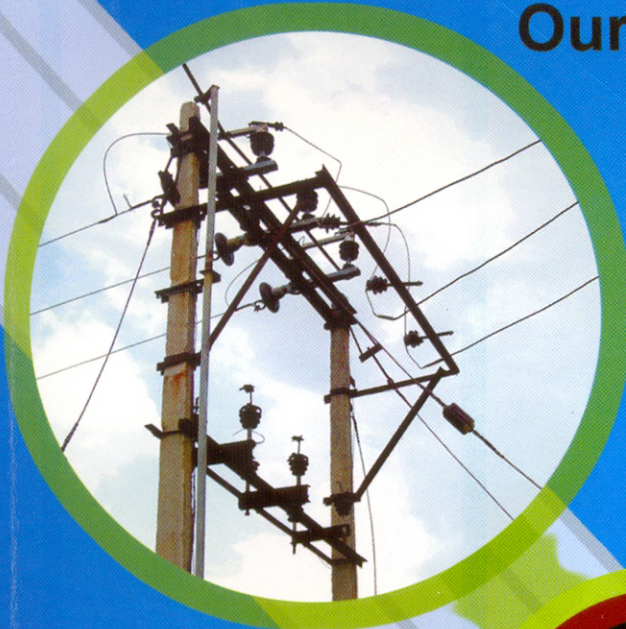




**SOUTHERN POWER DISTRIBUTION  
COMPANY OF A. P. LTD., TIRUPATI**

# **10<sup>th</sup> Annual Report 2009-10**

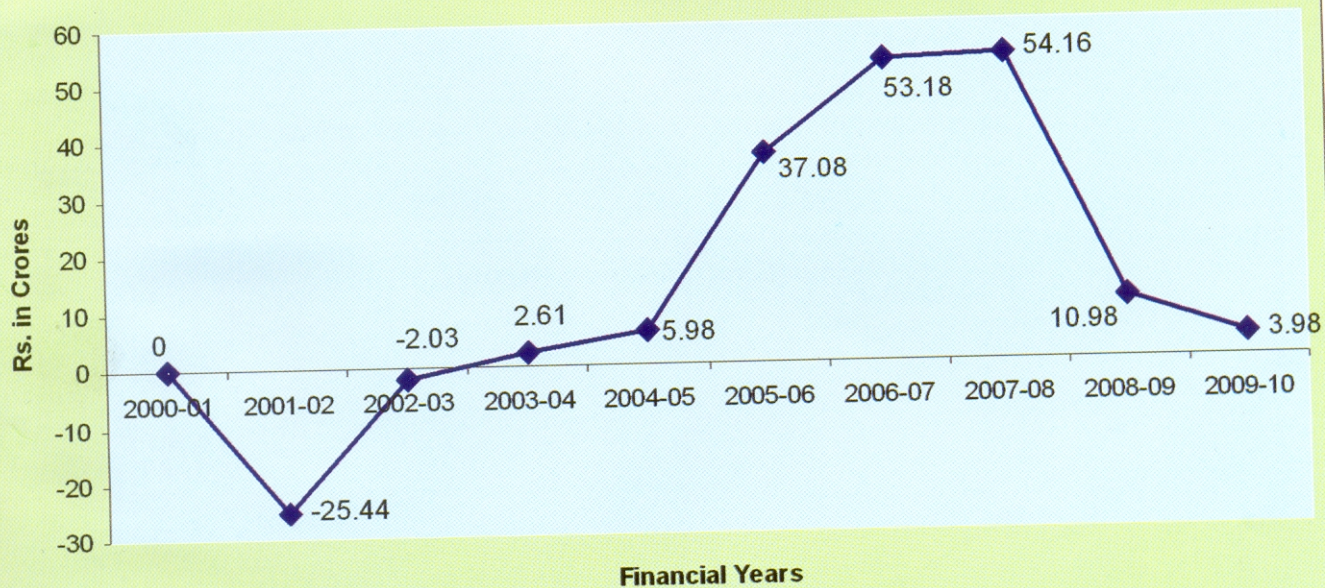
**Power line  
Our Life line..**



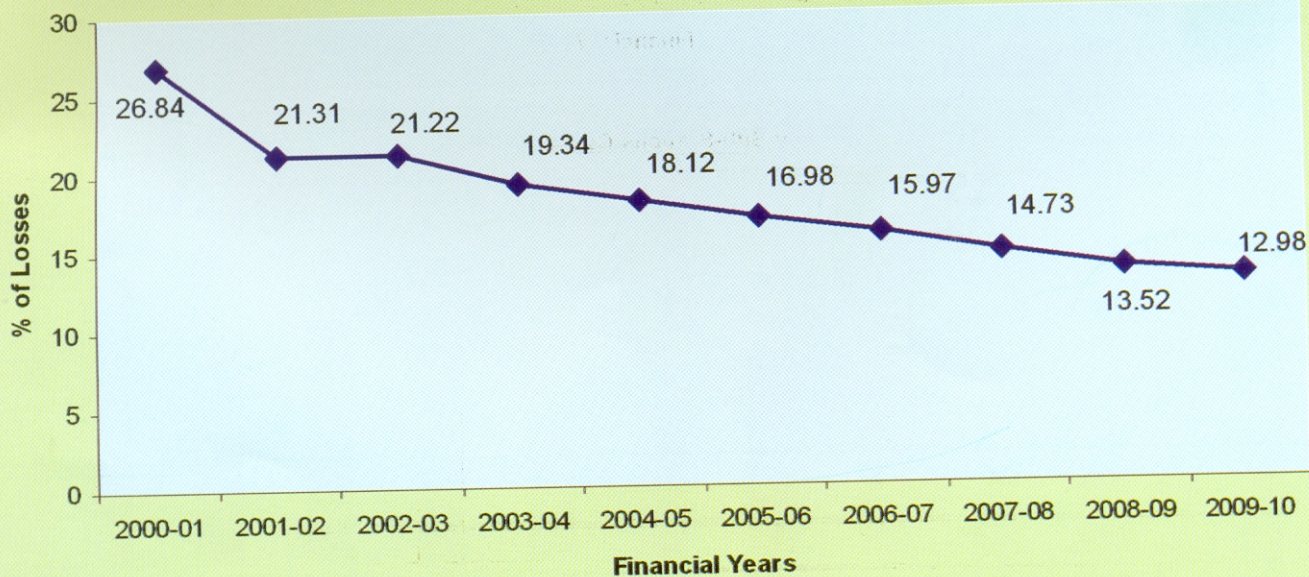


## APSPDCL PERFORMANCE HIGHLIGHTS

Profit / Loss

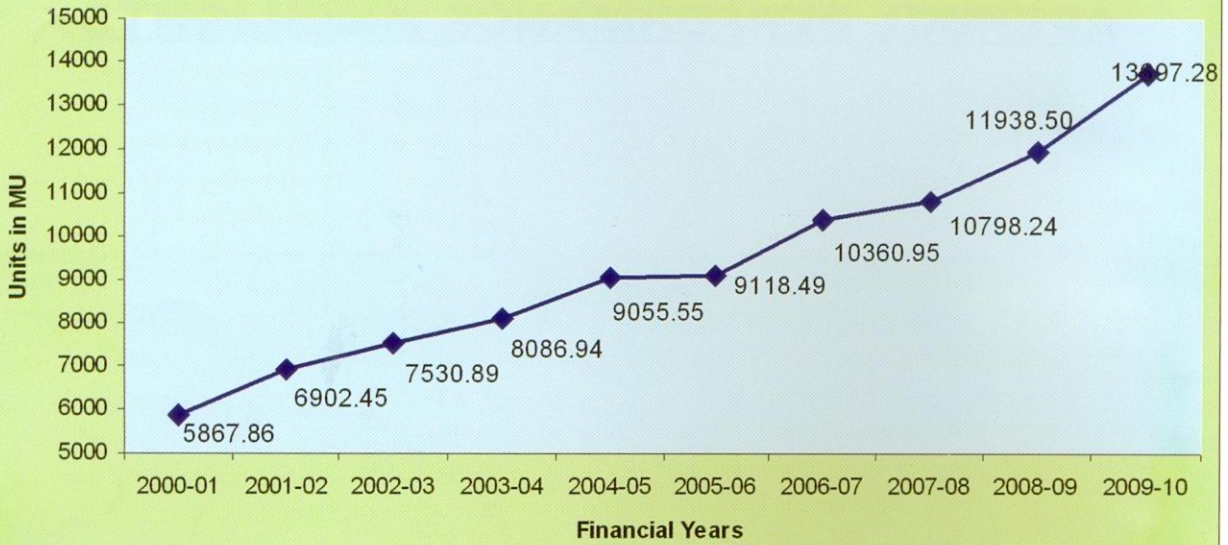


Distribution Losses

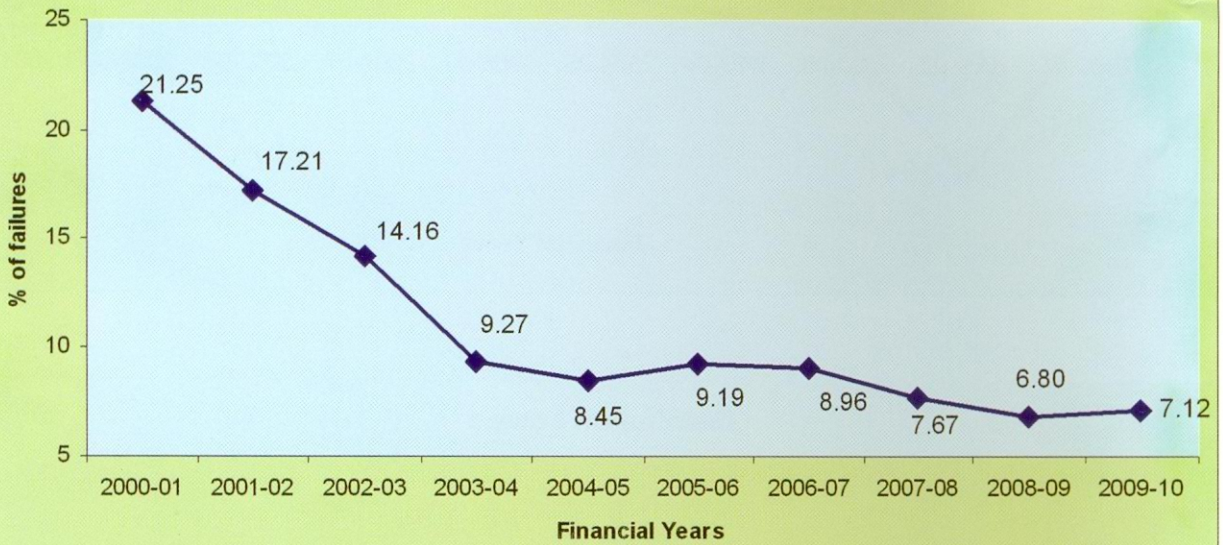




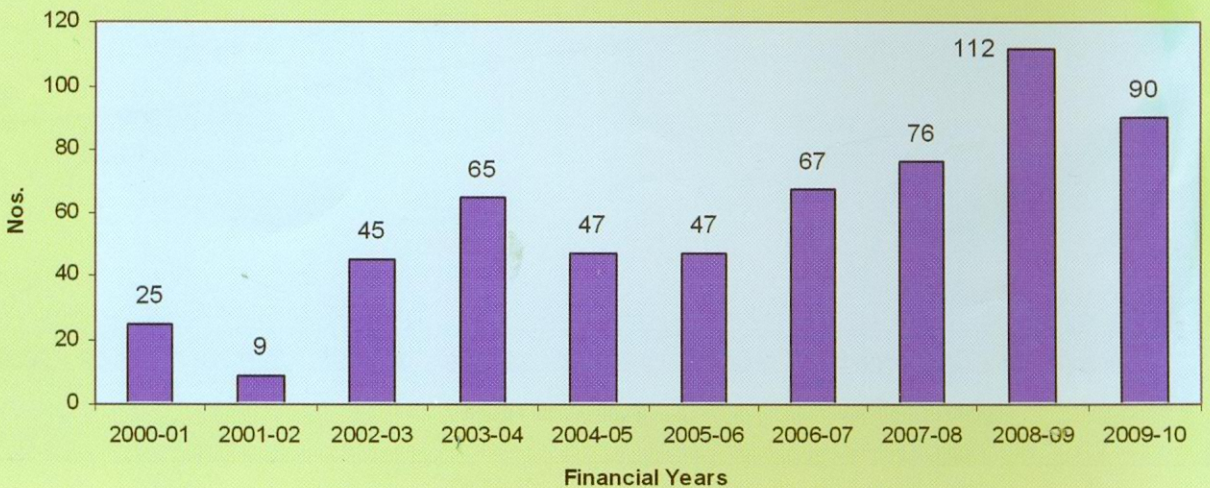
### Energy Sales



### Distribution Transformer Failures



### 33/11KV Sub-Stations Commissioned





# BOARD OF DIRECTORS



**Sri V. KRISHNA MURTHY**  
Chairman & Managing Director



**Sri UMESH SHARRAF IPS**  
JMD (V&S), APTransco, Hyderabad  
& Non- Whole time Director



**Sri Y. Padmanabha Reddy**  
Director / Operation & Finance



**Sri G.RAMAKRISHNA REDDY**  
Director (Fin & Rev) APTransco.  
& Non- Whole time Director



**Sri T.H.N.S. Damodara Rao**  
Director / RAC



**Sri S.Vishwanatham**  
Director / HRD



**Sri Z. Philip**  
Director / Projects



**Sri K. Rami Reddy**  
Director / Energy Audit



**Sri P. Anjaiah**  
Director / Purchases





**SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED**

D.No.19-13-65/A, Kesavayanagunta, Tiruchanoor Road, Tirupati

**BOARD OF DIRECTORS:**

SRI. V.KRISHNA MURTHY

CHAIRMAN & MANAGING DIRECTOR

SRI. UMESH SHARRAF I.P.S.

NON WHOLE TIME DIRECTOR

SRI. G.RAMA KRISHNA REDDY

NON WHOLE TIME DIRECTOR

SRI. T.H.N.S.DAMODARA RAO

DIRECTOR (RAC)

SRI. Y.PADMANABHA REDDY

DIRECTOR (OPERATION & FINANCE)

SRI. P.ANJIAH

DIRECTOR (PURCHASES)

SRI. K.RAMIREDDY

DIRECTOR (ENERGY AUDIT)

SRI. S.VISWANATHAM

DIRECTOR (HRD)

SRI.Z.PHILLIP

DIRECTOR (PROJECTS)

COMPANY SECRETARY

CS. B.V.S.PRAKASH

AUDIT COMMITTEE

Sri Umesh Sharraf, IPS

Chairman of the Audit Committee/  
JMD (V&S)/APTRANSCO/Hyderabad.

Sri G.Ramakrishna Reddy

Member of the Audit Committee/  
Director (Finance & Revenue)/  
APTRANSCO/ Hyderabad.

Sri Y.Padmanabha Reddy

Member of the Audit Committee/  
Director (Finance & Operation)/  
APSPDCL/Tirupati.

**AUDITORS**

RAJU & PRASAD,  
CHARTERED ACCOUNTANTS,  
401,DIAMOND HOUSE,  
ADJ.AMRUTHA HILLS,  
PUNJAGUTTA,  
HYDERABAD-500 082.

**BANKERS:**

STATE BANK OF HYDERABAD  
STATE BANK OF INDIA

REGISTERED OFFICE

D.NO19-13-65/A,  
TIRUCHANOOR ROAD,  
BEHIND SRINIVASA KALYANA  
MANDAPAM, KESAVAYANIGUNTA,  
TIRUPATI-517 503, CHITTOOR

(DIST)

ANDHRA PRADESH

TELEPHONE : (0877) 2284109,

FAX : (0877) 2284111

WEB SITE: [WWW.ASPDCL.IN](http://WWW.ASPDCL.IN)



## **SOUTHERN POWER DISTRIBUTION COMPANY OF A.P.LIMITED**

### **OUR VISION**

To create an organization that is profitable, viable, responsive, serving the needs of the customer, suppliers and employees.

### **OUR MISSION**

#### **Commercial Objectives:**

- ✓ Eliminating pilferage of energy
- ✓ Reducing arrears

#### **Operational Objectives:**

- ✓ Minimizing Technical/Transmission Losses
- ✓ Reducing transformer failures
- ✓ Maintaining rolling stock of additional DTRs at every sub-station level to avoid delays in replacing the failed units

#### **Social Objectives:**

- ✓ Electrification of Dalith Wadas.
- ✓ Electrification of Weaker Section Colonies
- ✓ Providing uninterrupted power supply to the consumers.
- ✓ Providing better service to the consumers.

#### **Regulatory Objectives:**

- ✓ To function as per the guidelines issued by APERC.
- ✓ To continuously monitor the progress of various directives issued by APERC.

### **CORE VALUES**

Excellence in all aspects of the company.  
Honesty, integrity and ethical business.  
People, as the source of strength.  
Respect for the individual and personal growth.  
Tackling challenges and solving problems  
Continued self improvement, never being satisfied.

*Energy saved is . . . . .*

*Energy produced*



# **TENTH ANNUAL REPORT: 2009-10**

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<b>Sl.No.</b>	<b>Particulars</b>
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<b>3.</b>	<b>Notice</b>
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<b>5.</b>	<b>Auditors' Report</b>
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## APSPDCL PERFORMANCE HIGHLIGHTS

<b>Year ended 31<sup>st</sup> March</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Units Sold (Million Units)	13697.28	11938.50	10798.24	10360.95	9118.54
No. of 33/11 KV Sub stations	1045	955	843	767	700
Length of 33 KV line in KM	11506.29	10891.65	10272.61	9960.10	9601.31
Length of 11 KV line in KM	91863.79	84734.16	75012.36	70173.41	64626.11
Length of LT line in KM	141082.90	139692.10	132688.92	130361.92	129381.08
Number of Distribution Transformers	249957	226238	184972	158160	139020
Number of Power Transformers	1357	1261	1147	1071	1003
No of Consumers	63,97,861	6021853	5656339	5234494	4849471
Distribution Losses (%)	12.98	13.52	14.73	15.97	16.98
Distribution Transformer failures (%)	7.12	6.80	7.67	8.96	9.10
Average Realisation per unit (Rs.)	2.32	2.27	2.29	2.09	2.11
<b>Financial Data (Rs. in Crores)</b>					
Total income	5769.2617	5302.13	3891.63	3304.32	2963.60
Total Expenditure	5765.2815	5291.15	3837.47	3251.14	2926.52
Surplus / (Deficit)	3.9802	10.98	54.16	53.18	37.08
Paid up Equity Capital (Rs. In Crores)	358.71	358.71	358.71	358.71	358.71



## **Chairman & Managing Director's Statement**

### ***Dear Shareholders,***

It is my pleasure to present the 10<sup>th</sup> (Tenth) Annual Report of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year 2009-10. The Discom is on the path of implementing Power Sector reforms and efforts are on towards Operational, Financial efficiency and consumer friendly initiatives.

### **Performance Review**

The following are highlights of the strong operational & financial performance of the Company during the year 2009-10.

- Ø Total income was Rs 5769.2617 **Crore in 2009-10.**
- Ø Total expenditure for the year 2009-10 was **Rs. 5762.8836Crores**
- Ø The net profit of the Company stood at **Rs.3.9802 Crores.**
- Ø The Company's total sales increased to 13697.28 **MU** in 2009-10 from 11938.50 **MU** in 2008-09.
- Ø Distribution losses were reduced from 13.52 in 2008-09 to 12.98 in 2009-10.
- Ø A total of 3,73,987 nos of New Services were released through the Customer Service Centres during the year 2009-10.
- Ø During the year ,14 nos New Customer Service Centres were opened for effective Customer Servicing one each at newly formed Sub-divisions. With the above addition, there are 113 nos of Customer Service Centres working for the benefit of consumers.
- Ø The Customer Service Centre at Tirupati has been declared to be in conformity with ISO 9001: 2008 by M/s Perry Johnson Registrar Inc during 2009-10.

### **ERP(SAP)Utilisation in the Company:**

1. During the year 2009-10 new system –SAP ECC 6.0 version was developed and was implemented in the Company from 1.05.2010.
2. The Modules in the new system are: 1. Finance and Controlling, 2. Material Management 3. Project systems, 4 . Plant Maintenance, 5. Human capital Management, and 6. Business intelligence.
3. R-APDRP has been taken up to tackle AT&C losses in 32 towns. This is an initiative by Govt. of India.



### ***Compliance of Directives of APERC***

The Discom has complied, by and large, with the directives issued by APERC from time to time.

### **National Tariff Policy**

The objectives of this tariff policy are to: (a) ensure availability of electricity to consumers at reasonable and competitive rates; (b) ensure financial viability of the sector and attract investments; (c) promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks and (d) promote competition, efficiency in operations and improvement in quality of supply.

### ***HR Initiatives***

Training the officers/staff continues to be a top priority of the Company. A brief particulars of the staff trained is as follows:

No. of Programmes Conducted	Participants Targeted	Participants attended	% of attendance against the target
233	7709	6681	86.66

### **Corporate Governance :**

The Board of Directors and the Management continue to practice the highest principles Corporate Governance to provide strong leadership. We had our good Internal Audit system and Committee Meetings apart from Board Meetings as per schedule.

To conclude, I congratulate all the employees for their efforts towards achieving the goals of the Company and improved sales performance, fairly met the Directives of Regulatory authority and other statutory authorities, initiated steps for institutional strengthening.

Further, I sincerely acknowledge the support and Co-operation extended by the Government of Andhra Pradesh, particularly Energy Department & Finance Department, Andhra Pradesh Electricity Regulatory Commission, APTRANSCO, Other DISCOMs, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers.

**Sd/- V.Krishna Murthy**  
**Chairman & Managing Director**



# **SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LTD**

D.No.19-13-65/A, Tiruchanoor Road, Tirupati.

## **NOTICE**

To  
The Members of the Company

NOTICE is hereby given that the 10<sup>th</sup> (Tenth) Annual General Meeting of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati will be held (at Shorter Notice under Section 171(2) of the Companies Act, 1956 ( pursuant to consent received from all the Members) on FRIDAY ,THE 10<sup>TH</sup> DECEMBER,2010 AT 12.30 P.M(NOON) at the Registered Office of the Company D.No.19-13-65/A, Tiruchanoor Road, Behind Srinivasa Kalyanamandapam, Tirupati to transact the following business:

### **Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup>, March 2010 and Profit & Loss account for the period ended on that date of the Company together with Directors Report, Statutory Auditors Report and Comments of Comptroller and Auditor General of India, thereon.
2. To take note of appointment of Statutory Auditors by the Comptroller and Auditor General Of India for the Financial year 2010-11 under the provisions of Sec.619 of Companies Act, 1956 and to authorize the Board to fix the remuneration of Statutory Auditors for the Financial 2010-11.

### **Draft Resolution:**

**"RESOLVED THAT the appointment of M/s Raju & Prasad, Chartered Accountants, Hyderabad , as the Statutory Auditors of the Company for the Financial Year 2010-2011 vide Lr .No. CA.V/COY/ANDHRA PRADESH, SOUPOW(1)/97,Dt 13.07.2010 of the Comptroller and Auditor General Of India , New Delhi is noted."**

**"FURTHER RESOLVED THAT pursuant to the provisions of Section 224(8) (aa) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and are here by authorised to fix the remuneration and out of pocket expenses payable to Statutory Auditors**

**M/s Raju & Prasad, Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2010-11"**



Special Business:

Item No.(3)

**To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification:**

“RESOLVED THAT in pursuance of the resolution passed by the Company in the Extra Ordinary General Meeting held on 24<sup>th</sup> November,2008 approving the total amount of borrowing limit to the Board of Directors of the Company to Rs 4000 Crores(Rupees Four thousand Crores only) in relation to the exercise of borrowing powers, it is hereby approved that , pursuant to the provisions under the Sec 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 the Board of Directors of the Company be and are hereby authorized to borrow money, from time to time, at their discretion either from the Company’s Bank or any other Bank, Financial Institutions or any other lending institutions or persons on such terms and conditions as may be considered suitable for the purposes of the business of the Company notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business), will exceed the aggregate of the Paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount to be borrowed shall not exceed the sum of Rs.6500.00 Crores (Rupees Six Thousand Five hundred Crores only) at any time.

FURTHER RESOLVED THAT the Company Secretary of the Company be and is hereby authorized to file necessary forms with the Registrar of Companies within the time stipulated under the Companies Act,1956 and to take all necessary steps to give effect to the above resolution.”

**Item No. (4) To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification:**

“RESOLVED THAT in pursuance of the resolution passed by the Company in the Extra Ordinary General Meeting held on 24<sup>th</sup> November,2008 approving in terms of Section 293(1)(a) and other provisions, if any, of the Companies Act, 1956, to mortgage and/or hypothecate and/or charge of the properties of the Company both present and future to the total amount of Rs 4000 Crores(Rupees Four thousand Crores only), it is hereby approved that the Board of Directors of the Company under the Sec 293 (1) (a) and other applicable provisions, if any, of the Companies Act ,1956, to mortgage / hypothecate and/or create charge of all or any part of the immovable properties/or movable properties of the Company both present and future of every nature and kind whatsoever and for creating a floating charge on all or any of the movable properties of the Company and the whole of undertaking of the company to or in favour of Banks or Financial institutions or any other lending institutions for borrowing from time to time such sums of money as the Board of Directors of the Company deem requisite for the purpose of the business of the Company notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the Company (apart



from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the sum of Rs.6,500 Crores (Rupees Six Thousand Five hundred Crores) at any time."

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to finalize the terms and conditions for creating aforesaid mortgage or hypothecation or create charge and to do all acts, things as may be necessary.

FURTHER RESOLVED THAT the Company Secretary of the Company be and is hereby authorized to file necessary forms with the Registrar of Companies within the time stipulated under the Companies Act,1956 and to take all necessary steps to give effect to the above resolution."

**Item No.(5) Under Special Business:**

**To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification:**

"RESOLVED THAT in pursuance of the resolution passed by the Company in the Extra Ordinary General Meeting held on 24<sup>th</sup> November,2008 approving the total amount of borrowing limit to the Board of Directors of the Company to Rs 4000 Crores(Rupees Four thousand Crores only) in relation to the exercise of borrowing powers, pursuant to the provisions under the Sec 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 an amount of Rs 505,91,66,016 Crores( Rupees Five hundred five Crores Ninety one Lakhs Sixty Six thousand and sixteen only) borrowed in excess of the above limit by the Board of Directors of the Company and excess borrowed for the period from 1.03.2010 to 30.11.2010 be and is hereby approved by the Company as the loans were borrowed as short term loans and towards additional power purchase in the public interest as per the directions of the Andhra Pradesh Power Co-Ordination Committee(APPCC) constituted.

FURTHER RESOLVED THAT the Company Secretary of the Company be and is hereby authorized to file necessary forms with the Registrar of Companies within the time stipulated under the Companies Act,1956 and to take all necessary steps to give effect to the above resolution."

**BY ORDER OF THE BOARD OF DIRECTORS  
For SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED**

**(CS.B.V.S.PRAKASH)  
Company Secretary**

Date :02-12-2010  
Place : Tirupati

**Note:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the Proxy need not be a member of the Company.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business set out above is annexed hereto For Item NO. 3 , 4 and 5 under Special business.
3. 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.

**Explanatory Statement U/s 173(2) of the Companies Act, 1956 to the Item No.(3) under Special business:**

The company in its Extra Ordinary General Meeting held on 24.11.2008 passed resolutions according power to the Board of Directors of the Company under section 293(1) a and 293(1)d of the Companies Act, 1956 to borrow money from the banks/financial institutions up to Rs 4000 crores (Rupees Four thousand only) and hypothecate/mortgage/charge of the assets of the company to the extent of Rs 4000 crores (Rupees Four thousand crores only). Further, the Company's outstanding borrowings is Rs. 4505,91,66,016 as on 30.09.2010.

But, To execute/implement various schemes for constructing sub-stations, erection of distribution transformers, implementation of High Voltage Distribution System, laying of new lines and electrification of un electrified villages, Hamlets and Dalitwadas, etc. the Company require money from time to time for which the Company need to borrow monies from the Banks and/or various other financial institutions.

Further, as per the directions of Andhra Pradesh Power Co-Ordination Committee constituted by the Government of Andhra Pradesh, the Board of Directors are borrowing term loans from the various Banks towards additional Power Purchase on the terms and conditions set out by the Bankers in their loan agreements. The loans towards power purchase are very much essential as the short fall of power need to be purchased as per the directions of the APPCC to supply power to the Public and various Government and Private establishments.

Hence, the borrowing powers accorded to the Board of Directors of the Company to an extent of Rs 4000 cores (Rupees Four Thousand Crores only) by the Company in its Extra Ordinary General Meeting held on 24.11.2008 under section 293(1)d of the Companies Act, 1956 need to be enhanced to Rs 6500 crores (Rupees SIX thousand Five hundred crores only).

None of the Directors are concerned or interested in the resolution.  
The Directors recommend the proposed Motion/resolution under Special Business, Item No. (3) for approval in the interest of the Company.



**Explanatory Statement U/s 173(2) of the Companies Act, 1956 to the Item No.(4) under Special business:**

The company in its Extra Ordinary General Meeting held on 24.11.2008 passed resolutions according power to the Board of Directors of the Company under section 293(1) a of the Companies Act,1956 to hypothecate/mortgage/charge of the assets of the company to the extent of Rs 4000 crores( Rupees Four Thousand crores only). Further, the Company's outstanding long term borrowings is Rs 4505,91,66,016 As on 30.09.2010

But, To execute/implement various schemes for constructing sub-stations, erection of distribution transformers, implementation of High Voltage Distribution System, laying of new lines and electrification of un electrified villages, Hamlets and Dalitwadas, etc. the Company require money from time to time for which the Company need to borrow monies from the Banks and/or various other financial institutions for which the present and future assets of Immovable/Movable nature need to be Mortgaged/Hypothecated/create Charge .

Hence, the powers accorded to the Board of Directors of the Company to an extent of Rs 4000 crores (Rupees Four Thousand Crores only) by the Company in its Extra Ordinary General Meeting held on 24.11.2008 need to be enhanced to Rs 6500 crores (Rupees Six thousand Five Hundred crores only) under section 293(1) a of the Companies Act,1956.

**None of the Directors are concerned or interested in the resolution.  
The Directors recommend the proposed motion/ resolution under special Business ,item No.(4) for approval in the interest of the Company.**

**Explanatory Statement U/s 173(2) of the Companies Act, 1956 to the Item No.(5) under Special business:**

It is submitted that the company in its Extra Ordinary General Meeting held on 24.11.2008 passed resolutions according power to the Board of Directors of the Company under section 293(1)d of the Companies Act,1956 to borrow money from the banks/financial institution up to Rs 4000 crores( Rupees Four Thousand crores only).The Company's outstanding term loans is Rs.4505,91,66,016 as on 30.09.2010.

Further, as per the directions of Andhra Pradesh Power Co-Ordination Committee constituted by the Government of Andhra Pradesh, the Board of Directors are borrowing term loans from the various Banks towards additional Power Purchase on the terms and conditions set out by the Bankers in their loan agreements. The loans towards power purchase are very much essential as the short fall of power need to be purchased as per the directions of the APPCC to supply power to the Public and various Government and Private establishments and in the public interest.

Due to the above Short term loans towards additional power purchase, the borrowing limit is exceeded by Rs. 505,91,66,016 as on 30.09.2010. Therefore, the amount borrowed in excess of the borrowing limit of Rs 4000 crores and excess borrowed for the period From March,2010 to November,2010 be approved in the interest of the Company.

None of the Directors are concerned or interested in the resolution.  
The Directors recommend the proposed motion/resolution under special business,  
item No.(5) for approval in the interest of the Company.

**BY ORDER OF THE BOARD OF DIRECTORS**

**For SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED.**

**(CS.B.V.S.PRAKASH)**  
**Company Secretary**

Place : Tirupati  
Date: 02 .12.2010.



## **DIRECTORS' REPORT**

To  
The Members,  
Southern Power Distribution Company of A.P. Limited  
Tirupati

Your Directors have pleasure in presenting the Tenth Annual Report of the Company relating to Financial Year 2009-10 and trust the Annual Audited Accounts for the said year as circulated have been perused by all of you.

### **Financial Results:**

Rs. in Crores			
S.No.	Particulars	Current Year	Previous Year
		2009-10	2008-09
A	Total income	5769.2617	5302.131
B	Total expenditure	5762.8836	5280.9660
C	Profit/(Loss) before tax	6.3781	21.1650
D	Provision for tax		
E	Income Tax	0.70	1.5636
F	Fringe benefit Tax	-	0.9305
G	Profit/(Loss) after tax	5.67810	18.6708
H	Net prior period credits/(Charges)	(1.69780)	(7.6938)
I	Profit/(Loss) before Contingency	3.9802	10.9769
J	Reserve	-	-
K	Contingency Reserve	-	-
L	Profit after Contingency Reserve	3.9802	10.9769

### **Dividend**

The Board of Directors have not declared any dividend during the year ended 31.03.2010

### **Energy Sales**

The Company's total sales increased to 13697.28 MU in 2009-10 from 11938.50 MU in 2008-09.

### **Operational Performance of the Company for the year 2009-10:**

Further, your Directors are pleased to present some key achievements in operational areas:

S.No	Particulars	As on 31-3-2010	As on 31-3-2009
1	Number of 33/11 KV Sub stations	1045	955
2	Length of 33 KV line in KM	11506.29	10891.65
3	Length of 11 KV line in KM	91863.79	84734.16
4	Length of LT line in KM	141082	139692.10
5	Number of Distribution Transformers	249957	226238
6	Power Transformers	1357	1261
7	Number of Consumers	63,97,861	6021853

Ø During the financial year 2009-10. 3,73,987 Nos. New Service Connections were released. 14 Nos. New Customer Service Centres were opened. The Total Number of Service Centres are 113.

#### **ERP(SAP)Utilisation in the Company:**

During the year 2009-10 new system –SAP ECC 6.0 version was developed and was implemented in the Company from 1.05.2010.

The Modules in the new system are: 1. Finance and Controlling, 2. Material Management 3. Project systems, 4 . Plant Maintenance, 5. Human capital Management, and 6. Business intelligence.

R-APDRP has been taken up to tackle AT&C losses in 32 towns. This is an initiative by Govt. of India.

#### **Vigilance Wing**

Continuous efforts are being made for prevention of theft of energy. Anti Power Theft Squad (APTS) Department & DPE Wing have carried out intensive inspection drives during the year.

A total of 26550 cases were registered during the year 2009-10 assessing Rs.3,77,65,964. During the year 24,511 cases were compounded and Rs.2,10,25,000 was collected.

#### **Policy initiatives**

Central Government has initiated a number of policy initiatives viz., constitution of Appellate Tribunal for Electricity, promulgation of National Tariff Policy, Ultra Mega Projects initiative, Efforts towards developing an integrated Energy Policy and launch of nation wide Rural Electricity Infrastructure and Household Electrification Programme – Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY).

#### **Directors:**

The Board of Directors of the Company are appointed / nominated by Government of Andhra Pradesh. The Changes which have been occurred in the composition of Board of Directors of the Company from the date of the last report are as follows:



Name of the Director	Date of appointment	Date of change
1.A.VenkataReddy,IRAS, Director(Finance)	20.08.2007	21.05.2010
2. P.Gopal Reddy , Chairman and Managing Director	12.08.2005	11.08.2010
3. V.Krishna Murthy, Chairman and Managing Director	12.08.2010	-

Consequent to the above changes, the composition of the Board of Directors on the date of this report is as follows:

Sri V. Krishna Murthy	- Chairman & Managing Director
Sri Umesh Sharraf, IPS	- Non Whole Time Director
Sri G.Ramakrishna Reddy	- Non Whole Time Director
Sri T.H.N.S.Damodara Rao	- Director (RAC)
Sri. Y.Padmanabha Reddy	- Director (Operation and Finance)
Sri. P.Anjaiah	- Director (Purchases)
Sri K.Rami Reddy	- Director (Energy Audit)
Sri S.Viswanatham	- Director (HRD)
Sri. Z.Phillip	- Director (Projects)

#### **Board Meetings held in 2009-10:**

The Board held its meetings on 30<sup>th</sup> June 2009, 27<sup>th</sup> July,2009, 5<sup>th</sup> September,2009, 25<sup>th</sup> September,2009, 3<sup>rd</sup> November,2009 , 4<sup>th</sup> January 2010 and 31<sup>st</sup> March, 2010 during the financial year 2009-10 in accordance with the provisions of Section 285 of the Companies Act, 1956. Attendance at Board of Directors Meetings:

Directors	Meetings attended
Sri P.Gopal Reddy	7
Sri.Umesh Sharraf,IPS	6
Sri.G.Ramakrishna Reddy	6
Sri. T.H.N.S.Damodara Rao	6
Sri. Y.Padmanabha Reddy	7
Sri. A.Venkata Reddy	6
Sri. P.Anjaiah	6
Sri. K.Rami Reddy	7
Sri. S.Viswanatham	7

#### **Other Directorships:**

Sri P.Gopal Reddy was appointed as the Director in Andhra Pradesh Power Development Company Limited on 18.05.2010 and hold the Directorship up to 17.09.2010 on behalf of the Company.

Sri. V.Krishna Murthy, Chairman and Managing Director was appointed as Director in Andhra Pradesh Power Development Company Limited, Hyderabad on 18.09.2010 and hold the Directorship on behalf of the Company.

### **Annual General Meetings:**

The details of Annual General Meetings held in last 3 years are as under:

Year	Date	Venue
2006-2007	27-11-2007	Registered office
2007-2008	29-09-2008	Registered office
2008-2009	25-09-2009	Registered office

### **Extra Ordinary General meetings held in the last Three Years:**

One Extra Ordinary General Meeting was held on 24-11-2008 at Vidyut Soudha, Hyderabad to enhance the limit of borrowing powers ,and to mortgage/hypothecate/or charge on the Assets of the Company under the Section 293(1) d and 293(1) a of the Companies Act, 1956 up to Rs 4000 crores.

### **Composition of Audit Committee and changes therein:**

In compliance with the provisions of Section 292 A of the Companies Act, 1956, during the year under review, the Audit Committee has met on 27<sup>th</sup> July, 2009, 25<sup>th</sup> September, 2009 and 4<sup>th</sup> January, 2010. The composition of the Audit Committee on the date of this report is as follows:

1. Sri Umesh Sharraf, IPS – Chairman of the Audit Committee/  
JMD(V&S)/APTRANSCO/Hyderabad.
2. Sri G.Ramakrishna Reddy – Member of the Audit Committee/  
Director(Finance&Revenue)/APTRANSCO/ Hyderabad.
3. Sri Y.Padmanabha Reddy - Member of the Audit Committee/  
Director (Finance & Operation)/APSPDCL/Tirupati.

### **Auditors of the Company**

M/s. Raju & Prasad, Chartered Accountants, No.401, "Diamond House" Adj. Amrutha Hills, Punjagutta, Hyderabad – 500082 were appointed by Comptroller and Auditor General of India (C&AG) as the Statutory Auditors of the Company for the Financial Years 2008-09 , 2009-2010 and 2010-2011.

### **Replies to the comments of the Statutory Auditors and CAG**

Replies of the Management to comments of the Statutory Auditors, Comptroller And Auditor General of India (CAG) and financial review by CAG of India on the accounts of the Company for the year ended 31<sup>st</sup> March, 2010 are annexed here to and forms part of this report.

### **Conservation of Energy, Technology Absorption And Foreign Exchange Earning And Outgo:**

The information in accordance with the provisions of Section 217(1) (e) of Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998 in respect of conservation of energy, technology absorption and foreign exchange earning and outgo, is not furnished as they are not applicable to the Company.



## **Particulars of Employees under Sec 217 (2A) of the Companies Act, 1956**

There were no employees drawing remuneration in excess of the prescribed limits whose details are required to be disclosed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### **Deposits**

During the year under review, the Company has not accepted any public deposits U/s 58 A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

### **Directors Responsibility Statement**

The Board of Directors of your Company have met Seven times during the financial year 2009-10.

In accordance with Sec.217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state that:

The Annual Accounts are prepared as per Schedule VI of the Companies Act, 1956 and the applicable standards are followed, so as to give a true and fair view of state of affairs of the Company as at the end of the financial year 31<sup>st</sup> March, 2010. The rates of depreciation are adopted as per the Gazette notifications issued by the Ministry of Power, Government of India from time to time.

The Directors have taken proper and sufficient care for the maintenance of accounting records; for safeguarding assets of the Company; and preventing and detecting fraud and other irregularities.

The Annual Accounts are prepared on a going concern basis.

### **Industrial Relations:**

During the year under review, there were cordial industrial relations amongst the working force at all levels.

### **Awards:**

The Company has received the INDIA POWER AWARD for the year 2008 for better performance in the Distribution Sector.

And in 2009 for reduction of Annual Technical and Commercial Losses compared to the other Distribution Companies in the Country.

### **Acknowledgements:**

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and Co-operation extended by the Government of Andhra Pradesh, particularly Energy Department & Finance Department, Andhra Pradesh Electricity Regulatory Commission, APTRANSCO, Other DISCOMs, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers.

Your Directors express their deep sense of gratitude and appreciation to the employees for their unstinted support and relentless efforts at all levels which enabled the overall growth of the Company.

**For and on behalf of the Board of Directors**

Date: 10 -12-2010.  
Place: Tirupati

**V.KRISHNA MURTHY**  
**Chairman and Managing Director**

## **ANNEXURE – A TO THE DIRECTORS' REPORT**

### **AUDITOR'S REPORT**

To  
The Members of  
The Southern Power Distribution Company of A.P. Limited

1. We have audited the attached Balance Sheet of **THE SOUTHERN POWER DISTRIBUTION COMPANY OF A.P.LIMITED** as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account for the year ended on that date annexed there to and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As the Company is governed by the Electricity Act, 2003, the provisions of the said Act have prevailed wherever it has been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
5. Further to our comments in the Annexure referred to in paragraph (4) above, we report that:

- (i) *Consequent upon amendment to second transfer scheme vide G.O.Ms.142 dt.29.09.2001 and the third transfer scheme vide G.O.Ms.396 dt.09.06.2005, the Company adopted the assets & liabilities and the balances against Power Purchase, loan liabilities, and receivables from Govt. of A.P at values stipulated in the respective government notifications, which are provisional and subject to further adjustment as may be determined by the State Government and audit. In the absence of relevant information, we are unable to express our opinion on the closing balances of such assets / liabilities transferred to the company under the aforementioned transfer schemes.*
- (ii) *Balances in 'Loan Funds' pertaining to PFC and Govt. of AP are subject to confirmation by the respective lenders.*
- (iii) *Confirmations in respect of Cash & Bank balances have not been provided for verification. We are therefore unable to express our opinion on correctness of these balances.*
- (iv) *The power purchase cost and Discom to Discom and interstate sale of power is booked as per figures provided by the APPCC constituted to regulate the power purchase and sale in the state. We are therefore unable to express our opinion on the correctness of power purchase cost.*
- (v) *Balances under Sundry Debtors, Receivables, Loans & Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.*
- (vi) *The input controls in the SAP in respect of capturing data and recording of transactions, access control system, disaster data recovery plans and backups needs to be reviewed and duly certified by independent agency as regards to its adequacy.*



- (vii) *Accumulated depreciation on assets sold/discarded during the year is not written back which is not in accordance with AS-6 “Depreciation Accounting”.*
- (viii) *Fuel surcharge adjustment charges amounting to Rs 344.50 crores and income on employee loans is recognized as revenues during the year in contravention of AS-9 “Revenue Recognition.”*
- (ix) *In the event of replacement of an old asset with a new asset, the new asset is capitalized at acquisition cost less the weighted average cost of replaced asset instead of deducting the WDV of the replaced asset, which is not in accordance with AS-10 “Accounting for Fixed Assets”.*
- (x) *Assets purchased under RGGVY scheme from Government grants is not shown separately as required under AS-12 “Accounting for Government Grants”.*
- (xi) *Provision for pension, Gratuity, leave encashment and other retirements benefits made does not comply with requirements of AS-15 “Employee benefits”.*
- (xii) *Income from temporary investments of borrowed funds is shown as other income instead of deducting from interest on such borrowed funds capitalized during the year and capitalization of interest thereon is not as per requirement of AS-16 “Borrowing Cost”.*
- (xiii) *Deferred Tax asset / liability has not been recognized in the accounts as required under AS-22 “Accounting for Taxes on Income”.*
- (xiv) *Particulars under para 4D of part-II notes to profit and loss account –schedule VI of companies Act, 1956 have not been disclosed as required therein.*

(xv) *In the absence of relevant information the impact on the net profit with regard to our comments mentioned in paras (iv), (vii) (viii),(ix),(xi), (xii) and (xiii) above, could not be quantified.*

6. Subject to our comments in Annexure referred to in Paragraph (4) above, and paragraph (5), we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
- (ii) In our opinion, proper Books of Accounts as required by law have been kept by the Company, so far it appears from our examination of those books.
- (iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the Books of Accounts maintained.
- (iv) In our opinion the Profit and Loss Account, the Balance Sheet and the cash flow statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act 1956, except those mentioned in paragraph (5) above.
- (v) In view of the clarification issued by the Department of Company Affairs vide its General Circular No.8/2002 dated 22.03.2002, we are of the opinion that the provisions of section 274(1)(g) of the Companies Act 1956, does not apply to the Directors of this company, as they are appointed by the State/Central Governments.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements read together with the Significant Accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in

conformity with the accounting principles generally accepted in India:

- a. In the case of Balance Sheet, of the State of Affairs of the Company as on 31<sup>st</sup> March 2010.
- b. In the case of Profit and Loss Account, of the profit for the year ended on that date and
- c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Hyderabad  
Date: 21.09.2010

For RAJU & PRASAD  
CHARTERED ACCOUNTANTS  
(FRN.003475S)

Sd/-  
(S.RANGANATHAN)  
PARTNER  
M.No.022738

**ANNEXURE TO AUDITOR'S REPORT TO THE MEMBERS OF THE  
SOUTHERN POWER DISTRIBUTION COMPANY OF A.P.LIMITED**  
(Refer Para 4 of our report of even date)

- i. a) The Company has started maintaining proper records of Fixed Assets showing full particulars including quantitative details and situation of fixed assets from 01-04-2008.  
  
b) *We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.*  
  
c) As per the information & explanations given to us, the company has not disposed off a substantial part of fixed assets during the year and the going concern status of the company is not affected.
- ii. a) The inventory of stores & spares has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
  
b) According to information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
  
c) The company is maintaining proper records of inventory. As explained to us material discrepancies noticed on physical verification of inventory as compared to the book records have been properly dealt with in the books of accounts.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, clauses (iii)(b),(iii)(c),(iii)(d),(iii)(f) and (iii)(g) of Paragraph 4 of the said Order are not applicable to the Company.
- iv. According to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the



nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.

*However the internal control systems needs to be strengthened with regard to SAP implementation including reconciliation of accounts, inter unit account, accounting of capital work orders, recording of transactions and adequate training of personnel.*

- v. According to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the companies Act, 1956.
- vii. *The Company has an Internal Audit system but the same, in our opinion, requires to be strengthened and its scope enlarged, to be commensurate with the size and nature of its business. Transactions entered in the SAP were not subjected to internal audit.*
- Viii. The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the companies Act, 1956 and the same are maintained by the company as provided therein.
- ix
  - a) According to the information and explanation given to us, the undisputed statutory dues including Provident Fund, Investor Education and Protections Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any Other Statutory dues have been regularly deposited with the appropriate authorities- including electricity duty.
  - b) According to information and explanations given to us there are no disputed dues relating to Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited as at 31<sup>st</sup> March 2010 other than those indicated below:

Nature of dues	Unpaid (Rs.)	Period to which the amount relates	Forum where pending
Service tax on wheeling charges	136949/-	From December 2007 to October 2008	Commissioner, central excise & customs (appeals), Guntur.

- x. The company does not have any accumulated losses as at the end of the financial year under reference. As per the profit & loss Account as it stands the company has not incurred any cash loss during the financial year 2009-10. *However, the company has incurred cash loss of Rs 69, 05, 00,733.00 when the profit is adjusted in respect of qualification 5(viii) in the audit report.*

In the financial year immediately preceding such financial year the company has not incurred cash loss.

- xi. The company has not defaulted in repayment of its dues to banks. The company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. According to the information and explanations given to us, the company is not a chit fund or nidhi/mutual benefit fund/society.
- xiv. According to information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. All Shares, Securities and other Investments have been held by the company in its own name.
- xv. According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial intuitions.
- xvi. According to information and explanations given to us, the term loans taken by the company were applied for the purpose for which they were taken.
- xvii. According to information and explanations given to us, funds raised on short term basis have not been used for long term investments.

- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
- xix. The company has not issued any debentures during the year.
- xx. The company, during the year, has not raised money by public issues during the year.
- xxi. *According to information and explanations given to us, fraud aggregating to Rs.4.41 Crores has been reported, as detailed here under, on the company :*

<i>S. No</i>	<i>Nature of Fraud</i>	<i>Amount involved (Rs/Crores )</i>
<i>1</i>	<i>Theft of Energy</i>	<i>4.41</i>
	<b><i>Total</i></b>	<b><i>4.41</i></b>

According to information and explanations given to us no fraud by the company has been reported during the year.

Place: Hyderabad  
Date: 21.09.2010

For RAJU & PRASAD  
CHARTERED ACCOUNTANTS  
(FRN.003475S)

Sd/-  
(S.RANGANATHAN)  
PARTNER  
M.No:022738

<b>RAJU &amp; PRASAD, CHARTERED ACCOUNTANTS, HYDERABAD</b>		<b>SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED</b>
<b>AUDITORS' REPORT</b>		Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
(i)	<i>Consequent upon amendment to second transfer scheme vide G.O.Ms.142 dt.29.09.2001 and the third transfer scheme vide G.O.Ms.396 dt.09.06.2005, the Company adopted the assets &amp; liabilities and the balances against Power Purchase, loan liabilities, and receivables from Govt. of A.P at values stipulated in the respective government notifications, which are provisional and subject to further adjustment as may be determined by the State Government and audit. In the absence of relevant information, we are unable to express our opinion on the closing balances of such assets / liabilities transferred to the company under the aforementioned transfer schemes.</i>	<p>The Company has taken over the bulk supply of power business from APTRANSCO. The bulk supply business consists of payables to generators, receivables from DISCOMS and some loans taken on behalf of DISCOMS. There are no other assets and liabilities for bulk supply business.</p> <p>The balances transferred under G.O.Ms.No.142 dt 29.09.2001 and third transfer scheme are authenticated by APTRANSCO and this will be considered as final.</p>
(ii)	<i>Balances in 'Loan Funds' pertaining to PFC and Govt. of AP are subject to confirmation by the respective lenders.</i>	Letters have been addressed to PFC and Govt.of A.P. for confirmation of Loan Funds and reply is till to be received.
(iii)	<i>Confirmations in respect of Cash &amp; Bank balances have not been provided for verification. We are therefore unable to express our opinion on correctness of these balances.</i>	The confirmations have been obtained from the respective banks as at 31-03-2010 and during the year the balances are tallied.
(iv)	<i>The power purchase cost and Discom to Discom and interstate sale of power is booked as per figures provided by the APPCC constituted to regulate the power purchase and sale in the state. We are therefore unable to express our opinion on the correctness of power purchase cost.</i>	M/s Sagar & Associates has been appointed as Internal Auditor of APPCC. The firm has been doing internal audit in respect of Bills received from the Generators.
(v)	<i>Balances under Sundry Debtors, Receivables, Loans &amp; Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.</i>	The Process of getting confirmation has already been started during the current financial year.
(vi)	<i>The input controls in the SAP in respect of capturing data and recording of transactions, access control system, disaster data recovery plans and backups needs to be reviewed and duly certified by independent agency as regards to its adequacy.</i>	Proposal is being submitted to the Board for review and certification by external agency



(vii)	<i>Accumulated depreciation on assets sold/discarded during the year is not written back which is not in accordance with AS-6 "Depreciation Accounting".</i>	Noted for Guidance
(viii)	<i>Fuel surcharge adjustment charges amounting to Rs 344.50 crores and income on employee loans is recognized as revenues during the year in contravention of AS-9 "Revenue Recognition."</i>	The Fuel Surcharge adjustment charges for the year 2009-10 was submitted to APERC and as such the same has been recognized as revenue during the year. A policy decision has to be taken in respect of income on employee loans.
(ix)	<i>In the event of replacement of an old asset with a new asset, the new asset is capitalized at acquisition cost less the weighted average cost of replaced asset instead of deducting the WDV of the replaced asset, which is not in accordance with AS-10 "Accounting for Fixed Assets".</i>	After implementation of SAP ECC 6.0 version in the company from 01-05-2010, the replacement of asset will not have any accounting impact, only the asset location will be changed.
(x)	<i>Assets purchased under RGGVY scheme from Government grants is not shown separately as required under AS-12 "Accounting for Government Grants".</i>	The company has changed the Accounting policy of capital subsidy received towards RGGVY and the same has been disclosed vide Note No.16 of Schedule 18 – Notes to Accounts.
(xi)	<i>Provision for pension, Gratuity, leave encashment and other retirements benefits made does not comply with requirements of AS-15 "Employee benefits".</i>	M/s Hewitt has been appointed as an actuary to get actuarial valuation report. Hence the standard will be complied during the year 2010-11.
(xii)	<i>Income from temporary investments of borrowed funds is shown as other income instead of deducting from interest on such borrowed funds capitalized during the year and capitalization of interest thereon is not as per requirement of AS-16 "Borrowing Cost".</i>	<p>As per AS-16 Borrowing Costs, paragraph 12 To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on that asset. The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period should not exceed the amount of borrowing costs incurred during that period.</p> <p>So there is no necessity to deduct income earned on temporary investments of borrowed funds as per the Accounting Standard – 16 – Borrowing Costs.</p>

(xiii)	<i>Deferred Tax asset / liability has not been recognized in the accounts as required under AS-22 “Accounting for Taxes on Income”.</i>	The company is in the process of recognizing Deferred Tax Asset/Liability.
(xiv)	<i>Particulars under para 4D of part-II notes to profit and loss account –schedule VI of companies Act, 1956 have not been disclosed as required therein.</i>	These provisions are not applicable to the company as there are neither imports nor foreign currency dealings during the financial year 2009-10.
	<p>M/s RAJU &amp; PRASAD Chartered Accountants</p> <p>Sd/- (S. Ranganathan) Partner</p> <p>Place: Hyderabad Date: 21-09-2010</p>	<p>For and on behalf of the Board</p> <p>Sd/-                      Sd/- Director (Finance)    (Chairman &amp; Managing Director)</p> <p>Place: Tirupati Date: 21-09-2010</p>

ANNEXURE TO THE AUDITORS' REPORT		SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED
This is the annexure referred to in our report of even date (Reference clauses in Annexure to the Auditors' Report)		Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
i b)	<i>We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.</i>	Physical Verification of Assets is a long term plan. Action plan is being initiated in the 1 <sup>st</sup> phase for Physical Verification of Assets identified as equipment in SAP ECC 6.0 version. At present, the information regarding PTRs and DTRs is uploaded in SAP system. In the 1 <sup>st</sup> phase PTRs are planned for Physical Verification and training cum workshop is also organized with all ADEs/TRE. The Physical Verification of total PTRs will be planned to be completed by the end of March 2011. Similar action will be taken to complete Physical Verification of DTRs in due course.
iv	<p>According to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.</p> <p><i>However the internal control systems needs to be strengthened with regard to SAP implementation including reconciliation of accounts, inter unit account, accounting of capital work orders, recording of transactions and adequate training of personnel.</i></p>	Noted for Guidance

vii	<p><i>The Company has an Internal Audit system but the same, in our opinion, requires to be strengthened and its scope enlarged, to be commensurate with the size and nature of its business. Transactions entered in the SAP were not subjected to internal audit.</i></p>	<p>Steps will be taken to strengthen the Internal Audit Wing. 6.00 Version SAP training was given to Internal Auditors and a special audit programme has to be given for 2010-11 for the transactions entered in SAP.</p>
	<p>M/s RAJU &amp; PRASAD Chartered Accountants</p> <p style="text-align: center;">Sd/- (S. Ranganathan) Partner</p> <p>Place: Hyderabad Date: 21-09-2010</p>	<p style="text-align: center;">For and on behalf of the Board</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Sd/- Director (Finance)</p> </div> <div style="text-align: center;"> <p>Sd/- (Chairman &amp; Managing Director)</p> </div> </div> <p>Place: Tirupati Date: 21-09-2010</p>



**CONFIDENTIAL**



**OFFICE OF THE  
ACCOUNTANT GENERAL (C&RA)  
ANDHRA PRADESH  
HYDERABAD – 500 004.**

No.AG(C&RA)/EBRA-IV/V/2009-10/ D.No.135

Dated.29.11.2010.

To

**The Chairman & Managing Director,  
Southern Power Distribution Company of Andhra Pradesh Limited,  
Tirupati.**

Sir,

Sub: Comments on the accounts of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2010.

\* \* \*

I am to forward herewith Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act 1956 on the accounts of your company for the year ended 31 March 2010 for necessary action.

2. The date of placing of Comments along with Annual Accounts and Auditors' Report before the Shareholders of the Company may be intimated and a copy of the proceedings of the meeting furnished.
3. The date of forwarding the Annual Report and the Annual Accounts of the Company together with the Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature may also be communicated.
4. Ten copies of the printed Annual Report for the year 2009-10 may be furnished in due course.

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

Yours faithfully,

Sd/-

**Dy Accountant General (Commercial)**

Encl: As above

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH 2010**

The preparation of financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 September 2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2010. 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 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

<b>COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH 2010</b>		<b>REPLIES OF THE COMPANY FORMING PART OF THE DIRECTOR'S REPORT TO THE MEMBERS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.</b>
<b>A.</b>	<b>Comments on Profitability:</b>	
	<b>Balance Sheet</b>	
	<b>Application of Funds</b>	
	<b>Capital Work-in-progress (Sch. 5): ₹ 689.31crore</b>	
1.	The above includes ` 76.40 crore being the value of works completed and commissioned to the end of March 2010 but not capitalised. Non-capitalization of the same has resulted in overstatement of "Capital Work-in-Progress" and understatement of "Fixed Assets - Gross Block - Additions during the year" by ` 76.40 crore. This has also resulted in understatement of "Depreciation" and overstatement of "Net Profit before Tax for the year" by ` 1.51 crore.	<p>The Accounting policy of the company regarding capitalization of Fixed Assets is that "The expenditure incurred on Capital works is capitalised as and when the works are completed". Regarding the capitalization of various works, even though the works have been completed on different dates, the capitalization could not be done and the work orders in some of the cases have not been closed due to the reasons a) In some works, the devolutions are to be effected against the each work and the accounts have to be settled accordingly. b) In the case of some works, the labour bills are to be submitted by the contractor and these are to be accounted to the respective works. c) The effect of price variation and quantity variation, if any, is also to be accounted.</p> <p>Without considering the above aspects and if it is capitalized (partially) the work done and charged so far may have problems in SAP accounting and calculation of depreciation. However, the aspect of partial capitalization will be examined in SAP during the financial year 2010-11 and capitalization will be made accordingly if possible in the year 2011-12.</p>
	<b>Current assets, Loans and Advances (Sch. 7)</b>	
	<b>Inventories</b>	
	<b>Stores and spares: ₹ 148.29 crore</b>	
2.	The above is overstated by ` 77.90 lakh due to short provision for the cost of material lost/ stolen as the Company made provision for theft of material amounting to ` 13.98 crore against the actual balance of material lost / stolen amounting to ` 14.76 crore. This has also resulted in understatement of "Other Expenses" and overstatement of "Net profit before Tax for the year" by ` 77.90 lakh.	The short provision pertains to earlier years. Hence the same does not have effect on current years' figures.

3.	<p>The above is understated by ` 3.07 crore due to grouping of negative balances under Account Heads 'Material issued on loan to parties and contractors' (` 1.52 crore) and 'Stock value difference between SAP and manual' (` 1.55 crore) under 'Stores and spares'. The company should have examined the reasons for the negative balances in these accounts and write back these negative balances to the Profit and Loss account. Not doing so has also resulted in understatement of 'Other Income' and "Net profit before Tax for the year" by ` 3.07 crore.</p>	<p>These negative balances are in respect of earlier periods and are under scrutiny &amp; reconciliation. Since the differences pertain to earlier years, there is no understatement of "other income" and "Net profit before Tax for the year".</p>
	<p><b>Cash &amp; Bank balances</b>  <b>Balance with scheduled banks</b>  <b>In Current Account: ₹ 159.60 crore</b></p>	
4.	<p>The above is overstated by ` 9.88 crore due to showing fictitious amount under bank balances, being the difference amount in Opening Balance pending since long back, which should have been written off after due verification. This has also resulted in understatement of "Other Expenses – Miscellaneous losses and write-offs" and overstatement of "Net profit before Tax for the year" by ` 9.88 crore.</p>	<p>The difference in the opening balance will be examined during the year 2010-11 and this account will be settled by taking appropriate action.</p>
	<p><b>Loans and Advances (Unsecured - Considered Good)</b>  <b>Amounts receivable in cash or in kind or for value to be received: ₹ 52.43 crore</b></p>	
5.	<p>The above is understated by ` 15.15 crore due to irregular write off of other receivables transferred from APTRANSCO under transfer scheme and outstanding since 01-04-2000, for which party wise break-up figures were not available. The amount had been written off in the books of accounts without approval of the Board of Directors. The irregular write off has also resulted in understatement of "Net Profit before Tax for the year" to the extent of ` 15.15 crore.</p>	<p>As per the procedure in vogue the note was approved by Competent Authority for consideration of write off of amounts. The same was disclosed vide Note No.24 of the Notes to Accounts. The Notes to Accounts together with Accounting Policies, Schedules forming part of accounts were approved by the Board vide resolution No.11 at the 66<sup>th</sup> meeting of the Board of Directors. Since the write off of amounts were disclosed in the Notes to Accounts and the same was approved by the Board, the same constitutes as approved by the Board.</p>



	<b>Profit &amp; Loss Account</b>	
	<b>Income</b> <b>Other Income (Sch. 11)</b> <b>Miscellaneous Receipts: ₹ 28.77 crore</b>	
6.	The above is overstated by ` 3.25 crore due to irregular write back of creditors transferred from APTRANSCO under transfer scheme, for which party wise break-up figures were not available. The amount had been written back as income in the books of accounts without approval of the Board of Directors. The irregular write back has also resulted in overstatement of “Net Profit before Tax for the year” by ` 3.25 crore	As per the procedure in vogue the note was approved by Competent Authority for consideration of write back of amounts. The same was disclosed vide Note No.24 of the Notes to Accounts. The Notes to Accounts together with Accounting Policies, Schedules forming part of accounts were approved by the Board vide resolution No.11 at the 66th meeting of the Board of Directors. Since the write back of amounts were disclosed in the Notes to Accounts and the same was approved by the Board, the same constitutes as approved by the Board.
	<b>Expenditure</b> <b>Purchase of power: ₹ 4592.51 crore</b>	
7.	The above is understated by ` 18.44 crore (22.27 <i>per cent</i> of ` 82.80crore) due to non-accountal of income tax for the year 2009-10 claimed by APGENCO in May 2010. This has resulted in understatement of “Current Liabilities and Provisions – Sundry Creditors for Power Purchase” and overstatement of “Net Profit before Tax for the year” by ` 18.44 crore.	<p>APGENCO had sent the Income Tax Bill for the period from 01-04-2009 to 31-03-2010 for an amount of ` 82, 80, 39,836/- on 31-05-2010 without any documentary evidence and authentication. The same was return to APGENCO on 7.06.2010 with a request to furnish details to further examine the claim as per Regulation and Income Tax Act 1961.</p> <p>However, the cut-off date for the finalization of Accounts was decided by the DISCOMS as 31-05-2010 and by the time the bills got percolated to the concerned case worker, the cut off date was expired. Therefore, the provision could not be considered in the books of Accounts.</p>
8.	<p>The above does not include ` 20.74 crore (22.27 <i>per cent</i> of ` 93.14 crore) being the cost of Infirrm Power bill of Dr.NTTPS Stage – IV, relating to the period from 6.4.2009 to 28.1.2010, raised by APGENCO but was not accounted for in the books of accounts during 2009-10. Since, the power was drawn, sold and was accounted under revenue from sale of power during the current year, the corresponding expenditure and liability on this account should have also been provided for in 2009-10.</p> <p>This has resulted in understatement of “Purchase of Power”; “Current Liabilities and Provisions” and overstatement of “Net Profit before Tax for the year” by ` 20.74 crore.</p>	<p>A letter is addressed to APGENCO to expedite the support documents for the Cost of Infirrm Power bill of Dr.NTTPS Stage – IV i.e. (a) The certified copies of the Calorific Value of coal. (b) Enclose copies of invoices for coal and oil purchased (c) Calculation of weighted average price of coal and oil. APGENCO claim admitted by APPCC / APDISCOMs awaiting for their response.</p>

9.	<p>Pending finalisation of tariff proposals by A.P. Electricity Regulation Commission (APERC), the Distribution companies were paying the fixed charges and variable charges tentatively as claimed by APGENCO based on orders contained in the Retail supply tariff orders from 2006-07 onwards. The APERC had notified Regulation No. 1 of 2008 containing terms and conditions for determination of tariff for supply of electricity by generating company to a distribution licensee and purchase of electricity by distribution licensees, which came into force with effect from 01.09.2008. The Regulation contained various norms for coal transit losses, auxiliary energy consumption, return on capital employed, depreciation, O&amp;M expenses, taxes on income etc., according to which generating companies have to prefer claims towards variable and fixed charges for supply of power to DISCOMS. However the Generation tariff submitted by the APGENCO is yet to be finalized.</p> <p>Pending finalisation of generation tariff, APGENCO identified certain excess amounts claimed (in deviation to the norms fixed by APERC vide Regulation 1 of 2008) from the Distribution Companies and withdrawn an amount of ` 561.98 Crore claimed through monthly bills towards variable charges of Thermal and Hydel power stations, fixed charges comprising of Depreciation, operation and maintenance, return on capital employed (ROCE), cost of inter-state power etc.</p> <p>On approval of the Regulation the company should have estimated the excess paid amounts of fixed costs and variable costs and withdrawn them from the Power Purchase cost. Non withdrawal of the same has resulted in overstatement of Power Purchase cost and “Current Liabilities and Provisions – Sundry Creditors for power purchase” by ` 125.15 Crore (22.27 <i>per cent</i> of ` 561.98 Crore). Consequently “Net Profit before Tax for the year” is also understated to the same extent.</p>	<p>A letter is addressed to APGENCO to expedite the true up of fixed cost for financial years 2006-07, 2007-08, 2008-09 and 2009-10 and waiting for their response. As and when the true up is completed the same will be informed to audit and the additional information will be appended in the notes to accounts in the future Financials.</p>
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	<b>Employee Costs (Sch. 12)</b> <b>Salaries, Wages and Bonus: ₹ 309.04 crore</b>	
10.	The above is overstated by ` 4.84 crore due to excess provision for salary during 2009-10. This has also resulted in understatement of “Net Profit before Tax for the year” and overstatement of “Current liabilities - for others” by ` 4.84 crore.	The reasons for excess provision will be examined and necessary entries will be passed in the current financial year.
	<b>Other expenses (Sch. 14)</b> <b>Miscellaneous losses and write-offs: ₹ 13.60 crore</b>	
11.	The above includes negative balance of ` 5.27 crore (net) pertaining to ‘Asset Devolution’ ‘Poles & Fabrication’ etc., which should have been taken to respective fixed/ current assets’ accounts. Setting off of the above negative balance against “Miscellaneous losses and write-offs” has resulted in overstatement of “Net Profit before Tax for the year” and understatement of fixed/ current assets (details not readily available) by ` 5.27 crore.	The negative balance will be rectified during the current financial year.
	<b>B. Comments on Financial Position:</b> <b>Balance Sheet</b>	
	<b>Sources of Funds</b> <b>Shareholders’ Funds</b> <b>Deferred capital contribution (Sch. 2A): ₹ 832.52 crore</b>	
12.	The above is understated by ` 1.88 crore due to non accountal of value of assets relating to the work carried out on turn key basis for extension of HT supply to Sai Bhaskara Iron Private Limited during the year. Non-capitalization of the same has resulted in understatement of “Deferred Capital Contributions” and “Fixed Assets – Lines and Cable Network – Additions during the year” by ` 1.88 crore. The depreciation on the above additions to assets could not be worked out in the absence of actual date of completion of work.	Initially an estimation was sanctioned and Sai Bhaskara Iron Private Limited has paid 10% of the estimated amount towards supervision charges. But due to non-availability of site, the work was not commenced during the year 2009-10. However, Sai Bhaskara Iron Private Limited was given HT supply from an alternative line. Presently a revised estimate was passed and the work is in progress. Since the work is in progress, there is no understatement of “Deferred Capital Contributions” and “Fixed Assets – Lines and Cable Network – Additions during the year.
	<b>Application of Funds</b> <b>Current Assets, Loans &amp; Advances (Sch. 7)</b> <b>Cash &amp; Bank balances</b>	
	<b>Balance with scheduled banks</b> <b>In Current Account: ₹ 159.60 crore</b>	
13.	The above is understated by ` 8.44 Crore due to non-accountal of the amounts credited in bank on 31 March 2010 by H.T. consumers towards consumption charges for railway traction services. This has also resulted in overstatement of “Sundry Debtors” by ` 8.44 crore.	The Railway Authorities are paying CC Charges through online to the respective circle office HT Bank Accounts at the end of the month. As per the practice followed by the company, the Cash Book of the HT Units for a month will be closed by the 1 <sup>st</sup> day of the subsequent month and credit will be given to the respective consumers

		immediately. Due to the non-availability of the consumer details of the above online credits in the bank account, the same cannot be taken in to Cash Book of the month in which the credit appears in Bank Statement. However, the same will be taken in the subsequent month cash book duly obtaining the consumer details. Therefore, the year end credits in Bank Statement are appearing in BRS as Bank Excess.
	<b>Remittances in Transit: ₹ 2.99 crore</b>	
14.	The above is arrived after netting off negative balance of ` 2.68 crore of LOC in transit, for which the company has no details and requires reconciliation. This has resulted in understatement of “Remittances in Transit” by ` 2.68 crore.	The reasons for negative balance will be examined and necessary action will be taken during the year 2010-11.
	<b>C. Comments on Disclosure:</b>	
	<b>Notes to Accounts (Sch. 18)</b>	
15.	<p>A reference is invited to Note No. 31, in which it was disclosed that the company has made an amount of ` 56000 towards Investment in Andhra Pradesh Power Development Corporation during the year.</p> <p>The note is factually incorrect in view of the following:</p> <p>As per the directions (December 2007) of the State Government, the Company had committed to invest in Andhra Pradesh Power Development Company Limited (APPDCL - which is a Joint Venture between APGENCO and all four DISCOMS for implementation of 1600 MW Super Critical Coal Fired Thermal Power Project at Krishnapatnam, Nellore District) between 2007-08 and 2012-13. The Company invested ` 22.94 crore upto 2009-10 and so far 5600 shares @ ` 10 each (Valued ` 0.56 lakh) were allotted.</p> <p>A disclosure of its commitments and interest in Joint Venture Company, as required under AS-27, is not made in the Notes on Accounts.</p> <p>The Statutory Auditors also did not report non-compliance of AS-27 by the Company in their Report.</p>	Necessary disclosure of commitments and interest in joint venture company will be made in the current financial year.
16.	Fuel surcharge adjustment charges amounting to ` 344.50 Crore pertaining to the year 2009-10 was included in unbilled revenue which was subject to approval of APERC. The fact has not been disclosed.	Necessary disclosures will be made in the current financial year.



**SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**  
**TIRUPATI**  
**BALANCE SHEET**

Amount in Rs.

	Schedule	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
(1) Shareholders' Funds			
(a) Share Capital	1	3587153090	3587153090
(b) Reserves and Surplus	2	1590040851	1535256821
(c) Deferred Capital Contributions	2A	8325180756	7153262521
(2) Loan Funds	3		
(a) Secured Loans		19594657420	16586725332
(b) Unsecured Loans		22685260539	15699089869
Total		<b>55782292656</b>	<b>44561487633</b>
<b>APPLICATION OF FUNDS</b>			
(1) Fixed Assets			
(a) Gross Block	4	45386728894	38018846829
(b) Less: Depreciation & Amortisation		18206881056	15492184777
(c) Net Block		<b>27179847838</b>	<b>22526662052</b>
(d) Capital Work-in-Progress	5	6893096244	7486979758
(2) Investments	6	2961000	2905000
(3) Current Assets, Loans & Advances	7		
(a) Income Accrued but not due		9150300000	3329300000
(b) Inventories		1231916290	1024522032
(c) Sundry Debtors		3193050797	1897254209
(d) Receivables		23543053873	15144211667
(e) Cash & Bank Balances		3511994874	6036740636
(f) Loans & Advances		731259534	3925241833
		<b>41361575368</b>	<b>31357270377</b>
Less: Current Liabilities and Provisions	8		
(a) Current Liabilities		18610131973	15949374185
(b) Provisions		1045055820	864305759
		<b>19655187793</b>	<b>16813679944</b>
Net Current Assets		21706387575	14543590434
(4) Miscellaneous Expenditure (to the extent not written off )	9	0	1350389
Total		<b>55782292656</b>	<b>44561487633</b>

Significant Accounting Policies

17

Notes Forming Part of Accounts

18

**As per our report of even date**

**For and on behalf of the Board**

**For M/s Raju & Prasad**

**Chartered Accountants.**

**Firm No.003475S**

**Sd/-**

**S. Ranganathan**

**Partner.**

**Membership No.22738**

**Date:- 21-09-2010**

**Place: Hyderabad**

**Sd/-**

**V.KRISHNA MURTHY**

**Chairman & Managing Director**

**Sd/-**

**A.VENU GOPAL**

**Chief General Manager**

**Finance**

**Sd/-**

**Y.PADMANABHA REDDY**

**Director ( Finance)**

**Sd/-**

**B.V.S.PRAKASH**

**Company Secretary**

**Date :- 20-09-2010**

**Place : Tirupati**



**SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**  
**TIRUPATI**  
**PROFIT & LOSS ACCOUNT**

Amount in Rs.

	Schedule	For the year ended 31-03-10	For the year ended 31-03-09
<b>INCOME:</b>			
Revenue from Sale of Power	10	38118406626	32168521554
Revenue Subsidies and Grants		17471483039	18962780000
Other Income	11	2102727567	1890009574
<b>Total Income</b>		<b>57692617231</b>	<b>53021311128</b>
<b>EXPENDITURE:</b>			
Purchase of Power		45925149560	42285497297
Electricity Duty		527232285	459766850
Employee Costs	12	3311000398	3022806659
Administration and General Expenses	13	1141206583	1058463248
Other Expenses	14	595706630	1319354458
Depreciation and Amortisation		2702844207	2243194166
Interest and Finance charges	15	3425696500	2420577852
<b>Total Expenditure</b>		<b>57628836163</b>	<b>52809660530</b>
<b>Net Profit before Tax for the year</b>		<b>63781067</b>	<b>211650598</b>
Less: Provision for Taxation			
Income Tax		7000000	15636507
Fringe Benefit Tax		0	9305363
<b>Profit after Tax for the year</b>		<b>56781067</b>	<b>186708728</b>
Net Prior Period Credits / (Charges)	16	(16978080)	(76938745)
<b>Profit before contingency reserve</b>		<b>39802988</b>	<b>109769983</b>
Less: Contingency Reserve			
<b>Profit after Contingency Reserve</b>		<b>39802988</b>	<b>109769983</b>
Balance of Profit brought over from previous year		1365250202	1255480219
Balance carried to Balance Sheet		1405053190	1365250202
Significant Accounting Policies	17		
Notes Forming Part of Accounts	18		

As per our report of even date

For Raju & Prasad  
Chartered Accountants.  
Firm No.003475S

For and on behalf of the Board

Sd/-  
S. Ranganathan  
Partner.  
Membership No.22738  
Date:- 21-09-2010  
Place: Hyderabad

Sd/-  
V.KRISHNA MURTHY  
Chairman & Managing Director

Sd/-  
A.VENU GOPAL  
Chief General Manager  
Finance

Sd/-  
Y.PADMANABHA REDDY  
Director(Finance)

Sd/-  
B.V.S.PRAKASH  
Company Secretary  
Date :- 20-09-2010  
Place : Tirupati

**SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**  
**TIRUPATI**  
**CASH FLOW STATEMENT**

	Particulars	Year ending 31-03-2010		Year ending 31-03-2009	
<b>A</b>	<b>Cash flow from operating activities</b>				
	Net profit before taxation		46802988		134711853
	<b>Adjustments for items in Profit &amp; Loss Account</b>				
	Income from Capital Contributions	(873008092)		(609062319)	
	Depreciation & Amortisation	2714696279		2276930629	
	Interest Income	(75521520)		(90968935)	
	Deferred Cost Written Off	1350389		1350388	
	Interest Expense	3314001579	5081518635	2216939965	3795189728
	<b>Operating Profit before working capital changes</b>		5128321622		3929901581
	<b>Adjustments for changes in Current Assets other than Cash and Cash Equivalents</b>				
	Income accrued but not due	(5821000000)		(201056975)	
	Inventories	(207394258)		61472947	
	Sundry Debtors	(1295796588)		166025564	
	Receivables	(8398842206)		(10651380694)	
	Loans and Advances	3193982299		(1125190297)	
	<b>Adjustments for changes in Current Liabilities &amp; provisions</b>				
	Current Liabilities	2660757789		4055008129	
	Provisions	180750061	(9687542903)	232667158	#####
	<b>Cash generated from Operations</b>		(4559221281)		#####
	Less: Provision for Income Tax/Fringe Benefit Tax		7000000		24941870
	<b>Net cash flow from operating activities</b>		(4566221281)		#####
<b>B</b>	<b>Cash flows from investing activities</b>				
	Purchase of fixed assets /CWIP	(6773998551)		(6167934290)	
	Interest on Investments	75521520		90968935	
	Interest on contingency reserve investments	14981043		15518416	
	(Increase)/Decrease in Investments	(56000)		10005034	
	<b>Net cash flow from investing activities</b>	(6683551987)	(6683551987)	(6051441905)	#####
<b>C</b>	<b>Cash Flows from Financing Activities</b>				
	Proceeds from borrowings	39283473761		23902911695	
	Additions to Deferred Capital Contributions	2044926327		1604428784	
	Repayment of borrowings	#####		(9680715121)	
	Interest on Borrowings	(3314001579)		(2216939965)	
	<b>Net Cash flow from Financing Activities</b>	8725027506	8725027506	13609685393	#####
<b>D</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		(2524745762)		4000749030
<b>E</b>	<b>Cash and Cash Equivalents</b>				
	At the beginning of the period		6036740636		2035991606
	At the end of the period		3511994874		6036740636
<b>F</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		(2524745762)		4000749030

As per our report of even date

For M/s Raju & Prasad  
Chartered Accountants.  
Firm No.003475S

For and on behalf of the Board

Sd/-  
S. Ranganathan  
Partner.  
Membership No.22738  
Date:- 21-09-2010  
Place: Hyderabad

Sd/-  
V. Krishna Murthy  
Chairman & Managing Director

Sd/-  
A.Venu Gopal  
Chief General Manager  
Finance

Sd/-  
Y. Padmanabha Reddy  
Director ( Finance)

Sd/-  
B.V.S.Prakash  
Company Secretary  
Date:- 20-09-2010  
Place: Tirupati

**SCHEDULE - 1 : SHARE CAPITAL**

		Amount in Rs.	
		As at 31.3.2010	As at 31.3.2009
<b>1</b>	<b>AUTHORISED:</b> 360000000 Equity Shares of Rs.10/- each (Previous Year : 360000000 Equity Shares of Rs.10/- each)	3600000000	3600000000
<b>2</b>	<b>ISSUED, SUBSCRIBED AND PAID UP</b> 358715309 Equity Shares of Rs.10/- each fully paid up (Previous Year : 358715309 Equity Shares of Rs.10/- each fully paid up) Out of the above, 310607800 Equity Shares are issued for consideration other than cash	3587153090	3587153090
		<b>3587153090</b>	<b>3587153090</b>

**SCHEDULE - 2 : RESERVES AND SURPLUS**

<b>1</b>	<b>STATUTORY RESERVES</b> Contingency Reserve As per Last Balance sheet Additions during the year	170006619 14981043 184987662	154488203 15518416 170006619
<b>2</b>	<b>PROFIT &amp; LOSS ACCOUNT</b>	1405053189	1365250202
		<b>1590040851</b>	<b>1535256821</b>

**SCHEDULE - 2A : DEFERRED CAPITAL CONTRIBUTIONS**

		Amount in Rs.	
		As at 31.3.2010	As at 31.3.2009
	<u>Amount Received</u>		
	As per Last Balance sheet	9773453007	8022511173
	Additions during the year	2044926327	1750941834
		11818379334	9773453007
	<u>Less : Amortisation :</u>		
	As per Last Balance sheet	2620190486	2011128167
	Add: Transferred to Profit & Loss Account	873008092	609062319
		3493198578	2620190486
		<b>8325180756</b>	<b>7153262521</b>

**SCHEDULE - 3 : LOAN FUNDS**

1	<b>Secured Loans</b>		
	a) Loans from REC	18292569663	15719727704
	b) Loans from PFC	963510908	866997628
	c) Loan from Syndicate Bank	193576849	0
	d) Loan from State Bank of Hyderabad	145000000	0
	(Above Loans are Secured by charge on related Fixed Assets present and future)	19594657420	16586725332
	(Estimated Amount of Term Loan due in 2010-11 - Rs.214,17,82,642/-)		
2	<b>Unsecured Loans</b>		
	a) Loans from Government of Andhra Pradesh (including interest accrued and due Rs.29,59,444/-)	479509291	505084847
	b) Loan from EPDCL (including interest accrued and due Rs.24,86,301/-)	152486301	150000000
	c) Vidyut Bonds	313100000	313100000
	d) Loan from ICICI Bank	0	219824553
	e) Loan from Bank of Baroda	217567053	261080469
	f) Short Term Loans from Banks (including interest accrued and due Rs.83,42,894/-)	21522597894	14250000000
		22685260539	15699089869
		<b>42279917959</b>	<b>32285815201</b>

**SCHEDULE - 4 : FIXED ASSETS**

SNO	Particulars	GROSS BLOCK			DEPRECIATION & AMORTISATION			Amount in Rs.			
		As at 01-04-2009	Additions during the year	Adjustments/ Deductions during the year	As at 31-03-2010	Up to 31-03-2009	For the year	Adjustments/ Deductions during the year	Up to 31-03-2010	As at 31-03-2009	As at 31-03-2010
1	Intangible Assets										
	a. Software	4046609	19847810		23894419	3237288	3753889	-	6991177	809321	16903242
	b. Goodwill	11390000	0	0	11390000	9112000	2278000	-	11390000	2278000	0
2	Land and Land Rights	40426064		13000	40413064	-	-	-	-	40426064	40413064
3	Buildings	307896829	14939556		322836385	125434189	9516814	-	134951003	182462640	187885382
4	Other Civil Works	7998942	53938900		61937842	667812	1051109	-	1718921	7331130	60218922
5	Plant and Machinery	13558075468	4213908661		17771984129	5473859219	1014223036	-	6488082255	8084216249	11283901874
6	Lines and Cable Net work	23196600242	2446111482		25642711724	9488407627	1524658989	-	11013066616	13708192614	14629645107
7	Metering Equipment	582089034	488182613		1070271647	223117761	109313244	-	332431005	358971272	737840642
8	Vehicles	31063505	1766415		32829920	28340284	364993	-	28705277	2723221	4124644
9	Furniture and Fktures	51757955	1434814		53192769	46018637	112472	-	46131109	5739318	7061660
10	Office equipment	227496175	127284880		354781055	93983953	48943801	-	142927754	133512222	211853301
11	Low Value Assets	6006	479933		485939	6006	479933	-	485939	-	-
		38018846829	7367895065	13000	45386728894	15492184777	2714696279	-	18206881056	22526662052	27179847838
	Previous Year	35869099599	2154066929	4319699	38018846829	13215254148	2243194166	-33736463	15492184777	22653845451	22526662052

**SCHEDULE - 5 : CAPITAL WORK-IN-PROGRESS**

Amount in Rs.

			As at 31.3.2010	As at 31.3.2009
1	Capital Work - in - Progress		6893096244	7486979758
			<b>6893096244</b>	<b>7486979758</b>

**SCHEDULE - 6 : INVESTMENTS**

	<b>LONG TERM INVESTMENTS (AT COST, NON-TRADE)</b>		
	<u>Unquoted Shares</u>		
	a) Share Capital in Resco- Kuppam, Chittoor	2905000	2905000
	b) Investment in Shares of APPDC ( 5600 shares of Rs.10 each/- fully paid)	56000	-
		2961000	2905000
	<b>Aggregate Book Value of Quoted Investments</b>	-	-
	<b>Aggregate Book Value of Un Quoted Investments</b>	<b>2961000</b>	<b>2905000</b>
		<b>2961000</b>	<b>2905000</b>
	<b>Market Value of Quoted Investments</b>	-	-



# **SCHEDULE - 7 : CURRENT ASSETS LOANS AND ADVANCES**

## **A. CURRENT ASSETS**

Amount in Rs.

As at  
31.3.2010

As at  
31.3.2009

### a) **INCOME ACCRUED BUT NOT DUE :**

Accrued Income from Sale of Power		9150300000	3329300000
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### b) **INVENTORIES**

i) Stores and Spares (as valued and certified by Management)		1482927888	1263271146
Less: Materials stock excess/shortage pending investigation		160489746	158444691
Less: Provision for non-moving and obsolete stock		90521852	80304423
Total		<b>1231916290</b>	<b>1024522032</b>

### c) **SUNDRY DEBTORS**

Debts Outstanding over Six Months			
Considered Good		2193566000	1428600000
Considered Doubtful		629300000	701100000
		2822866000	2129700000
Other Debts - Considered Good		999484797	468654209
		3822350797	2598354209
Less: Provision for doubtful debts		629300000	701100000
		<b>3193050797</b>	<b>1897254209</b>

### d) **RECEIVABLES**

i) from GOAP		23141001166	14710744591
ii) from others		402052707	433467076
		<b>23543053873</b>	<b>15144211667</b>

### e) **CASH AND BANK BALANCES**

a) Cash on Hand (including cheques, DD's and Stamps on Hand)		108814460	108450047
Less: Provision for Cash theft		4000	4000
		108810460	108446047
b) Balance with Scheduled Banks			
i) in current A/c		1596012065	4413890077
ii) in Deposit Accounts		1777228985	1492402711
c) Balances with Other Banks			
i) in current A/c		-	-
ii) in Deposit Accounts		-	-
d) Remittances in Transit		29943364	22001801
		<b>3511994874</b>	<b>6036740636</b>

## **B. LOANS AND ADVANCES (Unsecured- Considered Good)**

a) Amount Recoverable in Cash or in Kind or for Value to be received		524345561	773665966
Less : Provision for Doubtful Advances		271920363	271920363
		252425198	501745603
b) Share Application Amount with APPDC		229344000	0
c) Tax Deducted at Source		5173724	481264
d) Advance Fringe Benefit Tax Paid	37554305		
Less: Provision for Fringe Benefit Tax	35561860	1992445	87082
e) Pool Imbalance Account		130481856	3302899061
f) Deposits with Others		91749351	116019756
g) Others		20092961	4009067
		<b>731259534</b>	<b>3925241833</b>

**SCHEDULE - 8 : CURRENT LIABILITIES AND PROVISIONS**

		As at 31.3.2010	Amount in Rs. As at 31.3.2009
a)	<b><u>CURRENT LIABILITIES</u></b>		
	i) Sundry Creditors for Power Purchase	9073641046	7631242931
	ii) For Others	725888716	885593085
	iii) Security and other Deposits	971569507	868522990
	iv) Security Deposits from Consumers (including interest thereon)	6259889135	5541538555
	v) Interest accrued but not due on loans	57077118	64333127
	vi) Group Insurance Savings Fund	29768971	25506079
	vii) SPDCL Pension & Gratuity Trust	893885005	880949628
	viii) Other Liabilities	598412477	51687791
		<b>18610131973</b>	<b>15949374185</b>
b)	<b><u>PROVISIONS</u></b>		
	i) Provision for Leave Encashment	1013900000	821200000
	ii) Provision for Gratuity	25135014	27280226
	iii) Provision for Income Tax	23636507	
	Less: Advance Income Tax	17615701	6020806
		<b>1045055820</b>	<b>864305759</b>
		<b>19655187793</b>	<b>16813679944</b>

**SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE**

( to the extent not written off)

		Amount in Rs.				
		Total Expenditure incurred	Written off during the year	Cumulative Written off up to 31-03-2010	As at 31.3.2010	As at 31.3.2009
a)	GIS Mapping	6751941	1350389	6751941	0	1350389
	<b>Total</b>	<b>6751941</b>	<b>1350389</b>	<b>6751941</b>	<b>0</b>	<b>1350389</b>

**SCHEDULE - 10 : REVENUE FROM SALE OF POWER**

Amount in Rs.

		For the year ended 31-03-2010	For the year ended 31-03-2009
1	Revenue from Sale of Power		
	a) Between DISCOMS	485900557	2522351195
	b) L.T. Supply	20655500581	16216810151
	c) H.T. Supply	16061244080	12259160742
2	Income from Inter State Sale of Power	106578060	165006648
3	Other Receipts	809183348	1005192818
		<b>38118406626</b>	<b>32168521554</b>

**SCHEDULE - 11 : OTHER INCOME**

1	Interest on		
	a) Staff Loans & Advances	1042074	262552
	b) Bank Fixed Deposits & Others	75521520	90968935
	(Tax Deducted at Source-Rs. 53,54,174/-)		
2	Delayed Payment Charges from Consumers	393873005	316835837
3	Rebate on Power Purchase Bills	522539073	495177001
4	U I (Unscheduled Inter Change) Income	-	171342282
5	Miscellaneous Receipts	287717504	90139608
6	NTPC Incentive	-	174635633
7	Profit from sale of Fixed Assets	186064	-
8	Income from Capital Contributions	821848327	550647726
		<b>2102727567</b>	<b>1890009574</b>

**SCHEDULE - 12 : EMPLOYEE COSTS**

1	Salaries, Wages and Bonus	3090433052	2901674288
2	Pension Contribution & Terminal Benefits	696294298	529377988
3	Employees Welfare expenses	7998999	24591087
		3794726349	3455643363
	Less: Employees Cost Capitalised	483725951	432836704
		<b>3311000398</b>	<b>3022806659</b>

**SCHEDULE - 13 : ADMINISTRATION AND GENERAL EXPENSES**

Amount in Rs.

			For the year ended 31-03-2010		For the year ended 31-03-2009
1	Licence fees		10318523		9776750
2	Repairs and Maintenance to				
	a) Plant and Machinery	566273133		543302350	
	b) Buildings	16066746		6820977	
	c) Others	51136333	633476212	7142926	557266253
3	Rent (including Lease Rentals)		17051032		9677877
4	Rates & Taxes		11188816		4976187
5	Insurance		711610		467556
6	Telephone Charges		28334123		27266151
7	Postage & Telegrams		1366413		1603525
8	Legal Charges		4965585		4268923
9	Audit Expenses and Fees : of which				
	a) Statutory Audit Fees	468775		468775	
	b) Audit Expenses	380416		400000	
	c) Tax Audit Fees	55150	904341	55150	923925
10	Other Professional Charges		181774125		175978463
11	Printing & Stationery		26016301		24989409
12	Advertisement		7560228		2649243
13	Electricity Charges		42622394		41850930
14	Conveyance and Traveling Expenses		119701751		180426026
15	E-Seva Collection Charges		27176172		22831149
16	Other Administration Expenses		113399369		69893843
			<b>1226566995</b>		<b>1134846210</b>
	Less: Administration & General Expenses Capitalised		85360412		76382962
			<b>1141206583</b>		<b>1058463248</b>

**SCHEDULE - 14 : OTHER EXPENSES**

		<b>Amount in Rs.</b>	
		For the year ended 31-03-2010	For the year ended 31-03-2009
1	Write off of Deferred Revenue Expenditure	1350389	1350388
2	Flood, Cyclone relief Works	0	952519
3	Bad & Doubtful Debts Provided for/Written Off	103608612	228902937
4	Write off of Agriculture Arrears	0	547053487
5	Incentive to HT Consumers	354182040	459259962
6	Rebate on Sale of Power	581837	2965590
7	Miscellaneous losses and write-offs	135983752	78869575
		<b>595706630</b>	<b>1319354458</b>

**SCHEDULE - 15 : INTEREST AND FINANCE CHARGES**

1	Interest on State Government Loans/REC/PFC	1838553387	1470517388
2	Interest on loans from Financial Institutions and Banks	1475448192	746422577
3	Government Guarantee Commission	0	21566000
4	Interest on others	362935989	326729442
		3676937568	2565235407
	Less: Interest and Finance Charges Capitalised	251241067	144657555
		<b>3425696500</b>	<b>2420577852</b>

**SCHEDULE - 16 : NET PRIOR PERIOD CREDITS/CHARGES**

1	<b>Income relating to Prior Years</b>		
	a) Prior Period Receipts	-7093848	104020
	b) Excess Provision-Interest & Finance Charges -written back	-6584622	456
	c) Other Excess Provisions	541487	8656279
		<b>-13136983</b>	<b>8760755</b>
2	<b>Prior Period Expenses / Losses</b>		
	a) Operating Expenses	3370572	-
	b) Employee Costs	-10301589	241125
	c) Short Depreciation in Prior Periods	11852072	33736463
	d) Interest & Other Finance Charges	0	45328362
	e) Prior Periods other charges	-1079958	6393550
		<b>3841097</b>	<b>85699500</b>
	<b>Net prior period credits/(charges) ( 1 - 2 )</b>	<b>(16978080)</b>	<b>(76938745)</b>

## **SCHEDULE 17**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. Basis of Preparation of Accounts:**

The accounts have been prepared under historical cost convention and are in conformity with applicable statutory provisions, Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by ICAI.

#### **2. Income & Expenditure :**

- i) The company adopts accrual system of accounting to recognize Income and Expenditure.
- ii) Provision for Bad & Doubtful debts is made on Debtors for sale of power outstanding for a period of more than 4 years.

#### **3. Revenue Recognition :**

- i) Revenue from sale of power is recognized
  - a) in respect of completed billing cycle, on the basis of demand raised
  - b) in respect of uncompleted billing cycle, on the basis of estimation and
  - c) in respect of billing towards theft of power, upon certification of assessment by the competent authority of the company.
- ii) Other Income is recognized on accrual basis except interest on employee loans which is recognized on cash basis.

#### **4. Power Purchase:**

The aggregate power purchases are being carried out by the Andhra Pradesh Power Co-ordination Committee, and the same is adopted in the company's books, in the percentage notified in G.O.MS.No. 101, ENERGY (POWER-III), 31<sup>st</sup>, OCTOBER, 2005 and as amended from time to time. The Discom



to Discom and interstate purchase/sale of power arising on account of under/over drawal of power is also accounted as decided by APPCC.

**5. Fixed Assets:**

- i) Fixed Assets are shown at historical cost except for the assets transferred under Second Transfer Scheme the values of which have been adopted as per G.O.Ms.109 dt.29.9.2001.

**6. Depreciation:**

- i) The Company is charging Depreciation at the rates notified under G.O No.265 (SE) dated 27.03.1994 issued under Electricity Supply Act, 1948.
- ii) Depreciation has been provided on Straight Line Method over the 'estimated useful life of the asset' on the Gross Block of Assets.
- iii) Depreciation on deletion to Assets during the year is charged on prorata basis
- iv) Depreciation on the asset is not charged from the year in which:
  - Current year depreciation along with the depreciation charged in the previous year(s) becomes equal to or more than 90 percent of the cost of the asset or
  - The asset permanently ceases to be used by the Company whichever is earlier.

**7. Capital work in progress:**

- i) The Company absorbs the following expenditure to capital work-in-progress :
  - a. 8.5% of the capital work-in-progress towards employees cost.

- b. 1.5% of the capital work-in-progress towards administration and general expenses.
- ii) The expenditure incurred on Capital works is capitalised as and when the works are completed.

**8. Investments :**

- i) Long term investments are valued at cost.
- ii) Current investments are valued at cost or market value whichever is lower.

**9. Inventories:**

Inventories representing Stores and Spares are valued at weighted average cost basis. The cost includes insurance, freight, taxes and all other connected expenses.

**10. Borrowing Cost:**

- i) Interest during construction is calculated and capitalised at the rate specified for each scheme from the date of expenditure incurred till the date of capitalization.

**11. Liabilities:**

All known liabilities are recorded and provided in the accounts.

**12. Employees' Retirement Benefits :**

The Company follows defined benefit plan with regard to Pension & Gratuity through APSPDCL Pension & Gratuity Trust.

The actuarial valuation for Employee Retirement Benefits in respect of Pension and Gratuity is being done at the intervals not exceeding three years. Accordingly provisions are made at the rates prescribed in the actuarial valuation.

**13. Government Grants and Consumer Contribution:**

a) Grants, subsidies and Consumer contributions received on capital account are amortised and recognized in the Profit & loss Account as per weighted average rate of depreciation on the Gross Block of Assets to which they pertain to.

**14. Intangible Assets:** Intangible Assets are amortized over the useful life of the assets.

**15. Taxes on Income :**

a. Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

**16. Changes in Accounting policies :**

The Accounting Policies have been consistently followed. There is no change in the Accounting Policies during the year except as mentioned in Note No.16 of Notes to Accounts.

As per our report of even date  
For Raju & Prasad  
Chartered Accountants.  
Firm No:003475S

For and on behalf of the Board

Sd/-  
S.Ranganathan  
Partner.  
Membership No: 22738

Sd/-  
V. KRISHNA MURTHY  
Chairman & Managing Director

Sd/-  
Y.PADMANABHA REDDY  
Director (Finance)

Place: HYDERABAD  
Date : 21-09-2010

Sd/-  
A.VENUGOPAL  
Chief General Manager (Finance)

Sd/-  
B.V.S. PRAKASH  
Company Secretary

Place: TIRUPATI  
Date: 20-09-2010

## **SCHEDULE 18**

### **Notes to Accounts**

**1. *Note No.1 : Consequent to the Andhra Pradesh Gazette Notification No., 396 dated 09.06.2005, for 'Transfer of Bulk Supply Undertaking and Power Purchase Agreements from APTRANSCO to Distribution companies:***

- i. As per the Gazette Notification, the Assets and Liabilities pertaining to the Bulk Supply Undertaking of APTRANSCO are to be transferred and the opening Balance Sheet of the Company, as on the Effective Date being 09.06.05 with due accounting adjustments has to be prepared. However only the Power Purchase and Loan Liabilities and the corresponding Receivables from Govt. of A.P. in the books of APTRANSCO pertaining to Southern Power Distribution Company of A.P Limited have been identified for transfer and the same has been adopted in the books of the Company, which is subject to revision based on the valuation to be carried out by an independent Chartered Accountant appointed by APTRANSCO and also subject to approval and amendment to the Gazette Notification, by the Government of Andhra Pradesh.
- ii. The liabilities taken over include Vidyut Bonds 1/2002 series amounting to Rs.31.31 crores, issued by APTRANSCO and secured by charge on their assets. No modifications to the charge already created by the Issuer have been made and as such are classified as Unsecured Loans. The Bonds carry rate of interest of 11.60% p.a. and is due for redemption in 2014.
- iii. A Bank account in the name of A.P.POWER DISTRIBUTION COMPANIES POOL ACCOUNT has been opened by all the Distribution companies jointly which is being operated by the nominees of Andhra Pradesh Power Co-ordination Committee. This is a single account, hence Distribution company wise confirmation of balance are not certified by the banker. However the balance at the end of each month is being reconciled with Trial Balance of the individual Distribution Companies, based on information provided by APPCC.

- iv. The payments towards power purchases and receipts of inter-state sale of power are effected through the above said Bank account by the Andhra Pradesh Power Co-ordination Committee.
2. The excess/shortfall in the pool bank account balance between the Distribution Companies on account of power purchase and sale of power is accounted as Pool Imbalance Account which is subject to reconciliation and confirmation.
3. The Power purchase bills, debit/credit notes raised by the Generators are provisional and are subject to revision at a later date, which are accounted amongst the Distribution companies initially in the ratio specified in the Gazette Notification. (Vide G.O.MS.No. 101, ENERGY (POWER-III), 31<sup>st</sup>, OCTOBER, 2005) duly adjusted through IBSS done on monthly basis.
4. Implementation of “SAP” in 2009-10: During the financial year 2009-10, the company has implemented SAP an ERP package for better internal control system and effective maintenance of Books of accounts. Reconciliation of Line items and circle opening balances are in progress. In view of pending reconciliation of opening balances, transactions for the financial year 2009-10 is added to opening balances as on 01-04-09 and accordingly final accounts were prepared. Further the pending reconciliation of opening balances will be finalised at the time of uploading of the ERP version – ECC 6.0.
5. Confirmations of balance as on 31.03.10 from the Generating Companies/Suppliers of power are yet to be obtained and these balances are subject to reconciliation and adjustments.
6. The billing for domestic, commercial and general-purpose categories of consumers is carried out on monthly basis in Towns and Mandal head quarters and Bi-monthly basis for other than Mandal head quarters. For other categories of consumers billing is done on monthly basis. The agricultural free category consumers’ customer charges are billed half-yearly where the services are not linked to domestic services.

7. Revenue from sale of power includes Rs.5.50 Crores (approx.) (Previous year Rs.5 crores (approx.)) of Electricity Duty payable on unbilled power.
8. Revenue from sale of power includes Rs.344.50 crores of Fuel Surcharge Adjustment Charges for the year 2009-10 as per the instructions of APPCC.
9. The Opening balances of Assets & Liabilities as on 1-04-2000 has been adopted in the books as per the Second Transfer scheme notified by the Government Order Notification dated 29<sup>th</sup> September 2001 for which break up details are not available.
10. The company has paid Rs 81.91 Crores (Previous year Rs.194.04 crores) as Unscheduled inter change charges. This has been accounted to Power Purchase Cost.
11. Against the Subsidy of Rs 1747.15 crores ( Previous Year Rs.1896.28 Crore ) sanctioned by the Government of Andhra Pradesh for the year 2009-10, an amount of Rs. 940.07 crores ( Previous Year Rs. 1294.65 crores) is receivable towards additional power purchase and Rs.179.39 crores (Previous Year Rs.Nil) towards Tariff Subsidy from the Government of Andhra Pradesh
12. Capital Work-in Progress:  
Capital Work-in-Progress includes an amount of Rs.170.59 crores of work orders relating to the period prior to 01-04-2008 pending capitalization as at 31-03-2010.
13. Fixed Assets:
  - (i) Fixed Assets transferred in the second transfer scheme amounting to Rs.799.58 crores has been classified as communicated by APTRANSCO at gross value and hence asset wise breakup is not available.

- (ii) There has been no impairment of assets during the year, hence no provision made for impairment of assets as stipulated in Accounting Standard 28.
- (iii) Goodwill & SAP Expenditure capitalized Rs.3.53 crores (Previous Year Rs.1.54 crores) (Intangible Assets) are amortised over a period of 5 years.

**14. Depreciation:**

- a) Depreciation has been charged on fixed assets under Straight Line Method on the Opening Gross Block of assets as on 1.4.2000, in the absence of individual break-up details of assets transferred under second transfer scheme.

**15. Statutory Reserves:**

- i) Contingency Reserve represents reserve made as per the guidelines issued by Andhra Pradesh Electricity Regulatory Commission. In the absence of specific guidelines in Tariff order 2009-10, no additional provision is made during the year towards contingency reserve.

**16. RGVY Capital Subsidy:** During the year, the company has changed the accounting policy of Capital Subsidy received towards RGVY. The amounts received towards RGVY Subsidy are retrospectively treated at par with grants, subsidies and consumer contributions received on capital account. Consequently, the short transfer of amortization for the period from 2007-08 to 2008-09 amounting to Rs. 5.12 crores has been credited to Profit & Loss Account as other income.

**17. Deferred capital contributions (schedule 2A)** represent unamortized balance of consumer contributions and RGVY subsidies received on capital account.

**18. Inventories:**

- i) There is a net shortage of Rs.16.05 crores ( Previous year Rs.15.84 Crore ) between the physical inventory of stores and spares (as

certified by the management) and the value as per the financial ledger as on 31.03.2010 for which provision is made in the books.

- ii) Inventory includes Rs.6.76 crores (Previous year Rs.3.55 crores) materials received but pending inspection and acceptance.

**19. Debtors:**

- i) The credit balance in the Sundry debtors amounting to Rs.46.28 Crores (Previous year Rs.65.84 crores) is netted off from the Sundry debtors.
- ii) As per the Financial ledger the Sundry debtors account shows a balance of Rs.382.24 crores where as, as per the Consumer ledger the balance shown is Rs.399.13 crores. The difference of Rs.16.90 crores (Previous year Rs.48.07 crores) is under reconciliation.
- iii) The company has provided an amount of Rs.10.36 crores (Previous year Rs.22.89 crores) towards bad and doubtful debts during the year.

**20. Employee benefits:**

**Pension & Gratuity :**

- i) For the year 2009-10, the company has made a provision of Rs.52.11 crores (Previous year Rs.45.40 crores) towards Gratuity and Pension benefits based on the rates indicated for the year 2005-06. Against this liability, the Company has paid Rs.43.32 Crores (Previous year Rs.43.32 Crores) to the Pension and Gratuity Trust.
- ii) Though the contribution towards Gratuity is made to the Pension & Gratuity Trust in respect of all employees, the liability taken over on amalgamation of the erstwhile RESCOs towards gratuity of its employees amounting to Rs.2.51 crores (Previous year Rs.2.73 crores ) (after netting off the gratuity payments made so far) is retained in the books of the Company and is yet to be transferred to the Trust.



**Leave Encashment:**

- iii) Provision has been made for the liability towards Leave encashment of employees for Rs.19.27 crores (Previous year Rs.22.02 Crore ) on an adhoc basis.

**Provident Fund :**

- iv) The company has implemented Employees Provident Fund Scheme, 1952 from the financial year 2002-03 for employees who have joined after 1.2.99 or from the date of employment, which ever is later. During the year an amount of Rs.9.17 crores has been contributed.

**Bonus:**

- v) The Company has made provision for Bonus during the year 2009-10 amounting to Rs. 0.92 Crores (Previous Year Rs.1.54 Crores).

**21. Loans and Interest on Loans:**

- i) All the Loans from Power Finance Corporation (PFC) / Rural Electrification Corporation (REC) are guaranteed to the extent of 30% by the Government of Andhra Pradesh, and are secured by charge on company's Fixed Assets commissioned out of the loan funds of above funding agencies. The assets worth Rs.2494.62 Crores (Previous year Rs.2193.94 Crores) up to 31.03.10 have been mortgaged including for the loans obtained from the banks.
- ii) In the absence of confirmation of interest demand by REC, in respect of the loans arranged by APTRANSCO, the interest charges have been accounted as communicated by APTRANSCO.
- iii) Claim has been made towards the interest reimbursement/adjustment on eligible GOAP loans, against the Projects completed in time, but no adjustments have been made to the Fixed Assets/Capital work in Progress to which the loans relate, since no reply has been received till date.

iv) Total interest capitalized during the year is Rs.25.12 crores as per Accounting Standard -16 – Borrowing Costs.

**22.** Remittances-in-transit includes Cheques and DDs on hand amounting to Rs.5.65 crores (Previous Year Rs.2.85 crores) as at 31.03.2010 in various units.

**23.** There are no dues pending as at 31<sup>st</sup> March 2010 to suppliers/contractors/service providers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

**24.** The company has written off “Other-Receiveables” amounting to Rs.15.15 Crores and written back “Current Liabilities-Others” amounting to Rs.3.24 crores which were transferred from APTRANSCO under transfer schemes and remain unadjusted since 01.04.2000.

**25.** The Present stage of Entry Tax: Entry tax Act has been quashed by Hon’ble Andhra Pradesh High court by its common order on 31.12.2007. Accordingly, the APSPDCL claimed for refund of Rs.9,84,58,102.80 as an amount of Entry Tax paid to commercial tax authorities. However, the Andhra Pradesh Government has filed Special Leave Petition with the Hon’ble Supreme Court of India.

The five Judge division bench of Supreme court of India has put up the case before Hon’ble Chief Justice of India for constituting a suitable larger bench.

**26.** Balances in sundry debtors, sundry creditors, other claims and receivables, Deposits & retentions of suppliers and contractors, Deposits for electrification service connections, liability for capital supplies, O&M supplies and loans and advances as on 31.03.2010 are subject to reconciliation and confirmation and adjustments.

**27.** The balance payable of Rs.907.36 crores (Previous Year Rs.763.12 crores) towards power purchase is under reconciliation and confirmations are yet to be received.

**28.** Inter unit account shows a net difference (credit) of Rs.59.39 Crores (Previous year (Credit) of Rs.0.38 Crores) as at 31-03-2010 which is subject to reconciliation.

**29.** Deferred tax liability as per AS 22 has not been recognized in the books.

**30.** Provision has been made for Rs.0.70 Crores (Previous year Rs.1.56 crores) towards Income Tax u/s115JB of the Income Tax Act, 1961.

**31.** Investments: The company has made an amount of Rs.56,000/- towards Investment in Andhra Pradesh Power Development Corporation during the year.

**32.** Payments and Benefits to Directors: (Figures in Rupees)

Serial No.	Particulars	FY : 2009-10		FY : 2008-09	
		Chairman and Managing Director	Other Directors	Chairman and Managing Director	Other Directors
1	Salary / Remuneration	667648	4731124	632472	4047096
2	Traveling Expenses	44455	484653	78930	431626
	<b>Total</b>	<b>712103</b>	<b>5215777</b>	<b>711402</b>	<b>4478722</b>

**33.** Loans and Advances to Directors – NIL.

**34.** Related Party Disclosure:

Key Management Personnel:

Amount in Rs.

Name	Remuneration for 2009-10	Remuneration for 2008-09
Mr.P.Gopal Reddy, Chairman and Managing Director	7,12,103/-	7,11,402/-

35. Consumption figures given below are based on the actual consumption in respect of categories I to VIII except in case of category 5 – Agriculture which is based on the readings of meters provided on the LV side of the distribution transformers feeding agricultural loads.

<b>LT</b>	<b>Units in MUs</b>	<b>% of total units sold</b>	<b>Avg. Realization. In Rs. per unit</b>
Domestic supply - Category –I	3605.65	36.17	2.33
Non-Domestic supply - Category –II	850.52	8.53	5.67
Industrial Supply- Category –III	740.82	7.43	4.20
Cottage Industries - Category – IV	24.52	0.25	2.19
Irrigation and Agriculture Category - V	4167.82	41.81	0.01
Public Lighting - Category - VI	533.87	5.36	1.72
General Purpose - Category - VII	43.69	0.44	4.05
Temporary Supply - Category – VIII	1.31	0.01	8.00
<b>LT. Total</b>	<b>9968.20</b>	<b>100.00</b>	<b>1.76</b>
<b>HT</b>			
Industrial Segregated - Category - I	2600.28	69.73	3.88
Industrial Non-Segregated - Category – II	328.43	8.81	5.06
Irrigation and Agriculture - Category – IV	29.37	0.79	3.16
Railway Traction - Category – V	522.15	14.00	4.09
Colony Lighting – Category - VI	48.61	1.30	4.39
Electricity Co-Operative Societies	199.44	5.35	0.19
Temporary Supply	0.80	0.02	4.86
<b>HT. TOTAL</b>	<b>3729.08</b>	<b>100.00</b>	<b>3.82</b>
<b>LT + HT Total</b>	<b>13697.28</b>	<b>100.00</b>	<b>2.32</b>
<b>LT + HT Total (Previous Year 2008-09)</b>	<b>11938.50</b>	<b>100.00</b>	<b>2.27</b>

**36.**

Rs. in Crores

Sl.No.	Particulars	31-03-2010	31-03-2009
i.	Claims against the company not acknowledged as debts	2.02	2.47
ii.	Estimated amount of contracts remaining to be executed on capital account and not provided for	138.17	15.29

**37. Quantitative Details of Purchase and Sales of energy:**

Energy Purchased and Sold	Purchases		Sales	
	In MU	Rs. In Crores	In MU	Rs. in Crores
FY: 01-02	8838.00	1729.15	6902.00	1514.04
FY: 02-03	9561.00	1965.19	7531.00	1892.34
FY: 03-04	10026.00	1987.96	8087.00	1881.59
FY: 04-05	11060.00	2050.99	9056.00	1991.41
FY: 05-06	10983.85	2238.98	9118.54	2221.99
FY : 06-07	12329.55	2564.00	10360.95	2420.01
FY : 07-08	12663.01	3012.16	10797.99	2999.87
FY : 08-09	13805.48	4228.55	11938.50	3170.88
FY: 09-10	15741.05	4592.51	13697.28	3759.12

**38. Previous year figures have been regrouped/re-classified wherever necessary.**

As per our report of even date  
For Raju & Prasad  
Chartered Accountants.  
Firm No:003475S

For and on behalf of the Board

Sd/-  
S.Ranganathan  
Partner.  
Membership No: 22738

Sd/-  
V. KRISHNA MURTHY  
Chairman & Managing Director

Sd/-  
Y.PADMANABHA REDDY  
Director (Finance)

Place: HYDERABAD  
Date : 21-09-2010

Sd/-  
A.VENUGOPAL  
Chief General Manager (Finance)

Sd/-  
B.V.S. PRAKASH  
Company Secretary

Place: TIRUPATI  
Date: 20-09-2010

**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I. Registration Details :</b>		
Registration No.	:	34118
State Code	:	01
Balance Sheet Date	:	31-03-2010
<b>II. Capital raised during the Year</b>		
	:	(Rupees in Thousands)
Public Issue	:	-
Rights Issue	:	-
Bonus Issue	:	-
Private Placement	:	-
<b>III. Position of Mobilisation and Development</b>		
	:	(Rupees in Thousands)
Total Liabilities	:	75437480
Total Assets	:	75437480
<b>Sources of Funds</b>		
Paid up Capital	:	3587153
Reserves & Surplus	:	1590041
Deferred Capital Contributions	:	8325181
Secured Loans	:	19594657
Unsecured Loans	:	22685261
<b>Application of Funds</b>		
Net Fixed Assets	:	27179848
CWIP	:	6893096
Investments	:	2961
Net Current Assets	:	21706388
Miscellaneous Expenditure	:	0
<b>IV. Performance of the Company</b>		
	:	(Rupees in Thousands)
Turnover	:	57692617
Total Expenditure	:	57628836
Profit/(Loss) before Tax for the Year	:	63781
Profit/(Loss) after Tax for the Year	:	56781
Net Prior Period Credits/(Charges)	:	(16978)
Profit after Contingency Reserve	:	39803
Earnings per Share	:	Rs. 0.11
Dividend Rate%	:	NIL

**V. Generic Names of Principal products/  
Services of the Company**

Item Code No.	Product Description
N.A.	Distribution of Power

**Proxy form**

**SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED**

Reg. Office: Behind Srinivasa Kalyanamandapam, Tiruchanoor Road, Tirupati – 517 501

Phone : 0877-2284109 Fax: 0877-2284111

**PROXY FORM**

I, ..... S/o Sri.

R/o

being a member of Southern Power Distribution Company of A.P. Limited, Tirupati hereby

appoint .S/o..... R/o.....

as my proxy to attend and vote for me, on my behalf at the Tenth Annual General Meeting  
of the Company to be held on Friday ,the 10<sup>th</sup> December,2010

or at any adjournment thereof at the Registered Office of the Company.

Affix Revenue Stamp
---------------------------

Signed this..... Day of ..... 2010.

Place:

Date :



## **SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

19-13-65/A, SRINIVASA PURAM, TIRUPATI - 517 503. A.P.

Ph: (0877) 2284109, 2284112, Fax : 08772284111

[www.apspdcl.in](http://www.apspdcl.in)



**GOLDEN TEMPLE, TIRUMALA**