



SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED TIRUPATI

**12th ANNUAL REPORT
2011-12**





**Saluting the
National Flag on the
occasion of
Independence Day**

**Er. K. Vidya Sagar Reddy
Chairman and Managing Director**



**Varunayagam
Performed by APSPDCL
on 01-07-2012**



12th ANNUAL REPORT 2011-2012.

SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED

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

BOARD OF DIRECTORS:

SRI. K.VIDYA SAGAR REDDY,
SRI. UMESH SHARRAF I.P.S.
SRI. G.RAMA KRISHNA REDDY
SRI. S.VISWANATHAM
SRI. SYED BILAL BASHA
SMT. K. CHAYALAXMAN
Dr. K.S. UMA, IES.,

CHAIRMAN & MANAGING DIRECTOR
NON WHOLE TIME DIRECTOR
NON WHOLE TIME DIRECTOR
DIRECTOR (OPERATION)
DIRECTOR (FINANCE)
PART-TIME OFFICIAL DIRECTOR
PART-TIME OFFICIAL DIRECTOR

CS. B.V.S.PRAKASH,FCS

COMPANY SECRETARY

AUDIT COMMITTEE

Sri G.Ramakrishna Reddy

Chairman of the Audit Committee

Sri S.Viswanatham

Member of the Audit Committee/
Director (OPERATION)/ APSPDCL/Tirupati.

Sri. Umesh Sharraf, IPS

Member of the Audit Committee

AUDITORS

RAM & RAJ & CO.
18-1-309,
BHAVANI NAGAR,
TIRUPATI.

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.apspdcl.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

BOARD OF DIRECTORS



Er. K. Vidya Sagar Reddy
Chairman & Managing Director



Sri. G. Ramakrishna Reddy
Director (Fin & Rev) APTRANSCO
& Non - Whole Time Director



Sri. Umesh Sharraf IPS
Non - Whole Time Director



Sri. Syed Bilal Basha
Director / Finance



Er. S. Viswanatham
Director / Operation



Dr. K.S. Uma
Part - Time Official Director



Smt. K. Chayalaxman
Part - Time Official Director

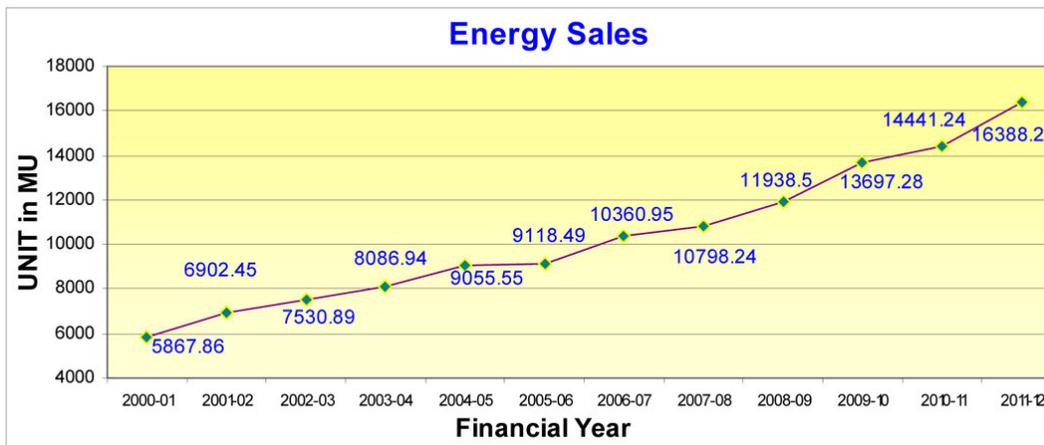
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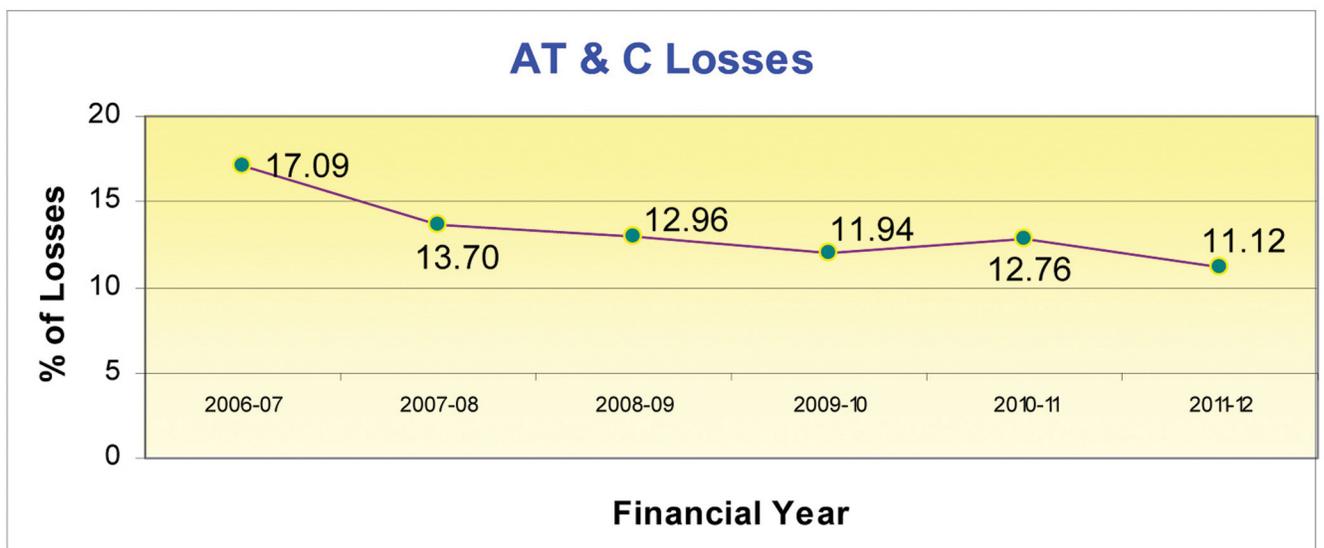
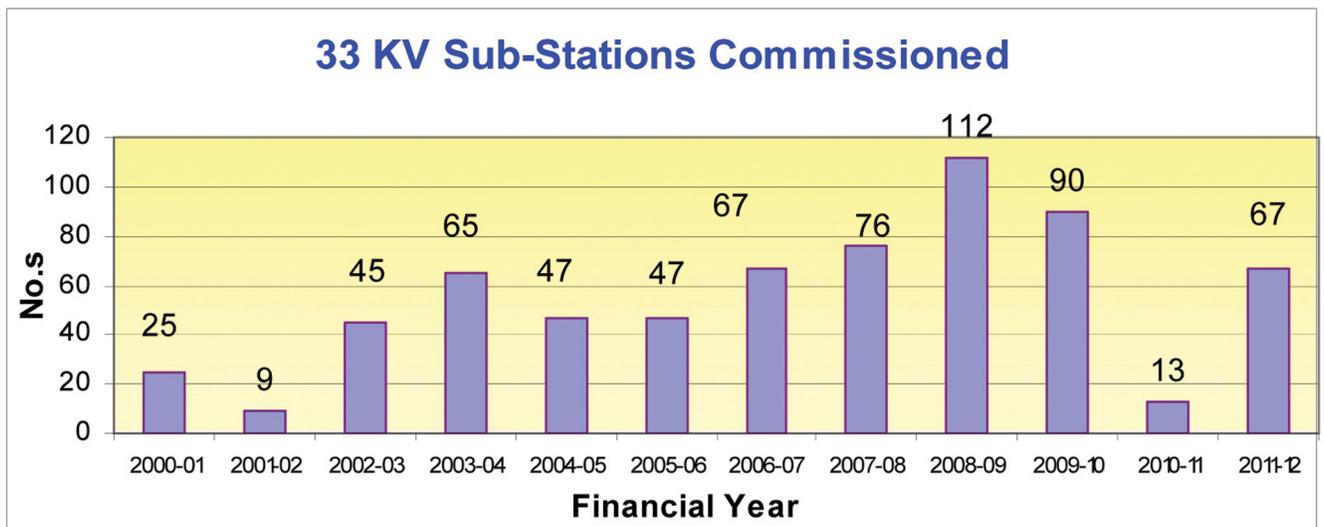
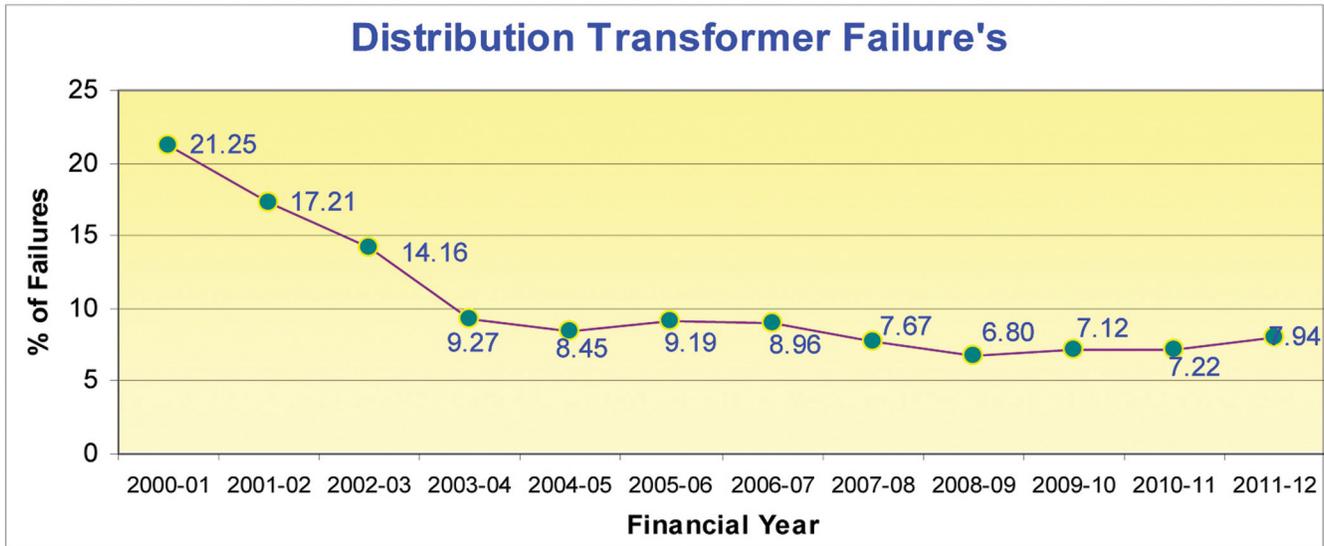
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APSPDCL PERFORMANCE HIGHLIGHTS

Year ended 31 st March	2012	2011	2010	2009	2008	2007
Units Sold (Million Units)	16388.21	14441.24	13697.28	11938.50	10798.24	10360.95
No. of 33/11 KV Sub stations	1125	1058	1045	955	843	767
Length of 33 KV line in KM	11452.63	11125.52	11506.29	10891.65	10272.61	9960.10
Length of 11 KV line in KM	99211.86	95685.94	91863.79	84734.16	75012.36	70173.41
Length of LT line in KM	151798.34	147403.81	141082.90	139692.10	132688.92	130361.92
Number of Distribution Transformers	280985	276420	249957	226238	184972	158160
Number of Power Transformers	1440	1373	1357	1261	1147	1071
No of Consumers	7026704	6716034	63,97,861	6021853	5656339	5234494
Distribution Losses (%)	11.29	12.75	12.98	13.52	14.73	15.97
Distribution Transformer failures (%)	7.94	7.22	7.12	6.80	7.67	8.96
AT @C Losses	11.12	12.76	11.94	12.96	13.70	17.09
Average Realisation per unit (Rs.)	2.59	2.32	2.32	2.27	2.29	2.09
Financial Data (Rs. in Crores)						
Total income	7914.2702	6798.6442	5769.2617	5302.13	3891.63	3304.32
Total Expenditure	7906.7723	6799.1570	5765.2815	5291.15	3837.47	3251.14
Surplus / (Deficit)	3.4489	3.0249	3.9802	10.98	54.16	53.18
Paid up Equity Capital (Rs. In Crores)	358.71	358.71	358.71	358.71	358.71	358.71

APSPDCL PERFORMANCE HIGHLIGHTS







SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED

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

Chairman & Managing Director's Statement

Dear Shareholders,



It is my pleasure to present the 12th (Twelfth) Annual Report of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year 2011-12.

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 Financial year 2011-12.

S.No	Particulars	As on 31-3-2011	Achieved during the Financial Year	As on 31-3-2012
1	Number of 33/11 KV Sub stations	1,058	67	1,125
2	Length of 33 KV line in KM	11,125.52	327.11	11,452.63
3	Length of 11 KV line in KM	95,685.94	3,525.92	99,211.86
4	Length of LT line in KM	1,47,403.81	4,394.53	1,51,798.34
5	Number of Distribution Transformers	2,76,420	4,565	2,80,985
6	Power Transformers	1,373	67	1,440
7	Number of Consumers	67,16,034	3,10,670	70,26,704

- Total revenue for the F.Y. Rs. 7914.2702 Cr.
- Total expenditure for the F.Y. **Rs. 7906.7723 Cr.**
- **Profit before tax Rs. 7.4978487 Cr.**
- **Provision for tax Rs. 1.8284 Cr.**
- **Transfer made to contingency reserve Rs. 2.2205057 Cr.**
- The net profit of the Company stood at **Rs. 3.4489430 Cr.**
- The Company's total sales for the F.Y. 16388.21 MU
- Distribution losses were reduced from 12.75 in 2010-11 to 11.29 in 2011-12.
- 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 2010-11.

ERP(SAP)Utilisation in the Company:

The Major advantages achieved on implementation of SAP :

- The entire material procurement cycle is run in SAP. Right from placing of purchase order to payment made, is done in SAP.
- The service procurement and issue of material for works is completely tracked with entries in appropriate GL Accounts. Expenditure is charged to relevant GL accounts and thereby enables fluent Trial Balance & Balance sheet.
- Major equipments such as PTRs, DTRs etc are completely traceable in the aspects of its physical location, repair cost incurred on each and every equipment thereby enabling better review, planning & performance.
- All capital works are carefully structured and budgeted systematically. The work orders have never been so much accountable before. The initial accounts can be obtained at a click of the mouse. Similarly the closing has been reduced to a simple task, compared to the manual process.
- Revenue collection is uploaded in SAP.
- The pains of formulating the balance sheet are reduced to a major extent.
- All employee details have been captured in the SAP. The monthly salaries of all the employees can be run from the corporate office centrally.

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
177	5027	4204	83.62

Recruitments:

SL No.	Name of the Post	Number of vacancies filled
1	Sub-Engineer/Electrical	42

In-House News Letter of APSPDCL:

The APSPDCL has re-introduced the Southern Power News in-house News Letter of APSPDCL. The first issue of Southern Power News was released on 26th January, 2012 at Corporate Office, Tirupati. Further, the APSPDCL is bringing out the Southern Power News as bye monthly. The purpose behind this News Letter is to communicate the various developmental activities of the Discom, educate the employees and to create awareness on different things.

Corporate Governance :

The Board of Directors and the Management continue to practice the highest principles of Corporate Governance to provide strong leadership. We have our good Internal Audit system and Committee Meetings apart from Board Meetings as per schedule. As a part of Social Responsibility, the employees of the Company performed Varuna Yagam.

Varuna Yagam:

The Company in order to appease the Rain God performed the Five day Varuna Yagam from 01.07.2012 to 05.07.2012. The Yagam was performed for the welfare of the civil society. The scanty rainfalls had resulted in drying up the reservoirs which in turn had caused drastic downfall of Power Production. The Yagam was performed with donations collected from APSPDCL employees only.

To conclude, I congratulate all the employees for their efforts towards achieving the goals of the Company and improved sales performance, in accomplishing the Directives of Regulatory authority, other statutory authorities and 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, APGENCO, Other DISCOMs, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers.

Thank you.



(Er. K. Vidya Sagar Reddy)
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 12TH (Twelfth) Annual General Meeting of the Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati will be held on **SATUR DAY, THE 29th SEPTEMBER, 2012 AT 12.30 P.M 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 31st, March 2012 and Profit & Loss account, Cash Flow Statement, for the Financial year 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 Statutory Auditors appointed by the Comptroller and Auditor General Of India for the Financial year 2012-13 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 2012-13.

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

Draft Resolution:

“RESOLVED THAT the appointment of Statutory Auditors appointed by the Comptroller and Auditor General of India, for the Financial Year 2012-2013 be and is here by 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 payable to the Statutory Auditors and for reimbursement of their actual out- of - pocket expenses payable to Statutory Auditors for the Financial Year 2012-13”

BY ORDER OF THE BOARD OF DIRECTORS
For Southern Power Distribution Company of Andhra Pradesh Limited.

(CS. B. V. S. PRAKASH, FCS)
Company Secretary

Place: Tirupati
Date: 05.09.2012.

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. *Proxy form is enclosed. Instrument appointing proxy shall be deposited at the Registered office of the Company by not less than 48 hours before Commencement of the meeting.*
3. *The supplementary Audit Report of the Comptroller and Auditor General of India (CAG) on the Annual Accounts for the F.Y. 2011-2012 shall be placed before the Shareholders at the Annual General Meeting.*



(CS.B.V.S.PRAKASH, FCS)
Company Secretary

Place: Tirupati.

Date: 05.09.2012.

DIRECTORS' REPORT

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

Your Directors have pleasure in presenting the 12th (Twelfth) Annual Report of the Company relating to Financial Year 2011-12 and trust the Annual Audited Accounts for the said year as circulated have been perused by all of you.

Financial Results:

Particulars	Figures as at the end of current reporting period 2011-12 Rs in Cr.	Figures as at the end of previous reporting period 2010-11 Rs in Cr.
I. Revenue from operations	6039.1726215	4946.9394301
II Less: Electricity Duty	66.8097352	58.7606706
III Net Revenue from operations(I - II)	5972.3628863	4888.1787595
IV. Other Income	214.8451166	213.8883631
V. Revenue Subsidies and Grants	1727.0622000	1578.5011999
VI. Total Revenue (III +IV+V)	7914.2702029	6680.5683226
<i>VII. Expenses:</i>		
Cost of Power Purchase	6339.0063580	5061.1240178
Less: Rebate on power purchase	53.4509943	53.4260955
Power Purchase Cost after Rebate	6285.5553637	5007.6979223
Employee benefit expense	564.1301503	742.5534271
Financial costs	535.7531317	398.1661902
Depreciation and amortization expense	377.9326131	343.4326804
Other expenses	143.4010954	183.5102761
Total Expenses	7906.7723542	6675.3604961
VIII. Profit before exceptional and extraordinary items and tax(VI - VII)	7.4978487	5.2078265
IX. Exceptional Items	0	0
X. Profit before extraordinary items and tax (VIII - IX)	7.4978487	5.2078265
XI. Extraordinary Items	0	0
XII. Profit before tax (X - XI)	7.4978487	5.2078265
XIII. Tax expense:		
Provision for Taxation	1.8284000	0.7800000
XIV. Profit(Loss) from the period from continuing operations(XII- XIII)	5.6694487	4.4278265
XV Less: Transfer to Contingency Reserve	2.2205057	1.4029033
XVI. Profit/(Loss) for the period (XIV - XV)	3.4489430	3.0249232

Statement showing the details of Profit and Loss statement for the year ended 31st March, 2012 and comparison with targets (fixed by the Commission) for the FY 2011-12

Amount in Rs.in Crores

Particulars	Note No	Targets 2011-12 fixed by APERC -Rs. in crores	Actuals 2011-12 - Rs. in crores	Variance= Actuals - targets -Rs. in crores	Variance %	Remarks /Reasons for variance
1	2	3	4	5	6	7
I. Revenue from operations	18	5362.69	6039.17	676.48	12.61	Actual Revenue includes FSA filed for the year 2011-12 of Rs.1160.71 crores, but Tariff commission has not provided any FSA targets
II Less: Electricity Duty		68.94	66.81	-2.13	-3.09	
III Net Revenue from operations(I - II)		5293.75	5972.36	678.61	12.82	
IV. Other Income	19	86.56	214.85	128.29	148.20	Grouping - Company has shown some revenue in other income
V. Revenue Subsidies and Grants	20	1017.13	1727.06	709.93	69.80	Rs.709.93 crores additional subsid be received from GOAP, which was not envisaged/included by Commission in revenue subsidies and grants
VI. Total Revenue (III +IV+V)		6397.44	7914.27	1516.83	23.71	The reasons for favourable variance compared to Commission targets is due to FSA and additional subsidy to be received from GOAP which were included in actual income but the same was not included in Commission targets as stated above.
VII. Expenses:						
Cost of Power Purchase	21	5194.51	6339.01	1144.50	22.03	
Less: Rebate on power purchase		0.00	53.45	53.45		
Power Purchase Cost after Rebate		5194.51	6285.56	1091.05	21.00	The increase in power purchase cost is due to purchase of expensive pp cost and additional units (volume) purchase during the year over and above the Commission specified rates.
Employee benefit expense	22	496.53	564.13	67.60	13.61	
Financial costs	23	321.27	535.75	214.49	66.76	The interest cost on Short Term loans of Rs.306.76 crores for power purchase , which is the reason for variation
Depreciation and amortization expense	24	267.19	377.93	110.74	41.45	There is a difference between company depreciation and Commission allowed, hence the variation occurred
Other expenses	25	82.78	143.40	60.62	73.23	Certain provisions/write offs which were not envisaged during the finalisation of tariff order.
Total Expenses		6362.28	7906.77	1544.49	24.28	
		0.00	0.00	0.00		
VIII. Profit before exceptional and extraordinary items and tax(VI - VII)		35.16	7.50	-27.66	-78.68	In view of the above, the variation resulted
X. Profit before extraordinary items and tax (VIII - IX)		35.16	7.50	-27.66	-78.68	
XII. Profit before tax		35.16	7.50	-27.66	-78.68	
Provision for Taxation		0.00	1.83	1.83		
XIV. Profit(Loss) from the perid from continuing operations(XII-XIII)		35.16	5.67	-29.49	-83.88	
XV Less: Transfer to Contingency Reserve		0.00	2.22	2.22		
XVI Profit / (Loss) for the period (XIV - XV)		35.16	3.45	-31.71	-90.19	

Dividend

The Board of Directors have not declared any dividend during the year ended 31.03.2012

Energy Sales

The Company's total sales increased to 16388.21 **MU** in 2011-12 from 14441.24 **MU** in 2010-11.

Operational Performance of the Company for the year 2011-12:

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

S.No	Particulars	As on 31-3-2011	Achieved during the Financial Year	As on 31-3-2012
1	Number of 33/11 KV Sub stations	1,058	67	1,125
2	Length of 33 KV line in KM	11,125.52	327.11	11,452.63
3	Length of 11 KV line in KM	95,685.94	3,525.92	99,211.86
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5	Number of Distribution Transformers	2,76,420	4,565	2,80,985
6	Power Transformers	1,373	67	1,440
7	Number of Consumers	67,16,034	3,10,670	70,26,704

- A total of 3,10,670 nos of New Services were released through the Customer Service Centres during the year 2011-12.
- 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 2010-11.

ERP(SAP)Utilisation in the Company:

The Major advantages achieved on implementation of SAP :

- The entire material procurement cycle is run in SAP. Right from placing of purchase order to payment made, is done in SAP.
- The service procurement and issue of material for works is completely tracked with entries in appropriate GL Accounts. Expenditure is charged to relevant GL accounts and thereby enables fluent Trial Balance & Balance sheet.
- Major equipments such as PTRs, DTRs etc are completely traceable in the aspects of its physical location, repair cost incurred on each and every equipment thereby enabling better review, planning & performance.
- All capital works are carefully structured and budgeted systematically. The work orders have never been so much accountable before. The initial accounts can be obtained at a click of the mouse. Similarly the closing has been reduced to a simple task, compared to the manual process.
- Revenue collection is uploaded in SAP.
- The pains of formulating the balance sheet are reduced to a major extent.
- All employee details have been captured in the SAP. The monthly salaries of all the employees can be run from the corporate office centrally.

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 9927 cases were reported during the year 2011-12 assessing Rs. 3,15,18,288. During the year 20,358 cases were compounded and Rs.2,32,74,500 was collected.

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.Sri. Z.Philip, Director (Projects)	10.09.2009	09.09.2012
2.Sri.Syed Bilal Basha, Director (Finance)	06.08.2012	-

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

- | | | |
|---|---|------------------------------|
| 1 . Sri K. Vidya Sagar Reddy, | - | Chairman & Managing Director |
| 2. Sri Umesh Sharraf, IPS | - | Non Whole Time Director |
| 3. Sri G.Ramakrishna Reddy
Director (Finance & Revenue)
APTRANSCO | - | Non Whole Time Director |
| 4. Sri S.Viswanatham | - | Director (Operation) |
| 5. Sri.Syed Bilal Basha | - | Director (Finance) |
| 6. Smt. K. Chayalaxman | - | Part time Official Director |
| 7. Dr. K.S. Uma, | - | Part time Official Director |

Board Meetings held in 2011-12:

The Board held its meetings on 18.05.2011, 30.07.2011, 30.09.2011, 27.12.2011 and 13.03.2012 during the financial year 2011-12 in accordance with the provisions of Section 285 of the Companies Act, 1956.

Attendance at Board of Directors Meetings:

Directors	Meetings attended
Er.K.Vidya Sagar Reddy, Chairman and Managing Director	3
Er. V.Krishna Murthy Former Chairman and Managing Director	2
Sri.Umesh Sharraf,IPS	4
Sri.G.Ramakrishna Reddy	4
Er. S.Viswanatham	5
Er. Z.Philip	5
Smt.K.Chayalaxman	4
Er. K.Rami Reddy	1
Dr.K.S. Uma, IES, ,	1

Directorships:

Sri V. Krishna Murthy, Chairman and Managing Director was appointed as a Non-Whole time Director in Andhra Pradesh Power Development Company Limited, Hyderabad on 18.09.2010 on behalf of the Company and ceased to be Non-Whole time Director of the APPDCL w.e.f. 5.10.2011.

Sri K.Vidya Sagar Reddy, Chairman and Managing Director was appointed as a Non-Whole time Director in Andhra Pradesh Power Development Company Limited, Hyderabad w.e.f.5.10.2011 and holds the Directorship on behalf of the Company.

Annual General Meetings:

The details of Annual General Meetings held in last 5 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
2009-2010	14-12-2010	Registered office
2010-2011	30-09-2011	Registered Office

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:

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 enhanced up to Rs 6500 crores to the Board of Directors of the company in the Annual General Meeting held on 14-12-2010.

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 18.05.2011, 30.07.2011, 30.09.2011, 27.12.2011, 13.03.2012. The composition of the Audit Committee on the date of this report is as follows:

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

Sri. Umesh Sharraf, IPS., was Chairman of the Audit Committee for the Meetings held on 18.05.2011,30.07.2011,30.09.2011,and 27.12.2011.

Auditors of the Company

M/s. RAM RAJ & CO.,D.No. 18-1-309,BHAVANI NAGAR, TIRUPATI-517501, were appointed as the Statutory Auditors of the Company for the Financial Year 2011-2012 vide Lr .No. CA.V/COY/ANDHRA PRADESH, SOUPOW (1)/79, Dt 18.08.2011 of the Comptroller and Auditor General Of India, New Delhi.

M/s. RAM RAJ & CO.,D.No. 18-1-309, BHAVANI NAGAR, TIRUPATI-517501, were appointed as the Statutory Auditors of the Company for the Financial Year 2012-2013 vide Lr .No. CA.V/COY/ANDHRA PRADESH, SOUPOW (1)/704, Dt.03.09.2012 of the Comptroller and Auditor General Of India, New Delhi.

Cost Audit:

The Company required to get its Cost records audited U/s. 233 B(1) of the Companies Act,1956 as per the orders issued by the MCA/ Central Government vide The Ministry of Corporate Affairs order F.No 52/5/CAB-2011, dated 11.04.2011 and The Ministry of Corporate Affairs order F.No 52/26/CAB-2010, dated 2nd May 2011.

Accordingly, the Board of Directors of the Company accorded approval for appointment of M/s. Narasimha Murthy & Co, Cost Accountants, 3-6-365,104 & 105, Pavani Estate, Y.V.Rao Mansion, Himayatnagar, Hyderabad - 500029 as Cost Auditor of the Company for the financial year 2011-12. And form No 23c was filed with the Registrar of Companies, Hyderabad. The due date for submitting the report is 30.09.2012. The report is submitted on 29.09.2012. The report is yet to be filed with the Central Government.

M/s. Narasimha Murthy & Co, Cost Accountants, 3-6-365,104 & 105, Pavani Estate, Y.V.Rao Mansion, Himayatnagar, Hyderabad-500029 were appointed as the Cost Auditors of the Company for the financial year 2012-13.

Replies to the comments of the Statutory Auditors and Comptroller and Auditor General of India

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 31st March, 2012 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.

Investments

The Company had invested Rs.103.21 Crores in Andhra Pradesh Power Development Company Limited, Hyderabad from 04.12.2009 to 31.03.2012.

Directors Responsibility Statement

The Board of Directors of your Company have met Five times during the financial year 2011-12.

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

The Annual Accounts were prepared as per Revised Schedule VI of the Companies Act, 1956 and the applicable standards were 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 31st March, 2012. 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.

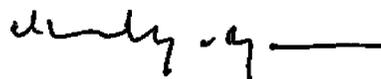
And in 2009 for reduction of Annual Technical and Commercial Losses compared to the other Distribution Companies in the Country.

Acknowledgements:

The Company 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, APGENCO Other DISCOMs, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers.

The Company 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



**(Er.K.VIDYA SAGAR REDDY)
Chairman and Managing Director**

ANNEXURE – A TO THE DIRECTORS' REPORT**AUDITORS' REPORT****To****The Members of****The Southern Power Distribution Company of Andhra Pradesh Limited****TIRUPATI**

1. We have audited the attached Balance Sheet of **The SOUTHERN POWER DISTRIBUTION COMPANY OF A.P LIMITED** ('Company'), as at 31st March 2012 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto (together referred to as 'financial statements'). 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 have conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, obtaining sufficient and appropriate audit evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements 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 where applicable have prevailed over the Companies Act, 1956.

4. In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, 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 above paragraph, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account ;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards (AS) referred to in sub-section (3C) of section 211 of the Companies Act, 1956, **except the following as referred in para (f) :
Accounting Standards : AS 6, AS 9, AS 10, AS 12, AS 15, AS 22 and AS 28**
- (e) Being a Government Company, the Company is exempt from the provisions of Section 274(1)(g) of the Companies Act, 1956 relating to Directors;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes and significant accounting policies thereon, **subject to the following**

A. For which impact on accounts could not be determined / quantified:

- i. Attention to Note No26 para 1 is invited wherein, Consequent upon transfer schemes vide G.O.Ms 142 dt 29.09.2001 and 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, variance, if any, in the cost of such assets / liabilities transferred and accounted for and possession of land holdings and titles thereon.**
- ii. Refer note no 3 para 3 out of Rs. 1710.01 Crores of loans from REC an amount Rs. 187.49 Crores of which are still in the name of APTRANSCO, which is subject to confirmation.**
- iii. Balances in 'Loan Funds' pertaining to Govt. of AP as dealt in Note No.3 para 2 and Note 8 para 2 & 3 on Sundry Debtors, Receivables, Loans & Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.**
- iv. PURCHASE OF POWER**
 - a. Refer note no 21 para 1 constitution of Andhra Pradesh Power Coordination Committee (APPCC) to facilitate purchase and trading of power on behalf of distributions companies in the state of Andhra Pradesh and legal status of the same could not be ascertained.**
 - b. Refer note no 15 para 1.1 on non confirmation of bank balance in the name of A.P.POWER DISTRIBUTION COMPANIES POOL ACCOUNT and the company's share thereon.**
 - c. Refer Note No. 8 para 1 non reconciliation and confirmation of pool imbalance account.**
 - d. Attention to Note No26 para 2 regarding the Transfer of Power Purchase Agreements vide G.O.Ms.396 dt.09.06.2005, from APTRANSCO to distribution companies in specified ratio with effect from 09.06.2005 and subsequent revision of the said ratio vide G.O.Ms.No.53, Energy (Power-III), dated: 28.04.2008 with retrospective effect from 09.06.2005 and implementation of the same from April 2008 onwards and differential impact on non implementation retrospectively.**
 - e. Refer note no 7 provisional accounting of Power purchase bills, debit/ credit notes and non confirmation / reconciliation of balances of the power suppliers.**
 - f. Refer Note No 21 para 2 the power purchase cost for the current year does not include the dues payable on account award given by APTEL, New Delhi, which is subject to reconciliation.**
 - g. Refer Note no 21 para 3 on accounting of cost of Power purchase and sale, as intimated by the committee (APPCC) and certified by the independent firm of chartered accountants are incorporated in the books of the company. In the absence of relevant information on quantitative**

details, swap transactions, metering, claims made by the power suppliers and disputes on power purchases etc., the said cost could not be reviewed by us.

- v. *Refer note no 26 para 3 on implementation of SAP non reconciliation of Line items, Business Area /unit opening balances, unidentifiable General Ledger balances and consumer ledger balances.*
- vi. *In the event of replacement of an old asset with a new asset (Except Distribution Transformers), 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".*
- vii. *In the absence of uniform practice/system for closure of work orders, capitalization of such works is not as per the requirements of AS-10 and consequential effects on charge of depreciation and non compliance of AS-6 "Depreciation Accounting".*
- viii. *Assets purchased under RGGVY scheme from Government grants is not shown separately as required under AS-12 "Accounting for Government Grants".*
- ix. *Refer Note No. 5 Provision for pension, Gratuity, leave encashment and other retirements benefits made does not comply with requirements of AS-15 "Employee benefits".*
- x. *Refer Note No:9 Deferred Tax asset / liability has not been recognized in the accounts as required under AS-22 "Accounting for Taxes on Income".*
- xi. *Attention is invited to Note No.10 para 2- as relevant information is not made available , we could not ascertain status of impairment of assets and provision, if any, required as per AS28.*
- xii. *Refer Note No. 13 para 1 d- Non provision for items scrapped and obsolete material is made during the year*
- xiii. *Refer Note No. 14 para 2.3 –Non provision for Bad & Doubtful debts in consonance with the accounting policy of the company for the current year.*
- xiv. *Note No. 16 Non reconciliation of Rs. 2.79 Crores accounted as Tax deducted at Source with books of accounts with income recognition.*
- B. *Due to the following reasons, the Current Assets are overstated by Rs.2218.61 Crs, current liabilities are understated by Rs.208.45 Crs and profit is overstated by Rs.2427.06 Crs, detailed as under:*
 - (i) *Refer Note no 18 accounting of Fuel surcharge adjustment charges (FSA) amounting Rs.1160.71 is recognized as revenues during the year in contravention of AS-9 "Revenue Recognition.", which has not been approved by the Andhra Pradesh Electricity Regulatory Commission (APERC).*
 - (ii) *Refer note no 17 Para 2 Non withdrawal of Fuel surcharge adjustment charges (FSA) accounted in earlier years to an extent of Rs.1057.90*

Crs consequent to the Honourable Supreme Court decision against the distribution companies and the realisability of the said amounts is doubtful. Out of the above for Rs.713Crs pertaining to 2010-11 approval from APERC has also not been obtained.

(iii) The power purchase cost for the current year does not include the dues payable on account Fuel Cost adjustment (FCA) demanded by APGENCO for the period fourth quarter of 2011-12 to the extent of Rs.208.54 Crs.

The said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31st 2012
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date;
- (iii) In the case of the Cash Flow statement, of the cash flows for the year ended on the date.

Place: TIRUPATI
Date: 31st JULY,2012

for Ramraj & Co.,
Chartered Accountants
Firm Reg. No.002839S

Sd/-
(M.C. Venkatanath)
Partner
M.No.210007

Annexure to the Auditors' Report

(As referred to in Paragraph 4 of our report of even date to the members of **The Southern Power Distribution Company of Andhra Pradesh Limited** on the financial statements for the year ended 31st March, 2012)

1. In respect of Fixed Assets
 - a) The Company is maintaining proper records of Fixed Assets showing full particulars including quantitative details and situation of fixed assets.
 - 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 and 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.

2. In respect of Inventories
 - a) According to the information and explanation given to us, Company is following a system of perpetual inventory verification at all the locations
 - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by Management needs to be strengthened in relation to the size of the Company and the nature of its business more particularly in identifying, obsolescence, non moving and slow moving stores.
 - 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.

3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. 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.

4. Company needs to strengthen internal control procedures to make them commensurate with the size of the Company and nature of its business, with regard to SAP implementation including reconciliation of accounts, accounting of capital work orders, recording of transactions and adequate training of personnel.

5. 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.

6. 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.

7. Internal audit is conducted by the Internal Audit Wing of the Company apart from engaging services of Chartered Accountant firms for Internal Audit. ***In our opinion,***

scope, coverage, efficacy and periodicity of the internal audit needs to be strengthened to make it commensurate with the size and nature of business of the Company.

8. We have broadly reviewed the books of account maintained by the Company in respect of the product where, pursuant to the rules made by The Central Government of India, cost accounts and records are prescribed under section 209(1) (d) of the Companies Act, 1956. The contents of these accounts and records have not been examined by us.
9. (a) Based on our examination of books of account and according to the information and explanations given to us, in our opinion, the Company is regular in depositing undisputed statutory dues with the appropriate authorities and there were no arrears of such dues at the year end which have remained outstanding for a period of more than six months from the date they became payable.
- (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 31st March 2012 other than those indicated below:

Nature of dues	Unpaid Amount (Rs.)	Period to which the amount relates	Forum where pending
Interest on Delayed payment of TDS on Transmission Charges	2,12,98,134	2008-09	CIT(Appeals), Vijyawada
Interest on Delayed payment of TDS on Transmission Charges	2,54,29,035	2009-10	CIT(Appeals), Vijyawada
Disallowance of provisions claimed u/s 115 JB for calculation of MAT.	8,80,98,880	2009-10	CIT(Appeals), Guntur
TDS on transmission & SLDC Charges and lease rentals.	8,60,38,464	2010-11	The ITAT, Visakapatnam

10. Company has no accumulated losses as at March 31, 2012 and has not incurred any cash loss in the financial year ended on that date or in the immediately preceding previous year.
11. Based on our examination of books of account and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or Bank or debenture holders.
12. According to the information and explanation given to us, the Company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statues applicable to Chit fund Company, Nidhi Company or mutual benefit fund / Society are not applicable to the Company.

14. In our opinion and according to the information and explanations given to us Company is not dealing in or trading in shares, securities, debentures and other investment.
15. According to the information and explanation given to us and on the basis of our Audit, the Company has not given guarantees for loan taken by others from Banks or financial institutions.
16. To the best of our knowledge and according to the information and explanation given to us, Term loans availed by the Company were prima facie applied by the Company during the year for the purpose for which the loans were obtained.
17. According to the Cash flow statement and other records examined by us and according to the information and explanation given to us, on an overall basis, funds raised on short term basis have prima facie, not been used during the year for long term investment.
18. Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act during the year
19. The Company do not have any outstanding debentures during the year.
20. Company has not raised money by public issue during the year
21. According to information and explanations given to us, fraud aggregating on account of Theft of Energy of Rs.5.5 Crs and Theft of Material Rs.0.94 Crores has been reported

Place: Tirupathi
Date: 31st July 2012

For Ramraj & Co.,
Chartered Accountants
Firm Reg. No.002839S

Sd/-
(CA M.C. Venkatanath)
Partner
M.No.210007
PARTNER
M.No: 015652

RAMRAJ & CO., CHARTERED ACCOUNTANTS, BANGALORE		SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED
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)	Attention to Note No26 para 1 is invited wherein, Consequent upon transfer schemes vide G.O.Ms 142 dt 29.09.2001 and 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, variance, if any, in the cost of such assets / liabilities transferred and accounted for and possession of land holdings and titles thereon	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. 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.
(ii)	Refer note no 3 para 3 out of Rs. 1710.01 Crores of loans from REC an amount Rs. 187.49 Crores of which are still in the name of APTRANSCO, which is subject to confirmation	Letter will be addressed to APTRANSCO for confirmation of REC loan amount.
(iii)	Balances in 'Loan Funds' pertaining to Govt. of AP as dealt in Note No.3 para 2 and Note 8 para 2 & 3 on Sundry Debtors, Receivables, Loans & Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.	Letters have been addressed to Govt.of A.P. for confirmation of Loan Funds and reply is awaited.
(iv)	Refer note no 21 para 1 constitution of Andhra Pradesh Power Coordination Committee (APPCC) to facilitate purchase and trading of power on behalf of distributions companies in the state of Andhra Pradesh and legal status of the same could not be ascertained.	Government of AP vide G.o.Ms.No.59 dt.7.6.2005 set up an apex committee "A.P Power Co-Ordination Committee (APPCC) " for the purposes relating to Power procurement, Debt Servicing, Unscheduled inter change related transactions, interstate trade and operations of common pool account of four Discoms.

(v)	Refer note no 15 para 1.1 on non confirmation of bank balance in the name of A.P.POWER DISTRIBUTION COMPANIES POOL ACCOUNT and the company's share thereon. Refer Note No. 8 para 1 non reconciliation and confirmation of pool imbalance account.	Noted for future Guidance
(vi)	Attention to Note No26 para 2 regarding the Transfer of Power Purchase Agreements vide G.O.Ms.396 dt.09.06.2005, from APTRANSCO to distribution companies in specified ratio with effect from 09.06.2005 and subsequent revision of the said ratio vide G.O.Ms.No.53, Energy (Power-III), dated: 28.04.2008 with retrospective effect from 09.06.2005 and implementation of the same from April 2008 onwards and differential impact on non implementation retrospectively.	Noted for future Guidance
(vii)	Refer note no 7 provisional accounting of Power purchase bills, debit/credit notes and non confirmation / reconciliation of balances of the power suppliers.	Noted for future Guidance
(viii)	Refer Note No 21 para 2 the power purchase cost for the current year does not include the dues payable on account award given by APTEL, New Delhi, which is subject to reconciliation	It was mentioned in note no 21 para 2 the awards given by Appellate Tribunal for Electricity (Appellate Jurisdiction) are under reconciliation.
(ix)	Refer Note no 21 Para 3 on accounting of cost of Power purchase and sale, as intimated by the committee (APPCC) and certified by the independent firm of chartered accountants are incorporated in the books of the company. In the absence of relevant information on quantitative details, swap transactions, metering, claims made by the power suppliers and disputes on power purchases etc., the said cost could not be reviewed by us.	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. The generator wise power purchase cost and units were submitted for verification. The other information is available at APPCC, Hyderabad

(x)	Refer note no 26 para 3 on implementation of SAP non reconciliation of Line items, Business Area /unit opening balances, unidentifiable General Ledger balances and consumer ledger balances.	Noted for future Guidance
(xi)	Para vi of Auditors' Report, in the event of replacement of an old asset with a new asset (Except Distribution Transformers), 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".	From May 2010, after the implementation of SAP new version, the replacement of asset will not have any accounting impact, only the asset location is being changed.
(xii)	Para vii of Auditors' Report, in the absence of uniform practice/system for closure of work orders, capitalization of such works is not as per the requirements of AS-10 and consequential effects on charge of depreciation and non compliance of AS-6 "Depreciation Accounting	After the implementation of SAP new version the system of closure of work order and capitalization of such works were standardized and an uniform practice/system is maintained, accordingly the works were capitalized in accordance with requirements of AS-10.
(xiii)	Para viii of Auditors' Report, assets purchased under RGGVY scheme from Government grants is not shown separately as required under AS-12 "Accounting for Government Grants".	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 of the year 2009-10 and the same is being followed.
(xiv)	Refer Note No. 5 Provision for pension, Gratuity, leave encashment and other retirements benefits made does not comply with requirements of AS-15 "Employee benefits".	An agency has been appointed as an actuary to get actuarial valuation report. Hence the standard will be complied during the year 2012-13.
(xv)	Refer Note No:9 Deferred Tax asset / liability has not been recognized in the accounts as required under AS-22 "Accounting for Taxes on Income".	Noted for future Guidance
(xvi)	Attention is invited to Note No.10 para 2- as relevant information is not made available, we could not ascertain status of impairment of assets and provision, if any, required as per AS28.	Noted for future Guidance

(xvii)	Refer Note No. 13 para 1 d- Non provision for items scrapped and obsolete material is made during the year	A Joint inspection was conducted by the CGM/Purchases, wing. The implementation of the instruction of the joint inspection are yet to be received , due to which no further provision has been provided during the year It was mentioned in the note no.14		
(xix)	Refer Note No. 14 para 2.3 –Non provision for Bad & Doubtful debts in consonance with the accounting policy of the company for the current year.	para 2.3 due to non-determination of written off towards bad and doubtful debts, hence no provisions is made.		
(xx)	Note No. 16 Non reconciliation of Rs. 2.79 Crores accounted as Tax deducted at Source with books of accounts with income recognition.	It will be reconciled during the current year		
(xxi)	<p>Due to the following reasons, the Current Assets are overstated by Rs.2218.61 Crs, current liabilities are understated by Rs.208.45 Crs and profit is overstated by Rs.2427.06 Crs, detailed as under: Refer Note no 18 accounting of Fuel surcharge adjustment charges (FSA) amounting Rs.1160.71 is recognized as revenues during the year in contravention of AS-9 "Revenue Recognition.", which has not been approved by the Andhra Pradesh Electricity Regulatory Commission (APERC). Refer note no 17 Para 2 Non withdrawal of Fuel surcharge adjustment charges (FSA) accounted in earlier years to an extent of Rs.1057.90 Crs consequent to the Honorable Supreme Court decision against the distribution companies and the realisability of the said amounts is doubtful. Out of the above for Rs.713Crs pertaining to 2010-11 approval from APERC has also not been obtained. Para B (iii) of Auditors' Report, the power purchase cost for the current year does not include the dues payable on account Fuel Cost adjustment (FCA) demanded by APGENCO for the period fourth quarter of 2011-12 to the extent of Rs.208.45 Crs.</p> <p style="text-align: right;">M/s RAMRAJ & CO., Chartered Accountants</p> <p style="text-align: center;">Sd/- (MC.Venkatanath) Partner</p>	<p>The Fuel Surcharge adjustment charges for the year 2011-12 was submitted to APERC and as such the same has been recognized as revenue during the year.</p> <p>The Fuel Surcharge adjustment charges for the year 2010-11 was submitted to APERC and as such the same has been recognized as revenue.</p> <p>Fuel Cost Adjustment (FCA) bill of Rs.208.45 crores (out of Rs.936 crores total cost of four discoms.) of 4th quarter bill of FY 2011-12 will be taken in FY 2012-13 since FSA of the amount is claimed in 1st quarter of 2012-13</p> <p>For and on behalf of the Board</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">Sd/ (Syed Bilal Basha) Director (Finance)</td> <td style="width: 50%; text-align: center;">Sd/ (K.Vidya Sagar Reddy) (Chairman & Managing Director)</td> </tr> </table>	Sd/ (Syed Bilal Basha) Director (Finance)	Sd/ (K.Vidya Sagar Reddy) (Chairman & Managing Director)
Sd/ (Syed Bilal Basha) Director (Finance)	Sd/ (K.Vidya Sagar Reddy) (Chairman & Managing Director)			

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 2012

The preparation of financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2012 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 31 July 2012.

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 2012. 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.

A. Comments on Profitability

BALANCE SHEET

II-ASSETS-

Trade Receivables (Note No.14)**1. Sundry Debtors –Less: Provision for doubtful debts: Rs.101.35 crore**

A reference is invited sub-note No.2.(ii) wherein it was indicated that provision for bad & doubtful debts is made on debtors for sale of power outstanding for a period of more than 4 years. Debtors outstanding for more than 4 years amounts to Rs.135.75 Crore out of total debtors of Rs.533.66 Crore, whereas provision for doubtful debts has been made only for 101.35 Crore. This has resulted in short provision to the tune of Rs.34.40 Crore, and has also resulted in overstatement of Sundry Debtors and overstatement of profit for the period by Rs.34.40 crore

2. Trade Receivables (Note No.14) - Rs.3130.22 Crore

A reference is invited to CAG's Comment No.1 on the accounts of SPDCL for the year 2010-11 on the below mentioned subject.

The Andhra Pradesh Electricity Regulatory Commission (APERC) determined the Tariff Orders for the years 2009-10 and 2010-11 by fixing the Tariff Rate of Composite Protected Water Supply (CPWS) services at Rs.0.35 per unit for the energy delivered to them as against Rs.2.36 / 2.60 billed by the Company. But the Company raised demand for an amount of Rs.1.77 crore in respect of 8 services for the year 2009-10 and 2010-11.

Non-withdrawal of the above demand has resulted in overstatement of 'Sundry Debtors' and understatement of other expenses - 'Bad and Doubtful Debts Provided for / Written off' by Rs.1.77 crore. Consequently 'Profit before tax for the year' is overstated by a similar amount.

B. Comments on Financial Statements

3 (a) Fixed Assets Note (No.10)

Plant and Machinery Rs.2372.80 crore

The above includes Rs.1.48 crore being the Cost of 33/11KV Sub-station at Krishnapatnam, wrongly capitalised in August 2010, instead of deducting it from deposits received from Andhra Pradesh Power Development Company Ltd. (APPDCL). The substation was constructed under Deposit contribution works and was handed over to APPDCL (April 2010). Non adjustment has resulted in overstatement of Plant and Machinery under Fixed Assets and liabilities (Development charges) by Rs.1.48 crore.

C. Note on Disclosure

The Company has not disclosed the fact that:

4 Rs.2218.21 Crore towards unbilled revenue for fuel surcharge Adjustment claims for the years 2009-10 to 2011-12. While the claim for the year 2008-09 is sub-judice, the claims for the years 2010- 11and 2011-12 have been determined by APERC in its order dated 20.09.12

5. Rs.2983.44 Crore receivables from Government towards subsidy for High Cost of power etc., outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorized APDISCOMS to procure additional power by way of comfort letters and directed APDISCOMS to raise short term loans No clear commitment for reimbursement from the Government in their next budget i.e , 2010-11 year onwards..

**For and on behalf of the
Comptroller & Auditor General of India**

**Sd/-
(K R Sriram)
Principal Accountant General (E&RSA)**

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 2012	REPLIES OF THE COMPANY FORMING PART OF THE DIRECTOR'S REPORT TO THE MEMBERS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.
A Comments on Profitability:	
BALANCE SHEET II ASSETS:	
<p>1. Trade Receivables (Note No.14)</p> <p>Sundry Debtors –Less: Provision for doubtful debts: Rs.101.35 crore</p> <p>A reference is invited sub-note No.2.(ii) wherein it was indicated that provision for Bad & Doubtful debts is made on Debtors for sale of power outstanding for a period of more than 4 years. Debtors outstanding for more than 4 years is Rs.135.75 Crore out of total debtors of Rs.533.66 Crore, where as provision for doubtful debts is made only for 101.35 Crore. This has resulted in short provision to the tune of Rs.34.40 Crore and has also resulted in overstatement of Sundry Debtors and overstatement of profit for the period by Rs.34.40 crore</p>	<p>It is to state that, it is mentioned in the policy regarding provision for bad and doubtful debts as follows; Note No 27 (2) (ii):- “Provision for Bad and Doubtful debts are made on Debtors for sale of power outstanding for a period of more than 4 years”.</p> <p>It is mentioned in Note No.14, trade receivable point 2.3 due to non-determination of written off towards bad and doubtful debts in the current year, no provision is made for the debtors outstanding more than 4 years. Action will be taken during the year to follow or otherwise. Hence, the para may please be dropped.</p>
<p>2. Trade Receivables (Note No.14) - Rs.3130.22 Crore</p> <p>A reference is invited to CAG’s Comment No.1 on the accounts of SPDCL for the year 2010-11 on the below mentioned subject.</p> <p>The Andhra Pradesh Electricity Regulatory Commission (APERC) determined the Tariff Orders for the years 2009-10 and 2010-11 by fixing the Tariff Rate of Composite Protected Water Supply (CPWS) services at Rs.0.35 per unit for the energy delivered to them as against Rs.2.36 / 2.60 billed by the Company. But the Company raised demand for an amount of Rs.1.77 crore in respect of 8 services for the year 2009-10 and 2010-11.</p> <p>Non-withdrawal of the above demand has resulted in overstatement of ‘Sundry Debtors’ and understatement of other expenses – ‘Bad and Doubtful Debts Provided for / Written off’ by Rs.1.77 crore consequently ‘Profit before tax for the year’ is overstated by a similar amount.</p>	<p>Necessary action will be taken during the current financial year. Hence, the para may please be dropped.</p>

B Comments on Financial Statement
3. (a) Fixed Assets Note (No.10)

Plant and Machinery Rs.2372.80 crore

The above includes Rs.1.48 crore being the Cost of 33/11KV Sub-station, at Krishnapatnam, wrongly capitalised in August, 2010, instead of deducting it from deposits received from Andhra Pradesh Power Development Company Ltd. (APPDCL). The substation was constructed under Deposit contribution works and was handed over to APPDCL (April 2010). Non adjustment has resulted in overstatement of Plant and Machinery under Fixed Assets and liabilities (Development charges) by Rs.1.48 crore.

C Comments on Disclosure
4. The Company has not disclosed the fact that;

Rs.2218.21 Crore towards unbilled revenue for fuel surcharge Adjustment claims for the years 2009-10 to 2011-12. While the claim for the year 2008-09 is sub-judice the claims for the years 2010-11 and 2011-12 have been determined by APERC in its order dated 20.09.2012.

5. Rs. 2983.44 Crore receivable from Government towards subsidy for high cost power etc outstanding from 2008-09 onwards. The Company stated that the Government of Andhra Pradesh had explicitly authorized APDiscoms to procure additional power by way of comfort letters and directed APDISCOMS to raise short term loans. No Clear commitment for reimbursement from Government in their next budget i.e., 2010-11 onwards.

For and on the behalf of the Comptroller and Auditor General of India.

Sd/-

(K.R. SRIRAM)

Principal Accountant General (E&RSA)

Place : Hyderabad

The necessary rectification will be passed during the current financial year. Hence, the para may please be dropped.

It is to submit that, As per section 45B of the regulation 1 of 2005, APDISCOMS have to claim/refund any additional cost/reduction in case to the consumers. The copy of the regulation enclosed.

From the F.Y 2008-09 onwards DISCOMS have incurred additional cost and the same is filed with honourable APERC by way of FSA to claim from the consumers as per regulation in vogue.

APDISCOMS had incurred the expenditure and the same is accounted in books of accounts and matching revenue in the form of FSA is claimed as per the APERC regulation. It is to supplement that the company was confident about realisability of FSA. As on the date of furnishing the reply the Regulatory Commission has given its approval.

In view of the above the audit enquiry may please be dropped.

It is to submit that, Government of A.P had explicitly authorized APDISCOMS to procure additional power by way of comfort letters and directed APDISCOMS to raise short term loans which will be reimbursed by govt. of A.P along with interest in next financial years through budgetary support.

Accordingly AP DISCOMS have procured additional power from 2008-09 onwards by way of short term loans as per the explicit authorization as indicated in the statement enclosed.

BALANCE SHEET

Balance Sheet as at 31st March, 2012

Amount in Rs.

Particulars	Note No	Figures as at the end of current reporting period 2011-12	Figures as at the end of Previous reporting period 2010-11
		₹	₹
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	3587153090	3587153090
(b) Reserves and Surplus	2	12374546022	10825910884
(2) Non-Current Liabilities			
(a) Long-term borrowings	3	18860008809	16802436735
(b) Other Long term liabilities	4	8489120757	7251281038
(c) Long term provisions	5	4060391141	4192009244
(3) Current Liabilities			
(a) Short-term borrowings	6	36279455809	26643445627
(b) Trade payables	7	18572430240	12293030822
(c) Other current liabilities(including current maturities of Long term debt)	8	2005266262	6459304112
(d) Short-term provisions	9	15811929	12527929
Total		104244184059	88067099481
II.Assets			
(1) Non-current assets			
<i>(a) Fixed assets(Net)</i>			
(i) Tangible assets	10	31313394594	31691089491
(ii) Intangible assets	10	8964120	12933681
(iii) Capital work-in-progress	10	3921592862	3065873684
(b) Non-current investments	11	873305000	545805000
(c) Long term loans and advances	12	1007010150	1296024403
(d) Other non-current assets			
(2) Current assets			
(a) Inventories	13	1206751684	1010673119
(b) Trade receivables	14	31302235584	18969515646
(c) Cash and cash equivalents	15	4132908490	4785030083
(d) Short-term loans and advances	16	273352168	174314588
(e) Other current assets	17	30204669407	26515839786
Total		104244184059	88067099481

As per our report of even date

For M/s Ramraj & Co.

Chartered Accountants.

Firm No.002839S

For and on behalf of the Board

Sd/-
K.VIDYASAGAR REDDY
Chairman & Managing Director

Sd/-
Z. PHILIP
Director (Finance)

Sd/-
CA M.C.Venkatanath
Partner
Membership No.210007

Sd/-
T. HANUMATH PRASAD
Chief General Manager/Finance

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

STATEMENT OF PROFIT AND LOSS
Profit and Loss statement for the year ended 31st March, 2012

Amount in Rs.

Particulars	Note No	Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
		₹	₹
I. Revenue from operations	18	60391726215	49469394301
II Less: Electricity Duty		668097352	587606706
III Net Revenue from operations(I - II)		59723628863	48881787595
IV. Other Income	19	2148451166	2138883631
V. Revenue Subsidies and Grants	20	17270622000	15785011999
VI. Total Revenue (III +IV+V)		79142702029	66805683226
<u>VII. Expenses:</u>			
Cost of Power Purchase	21	63390063580	50611240178
Less: Rebate on power purchase		534509943	534260955
Power Purchase Cost after Rebate		6285553637	50076979223
Employee benefit expense	22	5641301503	7425534271
Financial costs	23	5357531317	3981661902
Depreciation and amortization expense	24	3779326131	3434326804
Other expenses	25	1434010954	1835102761
Total Expenses		79067723542	66753604961
VIII. Profit before exceptional and extraordinary items and tax(VI - VII)		74978487	52078265
IX. Exceptional Items		0	0
X. Profit before extraordinary items and tax (VIII - IX)		74978487	52078265
XI. Extraordinary Items		0	0
XII. Profit before tax (X - XI)		74978487	52078265
XIII. Tax expense: Provision for Taxation		18284000	7800000
XIV. Profit(Loss) from the period from continuing operations(XII-XIII)		56694487	44278265
XV Less: Transfer to Contingency Reserve		22205057	14029033
XVI. Profit/(Loss) for the period (XIV - XV)		34489430	30249232
XVII. Earning per equity share:			
(1) Basic		0.10	0.08
(2) Diluted			

As per our report of even date
For M/s Ramraj & Co.
Chartered Accountants.
Firm No.002839S

For and on behalf of the Board

Sd/-
K.VIDYASAGAR REDDY
Chairman & Managing Director

Sd/-
Z. PHILIP
Director (Finance)

Sd/-
CA M.C.Venkatanath
Partner
Membership No.210007

Sd/-
T. HANUMATH PRASAD
Chief General Manager/Finance

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

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

Amount in Rs.

Particulars	Year ending 31-03-2012		Year ending 31-03-2011	
	₹	₹	₹	₹
A Cash flow from operating activities				
Net profit before taxation		52773430		38049232
Adjustments for items in Profit & Loss Account				
Income from Capital Contributions	(1157693559)		(1011622450)	
Depreciation & Amortisation	3716885921		3388879514	
Interest Income	(162249500)		(116097409)	
Deferred Cost Written Off	0		0	
Interest Expense	5139627877	7536570740	3766120737	6027280392
Operating Profit before working capital changes		7589344169		6065329624
Adjustments for changes in Current Assets other than Cash and Cash Equivalents				
Income accrued but not due	(11729960549)		(5935400000)	
Inventories	(196078565)		221243171	
Sundry Debtors	(602759389)		(690764849)	
Receivables	(3688829621)		(2972785913)	
Loans and Advances	189976673		(739079457)	
Adjustments for changes in Current Liabilities & provisions				
Current Liabilities	5064755694		5037827282	
Provisions	123064064	(10839831693)	1598705284	(3480254483)
Cash generated from Operations		(3250487523)		2585075141
Less: Provision for Income Tax/Fringe Benefit Tax		18284000		7800000
Net cash flow from operating activities		(3268771523)		2577275141
B Cash flows from investing activities				
Purchase of fixed assets /CWIP	(4190940642)		(4085832288)	
Interest on Investments	162249500		116097409	
Interest on contingency reserve investments	22205057		14029033	
(Increase)/Decrease in Investments	(327500000)		(542844000)	
Net cash flow from investing activities	(4333986085)	(4333986085)	(4498549846)	(4498549846)
C Cash Flows from Financing Activities				
Proceeds from borrowings	46468701006		44293064042	
Additions to Deferred Capital Contributions	2649634209		1878033462	
Repayment of borrowings	(37028071323)		(39210666854)	
Interest on Borrowings	(5139627877)		(3766120737)	
Net Cash flow from Financing Activities	6950636015	6950636015	3194309913	3194309913
D Net increase/(decrease) in cash and cash equivalents		(652121594)		1273035207
E Cash and Cash Equivalents				
At the beginning of the period		4785030083		3511994874
At the end of the period		4132908489		4785030083
F Net increase/(decrease) in cash and cash equivalents		(652121594)		1273035209

As per our report of even date
For M/s Ramraj & Co.
Chartered Accountants.
Firm No.002839S

For and on behalf of the Board

Sd/-
CA M.C.Venkatanath
Partner
Membership No.210007

Sd/-
K.Vidyasagar Reddy
Chairman & Managing Director

Sd/-
Z.Philip
Director (Finance)

Sd/-
T. Hanumath Prasad
Chief General Manager
Finance

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

Note No.1 - Share Capital

Amount in Rs.

Share Capital	As at 31 March 2012		As at 31 March 2011	
	Number	Amount in Rs.	Number	Amount in Rs.
<u>Authorised Share Capital</u>				
Equity Shares of ₹ Rs.10 each(Rupees Ten Only)	360000000	3600000000	360000000	3600000000
<u>Issued Subscribed & Paid up Share Capital</u>				
Equity Shares of ₹ Rs.10 each(Rupees Ten Only)	358715309	3587153090	358715309	3587153090
Total	358715309	3587153090	358715309	3587153090

Note No.2 Reserves & Surplus

Reserves & Surplus	Amount in Rs.	
	As at 31 March 2012	As at 31 March 2011
	₹	₹
2.1 Contingency Reserve		
Opening Balance	199016695	184987662
(+) Current Year Transfer	22205057	14029033
(-) Written Back in Current Year	0	0
Closing Balance	221221752	199016695
2.2 Deferred capital Contributions		
Opening Balance	9191591768	8325180756
(+) Current Year Transfer	2649634209	1878033462
(-) Written Back in Current Year	1157693559	1011622450
Closing Balance	10683532418	9191591768
2.3 Surplus		
Opening balance	1435302422	1405053190
(+) Net Profit/(Net Loss) For the current year	56694487	30249232
(-) Transfer to Contingency Reserve	22205057	
Closing Balance	1469791852	1435302422
Total	12374546022	10825910884

1. Statutory Reserves:

Contingency Reserve represents reserve made as per the guidelines issued by Andhra Pradesh Electricity Regulatory Commission. No additional provision is made during the year towards contingency reserve.

2. Deferred capital contributions (Note No. 2.2) represent unamortized balance of consumer contributions and RGGVY subsidies received on capital account.

3. Consumer Contributed Assets: During the year 2011-12 the company has received towards consumer contribution (including subsidies and Grants towards Cost of Capital Assets) amounting to Rs 264.96 Crores (Previous year Rs.187.80 Crores). In proportion in which depreciation on the concerned assets has been charged during the year 2011-12, an amount of Rs.115.76 Crores (Previous year Rs.101.16 crores) has been treated as withdrawal from consumer contribution and credited to Profit and Loss Account.

4. Government Grants and Subsidies:

4.1 Rajiv Gandhi Grameena Vidyutkarana Yojana (RGGVY): GL A/c.No.5500201

As per the tripartite Agreement between the Rural Electricity Corporation (REC), Government of Andhra Pradesh (GOAP) and the Company for the execution of the RGGVY Scheme, the Company shall construct and operate the assets created out of the loan assistance given by REC and the ownership of the assets shall be with the GOAP.

The achievements under RGGVY Scheme are as follows:

1. No. of Villages electrified : 6121 Nos.
2. No. of Habitations electrified : 3242 Nos.
3. Electrification of rural households including APL : 10,54,131 Nos.
4. Electrification of BPL households : 8,80,718 Nos.
5. Total Expenditure incurred : Rs.192.74 crores.

The financial closure of the scheme is completed and the same has been certified by an Independent auditor. The balance amount receivable from REC is Rs.21.60 crores. The work orders were closed and the amount has been capitalized.

5. R-APDRP:

Restructured Accelerated Power Development & Reforms Programme -(R-APDRP) : The quadripartite agreement entered with Govt. of AP, MOP, PFC & APSPDCL. R-APDRP (Restructured Accelerated Power Development and Reforms Programme) during XI plan is financed by GOI through M/s PFC Ltd (Nodal agency). The Focus of the programme shall be on actual, demonstrable performance in terms of sustained loss reduction. It is proposed to cover Urban areas – Towns and Cities with population more than 30,000. This Project under the scheme shall be taken up into two parts. Part-A&B and the rate of interest is 11.50% charged on the loan under R-APDRP. The Loan was released through PFC. The commissioning of this project is under progress.

The company has received an amount of Rs.54.38 crores upto 31.03.2012. Out of which the bank balance available as at March 31st is Rs.11.80 crores and the assets capitalization made during the year under R-APDRP is Rs.2.97 crores and Asset Under Construction (AUC) is Rs.23.12 crores. The total expenditure incurred upto 31.03.2012 is Rs.44.22 crores (including mobilization advance given to M/s. Tata consultancy of Rs.7.73 crores).

6. Indira Jala Prabha: GL A/c.No5500301

Rs.7.31 crores have been received during the year under Indira Jala Prabha as grant sanctioned by REC Ltd., towards Indira Jala Prabha. Cost booked under this programme is Rs.2.71 crores. Out of which Rs.0.55 crores have been capitalized and asset under construction is Rs.2.16 crores.

Note No.3 Long Term Borrowings

Amount in Rs.

Long Term Borrowings	As at 31 March 2012	As at 31 March 2011
	₹	₹
3.1 Secured		
(a) Term loans from banks :		
State Bank of Hyderabad	0	0
Syndicate Bank	68008142	115882527
(b) Term loans from Other Parties :		
REC	17100147613	15008919047
PFC	1009940775	900033584
	18178096530	16024835158
3.2 Unsecured		
(a) Term loans from banks :		
Loan from Bank of Baroda	87026805	126914103
(b) Term loans from Other Parties :		
Loans from Govt of Andhra Pradesh	281785474	337587474
Vidyut Bonds	313100000	313100000
	681912279	777601577
Total	18860008809	16802436735

1. 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.4121.79 Crores (Previous year Rs.3025.17 Crores) up to 31.03.12 have been mortgaged including for the loans obtained from the banks.

2 All the Loans other than GOAP loans, loans taken in third transfer scheme and CC Limits are having Escrow charge.

3. 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. The principal amount of loan at APTRANSCO relating to the company is Rs.187.49 crores as on 31.03.2012.

4. Claim has been made towards the interest re-imburement/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.

5. 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

Note No.4 Other Long Term Liabilities

Amount in Rs.

Other Long Term Liabilities	As at 31 March 2012	As at 31 March 2011
	₹	₹
Security Deposits from Consumers	8489120757	7251281038
Total	8489120757	7251281038

Note No.5 - Long term Provisions

<u>Long Term Provisions</u>	Amount in Rs.	
	As at 31 March 2012	As at 31 March 2011
	₹	₹
5.1 Provisions for employee benefits		
SPDCL Pension & Gratuity Trust	1309377903	1560776069
Provision for Gratuity	17220775	23199168
Provision for Leave Encashment	2733792463	2608034007
Total	4060391141	4192009244

Employee Related benefits:

1. Terminal Benefits: Pension & Gratuity :

For the year 2011-12, the Company has paid Rs.65.04 Crores (Previous year Rs.52.37 Crores) to the Pension and Gratuity Trust. The company has made a provision of Rs.48.87 crores (Previous year Rs.94.17 crores) towards Gratuity and Pension benefits by taking the actual payment made during the year and with an increase of 20% , in line with the Actuarial valuation of prior years. Against this liability, and accordingly the provision is made.

2. 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.1.72 crores (Previous year Rs.2.32 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

3. Leave Encashment: Provision has been made for the liability towards Leave encashment of employees for Rs.25.32 crores (Previous year Rs.160.23) , the provision amount made is almost equivalent to the payment made to the retired employees during the current year on an adhoc basis.

Note No.6 - Short term borrowings
--

Amount in Rs.

Short Term Borrowings	As at 31 March 2012	As at 31 March 2011
	₹	₹
Secured		
(a) Loans repayable on demand from Banks	35179573910	25834350000
(b) Security and other Deposits	1099881899	809095627
Total	36279455809	26643445627

Note No. 7- Trade payables

Amount in Rs.

Other Current Liabilities	As at 31 March 2012	As at 31 March 2011
	₹	₹
Sundry Creditors for Power Purchase & Others	18572430240	12293030822
Total	18572430240	12293030822

1. 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), 31st, OCTOBER, 2005) duly adjusted through IBSS done on monthly basis.

2. Confirmations of balance as on 31.03.12 from the Generating Companies/Suppliers of power are yet to be obtained and these balances are subject to reconciliation and adjustments.

3. The balance payable to power purchase creditors of Rs.1856.89 crores which includes Rs.172.92 crores towards others (Previous Year RS.1226.91 crores) power purchase and others is under reconciliation and confirmations are yet to be received.

Note No.8 - Other Current Liabilities(Including current maturities of long term debt)

Other Current Liabilities	Amount in Rs.	
	As at 31 March 2012	As at 31 March 2011
	₹	₹
(a) Current maturities of long-term debt		
REC	2536498424	4283716591
PFC	71687272	121406927
SYNDICATE BANK	51096000	41684608
Bank of Baroda	43513416	47139534
Government Loan Fron AP	60567000	86580753
State Bank of Hyderabad	0	145000000
(b) Interest accrued and due on borrowings	0	96370383
i) Pool Imbalance Account	(1226360869)	1000529451
ii) Group Insurance Savings Fund	38183168	33730671
iii) Other Liabilities	430081851	603145194
Total	2005266262	6459304112

1. 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.
2. 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 31.03.2012 are subject to reconciliation and confirmation and adjustments.
3. Inter unit account shows a net difference (credit) of Rs.42.35 Crores (Previous year (Credit) of Rs.59.83 Crores) as at 31-03-2012 which is subject to reconciliation.

Note No.9 Short Term Provisions

Short Term Provisions	Amount in Rs.	
	As at 31 March 2012	As at 31 March 2011
	₹	₹
Income Tax	15811929	12527929
Total	15811929	12527929

1. Provision has been made for Rs.1.83 Crores (Previous year Rs.0.78 crores) towards Income Tax u/s115JB of the Income Tax Act, 1961.
2. Deferred tax liability as per AS 22 has not been recognized in the books.

A) FIXED ASSETS
Note No.10 : Non- Current Assets

SNO	Asset Group	GROSS BLOCK			DEPRECIATION & AMORTISATION			NET BLOCK		
		At the end of the year 2011	Additions during the year	Adjustments/Deductions during the year	At the end of the year 2012	At the end of the year 2011	At the end of the year 2012	At the end of the year 2012	Balance as at 01-04-2011	Balance as at 31-03-2012
a. Tangible Assets										
1	Land and Land Rights	40573850	506000		41079850	0		0	40573850	41079850
2	Buildings	395070677	34844799		429915476	145905922	12483740	158389662	249164755	271525814
3	Other Civil Works	74454487	6899950		81354438	3860500	2343969	6204469	70593987	75149969
4	Plant and Machinery	22270536866	1520666048	63168787	23728034126	7854873065	1576350355	9374371511	14415663801	14353662615
5	Lines and Cable Net work	28008938392	1145706114	6403490	29148241016	12754576572	1850520308	14599508578	15254361820	14548732438
6	Metering Equipment	2008134180	686885520		2695019699	548404797	283452498	831857295	1459729383	1863162405
7	Vehicles	32912021			32912021	29033842	474731	29508573	3878179	3403448
8	Furniture and Fixtures	54246058	1561122		55807180	46479028	564054	47043082	7767029	8764098
9	Office equipment	217591026	1229297		218820323	147011613	27877058	174888671	70579413	43931652
10	Computers & IT Equipment	161360891	5948629		167309519	42583617	20743597	63327214	118777274	103982306
11	Low Value Assets	680875	546262		1227138	680876	546261	1227137	(1)	0
Total		53264499323	3404793740	69572277	56599720786	21573409832	3775356570	25286326192	31691089491	31313394594
b. Intangible Assets										
1	Software	23894419			23894419	10960738	3969561	14930298.8	12933680.8	8964120
2	Goodwill	11390000			11390000	11390000		11390000		
Total		35284419			35284419	22350738	3969561	26320298.8	12933680.8	8964120
C. Capital work in Progress										
Total									3065873684	3921592862
1. Work Orders: The total work order are yet to be closed as on 31.03.2012 is 42122, out of which 145 nos. pertaining to year 2009-10 and for the year 2010-11 is 12770 nos. and 2011-12 is 29207 nos.										
2. Impairment of Assets: There has been no impairment of assets during the year, hence no provision made for impairment of assets as stipulated in Accounting Standard 28.										
3. Depreciation: 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.										

Note No.11 Non-Current Investments

Amount in Rs.

Non-Current Investments	As at 31 March 2012	As at 31 March 2011
	₹	₹
a) Share Capital in Resco- Kuppam, Chittoor	2905000	2905000
b) Investment in Shares of APPDC 8,70,40,000 shares of Rs.10 each fully paid)	870400000	542900000
	873305000	545805000
Aggregate Book Value of Un Quoted Investments	873305000	545805000
Total	873305000	545805000

Investments

- Investments include Equity participation in 1600MW Power Project at Krishna Patnam in Nellore District. The company share is 10.91% (out of 49) an amount of Rs.87.04 Crores upto 31.03.2012 (Previous year Rs.54.29 Crores)- towards its share capital in Andhra Pradesh Power Development Company Limited.
- The company has further sanctioned investment of Rs.76.40 crores in the share capital of A. P. Gas Power Corporation Limited.
- An amount of Rs.89.08 lakhs was paid to M/s Coastal Tamil Nadu Power Limited projects (Ultra Mega Power Project) at Cheyyuru towards commitment advance

Note No.12 Long Term Loans and Advances

Amount in Rs.

Long Term Loans and Advances	As at 31 March 2012	As at 31 March 2011
	₹	₹
a. Capital Advances		
Loans and advances to suppliers/contractors, employees and other related parties	1007010150	1296024403
Total	1007010150	1296024403

Note No.13 Inventories

2.a. Inventories	Amount in Rs.	
	As at 31 March 2012	As at 31 March 2011
	₹	₹
Stores and spares	1321283954	1132372973
Less:Materials stock excess/shortage pending		(7167584)
Less:Provision for non-moving and obsolete stock	(114532270)	(114532270)
Total	1206751684	1010673119

1. Inventories:

a. There is a net shortage of Rs. Nil (Previous year Rs.0.72 crores) between the physical inventory of stores and spares (as certified by the management) and the value as per the financial ledger as on 31.03.2012.

b. Inventory includes Rs.0.56 crores (Previous year Rs.6.76 crores) materials received but pending inspection and acceptance.

c. There are no imported raw materials, spare parts and components consumed during the financial year. The value of indigenous raw materials, spare parts and components consumed during the year is Rs. 13.64 crores.

d. No provisions has been made for the current year towards Non-moving, unserviceable and obsolete inventories (upto previous year Rs.11.45 crores) the same is considered adequate by the Management.

e. The Inventory position is as follows :

Opening Stock	Rs.113.24 Crores *
Receipts during the year	Rs.239.29 Crores
Issues during the year	Rs.220.40 Crores
Closing Stock	Rs.132.13 Crores **

*including provision for non-moving, obsolete and unserviceable stock of Rs.11.45 crores and material stock excess/shortage pending investigation of Rs.0.72 crores.

**including provision for non-moving, obsolete and unserviceable stock of Rs.11.45 crores.

f. Further the value of inventories as at the close of the year includes materials procured from and out of the grants received from Government.

Note No.14 Trade Receivables

Amount in Rs.

2.b. Trade Receivables	As at 31 March 2012	As at 31 March 2011
	₹	₹
Accrued Income from Sale of Power	26815660549	15085700000
SUNDRY DEBTORS		
Debts Outstanding over Six Months		
Considered Good	4323152035	3419700000
Considered Doubtful	1013500000	1013500000
	5336652035	4433200000
Other debts considered Good	163423000	464115646
	5500075035	4897315646
Less: Provision for doubtful debts	1013500000	1013500000
	4486575035	3883815646
Total	31302235584	18969515646

1. 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.

2. Debtors:

2.1 The credit balance in the Sundry debtors amounting to Rs.54.56 Crores (Previous year Rs.52.10 crores) is netted off from the Sundry debtors.

2.2 As per the Financial ledger the Sundry debtors account shows a balance of Rs.550.00 crores where as, as per the Consumer ledger the balance shown is Rs.583.97 crores. The difference of Rs.33.97 crores (Previous year Rs.21.87 crores) is under reconciliation.

2.3 Due to non-determination of written off towards bad and doubtful debts in the current year, no provision is made for the debtors outstanding more than 4 years (Previous year 42.19 crores).

Note No.15 Cash & Cash Equivalents

Amount in Rs.

2.c. Cash & Cash Equivalents	As at 31 March 2012	As at 31 March 2011
	₹	₹
a) Cash on Hand (including cheques, DD's and Stamps on Hand & Cash -in- transit	146093290	124881684
b) Balance with Scheduled Banks		
i) in current A/c	2874729491	2600835031
ii) in Deposit Accounts	1111714489	2192956042
c) Remittances in Transit	371219	(133642674)
Total	4132908489	4785030083

1.1 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.

1.2. 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.

1.3. Cash-in-transit includes Cheques and DDs on hand amounting to Rs.2.27 crores (Previous Year Rs.1.23 crores) as at 31.03.2012 in various units

Note No.16 Short Term Loans and Advances

Amount in Rs.

2.d. Short Term Loans and Advances (Unsecured- Considered Good)	As at 31 March 2012	As at 31 March 2011
	₹	₹
a) Share Application Amount with APPDC	161700000	66100000
b) Tax Deducted at Source	27921779	11852619
c) Advance Fringe Benefit Tax Paid	37554305	37554305
Less: Provision for Fringe Benefit Tax	35561860	35561860
	1992445	1992445
d) Deposits with Others	95273926	90594108
e) Others	(13535982)	3775416
	273352168	174314588
Less : Provision for dimunition in the value of Investments		
Total	273352168	174314588

Note No.17 Other Current Assets

Amount in Rs.

2.e. Other Current Assets	As at 31 March 2012	As at 31 March 2011
	₹	₹
i) from GOAP	29834418192	26110770200
ii) from others	370251216	405069586
Total	30204669407	26515839786

1. An amount of Rs.28.18 crores FSA pertaining to 2008-09 was billed during the year and the same was adjusted against Government Receivables.

2. Receivables: Against the Subsidy of Rs 1727.06 crores (Previous Year Rs.1578.50 crores) sanctioned by the Government of Andhra Pradesh for the year 2011-12, an amount of Rs. 709.94 crores (Previous Year Rs. 422.08 crores) is receivable towards additional power purchase.

NOTE NO - 18 : Revenue From Operations

Amount in Rs.

REVENUE FROM OPERATIONS		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
		₹	₹
1	Revenue from Sale of Power		
	a) Between DISCOMS	646848204	1390987525
	b) L.T. Supply	30968335447	23701612175
	c) H.T. Supply	27436537726	22686239513
2	Income from Inter State Sale of Power	388327711	805860714
3	Other Receipts	951677128	884694375
	Total	60391726215	49469394301
Revenue from sale of power includes Rs.1160.71 crores (Previous year Rs.713.00 crores) of Fuel Surcharge Adjustment (FSA) Charges for the year 2011-12 is accounted based on the advice given as per the instructions of APPCC which is subject to approval from APERC.			

NOTE NO - 19 : Other Income

Amount in Rs.

OTHER INCOME		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
		₹	₹
1	Interest on		
	a) Staff Loans & Advances	668536	399714
2	Delayed Payment Charges from Consumers	600564996	693277038
3	U I (Unscheduled Inter Change) Income	9056018	60291573
4	Miscellaneous Receipts	311728024	330115818
5	Income from Capital Contributions	1157693559	1011622450
	SUB-TOTAL	2079711132	2095706593
6	Income relating to Prior Years		
	a) Prior Period Receipts	(151889532)	(5282459)
	b) Excess Provision-Interest & Finance Charges -written back	0	0
	c) Other Excess Provisions	11874484	(324912)
	SUB-TOTAL	(140015048)	(5607371)
7	Prior Period Expenses / Losses		
	a) Operating Expenses	(50639031)	(19041485)
	b) Employee Costs	(124677034)	(77272076)
	c) Short Depreciation in Prior Periods	0	0
	d) Interest & Other Finance Charges	(1269847)	2889946
	e) Prior Periods other charges	(32169170)	44639206
	SUB-TOTAL	(208755082)	(48784409)
	Net prior period credits/(charges) (6 - 7)	68740034	43177038
	OTHER INCOME- TOTAL	2148451166	2138883631

NOTE NO - 20 : Revenue Subsidies and Grants

Amount in Rs.

		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
	REVENUE SUBSIDIES AND GRANTS	₹	₹
1	Tariff Subsidy from Government	10171222000	11564211999
2	Additional subsidies from Government	7099400000	4220800000
	Total	17270622000	15785011999

NOTE NO.21 : Cost Of Power Purchase

Amount in Rs.

		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
	COST OF POWER PURCHASE	₹	₹
1	Transmission & SLDC Charges	3829854912	2737791055
2	Power Purchase & Others	59560208668	47873449123
	Total	63390063580	50611240178

1. The APPCC was established as an institutional arrangement for smooth transition of power purchase functions and co-ordinations among the DISCOMs as per the G.O.Ms.No.59,Dated 07-06-2005.
2. Payments to APTEL are under reconciliation; hence no provision has been made in the books of accounts in the current year.
3. The cost of power purchase is finalized at APPCC level. The power purchases and its accounting are being carried out by the Andhra Pradesh Power Coordination Committee (APPCC) , and are sent to the Distribution Companies. The amount as certified by M/s. Sagar & Associates, Chartered Accountants, Hyderabad the Internal Auditors of APPCC has been adopted in the books of accounts of the Company in toto.
4. The company has paid Rs 13.38 Crores (Previous year Rs.19.75 crores) as Unscheduled inter change charges. This has been accounted to Power Purchase Cost.

NOTE NO - 22 : Employment Benefit Expense

Amount in Rs.

		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
	EMPLOYEE BENEFIT EXPENSE	₹	₹
1	Salaries, Wages and Bonus	5225489136	6115048973
2	Pension Contribution & Terminal Benefits	671846646	1520294683
3	Employees Welfare expenses	12347503	9648782
		5909683285	7644992439
	Less: Employees Cost Capitalised	268381782	219458168
	Total	5641301503	7425534271
<p>1. Provident Fund :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.17.10 crores (Previous Year Rs. 14.90 crores) has been contributed.</p> <p>2. The Company has made provision for Bonus during the year 2011-12 amounting to Rs. 0.46 Crores (Previous Year Rs.0.81 Crores).</p>			

NOTE NO - 23 : Financial Costs

Amount in Rs.

		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
	Financial Costs	₹	₹
1	Interest on State Government Loans/REC/PFC	2091974832	2024028704
2	Interest on loans from Financial Institutions and Banks	3047653045	1742092033
3	Government Guarantee Commission		
4	Interest on others	461290736	400601324
		5600918614	4166722061
	Less: Interest and Finance Charges Capitalised	81137798	68962750
	Less: Interest on Fixed Deposits/Short term investments	162249500	116097409
	Total	5357531317	3981661902
<p>Interest Capitalization: Interest capitalized during the year is Rs.8.11 crores (Previous Year Rs.6.90 crores) as per Accounting Standard -16 – Borrowing Costs</p>			

NOTE NO - 24 : Depreciation & Amortization expense

Amount in Rs.

Depreciation & Amortization expense		Figures as at the end of current reporting period 2011-12	Figures as at the end of previous reporting period 2010-11
		₹	₹
1	Depreciation	3716885921	3388879514
2	Amortization	62440210	45447290
Total		3779326131	3434326804

NOTE NO. 25 : Other Expenses

Amount in Rs.

Other Expenses		Figures as at the end of current reporting period 2011-12		Figures as at the end of current reporting period 2010-11	
		₹	₹	₹	₹
1	Licence fees		13144828		10770308
2	Repairs and Maintenance to				
	a) Plant and Machinery	708904763		575880553	
	b) Buildings	1972432		1283150	
	c) Others	16142351	727019546	1678630	578842333
3	Rent (including Lease Rentals)		11724120		10511418
4	Rates & Taxes		7143229		4197109
5	Insurance		487365		375423
6	Telephone Charges		28476171		21871943
7	Postage & Telegrams		2061629		1427850
8	Legal Charges		6218730		10520890
9	Audit Expenses and Fees : of which				
	a) Statutory Audit Fees	898880		661800	
	b) Audit Expenses	400000		391732	
	c) Tax Audit Fees	112360	1411240	110300	1163832
10	Other Professional Charges		251239051		224476730
11	Printing & Stationery		18688966		23755712
12	Advertisement		4021868		8838346
13	Electricity Charges		52116783		47986326
14	Conveyance and Traveling Expenses		173751543		160671720
15	E-Seva Collection Charges		28921144		27232534
16	Other Administration Expenses		141693907		144258251
	Bad & Doubtful Debts Provided for/Written Off		61978		421944833
18	Incentive to HT Consumers		115216		134237528
19	Rebate on Sale of Power		14264		1352808
20	Miscellaneous losses and write-offs		13050732		39391033
			1481362308		1873826926
	Less: Administration & General Expenses Capitalised		47351354		38724165
Total			1434010954		1835102761

26. Notes to Accounts Others

1.Fixed Assets and Liabilities:

- 1.1 As per the Andhra Pradesh Gazette Notification No., 396 dated 09.06.2005, for Assets and Liabilities pertaining to the Bulk Supply Undertaking of APTRANSCO have to be transferred to Discoms on the Effective Date being 09.06.05 with due accounting adjustments. 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.
- 1.2 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 29th September 2001 amounting to Rs.799.58 crores at gross value for which break up details are not available.
- 1.3 Land: The particulars of land transferred during the second transfer, land acquired by the company after incorporation and land allotted by the different sources are yet to be identified.
2. The Government of Andhra Pradesh (GoAP) vide G.O.Ms.No.58, Energy (Power-III), dated:07-06-2005 notified the transfer of Bulk Supply Undertaking and Power Purchase Agreements from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) to the four Distribution Companies (DISCOMs), in specified ratios, as on 09-06-2005. The GoAP vide G.O.Ms.No.53, Energy (Power-III), dated: 28.04.2008, amended the share of four DISCOMs in the Generating Stations as per which the revised share of APSPDCL is 22.27%. This G.O. shall be deemed to have come into force with retrospective effect from 09.06.2005. The retrospective implementation of the G.O. involves so many calculations, revisions, etc. The Andhra Pradesh Power Co-ordination Committee (APPCC) has requested the GoAP to amend the date of implementation from April, 2008 onwards.
3. IT Initiations:
- Implementation of "SAP" ECC 6.0 in 2010-11: During the financial year 2010-11, the company has implemented SAP ECC 6.0 version with effect from 1st May 2010 for better internal control system and effective maintenance of Books of accounts. Unit Wise

Opening balances to the extent available i.e. net balances for each account are now reflected in the Trial Balance of the respective Business Area wise/unit in the financial year 2011-12. Reconciliation of Line items and Business Area /unit opening balances is in progress. GL Balances which are not directly identifiable against any Business Area are kept in the Business Area 9999 – GM/ Costing unit including unidentifiable balances taken over in 2nd Transfer Scheme.

4 There are no dues pending as at 31st March 2012 to suppliers/contractors/service providers who are registered as Micro, Small Or Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

5. Tax disputes with various authorities:

5.1 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.

5.2 Pending Appeals in respect of Income Tax/TDS before various Income Tax Authorities.

Assessment Year	Authority before which the appeal is pending	Amount in Dispute (Rs.)	Description of the Appeal
2008-09	CIT(Appeals), Vijayawada	2,12,98,134	Interest on Delay Payment of TDS on Transmission Charges.
2009-10	CIT(Appeals), Vijayawada	2,54,29,035	Interest on Delay Payment of TDS on Transmission Charges.
2009-10	CIT(Appeals), Guntur	8,80,98,880	Disallowance of Provisions claimed u/s 115JB for calculation of MAT.
2010-11	The ITAT, Vishakapatnam	8,60,38,464	TDS on Transmission & SLDC Charges and Lease Rentals.

5.2 (a) 1&2 rows of the above table: The DCIT, Vijayawada has issued an Order U/s 201(1A) dt. 30.03.2012 demanding to pay an amount of Rs.4,67,27,169/- towards interest for delay in payment of TDS on Transmission & SLDC Charges for the F.Y.2007-08 AND 2008-09.

(b) 3rd row. An assessment Order for the P.Y.2008-09 has been issued by the ACIT, Circle-2(2), Tirupati u/s 143(3) of the Income Tax Act, 1961 demanding to pay an amount of Rs.8,80,98,880/-.

(c) 4th row The DCIT of Vijayawada filed a review petition on the orders of the commissioner of

income tax (appeals), Tirupati at ITAT Vizag and the same is also pending for disposal before ITAT, Vizag.

Segment Reporting as per AS-17, since distribution and retails supply of power comprises primary and reportable segment, hence not applicable

6. AS-20 : Earning per share (EPS) for the year 2011-12 is Rs.0.10ps.

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

Payemts and Benefits to Directors Figures in Rs.					
Sl No.	Particulars	FY : 2011-12		FY : 2010-11	
		Chairman and Managing Director	Other Directors	Chairman and Managing Director	Other Directors
1	Salary / Remuneration	10 11 059	24 22 027	8 78 829	55 35 200
2	Traveling Expenses	2 60 508	5 53 053	1 61 962	6 17 911
	Total	12 71 567	29 75 080	10 40 791	61 53 111

8 Loans and Advances to Directors – NIL.

9 Related Party Disclosure:

Key Management Personnel:

Amount in Rs.

Name	Remuneration for 2011-12	Remuneration for 2010-11
K.Vidya Sagar Reddy Chairman and Managing Director	1011059	Nil
Mr.P.Gopal Reddy, Chairman and Managing Director	Nil	345948
Mr. V. Krishna Murthy Chairman and Managing Director	502305	694843

- 10 Consumption figures for the year 2011-12 is 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.

LT	Units in MUs	% of total units sold	Avg. Realization. In Rs. per unit
Domestic supply - Category –I	4121.19	37.63	2.45
Non-Domestic supply - Category –II	986.59	9.01	5.20
Industrial Supply- Category –III	989.83	9.04	4.82
Cottage Industries - Category – IV	24.42	0.22	1.89
Irrigation and Agriculture Category - V	4366.34	39.87	0.01
Public Lighting - Category - VI	412.35	3.77	2.09
General Purpose - Category - VII	49.02	0.45	4.13
Temporary Supply - Category – VIII	1.40	0.01	4.84
LT. Total	10951.14	100.00	1.93
HT			
Industrial Segregated - Category - I	4115.62	75.70	4.10
Industrial Non-Segregated - Category – II	379.60	6.98	6.07
Irrigation and Agriculture - Category – IV	61.31	1.13	2.40
Railway Traction - Category – V	569.54	10.48	4.48
Colony Lighting – Category - VI	35.47	0.65	5.44
Electricity Co-Operative Societies	275.53	5.07	0.23
Temporary Supply	0.00	0.00	0.00
HT. TOTAL	5437.07	100.00	4.07
LT + HT Total	16388.21	100.00	2.64
LT + HT Total (Previous Year 2010-11)	14441.24	100.00	2.32

11 Court Cases/ Legal Disputes/ Contingent Liabilities

Rs. in Crores

Sl.No.	Particulars	31-03-2012	31-03-2011
i.	Claims against the company not acknowledged as debts	2.89	2.22
ii.	Estimated amount of contracts remaining to be executed on capital account and not provided for	824.10	19.60

12. 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
FY: 10-11	16449.08	5061.12	14441.24	4888.18
FY: 11-12	18474.87	6339.00	16388.21	5972.36

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

a. Amounts have been rounded off to nearest rupees.

As per our report of even date

 For M/s Ramraj & Co.
 Chartered Accountants.
 Firm No: 002839S

For and on behalf of the Board

 Sd/-
 CA M.C.VENKATANATH
 Partner.
 Membership No: 210007

 Sd/-
 K.VIDYASAGAR REDDY
 Chairman & Managing Director

 Sd/-
 Z.PHILIP
 Director (Finance)

 Sd/-
 T. HANUMATH PRASAD
 Chief General Manager (Finance)

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

Note No. 27**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*
 1. *in respect of completed billing cycle, on the basis of demand raised*
 2. *in respect of uncompleted billing cycle, on the basis of estimation and*
 3. *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), 31st, 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.*

As per our report of even date

For M/s Ramraj & Co.
Chartered Accountants.
Firm No: 002839S

For and on behalf of the Board

Sd/-
CA M.C.VENKATANATH
Partner.
Membership No: 210007

Sd/-
K.VIDYASAGAR REDDY
Chairman & Managing Director

Sd/-
Z.PHILIP
Director (Finance)

Sd/-
T. HANUMATH PRASAD
Chief General Manager (Finance)

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

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No.	:	34118
State Code	:	01
Balance Sheet Date	:	31-03-2012

II. Capital raised during the Year

	:	(Rupees in Thousands)
Public Issue	:	-
Rights Issue	:	-
Bonus Issue	:	-
Private Placement	:	-

III. Position of Mobilisation and Development

	:	(Rupees in Thousands)
Total Liabilities	:	104244184
Total Assets	:	104244184

Sources of Funds

Paid up Capital	:	3587153
Reserves & Surplus	:	1691014
Deferred Capital Contributions	:	10683532
Secured Loans	:	18178097
Unsecured Loans	:	36961368

Application of Funds

Net Fixed Assets	:	31322359
CWIP	:	3921593
Investments	:	873305
Net Current Assets	:	10246953
Miscellaneous Expenditure	:	0

IV. Performance of the Company

	:	(Rupees in Thousands)
Turnover	:	79142702
Total Expenditure	:	79067724
Profit/(Loss) before Tax for the Year	:	74978
Profit/(Loss) after Tax for the Year	:	56694
Net Prior Period Credits/(Charges)	:	68740
Profit after Contingency Reserve	:	34489
Earnings per Share	:	Rs. 0.10
Dividend Rate%	:	NIL

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

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



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, Sri..... S/o.....R/o.....
being a member of Southern Power Distribution Company of Andhra Pradesh
Limited hereby appoint SriS/o.....
R/o.....as my proxy to attend and vote for me, on my behalf
at the 12th Annual General Meeting of the Company to be held on Saturday,
the 29th September,2012 at 12.30Hrs.(12:30 PM) or at any
adjournment thereof at the Registered Office of the Company.

Please
Affix
Rs.1/-
Revenue
Stamp

Signed this..... Day of 2012.

Place:
Date :



**7th APSPDCL SPORTS FESTIVAL
HELD AT KADAPA
FROM 10.08.12 TO 12.08.2012.**



SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

19-13-65/A, Srinivasapuram, TIRUPATI - 517503. A.P.

Ph: (0877)2284109,2284112, Fax: 0877-2284111

www.apspdcl.in

