

**ANDHRA PRADESH POWER FINANCE  
CORPORATION LIMITED**



**Annual Report for 2007-2008**

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**BOARD OF DIRECTORS**

1.	SRI A.K. GOYAL, IAS	Chairman	
2.	SRI P.RAMAKANTH REDDY, IAS	Chairman	(Upto 27-03-2008)
3.	SMT. RACHEL CHATTERJEE, IAS	Director	(Upto 08-04-2008)
4.	SRI DINESH KUMAR, IAS	Director	(Upto 27-09-2008)
5.	SRI IYR KRISHNA RAO, IAS	Director	(Upto 27-03-2008)
6.	SRI AJEYA KALLAM, IAS	Director	(From 08-04-2008)
7.	SRI A. GIRIDHAR, IAS	Director	(Upto 25-04-2007)
8.	SRI AJAY JAIN, IAS	Director	
9.	SRI K. DEVANAND, IAS	Managing Director	(Upto 07-07-2007)
10.	SRI S.G. SOLOMON	Managing Director	(Upto 18-12-2007)
11.	SRI G. PARTHASARATHI	Director	
12.	SRI D. MURALI MOHAN, IAS	Managing Director	(From 31-05-2008)

**REGISTERED OFFICE :**

ANDHRA PRADESH SECRETARIAT  
HYDERABAD - 500 022.

**AUDITORS :**

**M/S.KARVY & COMPANY**  
CHARTERED ACCOUNTANTS  
No. 2, Bhooma Plaza, Street No. 4,  
Avenue 7, Banjara Hills,  
Hyderabad - 500 034.

**BANKERS :**

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

## DIRECTORS' REPORT

To

The Members

**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

Your Directors have pleasure in presenting the 8th Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended 31st March 2008.

### INDUSTRY SCENARIO

Power is one of the vital components for ensuring economic and social development of the country. The National Electricity Policy (NEP) 2005 recognised electricity as a basic human need. India has been able to achieve an economic growth rate of 8% p a during last few years. The average economic growth rate projected for the period, 2007-12 is 9% p.a. The power sector, during the Eleventh Plan, is expected to grow at 9.5% p.a. For sustaining growth momentum, there is a heightened urgency to augment and upgrade infrastructure and to remove the infrastructure constraints.

As on 31st March, 2008, the country had an installed generation capacity of 1,43,061 MW. The National Electricity Policy envisages enhanced per capita availability from 631 units to 1000 units per annum by the end of 2012. To fulfill the objectives of NEP, the Ministry, in the Eleventh Plan has set a target of 78,577 MW capacity addition. The report of the Working Group on Power for the Eleventh Plan estimates a total fund requirement of Rs.10,31,600 Crores. However, there is likely to be a shortfall of about Rs.4,50,000 Crores during the plan period which is about 44%. Further, to overcome this shortage, the Working Group suggested various policy/fiscal measures like allowing borrowing of funds from the overseas market under the automatic route under external commercial borrowing (ECB) guidelines and exemption of debt services from income tax.

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, (In Rupees)	
	2008	2007
Income- Interest on FDR	17,76,368	15,03,520
Expenditure	570,63,29,422	694,42,22,324
Amount Transferred to Government	570,45,53,054	694,27,18,804

## 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 2008 were Rs.3579.54 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs.570.45 Crores and the same was transferred to the Government for reimbursement.

## POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2008 was Rs.3280.54 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 I Y R Krishna Rao, I A S, Principle Secretary to Government, Finance Department and Sri Ajeya Kallam, I A S, Chairman and Managing Director, APTRANSCO in place of Sri P Ramakanth Reddy, I A S and Smt. Rachel Chatterjee, I A S respectively on 27th March, 2008 and 8th April, 2008. Sri D Murali Mohan, I I S, Additional Secretary to Government, Energy Department has also been appointed as Director and Managing Director of the Company in place of S G Solomon, who retired on superannuation. The Board placed on record its warm appreciation of the valuable contributions made by Sri S G Solomon, Sri P Ramakanth Reddy, I A S and Smt. Rachel Chatterjee, I A S during their tenure as Directors of the Company.

## AUDITORS

M/s Karvy & Company, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2008-09.

## 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, 2008, will be circulated to the members and laid at the ensuing Annual General Meeting for adoption of Annual Accounts for the year, 2007-08.

## AUDIT COMMITTEE

The Audit Committee was reconstituted on 31st December, 2007 with Sri A K Goyal, I A S and Sri G Parthasarathi as Members and Sri P Ramakanth Reddy, I A S as Chairman of the Committee, consequent on retirement of Sri S G Solomon, Managing Director of the Company.

The Audit Committee has been further reconstituted on 10th June, 2008 with Sri I Y R Krishna Rao, IAS and Sri D Murali Mohan, I I S as Members and Sri A K Goyal, I A S, as Chairman of the Committee, consequent on appointment of Sri I Y R Krishna Rao, I A S and Sri D Murali Mohan, I I S as Director and Managing Director in place of Sri P Ramakanth Reddy, I A S and Sri S G Solomon respectively.

## RISK MANAGEMENT COMMITTEE

A Risk Management Committee of the Board has been constituted with Sri D Murali Mohan, I I S and Sri G Parthasarathi as Members and Sri A K Goyal, I A S as Chairman of the Company in the meeting of the Board held on 10th June, 2008.

**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, 2008, 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, 2008.
- (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.

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

As on 31st March, 2008, the aggregate amounts of matured bonds and periodic interest on bonds remaining undisbursed due to cheques unencashed/ returned undelivered from 53 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. However, the corresponding figures for the above are Rs.2.16 Crores to 32 bondholders as on date.

**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 : 16-09-2008

Sd/-  
**(A.K. GOYAL)**  
Chairman

## AUDITOR'S 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, 2008, the Profit & 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.

1. 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 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.
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(1A) 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) On the basis of the written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as Director 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 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, 2008;
    - ii) in the case of the Profit and Loss Account for the year ended on that date; and
    - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

for **KARVY & COMPANY**  
Chartered Accountants

Sd/-  
**(K. Ajay Kumar)**  
Partner  
M. No. 21989

Place : Hyderabad  
Date : 23-07-2008

**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, certain fixed assets were transferred to Govt. of Andhra Pradesh, except this no fixed 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, clause 4(iii) (a) to 4(iii)(g) of the Order is 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 has been regular in depositing undisputed 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 the appropriate authorities during the year, to the extent applicable. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31st, 2008 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, to the extent applicable, which have not been deposited on account of any dispute.



10. According to the information and explanations given to us, the Government of Andhra Pradesh will reimburse entire expenditure incurred by the company. Accordingly, clause 4(x) of the Order is not applicable.
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.
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.
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 debentures 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**

The Company is registered under the provisions of Section 45-IA of the Reserve Bank of India Act, 1934, as the Non-Banking Finance Company.

for **KARVY & COMPANY**  
Chartered Accountants

Sd/-  
**(K. Ajay Kumar)**  
Partner  
M. No. 21989

Place : Hyderabad

Date : 23-07-2008

## ANNEXURE - I

**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 2008.**

The preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2008 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 23 July, 2008.

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 2008. 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 : 11-09-2008

Sd/-  
**(P.J. MATHEW)**  
Accountant General (C&RA)

## Balance Sheet As at 31st March, 2008

PARTICULARS	Schedule No.	As at 31-3-2008 Rupees	As at 31-3-2007 Rupees
<b>I SOURCE OF FUNDS :</b>			
<b>1 SHARE HOLDERS FUNDS :</b>			
Share Capital	1	290020700	290020700
<b>II LOAN FUNDS :</b>			
Unsecured Loans	2	35795400000	53902400000
<b>TOTAL</b>		<b>36085420700</b>	<b>54192420700</b>
<b>II APPLICATION OF FUNDS :</b>			
<b>1 FIXED ASSETS :</b>			
Gross Block		369318	379828
Less: Depreciation	3	224738	187919
<b>NET BLOCK</b>		<b>144580</b>	<b>191909</b>
<b>2 CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
CASH & BANK BALANCES	4	20155990	20192505
LOAN TO AP GOVERNMENT		35795400000	53902400000
LOANS ,ADVANCE & RECEIVABLES	5	270884126	271681646
Total Current assets		<b>36086440116</b>	<b>54194274151</b>
Less: Current Liabilities & Provisions	6	1163996	2045360
<b>Net Current Assets</b>		<b>36085276120</b>	<b>54192228791</b>
<b>TOTAL</b>		<b>36085420700</b>	<b>54192420700</b>
NOTES ON ACCOUNTS	7		

As per Audit Report of even date

for **KARVY & COMPANY**  
Chartered Accountants

Sd/-  
**(K. Ajay Kumar)**  
Partner

**For ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD**

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director

Place : Hyderabad  
Date : 23-07-2008

**Profit and Loss Account for the year ended 31-3-2008**

PARTICULARS	Year Ended 31-03-2008	Year Ended 31-03-2007
<b>INCOME :</b>		
Interest on FDR	1776368	1503520
<b>TOTAL INCOME</b>	<b>1776368</b>	<b>1503520</b>
<b>EXPENDITURE :</b>		
Interest on Bonds	5341317633	6647733368
Interest on Term Loan	352322240	266150847
Rating fee (survelience fee)	1685400	1683600
Trustee fees to SBH	4933262	5000000
NSE Listing fee	750000	700000
Bond servicing Exp.	201602	140088
Filing fees	9704	5580
e-tds filing fee	1404	8424
Custodial Service fee	67416	67344
Consultant fees	157903	148224
Accounting services fees	67416	47360
Advertisement Expenses	3604000	1457581
Printing & Stationary	45925	50145
Postage & Telegrams	1188	960
Vehicle Hire Charges	177300	226235
Conveyance	5890	0
Company secretary charges	62908	53880
Folio maintenance charges	171911	73142
Telephone charges	44710	40137
Incometax Consultancy fees	13402	0
Office expenses	2720	21506
Misc.Expenses	10448	
Salaries-Accountant	517517	474969
<b>Auditors Remuneration:</b>		
- For Statutory Auditors	22777	22677
- For Internal Auditors	40445	0
Depreciation	40452	40092
Remuneration to Managing Director	35582	48826
Asset Written off	18267	7339
Preliminary expenses written off	0	20020000
<b>TOTAL EXPENDITURE</b>	<b>5706329422</b>	<b>6944222324</b>
Net Expenditure Transferred to A.P.Govt.	5704553054	6942718804

As per Audit Report of even date

for **KARVY & COMPANY**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

Sd/-  
**(K. Ajay Kumar)**  
Partner

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director

Place : Hyderabad  
Date : 23-07-2008

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

PARTICULARS	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED SHARE CAPITAL: (30,00,00,000 Equity Shares of Rs.100 each)	30,00,00,00,000	30,00,00,00,000
ISSUED & PAID UP SHARE CAPITAL 29,00,20,700 Equity Shares of Rs.100/- each		
Fully paid up	29,00,20,700	29,00,20,700
<b>SCHEDULE - 2</b>		
<b>UNSECURED LOANS</b>		
1/2000 Bond issue 1st series	0	1751000000
2/2000 Bond issue 2nd Series	1556500000	2561000000
1/2001 Bond issue 3rd Series	994700000	1600900000
2/2001 Bond issue 4th Series	1064400000	1248900000
3/2001 Bond issue 5th Series	1542500000	1542500000
4/2001 Bond Issue 6th Series	1257000000	1257000000
5/2001 Bond Issue 7th Series	711900000	711900000
1/2002 Bonds Issue 8th Series	830500000	5580400000
2/2002 Bonds Issue 9th Series	698400000	2006500000
3/2002 Bonds Issue 10th Series	942800000	4987500000
1/2003 Bonds Issue 11th Series	228100000	3357500000
2/2003 Bonds Issue 12th Series	1640000000	1640000000
3/2003 Bonds Issue 13th Series	3927900000	3927900000
4/2003 Bonds Issue 14th Series	6060000000	6060000000
1/2004 Bonds Issue 15th Series	5190000000	5190000000
1/2005 Bonds Issue 16th Series	5972000000	5972000000
<b>Cumulative Bonds</b>		
2/2000 Bond issue 2nd Series	13600000	103600000
1/2001 Bond issue 3rd Series	175100000	228800000
	32805400000	49727400000
<b>Unsecured Loan from Banks:</b>		
Term Loan -Canara Bank	2990000000	4175000000
<b>TOTAL</b>	<b>35795400000</b>	<b>53902400000</b>

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD

Sd/-

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

Sd/-

**G. Parthasarathi**  
Director

**SCHEDULE - 3**
**Schedule of Fixed Assets as at 31st March, 2008** (Amount in Rupees)

Sl. No.	Description	Gross Block			Depreciation			Net Block			
		As at 1-4-2007	Rate of Dep. %	Additions/ (Deletion)	As At 31-03-08	As at 1-4-2007	Adj. for the year	for the year	As at 31-3-08	As at 31-3-08	As at 1-4-2007
1	Plant & Machinery	114,790	7.07	-	114,790	47,469	-	8,116	55,585	59,205	67,321
2	Computer System	157,129	16.21	-	157,129	121,602	-	25,471	147,073	10,056	35,527
3	Office Equipments	72,992	6.33	11,390	84,382	15,046	-	4,656	19,702	64,680	57,946
4	Furniture & Fixtures	34,917	6.33	(21,900)	13,017	3,802	(3,633)	2,210	2,379	10,638	31,115
	<b>Totals</b>	<b>379,828</b>		<b>(10,510)</b>	<b>369,318</b>	<b>187,919</b>	<b>-</b>	<b>40,452</b>	<b>224,738</b>	<b>144,580</b>	<b>191,909</b>
	Previous Year	414,407		(34,579)	379,828	151,657		40,093	187,919	191,909	262,750

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD

Sd/-  
**D. Murali Mohan**, IIS  
 Managing Director

Sd/-  
**G. Parthasarathi**  
 Director

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

PARTICULARS	As at 31-3-2008	As at 31-3-2007
<b>SCHEDULE - 4</b>		
<b>Cash &amp; Bank Balances</b>		
Cash in Hand	302	1349
Balances with Scheduled Bank		
- In Current Account - SBH	155609	191077
- In ADB AGM - Andhra Bank	79	79
- In Fixed Deposits Account	20000000	20000000
<b>TOTAL</b>	<b>20155990</b>	<b>20192505</b>
<b>SCHEDULE - 5</b>		
<b>LOANS, ADVANCE &amp; RECEIVABLES</b>		
Other Receivables from AP Govt.	270858783	271657673
Interest Receivable from fixed deposit	25343	23973
<b>TOTAL</b>	<b>270884126</b>	<b>271681646</b>
<b>SCHEDULE - 6</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Liabilities For Expenses	1163996	2045360
<b>TOTAL</b>	<b>1163996</b>	<b>2045360</b>

For ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director



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

<b>Liabilities For Expenses</b>		
Accounting Charges Payable	10206	11123
Advt. Expenses Payable	0	458794
Satutory Audit Fee Payable	20667	21454
Internal Audit Fee payable	20225	0
Company Secretary Charges payable	5103	4238
Consultant fee payable	0	13600
Bond Servicing Exp's payable	68984	134658
MD Remuneration Payable	0	3004
Printing & Stationery Payable	0	9000
Salaries Payable	50139	78804
Taxation Charges Payable	10206	31542
Telephone Charges Payable	1096	0
Trustee fee payable	883541	1179875
Vehicle hire charges payable	0	19306
TDS Payable	93829	79962
<b>TOTAL</b>	<b>1163996</b>	<b>2045360</b>

As per Audit Report of even date

for **KARVY & COMPANY**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

Sd/-  
**(K. Ajay Kumar)**  
Partner

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director

Place : Hyderabad

Date : 23-07-2008



**SCHEDULE - 7**

**SIGNIFICANT ACCOUNT POLICIES AND NOTES TO ACCOUNTS :**

**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.

**b. Revenue Recognition :**

- i. 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.
- ii. The expenditure incurred by the company is transferred to the Government of Andhra Pradesh for reimbursement.

**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.

**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.

**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. 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.
4. **UNSECURED LOANS :** Rs. 3579,54,00,000/- (last year Rs. 5390,24,00,000/-).

4.1. 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:

1. 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.
1. 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.

4.2. 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>

**4.2.1 Power Bonds Series 1/2000 :** Rs, Nil . (Previous Year Rs.175.10 Crores)

The bonds carry a coupon rate of 13.30% p.a. for a tenor of 10 years, payable semi-annually with put/call options at the end of 7 years have been paid off fully.

**4.2.2 Power Bonds Series 2/2000 :** Rs.157.01 Crores. (Previous Year Rs.266.46 Crores)

The bonds carry a coupon rate of 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 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.

**4.2.3 Power Bonds Series 1/2001:** Rs.116.98 Crores. (Previous Year Rs.182.97 Crores)

The bonds carry a coupon rate of 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 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.

**4.2.4 Power Bond Series 2/2001:** Rs.106.44 Crores (Previous Year Rs.124.89 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.

**4.2.5 Power Bond Series 3/2001:** Rs. 154.25 Crores. (Previous Year Rs.154.25 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.

**4.2.6 Power Bond Series 4/2001:** Rs. 125.70 Crores. (Previous Year Rs.125.70 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.

**4.2.7 Power Bond Series 5/2001:** Rs.71.19 Crores. (Previous Year Rs.71.19 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.7.00 Crores.

**4.2.8 Power Bond Series 1/2002 :** Rs. 83.05 Crores. (Previous Year 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.

**4.2.9 Power Bond Series 2/2002 :** Rs. 69.84 Crores. (Previous Year 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.

**4.2.10 Power Bond Series 3/2002 :** Rs. 94.28 Crores. (Previous Year 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.

**4.2.11 Power Bond Series 1/2003 :** Rs. 22.81 Crores. (Previous Year 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.

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

**4.2.13 Power Bond Series 3/2003 :** Rs. 392.79 Crores. (Previous Year 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.

**4.2.14 Power Bond Series 4/2003 :** Rs. 606.00 Crores. (Previous Year 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.

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

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

**4.2.16 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 tenor of 15 years payable annually with put/call options at the end of 12 years.

4.3 The Company, has not taken any unsecured loan during the year and repayment of unsecured loan amount Rs.118.50 Crores (Rs.417.50 Crores including that of previous year) from Canara Bank, for the purpose of onward lending to M/s. APTRANSCO for the purpose of implementation 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.123,02,65,368/- (Previous year Rs.181,54,79,404) 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) Interest is not expenditure to the corporation and the same is reimbursable by the A.P. State Government.

6. Interest on cumulative Bonds amounting to Rs.29,32,88,630/- (previous year Rs. 40,57,15,063/-) 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) Interest is not expenditure to the corporation and the same 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.140,17,27,333/- (last year Rs. 108,86,72,296/-) against which cheques have already been dispatched to the Bondholders.

**8. Loans to the Government of Andhra Pradesh :**

Upto the year ending 31-03-2008, the Funds mobilized by the issue of Bonds (net of redemption) amounting to Rs.3280,54,00,000/- (Previous year Rs. 4972,74,00,000/-) and Term Loan (net of repayments) taken from Canara Bank of Rs.299,00,00,000/- (Previous year Rs. 417,50,00,000/-) were shown as given to Govt. of Andhra Pradesh.

Out of the above, the Bonds issued for consideration other than cash were Rs.7,00,00,000/-, (previous year Rs. 857,00,00,000/-) which were on account of the creditors of APTRANSCO.

**9. Managerial Remuneration :**

Particulars	Managing Director	
	2007-08 Rs.	2006-07 Rs.
Salaries, Allowances	--	--
Contribution to Provident Fund and welfare Fund	--	--
Others	35,582/-	48,826/-

10. During the year, to the extent information provided by the suppliers, the company has not entered in to any transactions either with Small Scale Industries or any other enterprises which come under the per view of Micro, Small and Medium Enterprises Development Act, 2006.
11. As required under the Accounting Standard-22 on Accounting for Taxes on income issued by the Institute of Chartered Accountants of India, the Provision of deferred tax liability/asset is not accounted, as the operations of the company did not result in Profit/Loss.
12. Previous Years figures have been regrouped/reclassified wherever considered necessary to conform to this year's classification.
13. Other information required to be disclosed as per paragraphs 3 and 4 of the Schedule VI to the Companies Act 1956 is either 'NIL' or 'NOT APPLICABLE' in the case of this company.

for **KARVY & COMPANY**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD**

Sd/-  
**(K. Ajay Kumar)**  
Partner

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director

Place : Hyderabad

Date : 23-07-2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008**

PARTICULARS	31st March, 2008 Rupees	31st March, 2007 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation & Assets written off	58,719	47,432
Interest Income	(1,776,368)	(1,503,520)
Interest on Borrowings	(352,322,240)	(266,150,847)
Preliminary Expenses written off	-	20,020,000
<b>Operating Profit Before Working Capital Changes</b>	<b>(354,039,889)</b>	<b>(247,586,935)</b>
Adjustments for :		
Trade and Other Receivables	18,107,797,520	14,310,604,758
Trade Payables and Other Liabilities	(881,364)	(2,251,776,020)
<b>Increase/(Decrease) in Net Current Assets</b>	<b>18,106,916,156</b>	<b>12,058,828,738</b>
<b>Net Cash From Operating Activities (A)</b>	<b>17,752,876,267</b>	<b>11,811,241,803</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(11,390)	(7,087)
Interest Received	1,776,368	1,503,520
<b>Net Cash Used In Investing Activities (B)</b>	<b>1,764,978</b>	<b>1,496,433</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (Net)	(18,107,000,000)	(12,082,600,000)
Interest Paid on borrowings	352,322,240	266,150,847
<b>Net Cash used in financing Activities (C)</b>	<b>(17,754,677,760)</b>	<b>(11,816,449,153)</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(36,515)</b>	<b>(3,710,917)</b>
<b>Cash and Cash Equivalents at the beginning the year</b>	<b>20,192,505</b>	<b>23,903,422</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>20,155,990</b>	<b>20,192,505</b>

for **KARVY & COMPANY**  
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE  
CORPORATION LTD**

Sd/-  
**(K. Ajay Kumar)**  
Partner

Sd/-  
**D. Murali Mohan, IIS**  
Managing Director

Sd/-  
**G. Parthasarathi**  
Director

Place : Hyderabad  
Date : 23-07-2008



## Balance Sheet Abstract & Company's General Business Profile

(Submitted in terms of Part IV of the Schedule VI to the Companies Act, 1956)

<b>I Registration Details :</b>			
Registration No.	34911	State Code	01
Balance Sheet Date :	31.03.2008		
<b>II Capital raised during the year</b>		(Amount in Rs. '000)	
Public Issue	Nil	Rights Issue	Nil
Total Liabilities	36085421	Total Assets	36085421
<b><u>Sources of funds</u></b>			
Paid up capital	290021	Reserves & Surplus	Nil
Secured loans	Nil	Unsecured loans	35795400
<b><u>Application of funds</u></b>			
Net fixed assets	145	Investments	Nil
Net current assets	36085276	Misc. Asset.	Nil
Accumulated losses	0		
<b>IV. Performance of company</b>		(Amount in Rs. '000)	
Turnover	1776	Total expenditure	5706329
Profit / Loss before Tax	Nil	Profit / Loss After Tax	Nil
Earnings per share in Rs.	Nil	Dividend Rate %	Nil
<b>V. Generic names of three principle products/services of company</b>			
(As per monetary terms)			
Item Code No. (I.T.C. Code)			
Production description		NBFC	

for **KARVY & COMPANY**  
Chartered Accountants

Sd/-  
**(K. Ajay Kumar)**  
Partner

For **ANDHRA PRADESH POWER FINANCE**  
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Sd/-  
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Place : Hyderabad  
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