

**ANDHRA PRADESH
POWER FINANCE
CORPORATION LIMITED**



Annual Report for 2002-2003



CONTENTS

Board of Directors	2
Directors' Report	3
Auditors' Report	6
Annexure to the Auditors Report	8
Comments of C & A.G.	9
Review of Accounts by C & A.G.	10
Balance Sheet	12
Profit and Loss Account	13
Schedules to Balance Sheet	14
Balance Sheet Abstract	20

BOARD OF DIRECTORS

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

Sl. No.	Name	From	To
1.	Sri S.K. Arora	12-07-2000	12-08-2003
2.	Sri V.S. Sampath	12-07-2000	till date
3.	Smt. Rachel Chatterjee	3-08-2002	till date
4.	Sri Jannat Husain	12-08-2003	till date
5.	Sri J. Parthasarathy	12-07-2000	till date
6.	Sri TVSN Prasad	20-09-2000	24-09-2003
7.	Sri B. Aravinda Reddy Managing Director	27-01-2001	till date

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

Registered Office :

'A' Block, A.P. Secretariat,

Hyderabad - 500 022.

DIRECTORS' REPORT

To The Members

Your Directors have pleasure in presenting the Third Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended **31st March 2003**.

ECONOMY AND POWER SECTOR SCENARIO

The rate of growth in India's GDP during the fiscal year 2002-03 was about 4.1%. A deficient monsoon leading to drought and sharp decline in the agricultural output, standoff in Gulf and continued sluggishness in the world economy resulted in low growth. However, the year witnessed a growing foreign exchange reserve & lower interest regime and a friendly financial market for the investors and financial institutions. Even with the conducive environmental situation the growth of the Indian economy is critically dependent on the performance and growth of the power sector apart from the other vital infrastructure sectors like telecom, roads, bridges, water, housing etc. The Government of India envisages reliable, affordable and quality power supply for all users by 2012. The present installed capacity stands at about 1,08,000 MW with energy and peak shortages touching 9.3 and 12.3 percent respectively. The investment required in the power sector by 2012 is estimated to be approximately Rs. 8,00,000 Crores. This, indeed, is a mammoth task.

The institutions set up exclusively for financing power sector both at national level like Power Finance Corporation Limited and at State level like Andhra Pradesh Power Finance Corporation Limited will have to play a catalyst role in mobilizing the resources required of the order of Rs. 8,00,000 Crores by 2012.

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. 1593.39 Crores by issue of Power Bonds in the nature of non-convertible and redeemable bonds during the year under review. An amount of Rs. 1593.19 Crores were made available to the Government for financing the requirements of power sector reforms and the cumulative advances as at 31st March 2003 were Rs. 5813.36 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs. 544.64 Crores and the same was transferred to the Government for reimbursement.

POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2003 was Rs. 5823.47 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 Smt. Rachel Chatterjee, IAS, Chairman and Managing Director, APTRANSCO and Sri Jannat Husain, IAS, Principal Secretary to Government, Energy Department as Directors of the Company in place of Sri P. Ramakantha Reddy, IAS and Sri S.K. Arora, IAS and withdrawn Sri T.V.S.N. Prasad, IAS as Director of the Company consequent on

their transfer/movement from their present positions in the Government. Sri J. Parthasarathy, Director of the Company resigned from the Board with effect from 11th June, 2004, consequent on his resignation as Chairman and Managing Director of APGENCO. The Board placed on record its appreciation of the valuable contribution made by Sri. P. Ramakanth Reddy, Sri S.K. Arora, Sri T.V.S.N. Prasad and Sri J. Parthasarathy during their tenure 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 2002-03.

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 2002-03.

AUDIT COMMITTEE

An Audit committee of the Board of Directors was constituted in accordance with the provisions of Section 292 A of the Companies Act, 1956 on 30-03-03 with Sri V.S. Sampath and Sri S.K. Arora, Directors and Sri B. Aravinda Reddy, Managing Director of the Company as its members.

The Audit committee was subsequently reconstituted on 12.08.2003 by appointing Sri Janat Husain, Director of the Company as member in place of Sri S.K. Arora.

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, 2003, 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, 2003.
- 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/-

(V.S. SAMPATH)

CHAIRMAN

Place: Hyderabad

Date : 22-06-2004

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, 2003 and also the Profit and Loss Account for the year ended on that date annexed there to. 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 Manufacturing and other companies (Auditor's Report) order, 1988 issued by the central 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.

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. 58,13,35,70,000 (Last year Rs. 4220,16,70,000):

- (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, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 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, 2003 and
- b) in the case of the Profit and Loss Account for the year ended on 31st March 2003.

This Report is issued on the revised accounts of the company for the year 2002-03. The accounts have been revised based on the comments of C & AG of India and there is an increase of expenditure by Rs. 1.99 crores affecting the financial position of the company deal with in our report dated 12.12.2003.

For **Ganesham & Sridhar**
Chartered Accountant

Sd/-

N. Ganesham
PARTNER

Place: Hyderabad

Date : 15-04-2004

For **Ganesham & Sridhar**
Chartered Accountants

Sd/-
N. Ganesham
PARTNER

Place: Hyderabad
Date : 15-04-2004

ANNEXURE TO THE AUDITORS' REPORT

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

1. The company has maintained proper records to show particular including quantitative details and situation of its fixed assets. The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and physically inventory have been noticed.
2. The company has not revalued any of its fixed assets during the year.
3. The company has not taken any loans, secured or unsecured, from companies or granted any loans secured or unsecured to companies, firm or any parties listed in the register maintained under section 301 companies Act 1956, being a company under the same management as defined under section 370 (1B) of the companies Act 1956, which are prejudicial to the interest of the company.
4. Loans and Advances in the nature of Loans have not been granted during the year.
5. In our opinion and according to the information and explanations given in us the company has internal control procedures, which are commensurate with the nature and size of the business.
6. The company has not accepted deposits from public and such provisions of sections 58A of the Companies Act 1956 and the rules framed there under are not applicable to the company.
7. In our opinion, considering the size, the nature of its business and its internal control system the company does not warrant on Internal Audit.
8. As inform to us, the company is not covered under the provisions of the Employees State Insurance and the Provident Fund Acts and liability under the Acts.
9. There are no undisputed amounts payable in respect of Income Tax and Excise Duty, as at 31.03.2003 for a period of more than six months from the date they became payable.
10. 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 practice.
11. The company is not a sick company as given under section 2(1)(0) of the sick industrial (special) provisions Act 1985.

For **Ganesham & Sridhar**
Chartered Accountants

Sd/-

N. Ganesham
PARTNER

Place: Hyderabad
Date : 15-04-2004

ANNEXURE VI

**Comment 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 2003.

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 2003.

Place: Hyderabad
Date : 22-06-2004

Sd/-
Principal Accountant General (Audit) II

Particulars	2003-04	2002-03	2001-02
LIABILITIES			
(a) Share premium account			
(b) Reserves & Surplus			
(i) Free reserve & surplus			
(ii) Capital reserves			
(iii) Reserves for past & doubtful debts			
(iv) Reserves for past & doubtful debts			
(v) Special Reserve created & Maintained			
(vi) Special Reserve created & Maintained			
(vii) Bonds redemption reserve			
(viii) Bonds redemption reserve			
(c) Borrowings			
(i) From Government of India			
(ii) From Financial Institutions			
(iii) Foreign currency loans			
(iv) Cash credit			
(v) Other			
(vi) Interest Accrued but not Due			



ANNEXURE - IV

Review of Accounts of Andhra Pradesh Power Finance Corporation Limited, for the year ended 31st March, 2003 by the Comptroller 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 under broad headings for the last three years

(Rs. in crore)

Particulars	2000-01	2001-02	2002-03
LIABILITIES			
(a) Paid up Capital			
i) Government of Andhra Pradesh	27.00	27.00	27.00
ii) Others			
(b) Reserves & Surplus			
I) Free reserve & surplus			
II) Share premium account			
III) Capital reserves			
IV) Reserves for bad & doubtful debts			
U/S 36(1) (VIA) (c) of income tax act 1961			
V) Special reserves created U/S 36(1) (VIII) of income tax Act, 1961			
VI) Special reserves created & Maintained U/S 36(1) (VIII) of income tax act, 1961			
VII) Bonds redemption reserve U/S 117 C of the companies act, 1956			
(c) Borrowings			
(I) From Government of India			
(II) From Financial institutions			
(III) Foreign currency loans			
(IV) Cash credit			
(V) Others	2474.51	4230.08	5823.47
(VI) Interest Accrued but not Due	47.41	162.72	157.18

(d) (I) Current liabilities & provisions			
(II) Provision for gratuity			
Total	2548.92	4419.80	6007.65
ASSETS			
(e) Gross Block	0.00	0.03	0.03
(f) Less: Depreciation	—	0.01	0.01
(g) Net block	0.00	0.02	0.02
(h) Capital work in progress			
(i) Investments			
(j) Current Assets			
(I) Current Assets & Advances	2546.92	4417.78	6005.63
(II) Loans (Long Terms)			
(k) Miscellaneous expenditure not written off	2.00	2.00	2.00
(l) Accumulated Loss			
(m) Deferred Tax Assets			
Total	2548.92	4419.80	6007.65
(n) Working capital (i) - d(i) - c(vi)			
(o) Capital employed means of aggregate of opening & closing balance (a) + (b) + (c)(i) to c(v)	2528.51	3379.30	5053.78
(p) Networth (a+b (I+II+V+VI) - K - I)	25.00	25.00	25.00
(q) Networth per Rupee of paid up capital			
I. Income			
a) Interest	---	---	0.04
b) Other Income	---	---	0.04
II. Expenditure			
a) Interest on long term loans	55.37	481.54	530.41
b) Other Expenditure	21.87	15.58	14.27
	77.24	497.12	544.68
Net expenditure transferred to Government of Andhra Pradesh	77.24	497.12	544.64

Sd/-

Principal Accountant General (Au) - II

BALANCE SHEET AS AT 31st MARCH 2003

Particulars	Sch. No.	As at	
		31.03.2003 Rupees	31.03.2002 Rupees
I. Source of Funds			
I. Share Holders Funds :			
Share Capital	1	270000700	270000700
II Loan Funds			
Unsecured Loans	2	58234700000	42300800000
TOTAL		58504700700	42570800700
II. Application of Funds :			
1. FIXED ASSETS			
Gross Block		286471	267459
Less : Depreciation	3	49941	18573
NET BLOCK		236530	248886
2. CURRENT ASSETS, LOANS & ADVANCES			
CASH ON HAND		3598	826
CASH WITH SCHEDULED BANKS		617753	18508798
LOAN TO AP GOVERNMENT		58133570000	42201670000
OTHER RECEIVABLES FROM AP GOVT.		1902095171	1957570149
DEPOSITS, LOANS & ADVANCES	5	20023836	0
Total Current Assets		60056310358	44177749773
Less : Current Liabilities & Provisions	6	1571866188	1627217959
Net Current Assets		58484444170	42550531814
III. Miscellaneous Expenditure :			
(To the extent not written off or adjusted)		20020000	20020000
TOTAL		58504700700	42570800700
Notes on Accounts	7		

As per our Audit report
For Ganesham & Sridhar
Chartered Accountants

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-
N. GANESHAM
Partner

Sd/-
B. ARAVINDA REDDY
Managing Director

Sd/-
JANNAT HUSAIN
Director

Place : Hyderabad
Date : 15-04-2004

**PROFIT AND LOSS ACCOUNT FOR
THE PERIOD 01-04-2002 TO 31-03-2003**

Particulars	As at 31-3-2003	As at 31-3-2002
1. EXPENDITURE		
Interest on Bonds	5264616326	4744057608
Interest on Application money	39546573	71268807
Arrangers Fees	15448017	17521200
Stamp Duty on Bonds	119504250	131667250
Bond Issues Expenses	850723	649231
Registrar fees	100000	78754
Surveillance Fees to CRISIL	1575000	1050000
Trustee fees to SBH	4542491	3915930
Consultant fees	172800	172800
Accounting services fees	20000	72000
Filing fees	0	3000
Bank charges	0	42952
Books and periodicals	9800	4745
Printing & Stationery	8961	459479
Postage charges	58230	699
Vehicle Hire Charges	150639	154800
Prof. Consultancy fees	0	10200
Repairs & Maintenance	11527	9504
Stamp Charges	2300	3100
Statutory Audit Fees	20250	11000
Telephone charges	47909	31288
Misc. expenses	4240	308
Depreciation	31368	18573
Remuneration to Managing Director	84786	0
Total Expenditure	5446806190	4971203228
INCOME :		
Interest on TDR	386336	0
NSDL Fees	165	0
Expenditure Transferred to A.P. Govt.	5446419689	4971203228

As per our Audit report
For Ganesham & Sridhar
Chartered Accountants

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-
N. GANESHAM
Partner

Sd/-
B. ARAVINDA REDDY
Managing Director

Sd/-
JANNAT HUSAIN
Director

Place : Hyderabad
Date : 15-04-2004

**SCHEDULE TO BALANCE SHEET
FOR THE YEAR ENDED 31st MARCH 2003**

PARTICULARS	As at 31.03.2003	As at 31.03.2002
SCHEDULE 1		
SHARE CAPITAL		
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>
SCHEDULE 2		
UNSECURED LOANS		
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	13051800000	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
Bonds (Series I/2002) 8th series	5580400000	0
Bonds (Series II/2002) 9th series	2006500000	0
Bonds (Series III/2002) 10th series	4987500000	0
Bonds (Series I/2003) 11th series	3357500000	0
	<u>58234700000</u>	<u>42300800000</u>

SCHEDULE OF FIXED ASSETS FOR THE YEAR ENDED 31st MARCH 2003

SCHEDULE - 3

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 31-03-2002	Rate of Dep.	Additions 31-03-03	As at 31-03-02	For the Year 31-03-03	As at 31-03-03	As at 31-03-02	
1.	Plant & Machinery	124790	7.07	0	7597	8822	16419	108371	117193
2.	Computer System	130709	16.21	0	10288	21188	31476	99233	120421
3.	Office Equipments	11960	6.33	19012	688	1358	2046	28926	11272
	Total	267459		19012	18573	31368	49941	236530	248886



PARTICULARS	As at 31-3-2003	As at 31-3-2002
SCHEDULE 4		
Balance in SBH Current A/c	617753	20508798
Balance in HDFC Collection A/c	0	-2000000
	<u>617753</u>	<u>18508798</u>
Other Receivables from AP Govt.	1922115171	1977590149
Less Incomp Exp. Paid by A.P. Govt.	20020000	20020000
	<u>1902095171</u>	<u>1957570149</u>
SCHEDULE 5		
Deposits, Loans & Advances		
Fixed Deposit with Global Trust Bank	20000000	0
Interest Receivable on TDR	23836	0
	<u>20023836</u>	<u>0</u>
SCHEDULE 6		
Current Liabilities & Provisions		
Interest accrued but not due on Bonds	1542758331	1503835349
Stamp duty on Bonds payable	25181250	122156250
Outstanding expenses	3926349	1225842
Tax deducted at source	258	518
	<u>1571866188</u>	<u>1627217959</u>

NOTES FORMING PART OF THE ACCOUNTS AS ON 31.03.2003

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 Financial 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. 5823,47,00,000 (last Year Rs. 4230,08,00,000)

3.1. The company has issued details 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.

Current year Rs. 850,00,00,000; (Previous years Rs. 1928,59,00,000).

The said Bonds worth Rs. 850 Crore were issued as per the letter of the Principal Secretary to the Government Energy Department vide letter Rs. 3535 Dr. III (2) 2002 Dated 22-06-2002. Letter No. 297 Pr. III (2) 2003-04 Dated 22-01-2003.

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. 1305.18 Crores

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.

4. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is 105,40,60,735 (last year Rs. 105,69,14,808) 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 forieng currency, remittance in foreign currency is not given, as the same is not applicable to the company.

5. Loans to the Government of Andhra Pradesh

The Funds mobilized by the Issue of Bonds Rs. 5823,47,00,000 (Last year Rs. 4230,08,00,000) was given as a Loan to Government of Andhra Pradesh Rs. 5813,35,70,000 (Last year Rs. 4220,16,70,000) including Bonds issued for consideration other than cash Rs. 2778,59,00,000 (Current year Rs. 850,00,00,000; previous years Rs. 1928,59,00,000) to the creditors of AP Transco.

6. 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.
7. Previous period figures are regrouped inline with the current year's classification.

As per our Audit report
For Ganesham & Sridhar
 Chartered Accountants

**For Andhra Pradesh Power
 Finance Corporation Limited**

Sd/-
N. GANESHAM
 Partner

Sd/-
B. ARAVINDA REDDY
 Managing Director

Sd/-
JANNAT HUSAIN
 Director

Place : Hyderabad
 Date : 15-04-2004

ANNEXURE TO BALANCE SHEET AS AT 31.03.2003

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

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE AS AT 31-03-2003

1. Registration No. : 01-34911-00-2001	State Code : 01		
Balance Sheet Date : 31-03-2003			
2. Capital Raised During the Year	NIL		
3. <u>Position of Mobilisation & Deployment of Funds (Rs. Lakhs)</u>			
Total Liabilities :	585047.01	Total Assets	585047.01
<u>Source of Funds (Rs. Lakhs)</u>			
Paid-up Capital	2700.01	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	582347.00
<u>Application of Funds (Rs. Lakhs)</u>			
Net Fixed Assets	2.37	Investments	NIL
Net Current Assets	584844.44	Misc. Expenses & Losses	200.20
Accumulated Losses	NIL		
<u>Performance of the Company (Rs. Lakhs)</u>			
Turnover/Income	3.86	Total Expenditure	54268.55
Expenditure Trfd to A.P. Govt.	54264.69	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 Ganesham & Sridhar
Chartered Accountants

**For Andhra Pradesh Power
Finance Corporation Limited**

Sd/-
N. GANESHAM
Partner

Sd/-
B. ARAVINDA REDDY
Managing Director

Sd/-
JANNAT HUSAIN
Director

Place : Hyderabad
Date : 15-04-2004