

# ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED



## 17th Annual Report

2016-2017

### **Andhra Pradesh Power Finance Corporation Limited**

# 48-12-16, 2nd Floor, East Wing, Vidyut Soudha, gunadala, Vijayawada - 520 004

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**BOARD OF DIRECTORS**

- |    |                                     |   |                   |
|----|-------------------------------------|---|-------------------|
| 1. | <b>Sri M. Ravi Chandra, IAS</b>     | - | Chairman          |
| 2. | <b>Sri K. Vijayanand, IAS</b>       | - | Director          |
| 3. | <b>Sri M. Venu Gopal Reddy, IAS</b> | - | Director          |
| 4. | <b>Sri Dinesh Paruchuri, IRS</b>    | - | Managing Director |
| 5. | <b>Sri T.V.S.Chandrasekhar</b>      | - | Director          |

**OFFICE ADDRESS**

# 48-12-16, 2nd Floor, East Wing, Vidyut Soudha,  
GUNADALA, VIJAYAWADA - 520 004

**STATUTORY AUDITORS**

Deva & Co, Chartered Accountants  
303, Siddhu Residency, 5-9-42/2, Hill Fort,  
Street No. 2, Basheer Bagh, HYDERABAD – 500 063

**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

**TRUSTEE BANKERS**

SBICAP TRUSTEE COMPANY LTD  
202, Maker Tower E, Cuffe Parade, Mumbai - 400 005

**LISTING OF BONDS:**

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

**CORPORATE IDENTITY NUMBER (CIN)**

U40109AP2000SGC107482

**NOTICE**

NOTICE is hereby given that the 17th Adjourned Annual General Meeting of Andhra Pradesh Power Finance Corporation Limited will be held on Tuesday the 27th March, 2018 at 01:00 P.M 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 Annual Accounts as at 31st March, 2017 and together with Directors Report, Statutory Auditors Report and Comments of Comptroller and Auditor General of India, thereon.

**RESOLUTION:**

To Consider and if thought fit to pass the following resolution with or without modification(s) as an ordinary resolution:

“**RESOLVED THAT** the audited Annual Accounts for the year ended 31st March, 2017, and, relating to Andhra Pradesh Power Finance Corporation Limited, be and are hereby adopted”.

**BY ORDER OF THE BOARD OF DIRECTORS**

**For and on behalf of Andhra Pradesh Power Finance Corporation Limited**

Sd/-

**Dinesh Paruchuri, IRS,**  
Managing Director

Place: Vijayawada

Date: 27.03.2018

**Note:-**

1. A member entitled to attend and vote at the meeting to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company.
2. Proxy form is enclosed. Instrument appointing proxy shall be deposited at the Registered office of the Company by not less than 48 hours before Commencement of the meeting.
3. The Comments of the Comptroller and Auditor General of India (C&AG) on the Annual Accounts for the financial year 2016-2017 shall be placed before the shareholders at the Annual General Meeting of the Company.



## NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Andhra Pradesh Power Finance Corporation Limited will be held on Thursday, the 28th day of December, 2017 at 2.15 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 consider Provisional Annual Accounts for FY 2016-17**

The Shareholders to be appraised of the position of Financial Statements for the year ending 31st March 2017; place therein the provisional Annual Accounts for the FY 2016-17; and consider adjournment of the Annual General Meeting for adoption of audited Annual Accounts.

**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 GST as applicable, in addition to actual reasonable out of pocket expenses for the year 2017-18."

**BY ORDER OF THE BOARD OF DIRECTORS**

**For and on behalf of Andhra Pradesh Power Finance Corporation Limited**

Sd/-

**Dinesh Paruchuri, IRS,**

Managing Director

Place: Hyderabad

Date: 28.12.2017

**DIRECTORS' REPORT**

To  
The Members

**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

Your Directors have pleasure in presenting the 17th Annual Report on the operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2017.

**FINANCIAL RESULTS**

The shareholders are informed that consequent to the division of the state of Andhra Pradesh into the states of Andhra Pradesh & Telangana & 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 31-3-2017 reflect the transactions that are related to residue Andhra Pradesh only. The summary of the financial results of the company are as below:

<b>Particulars</b>	<b>(Rupees in Crores)</b>	
	<b>For the year ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>
Revenue from operations - Receipts from Govt. of A.P	215.28	216.94
Other Income	0.15	0.17
Total Expenditure	215.43	217.11
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 2016-17, in the ratio as per G.O Ms.No.28 i.e 59.54% (TS): 40.46% (AP)

**NUMBER OF MEETINGS OF THE BOARD**

During the financial year 2016-17, 5 meetings of Board of Directors were held on 28.06.2016, 26.08.2016, 27.12.2016, 01.02.2017 and 07.03.2017.

**NUMBER OF AUDIT COMMITTEE MEETINGS**

During the financial year 2016-17, 2 meetings of Audit Committee were held on 26.08.2016 & 27.12.2016.

**DIRECTORS**

Changes in directorships from 01.04.2016 till the date of Directors Report is as below:

Sl.No.	Name of the Appointee	Designation	In the place of	Date of Event
1.	Sri. Ajeya Kallam, IAS	Nominee Director	Dr.P.V.Ramesh, IAS	15.06.2016
2.	Sri. T.V.S.Chandrasekhar	Nominee Director	Sri.Ajay Jain, IAS	10.09.2016
3.	Sri. Ajay Jain, IAS	Nominee Director	Sri Rahul Pandey,IFS	04.07.2017
4.	Sri. Muddada Ravi Chandra	Nominee Director	Sri Ajeya Kallam,IAS	04.07.2017
5.	Sri. M Venugopal Reddy	Nominee Director	Sri Ajay Jain, IAS	27.12.2017

**A. As on 31.03.2017:**

- |    |                            |   |                   |
|----|----------------------------|---|-------------------|
| 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          |

**B. As on the date of Directors Report**

- |    |                              |   |                   |
|----|------------------------------|---|-------------------|
| 1. | Sri M. Ravi Chandra, IAS     | - | Chairman          |
| 2. | Sri K.Vijayanand, IAS        | - | Director          |
| 3. | Sri M. Venu Gopal Reddy, IAS | - | Director          |
| 4. | Sri Dinesh Paruchuri, IRS    | - | Managing Director |
| 5. | Sri T.V.S.Chandrasekhar      | - | Director          |

**AUDIT COMMITTEE**

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

**A. As on 31.03.2017:**

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

**B. As on the date of Directors Report:**

1. Sri. Muddada Ravi Chandra, IAS	-	Chairman
2. Sri. K. Vijayanand, IAS	-	Member
3. Sri. Dinesh Paruchuri, IRS	-	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 2016-17, 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 2016-17, 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****STATUTORY 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 2017-18.

**INTERNAL AUDITORS**

M/s Sagar and Associates, Chartered Accountants, Hyderabad were appointed as Internal Auditors of the Company for the financial year 2017-18.

**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 for the FY 2016-17**

The Comptroller & Auditor General (C&AG) of India had issued its Comments on the financial statements for the financial year 2016-17 vide No.PAG (Audit)/AP/ ES(Power)/APPFC/AA 2016-17/15 dated 08-03-2018. 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.

**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) during the F.Y. 2016-17.

**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.

**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:

- i. In the preparation of the annual accounts for the financial year ended 31st March 2017, 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 31st March 2017 on a 'going concern' basis; and
- v. The Director had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

**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/-

**(M. Ravi Chandra, IAS)**

**Chairman**

Place: Vijayawada

Date : 27.03.2018

**Annexure-1**
**FORM NO. MGT.9**
**EXTRACT OF ANNUAL RETURN**
**as on the financial year ended on 31/03/2017**
**[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	U40109AP2000SGC107482
II	Registration Date	12.07.2000
iii	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	# 48-12-16, 2nd Floor, East Wing, Vidyut Soudha, Gunadala, Vijayawada-520004
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 Karvy Computershare Pvt Ltd Financial District, Nanakram Guda, Hyderabad, Telangana 500032

**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. No.	Name and Description of main products/services	NIC Code of the Product/ service	% to total turnover of the company
1	Finance activity	6592	100.00

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –**

S.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 Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total	
<b>A.Promoters</b>									
(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
<b>c) State Govt (s)</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>
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
<b>Sub-total (A) (1):-</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>
(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
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of</b>									
<b>Promoter (A) = (A)(1)+(A)( 2)</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>
<b>B. Public Shareholding</b>									
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 fund	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Non-Institutions</b>									
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									
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
<b>Sub-total (B)(2):-Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>	<b>16,91,401</b>	<b>16,91,401</b>	<b>100</b>	<b>0</b>



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

**(ii) Shareholding of Promoters:**

Sl. No.	Share holder's Name	No. of Shares held at the beginning of the year			No. of Shares held 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 company	%of Shares Pledged/ encumbered 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		
	<b>Total</b>	<b>16,91,401</b>	<b>100.00</b>	<b>0</b>	<b>16,91,401</b>	<b>100.00</b>	<b>0</b>	<b>0</b>

(\* – 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				
i) Principal Amount	-	2286.30	-	2286.30
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	2286.30	-	2286.30
Change in Indebtedness during the financial year (Interest amount)				
Addition	-	214.98	-	214.98
Reduction	-	214.98	-	214.98
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount	-	2286.30	-	2286.30
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	2286.30	-	2286.30

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SI No.	Name of the MD/ WTD and Manager	Remuneration) (Amount in Rs.						Ceiling as per Act
		Gross salary	Stock option	Sweat Equit	Commission	Others	Total	
1.	Sri. Rahul Pandey, IFS Managing Director	2,18,421	Nil	Nil	Nil	Nil	2,18,421	Not Applicable
	<b>TOTAL</b>						<b>2,18,421</b>	

**B. Remuneration to other directors:**

SI No.	Name of the Director	Remuneration (Amount in Rs.)			
		Fee for attending board / committee meetings	Commission	Others	Total
<b>A.</b>	<b>INDEPENDENT / NON EXECUTIVE DIRECTORS</b>				
1	Sri Ajeya Kallam, IAS	7000	Nil	Nil	7000
2	Sri K Vijayanand, IAS	3000	Nil	Nil	3000
3	Sri Ajay Jain, IAS	2000	Nil	Nil	2000
4	Sri. Dinesh Paruchuri, IRS	6000	Nil	Nil	6000
5	Sri. T.V.S Chandrasekhar	4000	Nil	Nil	4000
6	Smt K. Sunitha, IAS	3000	Nil	Nil	3000
	<b>TOTAL</b>				<b>25,000</b>

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NIL**
**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

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

For and on behalf of the Board

Sd/-

**(M. Ravi Chandra, IAS)**
**Chairman**

Place: Vijayawada

Date : 27.03.2018

## Independent Auditor's Report

To the Members of

### **ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

#### **Report on Standalone Financial Statements**

We had given Audit report on 29th November, 2017 for the financial year 2016-17 on the financials of the financial statements of **Andhra Pradesh Power Finance Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the statement of Profit & Loss a/c and the cash flow statement for the year ended and a summary of the significant accounting policies and other explanatory information (here in after referred to as "Financial Statements").

The Audit Report along with the financial statements for the year ended 2016-17 was submitted to the Comptroller & Auditor (C&AG) (Office of the Principle Accounting General (Audit)) by the company. C&AG has conducted supplementary audit of the accounts and given their Observations on the Independent Auditor's report. In the light of the observations given by the Comptroller & Auditor (C&AG) we have reviewed and revised our audit report.

The financial statements of **M/S. Andhra Pradesh Power Finance Corporation Limited** ("the Company"), which comprises the Balance Sheet as at 31 March, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (here in after referred to as "Financial Statements") remain same and no Corrections / changes have been made to the financial statements for the year ended 31st March, 2017.

#### **Management's Responsibility for the Standalone Financial Statements**

The Management and Board of Directors of the Company are responsible for the matters stated in section 134(5) of the Companies Act, 2013("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in section 133 of the Act, read with rule 7 of companies (Accounts) Rules, 2014.

This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. 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 amount and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion whether the Company has in place an adequate internal Financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, 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 standalone financial statement.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31,2017;
- b) in the case of the Profit and Loss statement, of the Nil Profit for the year ended on that date;
- c) in the case of the cash flow statement , of the 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 paragraphs 3 and 4 of the order.
2. As required by Section 143(3) of the Act, We further 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 purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of 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 standalone financial statements comply with the accounting standards referred to in 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, 2017, taken on record by the board of directors, none of the directors is disqualified as on 31 March, 2017 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 Company and the operating effectiveness of such controls, refer to our separate report in Annexure B; and
  - g. As required by Section 143(5) of the Act, we have considered the directions / sub-directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact to the financial statements of the Company are given in the Annexure C.
  - h. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule II of the Companies (Audit and Auditors) Rules, 2014:
    - I The Company has, in accordance with the generally accepted accounting practice, disclosed the impact of pending litigations on its financial position in its financial statements.i



- ii The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
- iii There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in transferring such sums does not arise
- iv The company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the company

Place: Hyderabad

Date :26.12.2017

**For M/S. DEVA & CO**

Chartered Accountants

Firm Reg. No. 000722S

Sd/-

**(Jainik M Soni)**

Partner

Membership No. 149967



**"Annexure A" to the independent Auditors Report**

Referred to in paragraph I under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the stand alone financial statements of the Company for the year ended March 31/2017

- i. In respect of the fixed assets of the Company:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) These Fixed assets have been physically verified by the management at reasonable intervals, no material discrepancies were noticed on such verification.
  - (c) The company does not have any immovable properties.
- ii. The company does not have any inventory so this clause is not applicable to the company.
- iii. In respect of loans, secured or unsecured, granted or taken by the company to / from companies, firms or other parties covered by the clause 76 of section 2 of the Companies Act,2013:
  - (a) In our opinion and according to the information and explanations given to us, the company has not granted any loan so this clause is not applicable to the company.
- iv. In our opinion and according to the information and explanations given to us, the company has not granted any loans to directors and has not made any investments.
- v. In our opinion and according to the information given to us, the Company has issued bonds to the outsiders.
- vi. As per the notification no.G.S.R.425 (E) dated 30th June 2014 issued by Ministry of corporate affairs, as per clause 3(B) (iii) of the Companies (Cost Records and Audit) Rules,2014 company is falling under the category for maintaining the cost records but company's turnover is less than the threshold limit prescribed under the rule. And as per notification G.S.R. 425 (E) dated 30th June 2014 issued by Ministry of corporate affairs, as per clause 4 of the companies (Cost Records and Audit) Rules,2014 cost audit is not mandatory for the company.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been regular in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues where ever applicable to it with the appropriate authorities and there were no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute other than disputed liabilities which are disclosed in notes to accounts.
- viii. The Company does not have any loans or borrowings from financial institutions and banks so the said clause is not applicable to the company.
- ix. The company does not have any term loans so the said clause is not applicable to the company.
- x. In our opinion, Based upon audit procedures performed and the information and explanations given by the management, we report that no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion, based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- xii. In our opinion and according to the information and explanations given to us the company is not a Nidhi Company. Therefore, the said clause is not applicable to the Company.
- xiii. Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013.
- xiv. In our opinion, based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv. In our opinion, based upon the audit procedures performed and information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected by him.
- xvi. In our opinion, the company is registered as NBFC under section 45-1A of the Reserve Bank of India Act, 1934.

Place: Hyderabad  
Date : 26.12.2017

**For M/S. DEVA & CO**  
Chartered Accountants  
Firm Reg. No.000722S  
Sd/-  
**(Jainik M Soni)**  
Partner  
Membership No. 149967

## 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 **M/S. Andhra Pradesh Power Finance Corporation Limited** ("the Company"), as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company 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 company'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 Company'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 Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company'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 company'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 company; (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 company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company'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 Company 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 2017, based on the internal control over financial reporting criteria established by the Company 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.

Place: Hyderabad

Date :26.12.2017

For **M/S. DEVA & CO**  
Chartered Accountants  
Firm Reg. No.000722S

Sd/-

**(Jainik M Soni)**

Partner

Membership No. 149967

**Annexure-C to the Auditor's Reports**

(As referred to in Point no G of paragraph no 2 in report on other legal and regulatory requirements of our report of even date to the members of the **Andhra Pradesh Power Finance Corporation Limited** on the Financial Statements for the year ended 31 st March 2017.

As required by section 143(5) of the companies act 2013, we give in the Annexure C, to this report a statement on the directions and sub directions issued by the Comptroller & Auditor General of India, to the extent applicable to the information and explanations given to us during course of our audit and the audit procedures conducted by us, we report that:

Report on Sub Directions u/s 143 (5) of the Companies Act 2013:

Sl.No.	Description	Observation
1.	Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and lease hold land for which title/lease deeds are not available?	As per explanation and information given to us and records verified by us the company does not own any free hold or lease hold land.
2.	Whether there are any cases of waiver/write off of debts/loans/interest etc.. If yes, the reason therefore and the amount involved	As per explanation and information given to us and records verified by us the company has not waived off or write off any debts/loans or interest.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Govt. or other authorities.	As per explanation and information given to us and records verified by us the company does not have any inventories.

Place: Hyderabad  
Date : 26.12.2017

**For M/S. DEVA & CO**  
Chartered Accountants  
Firm Reg.No.000722S  
Sd/-  
**(Jainik M Soni)**  
Partner  
Membership No. 149967

**NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED  
31ST MARCH, 2017**

To,

The Board of Directors,

**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

As required by the "Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2016" issued by the Reserve Bank of India, on the matters specified in Chapter - II of the said Directions to the extent applicable to the Corporation, we report that:

1. The Company had applied for registration as provided in section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and has been granted certificate of registration by Reserve Bank of India on 25th August, 2000 having Registration No. 09.00266. Further, the Company is entitled to continue to hold such registration in terms of its asset / income pattern as on 31.03.2017.
2. As per Para 2 (v) of RBI Circular No. DNBR (PD) CC.No.052/03.10.119/2015-16 dated 1st July, 2015, Sections 45-IB and 45-IC of the Reserve Bank of India Act, 1934 on Maintenance of Percentage of Assets and Reserve Fund; paragraphs 4 to 7 of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (since repealed by Prudential Norms Directions Notification No 192 dated February 22, 2007), except paragraph 13A of the said directions relating to submission of information to Reserve Bank in regard to change of address, directors, auditors, etc. shall not apply to any non-banking financial company as defined in section 45-I(I) of the Reserve Bank of India Act, 1934 (2 of 1934) being a Government company as defined as per clause 45 of the Companies Act, 2013.
3. According to information and explanation given to us, the RBI Directions as to deposits are not applicable to the Company. Therefore, the Board of Directors of the Company has not passed a resolution for non- acceptance of any public deposits.
4. The Company has not accepted any public deposits during the year 2016-17



5. The Company has complied with the Prudential norms relating to, income recognition, accounting standards, asset classification and provisioning for Bad and Doubtful debts in terms of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, in so far as the same are applicable to the Company.
  
6. In terms of RBI Naster Circular No. RBI/2015-16/28DNBR (PD) CC.No.055/03. 10.119/2015-16 dated July 1, 2015, being a Government Company, it is exempt from submitting NBS-7 to the Reserve Bank of India.

**For DEVA & Co.,**

Chartered Accountants

Firm Regn. No. 0007225

Sd/

**(Jainik M Soni)**

Partner

M.No. 149967





No.PAG (Audit)/AP/ES (Power)/APPFC/AA 2016-17/15

To

Date: 08.03.2018

The Managing Director.

Andhra Pradesh Power Finance Corporation Limited,  
Peshi of JMD (FIN, HRD & IT), SLDC Block, 4'h Floor,  
Vidhyut 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 Financial Statements of Andhra Pradesh Power Finance Corporation Limited for the year ended 31 March 2017.

I am to forward herewith comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act, 2013 on the Financial Statements of your company for the year ended 31 March 2017 for necessary action. You are requested to communicate/ furnish the following.

1. The date of placing Annual Report for the year 2016-17 together with the financial statements, comments of the Comptroller and Auditor General of India and independent 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 Financial Statements of the company for the year 2016-17 together with the auditor's report and 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 2016-17 may be furnished in due course. PDF copy of the Annual Report may also be furnished for our record.

Receipt of this letter along with the enclosures may please be acknowledged.

Yours faithfully,

Encl: As stated.

Sd/-

Sr. Deputy Accountant General (ES)

**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 for the year ended 31 March 2017.**

The Preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited for the year ended 31 March 2017 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 29 November 2017.

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 for the year ended 31 March 2017. 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. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling better understanding of the financial statements and the related audit report:

**Assets**

**Current Assets**

**Other Current Assets (Note 10) — ₹ 15.19 crore**

**1. Receivables from AP Govt — ₹ 14.86 crore**

- i) The above is overstated by ₹ 0.06 crore due to excess booking of amount receivable from Go AP. For the year 2016-17, Go AP allocated ₹ 0.25 crore to the company for meeting administrative expenditure. Against this, the company incurred ₹ 0.31 crore. Without any claim/ approval of the GoAP, the company shown the differential amount of ₹ 0.06 crore as receivable. This has resulted in overstatement of Receivables from AP Govt and understatement of Loss for the year by ₹ 0.06 crore.
- ii). The above includes ₹ 14.86 crore being the outstanding balance as on 31 March 2017 for which the company has no details. In the absence of details, whether the amount shown as receivable is actually receivable could not be ensured.

**Statement of Profit & Loss**

**Expenses**

**2. Finance Costs (Note 14) - ₹ 214.98 crore**

The above is understated by ₹ 69.15 crore due to non-provision towards interest accrued on bonds as on 31 March 2017. This has resulted in understatement of Finance Costs and Current Liabilities by ₹ 69.15 crore.



**3. Other comments**

As per section 143(5) of the Companies Act, any comments given by the C&AG upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under sub section (1) of section 136 and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report. The financial statements of the company for the year ended 31 March 2016 were approved by the Board on 27 December 2016. On the same date, the financial statements were adopted in the AGM together with the Independent Auditors' report. However, the financial statements were submitted to the C&AG on 9 January 2017 i.e. after adoption of the same in the AGM. Further, comments of the C&AG were adopted in the Extraordinary General Meeting held on 23 October 2017, even though adoption of financial statements and related business shall be considered only in the AGM. Thus, due to adoption of financial statements in the AGM without even submitting the same to the C&AG and adopting of C&AG comments in the EGM instead of AGM, the company grossly violated the provisions of the Companies Act.

**4. Comments on Auditor's Report**

In the Independent Auditor's Report on the financial statements of Andhra Pradesh Power Finance Corporation Limited for the year ended March 2017, under Auditors' Responsibility, the Statutory Auditor has stated that the auditor considered internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over Financial Reporting and the operative effectiveness of such controls.

This is in contradiction of Section 143(3)(i) of the Company's Act 2013, read with Rule 10(A) of the Company's (Audit & Auditors) Rules 2014 which require the report of the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.

**for and on the behalf of**

**the Comptroller and Auditor General of India**

**Sd/-**

**(L.TOCHHAWNG)**

**Principal Accountant General (Audit)**

**Place: Hyderabad**

**Date: 08.03.2018**

## Comments by Comptroller &amp; Auditor General of India &amp; Replies by APPFCL

SI No.	Comment by C&AG	Reply by APPFCL
<b>1(i)</b>	<p><b>Assets</b>  <b>Current Assets</b>  <b>Other Current Assets (Note 10) – Rs.15.19 crore</b>  <b>Receivables from AP Govt – Rs.14.86 crore</b></p> <p>The above is overstated by Rs.0.06 crore due to excess booking of amount receivable from GoAP. For the year 2016-17, GoAP allocated Rs.0.25 crore to the company for meeting administrative expenditure. Against this, the company incurred Rs0.31 crore without any claim/approval of the GoAP. The company shown the differential amount of Rs.0.06 crore as receivable. This has resulted in overstatement of receivables from AP Govt and understatement of Loss for the year by Rs.0.06 crore.</p>	<p>The excess amount of Rs.0.06 crore is towards pre-deposit amount of 7.5% of the duty demanded amounting to Rs. 5,67,522/- in relation to Service Tax Appeal. APPFC has got approval from GoAP vide Letter No. 1721/Power-III/2016-4 Dt. 19.05.2017 to meet the expenditure.</p> <p>Hence the question of overstatement of receivables from AP Govt and understatement of Loss for the year by Rs.0.06 crore will not arise.</p>
<b>1(ii)</b>	<p><b>Assets</b>  <b>Current Assets</b>  <b>Other Current Assets (Note 10) – Rs.15.19 crore</b>  <b>Receivables from AP Govt – Rs.14.86 crore</b></p> <p>The above includes Rs.14.86 crore being the outstanding balance as on 31st March 2017 for which company has no details. In the absence of details, whether the amount shown as receivable is actually receivable could not be ensured.</p>	<p>The outstanding balance is brought forward since the first financial year of the formation of APPFC. As per the available information, the said amount of Rs.14.86 crore is receivable from GoAP.</p>

<p>2</p>	<p><b>Statement of Profit &amp; Loss</b></p> <p><b>Expenses</b></p> <p><b>Finance costs (note 14) – Rs.214.98 crore</b></p> <p>The above is understated by Rs.69.15 crore due to non provision towards interest accrued on Bonds as on 31st March 2017. This has resulted in understatement of Finance costs and current liabilities by Rs.69.15 crore</p>	<p>APPFC has not made provision for Rs.69.15 crore towards interest accrued on Bonds as on 31st March 2017 on the advice of Chartered Accountant that such provision of accrued interest will attract TDS provisions.</p> <p>However, it is known from Income Tax dept that no such TDS provisions are applicable on accrued interest as there is no TDS on the interest itself.</p> <p>The Board of APPFC has taken note of the observation and will ensure the provision towards accrued interest from the next financial year.</p>
<p>3</p>	<p><b>Other Comments</b></p> <p>As per section.143(5) of the Companies Act, 2013, any comments given by the C&amp;AG upon, or supplement to, the Audit Report shall be sent by the company to every person entitled to copies of audited financial statements under sub section (1) of section 136 and also be placed before the Annual General Meeting of the company at the same time and in the same manner as audit report. The financial statements of the company for the year ended 31st March 2016 were approved by the Board on 27th December 2016. On the same date, the financial statements were adopted in the AGM together with the Independent Auditor's Report. However</p>	<p>As per Section.96 of the Companies Act, 2013 every company is required to hold Annual General Meeting (AGM) within 6 months from the closure of its financial year. APPFC is required to convene the Annual General Meeting (AGM) of its members for the financial year 2015-16 on or before 30.09.2016. The Company is yet to receive comments from Comptroller &amp; Auditor General (C&amp;AG) for the accounts of financial year 2014-15. Hence it may not be possible to convene the AGM on or before 30.09.2016. As per the third proviso to Section.96 of the Companies Act, 2013, an application can be made to the Registrar of Companies, seeking</p>

the financial statements were submitted to the C&AG on 9th January 2017 i.e after adoption of the same in the AGM. Further, comments of the C&AG were adopted in the Extra Ordinary General Meeting held on 23rd October 2017, even though adoption of financial statements and related business shall be considered only in the AGM. Thus, due to adoption of financial statements in the AGM without even submitting the same to C&AG and adopting of C&AG comments in the EGM instead of AGM, the company grossly violated the provisions of the Companies Act.

extension of time upto 3 months to convene the AGM.

APPFC has got approval from Registrar of Companies (ROC) for convening the AGM upto 30.12.2016.

Companies Act, 2013 does not permit any further extension of time beyond 30.12.2016. Hence, APPFC has convened the AGM on 27.12.2016 to avoid penal provisions as stipulated in Section.99 of Companies Act, 2013, which is as below:

*99. If any default is made in holding a meeting of the company in accordance with section 96 or section 97 or section 98 or in complying with any directions of the Tribunal, the company and every officer of the company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.*

It may be noted that in the notice of AGM held on 27.12.2016, the shareholders have passed the following resolution:

*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.*

Further, in the Board of Directors Report dated 27.12.2016, it was also mentioned that:

		<p><i>The Supplementary Report (or) Comments from C&amp;AG for the financial year 2015-16 is awaited. Shareholders of the company will be forwarded the copy of the C&amp;AG report as soon as it is received.</i></p> <p>The delay in completing the Audit of accounts for the FY 2015-16 is purely due to the non completion of Demerger Plan.</p> <p>In future, APPFC will strictly adhere to all the applicable provisions of Companies Act, 2013 with respect to Audit, C&amp;AG Audit, AGM etc.</p>
<p>4</p>	<p><b>Comments on Auditor Report</b></p> <p>In the Independent Auditor's Report on the financial statements of APPFC Ltd for the year ended March, 2017 under Auditors' Responsibility, the Statutory Auditor has stated that the auditor considered internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial control system over Financial Reporting and the operative effectiveness of such controls.</p> <p>This is in contradiction of Section.143(3)(i) of the Companies Act, 2013 read with Rule10(A) of the Companies (Audit &amp; Auditors) Rules 2014 which require the report of the Auditors to state about existence of adequate Internal Finance Control System and its operating effectiveness.</p>	<p>The detailed report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") has given as Annexure B of Independent Auditors report.</p>

**BALANCE SHEET AS ON 31-03-2017**

S.No	Particulars	Note No.	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b>I</b>	<b>EQUITY AND LIABILITIES:</b>			
<b>A.</b>	<b>Share Holders' Funds:</b>			
	(a) Share Capital	2	16,91,40,100	16,91,40,100
<b>B.</b>	<b>Non Current Liabilities</b>			
	(a) Long Term Borrowings	3	2286,30,00,000	2144,39,23,000
<b>C.</b>	<b>Current Liabilities</b>			
	(a) Expenses Payable	4	29,16,501	25,94,541
	(b) Sundry Creditors	5	36,031	152,89,61,508
	(c) Other Current Liabilities	6	-	141,80,00,000
	<b>TOTAL</b>		<b>2303,50,92,632</b>	<b>2456,26,19,149</b>
<b>II</b>	<b>ASSETS:</b>			
<b>A.</b>	<b>Non Current Assets</b>			
	(a) Fixed Assets:			
	(i) Tangible Assets	7	49,214	39,597
	(b) Long Term Loans & Advances	8	2286,30,00,000	2286,30,00,000
<b>B.</b>	<b>Current Assets</b>			
	(a) Cash & Cash Equivalents	9	2,01,09,992	60,09,27,476
	(b) Other Current Assets	10	15,19,33,426	109,86,52,076
	<b>TOTAL</b>		<b>2303,50,92,632</b>	<b>2456,26,19,149</b>

**The accompanying notes from an integral part of the financial statements**

As per our report of even date

For **M/s. Deva & Co.,**

Chartered Accountants

Firm Regn.No.000722S

sd/-

**(Jainik M Soni)**

Partner

Membership No.149967

Place: Hyderabad.

Date : 29.11.17

**For Andhra Pradesh Power Finance Corporation Ltd**

sd/-

**Dinesh Paruchuri, IRS**

Managing Director

sd/-

**K. Vijayanand, IAS**

Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31-03-2017**

S. No	Particulars	Note No.	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
I.	Revenue from Operations	11	215,28,54,390	216,94,28,681
II.	Other Income	12	14,85,334	17,24,419
III.	<b>Total Revenue (I + II)</b>		<b>215,43,39,724</b>	<b>217,11,53,100</b>
IV.	Expenses:			
	(a) Employee Benefit expenses	13	2,18,421	4,76,243
	(b) Finance Costs	14	214,97,99,843	216,71,98,550
	(c) Depreciation and amortization Expenses	7	29,383	69,925
	(d) Operation, Adms and Other Exp	15	42,92,077	34,08,382
	<b>Total Expenses</b>		<b>215,43,39,724</b>	<b>217,11,53,100</b>
V.	Profit/(Loss) Before Exceptional Items and Tax (III-IV)		-	-
VI.	Exceptional Items		-	-
VII.	Profit/(Loss) Before Tax (V-VI)		-	-
VIII.	Tax Expense:			
	(1) Current Tax		-	-
	Less: MAT Credit		-	-
	Net Current Tax		-	-
	(2) Deferred Tax Liability/(Asset)		-	-
IX.	Profit/(Loss) for the period		-	-
X.	Earning/(Loss) Per Share			
	Basic		-	-
	Diluted		-	-

**The accompanying notes from an integral part of the financial statements**

As per our report of even date

For M/s. Deva & Co.,  
Chartered Accountants  
Firm Regn.No.000722S  
sd/-

**(Jainik M Soni)**  
Partner

Membership No.149967

Place: Hyderabad.

Date : 29.11.17

For Andhra Pradesh Power Finance Corporation Ltd  
sd/-

**Dinesh Paruchuri, IRS**  
Managing Director

**K. Vijayanand, IAS**  
Director



**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b>NOTE - 2</b>		
<b>Share Capital</b>		
<b>Authorised Capital:</b>		
30,00,00,000 Equity shares of Rs.100/- each	<b>3000,00,00,000</b>	<b>3000,00,00,000</b>
<b>Issued, Subscribed &amp; Paid up Capital:</b>		
16,91,401 Equity Shares of Rs. 100/- each fully paid	<b>16,91,40,100</b>	<b>16,91,40,100</b>
<b>(a) Reconciliation of Shares outstanding at the beginning and the end of the year</b>		
Equity Shares		
At the beginning of the Year	16,91,40,100	16,91,40,100
Add: Issued during the year	-	-
Outstanding at the end of the year	16,91,40,100	16,91,40,100
<b>(b) Terms/Rights attached to Equity Shares</b>		
i) There are no Shares issued in Last 5 years as fully paid up pursuant to contracts without Payment being received in Cash		
ii) There are no Shares issued in last 5 years as fully paid up by way of bonus shares		
iii) There are no shares bought back in last 5 years		
iv) There are no calls unpaid		
v) There are no forfeited shares		
<b>(c) Details of share holders holding more than 5% of equity shares in the Company</b>		
Governor of Andhra Pradesh, represented by the MD of the Company	<b>16,91,40,100</b>	<b>16,91,40,100</b>



**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b>Note - 3</b>		
<b>Non-Current Liabilities</b>		
<b>a) Long term Liabilities (Unsecured)</b>		
<b>i) Bonds</b>		
1/2005 Bonds Issue 16th Series	241,10,00,000	99,82,71,200
1/2010 Bonds Issue 17th Series	427,00,00,000	426,16,51,800
1/2011 Bonds Issue 18th Series	62,10,00,000	62,38,93,200
2/2011 Bonds Issue 19th Series	127,10,00,000	301,06,28,600
1/2012 Bonds Issue 20th Series	301,10,00,000	127,08,48,600
2/2012 Bonds Issue 21st Series	404,60,00,000	404,60,00,000
3/2012 Bonds Issue 22nd Series	723,30,00,000	723,26,29,600
<b>TOTAL</b>	<b>2286,30,00,000</b>	<b>2144,39,23,000</b>
<b>NOTE - 4</b>		
<b>Current Liabilities</b>		
<b>Expenses Payable</b>		
Accounting Charges Payable	10,500	10,450
Company Secretary Charges Payable	9,000	9,000
Deputation allowance Payable	3,46,364	3,46,364
Folio Maintenance Charges Payable	78,250	1,48,076
Service tax Consultancy Charges Payable	5,250	5,225
Internal Audit Fee Payable	25,200	25,080
Statutory Audit Fee Payable	78,750	78,375
Outsourcing Staff Salaries Payable	18,098	-
Telephone and Internet Expenses Payable	4,283	-
Trustee Fee Payable	20,61,044	18,08,013
Vehicle Hire Charges Payable	86,583	-
Tax Audit Fee Payable	5,250	5,118
Service Tax Payable	38,072	-
TDS Payable	1,49,857	1,58,840
<b>TOTAL</b>	<b>29,16,501</b>	<b>25,94,541</b>

**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b>Note - 5</b>		
<b>Sundry Creditors</b>		
De-merger Proposal Preparation Charges Payable	36,031	36,031
Interest on Bonds Payable - AP Govt	-	57,97,30,000
Interest Payable to Bond Holders - TPFCL	-	94,91,95,477
<b>TOTAL</b>	<b>36,031</b>	<b>152,89,61,508</b>
<b>NOTE - 6</b>		
<b>Other Current Liabilities</b>		
<b>A) Current Maturities of Bonds</b>		
<b>a) Non- Cumulative Bonds</b>		
1/2005 Bonds Issue 16th Series	-	141,80,00,000
Total Non - Cumulative Bonds maturing in next 12 months		
<b>Total (a)</b>	<b>-</b>	<b>141,80,00,000</b>
<b>b) Cumulative Bonds</b>		
2/2001 Bonds Issue 4th Series	-	-
2/2001 Bonds Issue 5th Series	-	-
Total Cumulative Bonds maturing in next 12 months		
<b>- Total (b) Current Maturities of Bonds Total (A) (a+b)</b>	<b>-</b>	<b>141,80,00,000</b>
<b>B) Unsecured Loan from Bank</b>		
Term Loan from Canara Bank	-	-
Current Maturities of Unsecured Loan from Canara Bank		
<b>- Total (B)</b>	<b>-</b>	<b>-</b>
<b>Total current maturities of unsecured loans (Total (A+B))</b>	<b>-</b>	<b>141,80,00,000</b>

**STATEMENT SHOWING DEPRECIATION AS PER COMPANIES ACT AS AT 31ST MARCH, 2017**

**NOTE - 7**

(Amount in Rs)

Description of Asset	Gross Block				Depreciation				Net Block		
	As on 01-04-16	Additions during the year	Deletions during the year	Total as on 31-03-17	Life	Retained Earnings	Upto 31-03-16	During the year	Total Dep.	As on 31-03-17	As on 31-03-16
	Rs.	Rs.		Rs.			Rs.	Rs.	Rs.	Rs.	Rs.
1 Computers	1,46,240	39,000	-	1,85,240	3	-	1,46,240	2,893	1,49,133	36,107	-
2 Furniture and Fixtures	68,837	-	-	68,837	10	-	49,190	6,540	55,730	13,107	19,647
3 Office Equipments	1,38,449	-	-	1,38,449	15	-	1,18,499	19,950	1,38,449	-	19,950
<b>TOTAL</b>	<b>3,53,526</b>	<b>39,000</b>	<b>-</b>	<b>3,92,526</b>		<b>-</b>	<b>3,13,929</b>	<b>29,383</b>	<b>3,43,312</b>	<b>49,214</b>	<b>39,597</b>
<b>Previous Year Figures</b>	<b>3,53,526</b>	<b>-</b>	<b>-</b>	<b>3,53,526</b>	<b>-</b>	<b>-</b>	<b>2,44,004</b>	<b>69,925</b>	<b>3,13,929</b>	<b>39,597</b>	<b>1,50,499</b>

**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b>NOTE - 8</b>		
<b><u>Long Term Loans and Advances</u></b>		
Loans to Discoms AP-Govt	-	-
Loans to AP DISCOM's Pool Account	2286,30,00,000	2286,30,00,000
<b>TOTAL</b>	<b>2286,30,00,000</b>	<b>2286,30,00,000</b>
<b>NOTE - 9</b>		
<b><u>Cash and Cash Equivalents</u></b>		
Balances with Scheduled Bank		
In Current Account with SBH	95,920	58,09,20,507
In Deposits Account with SBH	2,00,00,000	2,00,00,000
In Service Tax No - Lien Account SBH	1,850	21
Cash on Hand	12,222	6,948
<b>TOTAL</b>	<b>2,01,09,992</b>	<b>60,09,27,476</b>
<b>NOTE - 10</b>		
<b><u>Other Current Assets</u></b>		
Receivables from AP Govt	14,85,76,116	15,64,03,466
Receivables from TS Govt	15,90,176	-80,09,823
TDS Receivable from SBH on Fixed Deposit	11,97,189	10,47,365
Interest Receivable from Fixed Deposit	-	12,771
Interest on bonds receivable from TSPFCL	-	94,91,95,477
Prepaid Expenses (Website Charges)	2,423	2,820
Service tax Deposit	5,67,522	-
<b>TOTAL</b>	<b>15,19,33,426</b>	<b>109,86,52,076</b>
<b>NOTE - 11</b>		
<b><u>Revenue from Operations</u></b>		
Receipts from Govt		
a) For Payment of Interest on Bonds - AP Govt	214,97,81,740	216,72,40,232
b) For Reimbursement of Other Expenses incurred	30,72,650	21,88,449
<b>TOTAL</b>	<b>215,28,54,390</b>	<b>216,94,28,681</b>
<b>NOTE - 12</b>		
<b><u>Other Income</u></b>		
Interest on Fixed Deposit	<b>14,85,334</b>	<b>17,24,419</b>
<b>TOTAL</b>	<b>14,85,334</b>	<b>17,24,419</b>

**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As on 31-03-17 Amount Rs.	As on 31-03-16 Amount Rs.
<b><u>NOTE - 13</u></b>		
<b><u>Employee Benefit Expenses</u></b>		
Deputation Allowances	-	3,46,364
MD Remuneration	2,18,421	1,29,879
<b>TOTAL</b>	<b>2,18,421</b>	<b>4,76,243</b>
<b><u>NOTE - 14</u></b>		
<b><u>Financial Cost</u></b>		
Interest on Bonds (Reimbursed by Govt of AP)	214,97,99,843	216,71,98,550
<b>TOTAL</b>	<b>214,97,99,843</b>	<b>216,71,98,550</b>
<b><u>NOTE - 15</u></b>		
<b><u>Operation, Administration and Other Expenses</u></b>		
Trustee Fees	16,74,822	12,73,353
NSE Listing Fee	1,40,843	95,468
ROC Filing Fee	16,200	12,250
E- TDS Filing Fee	8,051	11,743
Custodial Service Fee paid to CDSL & NSDL	1,00,602	69,490
Consultant & Professional Charges	1,74,960	35,000
Directors Sitting Fee	25,000	23,015
Advocate Fee Paid	-	11,450
Printing & Stationery	32,351	18,745
Penalty on TDS	426	20,804
Service Tax	101,453	83,198
Interest on Service Tax	157	27,370
Postage & Courier	12,898	17,905
Vehicle Hire Charges	11,40,700	10,52,672
Travelling Expenses	36,963	11,746
Telephone & Internet Expenses	82,186	25,908
Folio Maintenance Charges	48,289	30,807
Office Maintenance	28,821	21,861



Accounting Charges	1,37,400	1,47,958
Bank Charges	-	20
Company Secretary Charges	1,20,000	1,30,000
Website Maintenance	7,667	4,450
Outsourcing Staff Salaries	1,99,441	1,41,189
Service Tax Consultancy Charges	68,950	28,625
<b>AUDITORS REMUNERATION</b>		
For Statutory Auditors	86,625	85,875
For Internal Auditors	35,772	27,480
For Tax Auditors	11,500	-
<b>TOTAL</b>	<b>42,92,077</b>	<b>34,08,382</b>

**NOTE - 16**

From 9.11.2016 to 30.12.2016 the company has not deposited any amount in bank account.

As per our report of even date

**For M/s. Deva & Co.,**

Chartered Accountants

Firm Regn.No.000722S

sd/-

**(Jainik M Soni)**

Partner

Membership No.149967

Place: Hyderabad.

Date : 29.11.17

**For Andhra Pradesh Power Finance Corporation Ltd**

sd/-

**Dinesh Paruchuri, IRS**

Managing Director

sd/-

**K. 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, maintain 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. 214.98 crore (Previous year: Rs. 216.94 crore), and Reimbursement of expenses incurred by the company on behalf of the Government Rs. 30.73 Lakhs (previous year: Rs. 21.88 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 actual 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 Andhra Pradesh, on actual 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 actual 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 rates prescribed in schedule II 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 BOND/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 Bond holders, which assures budgetary support, from 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 the 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 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
		31-03-2017	31-03-2016				
1	1/2005	597.2	597.2	8.15	Annual	15	12th Year
2		42.00	42.00	8.49	Semi	10	7th Year
	1/2010	1011.30	1011.30	8.74	Annual	12	10th Year
3	1/2011	5.00	5.00	9.10	Semi	10	7th Year
		149.20	149.20	9.60	Annual	12	10th Year
4	2/2011	157.20	157.20	9.85	Semi	10	7th Year
		586.90	586.90	9.97	Annual	12	10th Year
5	1/2012	64.70	64.70	9.50	Semi	10	7th Year
		249.40	249.40	9.64	Annual	12	10th Year
6	2/2012	1000.00	1000.00	9.75	Semi Annual	10	7th Year
7	3/2012	1787.60	1787.60	9.75	Semi Annual	10	7th 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 Andhra Pradesh.

(4) Loans to DISCOMS – AP Government and Loans to DISCOMS' Pool Account:

The funds mobilized up to 31-03-2017 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.

Particulars	As on 31-03-2017	As on 31-03-2016
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		
<b>Total :</b>	<b>2286.30</b>	<b>2286.30</b>

(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	
	2016-17 Rs.	2015-16 Rs.
Salaries, Allowances	-	-
Contribution to Provident Fund and welfare fund	-	3,46,364.00
Others – Additional Charge allowance to Managing Director	2,18,421.00	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 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 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.

(9) The Corporation is effecting the Interest on the Bonds as per the Decision of the Demerger Proposal, which is 40.465 of the Bonds and in the event of shortage / excess that too, in small proportion 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.

(10) 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].

(11) 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.

- (12) The Bonds related expenditure of TS Share transferred to TPFCL in accordance to the Bonds Division Ratio.
- (13) Interest on Bonds is payable on 01/04/2017 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.
- (14) 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 :-30/05/2017 and G.O.MS No.134, dated:-31/05/2014[ United AP Government Order]
- (15) 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- 2017 for a period of more than Six months from the date they become payable. The corporation has filed appeal in Telangana High court against order of Income tax Appellate Tribunal, Hyderabad Bench "A", Hyderabad in I.T.A No.27/HYD/2016 (for A.Y 12-13) bearing the Income Tax Demand due to Non-Deduction of TDS on interest on application money paid to various organizations and hence the corporation has not provided for the demand in the Accounts on 31/03/2017. The corporation has filed appeal against the order of Income Tax Officer 1(2) for A.Y 2013-14 in CIT (A)-1, Hyderabad on 26.04.2016. The corporation has filed appeal u/s 85(3A) of Finance Act, 1994 against the order of Joint Commissioner, Service Tax Commissionerate, Hyderabad for paying penalty of Rs. 75,66,962, by depositing Rs. 5,67,522 (7.5% of total penalty) for providing service under the category of Business Auxiliary Services for the period from 01.10.2010 to 31.03.2015.
- (16) Provision of expense payable for the month March 2016 (F.Y 15-16) has been done the month of March 2016, same has been paid and booked as expense in the month of April 2016 (F.Y 16-17).
- (17) Previous year figures are re grouped, rearranged or readjusted, where necessary.

As per our report of even date

For M/s. Deva & Co.,

Chartered Accountants

Firm Regn.No.000722S

sd/-

**(Jainik M Soni)**

Partner

Membership No.149967

Place: Hyderabad.

Date : 29.11.17

**For Andhra Pradesh Power Finance Corporation Ltd**

sd/-

**Dinesh Paruchuri, IRS**

Managing Director

sd/-

**K. Vijayanand, IAS**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017**

PARTICULARS	For the year ended 31-03-2017 Rs.	For the year ended 31-03-2016 Rs.
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit before Tax and Extraordinary Items</b>	-	-
<u>Adjustments for :</u>		
Depreciation & Assets written off	29,383	69,925
Interest Income	(14,85,334)	(17,24,419)
<b>Operating Profit Before Working Capital Changes</b>	<b>(14,55,951)</b>	<b>(16,54,494)</b>
<u>Adjustments for changes in working capital :</u>		
Incr./ (decr.) in current maturities of Non-Cumulative Bond	(141,80,00,000)	-
(Incr.)/decr. in Other Receivables from AP Government	78,27,350	1,37,653
(Incr.)/decr. in Other Current Assets	93,88,91,300	(94,93,70,216)
Incr./ (decr.) in Trade Payables and Other Liabilities	(152,86,03,517)	152,92,39,558
<b>Incr./ (decr.) in Net Current Assets</b>	<b>(199,98,84,867)</b>	<b>58,00,06,995</b>
<b>Net Cash From Operating Activities</b>	<b>(A) (200,13,40,818)</b>	<b>57,83,52,501</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
(Incr.)/decr. in net Fixed Assets	(39,000)	-
Interest Received	14,85,334	17,24,419
<b>Net Cash Used In Investing Activities</b>	<b>(B) 14,46,334</b>	<b>17,24,419</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Incr./ (decr.) in Bonds outstanding (Non-current)	141,90,77,000	-
<b>Net Cash used in financing Activities</b>	<b>(C) 141,90,77,000</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(58,08,17,484)</b>	<b>58,00,76,920</b>
Add : Cash & cash equivalents at the beginning the year	60,09,27,476	2,08,50,556
Cash and Cash Equivalents at the end of the year	2,01,09,992	60,09,27,476
<u>Reconciliation of cash and cash equivalents :</u>		
Cash in Hand :	12,222	6,948
Cash at Bank		
in Current Account	95,920	58,09,20,528
in No-Lien Account	1,850	-
in Deposit Account	2,00,00,000	2,00,00,000
<b>Total Cash &amp; Cash Equivalents at the end of the year :</b>	<b>2,01,09,992</b>	<b>60,09,27,476</b>

As per our report of even date.

For M/s. Deva & Co.,  
Chartered Accountants  
FRN No.000722S

Sd/  
(Jainik M Soni)  
Partner  
M.No.149967

Place: HYDERABAD

Date: 29-11-2017

For **Andhra Pradesh Power Finance Corporation Limited**

-Sd/-  
**DINESH PARUCHURI, IRS**

Managing Director

Sd/-  
**K.Vijayanand, IAS**

Director