



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

# 9<sup>th</sup> Annual Report 2008-09

**Power line  
Our Life line..**



# BOARD OF DIRECTORS



**Sri P. GOPAL REDDY**  
Chairman & Managing Director



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



**Sri A. Venkata Reddy IRAS**  
Director / Finance



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



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



**Sri S.Vishwanatham**  
Director / HRD



**Sri Z. Philip**  
Director / Projects



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



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



**Sri P. Anjaiah**  
Director / Purchases



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

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

### **BOARD OF DIRECTORS:**

SRI P.GOPAL REDDY

SRI UMESH SHARRAF I.P.S.

SRI G.RAMA KRISHNA REDDY

SRI T.H.N.S.DAMODARA RAO

SRI Y.PADMANABHA REDDY

SRI A.VENKATA REDDY ,IRAS

SRI P.ANJAIAH

SRI K.RAMIREDDY

SRI S.VISWANATHAM

SRI.Z.PHILLIP

CHAIRMAN & MANAGING DIRECTOR

NON WHOLE TIME DIRECTOR

NON WHOLE TIME DIRECTOR

DIRECTOR (RAC )

DIRECTOR (OPERATION)

DIRECTOR (FINANCE)

DIRECTOR (PURCHASES)

DIRECTOR( ENERGY AUDIT)

DIRECTOR( HRD)

DIRECTOR (PROJECTS)

### COMPANY SECRETARY

CS. B.V.S.PRAKASH

### AUDIT COMMITTEE

SRI. UMESH SHARRAF, IPS

SRI. G.RAMA KRISHNA REDDY

SRI.Y.PADMANABHA REDDY

DIRECTOR (NON-WHOLE TIME)

DIRECTOR( NON-WHOLE TIME)

DIRECTOR(OPERATION)

### **AUDITORS**

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

### **BANKERS:**

STATE BANK OF HYDERABAD  
STATE BANK OF INDIA

### REGISTERED OFFICE

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

TELEPHONE : (0877) 2284109, 2284112

FAX : (0877) 2284111

WEB SITE: : WWW.ASPDCL.IN

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

### OUR VISION

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

### OUR MISSION

#### Commercial Objectives:

- ❖ Eliminating pilferage of energy
- ❖ Reducing arrears

#### Operational Objectives:

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

#### Social Objectives:

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

#### Regulatory Objectives:

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

### CORE VALUES

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

*Energy saved is . . . . .*

*Energy produced*



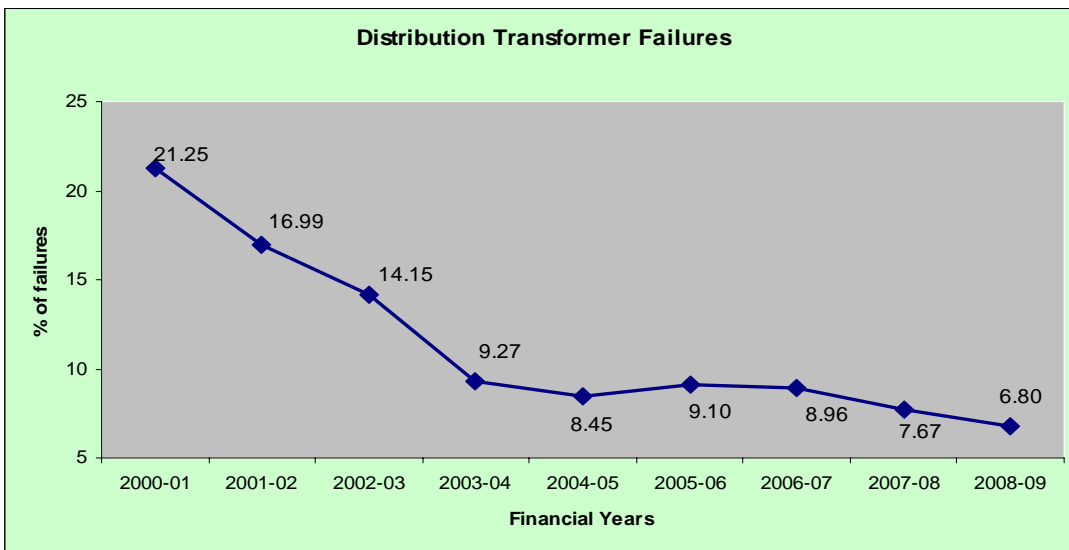
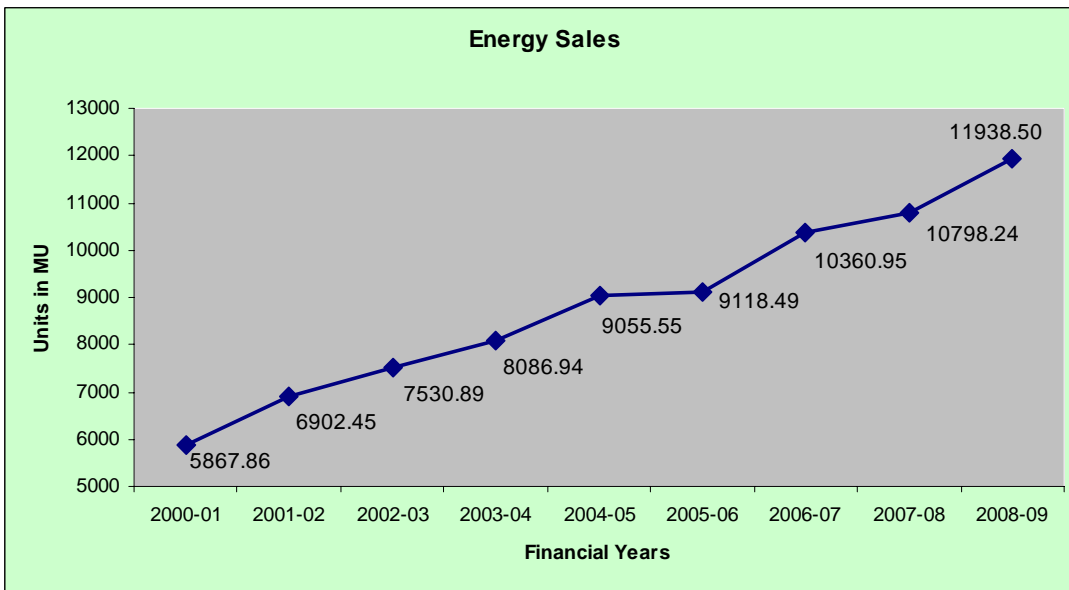
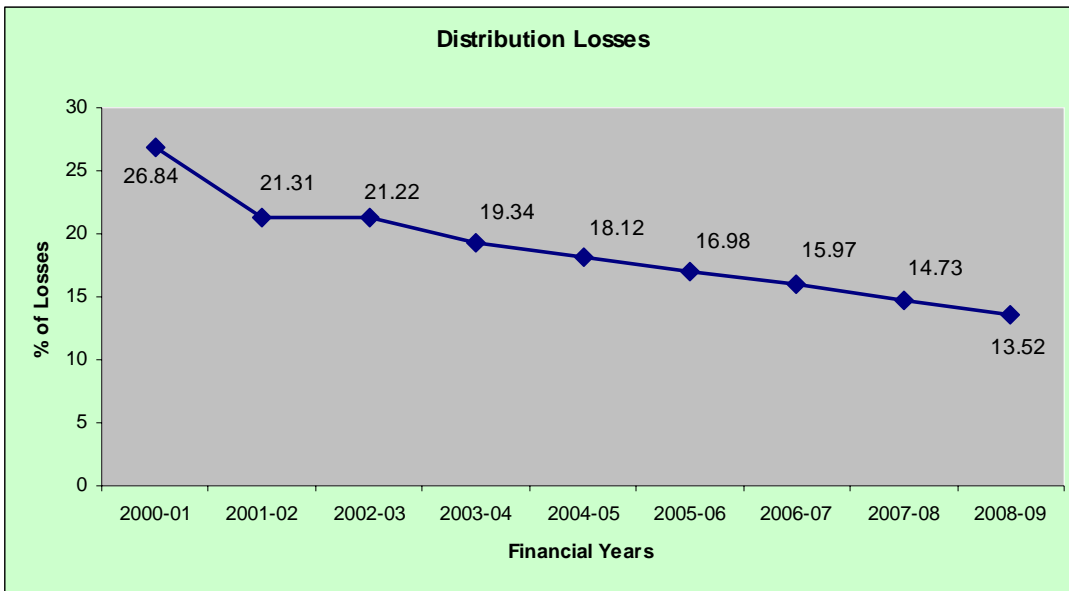
# **9<sup>th</sup> Annual Report 2008-09**

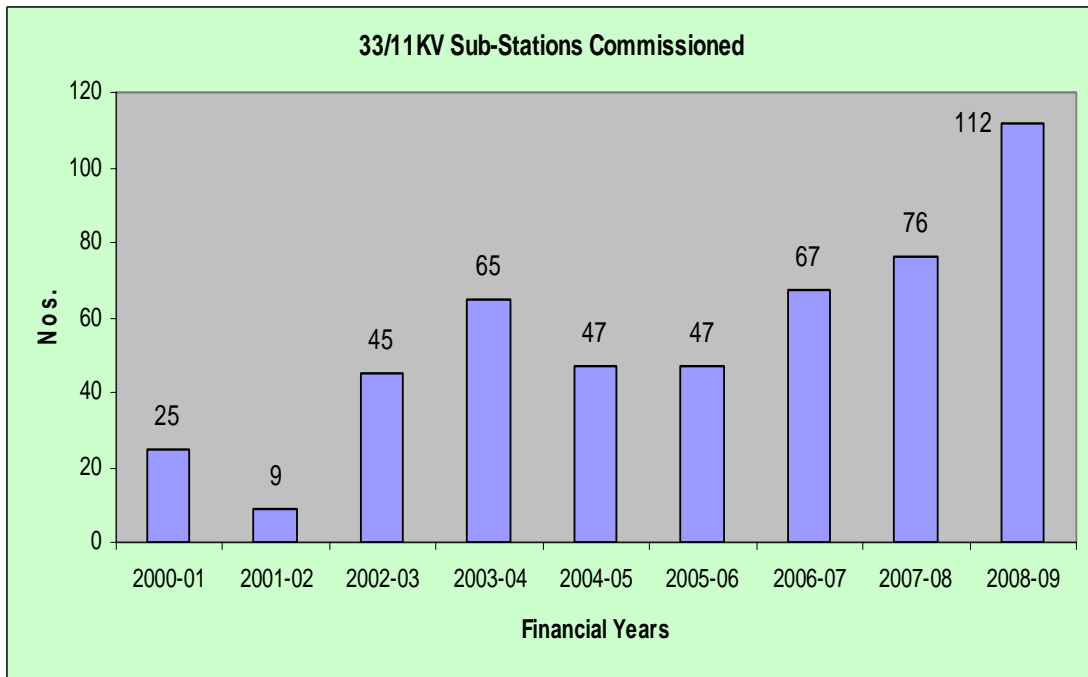
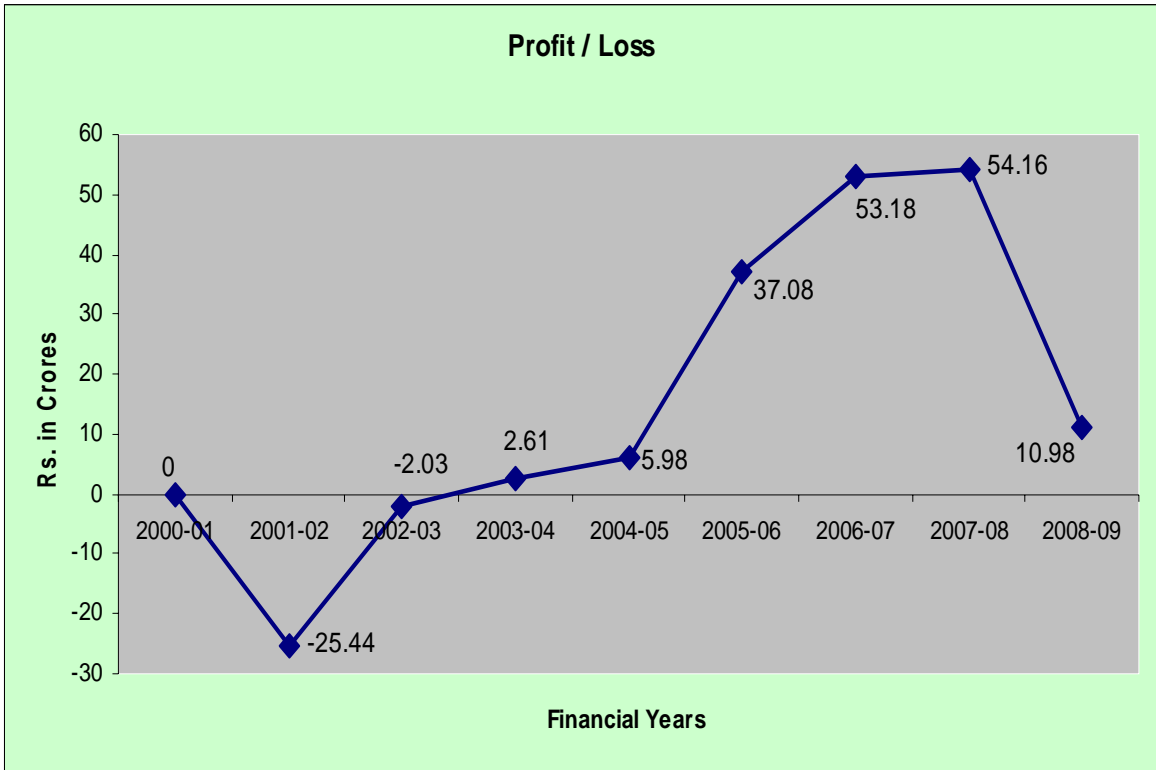
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## APSPDCL PERFORMANCE HIGHLIGHTS

<b>Year ended 31<sup>st</sup> March</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Units Sold (Million Units)	11938.50	10798.24	10360.95	9118.54	9055.56
No. of 33/11 KV Sub stations	955	843	767	700	644
Length of 33 KV line in KM	10891.65	10272.61	9960.10	9601.31	9132.33
Length of 11 KV line in KM	84734.16	75012.36	70173.41	64626.11	59309.92
Length of LT line in KM	139692.10	132688.92	130361.92	129381.08	117767.06
Number of Distribution Transformers	226238	184972	158160	139020	115313
Number of Power Transformers	1261	1147	1071	1003	960
No of Consumers	6021853	5656339	5234494	4849471	4536777
Distribution Losses (%)	13.52	14.73	15.97	16.98	18.12
Distribution Transformer failures (%)	6.80	7.67	8.96	9.10	8.45
Average Realisation per unit (Rs.)	2.27	2.29	2.09	2.11	2.06
<b>Financial Data (Rs. in Crores)</b>					
Total income	5302.13	3891.63	3304.32	2963.60	2500.28
Total Expenditure	5291.15	3837.47	3251.14	2926.52	2494.30
Surplus / (Deficit)	10.98	54.16	53.18	37.08	5.98
Paid up Equity Capital (Rs. In Crores)	358.71	358.71	358.71	358.71	358.71







“ Within boundaries  
You are the boundless  
Do play Your sweet  
Tune”

... Rabindranath Tagore

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

***Gentlemen,***

It gives me great pleasure in presenting the 9<sup>th</sup> (Ninth) Annual Report of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year 2008-09. The Discom is on the path of implementing Power sector reforms and efforts are on towards Operational, Financial efficiency and consumer friendly initiatives.

#### **Performance Review**

The following are highlights of the strong operational & financial performance of the Company during the year 2008-09.

- Total income was Rs **5302.1311 Crore in 2008-09.**
- Total expenditure for the year 2008-09 was **Rs.5280.9660 Crores**
- The net profit of the Company stood at **Rs.10.9769 Crores.**
- The Company's total sales increased to **11938.50 MU** in 2008-09 from **10798.24 MU** in 2007-08.
- Distribution losses were reduced from **14.73** in 2007-08 to **13.52** in 2008-09
- A total of 1,81,270 nos Cat-I Services, 12,673 NOs Category II services and 1476 nos Category –VII services were released through the Customer Service Centres during the year 2008-09.
- The Customer Service Centre was accorded ISO 9001:2000 for the Quality management and Processes.
- Under Electrification of Rural households under Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY), 225185 nos were taken up under BPL scheme and 30983 nos were taken up under APL scheme during 2008-09.



### **Initiatives Taken by FINANCE WING :**

#### **(A) IT Wing:**

1. SAP ERP Package: SAP 4.7 version (FI,MM,AMIM Modules) has been fully implemented during the year. All the processes relating to Accounting, Material Management and Work Orders are now online. Version up-gradation to 6.0 duly introducing Plant Maintenance, Project Systems, Human Capital Management Modules in addition to the above modules are under implementation. During 2009-10 6.0 version will be fully introduced.
2. GPRS based Spot Collection Machines have been fully planned which will enable instantaneous credit to consumer ledger.
3. Central Billing and Collection Server has been planned which will enable the management at various levels to monitor and improve the billing and collection processes.
4. Network expansion has been planned to cover all Section Offices (AE/Opn.) of the DISCOM.
5. R-APDRP has been taken up to tackle AT&C losses in 32 towns. This is an initiative by Govt. of India.

#### **(B) Finance Wing:**

1. All new service release and billing master have been made online to central server.
2. Improvements have been made to billing of Category III (A) Services to enhance the Revenues of the DISCOM.
3. The accounting of the DISCOM has been made online through SAP. All qualifications relating to Accounting Standards have been attended.

### **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**

Continuous efforts were made to foster harmonious human relation practices and also to ensure the development of its human resources. A brief particulars of the staff trained is as follows:

Name of the Training Centre	No. of Programmes Conducted	Participants Targeted	Participants attended
SPTI/Gunadala	49	1990	1729
SPTI/Kadapa	59	747	790
CTI/Tirupati	50	1253	1230
CTI/Hyderabad	70	498	459

**Corporate Governance :**

Our Company is following the best practices of Corporate Governance. We had our good Internal Audit system and Committee Meetings apart from Board Meetings as per schedule. We are attaching more importance on delivering Superior Value to our consumers. Besides maintaining our conservative financial profile, ensuring high degree of financial flexibility to capture future Growth Opportunities.

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

**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 9<sup>th</sup> (Ninth) Annual General Meeting of the Company will be held (at Shorter Notice under Section 171(2) of the Companies Act, 1956 pursuant to consent received from all the Members) on **Friday, the 25<sup>th</sup> September, 2009 at 15.00 Hrs. (03:00 PM)** at the Registered Office of the Company at Corporate Office, Behind Srinivasa Kalyanamandapam, Tiruchanoor Road, Tirupati to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended 31-03-2009 and Balance Sheet as on 31-03-2009 of the Company together with Directors Report, Statutory Auditors Report and Comments of Comptroller and Auditor General of India, thereon.
2. To take note of appointment of Statutory Auditors for the Financial year 2009-10 under the provisions of Sec.619 of Companies Act, 1956 by Comptroller and Auditors General of India and fix the remuneration of Statutory Auditors for the Financial 2009-10.

**Draft Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 224(8) (aa) and other applicable provisions the Board of Directors be and are here by authorised to fix the remuneration payable to Statutory Auditors M/s Raju & Prasad, Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2009-10”

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

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

Date : 16-09-2009  
Place : Tirupati

**DIRECTORS' REPORT**

To

Members,

M/s Southern Power Distribution Company of A.P. Limited

Tirupati

**Dear Members,**

Your Directors have pleasure in presenting the Ninth Annual Report of the Company relating to Financial Year 2008-09 and trust the Annual Audited Accounts for the said year as circulated have been perused by all of you.

**Financial Results:**

Rs. in Crores			
S.No.	Particulars	Current Year	Previous Year
		2008-09	2007-08
a.	Total income	5302.1311	3891.6370
b.	Total expenditure	5280.9660	3808.7568
c.	Profit/(Loss) before tax	21.1650	82.880
d.	Provision for tax		
e.	Income Tax	1.5636	0.10
f.	Fringe benefit Tax	0.9305	0.68437
g.	Profit/(Loss) after tax	18.6708	82.0958
h.	Net prior period credits/(Charges)	7.6938	27.9302
i.	Profit/(Loss) before Contingency Reserve	10.9769	54.1655
	Contingency Reserve	-	-
	Profit after Contingency Reserve	10.9769	54.1655

**Dividend**

The Board of Directors have not declared any dividend during the year ended 31.03.2009

**Energy Sales**

The Company's total sales increased to 11938.50 MU in 2008-09 from 10797.99 MU in 2007-08.

**Operational Performance of the Company for the year 2008-09:**

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

<b>S.No.</b>	<b>Particulars</b>	<b>As on 31-3-2009</b>	<b>As on 31-3-2008</b>
1	Number of 33/11 KV Sub stations	<b>955</b>	843
2	Length of 33 KV line in KM	<b>10891.65</b>	10272.61
3	Length of 11 KV line in KM	<b>84734.16</b>	75012.36
4	Length of LT line in KM	<b>139692.1</b>	132688.92
5	Number of Distribution Transformers	<b>226238</b>	184972
6	Power Transformers	<b>1261</b>	1147
7	Number of Consumers	<b>6021853</b>	5656339

- The registration and release of new services was made On line since August 2008 to ensure better monitoring. 1,81,270 nos Cat-I services, 12673 nos Cat-II and 1476 Nos, Cat-VII services were released through Customer Service Centres during the year 2008-09. The Customer Service Centre at Tirupati was accorded ISO 9001 : 2000 for the quality management and processes.
- 225185 nos under BPL and 30983 under APL new connections have been added under Rajiv Gandhi Gramin Vidyutikan Yojana (RGGVY) during 2008-09.

### **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 18,967 theft cases were registered during the year 2008-09 assessing Rs.2,81,25,458. During the year 15,968 cases were compounded and Rs.1,48,49,500 collected. During the year 2008-09, 292Nos. of enquiries among them 149Nos. JMD entrusted enquiries and 143Nos. CMD entrusted enquiries were completed and submitted. During the year 2008-09, 41 Nos. cases are acquittal among them 12Nos. cases were convicted 27Nos. cases were ended acquittal 1No. case is in Lok Adalat, 1No. cases is abated.

### **Policy initiatives**

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

### **Directors:**

The Board of Directors of the Company are appointed / nominated by Government of Andhra Pradesh.



The Changes which have been occurred in the composition of Board of Directors of the Company from the date of the last report are as follows:

<b>Name of the Director</b>	<b>Date of appointment</b>	<b>Date of change</b>
1. Sri M.Gopal Rao	07.10.2006	09.01.2009
2. V.Krishna Murthy	15.12.2005	14.12.2008
3. Sri G.Rama krishna Reddy	09.01.2009	-
4.Sri Shaik Anwar	29.03.2007	28.03.2009
5 Sri.S.Viswanatham	02.12.2008	
6.Z.Phillip	10.09.2009	

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

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

#### **Board Meetings 2008-09:**

The Board held its meetings on 27<sup>th</sup> June, 26<sup>th</sup> July, 29<sup>th</sup> September, 30<sup>th</sup> December all in 2008 and 2<sup>nd</sup> March in 2009 during the financial year 2008-09 in accordance with the provisions of Section 285 of the Companies Act, 1956.

Attendance at Board of Directors Meetings:

<b>Directors</b>	<b>Meetings attended</b>	<b>Remarks</b>
<b>Sri P.Gopal Reddy</b>	5	
Sri.Umesh Sharraf,IPS	2	Appointed as Non-whole time Director on 16.09.2008
Sri.G.Ramakrishna Reddy	1	Appointed as Non-whole time Director on 09.01.2009
Sri. T.H.N.S.Damodara Rao	5	
Sri. Y.Padmanabha Reddy	5	
Sri. A.Venkata Reddy	5	
Sri. P.Anjaiah	5	
Sri. K.Rami Reddy	4	
Sri. S.Viswanatham	1	Appointed on 02.12.2008

### **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 26<sup>th</sup> July, 2008, 29<sup>th</sup> September, 2008 and 2<sup>nd</sup> March, 2009. The composition of the Audit Committee on the date of this report is as follows:

1. Sri Umesh Sharraf, IPS
2. Sri G.Ramakrishna Reddy
3. Sri Y.Padmanabha Reddy

The audit committee was reconstituted

Sri G. Ramakrishna Reddy, Director (Finance and Revenue), APTRANSCO was appointed as Member of Audit Committee in place of Sri M.Gopal Rao, w.e.f. 09.01.2009.

### **Auditors of the Company**

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

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

Replies of the Management to comments of the Statutory Auditors, Comptroller And Auditor General of India (CAG) and financial review by CAG of India on the accounts of the Company for the year ended 31<sup>st</sup> March, 2009 are annexed here to and forms part of this report.

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

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

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

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

### **Deposits**

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

### **Directors Responsibility Statement**

The Board of Directors of your Company has met Five times during the financial year 2008-09.

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

The Annual Accounts are prepared as per Schedule VI of the Companies Act, 1956 and the applicable standards are followed, so as to give a true and fair view of state of affairs of the Company as at the end of the financial year 31<sup>st</sup> March, 2009. 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.

### **Acknowledgements:**

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

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

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

Date: 25-09-2009

Place: Tirupati

**P.Gopal Reddy**  
**Chairman and Managing Director**

## ANNEXURE – A TO THE DIRECTORS' REPORT

### AUDITOR'S REPORT

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

1. We have audited the attached Balance Sheet of **THE SOUTHERN POWER DISTRIBUTION COMPANY OF A.P.LIMITED** as at 31<sup>st</sup> March, 2009 and also the Profit and Loss Account for the year ended on that date annexed there to and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As the Company is governed by the Electricity Act, 2003, the provisions of the said Act have prevailed wherever it has been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

5. Further to our comments in the Annexure referred to in paragraph (4) above, we report that:

- (i) *Consequent upon amendment to second transfer scheme vide G.O.Ms.142 dt.29.09.2001 and the third transfer scheme vide G.O.Ms.396 dt.09.06.2005, the Company adopted the assets & liabilities and the balances against Power Purchase, loan liabilities, and receivables from Govt. of A.P at values stipulated in the respective government notifications, which are provisional and subject to further adjustment as may be determined by the State Government and audit. In the absence of relevant information, we are unable to express our opinion on the closing balances of such assets / liabilities transferred to the company under the aforementioned transfer schemes.*
- (ii) *Balances in 'Loan Funds' pertaining to PFC and Govt. of AP are subject to confirmation by the respective lenders.*
- (iii) *Confirmations in respect of Cash & Bank balances have not been provided for verification. We are therefore unable to express our opinion on correctness of these balances.*
- (iv) *Receivables-others and current liabilities others include Rs.15.15Crores and Rs.3.24 Crores respectively transferred from APTRANSCO under transfer schemes and outstanding since 01.04.2000. The said amounts remain unadjusted and the probability of its recovery / payment is meager due to non-availability of party wise break-up figures. Since the amounts have not been written off/ written back, the profit for the year is therefore overstated by Rs.11.91 Crores and the receivables and Current liabilities are respectively overstated by Rs.15.15 Crores and Rs.3.24 Crores.*
- (v) *The power purchase cost and Discom to Discom and interstate sale of power is booked as per figures provided by the APPCC constituted to*



*regulate the power purchase and sale in the state. We are therefore unable to express our opinion on the correctness of power purchase cost.*

- (vi) Certain balances under Sundry Debtors, Receivables, Loans & Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.*
- (vii) Depreciation on additions to certain assets charged for half year irrespective of its date put to use and no depreciation is charged on deletion of assets during the year, instead of charging depreciation for period used during the year as provided in AS-6 issued by ICAI.*
- (viii) Provision for pension & Gratuity, leave encashment and other retirements benefits made does not comply with requirements as per AS-15 issued by ICAI.*
- (ix) Income from temporary investments of borrowed funds is showed as other income instead of deducting from interest on such borrowed funds capitalized during the year as required by AS-16 issued by ICAI.*
- (x) Deferred Tax asset / liability has not been recognized in the accounts which is not in conformity with AS-22 issued by ICAI.*
- (xi) Particulars of dues outstanding to micro, small and medium enterprises as required by schedule VI of the companies Act, 1956 have not been disclosed separately.*
- (xii) In the absence of relevant information the impact on the net profit with regard to our comments mentioned in paras (vii), (viii) (ix) and (x) above, could not be quantified.*

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
- (ii) In our opinion, proper Books of Accounts as required by law have been kept by the Company, so far it appears from our examination of those books.
- (iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the Books of Accounts maintained.
- (iv) In our opinion the Profit and Loss Account, the Balance Sheet and the cash flow statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act 1956, except those mentioned in paragraph (5) above.
- (v) In view of the clarification issued by the Department of Company Affairs vide its General Circular No.8/2002 dated 22.03.2002, we are of the opinion that the provisions of section 274(1)(g) of the Companies Act 1956, does not apply to the Directors of this company, as they are appointed by the State/Central Governments.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements read together with the Significant Accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of Balance Sheet, of the State of Affairs of the Company as on 31<sup>st</sup> March 2009.

- b. In the case of Profit and Loss Account, of the profit for the year ended on that date and
- c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Hyderabad  
Date : 27-07-2009.

For RAJU & PRASAD  
CHARTERED ACCOUNTANTS

(PADMAKANT J.MEHTA)  
PARTNER  
M.No.015652

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

i. a) The Company has started maintaining proper records of Fixed Assets showing full particulars including quantitative details and situation of fixed assets from 01-04-2008.

*b) We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.*

*c) As per the information & explanations given to us, the company has not disposed off a substantial part of fixed assets during the year and the going concern status of the company is not affected.*

*ii. a) The inventory of stores & spares has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.*

b) According to information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) The company is maintaining proper records of inventory. As explained to us material discrepancies noticed on physical verification of inventory as compared to the book records have been properly dealt with in the books of accounts.

**iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, clauses (iii)(b),(iii)(c),(iii)(d),(iii)(f) and (iii)(g) of Paragraph 4 of the said Order are not applicable to the Company.**

*iv. According to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory*

*and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.*

- v. According to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the companies Act, 1956.
- vii. *The Company has an Internal Audit system but the same, in our opinion, requires to be strengthened and its scope enlarged, to commensurate with the size and nature of its business.*

**Viii. The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the companies Act, 1956 and the same are maintained by the company as provided therein.**

- ix a) According to the information and explanation given to us, the undisputed statutory dues including Provident Fund, Investor Education and Protections Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any Other Statutory dues have been regularly deposited with the appropriate authorities.

b) According to information and explanations given to us there are no disputed dues relating to Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited as at 31<sup>st</sup> March 2009 other than those indicated below:

Nature of dues	Unpaid (Rs.)	Period to which the amount relates	Forum where pending
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<b>Service Tax on wheeling charges</b>	<b>625310/-</b>	<b>From July 2003 to October 2007</b>	<b>Commissioner, Central excise &amp; Customs (Appeals), Guntur</b>
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- x. The company does not have any accumulated losses as at the end of the financial year under reference and the company has not incurred any cash losses in the financial year under reference and in the financial year immediately preceding such financial year.
- xi. The company has not defaulted in repayment of its dues to banks. The company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. According to the information and explanations given to us, the company is not a chit fund or nidhi/mutual benefit fund/society.
- xiv. According to information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. All Shares, Securities and Other Investments have been held by the company in its own name.
- xv. According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial intuitions.
- xvi. According to information and explanations given to us, the term loans taken by the company were applied for the purpose for which they were taken.
- xvii. According to information and explanations given to us, funds raised on short term basis have not been used for long term investments.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.

- xix. The company has not issued any debentures during the year.
- xx. The company, during the year, has not raised money by public issues during the year.
- xxi. *According to information and explanations given to us, fraud aggregating to Rs.5.51 Crores has been reported, as detailed here under, on the company :*

<i>S. No</i>	<i>Nature of Fraud</i>	<i>Amount involved (Rs/Crores )</i>
<i>1</i>	<i>Theft of Energy</i>	<i>3.90</i>
<i>2</i>	<i>Theft of materials</i>	<i>1.61</i>
	<b><i>Total</i></b>	<b><i>5.51</i></b>

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

Place: Hyderabad  
Date: 27.07.09

For RAJU & PRASAD  
CHARTERED ACCOUNTANTS

(PADMAKANT J. MEHTA)  
PARTNER  
M.No:015652

<b>RAJU &amp; PRASAD, CHARTERED ACCOUNTANTS, HYDERABAD</b>		<b>SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED</b>
<b>AUDITORS' REPORT</b>		Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
1	<i>Consequent upon amendment to second transfer scheme vide G.O.Ms.142 dt.29.09.2001 and the third transfer scheme vide G.O.Ms.396 dt.09.06.2005, the Company adopted the assets &amp; liabilities and the balances against Power Purchase, loan liabilities, and receivables from Govt. of A.P at values stipulated in the respective government notifications, which are provisional and subject to further adjustment as may be determined by the State Government and audit. In the absence of relevant information, we are unable to express our opinion on the closing balances of such assets / liabilities transferred to the company under the aforementioned transfer schemes.</i>	<p>The Company has taken over the bulk supply of power business from APTRANSCO. The bulk supply business consists of payables to generators, receivables from DISCOMS and some loans taken on behalf of DISCOMS. There are no other assets and liabilities for bulk supply business.</p> <p>The balances transferred under G.O.Ms.No.142 dt 29.09.2001 and third transfer scheme are authenticated by APTRANSCO and this will be considered as final.</p>
2	<i>Balances in 'Loan Funds' pertaining to PFC and Govt. of AP are subject to confirmation by the respective lenders.</i>	Balances confirmation from PFC is already been received and a letter has been addressed to Govt. of Andhra Pradesh for confirmation of balances.
3	<i>Confirmations in respect of Cash &amp; Bank balances have not been provided for verification. We are therefore unable to express our opinion on correctness of these balances.</i>	The confirmations have been obtained from the respective banks as at 31-03-2009 and during the year the balances are tallied.
4	<i>Receivables-others and current liabilities others include Rs.15.15Crores and Rs.3.24 Crores respectively transferred from APTRANSCO under transfer schemes and outstanding since 01.04.2000. The said amounts remain unadjusted and the probability of its recovery / payment is meager due to non-availability of party wise break-up figures. Since the amounts have not been written off/ written back, the profit for the year is therefore overstated by Rs.11.91 Crores and the receivables and Current liabilities are respectively overstated by Rs.15.15 Crores and Rs.3.24 Crores.</i>	This will be reviewed and necessary action will be initiated in the year 2009-10

5	<i>The power purchase cost and Discom to Discom and interstate sale of power is booked as per figures provided by the APPCC constituted to regulate the power purchase and sale in the state. We are therefore unable to express our opinion on the correctness of power purchase cost.</i>	M/s Sagar & Associates has been appointed as Internal Auditor of APPCC. The firm has been doing internal audit in respect of Bills received from the Generators.
6	<i>Certain balances under Sundry Debtors, Receivables, Loans &amp; Advances, Sundry Creditors, other liabilities are subject to confirmation / reconciliation / adjustments.</i>	The Process of getting confirmation has already been started in the year 2009-10.
7	<i>Depreciation on additions to certain assets charged for half year irrespective of its date put to use and no depreciation is charged on deletion of assets during the year, instead of charging depreciation for period used during the year as provided in AS-6 issued by ICAI.</i>	Up to 2008-09, the records are maintained manually and it is difficult to obtain the date of put in to use, hence half year depreciation has been charged on additions that can be used directly. From 2009-10 onwards, the SAP ERP Package is being implemented. The depreciation on direct additions is charged from the date the asset is put in to use.
8	<i>Provision for pension &amp; Gratuity, leave encashment and other retirements benefits made does not comply with requirements as per AS-15 issued by ICAI.</i>	M/s Hewitt has been appointed as an actuary to get actuarial valuation report. Hence the standard will be complied during the year 2009-10.
9	<i>Income from temporary investments of borrowed funds is showed as other income instead of deducting from interest on such borrowed funds capitalized during the year as required by AS-16 issued by ICAI.</i>	<p>As per AS-16 Borrowing Costs, paragraph 12 To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on that asset. The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period should not exceed the amount of borrowing costs incurred during that period.</p> <p>So there is no necessity to deduct income earned on temporary investments of borrowed funds as per the Accounting Standard – 16 – Borrowing Costs.</p>

10	<i>Deferred Tax asset / liability has not been recognized in the accounts which is not in conformity with AS-22 issued by ICAI.</i>	The company is in the process of recognizing Deferred Tax Asset/Liability.
11	<i>Particulars of dues outstanding to micro, small and medium enterprises as required by schedule VI of the companies Act, 1956 have not been disclosed separately.</i>	It has already been stated vide point No.19 of Schedule No.18 Notes to Accounts that there are no dues pending as at 31 <sup>st</sup> March 2009 to suppliers/contractors/service providers who are registered under the Micro, Small and Medium Enterprises Development Act, 2006.
	M/s RAJU & PRASAD Chartered Accountants  Sd/- (Padmakant J. Mehta) Partner  Place: Hyderabad Date: 27-07-2009	For and on behalf of the Board  Director (Finance)                      (Chairman & Managing Director)  Place: Tirupati Date: 27-07-2009

ANNEXURE TO THE AUDITORS' REPORT		SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED
This is the annexure referred to in our report of even date (Reference clauses in Annexure to the Auditors' Report)		Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
i (b)	<i>We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.</i>	Noted for future compliance.
vii	<i>The Company has an Internal Audit system but the same, in our opinion, requires to be strengthened and its scope enlarged, to commensurate with the size and nature of its business.</i>	Necessary controls are available and the company is in the process of establishing better control systems.
	M/s RAJU & PRASAD Chartered Accountants  Sd/- (Padmakant J.Mehta) Partner  Place: Hyderabad Date: 27-07-2009	For and on behalf of the Board  Director (Finance)                      (Chairman & Managing Director)  Place: Tirupati Date: 27-07-2009

**CONFIDENTIAL**

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

No.AG(C&RA)/EBRA-IV/V/2009-10/ D.No.230

Dated.25.09.2009.

To

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

Sir,

Sub: Comments on the accounts of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2009.

\* \* \*

I am to forward herewith Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act 1956 on the accounts of your company for the year ended 31 March 2009 for necessary action.

2. The date of placing of Comments along with Annual Accounts and Auditors' Report before the Shareholders of the Company may be intimated and a copy of the proceedings of the meeting furnished.

3. The date of forwarding the Annual Report and the Annual Accounts of the Company together with the Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature may also be communicated.

4. Ten copies of the printed Annual Report for the year 2008-09 may be furnished in due course.

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

Yours faithfully,

Sd/-

**Dy Accountant General (Commercial)**

Encl: As above

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE  
ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF  
ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH  
2009.**

The preparation of financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2009 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 27 July 2009.

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 2009. 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 and **the effect of these comments resulted in the “Profit after Tax” of Rs.18.67 crore turning into Loss of Rs.19.85 crore.**



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 2009		PART OF THE DIRECTOR'S REPORT TO THE MEMBERS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.
A.	<i>Comments on Profitability:</i>	
	<b>Profit &amp; Loss Account</b>	
	<b>Income</b> <b>Revenue from Sale of Power (Sch.10)</b> <b><u>Revenue from Sale of Power – HT Supply:1225.92 crore</u></b>	
1.	The above is overstated by Rs.1.47 crore due to non-accountal of demand withdrawn and excess billing. This has resulted in overstatement of “Net Profit before Tax” and “Sundry Debtors” by Rs.1.47 crore.	<p><i>It is to submit that withdrawl of excess demand during disconnection period is a routine process. Soon after the receipt of letter from Assistant Engineer/Operation stating meter removals, the services will be bill stopped and the unnecessary demand raised after 4 months from the date of disconnection will be withdrawn as per B.P.Ms.No.151. The letters of Assistant Engineer/operation received in march,2009 were effected in April 2009.</i></p> <p>Due to delay in respect of revised Test Report and Agreements for limiting the CMD from 1510 KVA to 1100 KVA duly countersigned by the Divisional Engineer/ Operation/Rural/ guntur and obtaining the note order from the higher authority, the RJ was not proposed during the financial year 2008-09 and the same was taken vide RJ.No.9/May-2009 in the year 2009-10.The Audit observation is correct and necessary steps will be taken in future to avoid such occurrences.</p> <p>It is to submit that the bills issued without adjustment of 3rd party units in respect of SC.No. 147/ OGL for the period from 1.9.08 to 2/09 are correct since the open access agreement is not in force from 1.9.08 as per Lr.No. CE/IPC/121/F.IGWells-Jayavenkatrama/ D.No. 240/08, dt. 23.01.2009 received from Chief Engineer/IPC, APPCC.</p>
2.	The above is understated by Rs.36.86 lakh due to non-accountal of short assessment of CC charges in respect of two HT consumers. This has resulted in understatement of “Net Profit before Tax” and “Sundry Debtors” by Rs.36.86 lakh.	It is to submit that any shortfall pointed out by the Internal Audit has to be confirmed by the field officer (AE/ADE/Operation). After receipt of the confirmation, demand will be raised and taken in the books of accounts. The procedure is being followed to avoid disputes with the consumers.

		In the present case, the field confirmation is received in the Month of May, 2009 and the same is billed in May, 2009 bill and accounted during the year 2009-10.
	<b>Expenditure</b>	
	<b><u>Purchase of Power: Rs.4228.55 crore</u></b>	
3.	The above is understated by Rs.22.21 crore due to incorrect account of refund of income tax by National Thermal Power Corporation (NTPC) in June 2009 as reduction in power purchase cost. Since the refund neither pertains to 2008-09 nor was it received in that year, accounting of the same in 2008-09 is not correct. This has resulted in understatement of "Current Liabilities – for Power Purchase" and overstatement of "Net Profit before Tax" by Rs.22.21 crore.	It is to submit that the refunds mentioned in the audit para pertains to APDISCOMS for the period prior to 2001-02 and already more than 8 years have been lapsed for refund and accounting the same. Hence it was accounted in the year 2008-09.
4.	The above is understated by Rs.12.04 crore due to non-accountal of Thermal incentive for which claims were made by APGENCO. This has resulted in understatement of "Current Liabilities – for Power Purchase" and overstatement of "Net Profit before Tax" by Rs.12.04 crore.	The bill was submitted by APGENCO during the year 2009-10. There was no mention of the date of coming in to force of the Regulation No. 1 of 2008 based on which incentive was claimed by APGENCO and further APPCC had taken time to verify the details (incentive bills) furnished by APGENCO to authenticate the payment. Hence the same was not provided in the books of accounts for the year 2008-09.
5.	The above is understated by Rs.14.95 lakh due to non-accountal Unscheduled Interchange (UI) charges payable to Southern Regional Power Committee, Bangalore. This has resulted in understatement of "Current Liabilities – for Power Purchase" and overstatement of "Net Profit before Tax" by Rs.14.95 lakh.	It is to submit that the audit observation is correct and the same is treated as prior period expenditure (AH 83.100) in the accounting year 2009-10.
6.	The above is overstated by Rs.1.43 crore due to non-accountal of credit towards Fuel Cost Adjustment (FCA) relating to 4 <sup>th</sup> quarter of 2008-09, passed on by APGENCO. This has resulted in overstatement of "Current Liabilities – for Power Purchase" and understatement of "Net Profit before Tax" by Rs.1.43 crore.	The credit of (-) Rs.6,40,93,449/- passed on by APGENCO (Lr.No.FA&CCA(Res)(PB)/D.No. 71,dt.2/5/09) towards FCA claim for the 4th quarter of 2008-09 not taken to account as the credit proposed by APGENCO after the cutoff date adopted by APSPDCL .
	<b><u>Expenditure Capitalised (Sch. 12, 13 and 15)</u></b>	
7.	A check of figures relating to expenditure capitalised under various heads as adopted in the accounts and corresponding figures in SAP system revealed discrepancies, which resulted in overstatement/understatement of the	It is to submit that the audit observation is correct regarding expenses capitalization (Employees cost capitalisation, Administration & General Expenses Capitalisation and Interest Capitalisation). It has been verified with the SAP



10.	The above is understated by Rs.20.97 lakh due to non-accountal of amount payable towards E-Seva collection charges for the year 2008-09. This has resulted in understatement of “Current Liabilities – For Others” and overstatement of “Net Profit before Tax” by Rs.20.97 lakh.	The Audit observation is correct and necessary care will be taken in future so as to avoid these types of occurrences.
	<b>Other Expenses (Sch.14)</b> <b><u>Miscellaneous losses and write-offs: Rs.7.89 crore</u></b>	
11.	The State Government directed (November 2008) the DISCOMs to withdraw theft of energy cases against Domestic Consumers up to 1000 watts connected load. The company has written off Rs.72.20 lakh against total theft demand of Rs.189.64 lakh leaving a balance of Rs.117.44 lakh yet to be written off. This has resulted in understatement of “Other Expenses – Miscellaneous Losses and write offs” and overstatement of “Net Profit before Tax” and “Sundry Debtors” by Rs.1.17 crore.	It is to submit that the audit observation is correct. An amount of Rs.72.20 lakhs has written off during the year 2008-09, due to delay in process the balance amount could not be written off. However the same is accounted during the financial year 2009-10.
	<b>Balance Sheet</b> <b>Fixed Assets</b> <b><u>Capital Work-in-Progress (Sch.5): Rs.748.70 crore</u></b>	
12.	The above includes Rs.25.83 crore being the value of capital works already completed and commissioned by the end of March 2009. Non-capitalisation of the completed works resulted in overstatement of “Capital Work-in-Progress” and understatement of “Fixed Assets” by Rs.25.83 crore (Plant and Machinery: Rs.3.62 crore and Lines and Cable Network: Rs.22.21 crore). This has also resulted in understatement of “Depreciation” and overstatement of “Net Profit before tax” by Rs.1.01 crore.	<p>The Audit authorities have pointed out non-capitalisation of Rs.13.76 crores as being works already completed and charged. It is to submit that an amount of Rs.10.14 crores pertaining to JBIC-I&amp;II workorders was closed and capitalized during the year 2008-09 as the works are completed in all aspects and charged during the year 2008-09 and for the balance Rs.3.62 crores pertaining to other than JBIC I &amp; II, though the charging was made before 31-03-2009, the line works and other connected works are in progress as at 31-03-2009 and hence capitalization could not be made during the year 31-03-2009.</p> <p>The expenditure amount of Rs.23.34 crore relates to 17 No’s Work orders . Out of the 17 Nos work orders, expenditure relating to 6 No,s work orders Rs.1.14 crores as given below are already capitalized during the year 2008-09. The balance 11 No.s Work orders Rs.22.20 Crores are not capitalized because lines, cable and other connected works are in progress as at 31-03-2009.</p>
B.	<b>Comments on Financial position:</b>	

	<b>Balance Sheet</b>	
	<b>Fixed Assets</b> <b><u>Capital Work-in-Progress (Sch.5): Rs.748.70 crore</u></b>	
13.	The above is understated by Rs.3.05 crore due to non-accountal of the value of works completed and check measured before 31 March 2009 relating to various capital works and cost of SAP licenses. This has also resulted in understatement of “Current Liabilities – Others – Liability for Others” by similar amount.	<p>It is to submit that the Audit observation is correct and necessary care will be taken in future years so as to avoid these type of occurrences.</p> <p>It is to submit that the payment is made for getting licences for NEW E.C.C 6 version. Since the company is still operating the earlier version (4.70) and the process of shifting/upgrading to ECC 6.0 version will take another one year, the company is planning to capitalize the expenditure incurred towards E.C.C. 6.0 version during the year 2009-10. Hence there is no understatement of AH-17.210: SAP and no understatement of AH-43-100: Liability for supply of Material/Works (O&amp;M) by Rs.111.61 lakhs and there is no overstatement of profit.</p> <p>It is to submit that the audit observation is correct and necessary care will be taken in future so as to avoid these type of occurrences.</p>
	<b>Current Assets, Loans &amp; Advances</b> <b>Receivables (Sch.7d)</b> <b><u>From GOAP: Rs.1525.78 crore</u></b>	
14.	The above is overstated by Rs.13.61 crore due to error in accounting of Subsidy received from the Government of Andhra Pradesh (Subsidy received and to be adjusted: Rs.15.11 crore (-) actually adjusted: Rs.1.50 crore) towards waiver of arrears of energy charges in respect of SC/ST consumers. This has also resulted in overstatement of “Current Liabilities – Inter unit account” by similar amount.	<p>It is to state that the audit observation is correct. The TCA received in respect of Subsidy amount of Rs.15.00 crores received from the government of A.P. was wrongly accounted as Rs.1.50 crores instead Rs.15.00 crores thereby resulting in non-clearance of Rs.13.50 crores in AH 28.837 – “Subsidy Receivable towards SC/ST Waivers” and also non-clearance of inter unit account by the same amount.</p> <p>Necessary rectification entry will be passed in the year 2009-10 by crediting “28.837 – Subsidy Receivable towards SC/ST Waivers” and debiting “inter unit account” for Rs.13.50 crores.</p>
C.	<b>Comments on Disclosure:</b>	
	<b><u>Notes to Accounts (Sch.18)</u></b>	
15.	In Note No.10(i) Capital Work-in-Progress pertaining to Rajiv Gandhi Grameen Vidyutikaran Yojana Scheme was erroneously shown as Rs.42.26 crore against the correct amount of Rs.29.79 crore.	The Audit Observation is correct the amount should have been disclosed as Rs.29.79 crores instead of Rs.42.26 crores, Further it is to state that there is no financial impact on P&L Account and Balance Sheet for the financial year 2008-09.
16.	APGENCO claimed Rs. 1.23 crore towards cost	The Audit observation is correct and necessary

	of Infirm power supplied from Jurala Hydel Project in their monthly bills, which is being contested by the company. The company has neither provided for the liability in the accounts nor disclosed the same under Contingent Liabilities.	care will be taken in future so as to avoid these types of occurrences.
	<p>For and on the behalf of the Comptroller and Auditor General of India</p> <p>Sd/- (P.J.MATHEW) Accountant General (C&amp;RA)</p> <p>Place: Hyderabad Date : 25.09.2009</p>	<p>For and on behalf of the Board</p> <p>A.VENKATA REDDY      P.GOPAL REDDY Director(Finance)      (Chairman &amp; Managing Director)</p> <p>Place: Tirupati Date : 25.09.2009</p>

**TIRUPATI  
BALANCE SHEET**

Amount in Rs.

	<b>Schedule</b>	<b>As at 31.03.2009</b>	<b>As at 31.3.2008</b>
<b>SOURCES OF FUNDS</b>			
(1) Shareholders' Funds			
(a) Share Capital	1	3587153090	3587153090
(b) Reserves and Surplus	2	2803784146	2428923921
(c) Deferred Capital Contributions	2A	5884735196	4992427507
(2) Loan Funds	3		
(a) Secured Loans		16586725332	13993434216
(b) Unsecured Loans		15699089869	4216697461
<b>Total</b>		<b>44561487633</b>	<b>29218636195</b>
<b>APPLICATION OF FUNDS</b>			
(1) Fixed Assets			
(a) Gross Block	4	38018846829	35869099599
(b) Less: Depreciation & Amortisation		15492184777	13215254148
(c) Net Block		<b>22526662052</b>	<b>22653845451</b>
(d) Capital Work-in-Progress	5	7486979758	3468792698
(2) Investments	6	2905000	12910034
(3) Current Assets, Loans & Advances	7		
(a) Income Accrued but not due		3329300000	3128243025
(b) Inventories		1024522032	1085994979
(c) Sundry Debtors		1897254210	2063279773
(d) Receivables		15135403893	4492830973
(e) Cash & Bank Balances		6036740636	2035991606
(f) Loans & Advances		3925279044	2800051536
		<b>31348499815</b>	<b>15606391892</b>
Less: Current Liabilities and Provisions	8		
(a) Current Liabilities		15940603622	11894366056
(b) Provisions		864305759	631638601
		<b>16804909381</b>	<b>12526004657</b>
Net Current Assets		14543590434	3080387235
(4) Miscellaneous Expenditure (to the extent not written off )	9	1350389	2700777
<b>Total</b>		<b>44561487633</b>	<b>29218636195</b>

Significant Accounting Policies

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Notes Forming Part of Accounts

18

As per our report of even date

For and on behalf of the Board

For M/s Raju &amp; Prasad

Chartered Accountants.

**P.Gopal Reddy**  
Chairman & Managing  
Director

**A.Venkata Reddy**  
Director ( Finance)

Padmakant J. Mehta

Partner.

Membership No.015652

A.Venu Gopal

Chief General Manager  
Finance

B.V.S.Prakash

Company

Secretary

Date :- 27-07-

2009

Date:- 27-07-2009

Place: Tirupati

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

Amount in Rs.

	Schedule	For the year ended 31-03- 09	For the year ended 31-03-08
<b>INCOME:</b>			
Revenue from Sale of Power	10	32168521554	30409763980
Revenue Subsidies and Grants		18962780000	6794400000
Other Income	11	1890009574	1712206851
<b>Total Income</b>		<b>53021311128</b>	<b>38916370831</b>
<b>EXPENDITURE:</b>			
Purchase of Power		42285497297	30121637768
Electricity Duty		459766850	411094629
Employee Costs	12	3022806659	2678437465
Administration and General Expenses	13	1058463248	867434249
Other Expenses	14	1319354458	968395436
Depreciation and Amortisation		2243194166	1786093416
Interest and Finance charges	15	2420577852	1254475463
<b>Total Expenditure</b>		<b>52809660530</b>	<b>38087568426</b>
<b>Net Profit / (Loss) before Tax for the year</b>		<b>211650598</b>	<b>828802405</b>
Less: Provision for Taxation			
Income Tax		15636507	1000000
Fringe Benefit Tax		9305363	6843734
<b>Profit / (Loss) after Tax for the year</b>		<b>186708728</b>	<b>820958671</b>
Net Prior Period Credits / (Charges)	16	(76938745)	(279302969)
<b>Profit / (Loss) before contingency reserve</b>		<b>109769983</b>	<b>541655702</b>
Less: Contingency Reserve			
<b>Profit after Contingency Reserve</b>		<b>109769983</b>	<b>541655702</b>
Balance of Profit/(Loss) brought over from previous year		1255480219	713824517
Balance carried to Balance Sheet		1365250202	1255480219

Significant Accounting Policies

17

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Notes Forming Part of Accounts

18

**As per our report of even date**

**For Raju & Prasad**

**Chartered Accountants.**

**For and on behalf of the Board**

**Padmakant J. Mehta**

**Partner.**

**Membership No.015652**

**Date:- 27-07-2009**

**Place: Tirupati**

**P.Gopal Reddy**  
**Chairman & Managing Director**

**A.Venkata Reddy**  
**Director(Finance)**

**A.Venu Gopal**

**Chief General**

**B.V.S.Prakash**  
**Company**



**Manager  
Finance**

**Secretary  
Date :- 27-07-  
2009  
Place : Tirupati**

**SCHEDULE - 1 : SHARE CAPITAL**

		Amount in Rs.	
		As at 31.3.2009	As at 31.3.2008
<b>1</b>	<b>AUTHORISED:</b> 360000000 Equity Shares of Rs.10/- each	3600000000	3600000000
<b>2</b>	<b>ISSUED, SUBSCRIBED AND PAID UP</b> 358715309 Equity Shares of Rs.10/- each fully paid up Out of the above, 310607800 Equity Shares are issued for consideration other than cash	3587153090	3587153090
		<b>3587153090</b>	<b>3587153090</b>

**SCHEDULE - 2 : RESERVES AND SURPLUS**

<b>1</b>	<b>STATUTORY RESERVES</b> Contingency Reserve As per Last Balance sheet Additions during the year	154488203 15518416 170006619	140892830 13595373 154488203
<b>2</b>	<b>RGVY CAPITAL SUBSIDY</b> <u>Amount Received</u> As per Last Balance sheet Additions during the year  <u>Less : Amortisation :</u>  As per Last Balance sheet Add: Transferred to Profit & Loss Account  Net Balance	1025926560 273236050 1299162610  6971061 23664224 30635285 1268527325	209532000 816394560 1025926560  - 6971061 6971061 1018955499
<b>3</b>	<b>PROFIT &amp; LOSS ACCOUNT</b>	1365250202 <b>2803784146</b>	1255480219 <b>2428923921</b>

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

		Amount in Rs.	
		As at 31.3.2009	As at 31.3.2008
	<u>Amount Received</u> As per Last Balance sheet Additions during the year	6996584613 1477705784 8474290397	5815015707 1181568906 6996584613
	<u>Less : Amortisation :</u> As per Last Balance sheet Add: Transferred to Profit & Loss Account	2004157106 585398095 2589555201 <b>5884735196</b>	1428800000 575357106 2004157106 <b>4992427507</b>

**SCHEDULE - 3 : LOAN FUNDS**

1	<b>Secured Loans</b>		
	a) Loans from REC	15719727704	13350892469
	b) Loans from PFC	866997628	642541747
	(Above Loans are Secured by charge on related Fixed Assets present and future)	16586725332	13993434216
2	<b>Unsecured Loans</b>		
	a) Loans from Government of Andhra Pradesh	505084847	534149467
	b) Loan from EPDCL	150000000	300000000
	c) Vidyut Bonds	313100000	313100000
	d) Loan from ICICI Bank	219824553	259196109
	e) Loan from Bank of Baroda	261080469	304593885
	f) District SC Seva Society Ltd., Nellore	-	5658000
	g) Short Term Loans from Banks	14250000000	2500000000
		15699089869	4216697461
		<b>32285815201</b>	<b>18210131677</b>



**SCHEDULE - 4 : FIXED ASSETS**

										Amount in Rs.	
SNO	Particulars	GROSS BLOCK				DEPRECIATION & AMORTISATION				NET BLOCK	
		As at 01-04-2008	Additions during the year	Adjustments/ Deductions during the year	As at 31- 03-2009	Up to 31-03-2008	For the year	Adjustments/Ded uctions during the year	Up to 31-03-2009	As at 31-03-2008	As at 31-03-2009
1	SAP Expenditure	4046609	-	-	4046609	2427966	809322	-	3237288	1618643	809321
2	Goodwill	11390000	-	-	11390000	6834000	2278000	-	9112000	4556000	2278000
3	Land and Land Rights	43757707	562357	3894000	40426064	-	-	-	-	43757707	40426064
4	Buildings	307896829	-	-	307896829	116135705	9298484	-	125434189	191761124	182462640
5	Other Civil Works	7998942	-	-	7998942	-	241568	(426244)	667812	7998942	7331130
6	Plant and Machinery	11345464575	1404712354	-	12750176929	4539512058	686530782	-	5226042840	6805952517	7524134089
7	Lines and Cable Net work	22480301902	342462063	-	22822763965	8085249606	1374455118	-	9459704724	14395052296	13363059241
8	Metering Equipment	445023816	95888359	-	540912175	161052552	60372944	-	221425496	283971264	319486679
9	Vehicles	31489204	-	425699	31063505	31173853	-	2833569	28340284	315351	2723221
10	Furniture and Fixtures	51084005	673950	-	51757955	45366674	651963	-	46018637	5717331	5739318
11	Office equipment	205113476	22382699	-	227496175	66361827	27622126	-	93983953	138751649	133512222
12	Spare units/Service units	687258108	106203085	-	793461193	153394284	58044197	(36143788)	247582269	533863824	545878924
13	Assets under RGGVY	248274426	181182062	-	429456488	7745623	22889662	-	30635285	240528803	398821203
		35869099599	2154066929	4319699	38018846829	13215254148	2243194166	(33736463)	15492184777	22653845451	22526662052
	Previous Year	27186652016	8825559255	143111672	35869099599	11683760535	1786093416	254599803	13215254148	15500463516	22652226808

**SCHEDULE - 5 : CAPITAL WORK-IN-PROGRESS**Amount in  
Rs.

			As at 31.3.2009	As at 31.3.2008
1	Capital Work - in - Progress		7486979758	3468792698
2	Advance for Suppliers / Contractors (Capital)	271920363		
	Less : Provision for Doubtful Advances	271920363	-	-
			<b>7486979758</b>	<b>3468792698</b>

**SCHEDULE - 6 : INVESTMENTS**

	<b>LONG TERM INVESTMENTS (AT COST)</b>		
2	Investments		
	<u>a) Quoted</u>		
		-	10005034
	<u>b) Unquoted</u>		
	Share Capital in Resco- Kuppam, Chittoor	2905000	2905000
		2905000	12910034
	<b>Aggregate Book Value of Quoted Investments</b>	-	<b>10005034</b>
	<b>Aggregate Book Value of Un Quoted Investments</b>	<b>2905000</b>	<b>2905000</b>
		<b>2905000</b>	<b>12910034</b>
	<b>Market Value of Quoted Investments</b>	-	<b>11742461</b>

SCHEDULE - 5 : CAPITAL WORK-IN-PROGRESS				
				Amount in Rs.
			As at 31.3.2009	As at 31.3.2008
1	Capital Work - in - Progress		7486979758	3468792698
2	Advance for Suppliers / Contractors (Capital)	271920363		
	Less : Provision for Doubtful Advances	271920363	-	-
			<b>7486979758</b>	<b>3468792698</b>
SCHEDULE - 6 : INVESTMENTS				
	<b>LONG TERM INVESTMENTS (AT COST)</b>			
2	Investments			
	a) Quoted			
			-	10005034
	b) Unquoted			
	Share Capital in Resco- Kuppam, Chittoor		2905000	2905000
			2905000	12910034
	<b>Aggregate Book Value of Quoted Investments</b>		-	<b>10005034</b>
	<b>Aggregate Book Value of Un Quoted Investments</b>		<b>2905000</b>	<b>2905000</b>
			<b>2905000</b>	<b>12910034</b>
	<b>Market Value of Quoted Investments</b>		-	<b>11742461</b>

SCHEDULE - 7 : CURRENT ASSETS LOANS AND ADVANCES			
A. CURRENT ASSETS		Amount in Rs.	
		As at 31.3.2009	As at 31.3.2008
a)	<b>INCOME ACCRUED BUT NOT DUE :</b>		
	Accrued Income from Sale of Power	3329300000	3128243025
b)	<b>INVENTORIES</b>		
	i) Stores and Spares (as valued and certified by Management)	1263271148	1279947324
	Less: Materials stock excess/shortage pending investigation	158444691	158850181
	Less: Provision for non-moving and obsolete stock	80304423	37102184
	Total	<b>1024522032</b>	<b>1085994979</b>
c)	<b>SUNDRY DEBTORS</b>		
	Debts Outstanding over Six Months		
	Considered Good	1428600000	
	Considered Doubtful	701100000	726500000
		2129700000	
	Other Debts - Considered Good	468654210	2063279773
		2598354210	2789779773
	Less: Provision for doubtful debts	701100000	726500000
		<b>1897254210</b>	<b>2063279773</b>
d)	<b>RECEIVABLES</b>		
	i) from GOAP	15257798078	4021677679
	Less: Write off of Agricultural Arrears	547053487	-
		14710744591	4021677679
	ii) from REC	2732987	2732987
	iii) from others	421926315	468420307
		<b>15135403893</b>	<b>4492830973</b>
e)	<b>CASH AND BANK BALANCES</b>		
	a) Cash on Hand (including cheques, DD's and Stamps on Hand)	108450047	104382540
	Less: Provision for Cash theft	4000	4000
		108446047	104378540
	b) Balance with Scheduled Banks		
	i) in current A/c	4413890077	922614192
	ii) in Deposit Accounts	1492402711	974655922
	c) Remittances in Transit	22001801	34342952
		<b>6036740636</b>	<b>2035991606</b>
<b>B. LOANS AND ADVANCES (Unsecured- Considered Good)</b>			
	a) Amount Recoverable in Cash or in Kind or for Value to be received	510322480	612005891
	b) Tax Deducted at Source	481264	481264
	c) Advance Fringe Benefit Tax Paid	35648942	
	Less: Provision for Fringe Benefit Tax	35561860	87082
			1992445
	d) Pool Imbalance Account	3302899061	2088165033
	e) Deposits with Others	107461790	68455520
	f) Others	4027367	28951383
		<b>3925279044</b>	<b>2800051536</b>



SCHEDULE - 8 : CURRENT LIABILITIES AND PROVISIONS						
					As at 31.3.2009	Amount in Rs. As at 31.3.2008
<b>a)</b>	<b>CURRENT LIABILITIES</b>					
	i) For Power Purchase				5639123382	4172500699
	ii) For Others				2868923772	1096846534
	iii) Security and other Deposits				868522989	767770983
	iv) Security Deposits from Consumers (including interest thereon)				5541538555	4825865679
	v) Interest accrued but not due on loans				64333127	75890137
	vi) Group Insurance Savings Fund				25524379	22439720
	vii) SPDCL Pension & Gratuity Trust				880949628	885474718
	viii) SPDCL Employees Welfare Society				-	3483371
	ix) Other Liabilities				51687790	44094215
					<b>15940603622</b>	<b>11894366056</b>
<b>b)</b>	<b>PROVISIONS</b>					
	i) Provision for Leave Encashment				821200000	601000000
	ii) Provision for Gratuity				27280226	29638601
	iii) Provision for Income Tax		16636507			1000000
	Less: Advance Income Tax		810974		15825533	
					<b>864305759</b>	<b>631638601</b>
					<b>16804909381</b>	<b>12526004657</b>
SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE						
(to the extent not written off)						
						Amount in Rs.
		Expenditure incurred	Written off during the year	Written off to the end of 31-03-2009	As at 31.3.2009	As at 31.3.2008
a)	GIS Mapping	6751941	1350388	5401552	1350389	2700777
	<b>Total</b>	<b>6751941</b>	<b>1350388</b>	<b>5401552</b>	<b>1350389</b>	<b>2700777</b>

<b>SCHEDULE - 10 : REVENUE FROM SALE OF POWER</b>			
		Amount in Rs.	
		For the year ended 31-03-2009	For the year ended 31-03-2008
1	Revenue from Sale of Power		
	a) Between DISCOMS	2522351195	2672999861
	b) L.T. Supply	16216810151	14583212324
	c) H.T. Supply	12259160742	11382732884
2	Income from Inter State Sale of Power	165006648	938462629
3	Other Receipts	1005192818	832356282
		<b>32168521554</b>	<b>30409763980</b>
<b>SCHEDULE - 11 : OTHER INCOME</b>			
1	Interest on		
	a) Staff Loans & Advances	262552	467721
	b) Bank Fixed Deposits & Others	90968935	70849705
2	Delayed Payment Charges from Consumers	316835837	422116272
3	Rebate on Power Purchase Bills	495177001	345628939
4	U I (Unscheduled Inter Change) Income	171342282	197446056
5	Miscellaneous Receipts	90139608	290527097
6	NTPC Incentive	174635633	-
7	Income from Capital Contributions	550647726	385171061
		<b>1890009574</b>	<b>1712206851</b>
<b>SCHEDULE - 12 : EMPLOYEE COSTS</b>			
1	Salaries, Wages and Bonus	2901674288	2593870254
2	Pension Contribution & Terminal Benefits	529377988	482410240
3	Employees Welfare expenses	24591087	7278901
		3455643363	3083559395
	Less: Employees Cost Capitalised	432836704	405121930
		<b>3022806659</b>	<b>2678437465</b>

SCHEDULE - 13 : ADMINISTRATION AND GENERAL EXPENSES					
			For the year ended 31-03-2009		Amount in Rs. For the year ended 31-03-2008
1	Licence fees		9776750		8829615
2	Repairs and Maintenance to				
	a) Plant and Machinery	543302350		438103615	
	b) Buildings	6820977		3734742	
	c) Others	7142926	557266253	4785228	446623585
3	Rent (including Lease Rentals)		9677877		647881
4	Rates & Taxes		4976187		6474030
5	Insurance		467556		1117829
6	Telephone Charges		27266151		20497686
7	Postage & Telegrams		1603525		2357305
8	Legal Charges		4268923		2686413
9	Audit Expenses and Fees : of which				
	a) Statutory Audit Fees	468775		393260	
	b) Audit Expenses	400000		145000	
	c) Tax Audit Fees	55150	923925	56180	594440
10	Other Professional Charges		175978463		148873857
11	Printing & Stationery		24989409		17865766
12	Advertisement		2649243		1685101
13	Electricity Charges		41850930		38284880
14	Conveyance and Traveling Expenses		180426026		164757912
15	E-Seva Collection Charges		22831149		25434207
16	Other Administration Expenses		69893843		52195847
			<b>1134846210</b>		<b>938926354</b>
	Less: Administration & General Expenses Capitalised		76382962		71492105
			<b>1058463248</b>		<b>867434249</b>

<b>SCHEDULE - 14 : OTHER EXPENSES</b>			
			<b>Amount in Rs.</b>
		For the year ended 31-03-2009	For the year ended 31-03-2008
1	Waiver of Surcharge	-	4215
2	Provision for Doubtful Advances	-	271920363
3	Write off of Deferred Revenue Expenditure	1350388	1350388
4	Flood, Cyclone relief Works	952519	1438300
5	Bad & Doubtful Debts Provided for/Written Off	228902937	146379830
6	Write off of Agriculture Arrears	547053487	-
7	Incentive to HT Consumers	459259962	490612964
8	Rebate on Sale of Power	2965590	18785547
9	Miscellaneous losses and write-offs	78869575	37903829
		<b>1319354458</b>	<b>968395436</b>
<b>SCHEDULE - 15 : INTEREST AND FINANCE CHARGES</b>			
1	Interest on State Government Loans/REC/PFC	1470517388	1174593018
2	Interest on loans from Financial Institutions and Banks	746422577	140534696
3	Government Guarantee Commission	21566000	-
4	Interest on others	326729442	302947749
		2565235407	1618075463
	Less: Interest and Finance Charges Capitalised	144657555	363600000
		<b>2420577852</b>	<b>1254475463</b>
<b>SCHEDULE - 16 : NET PRIOR PERIOD CREDITS/CHARGES</b>			
1	<b>Income relating to Prior Years</b>		
	a) Prior Period Receipts	104020	-
	b) Excess Provision-Interest & Finance Charges -written back	456	972553
	c) Other Excess Provisions	8656279	213412575
	d) Excess Depreciation/Amortisation in Prior Periods	-	254599803
		<b>8760755</b>	<b>468984931</b>
2	<b>Prior Period Expenses / Losses</b>		
	a) Operating Expenses	-	8733606
	b) Employee Costs	241125	754850144
	c) Short Depreciation in Prior Periods	33736463	-
	d) Interest & Other Finance Charges	45328362	14927525
	e) Prior Periods other charges	6393550	(30223375)
		<b>85699500</b>	<b>748287900</b>
	<b>Net prior period credits/(charges) ( 1 - 2 )</b>	<b>(76938745)</b>	<b>(279302969)</b>

## **SCHEDULE 17**

### **STATEMENT OF ACCOUNTING POLICIES**

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

- i) The accounts have been prepared under historical cost convention and conform to the statutory provisions and Generally Accepted Accounting Principles (GAAP).
- ii) The company adopts accrual system of accounting to recognize Income and Expenditure.
- iii) Provision for Bad & Doubtful debts is made on Debtors for sale of power outstanding for a period of more than 4 years.

#### **2. 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.

#### **3. 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) No depreciation is charged on the deletions to Assets during the year.
- iv) Depreciation on the asset shall cease 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.

**4. 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.

**5. Investments :**

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

**6. Inventories:**

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

**7. 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.

**8. Liabilities:**

All known liabilities are recorded and provided in the accounts.

**9. 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.

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

- a) Grants, subsidies and Consumer contributions received on capital account are amortised and recognized in the Profit & loss Account over the useful life of the Gross Block of Assets to which they pertain.
- b) The Subsidy received towards RGGVY Scheme is accounted separately and is shown under Reserves and Surplus. An amount equivalent to the depreciation charged on the Assets generated under the Scheme is taken to the Profit and Loss Account in proportion to the Subsidy received.

**11. Intangible Assets:**

Intangible Assets are amortised over the useful life of the assets.

As per our report of even date

For Raju & Prasad

For and on behalf of the Board

Chartered Accountants.

Sd/--

PADMAKANT J. MEHTA

Partner.

Membership No: 015652

Sd/--

P.GOPAL REDDY

Chairman & Managing Director

Sd/--

A.VENKATA REDDY

Director (Finance)

Sd/--

A.VENUGOPAL

Chief General Manager (Finance)

Sd/--

B.V.S. PRAKASH

Company Secretary

Place:TIRUPATI

Date : 27-07-2009

Place: TIRUPATI

Date: 27-07-2009

## **SCHEDULE 18**

### **Notes to Accounts**

1. ***Note No.1 : Consequent to the Andhra Pradesh Gazette Notification No., 396 dated 09.06.2005, for 'Transfer of Bulk Supply Undertaking and Power Purchase Agreements from APTRANSCO to Distribution companies:***
  - i. As per the Gazette Notification, the Assets and Liabilities pertaining to the Bulk Supply Undertaking of APTRANSCO are to be transferred and the opening Balance Sheet of the Company, as on the Effective Date being 09.06.05 with due accounting adjustments has to be prepared. However only the Power Purchase and Loan Liabilities and the corresponding Receivables from Govt. of A.P. in the books of APTRANSCO pertaining to Southern Power Distribution Company of A.P Limited have been identified for transfer and the same has been adopted in the books of the Company, which is subject to revision based on the valuation to be carried out by an independent Chartered Accountant appointed by APTRANSCO and also subject to approval and amendment to the Gazette Notification, by the Government of Andhra Pradesh.
  - ii. The liabilities taken over include Vidyut Bonds 1/2002 series amounting to Rs.31.31 crores, issued by APTRANSCO, against which no modification to the charge already created by the Issuer has been made and as such are classified as Unsecured Loans. The Bonds carry rate of interest of 11.60% p.a. and is due for redemption in 2014.
  - iii. The aggregate power purchases are being carried out by the Andhra Pradesh Power Co-ordination Committee, and the same is adopted in the company's books, in the percentage notified in G.O.MS.No. 101, ENERGY (POWER-III), 31<sup>st</sup>, OCTOBER, 2005 and as amended from time to time. The Discom to Discom and interstate purchase/sale of power arising on account of under/over drawal of power is also accounted as decided by APPCC.



- iv. 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 can not be certified by the banker. However the balance at the end of each month is being tallied with Trial Balance of the individual Distribution Companies.
  - v. The payments towards power purchases and receipts of inter-state sale of power are effected through the above said Bank account by the Andhra Pradesh Power Co-ordination Committee.
2. The excess/shortfall in the pool bank account balance, between the Distribution Companies, on account of power purchase and sale of power is accounted as Pool Imbalance Account, which is subject to reconciliation and confirmation.
  3. The Power purchase bills, debit/credit notes raised by the Generators are provisional and are subject to revision at a later date, which are accounted amongst the Distribution companies initially in the ratio specified in the Gazette Notification. ( Vide G.O.MS.No. 101, ENERGY (POWER-III), 31<sup>st</sup>, OCTOBER, 2005) duly adjusted through IBSS done on monthly basis.
  4. Confirmations of balance as on 31.03.09 from the Generating Companies/Suppliers of power are yet to be obtained.
  5. 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.
  6. Revenue from sale of power includes Rs.5 Crores approx. of Electricity Duty payable on unbilled power.

7. The Opening balances of Assets & Liabilities as on 1-04-2000 has been adopted in the books as per the Second Transfer scheme notified by the Government Order Notification dated 29<sup>th</sup> September 2001 for which break up details are not available.
8. The company has paid Rs 194.04 Crores (Previous year Rs.1.33 crores) as Unscheduled inter change charges and has received UI benefit of Rs.17.13 Crores (Previous year Rs.19.74 Crores). This has been accounted to Power Purchase Cost and other income respectively.
9. Against the Subsidy of Rs 1896.28 crores ( Previous Year Rs.679.44) sanctioned by the Government of Andhra Pradesh for the year 2008-09, an amount of Rs. 1294.65 crores ( Previous Year Rs.112.72 crores) is receivable towards additional power purchase from the Government of Andhra Pradesh

10. Capital Work-in Progress:

1. Capital Work in Progress includes Rs.42.26 Crores (Previous Year Rs.12.42 Crores) pertaining to Rajiv Gandhi Grameena Vidyutikaran Yojana Scheme as per which, the completed projects are the properties of the GoAP.
2. The Capital Work-in-progress as at 01-04-2008 amounting to Rs.346.88 crores is fed in SAP (ERP Package) and work orders are issued during the year 2008-09 from SAP. The amount capitalized during the year is Rs.202.42 crores from SAP Work orders. However In respect of additions made directly to fixed assets, data given by the expenditure units is relied upon and accordingly taken as additions to fixed assets and depreciation on these assets is provided for the half of the year irrespective of date of put to use.

11. Fixed Assets:

- (i) Fixed Assets transferred in the second transfer scheme amounting to Rs.799.58 crores has been classified as communicated by APTRANSCO at gross value and hence asset wise breakup is not available.

- (ii) Fixed Assets includes Rs.42.95 crores (Previous year Rs.24.83 crores) pertaining to RGGVY, the ownership of which vests with GOAP.
- (iii) There has been no impairment of assets during the year, hence no provision made for impairment of assets as stipulated in Accounting Standard 28.
- (iv) Goodwill & SAP Expenditure capitalized (Intangible Assets) are amortised over a period of 5 years.

12. Depreciation:

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

13. Statutory Reserves:

- i) Contingency Reserve represents reserve made as per the guidelines issued by Andhra Pradesh Electricity Regulatory Commission.

14. Inventories:

- i) There is a difference of Rs.15.84 crores (Previous year Rs.15.69) between the physical inventory (as certified by the management) and the value as per the financial ledger as on 31.03.2009 for which provision is made in the books.
- ii) Inventory includes Rs.3.55 crores (Previous year Rs.4.35 crores) materials received but pending inspection and acceptance.

15. Debtors:

- i) The credit balance in the Sundry debtors amounting to Rs.65.84 Crores (Previous year Rs.61.42 crores) is netted off from the Sundry debtors.
- ii) As per the Financial ledger the Sundry debtors account shows a balance of Rs.259.84 crores where as, as per the Consumer ledger the

balance shown is Rs.307.91 crores. The difference of Rs.48.07 crores (Previous year Rs.13.69 crores) is under reconciliation.

- iii) The company has provided an amount of Rs.22.89 crores (Previous year Rs.14.64 crores) towards bad and doubtful debts during the year.

16. Employee benefits:

- i) For the year 2008-09, the company has made a provision of Rs.45.40 crores (Previous year Rs.43.26 crores) towards terminal benefits based on the rates indicated for the year 2005-06. Against this liability, the Company has deposited Rs.43.32 Crores (Previous year Rs.40.56 Crores) to the Pension and Gratuity Trust.
- ii) Though the contribution towards Gratuity is made to the Pension & Gratuity Trust in respect of all employees, the liability taken over on amalgamation of the erstwhile RESCOs towards gratuity of its employees amounting to Rs.2.73 crores (Previous year Rs.2.96 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.
- iii) Provision has been made for the liability towards Leave encashment of employees for Rs.22.02 crores (Previous year Rs.Nil) on an adhoc basis.
- iv) The company has implemented Employees Provident Fund Scheme, 1952 from the financial year 2002-03 for employees who have joined after 1.2.99 or from the date of employment, which ever is later.
- v) The Company has made provision for Bonus for the year 2008-09 amounting to Rs.1.54 Crores (Previous Year Rs.1.39 Crores).
- vi) From the year 2008-09, the company has changed the accounting policy of charging interest on Family Benefit Fund from cash basis to accrual basis. The change has increased the profit during the year by Rs.12.34 lakhs.

17. Loans and Interest on Loans:

- i) All the Loans from Power Finance Corporation (PFC) / Rural Electrification Corporation (REC) are guaranteed to the extent of 30% by the Government of Andhra Pradesh, and are secured by charge on company's Fixed Assets commissioned out of the loan funds of above funding agencies. The assets worth Rs.2193.94 Crores (Previous year Rs.412.88 Crores) up to 31.03.09 have been mortgaged.
- ii) In the absence of confirmation of interest demand by REC, in respect of the loans arranged by APTRANSCO, the interest charges have been accounted as communicated by APTRANSCO.
- iii) Claim has been made towards the interest re-imbursement/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.

18. Remittances-in-transit includes Cheques and DDs on hand amounting to Rs.2.85 crores ( Previous Year Rs.3.08 crores) as at 31.03.2009 in various units.

19. There are no dues pending as at 31<sup>st</sup> March 2009 to suppliers/contractors/service providers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006

20. The company has written off Rs.54.71 crores towards Agricultural dues receivable from government in respect of arrears accumulated after 31-03-2004 for various reasons like raising demand on bill stopped services and some rectification entries.

21. 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. Now it is at hearing stage.
22. Service Tax on Wheeling Charges: APSPDCL has filed an appeal petition No.1/2009(T) ST along with a stay petition No.03/2009(T)ST against the orders passed by the Assistant Commissioner, Customs & Central Excise, Tirupati vide ORDER – IN ORIGINAL No.30/2008( S.Tax), Dt. 26.09.2008 confirming the demand of Service Tax of Rs.3,37,405 and also imposed Rs.3,37,405 and Rs.500 as penalty on wheeling charges collected from M/s.Suddalagunta Sugars. The Commissioner, Central Excise & Customs(Appeals), Guntur passed an order in stay petition No. 03/2009(T)ST, Dt. 19.03.2009 directing to pre deposit a sum of Rs.50,000. Accordingly, An amount of Rs.50,000/- was deposited vide challan Dt. 18.04.2009.
23. 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 31.03.2009 are subject to reconciliation and confirmation.
24. The balance payable Rs.563.91 crores ( Previous Year Rs.417.25 crores) towards power purchase is under reconciliation and confirmation is yet to be received.
25. Inter unit account shows a net difference (credit) of Rs.0.38 Crores (Previous year (Debit) of Rs.2.01 Crores) as at 31-03-2009 which is subject to reconciliation.
26. Deferred tax liability as per AS 22 has not been recognized in the books.

27. Provision has been made for Rs.1.57 Crores (Previous year Rs.0.10 crores) towards Income Tax u/s115JB of the Income Tax Act, 1961.

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

Serial No.	Particulars	FY : 2008-09		FY : 2007-08	
		Chairman and Managing Director	Other Directors	Chairman and Managing Director	Other Directors
1	Salary / Remuneration	632472	4047096	632612	2881975
2	Traveling Expenses	78930	431626	115170	388875
	<b>Total</b>	<b>711402</b>	<b>4478722</b>	<b>747782</b>	<b>3270850</b>

29. Loans and Advances to Directors – NIL.

30. Related Party Disclosure:

Key Management Personnel:

Amount in Rs.

Name	Remuneration for 2008-09	Remuneration for 2007-08
Mr.P.Gopal Reddy, Chairman and Managing Director	7,11,402/-	7,47,782/-

31. i) Consumption figures given below, are based on the actual consumption in respect of categories I to VIII except in case of category 5 – Agriculture:

Category	Units in MU	% of total units sold	Avg.Real. in Rs. per unit
Domestic supply - Category –I	3073.74	35.53%	2.26
Non-Domestic supply - Category –II	736.43	8.51%	5.45
Industrial Supply- Category –III	745.11	8.61%	3.64
Cottage Industries - Category – IV	25.82	0.30%	1.78
Irrigation and Agriculture Category - V	3459.25	39.99%	0.01
Public Lighting - Category - VI	567.84	6.56%	1.76
General Purpose - Category - VII	41.54	0.48%	3.70
Temporary Supply - Category – VIII	1.32	0.02%	6.16
<b>LT. Total</b>	<b>8651.06</b>	<b>100.00%</b>	<b>1.73</b>

<b>Category</b>	<b>Units in MU</b>	<b>% of total units sold</b>	<b>Avg.Real. in Rs. per unit</b>
<b>HT</b>			
Industrial Segregated - Category - I	2231.60	67.88%	3.75
Industrial Non-Segregated - Category – II	257.31	7.83%	5.28
Irrigation and Agriculture - Category – IV	31.59	0.96%	2.96
Railway Traction - Category – V	512.63	15.59%	4.13
Colony Lighting – Category - VI	47.68	1.45%	3.96
Electricity Co-Operative Societies	205.70	6.26%	0.40
Temporary Supply	0.94	0.03%	7.62
<b>HT. TOTAL</b>	<b>3287.44</b>	<b>100.00%</b>	<b>3.72</b>
<b>LT + HT Total</b>	<b>11938.50</b>	<b>100.00%</b>	<b>2.27</b>
<b>LT + HT Total (Previous Year 2007-08)</b>	<b>10797.99</b>	<b>100.00%</b>	<b>2.29</b>

- iii) The Company has assessed the Agricultural consumption based on the readings of meters provided on the LV side of the distribution transformers feeding agricultural loads.

32. Contingent Liabilities:

- Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31-03-2009 is Rs.14.31 Crores.
- The value of unexecuted portion of purchase order agreements as at 31-03-2009 is Rs.9.84 Lakhs
- The value of Legal cases pending in respect of electrical accidents as at 31-03-2009 is Rs.1.48 crores.
- The value of other Legal cases pending as at 31-03-2009 is Rs.99.36 Lakhs pertains to workmen compensation act.

33. 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

34. The previous year figures have been regrouped/re-classified wherever necessary.

As per our report of even date

For Raju & Prasad

Chartered Accountants.

For and on behalf of the Board

Sd/--

PADMAKANT J. MEHTA

Partner.

Membership No: 015652

Sd/--

P.GOPAL REDDY

Chairman & Managing Director

Sd/--

A.VENKATA REDDY

Director (Finance)

Sd/--

A.VENUGOPAL

Chief General Manager  
(Finance)

Sd/--

B.V.S. PRAKASH

Company Secretary

Place:TIRUPATI

Date : 27-07-2009

Place: TIRUPATI

Date: 27-07-2009

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956				
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE				
<b>I. Registration Details :</b>				
Registration No.		:	34118	
State Code		:	01	
Balance Sheet Date		:	31-03-2009	
<b>II. Capital raised during the Year</b>		:	(Rupees in Thousands)	
Public Issue		:	-	
Rights Issue		:	-	
Bonus Issue		:	-	
Private Placement		:	-	
<b>III. Position of Mobilisation and Development</b>		:	(Rupees in Thousands)	
Total Liabilities		:	61366397	
Total Assets		:	61366397	
<b>Sources of Funds</b>				
Paid up Capital		:	3587153	
Reserves & Surplus		:	2803784	
Deferred Capital Contributions		:	5884735	
Secured Loans		:	16586725	
Unsecured Loans		:	15699090	
<b>Application of Funds</b>				
Net Fixed Assets		:	22526662	
CWIP		:	7486980	
Investments		:	2905	
Net Current Assets		:	14543590	
Miscellaneous Expenditure		:	1350	
<b>IV. Performance of the Company</b>		:	(Rupees in Thousands)	
Turnover		:	53021311	
Total Expenditure		:	52809661	
Profit/(Loss) before Tax for the Year		:	211651	
Profit/(Loss) after Tax for the Year		:	186709	
Net Prior Period Credits/(Charges)		:	(76939)	
Profit after Contingency Reserve		:	109770	
Earnings per Share		:	Rs. 0.31	
Dividend Rate%		:	NIL	
<b>V. Generic Names of Principal products/ Services of the Company</b>				
<b>Item Code No.</b>	<b>Product Description</b>			
N.A.	Distribution of Power			

Proxy form

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

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

Phone : 0877-2284109 Fax: 0877-2284111

**PROXY FORM**

I, Sri..... S/o.....R/o..... being a  
member of Southern Power Distribution Company of A.P. Limited hereby appoint  
Sri.....S/o.....R/o.....  
as my proxy to attend and vote for me, on my behalf at the Ninth Annual General Meeting  
of the Company to be held on **Friday, the 25<sup>th</sup> September, 2009 at 15.00 Hrs. (03:00**  
**PM)** or at any adjournment thereof at the Registered Office of the Company.

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

Signed this..... Day of ..... 2009.

Place:

Date :

# APSPDCL, 4th Sports Meet...







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

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

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

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