh Government Order G.O.Ms. No. 54 dated 19-05-2000. APFCL was incorporated as a Government company under the Companies act 1956, on 12th July, 2000, and has commenced business on July 13, 2000. APFCL 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. DMBS(H) No. 714/04.039/2000-2001 dated August 25, 2000.

3. Unsecured Loans : Rs. 6543,26,00,000 (last Year Rs. 5823,47,00,000 )

**3.1.** The company has issued bonds under various series styled "POWER BONDS" during the year 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 retaining 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 to A.P. State Government includes bonds issued for consideration other than cash to creditors of AP Transco Rs. 2778,59,00,000.

##### **3.3.1. Power Bonds Series 1/2000: Rs. 356.97 Crores**

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, payable semi-annually with put/call options at the end of 5 years and 7 years respectively.

##### **3.3.2. Power Bonds Series 2/2000: Rs. 505.62 Crores.**

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 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.

**3.3.3. Power Bonds Series 1/2001: Rs. 433.56 Crores**

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 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.

**3.3.4. Power Bond Series 2/2001 : Rs. 862.18 Crores (Last year Rs. 1305.18 crores)**

Rs. 443.00 transferred to AP State Government.

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 and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 1053.00 crores.

**3.3.5. Power Bond Series 3/2001: Rs. 342.45 Crores**

The bonds carry a coupon rate of 12.00% p.a. for a tenor of 7 years and 12.30% p.a. for a tenor of 10 years and 12.50% 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.

**3.3.6. Power Bonds Series 4/2001: Rs. 293.39 Crores**

The bonds carry a coupon rate of 12.00% p.a. for a tenor of 7 years and 12.30% p.a. for a tenor of 10 years and 12.50% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

**3.3.7. Power Bond Series 5/2001: Rs. 993.11 Crores**

The bonds carry a coupon rate of 11.60% p.a. for a tenor of 7 years and 11.80% p.a. for a tenor of 10 years and 12.00% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 875.59 crores

**3.3.8. Power Bond Series I/2002: Rs. 558.04 Crores**

The bonds carry a coupon rate of 11.40% p.a. for a tenor of 7 years and 11.60% p.a. for a tenor of 10 years and 11.80% for a tenor of 12 years, payable-annually with put/call options at the end of 5 years and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 350 crores.

**3.3.9. Power Bond Series II/2002: Rs. 200.65 Crores**

The bonds carry a coupon rate of 11.20% p.a. for a tenor of 7 years and 11.40% p.a. for a tenor of 10 years and 11.60% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

**3.3.10. Power Bond Series III/2002: Rs. 498.75 Crores**

The bonds carry a coupon rate of 10.95% p.a. for a tenor of 7 years and 11.15% p.a. for a tenor of 10 years, payable annually with put/call options at the end of 5 years and 7 years respectively, including bonds issued for consideration other than cash Rs. 285 crores.

**3.3.11. Power Bond Series I/2003: Rs. 335.75 Crores**

The bonds carry a coupon rate of 10.70% p.a. for a tenor of 7 years and 10.90% p.a. for a tenor of 10 years and payable annually with put/call options at the end of 5 years and 7 years respectively, including Bonds issued for consideration other than cash Rs. 215 crores.

**3.3.12. Power Bond Series II/2003: Rs. 164.00 Crores**

The bonds carry a coupon rate of 10-70% p.a. for a tenor of 7 years and 10.90% p.a. for a tenor of 10 years, payable annually with put / call options at the end of 5 years and 7 years respectively.

**3.3.13. Power Bond Series III/2003: Rs. 392.79 Crores**

The bonds carry a coupon rate of 10-45% p.a. for a tenor of 7 years and 10.65% p.a. for a tenor of 10 years, payable annually with put / call options at the end of 5 years and 7 years respectively.

**3.3.14. Power Bond Series IV/2003: Rs. 606.00 Crores**

The bonds carry a coupon rate of 10-45% p.a. for a tenor of 7 years and 10.65% p.a. for a tenor of 10 years, payable annually with put / call options at the end of 5 years and 7 years respectively.

**4. Interest on Cumulative Bond amounting to Rs. 16,88,44250/- is not provided for in the accounts due to the following reasons**

- (i) The interest is due and payable only on maturity of the Bonds as per the terms of the offer document.
- (ii) The quantum of interest due to a bondholder cannot be ascertained, as they are tradable bonds,
- (iii) The Tax due payable by a bondholder cannot be deducted as the quantum of interest cannot be determined.
- (iv) Interest is not expenditure to the corporation and the same is reimbursable by the AP State Government

**5. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is 115,21,94,711 (last year Rs. 105,40,60,735) against which cheques have already been dispatched to the Bondholders. The accounts have not been reconciled. Other information 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 to the company.**

**6. Loans to the Government of Andhra Pradesh**

The Funds mobilized by the Issue of Bonds Rs. 6543,26,00,000 (Last year Rs. 5823,47,00,000) was given as a Loan to Government of Andhra Pradesh Rs. 6543,26,00,000 (Last year Rs. 5813,35,70,000) including Bonds issued for consideration other than cash Rs. 2778,59,00,000 to the creditors of AP Transco.

**7. As the company is not a manufacturing company, information relating to paragraphs 3 and 4 of the Schedule VI of the Companies Act 1956 is not given.**

**8. Previous period figures are regrouped inline with the current year's classification.**

For GANESHAM & SRIDHAR  
Chartered Accountants

Sd/-  
**N. GANESHAM**  
Partner

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director

For Andhra Pradesh Power  
Finance Corporation Limited

Sd/-  
**P. RAMAKANTH REDDY**  
Director

Place : Hyderabad  
Date : 19-05-2005

**ANNEXURE TO BALANCE SHEET AS AT 31.03.2004**

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

**BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE AS AT 31-03-2004**

1. Registration No. : 01-34911-00-2001	State Code : 01		
Balance Sheet Date : 31-03-2004			
2. Capital Raised During the Year	NIL		
3. <u>Position of Mobilisation &amp; Deployment of Funds (Rs. Lakhs)</u>			
Total Liabilities :	657226.21	Total Assets	657226,21
<u>Source of Funds (Rs. Lakhs)</u>			
Paid-up Capital	2900.01	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	654326
<u>Application of Funds (Rs. Lakhs)</u>			
Net Fixed Assets	2.19	Investments	NIL
Net Current Assets	657023.81	Misc. Expenses & Losses	200.20
Accumulated Losses	NIL		
<u>Performance of the Company (Rs. Lakhs)</u>			
Turnover/Income	13.99	Total Expenditure	67323.06
Expenditure Trfd to A.P. Govt.	67309.08	Profit after Tax	NIL
Earnings per Share	NIL	Dividend per share	NIL
4. <u>Generic names of principal products/services of the company</u>			
Item Code	Not applicable		
Product description	Not applicable		

For Andhra Pradesh Power  
Finance Corporation Limited

Sd/-  
**B. SIDDHARTHA KUMAR**  
Managing Director

Sd/-  
**P. RAMAKANTH REDDY**  
Director

Place : Hyderabad  
Date : 19-05-2005