

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED



**16th Annual Report
2015-2016**

Andhra Pradesh Power Finance Corporation Limited

H Block (North), Ground Floor, A.P. Secretariat, Hyderabad - 500 022.

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CONTENTS

Board of Directors	1
Directors' Report	6
Independent Auditors' Report	11
Annexure to the Auditor's Report	14
Form No. MGT-9	18
Comments of C & AG	23
Balance Sheet	25
Profit and Loss Account	26
Notes on Balance Sheet and Profit & Loss Account	27
Cash Flow Statement	38

BOARD OF DIRECTORS

- | | |
|-------------------------------|---------------------|
| 1. Sri Ajeya Kallam, IAS | - Chairman |
| 2. Sri K.Vijayanand, IAS | - Director |
| 3. Smt.K.Sunitha, IAS | - Director |
| 4. Sri. Dinesh Paruchuri, IRS | - Director |
| 5. Sri Rahul Pandey, IFS | - Managing Director |
| 6. Sri. T.V.S.Chandrasekhar | - Director |

REGISTERED OFFICE :

H Block (North), Ground Floor,
A.P.SECRETARIAT, HYDERABAD 500 022

STATUTORY AUDITORS

Sharma & Sastry, Chartered Accountants
3-5-318, Jeera, M.G.Road, Secunderabad – 500003

INTERNAL AUDITORS

Sagar & Associates, Chartered Accountants
Prem Nagar, Hyderabad - 500004

REGISTRARS & BOND TRANSFER AGENTS

Karvy Computershare Private Limited,
Karvy Selenium Tower B, Plot 31-32, Financial District,
Nanakramguda, Gachibowli, Hyderabad – 500 032

TRUSTEES AND BANKERS

STATE BANK OF HYDERABAD,
Merchant Bank Division, Gunfoundry Branch, Abids,
HYDERABAD-500 001

LISTING OF BONDS:

NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 001

CORPORATE IDENTITY NUMBER (CIN)

U40109TG2000SGC034911

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of Andhra Pradesh Power Finance Corporation Limited will be held on Tuesday, the 27th day of December, 2016 at 3.15 PM in the Chambers of Special Chief Secretary to Govt., Finance Department, 2nd Building, A.P Secretariat, Velagapudi, Guntur Dist, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2016, the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To consider and if, thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

"RESOLVED that pursuant to the Provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, the remuneration of the Statutory Auditors, M/s Deva & Co, Chartered Accountants, Hyderabad as appointed by the Comptroller & Auditor General of India (C&AG) under Section 139(5) of the said Act, be and is hereby approved at Rs.75,000/- plus service tax as applicable, in addition to actual reasonable out of pocket expenses for the year 2016-17."

3. To consider and if, thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

"RESOLVED that pursuant to the provisions of Section 143 and other applicable provisions, if any, of the Companies Act, 2013, the Supplementary Audit Report issued by Comptroller & Auditor General of India (C&AG) for the financial year 2014-15 be and is hereby considered and adopted."

RESOLVED FURTHER THAT the Supplementary Audit Report of Comptroller & Auditor General of India (C&AG) for the financial year 2015-16 shall be forwarded to all the shareholders as soon as the same is issued by C&AG.

Place: Hyderabad

Date : 27.12.2016

By Order of the Board

Sd/-

(Rahul Pandey, IFS)

Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The instruments of proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement as required under Section 102 of the Companies Act, 2013 is annexed hereto.
4. Members may inspect the copies of documents referred to in the Notice and directors report during business hours on all working days till the date of AGM.

Explanatory Statement**Item No. 3**

The Shareholders are informed that for the FY 2014-15, the Comptroller & Auditor General (C&AG) of India had issued its Comments on the financial statements of APPFCL for the financial year 2014-15 vide No. AG(E&RSA)/ES-II (Power)/APPFCL/2016-17/14 dated 10-10-2016. A Copy of the same was forwarded to all the shareholders for their perusal & record. Comments of C&AG & replies of Board are given as Annexure to this report.

For the FY 2015-16, The Supplementary Report (or) Comments from C&AG for the financial year 2015-16 is awaited. Shareholders of the company will be forwarded the copy of the C&AG report as soon as it is received.

* * * * *

NOTICE

NOTICE is hereby given that the Extra-Ordinary General Meeting of Andhra Pradesh Power Finance Corporation Limited will be held on Monday the 23rd October, 2017 at 05:00 PM at the Registered Office of the Company to transact the following Special business:

SPECIAL BUSINESS :

1. To consider and if, thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED that pursuant to the provisions of Section 143(6) and other applicable provisions, if any, of the Companies Act, 2013, the Comments of the Comptroller & Auditor General of India (C&AG) on the financial statements of “Andhra Pradesh Power Finance Corporation Limited” for the financial year 2015-16 be and is hereby considered and adopted.”

By Order of the Board of Directors

For and on behalf of Andhra Pradesh Power Finance Corporation Limited

Sd/-

Sri Dinesh Paruchuri

Managing Director

(DIN: 07361786)

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The instruments of proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement as required under Section 102 of the Companies Act, 2013 is annexed hereto.
4. Members may inspect the copies of documents referred to in the Notice during business hours on all working days till the date of EGM.

EXPLANATORY STATEMENT**ITEM No.1:**

Comptroller & Auditor General of India (C&AG) had issued "Nil Comments" Report on the financial statements of APPFC for the financial year ended 31st March, 2016 vide their Lr.No.PAG(Audit)/ES-II(Power)/APPFCL/AA 2015-16/3 dated 08-09-2017. Your Directors propose the resolution for your approval. None of the Directors are concerned (or) interested in the above resolution.

By Order of the Board of Directors

For and on behalf of Andhra Pradesh Power Finance Corporation Limited

Sd/-

Sri Dinesh Paruchuri

Managing Director

(DIN: 07361786)

DIRECTORS' REPORT

To
The Members
ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

Your Directors have pleasure in presenting the 16th Annual Report on the operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2016.

FINANCIAL RESULTS

The shareholders are informed that consequent to the division of the state of Andhra Pradesh into the states of Andhra Pradesh & Telangana and in terms of the provisions of the Andhra Pradesh Reorganization Act 2014, the entire Assets and Liabilities of the company have been divided between the two States. With effect from 2nd June 2014, the entire Assets and Liabilities of the company has been divided as per the GO Ms No. 28 dated 30-5-2014 and GO Ms No. 134 dated 31-5-2014 issued in this regard. The Assets and Liabilities and other transactions related Telangana state have been transferred to Telangana Power Finance Corporation Limited (TPFCL) and the Assets and Liabilities and others transactions related to the residue Andhra Pradesh are retained and continued in the company. Thus the Financial Statements as on 31-3-2016 reflect the transactions that are related to residue Andhra Pradesh only. The summary of the financial results of the company are as below :

Particulars	(Rupees in Crores) For the year ended	
	31-03-2016	31-03-2015
Revenue from operations - Receipts from Govt. of A.P	216.94	222.40
Other Income	0.17	0.18
Total Expenditure	217.11	222.58
Profit / (Loss) Before Tax	-	-
Provision for Tax- FBT	-	-
Profit / (Loss) After Tax	-	-
Balance brought forward from previous year	-	-
Balance carried to Balance Sheet	-	-

APPFC BONDS:

The "Demerger Plan" which was prepared on the basis of G.O Ms.No.28 ENERGY(CC) Dept. dated 30.05.2014 and was submitted to the Expert Committee on 15.04.2015 along with Audited accounts for the period 01.04.2014 to 01.06.2014. "Demerger Plan" is pending with Expert Committee.

Consequent to the reorganization of the state of A.P, both successor states have paid the Principal & Interest amounts during the period 01.07.2014 to 01.04.2015 (18 times), in the ratio as per G.O Ms.No.28 i.e 59.54% (TS) : 40.46% (AP)

Sl. No.	Particulars	Payments made during 01-07-2014 - 01-04-2015		Shortfall
		APPSFCI (Amount in Rs.)	TSPSFCI (Amount in Rs.)	
1	Principal amount (Series 1/2014)	Rs.98,70,00,000/- (40.46%)	Rs.145,40,00,000/- (59.54%)	Nil
2	Regular Interest (series 1/2012, 2/2012, 3/2012, 1/2010, 1/2011, 1/2011 T.II, 1/2004, 1/2005)	Rs.222,23,98,522/- (40.46%)	Rs. 327,02,84,117/- (59.54%)	Nil

Subsequently, TPFCL has been releasing short payments towards interest on APPFC Bonds at the rate of 41.68% instead of 59.54% and hence there is a shortfall of 17.86%. Details of payments made by APPFCL & TPFCL towards interest on APPFC Bonds during the FY 2015-16 are as below:

Sl. No.	Particulars	Payments by APPFCL (Amount in Rs.)	Payments by TSPFCL (Amount in Rs.)	Shortfall in payment by TSPFCL
1	Regular interest on series 1/2012,2/2012, 3/2012,1/2010,1/2011, 2/2011 1/2005 due on 1-7-2015, 1-9-2015, 1-10-2015,1-1-2016, 1-3-2016,and 1-4-2016	Rs.214,99,68,377/- (40.46%)	Rs.221,45,44,473/- (41.68%)	Rs.94,91,95,477/- (17.86%)

The short payment by TPFCL has not only caused hardship to the Bondholders but also affected the credibility of APPFCL. Subsequently, TPFCL had vide GO No 51 Dated 25-6-2016. released the shortfall amount of Rs.94,91,95,477/-.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 134 (5) of the Companies Act, 2013 with respect to the Director's Responsibility Statement, it is hereby confirmed:

- In the preparation of the annual accounts for the financial year ended 31- March 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period;
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the accounts for the financial year ended 31 March 2016 on a 'going concern' basis; and
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

NUMBER OF MEETINGS OF THE BOARD

During the financial year 2015-16, 5 meetings of Board of Directors were held on 23.04.2015, 29.07.2015, 26.10.2015, 31.12.2015 and 22.03.2016.

DIRECTORS

Changes in directorships from 01.04.2015 till the date of Directors Report is as below:

Sl. No.	Name of the Appointee	Designation	In the place of	Date of Event
1	Dr.P.V.Ramesh, IAS	Nominee Director	Sri. Ajeya Kallam, IAS	04.07.2015
2	Smt.K.Sunitha, IAS	Nominee Director	Sri.L.Premchandra Reddy, IAS	21.09.2015
3	Sri.Dinesh Paruchur, IRS	Nominee Director	Sri.P.Sathya Moorthy	22.03.2016
4.	Sri. Ajeya Kallam, IAS	Nominee Director	Dr.P.V.Ramesh, IAS	15.06.2016
5.	Sri. T.V.S.Chandrasekhar	Nominee Director	Sri.Ajay Jain, IAS	10.09.2016

AUDIT COMMITTEE

The Audit Committee of the Board consists of the following Directors:

1. Sri. Ajeya Kallam, IAS	-	Chairman
2. Sri. Dinesh Paruchuri, IRS	-	Member
3. Sri. Rahul Pandey, IFS	-	Member
4. Sri. T.V.S. Chandrasekhar	-	Member

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS

As per Article No.31 of the Articles of Association of the Company the Government of Andhra Pradesh has the right to nominate and appoint Managing Director & other Directors of the Company. Non-executive Directors are paid Sitting fees for attending the Board and Committee meetings.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year, the Company has not given any loans or issued guarantees or made investments.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED IN SUB - SECTION (1) OF SECTION 188

The Company has not entered into any transactions with Related Parties in terms of Section. 188 of the Companies Act, 2013.

TRANSFER TO RESERVES

During the FY 2015-16, no amount is transferred to Reserves.

DIVIDEND

The Company has not declared any dividend during the year.

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

Conservation of Energy: The Company is not engaged in manufacturing operation.

Technology Absorption: -Nil-

Foreign Exchange Earnings & Outgo: -Nil-

CHARGES

The Company has not availed loans from any Bank / Financial Institutions during the financial year under review.

FIXED DEPOSITS

The Company is a Non Banking Finance Company (NBFC) vide CoR No. 01 – 34911, Date. 12-07-2000. During the financial year 2015-16, the company has not accepted any fixed deposits.

INTERNAL CONTROL:

The Company has a proper and adequate system of internal control to ensure all the assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, regarded and reported correctly.

AUDITORS

M/s Deva & Co, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2016-17.

EXPLANATIONS OR COMMENTS BY BOARD OF DIRECTORS ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE IN AUDIT REPORT

There are no qualifications, reservations or adverse remarks made by Auditors in their Audit Report.

COMMENTS FROM C&AG**a) For the FY 2014-15**

The Comptroller & Auditor General (C&AG) of India had issued its Comments on the financial statements for the financial year 2014-15 vide No. AG(E&RSA)/ES-II (Power)/APPFCL/2016-17/14 dated 10-10-2016. A Copy of the same was forwarded to all the shareholders for their perusal & record. Comments of C&AG & replies of Board are given as Annexure to this report.

b) For the FY 2015-16

The Supplementary Report (or) Comments from C&AG for the financial year 2015-16 is awaited. Shareholders of the company will be forwarded the copy of the C&AG report as soon as it is received.

TRANSFER OF UNCLAIMED POWER BONDS PRINCIPAL & INTEREST AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF).

The Company is not required to transfer any amount to Investor Education and Protection Fund (IEPF).

EXTRACT OF ANNUAL RETURN

As provided under Section 92(3) of the Act, the extract of annual return is given in **Annexure** in the prescribed Form MGT-9, which forms part of this report.

ACKNOWLEDGEMENT

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/-
(Ajeya Kallam, IAS)
Chairman

Place : Hyderabad
Date : 27.12.2016

Independent Auditor's Report

To the Members of

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

'H' Block [North], Ground Floor,

A.P. Secretariat,

Hyderabad – 500 022

Telangana State.

Report on the Financial Statements

We have audited the accompanying financial statements of

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

('the Corporation'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Corporation as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and 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 Corporation so far as it appears from our examination of those books.
 - (c) The Balance sheet, the Statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Corporation and the operating effectiveness of such controls, refer to our separate report in "Annexure B"

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i) There are no matters to be reported there under, the pending litigations, which will alter the financial position of the Corporation.
- ii) The Corporation is not required to make provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative.
- iii) There are no matters to be reported there under in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Corporation.

For SHARMA & SASTRY
Chartered Accountants
FRN. 003785S

Place : Secunderabad
Date : 27-12-2016

Sd/-
PRASAD PUTCHA
Partner
M.No: 207196

ANNEXURE – A TO THE AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Corporation, on the financial statements for the year ended 31 March 2016, we report that :

- (i) (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All the fixed assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets.

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Corporation, there are no Immovable Properties held by the Corporation.
- (ii) The issue of maintenance of inventory records is not applicable to the Corporation, as the Corporation is established to raise funds in the form of Bonds and to distribute to the DISCOMS.
- (iii) The Corporation has not granted any loans to bodies corporate covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act') barring the loans advanced to the DISCOMS. Thus, Paragraph 3 (iii)(a), (iii) (b) and (iii) (c) of the order is not applicable to the Corporation.
- (iv) In our opinion and according to the information and explanations given to us, the Corporation has not, granted any loans, made investments, guarantees and security ,thus compliance with the provisions of section 185 and 186 of the Act are not applicable. Hence Paragraph 3 (iv) of the order is not applicable to the Corporation.
- (v) The Corporation has issued Bonds for raising loans, in the previous years.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act for any of the products rendered by the Corporation. Hence Paragraph 3(vi) of the order is not applicable to the Corporation.
- (vii)(a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Corporation is regular in depositing undisputed statutory dues towards income-tax, service tax and any other statutory dues with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Corporation examined by us, there are no dues on account of Income tax, Service tax, as at 31st March 2016, which have not been deposited on account of dispute.
- (viii) According to the information and explanations given to us and the records of the Corporation examined by us, the Corporation has not defaulted in repayment of dues to the banks.

- (ix) The Corporation did not raise any money by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no material fraud by the Corporation or on the Corporation by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Corporation, the Corporation has paid an amount of Rs. 1,29,879/- as managerial remuneration to managing director during the year, and provided for deputation allowances to Mr. M. Prabhu, Accounts Officer, as per APPFCL vided Lr.No.Pay Officer / AO (CPR)/JAO(CPR)/CPDCL/D.No. 8863/2015, Dated: - 10/06/2015 provided of Rs.3,46,364/-.
- (xii) In our opinion and according to the information and explanations given to us, the Corporation is not a nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations give to us and based on our examination of the records of the Corporation, the Corporation has not entered into any transaction with related parties.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the corporation, the corporation has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Corporation, the Corporation has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company, being a NBFC, is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. The registration as required has been duly obtained and registration number issued to the Company is No. 01 – 34911, dated 12-07-2000.

For SHARMA & SASTRY
Chartered Accountants
FRN. 003785S

Place: Secunderabad
Date: 27-12-2016

Sd/-
PRASAD PUTCHA
Partner
M.No: 207196

ANNEXURE - B TO THE AUDITORS' REPORT**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED** as of 31 March 2016 in conjunction with our audit of the financial statements of the Corporation for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Corporation's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Corporation's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Corporation's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Corporation's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Corporation's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Corporation's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Corporation has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For SHARMA & SASTRY
Chartered Accountants
FRN. 003785S**

**Place: Secunderabad
Date: 27-12-2016**

Sd/-
**PRASAD PUTCHA
Partner
M.No: 207196**

FORM No. MGT.9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31/03/2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS :

i	CIN	U40109TG2000SGC034911
ii	Registration Date	12.07.2000
ii	Name of the Company	Andhra Pradesh Power Finance Corporation Limited
iv	Category / Sub-Category of the Company	Public Company / Limited by Shares / State Government Company
v	Address of the Registered office and contact details	H Block (North), Ground Floor, A.P. Secretariat, Hyderabad 500 022
vi	Whether listed company Yes / No	Yes (Bonds are Listed)
vii	Name, Address and Contact details of Registrar and Transfer, Agent if any	Karvy Computershare Pvt Ltd Financial District, Nanakram Guda, Hyderabad, Telangana - 500 032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl.	Name and Description of main products / services	NIC Code of the products / services	% to total turnover of the company
1	Finance activity	6592	100.00

III. PARTICULARS OF HOLDINGS, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
No Holding, Subsidiary and Associate Companies					

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding

Category of Shareholders	No. of Shars held at the beginning of the year				No. of Shars held at the end of the year				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	16,91,401	16,91,401	100	0	16,91,401	16,91,401	100	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any Other..	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):-	0	16,91,401	16,91,401	100	0	16,91,401	16,91,401	100	0
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other - Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):-	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A) = (A)(1)+(A) (2)	0	16,91,401	16,91,401	100	0	16,91,401	16,91,401	100	0
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B) (1) :-	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of Shars held at the beginning of the year				No. of Shars held at the end of the year				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B) (2) :-									
Total Public Shareholding (B) = (B)(1) + (B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	16,91,401	16,91,401	100	0	16,91,401	16,91,401	100	0

(*) – Pursuant to G.O Ms.No.28, Energy Department, Govt. of A.P dated 30.05.2014

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Governor of Andhra Pradesh	16,91,394	100.00	0	16,91,394	100.00	0	(*)
2	Nominees of Governor of Andhra Pradesh (9 no.s)	7	negligible	0	7	negligible		
	Total	16,91,401	100.00	0	16,91,401	100.00	0	0

- (*) – Pursuant to G.O Ms.No.28, Energy Department, Govt. of A.P dated 30.05.2014
- (iii) Change in Promoters' Shareholding (please specify, if there is no change) : **NIL**
The Company is a State Government company and 100% shareholding is held by Governor of Andhra Pradesh. There are changes in Nominees of Governor of Andhra Pradesh which will not be considered as change in Promoters.
- (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) : **NIL**
- (v) Shareholding of Directors and Key Managerial Personnel :
The Company is a State Government company and 100% shareholding is held by Governor of Andhra Pradesh. There are changes in Nominees of Governor of Andhra Pradesh which will not be considered as change in Promoters.

V. INDEBTEDNESS :

Indebtedness of the company including interest outstanding / accrued but not due for payment.

(Amount in crores)

	Secured Loans excluding deposits	Unsecured Loans (APPFC Bonds)	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
ri) Principal Amount	—	2286.19	—	2286.19
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	—	2286.19	-	2286.19
Change in Indebtedness during the financial year (Interest amount)				
• Addition	—	216.94	—	216.94
• Reduction	—	216.94	—	216.94
Net Change	—	—	—	—
Indebtedness at the end of the financial year				
i) Principal Amount	—	2286.19	—	2286.19
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	152.88	—	152.88
Total (i+ii+iii)	—	2439.07	—	2439.07

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Name of the MD/WTD and Manager	Remuneration (Amount in Rs.)						Ceiling as per Act
		Gross Salary	Stock Option	Sweat Equity	Commis-sion	Others	Total	
1	Sri.Rahul Padey, IFS, Managing Director	1,29,879	Nil	Nil	Nil	Nil	1,29,879	Not Applicable
	TOTAL						1,29,879	

B. Remuneration to other directors :

Sl. No.	Name of the Director	Remuneration (Amount in Rs.)			
		Fee for attending board / committee meetings	Commission	Others	Total
A.	INDEPENDENT / NON EXECUTIVE DIRECTORS				
1	Sri Ajeya Kallam, IAS	1000	Nil	Nil	1000
2	Sri K Vijayanand, IAS	3000	Nil	Nil	3000
3	Sri P Satya Moorthy	5000	Nil	Nil	5000
4	Sri L Premchandra Reddy	—	Nil	Nil	—
5	Sri Ajay Jain, IAS	3000	Nil	Nil	3000
6	Dr.P.V.Ramesh, IAS	6000	Nil	Nil	6000
7	Smt K.Sunitha, IAS	3000	Nil	Nil	3000
TOTAL					21,000

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD : NIL
VIII : PENALTIES / PUNISHMENT / COMPOUNDING OF EFFENCES :

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD/NCLT/ COURT)	Appeal made if any (give Details)
A. COMPANY					
Penalty			NIL		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

★ ★ ★

CONFIDENTIAL / BY REGD. POST**OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH
HYDERABAD - 500 004.**

No.PAG (Audit)/ES-II (Power)/APPFCL/AA 2015-16/3

Dated : 08-09-2017

To

The Managing Director,
Andhra Pradesh Power Finance Corporation Limited,
Peshi of JMD (FIN. HRD & IT), SLDC Block, 4th Floor,
Vidyut Soudha, Gunadala,
Vijayawada - 520 004.

Sir,

Sub : Comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act 2013 on the accounts of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31st March 2016.

* * *

I am to forward herewith Nil comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act 2013 on the accounts of your company for the year ended 31st March 2016 for necessary action. You are requested to communicate / furnish the following.

1. The date of placing of Nil comments report along with annual accounts and auditor's report before the shareholders of the company. A copy of the proceedings of the meeting held in this regard may be furnished.
2. The date of forwarding the annual report and annual accounts of the company together with the auditor's report and Nil comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature of Andhra Pradesh may be communicated.
3. Ten copies of the Annual Report for the year 2015-16 may be furnished in due course.

The receipt of this letter along with the enclosure may please be acknowledged.

Yours faithfully,

Sd/-

Sr. Deputy Accountant General (ES)

Encl : As. stated

Comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act, 2013 on the Financial Statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the Year ended 31st March 2016.

The preparation of financial statements of Andhra Pradesh Power Finance Company Limited, Hyderabad for the year ended 31st March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139 (5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 26 December, 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143 (6) (a) of the act of the financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2016. 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 auditor's report.

Yours faithfully,
the Comptroller and Auditor General of India

Sd/-

(L. V. SUDHIR KUMAR)

Principal Accountant General (Audit)

Place : Hyderabad

Date : 08-09-2017

Balance Sheet as at 31st March, 2016

Particulars	Note No.	As at March 31, 2016 Amount in Rs.	As at March 31, 2015 Amount in Rs.
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	16,91,40,100	16,91,40,100
(2) Non-Current Liabilities			
(a) Long-term borrowings	2	2144,39,23,000	2144,39,23,000
(3) Current Liabilities	3	295,75,65,872	142,83,26,314
Total		2457,06,28,972	2304,13,89,414
II. Assets			
(1) Non-current assets			
(a) <i>Fixed assets</i>			
(i) Tangible assets	4	39,597	109,522
(b) Long term loans and advances	5	228,63,00,000	2286,30,00,000
(2) Current assets			
(a) Cash and cash equivalents	6	60,09,27,476	2,08,50,556
(b) Other Current Assets	7	110,66,61,899	15,74,29,336
Total		2457,06,28,972	2304,13,89,414
Notes on Accounts	12	-	-

As per Audit Report of even date

 For SHARMA & SASTRY
 CHARTERED ACCOUNTANTS
 FRN No. 003785S

Sd/-

 PUTCHA PRASAD
 Partner
 M.No. 207196

Place : Secunderabad

Date : 27-12-2016

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD.

Sd/-

RAHUL PANDEY, IFS
 Managing Director

Sd/-

VIJAYANAND, IAS
 Director

Statement of Profit and Loss for the year ended 31st March, 2016

Particulars	Note No.	Figures as at the end of current reporting period 31-03-2016 Amount in Rs.	Figures as at the end of previous reporting period 31-03-2015 Amount in Rs.
I. Revenue from operations	8	216,94,28,681	222,40,25,195
II. Other Income	9	17,24,419	18,04,372
III. Total Revenue (I +II)		217,11,53,100	222,58,29,567
IV. Expenses :			
Employee benefit expense	10	4,76,243	54,480
Financial costs	11	216,71,98,550	222,23,98,522
Depreciation and amortization expense	4	69,925	38,445
Operating, administration and other expenses	12	34,08,382	33,38,120
Total Expenses		217,11,53,100	222,58,29,567
V. Profit before exceptional and extraordinary items and tax	-	-	-
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax		-	-
VIII. Extraordinary Items		-	-
IX. Profit before tax		-	-
X. Tax expense :			
(1) Current tax		-	-
(2) Deferred tax		-	-
XI. Profit(Loss) from the period from continuing operations	-	-	-
XII. Profit/(Loss) from discontinuing operations		-	-
XIII. Tax expense of discounting operations		-	-
XIV. Profit/(Loss) from Discontinuing operations		-	-
XV. Profit/(Loss) for the period		-	-
XVI. Earning per equity share :			
(1) Basic		-	-
(2) Diluted		-	-

As per Audit Report of even date
For SHARMA & SASTRY
CHARTERED ACCOUNTANTS
FRN No. 003785S

Sd/-
PUTCHA PRASAD
Partner
M.No. 207196
Place : Secunderabad
Date : 27-12-2016

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD.

Sd/-
RAHUL PANDEY, IFS
Managing Director

Sd/-
VIJAYANAND, IAS
Director

Notes on Balance Sheet and Profit & Loss A/c

Particulars	As at 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
NOTE - 1 :		
Note (i) :		
SHARE CAPITAL :		
AUTHORISED SHARE CAPITAL:		
— 3000,00,000 Equity Shares of Rs.100 each (3000,00,000 Equity Shares of Rs.100 each)	3000,00,00,000	3000,00,00,000
ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL (16,91,401 Equity Shares of Rs.100/- each fully paid up)	16,91,40,100	29,00,20,700
Less - Shares Transferred to TS Govt. on Bifurcation	-	12,08,80,600
	16,91,40,100	16,91,40,100
Note (ii) :		
Number of shares which are more than 5% of paid up Share Capital-details Governor of Andhra Pradesh, represented by the MD of the Company. There is a restriction on transferability of shares	16,91,40,100	16,91,40,100
Note (iii) :		
Reconciliation of number of shares outstanding at the beginning and end of the year		
Shares issued & subscribed as on 01.04.2015 (16,91,401 Equity Shares of Rs.100/- each fully paid up)	16,91,401	29,00,207
Add: Issued during the year	-	-
	16,91,401	29,00,207
Less - Shares Transferred to TS Govt. on Bifurcation	-	12,08,806
Total Amount as per Balance Sheet (16,91,401 Equity Shares of Rs.100/- each fully paid up)	16,91,401	16,91,401
Note (iv) :		
a) There are no shares issued in last five years as fully paid up pursuant to contracts without payment being received in cash.		
b) There are no shares issued in last five years as fully paid up by way of bonus shares.		
c) There are no shares bought back in last five years.		
d) There are no calls unpaid.		
e) There are no forfeited shares		
NOTE - 2 :		
NON-CURRENT LIABILITIES :		
A) Long Term Liabilities (Unsecured)		
i) BONDS :		
1/2005 Bonds Issue 16th Series	99,82,71,200	99,82,71,200
1/2010 Bonds Issue 17th Series	426,16,51,800	426,16,51,800
1/2011 Bonds Issue 18th Series	62,38,93,200	62,38,93,200
2/2011 Bonds Issue 19th Series	301,06,28,600	301,06,28,600
1/2012 Bonds Issue 20th Series	127,08,48,600	127,08,48,600
2/2012 Bonds Issue 21st Series	404,60,00,000	404,60,00,000
3/2012 Bonds Issue 22nd Series	723,26,29,600	723,26,29,600
TOTAL	2144,39,23,000	2144,39,23,000

Notes on Balance Sheet and Profit & Loss A/c

Particulars	As at 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
NOTE - 3 :		
CURRENT LIABILITIES :		
(i) Expenses payable :		
Accounting Charges Payable	10,450	-
Company Secretary Charges Payable	9,000	-
Deputation allowance payable	3,46,364	
Statutory Audit Fee Payable	78,375	76,770
Service Tax Consultancy Charges Payable	5,225	-
Internal Audit Fee Payable	25,080	24,566
Folio maintenance charges payable	1,48,076	78,583
Income tax consultancy payable	-	13,707
TDS Payable	1,58,840	1,84,875
Trustee Fee Payable	18,08,013	16,18,285
Tax Audit fee Payable	5,118	5,118
Sundry Creditors		
De-Merger Proposal Preparation payable	36,031	89,054
Payable/Receivable from TS Govt.	80,09,823	78,46,269
Interest on Fixed Deposit Payable	-	3,47,405
Interest on Bonds Payable	57,97,30,000	-
Interest Payable to Bond Holders - TPFCL	94,91,95,477	-
Provision for Investor Protection Fund	-	41,682
Total (i) :	153,95,65,872	103,26,314
(ii) Other Current Liabilities :		
CURRENT MATURITIES OF UNSECURED LOANS :		
A) Current Maturities of Bonds :		
a) Non-Cumulative Bonds :		
2/2001 Bond issue 4th Series	-	-
3/2001 Bond issue 5th Series	-	-
4/2001 Bond Issue 6th Series	-	-
5/2001 Bond Issue 7th Series	-	-
1/2002 Bonds Issue 8th Series	-	-
2/2002 Bonds Issue 9th Series	-	-
1/2004 Bonds Issue 15th Series	-	-
1/2005 Bonds Issued	141,80,00,000	141,80,00,000
Total Cumulative Bonds maturing in next 12 months	-	
Total Current Liabilities : Total (a)	141,80,00,000	141,80,00,000

Notes on Balance Sheet and Profit & Loss A/c

Particulars	As at 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
b) Cumulative Bonds :		
2/2000 Bond issue 2nd Series	-	-
1/2001 Bond issue 3rd Series	-	-
Total Non-Cumulative Bonds maturing in next 12 months -Total (b)	-	-
Current maturities of Bonds : Total (A) (a+b)	141,80,00,000	141,80,00,000
B) Unsecured Loan from Bank :		
Term Loan from Canara Bank	-	-
Current Maturities of Unsecured loan from Canara Bank Total (B)	-	-
Total Current Maturities of Unsecured Loans [Total (ii)] (A+B)	141,80,00,000	141,80,00,000
TOTAL CURRENT LIABILITIES : [Total (i) + Total (ii)]	295,75,65,872	142,83,26,314
NOTE -5 - NON-CURRENT ASSETS :		
Receivables - Long Term Loans and Advances :		
Loans to Discoms AP- Government	-	-
Loans to AP DISCOM's Pool Account	2286,30,00,000	2286,30,00,000
Total Long Term Loans and Advances	2286,30,00,000	2286,30,00,000
TOTAL	2286,30,00,000	2286,30,00,000
NOTE -6		
Cash & Cash Equivalents		
Balances with Scheduled Bank		
- In Current Account with SBH	58,09,20,507	8,48,788
- In Deposits Account with SBH	2,00,00,000	2,00,00,000
- In No- lien Account with SBH	21	-
Cash on Hand	6,948	1,768
TOTAL	60,09,27,476	2,08,50,556
NOTE -7		
Other Current Assets :		
Loans to AP Government	-	-
Current Maturities of Bonds repayable	-	-
Receivables from AP Government	15,64,03,466	15,65,41,119
TDS receivable from SBH on Fixed Deposit	10,47,365	8,75,446
Interest Receivable from fixed deposit	12,771	12,771
Interest On bonds receivable from TSPFCL	94,91,95,477	-
Prepaid Expenses [website charges]	2,820	-
TOTAL :	110,66,61,899	15,74,29,336

Notes on Balance Sheet and Profit & Loss A/c

Particulars	As at 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
NOTE - 8 REVENUE FROM OPERATIONS - Receipts from Government : - for Payment of Interest on Bonds - AP Govt - for Payment of Interest on Bonds - TG Govt - Reimbursement of other expenses incurred - Interest excess paid previous year, now received	216,72,40,232 - 21,88,449 - 216,94,28,681	222,24,00,072 - 15,39,308 85,815 222,40,25,195
NOTE -9 OTHER INCOME Interest on Fixed Deposit	17,24,419 17,24,419	18,04,372 18,04,372
NOTE-10 EMPLOYEE BENEFIT EXPENSES Salaries Deputation Allowances MD Remuneration	- 3,46,364 1,29,879 4,76,243	54,480 - - 54,480
NOTE-11 FINANCIAL COST Interest on Bonds (Reimbursed by Government of AP) Interest on Bonds (Reimbursed by Government of TG)	216,71,98,550 -	222,23,98,522 -
TOTAL	216,71,98,550	222,23,98,522

Notes on Balance Sheet and Profit & Loss A/c

Particulars	As at 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
NOTE -12		
Operating, Administration and Other Expenses		
Grant-In-Aid for expenses	-	
Trustee Fees	12,73,353	17,96,527
NSE Listing Fee	95,468	2,61,917
Bond Servicing Exp.	-	5,256
ROC Filing Fee	12,250	20,400
E-tds Filing Fee	11,743	23,404
Custodial Service Fee Paid to CDSL & NSDL	69,490	1,07,959
Consultant & Professional charges	35,000	6,511
Directors' Sitting Fee	23,015	30,000
Advocate Fee Paid	11,450	-
Printing & Stationary	18,745	40,217
Penalty on TDS	20,804	1,219
Service Tax	83,198	-
Interest on Service Tax	27,370	-
Postage & Courier	17,905	1,583
Vehicle Hire Charges	10,52,672	3,13,500
Traveling Expenses	11,746	-
Telephone and Internet Expenses	25,908	35,454
Folio maintaince charges	30,807	49,206
Computer Maintenance	-	3,050
Office Maintenance	21,861	71,493
Balances Writtenoff	-	(5,615)
Accounting Charges	1,47,958	1,12,361
Bank Charges	20	300
Company Secretary Charges	1,30,000	97,500
Misc. Expenses	-	1,500
Web Site Maintenance	4,450	7,175
Out Sourcing Staff Slalaries	1,41,189	2,40,348
Service Tax Consultancy Charges	28,625	
AUDITORS REMUNERATION :		
- For Statutory Auditors	85,875	84,270
- For Internal Auditors	27,480	26,967
- For Tax Auditors	-	5,618
	34,08,382	33,38,120

NOTE - 4
Schedule of Fixed Assets as at 31st March 2016
Amount in Rupees

Sl. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As at 1-4-2015	Rate of DEP%	Additions during the year	Deletions	As at 31-3-2016	As at 01-04-2015	Adjustments during the Year	For the year	As at 31-3-2016	As at 31-3-2016	As at 31-3-2015
1	Office Equipments	1,38,449	19.00%	-	-	1,38,449	92,194	-	26,305	1,18,499	19,950	94,725
2	Computer Systems	1,46,240	31.67%	-	-	1,46,240	1,09,160	-	37,080	1,46,240	-	1
3	Furniture & Fixtures	68,837	9.50%	-	-	68,837	42,650	-	6,540	49,190	19,647	55,773
	Totals	3,53,526		-	-	3,53,526	2,44,004	-	69,925	3,13,929	39,597	1,50,499
	Previous Year	5,04,758		59,150	2,10,382	3,53,526	3,54,259	1,48,700	38,445	2,44,004	1,09,522	1,50,499

As per Audit Report of even date
For SHARMA & SASTRY
CHARTERED ACCOUNTANTS
FRN No. 003785S

Sd/-
PUTCHA PRASAD
Partner
M.No. 207196

Place : Secunderabad
Date : 27-12-2016

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD.

Sd/-
RAHUL PANDEY, IFS
Managing Director

Sd/-
VIJAYANAND, IAS
Director

NOTE No. 1**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS:**

Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated, pursuant to the Andhra Pradesh GO (Government Order). Ms. No. 54, dated. 19.05.2000, as a Government Company under the Companies Act 1956, on 12th July, 2000 and had commenced its business on 13th July, 2000 and also obtained, the Certificate of Registration from the Reserve Bank of India as a Non-Banking Financial Institution under the Reserve Bank of India Act 1934, vide letter No. DNBS(H) No. 714/04.039/2000-2001, dated August 25th 2000. The main object of the Company includes providing Long Term Finance to those Enterprises wholly engaged in the business of developing, maintaining and operating of Power, and relating thereto including but not limited to generation, transmission, distribution facility viz., GENCO, TRANSCO, DISCOMs.

Presentation and Disclosures in Financial Statements :**A. 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, 2013.
- ii. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis, except the accrued interest on bonds/loan to the Government which is accounted for on payment/ receipt basis.
- iii. The Government Receipts in the form of Interest for the payment of interest on bonds of Rs. 216.94 crore (Previous year: Rs. 222.40 crore), and Reimbursement of expenses incurred by the company on behalf of the Government Rs.21.88 Lakhs (previous year: Rs. 15.39 lakhs) have been depicted separately both under 'Revenue from operations' and 'Expenses' in the Statement of Profit & Loss, which is met/reimbursed by the Government of AP to the company on actuals basis.

b. Revenue Recognition :

- i. The Company recognizes interest income on the loans to DISCOMS - AP Government and Loans to DISCOMs' Pool Account, out of the various series of bonds issued by the company on receipt basis, and the same is shown as interest income in the Statement of Profit & Loss.
- ii. The company accounts for the interest expenditure on various series of Bonds, Term Loan and other operating expenses, which is reimbursed by the Government of AP, on actuals basis, and the same is taken as expenditure in the Statement of Profit & Loss.
- iii. The operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loan and other operational expenses is being met/reimbursed by the Government of Andhra Pradesh on actuals basis and hence it does not result in any Profit/Loss and accordingly the Statement of Profit & Loss a/c does not depict/result in any profit or loss out of the operations of the company.

c. Fixed Assets :

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

d. Depreciation :

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 2013. The Company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

B. UNSECURED BONDS/TERM LOAN: Rs. 2286.30 crore (last year Rs. 2286.30 crore).

- i. The Company has raised funds through private placement of "**APPFC BONDS**" in the earlier years under the various series, but during the current year no funds have been raised by the Company. The common features of the various series of Bonds are as under:
 - ii. The Bonds carry with them an unconditional and irrevocable guarantee, for the due repayment, both interest and principal, of the Government of AP.
 - iii. The redemption of the Bonds/repayment to the Bond holders is governed by a "STRUCTURED MECHANISM", through a Tripartite Agreement among the Company, Government of Andhra Pradesh and State Bank of Hyderabad - Trustees to the Bondholders, which assures budgetary support, from the Government of Andhra Pradesh for servicing the bonds. The payment of interest on outstanding of bonds and repayment of principal amount of bonds are met/paid by the Company by way of transfer of funds into designated No-Lien Account out of the monies transferred by the Government of Andhra Pradesh to the Company pursuant to the obligations undertaken by it under the said Tripartite Agreement.

NOTE : 2

(A) Outstanding of APPFC Bonds at the end of the year under different series as follows :

Sl. No.	APPFC Bonds Series	Amount Outstanding (Rs. in crore) As on		Coupon Rate (%) p.a.	Interest Payable	Tenure in Years	Put / Call Option due at the end of
		31-03-2016	31-03-2015				
1	1/2005	597.20	597.20	8.15	Annual	15	12 th Year
2	1/2010	42.00	42.00	8.49	Semi Annual	10	7 th Year
		1011.30	1011.30	8.74		12	10 th Year
3	1/2011	5.00	5.00	9.10	Semi Annual	10	7 th Year
		149.20	149.20	9.60		12	10 th Year
4	2/2011	157.20	157.20	9.85	Semi Annual	10	7 th Year
		586.90	586.90	9.97		12	10 th Year
5	1/2012	64.70	64.70	9.50	Semi Annual	10	7 th Year
		249.40	249.40	9.64		12	10 th Year
6	2/2012	1000.00	1000.00	9.75	Semi Annual	10	7 th Year

(3).

- 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 at the end of the year till the actual payment is made.
- b) The tax due payable by a bondholder cannot be deducted at source as the quantum of interest cannot be determined at the end of the year till the actual payment is made.
- c) The actual Interest expenditure to the company in this regard gets reimbursed by the Government of A.P.

(4). Loans to DISCOMS - AP Government and Loans to DISCOMs' Pool Account :

The funds mobilized up to 31-03-2016 from the bonds amounting to Rs.2286.30 crore (Rs. 2286.30 crore as at 31-03-2016) have been deployed by way of "Loan to DISCOMS - Govt. of A.P." & DISCOMs Pool Account.

(Rs. in crores)

Particulars	As on 31-03-2016	As on 31-03-2015
Non-Current Assets :		
- Loan to DISCOMs – Govt. of AP	-	-
- Loan to AP DISCOMs	2286.30	2286.30
Current Assets :		
Other Current Assets		
- Loan to DISCOMs – Govt. of AP	-	0.00
Total :	2286.30	2286.30

(5) All receivables including the receivables from the DISCOMs - AP Government and DISCOMs' Pool Account are subject to confirmation and reconciliation from the respective parties.

(6) Managerial Remuneration :

Particulars	Managing Director	
	2015-16 Rs.	2014-15 Rs.
Salaries, Allowances	—	—
Contribution to Provident Fund and welfare fund	3,46,364.00	—
Others – Additional Charge allowance to Managing Director	1,29,879.00	—

- (7) a. Contingent Liabilities not provided for – NIL – (Previous year –NIL-)
b. Estimated amount of contracts remaining to be executed on capital account and not provided for – NIL - (Previous Year –NIL -).
- (8) The Corporation has not accounted for the Interest received from State Bank of Hyderabad, Secretariat Branch as appearing in Form No. 26AS [Downloaded on 10/12/2016] of an amount Rs. 1,87,599/-.

As the Deposit kept in the State Bank of Hyderabad, Secretariat Branch for an amount of Rs. 84 Lakhs was transferred to Telangana Power Finance Corporation, as per the State Reorganization Committee Decision, as such the interest portion as referred above is reflected in APPFCL Accounts, but APPFCL is utilizing the interest portion and the same is repayable to TPFCL along with the principle portion of Rs. 84 Lakhs and the same is reflected as liability and the same is appearing in Payable / Receivable from TPFCL/c.

- (9) The Corporation has affected the Service Tax payments during the year, which is inclusive of Interest and Penalty, as per the demands raised by the Service Tax Department [HQST No. 132/2015-STAE-IX, Dated:- 16/09/2015] pertaining to the previous Financial Years, in spite of agitating before the Service Tax Authorities that the Service Tax is not applicable to the Corporation, even then the Corporation has affected the payments, as per the demand notice under protest and the matter is pending before the Joint Commissioner of Service Tax and the matter has not reached finality till the date of this report.

The Corporation is effecting the payments after obtaining the Service Tax Registration and made the payment pertaining to the Financial Year 2013 -14 onwards on the basis of Reverse Charge Mechanism, consequent on which the Department has levied Interest and Penalty on the Tax Paid.

- (10) The Corporation is effecting the Interest on the Bonds as per the Decision of the Demerger Proposal, which is 40.46% of the Bonds and in the event of shortage / excess that too, in small portion payments made to the Bond Holders by TPFCL, APPFCL is adjusting the difference in payments for the convenience of the Bond Holders and the difference is claimed from TPFCL.
- (11) The dispute on sharing of Bonds liability between both the Corporations has not reached finality and APPFCL has Accounted for the Bonds and paid interest according to G.O.MS No. 28, dated:- 30/05/2014 and G.O.Ms No. 134, dated:- 31/05/2014 [United AP Government Order].
- (12) The shortage of Interest payments to the Bond Holders by TPFCL are met by APPFCL and the claim is made by the Corporation against TPFCL for the payments made to the Bond Holders on their behalf and a sum of Rs. 94,91,95,477/- is due from TPFCL as on the close of the year and the entire amount is received in the Month of July 2016 under protest from TPFCL.
- (13) The Outstanding amount receivable from AP Government towards the Share Capital amount is adjusted to the Profit / Loss incurred during the year, which is transferred to the concerned Account and the net amount is reflected in the Books of Account.



- (14) Deputation Allowance is provided to Mr. M. PRABHU, Accounts Officer, working on deputation to APPFCL vide Lr.No.Pay Officer / AO (CPR)/JAO(CPR)/CPDCL/D.No. 8863/2015, Dated:- 10/06/2015 and in accordance to this letter the Corporation has provided for the Deputation Allowance in the Books of Accounts.
- (15) The Bonds related expenditure of TS Share transferred to TPFCL in accordance to the Bonds Division Ratio.
- (16) Interest on Bonds is payable on 01/04/2016 to the Bond Holders and the portion of TPFCL amount payable to the Bond Holders is received by the Corporation, as such as on the close of the Financial Year the same is reflected as Liability in the Balance Sheet.
- (17) The dispute on sharing of Bonds liability between both the Corporations has not reached finality and APPFCL has Accounted for the Bonds and paid interest according to G.O.MS No. 28 , dated:- 30/05/2014 and G.O.Ms No. 134, dated:- 31/05/2014 [United AP Government Order].
- (18) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31-03-2016 for a period of more than Six Months from the date they became payable, barring the Income Tax demand of Rs. 55.35 Lakhs due to Non-Deduction of TDS on interest on application money paid to various organizations, for which the Corporation has preferred an Appeal and even for the earlier years demand, the Corporation has appealed against the demand raised and the corporation was successful in getting the demand cancelled, on which order the Department has preferred an Appeal . As such the Corporation has not provided for the Demand in the Accounts drawn as on 31/03/2016.
- (19) Previous year figures are regrouped, rearranged or readjusted, wherever necessary.

As per Audit Report of even date
For SHARMA & SASTRY
CHARTERED ACCOUNTANTS
FRN No. 003785S

Sd/-
PUTCHA PRASAD
Partner
M.No. 207196
Place : Secunderabad
Date : 27-12-2016

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD.

Sd/-
RAHUL PANDEY, IFS
Managing Director

Sd/-
VIJAYANAND, IAS
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2016

Particulars	For the year ended 31-3-2016 Rs.	For the year ended 31-3-2015 Rs.
A. CASH FLOWS FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation & Assets written off	69,925	38,445
Interest Income	(17,24,419)	(18,04,372)
Operating Profit Before Working Capital Changes - I	(16,54,494)	(17,65,927)
Adjustments for changes in working capital :		
Incr./ (decr.) in current maturities of Non-Cumulative Bonds	-	(102,30,00,000)
Incr./ (decr.) in current maturities of Cumulative Bonds	-	-
(Incr.)/ decr. in Loan to DISCOMS-AP Govt. Current Maturities of Bonds	-	244,10,00,000
(Incr.)/ decr. in Other Receivables from AP Government	1,37,653	11,53,98,310
Incr./ (decr.) in Unsecured Loan from Bank (Current Maturities)	-	-
(Incr.)/ decr. in Other Current Assets	(94,93,70,216)	35,391
Incr./ (decr.) in Trade Payables and Other Liabilities	152,92,39,558	71,30,187
Incr./ (decr.) in Net Current Assets - II	58,00,06,995	154,05,63,888
Net Cash From Operating Activities (A) [I+II]	57,83,52,501	153,87,97,961
B. CASH FLOWS FROM INVESTING ACTIVITIES :		
(Incr.)/ decr. in net Fixed Assets	-	2,532
Interest Received	17,24,419	18,04,372
Net Cash Used In Investing Activities (B) - III	17,24,419	18,06,904
C. CASH FLOWS FROM FINANCING ACTIVITIES :		
Incr./ (decr.) in Bonds outstanding (Non-current)	-	(3506,10,77,000)
Incr./ (decr.) in Bank Term Loan	-	-
(Incr.) / decr. in Loans Term Loans and Advances (Non-Current)	-	3364,20,00,000
Incr. (Decr.) In Share Capital	-	(12,08,80,600)
Net Cash used in financing Activities (C) - IV	-	(153,99,57,600)
Net Increase in Cash and Cash Equivalents (A+B+C)	58,00,76,920	6,47,265
Add : Cash and Cash Equivalents at the beginning the year	2,08,50,556	2,02,03,291
Cash and Cash Equivalents at the end of the year	60,09,27,476	2,08,50,556
Reconciliation of cash and cash equivalents :		
Cash in Hand :	6,948	1,768
Cash at Bank		
in Current Account	58,09,20,528	8,48,788
in Deposit Account	2,00,00,000	2,00,00,000
Total Cash and Cash Equivalents at the end of the year :	60,09,27,476	2,08,50,556

As per Audit Report of even date
For SHARMA & SASTRY
CHARTERED ACCOUNTANTS
FRN No. 003785S

Sd/-
PUTCHA PRASAD
Partner, M.No. 207196
Place : Secunderabad
Date : 27-12-2016

**For ANDHRA PRADESH POWER FINANCE
CORPORATION LTD.**

Sd/-
RAHUL PANDEY, IFS
Managing Director

Sd/-
VIJAYANAND, IAS
Director