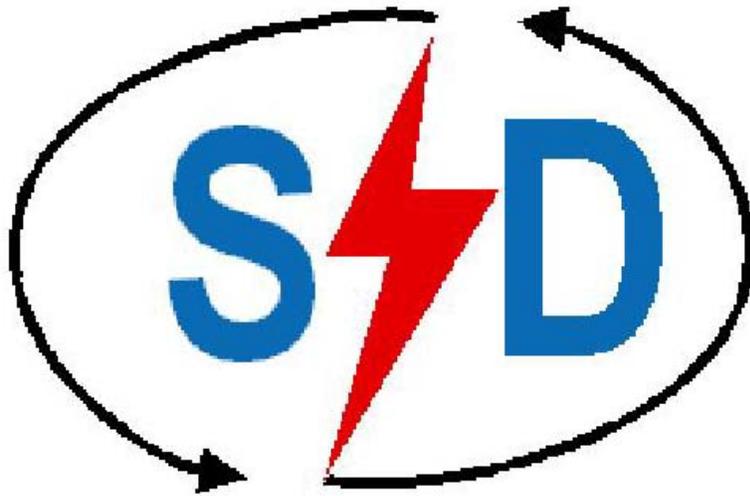


*SOUTHERN POWER DISTRIBUTION COMPANY OF
ANDHRA PRADESH LIMITED*



FOURTH ANNUAL REPORT
2003-2004

Board of Directors

Sri K.Ranganatham	- Chairman & Managing Director
Sri D.Sitaramaiah	- Director (Proj & Commercial)
Sri K.P.Anand, IA&AS	- Director (Finance)
Sri DINESH KUMAR, IAS	- Non Whole Time Director
Sri P.M.K.Gandhi	- Non Whole Time Director

COMPANY SECRETARY

K.Sateesh Gupta

AUDIT COMMITTEE

Sri Dinesh Kuamr, IAS
Sri P.M.K.Gandhi
Sri D.Sitaramaiah

Auditors

M/s. Ramamoorthy(N) & Co
Chartered Accountants
Gulshan Manzil, 4-1-1229,
Bogulkunta, Hyderabad – 500 001

REGISTERED OFFICE

19-3-13(M)
Renigunta Road
Tirupati – 517 501
Chittoor Dist
Andhra Pradesh

Telephone : (0877) 2284109, 2284112
Fax : (0877) 2284111
URL : www.spdclap.co.in

BANKERS

State Bank of Hyderabad
State Bank of India

CONTENTS

Chairman & Managing Director's Statement.....	
Notice.....	
Directors' Report.....	
Auditors' Report	
C&AG Comments & Management Replies.....	
Revenue Account	
Balance Sheet	
Schedules to Revenue Account.....	
Schedules to Balance Sheet	
Balance Sheet abstract and Company's General Business profile ...	
Proxy form	

APSPDCL PERFORMANCE HIGHLIGHTS

Year ended 31 st March	2003-04	2002-03	2001-02	2000-01
Units Sold (Million Units)	8086.94	7530.88	6902.45	5867.86
No. of 33/11 KV Sub stations	597	532	487	478
Length of 33 KV line in KM	8951.61	8590.24	8276.94	8180.80
Length of 11 KV line in KM	50988.40	44831.91	43515.86	43481
Length of LT line in KM	112699.83	110537.15	108565.30	106644.70
Number of Distribution Transformers	94036	60068	54396	50570
Number of Power Transformers	877	809	764	737
No of Consumers	4336286	4227497	4066524	3915474
Distribution Losses (%)	19.34	21.22	21.90	26.80
Distribution Transformer failures (%)	9.27	14.16	17.21	21.75
Average Realisation per unit (Rs.)	2.18	2.37	2.10	2.25
Financial Data (Rs. in Crores)				
Total income	2416.40	2389.26	2076.39	1402.93
Total Expenditure	2413.79	2391.29	2101.83	1402.93
Surplus / (Deficit)	2.61	(2.03)	(25.44)	0
Equity (Rs. In Crores)	310.60	310.60	310.60	310.60

Vision of APSPDCL

*“To create an organization that is profitable,
viable, responsive, serving the needs of the
customers, suppliers and employees”*

Chairman & Managing Director's Statement

The most important ingredient in the formula of success is performing consistently. The promising performance of the Company in financial year 2003-04 coupled with the consistent thrust given to operational efficiency and prudent financial management have yielded a bench mark results in 2003-04. It gives me great pleasure in presenting Fourth Annual Report of your company for the year 2003-04.

The financial year 2003-04 will be remembered for your Company's meticulous efforts in achieving financial profits and for implementation of innovative technologies. The financial year 2003-04 has started with an optimistic note where in your Company has embarked on an efficiency oriented, loss reduction approach in electricity distribution alongwith sustained focus in providing 100% electricity to rural areas.

Highlights

Its my pleasure to inform that the Discom has achieved a profit of Rs.2.61 Crores during the year 2003-04 for the first time since incorporation of the Company. This was achieved by reducing the costs incurred on Repairs & Maintenance alongwith strict control on payment of interest and finance charges. We took special steps for improving the network by induction of AB conductors, low loss DTRs at one end by improving metering and billing system at the other end. As a result, there is a heavy reduction in Distribution loss.

Compliance of Directives of APERC

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

Operational Performance

The Company's sales increased from 7530.88 MU in 2002-03 to 8086.92 MU in 2003-04 resulting an increase of 7.3%. The HT Category registered a healthy 10.84% sales growth in 2003-04 over 2002-03. Sixty Five (65) Substations and 33,968 Distribution transformers were erected during 2003-04 to improve the distribution network. And also the customer base increased from 4.22 millions to 4.33 millions during the same period.

Distribution losses were reduced from 21.22% in 2002-03 to **19.34%** in 2003-04 as against the 19.43% in the Tariff Order 2003-04. The management hopes to further reduce the losses by effectively channelising the resources for developing distribution infrastructure.

Distribution Transformer (DTRs) failures reduced to 9.27% in 2003-04 as against **14.16%** in 2002-03. To further minimize the failures, erection of additional DTRs and load distribution were carried out to reduce the additional load on the DTRs.

Due to additional strength provided to the distribution system, the total breakdown hours has been reduced by 26.76% and 15.06% on 33 kv and 11 kv Sub Stations respectively during the year 2003-04.

Rural Electrification initiatives

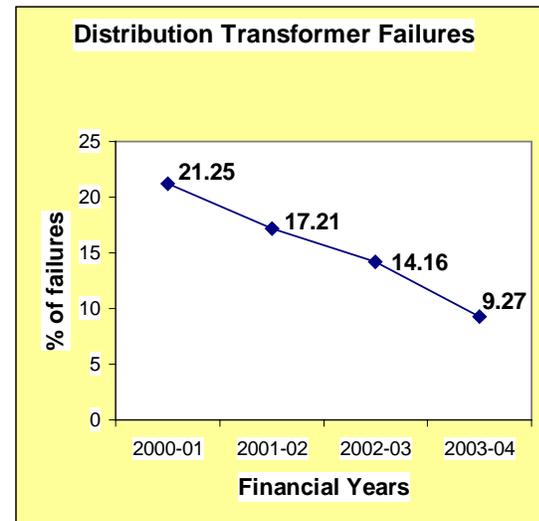
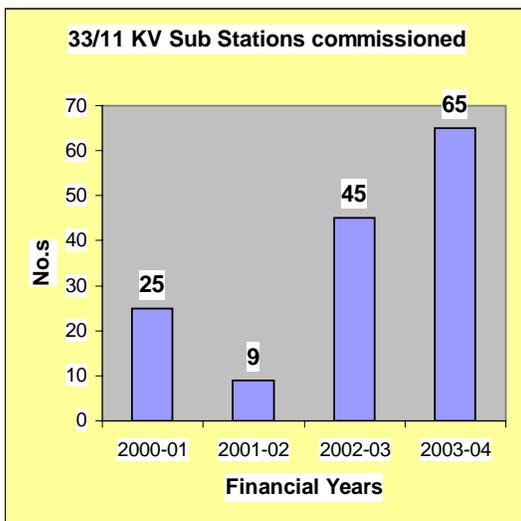
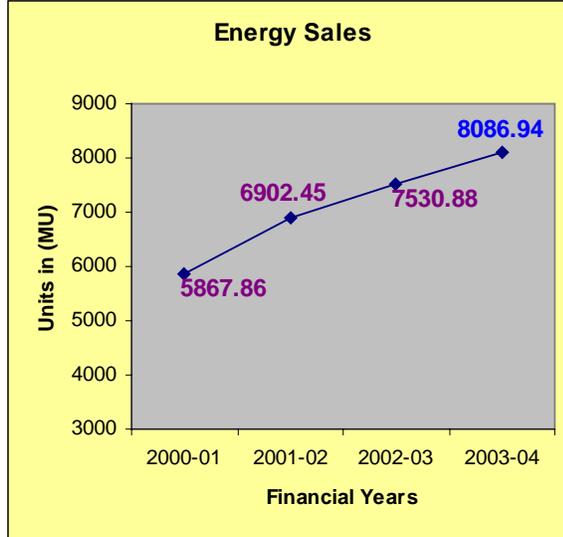
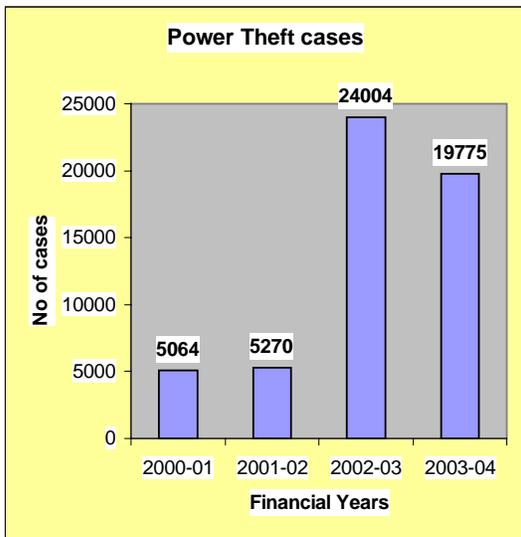
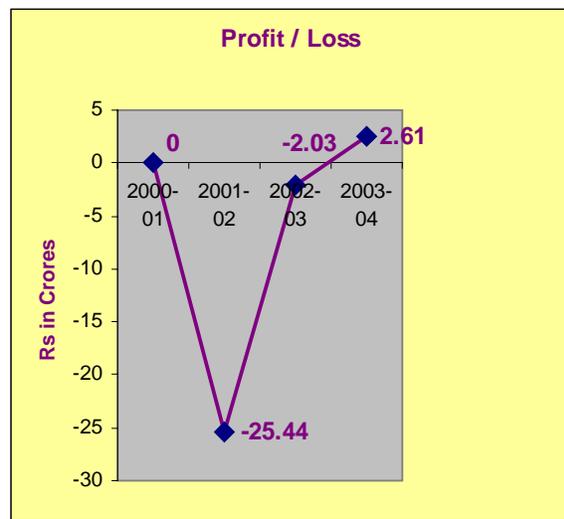
Recently our Hon'ble Union Minister for Energy Sri P.M.Sayeed has put forth the vision "Power For All Villages By 2007 and To All House Holds By 2012". The vision incorporates a massive scheme for development of rural electricity distribution alongwith setting up of 33/11 kv substations in Rural areas. We have already spent Rs. 62.93 Crores on Rural Electrification through various REC Schemes during the financial year 2003-04 and we intend to spend Rs.121.96 Crores in the ensuing financial year. I sincerely hope that the electrification of all Harijan Bastis, Girijan Wadas And Weaker Section Colonies in all the 6 Circles will be completed by 2005.

Absorbtion of new Technology

Upgradation of the existing technology with the innovative technology has always been the endeavour of your Company. In line with this, the Company will be implementing SAP (ERP Solutions) in Finance & Accounts and Materials Management. This will help the Company to provide standardized, user friendly information on line as required by Company, Government, regulatory and other Statutory entities.

Finally, it is said that the "Progress has little to do with the speed but much to do with the Direction". The financial year 2003-04 has ended with an optimistic note and I am of the view that we are heading in successful path by which the vision of APSPDCL will become reality.

Chairman & Managing Director





Southern Power Distribution Company of A.P. Limited

Registered Office: 19-3-13M, Renigunta Road, Tirupati – 517 501

From
Company Secretary
APSPDCL
Tirupati

Lr No.CMD/CS/AGM/D.No. 82 /2004-05 dt: 27-12-2004

Sir,

Sub : Notice of the Fourth Annual General Meeting of the Company – Reg

Please find enclosed Notice of the Fourth Annual General Meeting of M/s Southern Power Distribution Company of Andhra Pradesh Limited to be held (at Shorter Notice under Section 171(2) of the Companies Act, 1956 pursuant to consent received from all the Members) on **Wednesday, the 29th December, 2004 at 11.00 A.M.** at the Registered Office of the Company at 19-3-13(M), Renigunta Road, Tirupati – 517 501.

Kindly make it convenient to attend the meeting.

Yours faithfully

K.Sateesh Gupta
Company Secretary

To

The Members

Sri D.K.Panwar, IAS, Principal Secretary to Energy Dept, Govt of A.P. Hyderabad
Smt Rachel Chatterjee, IAS, CMD, APTRANSCO, Vidyut Soudha, Hyderabad
Sri G.Sai Prasad, Chairman & Managing Director, APEPDCL, Visakhapatnam
Sri K.Ranganatham, Chairman & Managing Director, APSPDCL, Tirupati
Sri Dinesh Kumar, IAS, Joint Managing Director (Comml, IPC, Reforms, Fin & Rev),
APTRANSCO, Hyderabad
Sri Gazula Kesava Rao, Director (Trans & Grid Operations), APTRANSCO, Hyderabad
Sri Hiralal Samariya, IAS, Chairman & Managing Director, APCPDCL, Hyderabad
Sri P.Gopal Reddy, Chairman & Managing Director, APNPDCL, Warrangal
Sri J.V.Pandurangam, Director (Projects), APTRANSCO, Hyderabad
Sri P.M.K.Gandhi, Director (RA & Co-ordination) – Representative of APTRANSCO

The Directors

Sri K.Ranganatham, Chairman & Managing Director
Sri Dinesh Kumar, IAS, Non Whole Time Director
Sri P.M.K.Gandhi, Non Whole Time Director
Sri D.Sitaramaiah, Director (Comml & Projects)
Sri K.P.Anand, IA&AS, Director (Finance)

The Auditors

Ramamoorthy (N) & Co,
Chartered Accountants, Gulshan Manzil, 4-1-1229, Bogulkunta, Hyderabad – 500 001



SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED

Regd Office:19-3-13M, Renigunta Road, Tirupati – 517 501

From
Company Secretary
APSPDCL
Tirupati

Lr No.CMD/CS/AGM/D.No. 83 /2004-05 dt: 29-12-2004

Sir,

Sub : Notice of the Adjourned Fourth Annual General Meeting of the Company – Reg
Ref : Lr.No.CMD/CS/AGM/D.No. 82 /2004-05 dt: 27-12-2004

This is in continuance of the above reference, the Fourth Annual General Meeting of M/s Southern Power Distribution Company of Andhra Pradesh Limited is adjourned to Thursday, the 30th December, 2004 at 11.00 A.M. at the Registered Office of the Company at 19-3-13 (M), Renigunta Road, Tirupati – 517 501.

Kindly make it convenient to attend the meeting.

Yours faithfully

K.Sateesh Gupta
Company Secretary

To

The Members

Sri D.K.Panwar, IAS, Principal Secretary to Energy Dept, Govt of A.P. Hyderabad
Smt Rachel Chatterjee, IAS, CMD, APTRANSCO, Vidyut Soudha, Hyderabad
Sri G.Sai Prasad, Chairman & Managing Director, APEPDCL, Visakhapatnam
Sri K.Ranganatham, Chairman & Managing Director, APSPDCL, Tirupati
Sri Dinesh Kumar, IAS, Joint Managing Director (Comml, IPC, Reforms, Fin & Rev),
APTRANSCO, Hyderabad
Sri Gazula Kesava Rao, Director (Trans & Grid Operations), APTRANSCO, Hyderabad
Sri Hiralal Samariya, IAS, Chairman & Managing Director, APCPDCL, Hyderabad
Sri P.Gopal Reddy, Chairman & Managing Director, APNPDCL, Warrangal
Sri J.V.Pandurangam, Director (Projects), APTRANSCO, Hyderabad
Sri P.M.K.Gandhi, Director (RA & Co-ordination) – Representative of APTRANSCO

The Directors

Sri K.Ranganatham, Chairman & Managing Director
Sri Dinesh Kumar, IAS, Non Whole Time Director
Sri P.M.K.Gandhi, Non Whole Time Director
Sri D.Sitaramaiah, Director (Comml & Projects)
Sri K.P.Anand, IA&AS, Director (Finance)

The Auditors

Ramamoorthy (N) & Co,
Chartered Accountants, Gulshan Manzil, 4-1-1229, Bogulkunta, Hyderabad – 500 001



NOTICE

NOTICE is hereby given that the Fourth Annual General Meeting of the Members of Southern Power Distribution Company of Andhra Pradesh Limited (**APSPDCL**) will be held (at Shorter Notice under Section 171(2) of the Companies Act, 1956 pursuant to consent received from all the Members) on **Wednesday, the 29th December, 2004 at 11.00 A.M.** at the Registered Office of the Company 19-3-13(M), Renigunta Road, Tirupati to transact the following business:

Ordinary Business

1. "To receive, consider and adopt the Audited Annual Accounts of the Company for the Year ended 31st March 2004 together with the Directors' Report, Statutory Auditors' Report and Supplementary Audit Report of the Comptroller and Auditor General of India thereon".
2. To take note of the appointment of M/s Ramamoorthy (N) & Co, Chartered Accountants as Statutory Auditors of the Company for the financial Year 2003-04 under the provisions of Section 619 of the Companies Act, 1956 by the Comptroller and Auditor General of India
3. To consider and approve the remuneration payable to the Statutory Auditors of the Company U/s 224 (8) (aa) of the Companies Act, 1956 for the Financial year 2003-04

Special Business

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956 read with Article 12 of the Articles of Association of the company, the Authorised Share Capital of the Company be increased from Rs.311,00,00,000 (Rupees Three Hundred and Eleven Crores only) to Rs.360,00,00,000 by creation of 4,90,00,000 (Four Crores and Ninty Lakhs) equity shares of Rs.10/- each, ranking *pari passu* with the existing equity shares of the Company."

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution

"RESOLVED THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following:

The Authorised Share Capital of the Company is Rs.360,00,00,000 (Rupees Three Hundred and Sixty Crores) divided into 36,00,00,000 (Thrity Six Crores) equity shares of Rs.10/- (Rupees Ten) each, with the rights, privileges and conditions attached thereto as are provided by the Regulations of the Company for the time being.

The Company has power, from time to time, to increase or decrease its Capital and to divide the shares in the original or increased capital for the time, into several classes and to attach thereto such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions as may be permitted by Law."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 the Articles of Association of the Company be altered by substituting the following Article for Article 4:

Article 4: The Authorised Share Capital of the Company is Rs. Rs.360,00,00,000 (Rupees Three Hundred and Sixty Crores) divided into 36,00,00,000 (Thirty Six Crores) equity shares of Rs.10/- (Rupees Ten) each.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution

“RESOLVED THAT pursuant to sub-section (1A) of Section 81 of the Companies Act, 1956 and in accordance with the Memorandum and Articles of Association of the Company, the Board of Directors of the Company be and is hereby authorized to issue 4,81,07,500 equity shares of Rs.10/- each at par to Government of Andhra Pradesh towards equity investment sanctioned under Accelerated Power Development and Reforms Programme vide G.O.Ms.No.53, Energy (Power III) dated 31.03.2004.”

“RESOLVED FURTHER THAT the shares issued and allotted shall rank *pari passu* in all respects with the existing fully paid equity shares of the Company except that the said shares shall carry the right to receive a proportionate dividend, if any, declared for the financial year in which the said shares are allotted.”

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 30 (d) of the Association of the Company be and is hereby altered by substituting the following Article:

Article 30 (d) : Subject to the provisions of the Act, so long as fifty one percent or above of the issued share capital of the Company is beneficially owned by the Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), APTRANSCO shall have a right to nominate and appoint all the Directors and to fill any vacancy which may arise as a result of any Director ceasing to hold office for any reason whatsoever and APTRANSCO shall have the right to nominate and appoint one or more of the Directors to the office of Chairman and/or Managing Director for such term and on such remuneration and/or allowances as it may think fit.

**By order of the Board of Directors of
Southern Power Distribution Company of
Andhra Pradesh Limited**

**Sd/-
K.Sateesh Gupta
Company Secretary**

Date : 27-12-2004

Place : Registered Office

Notes:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY IN ORDER TO VALID AND EFFECTIVE SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. (Proxy form enclosed).**
2. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed to the notice.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 4, 5 & 6: The existing share capital of the Company is Rs.311 Crores divided into 31.10 Crores equity shares of Rs.10/- each. Out of this 31,06,07,809 equity shares of Rs.10/- each were allotted to APTRANSCO and its nominees.

The Government of Andhra Pradesh has sanctioned an amount of Rs. 96.215 Crores to the Company under Accelerated Power Development and Reforms Programme (Rs.48.1075 Crores as Loan and Rs. 48.1075 Crores as equity) for State Annual Plan 2003-04 vide G.O.Ms.No.53, Energy (Power – III) dated 31-3-2004.

In order to make provision for the additional equity of Rs.45.5615 Crores, the Authorised Share Capital of the Company should be increased from Rs.311 Crores to Rs.360 Crores by creation of 4,90,00,000 (Four Crores and Ninty Lakhs) equity shares of Rs.10/- each. The proposed increase of authorized share capital requires the approval of shareholders under Section 94 of the Companies Act, 1956 for (Item No.4). Further shareholders approval is also required to amend Clause V of the Memorandum of Association under Section 16 of the Companies Act, 1956 (Item No.5) and Article 4 of the Articles of Association of the Company under Section 31 of the Companies Act, 1956 (Item No.6).

In view of the above, your Directors recommend the resolutions at item No. 4, 5 and 6 for approval of the Shareholders. None of the Directors of the Company is in any way concerned or interested in the proposed resolutions.

Item No. 7: Pursuant to the grant of Rs. 48.1075 Crores by the Government of Andhra Pradesh under APDRP vide G.O.Ms.No.53, Energy (Power – III) dated 31-3-2004, by way of equity infusion, it is necessary to issue and allot 4,81,07,500 equity shares of Rs.10/- each at par aggregating to Rs.48,10,75,000/- in the name of the Government of Andhra Pradesh. Since it is an issue and allotment of shares to persons other than the existing shareholders, it shall be treated as preferential allotment, for which approval of the shareholders in General Meeting is required. The allotment shall be completed within a period of 2 months from the date of General Meeting.

The shareholding pattern before and after the issue shall be as follows:

(Rs. Crores)

PARTICULARS	BEFORE ISSUE			AFTER ISSUE		
	APTRANSCO	GOAP	TOTAL	APTRANSCO	GOAP	TOTAL
AUTHORISED SHARE CAPITAL	311.00			360.00		
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL	310.6078	NIL	310.6078	310.6078	48.1075	358.7153
PERCENTAGE OF TOTAL EQUITY CAPITAL	100%	NIL	100%	86.59%	13.41%	100%

However, No change in control is intended or expected, since APTRANSCO continues to hold more than 51% of the paid up share capital.

In view of the above, your Directors recommend the resolutions at item No.7 for approval of the Shareholders. None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Item No.8: Pursuant to Article 30(d) of the Articles of Association of the Company, APTRANSCO shall have a right to nominate Directors / Managing Director/ Chairman of the Company so long as *the entire* share capital is beneficially owned by APTRANSCO. Since APTRANSCO has requested to consider under Rs.48.1075 Crores as equity, sanctioned under APDRP as direct investment by Govt of Andhra Pradesh in the Company. To that extent the Company has to issue and allot 4,81,07,500 equity shares of Rs.10/- each at par aggregating to Rs.48.1075 Crores to Govt of Andhra Pradesh, as a result APTRANSCO will not hold “the entire” share capital of the Company.

In view of the above, APTRANSCO has advised the Company to modify the Article 30(d) by substituting the words “**fifty one percent or above**” in place of ‘the entire’. As a result, APTRANSCO will continue to exercise the power hitherto exercised even after issue of equity shares to Govt of Andhra Pradesh.

Pursuant to Section 31 of the Companies Act, 1956, shareholders approval is required for amendment of Articles of Association of the Company. Therefore, your Directors recommend the resolutions at item No.8 for approval of the Shareholders. None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

By order of the Board of Directors

Sd/-
K.Sateesh Gupta
Company Secretary

Date : 27-12-2004

Place : Registered Office

DIRECTORS' REPORT

Members,
M/s Sourthern Power Distribution Company of A.P. Limited
Tirupati

Dear Members,

Your Directors have pleasure in presenting the Fourth Annual Report of the Company relating to Financial Year 2003-04 and I trust the Annual Audited Accounts for the said year as circulated have been perused by all of you.

Financial Results:

S.No	Particulars	Rs in Crores	
		Current Year 2003-04	Previous Year 2002-03
a	Total income	2416.40	2389.26
b	Total expenditure	2422.47	2403.73
c	Profit/(Loss) before tax	(6.07)	(14.47)
d	Provision for income tax	0.45	Nil
e	Profit/(Loss) after tax	(6.52)	(14.47)
f	Net prior period credits/(Charges)	9.13	12.44
g	Surplus/(deficit)	2.61	(2.03)

During the year 2003-04, your Company has achieved a profit of Rs.2.61 Crores for the first time since formation of the Company after making provision for income tax of Rs.0.45 Crores. This has been achieved inspite of reduction in revenue subsidies and grants from the Government of Andhra Pradesh.

During the year under review, total income was increased by 1.14% to **Rs.2416.40 Crores** from Rs.2389.26 Crores during the previous year. Other income increased by 126% to Rs.133.22 Crores in 2003-04 from Rs.58.94 Crores in 2002-03. There is a marginal reduction in revenue from sale of power from Rs.1892.34 Crores in 2002-03 to 1881.59 Crores in 2003-04. Revenue subsidies and grants during the year was Rs.401.58 Crores as compared to Rs.437.97 Crores during the previous year.

Total expenditure during the year was increased by 1.9% to **2422.47 Crores** compared to 2403.73 Crores in the previous year. Power purchase cost increased by 1.16% to Rs.1987.96 Crores in 2003-04 from Rs.1965.19 Crores in 2002-03. During the year 2003-04, Repairs & Maintenance expenditure was reduced by 22.7% to Rs.26.06 Crores from Rs.33.70 Crores in 2002-03.

Energy Sales

The Company's total sales increased to **8086.92 MU** in 2003-04 from 7530.88 MU in 2002-03 resulting an increase of 7.3%.

Operational Performance of The Company for the year 2003-04:

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

S.No.	Particulars	As on 31-3-2004	As on 31-3-2003
1	Number of 33/11 KV Sub stations	597	532
2	Length of 33 KV line in KM	8951.61	8590.24
3	Length of 11 KV line in KM	50988.40	44831.91
4	Length of LT line in KM	112699.83	110537.15
5	Number of Distribution Transformers	94036	60068
6	Power Transformers	877	809
7	Number of Consumers	4336286	4227497

Distribution Transformer failures:

Distribution Transformer failures reduced to **9.27% in 2003-04** from 14.16% in 2002-03, though Andhra Pradesh Electricity Regulatory Commission (APERC) has fixed the target for distribution transformer failures in the Tariff Order 2003-04 as 12%. This reduction in failures is mainly due to erection of additional transformers and timely maintenance of transformers.

Distribution Losses:

Distribution losses were reduced from 21.22% in 2002-03 to **19.34% in 2003-04** as against target of 19.43% in the Tariff Order 2003-04.

Achievements of the Company during 2003-04

- A total of 1,72,314 new services have been added during the year which includes 76 new HT services
- 3,90,108 High Quality meters have been fixed with a view to increase in metered sales
- 65 Nos of 33/11 KV substations have been added during the year to improve quality of power supply compared to 45 Nos during the previous year
- During the year under review 6 Nos Hamlets, 1770 Nos Dalitha wadas, 545 Nos weaker section colonies and 31 Nos Tribal colonies/hamlets were electrified.
- To improve sales and revenues, 67 Nos industrial mixed feeders have been identified and out of which 50 Nos industrial feeders were separated from mixed loads. Action plan has been initiated to separate the balance feeders.
- During the year under review, 16,091 Nos High Voltage Distribution Transformers have been erected for reliable, uninterrupted and quality of power supply to the consumers.
- Customer Call Centres and Customer Service Centres were opened initially in all Circle Head Quarters viz., Vijayawada, Guntur, Ongole, Nellore, Tirupati and Kadapa. During the year 2003-04, the same were opened at head quarters of all Divisions and Sub-divisions.

IT Initiatives

The Company has introduced several Information Technology tools for timely reporting of information and to have a better control on activities of Customer services, Transformer related activities and billing system etc.

➤ **Monitoring and Tracking System ('MATS')**

The Monitoring and Tracking System (MATS) is a system to monitor and track the progress of cases relating to all types of irregularities booked by the Operations and DPE Wings of the Distribution Companies.

- MATS will capture all the information relating to any case of irregularity booked, from the time of filing of the Inspection Report, through assessment of energy lost, and recovery of dues from the consumer. The MATS system enables the entire process of tracking of cases, reducing the amount of paper-work, time taken for processing. It is a tool for effective monitoring of the disposal of the cases by the senior management.

➤ **GIS /GPS based Consumer Indexing And Asset Management**

GIS / GPS Based Consumer Indexing and Asset Management covers Sketching of Distribution Transformer Network, Data Collection, Pole-to-pole survey and diagrams of LT/HT Network Distribution Network Sub-Stations / Transformers, Supply of necessary software and Hardware and maintaining the data dynamically for three years. Presently, the Company is executing this project in all major towns of the DISCOM. This is useful for the company to have complete asset established information as well as about the consumers to provide better services. It is one of the major exercise in the Company's reforms initiative to have a better control on the Consumer Services and Managing and designing better Network or upgrade the existing Network to reduce the Technical Losses.

➤ **Circle Performance Management And Reporting System ('CPMRS')**

The Circle Performance Management and Reporting System (CPMRS) is an Executive Information System that can be used in monitoring the performance of the Circles. CPMRS captures data related to operations and revenue and presents them in the form of actionable reports. These reports are meant for the top management to track performance, identify exceptions, and take action based on the findings. The system tracks the performance on a monthly basis as well as cumulatively over a period of time. The system captures information related to drawls, sales, demand, collection, failures, exceptions, etc.

Implementation of SAP (ERP Solutions)

The Discom intends to implement SAP (ERP Solutions) in the areas of Finance & Accounts and Materials Management throughout the Company. This ERP solution helps in providing standardized and user friendly information on line and complies with regulatory and other legal requirements enforced in the country.

The main advantages which will accrue for the Company are as follows:

1. There will be standardization of the methods and accounting through out the State

2. The Annual Accounts and book closures will be completed within the statutory due dates
3. The Company will save expenditure in communication with its unit offices as all the information will be available online.
4. The Company can fulfill most of the requirements of the Companies Act, and APERC directives. And also APTRANSCO and Govt of A.P. requirements will be addressed very quickly as database is readily available online.
5. The employees will be benefiting as manual posting, writing of ledgers, cashbook etc will be done away with and the system is user friendly.
6. The Company will be the front-runner in implementing an ERP solution for Power Sector.

HR Initiatives

The Discom has initiated several steps to foster harmonious human relation practices to ensure development of its resources. The Staff were exposed and given training in HR and behavioral programmes.

- ❖ 2,023 employees were given training in LSTC Vijayawada and Kadapa
- ❖ Workshop on “Motivation and self Development” and “Self Awareness and Team Work” were conducted in all Six Circles
- ❖ Information Technology Training Centre were started in November, 2003 at Corporate office, Tirupati providing training in MS Office products and internet concepts
- ❖ 561 Employees were trained in various methodologies at Corporate Training Institute, Hyderabad.

Vigilance and DPE

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 2003-04.

During the year 2003-04, the Company has collected an amount of **Rs.7.80 Crores** towards Theft of Power and Malpractices by the consumers as against Rs.6.52 Crores for the previous year 2002-03 resulting an increase of 19.64%. During the year under review, **19,775** theft cases were registered and **140** persons were arrested as against 24004 theft cases in 2002-03.

Agriculture consumption

The agricultural consumption in 2003-04 has increased by 7% i.e. 3032.05 MU in 2003-04 when compared to 2834.32 MU in 2002-03.

Due to the paradigm shift in Government of Andhra Pradesh view towards agriculture sector, Electricity is now provided as an input subsidy for agriculture. As per Government’s decision, the Company has been supplying “Free Electricity” from 2004-05 financial year to 4,79,516 agriculture services in all the 6 Circles. The subsidy amount will be reimbursed by the Government on a monthly basis to the Company as per APERC Directives.

Directors:

The Board of Directors of the Company are nominated by Holding Company., APTRANSCO.

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

Name of the Director	Date of appointment	Date of change
1. Sri A.Venkateshwar, IRAS	31-12-2002	24-09-2004
2. Sri Dinesh Kumar, IAS	24-09-2004	-
3. Sri K.Ramaswamy	23-05-2002	02-12-2004

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

Sri K.Ranganatham	- Chairman & Managing Director
Sri D.Sitaramaiah	- Director (Projects & Commercial)
Sri K.P.Anand, IA&AS	- Director (Finance)
Sri Dinesh Kumar, IAS	- Non Whole Time Director
Sri P.M.K.Gandhi	- Non Whole Time Director

Board Meetings 2003-04:

The Board held its meetings on 28th June, 4th July, 22nd July, 20th September, 20th October, 21st October, 3rd December, 8th December all in 2003 and 16th January, 9th February and 27th March in 2004 during the financial year 2003-04 under the provisions of Section 285 of the Companies Act, 1956. The minutes of the meeting disclose the timing of the meeting.

Attendance at Board of Directors Meetings:

Directors	Meetings held during the tenure of Directors	Meetings attended
Sri K.Ranganatham	11	11
Sri K.Ramaswamy	11	9
Sri D.Sitaramaiah	11	10
Sri H.Vidya Sankar	10	9
Sri A.Venkateshwar, IRAS	11	4
Sri P.M.K.Gandhi	11	2
Sri K.P.Anand, IA&AS	1	1

Extra Ordinary General Meeting

During the year 2003-04, an Extra Ordinary General Meeting of the Company held on 9th February, 2004 at 10.30 A.M. at Vidyut Soudha, Hyderabad to take the consent of the shareholders under section 293(1)(a) of the Companies Act, 1956.

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 28th June, 2003 and 6th December, 2003. The composition of the Audit Committee on the date of this report is as follows:

1. Sri Dinesh Kumar, IAS
2. Sri P.M.K.Gandhi
3. Sri D.Sitaramaiah

Auditors of the Company

M/s. Ramamoorthy (N) & Co, Chartered Accountants, Hyderabad were appointed by Comptroller and Auditor General of India (C&AG) as the Statutory Auditors of the Company for the Financial Year 2003-04.

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 31st march, 2004 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 regarding conservation of energy, technology absorption and foreign exchange earning and outgo are given in annexure I forming part of this report.

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

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. The Annual Accounts are prepared as per the Electricity (supply) Annual Accounts Rules, 1985, notified under Electricity (Supply) Act, 1948, and the applicable Accounting Standards are followed so as to give a true and fair view of state of affairs of the Company at the end of the Financial year 31st March, 2004, and of the revenue account for that period with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a

true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.

3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. 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, Andhra Pradesh Electricity Regulatory Commission, Holding Company., APTRANSCO, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers at large.

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 and to the Employee's Unions and the Officer's Associations for their constructive co-operation.

On behalf of the Board of Directors

Sd/-

K.RANGANATHAM
Chairman and Managing Director

Date: 27-12-2004

Place: Tirupati

ANNEXURE – I TO THE DIRECTORS’ REPORT

Disclosure under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of Energy :

Energy Audit cell has been established headed by a General Manager. Following are the comprehensive steps taken by the Discom to conserve energy operationally and commercial angle:

- 1) Introducing of High Voltage Distribution System (HVDS) or LT less distribution system by erection of Single Phase and 3 Phase small capacity DTRs. Since the LT lines are eliminated to major extent, the scope for pilferage by directly hooking to LT lines is reduced.
- 2) Erection of additional distribution transformers to maintain optimum load on the individual transformers and to prevent low voltage and LT line losses.
- 3) Erection of capacitor banks at Sub-stations and for pumpsets for reduction of reactive power drawal.
- 4) Erection of sub-stations wherever necessary.
- 5) Introduction of Demand side management measures like recommending ISI make pumpsets, PVC pipes, capacitors etc for Agricultural services.
- 6) Erection of duplicate feeder / separate feeders wherever the loads on the feeders exceed 100 Amps on 11 KV side.

(B) Technology absorption : NIL

(C) Foreign Exchange earnings and outgo: NIL

Ramamoorthy (N) & Co.,
Chartered Accountants

Tel: 040-24758920,24756515,24752221
Fax: 040-24756515
GULSHAN MANZIL, 4-1-1229, BOGULKUNTA
HYDERABAD – 500 001
Email: ramamoorthynco@rediffmail.com

AUDITORS' REPORT

TO
THE MEMBERS OF SPDC OF AP LTD
TIRUPATI.

We have audited the attached Balance Sheet of **SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.,** as at 31st March, 2004 and also the Revenue Account for the year ended on that date annexed thereto. 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.

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.

The annual accounts have been prepared in the formats prescribed under Electricity (Supply) Annual Accounts Rules, 1985, as notified by the Central Government in Electricity Supply Act, 1948.

As required by the Companies Auditor's Report Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 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.

Further to our observations in the annexure referred to above, we report that :

- 1. The Assets and liabilities of the company as on 31.03.2004 contain substantial balances transferred under the second transfer scheme by APTransco on 01.04.2000. These balances did not have satisfactory unit-wise & other break up details of assets and liabilities. We are unable to determine the correctness or otherwise of the balances as on 31.03.2004 to the extent of such transferred opening balances.*

Reconciliation has not been made to arrive at the correct balances of Assets and liabilities as mentioned in the paras below:

- (a) Sundry debtors are shown in the balance sheet as Rs.145.13 Crores (after transferring Rs.314.28 crores as receivable from government in respect of agriculture category arrears & after write off adjustment of Rs. 79.18 crores) as against Rs. 449.93 Crores as per consumer ledgers (before write off & transfer to receivable from government account), as on 31-03-04.*

- (b) Security deposits are shown as Rs.272.28 crores as against Rs.171.72 crores as per consumer ledgers as on 31.03.04
- (c) Sundry debtors are not fully supported by party wise details. Confirmation of the balances have not been obtained from the debtors.
- (d) Sundry Debtors for sale of power other than receivables from HT consumers were not reviewed and evaluated for their recovery and no further provision for doubtful debts has been made during the year.
- (e) Stock of materials as on 31.03.2004 is shown at Rs. 45.34 crores in the balance sheet as against Rs. 35.26 crores as per the stock records.
- (f) Amount payable to APTransco of Rs. 265.16 Crores, which is shown as liability on power purchase, is subject to reconciliation and Confirmation.
- (g) Party wise details, of 'other claims and receivables' of Rs. 10.98 crores, 'Deposits & retentions from suppliers and contractors' of Rs.22.46 Crores and 'Deposits for electrification service connections' of Rs. 12.39 Crores, are not furnished and as such the correctness of the balances could not be ascertained.
- (h) Full particulars are not available in respect of liability for capital supplies and O & M supplies of Rs.32.30 crores, debtors for trading a/c Rs.8.22 crores and advances for O&M supplies of Rs.5.23 crores.
- (i) There are un-reconciled debit balances to the extent of Rs.15.14 crores and credit balances of Rs. 9.58 crores in the inter-unit account resulting in understatement of assets and liabilities to that extent.
- (j) Advances received from the consumers are not shown as liabilities and have been set off against the Sundry debtors. The total credit balances to the extent of Rs. 29.24 crores have been netted off from the sundry debtors.
- (k) Adjustments have not been carried out in the liabilities on account of O&M Suppliers against advances paid, resulting in overstatement of liabilities and advances
2. (a) Out of Total Fixed assets of Rs.1499.40 Crores, Rs.799.57 Crores of fixed Assets are intimated in Second Transfer Scheme, which were taken on record by the company. The classification of assets of Rs. 799.57 Crores is not authenticated by the management of A.P.TRANSCO. In the absence of physical verification of fixed assets during the year and reconciliation in the values given in the provisional fixed assets register with that of the values adopted in the accounts, the consequential effect on the values of various group of assets within the fixed assets as on 31-03-04 is not ascertainable. Consequently, the effect on the provision for depreciation for the year on the revenue account is also not ascertainable.
- (b) The company has not reduced the consumer contribution of Rs.337.90 Crores and Kutir Jyothi grant of Rs. 14.275 crores , received towards cost of capital assets from the fixed assets, (Refer Accounting policy 2, in statement – 4) resulting in overstatement of Fixed Assets and liabilities and higher charge of depreciation in the accounts, in contravention of Accounting Standard –10, "Accounting of Fixed Assets", issued by ICAI. The quantum of higher charge of depreciation is not quantified.

- (c) *The Company is Capitalising the Work in Progress in the following accounting year irrespective of its date of completion which is not in accordance with AS-10 “Accounting for Fixed Assets”. This is also not in accordance with Electricity Annual Accounts Rules, 1985. This results in overstatement of Capital Work in progress and understatement of Fixed Assets. The consequential effect on depreciation due to the above is not ascertained and quantified.*
- (d) *The company has provided depreciation under straight line method on the gross block as a whole instead of providing depreciation to the extent of 90% of the value of each individual asset. This results in charging depreciation up to 100% value of the asset and excess depreciation on other assets when the individual asset is depreciated in full. Quantum of such excess depreciation is not ascertained and disclosed.*
- (e) *No depreciation has been provided on the additions made during the year to fixed assets, in contravention of Accounting Standard – 6, “Accounting for Depreciation” (Refer Accounting policy 3 in Statement – 4)*
- (f) *No provision has been made in the books of accounts for the “Assets to be discarded” identified.*
3. *The company has written off Rs.79.18 crores in its Balance Sheet during 2002-03 on account of domestic & commercial services (LT-I & LT- II) of Rs.32.80 crores, agriculture services of Rs.28.65 crores and RESCO dues of Rs.18.03 crores, without evaluating the consumer wise recoverability. As reported in the earlier year, none of the services in the above categories have been identified and written off in the consumer ledgers. Thus balance sheet does not tally with the books of accounts.*

Further, the company has now raised demand of Rs.23.15 crores and surcharge of Rs.54.60 crores totaling to Rs.77.31 crores, in all the bills stopped agriculture services pertaining to the period prior to 01.04.03. It is explained to us that these demands for arrears and surcharge have been raised as the government has promised to reimburse the same.

The company has not received any communication / GO confirming the amounts reimbursable towards arrears and surcharge of agriculture services, though the government of Andhra Pradesh has been reimbursing the agricultural demand raised after 14.05.04 in accordance with its GO.

The company has also raised Rs.60 crores (approx.) in bills stopped category and Rs.23.99 crores as surcharge during 2002-03 for which no amounts have been reimbursed by the government till date.

Therefore, we are not in agreement with neither the write off adjustment of Rs.79.18 crores without writing off in the consumer ledger nor with the raising of demand in all Bills-stopped services, of Rs.23.15 crores & surcharge of Rs.54.16 crores totaling of Rs.77.31 crores as income for the year ended 31.03.04, without any written confirmation of the amounts reimbursable towards arrears and surcharge from the Government of Andhra Pradesh for the agriculture services.

4. *M/S Aptransco Ltd., has received Rs.326.40 crores towards UI charges. APTransco has passed on Rs.32.64 crores to SPDCL as its entitlement. These UI charges have been allocated to the company based on the deficit projected by the company and not on the basis of efficiency in the grid management, as per the minutes of meeting of all the Directors (finance) of the distribution companies. This is not in accordance with the Accounting standard – 9, Revenue Recognition.*

- (a) *Financial ledgers were not written-up and are in-complete in some units. In case of written up financial ledgers, balances did not tally with the trial balance in some cases and do not contain the opening and closing balances of debtors. We have relied on the check figures drawn from cash book, consumer ledgers and adjustment entries passed. Due to not reconciling and improper maintenance of financial and revenue ledgers, the differences are increasing in various units. The impact of the unreconciled demand and collections on the revenue account and on sundry debtors, is not ascertained and quantified.*

Further, No action has been initiated to rectify the items of reconciliation between financial ledgers and consumer ledgers, reported by the independent receivable auditors.

- (b) *The quantities of sale of power given in the statement "Average realization of sale of power" is prepared without adjusting the withdrawals effected during the year in some circles. Further, the quantities shown against each category are not in agreement with the actual figures contained in books of accounts viz. consumer ledgers, in most of the cases. In case of agriculture, the reported total connected load in census report is adopted to arrive at estimated quantity of power sold. We have observed that the census reports are incorrect in many instances, they are not comprehensive and do not represent the ground realities. There are instances where field officials have certified that the Loads existing in census report are incorrect.*

The company is presenting consumption figures of agriculture category based on estimated consumption per HP. The same estimates are also being submitted to APERC for the purpose of subsidy & other tariff fixation. We have found that the consumption arrived at is significantly different from the actual consumption taken from the metered transformers specifically earmarked for agricultural supply in some circles. The readings adopted to calculate the agricultural consumption are different than the actual readings maintained at the field in some circles. The billed load (in HP) of the agricultural services is 2236250 hp, as per the in-house records. Whereas the total load (HP) reported in the accounts & to APERC is 2557171 hp.

In light of the above facts, we are unable to state whether the accounting of subsidy on agriculture services is correct.

- (c) *The company is in receipt of tariff Subsidy of Rs.401.58 Crores. The subsidy amount has been arrived at after taking into account the "quantities of power sold to various categories" submitted by the company. In view of the errors observed in preparation of quantitative details and errors in estimation methodology for agriculture and further in the absence of details including category wise details of the subsidy, we are unable to comment on the correctness of the Subsidy accounting.*

- (d) *No confirmation is obtained from the Energy Billing Centre, APTransco in respect of pending debits, if any, to SPDCL on account of energy drawn during the year 2003-2004.*

- (e)(a) *Leave salary encashment is accounted on cash basis and the accrued liability is not quantified.*

- (b) *No provision has been made in the accounts in respect of gratuity liability of employees employed on or after 01.02.1999, in contravention of the Accounting Standard – 15, "Accounting for Retirement Benefits in financial statements" .*

- (c) *The company did not obtain the actuarial valuation in respect of Pension & Gratuity liability of the employees as on 31.03.04. The last actuarial valuation report is given*

for the year 2000-01. This is also not in accordance with the Accounting Standard – 15, "Accounting for Retirement Benefits in financial statements"

The company has not provided the likely increase in the liability due to the falling interest rates in investments in the country & instead provided at the rates of 13.99% and 14.03% of Salary & DA of the year 2003-04, as in earlier years.

- (f) (a) Variations were observed between the amounts accounted as interest on REC Loans and as per the back-up sheets of interest provided by the institutions. The total variation is not ascertained and adjusted by the management.*
- (b) No details were available, in respect of the liability outstanding as on 31.03.2004 and interest levied during the year for the adhoc cash credit availed by the APTranco for payments on behalf of APSPDCL. The same was not recorded as liability in the accounts.*
- (c) 10% advance payments made by the holding company, to the suppliers/contractors, on behalf of APSPDCL and outstanding as on 31.03.2004, are not accounted for.*
- (d) Additional lease rentals payable as per the lease agreements were not accounted as expenditure, resulting in understatement of expenditure and overstatement of profit. We have been informed that the security deposits paid by the then APSEB on leased assets are not transferred to SPDCL in the second transfer scheme. Further leased assets, where the lease period was completed, have neither been accounted at their terminal values nor they have been taken away by the lessor. No information is available in this respect.*
- (e) Fuel surcharge adjustment pertaining to the year 2003-04 of Rs.24.57 has not been billed to the consumers and accounted as unbilled revenue for the year. It is observed that the company could not recover Rs.3.80 crores out of 22.08 crores of FSA advised by the APTranco for the year 2002-03. The company has not estimated the expected recoverable amount and instead accounted the entire FSA amount as revenue & expenditure during the year.*
- (f) No standard & uniform methodology has been formulated for reckoning the cost of the used / scrap materials to determine the profit / loss in the event of sale.*
- (g) Reconciliations have not been completed in respect of amounts receivable from E-Seva centers in five out of six circles. Further, confirmation of balances are also not been obtained.*
- (g) The company has not followed the mandatory accounting standards referred to in 211(3c) of the companies act, 1956, in respect of the following:*
 - (b) Claims against the company not acknowledged as debts in the nature of Contingent Liabilities are not quantified and disclosed in the notes to accounts, as per Accounting Standard 4, "Contingencies and Events Occurring after the Balance Sheet Date".*
 - (c) Recognition of income on account of surcharge for belated payment with out ensuring the recoverability, accounting of revenue on bills stopped agriculture services are not in accordance with Accounting Standard –9, "Revenue Recognition".*
 - (a) In respect of fixed assets, employees' costs of Rs. 31.57 Crores was capitalized on an adhoc basis, which is not in accordance with Accounting Standard –10, "Accounting for Fixed Assets".*
 - (b) Decline in the value of investments has not been assessed and provided for, which is not in accordance with Accounting Standard –13, "Accounting for Investments".*

- (c) *The method followed in capitalization of borrowing costs is not in accordance with Accounting standard –16, “Borrowing Costs”*
12. (a) *An amount of Rs.2.23 crores has been paid towards entry tax liability in respect of transformers and conductors purchased from outside state, for the period June, 2002 to December, 2003. Discrepancies were noticed in arriving at the liability of Rs.2.23 crores. There are cases where the entry tax amounts were paid to the suppliers as well as to the government. It is also observed that the tax liability is not correctly arrived at by considering all the cost components for reckoning the liability on account of entry tax.
Further, in some cases, the entry tax liability is not capitalized to respective work orders, resulting in understatement of CWIP & Fixed Assets, as the case may be.*
- (b) *In respect of Street lights and water works services under LT-Category VI, in majority of the cases meters are either not working or burnt out. The same have not been replaced and billing has been done on an estimate basis. Further, in respect of fishpond services in Nellore circle, in 933 services, no meters have been installed.*
- (c) *There is a shortfall of Rs.1.11 crores in creating contingency reserve as required under the Electricity (Supply) Annual accounts Rules, 1985. It is explained to us that the reserve is created as per Tariff Order.*
13. *Rs.8.64 crores and Rs.28.70 crores is receivable (before writing off of 18.03 crores) from RESCOs – Atmakur & Rayachoti respectively towards supply of power and supply of materials. The financial position of RESCOs is not good. The government has decided to merge the RESCOs with the company.
The company has not estimated the recoverable amount and further no provision has been made in the accounts for the shortfall in recoveries. It is explained to us that the government would be funding any shortfall. However, no communication to this effect is available.*
14. *No information is furnished on the constitution or otherwise of the Committee envisaged in the Transfer Scheme for any changes in the balances in the movable assets & shared assets. Our opinion is subject to changes, if any, in the value of such assets as may be determined by the committee.*

We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit *except as stated in the paragraphs above.*

In our opinion, proper books of accounts as required by law have been kept by the company in so far as it appears from our examination of such books *subject to the deviations explained in paras above.*

The Balance Sheet and Revenue Account referred to in this report are in agreement with the books of accounts *subject to the deviations explained in paras above.*

In our opinion the balance sheet and the revenue account, comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956 *subject to the extent of deviations expressed in paragraphs 2(b), 2(c), 2(e), 4, 9(c) and 11 above.*

Since the company is a Government Company the provisions of Sec 274(1)(g) of the Companies Act, 1956 are not applicable to the company.

Subject to our qualifications in paras 1 to 14 above, which result in understatement of Deficit/(Loss) which is not quantified and the impact of the quantified and unquantified amounts on the assets and liabilities, in our opinion and to best of our information and according to the explanations given to us, the Balance Sheet and Revenue account together with the schedules, read with the Accounting policies and notes forming part of the accounts, disclose the information required under the Electricity(Supply) annual accounts rules,1985 notified by the central government under Electricity supply Act 1948, and

give a true and fair view

- i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and
- ii. in the case of Revenue Account, of the Deficit(Loss) for the year ended 31st March, 2004

Place: Hyderabad
Date: 15-09-2004

For RAMAMOORTHY(N) & Co,
Chartered Accountants

Sd/-
(SURENDRANATH BHARATHI)
PARTNER

ANNEXURE TO THE AUDITOR'S REPORT

This is the annexure referred to in our report of even date

1. *The company is in the process of building-up of fixed assets record showing particulars, including quantitative details and situation, of fixed assets. The company did not have any programme for physical verification of assets during the year. In the absence of physical verification, we are unable to state whether there are any material discrepancies.*
2. There has been no sale of substantial part of the fixed assets to affect the going concern aspect.
3. We are informed that none of the fixed assets have been revalued during the year.
4. We are informed that inventory have been physically verified by the Management periodically.
5. In our opinion, the procedure of physical verification of inventory followed by the management is adequate in relation to size of the company and the nature of its business. The company has maintained proper records of inventory. The discrepancies noticed on such physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
6. We are informed that during the year the company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the companies act, 1956 or from the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
7. We are informed that the company has not granted any loans to companies, firms or other parties listed in the register maintained u/s 301 of the Companies Act, 1956 or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us, *except in respect of sale of power to Agriculture Services, and in respect of sale of scrap*, there are adequate internal control procedures, commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and for the sale of power. We have observed weaknesses in internal controls in continuing failure to correct major weakness in *estimating the agriculture consumption (units), arriving at the profit / loss on sale of scrap, incorrect demands and withdrawals in various categories, accounting the temporary supply income including the income from sugarcane crushing, maintenance of proper books of accounts, compiling & maintaining the party-wise details of various liabilities and assets.*
9. According to the information and explanations given to us, there are no transactions of purchases of goods or materials and sale of goods, materials and services, made in pursuance of contract or arrangement entered in the register maintained under section 301 of the companies act, 1956, as aggregating during the year to Rs.500000/- or more in respect of each party.
10. According to the information and explanations given to us, the company has not accepted deposits from the public with in the meaning of the provisions of section 58 A of the companies act, 1956 and rules framed there under.

11. *The company has an internal audit system, which in our opinion, is not commensurate with its size and nature of its business. The Coverage & strength of the Internal audit staff is inadequate.*
12. *Maintenance of cost records are made mandatory under section 209(1)(d) of the Companies Act, 1956 from 01.04.2002. It is observed that cost accounting records were not maintained during the year in respect of accounting of CENVAT, maintenance of records separately for items unmoved for more than 2 years, fixed assets records, finance charges, capitalization of employees cost.*
13. *General Provident Fund recoveries made from the employees are not deposited to any fund/authority. The company has recovered & deposited contributions from employees towards employees provident fund starting from August, 2003 including arrears from the date of employment or from the date of incorporation of the company. It is observed that the EPF dues have not been recovered / paid in some of the unit offices in respect of employees employed on or after 01.02.99 and whose salary is in excess of Rs.6500/- p.m. The amount is not quantified by the company.*
14. *There are a few undisputed amounts payable in respect of income tax & sales tax as at 31st March, 2004 which are outstanding for a period of more than six months from the date from which they became payable. We have also observed that the entry tax liability has not been proper arrived at and paid by the company during the year. The quantum is not ascertained.*
15. *The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (special provisions) act, 1985.*
16. *As per the information provided to us, the company has not defaulted in payment of principal and interest in respect of loans and advances granted against security by way of pledge of shares, debentures and other securities during the year 2003-04.*
17. *The company has not granted any loans or advances against pledge of shares, debentures or other securities.*
18. *The company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions where of are prejudicial to the interest of the company.*
19. *The company has not fully utilized the term loans drawn from lending institutions and the same stood as fixed deposits of Rs.20 crores as on 31.03.04. Out of the term loans drawn of Rs.353.02 crores, 55 crores were invested in fixed deposits from time to time. Out of said deposits Rs.35 crores were used for payment to suppliers during 03-04.*
20. *It is observed that, long term funds raised by way of term loans were applied for purchase of materials used for maintenance in some cases, which are in the nature of revenue expenditure. The amount is not quantified and disclosed by the company.*
21. *The company has not made any preferential allotment of shares during the year 2003-04*
22. *The company did not issue any debentures.*
23. *No frauds on or by the company have been noticed or reported during the year.*

Place: Hyderabad
Date: 15-09-2004

For RAMAMOORTHY(N) & Co,
Chartered Accountants
Sd/-
(SURENDRANATH BHARATHI)
PARTNER

<p style="text-align: center;">RAMAMOORTHY (N) &CO CHARTERED ACCOUNTANTS, HYDERABAD</p>	<p style="text-align: center;">SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED, TIRUPATI</p>
<p>AUDITORS' REPORT</p>	<p>Replies of the Company forming part of the Directors' Report to the members under Section 217 (3) of the Companies Act, 1956.</p>
<p>To The Members of SPDC of A.P. Ltd Tirupati.</p> <p>We have audited the attached Balance Sheet of <u>SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.,</u> as at 31st March, 2004 and also the Revenue Account for the year ended on that date annexed thereto. 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.</p> <p>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.</p> <p>The annual accounts have been prepared in the formats prescribed under Electricity (Supply) Annual Accounts Rules, 1985, as notified by the Central Government in Electricity Supply Act, 1948.</p> <p>As required by the Companies Auditor's Report Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 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.</p> <p>Further to our observations in the annexure referred to above, we report that :</p>	
<p><i>1. The Assets and liabilities of the company as on 31.03.2004 contain substantial balances transferred under the second transfer scheme by APTransco on 01.04.2000. These balances did not have satisfactory</i></p>	<p>All the assets of the company have been incorporated in the books of accounts thro' second final transfer scheme notified by the Govt. of A.P. vide G.O.Ms.No.109</p>

<p><i>unit-wise & other break up details of assets and liabilities. We are unable to determine the correctness or otherwise of the balances as on 31.03.2004 to the extent of such transferred opening balances.</i></p> <p>Reconciliation has not been made to arrive at the correct balances of Assets and liabilities as mentioned in the paras below:</p>	<p>dt.29/9/2001 and these assets were allocated to the Discom. Also the value of these assets were taken into our company's accounts on the basis of estimated pro-rata method adopted by the holding company APTRANSCO. Hence the management has relied on these statements and figures as certified by the holding company APTRANSCO.</p>
<p><i>(b) Sundry debtors are shown in the balance sheet as Rs.145.13 Crores (after transferring Rs.314.28 crores as receivable from government in respect of agriculture category arrears & after write off adjustment of Rs. 79.18 crores) as against Rs. 449.93 Crores as per consumer ledgers (before write off & transfer to receivable from government account), as on 31-03-04.</i></p>	<p>These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.</p>
<p><i>(c) Security deposits are shown as Rs.272.28 crores as against Rs.171.72 crores as per consumer ledgers as on 31.03.04</i></p>	<p>These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.</p>
<p><i>(c) Sundry debtors are not fully supported by party wise details. Confirmation of the balances have not been obtained from the debtors.</i></p>	<p>These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.</p>
<p><i>(d) Sundry Debtors for sale of power other than receivables from HT consumers were not reviewed and evaluated for their recovery and no further provision for doubtful debts has been made during the year.</i></p>	<p>These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.</p>
<p><i>(e) Stock of materials as on 31.03.2004 is shown at Rs. 45.34 crores in the balance sheet as against Rs. 35.26 crores as per the stock records.</i></p>	<p>The Difference in the stock value has been explained in Note No. 13 of Statement 5 Notes to Accounts. Major portion of this difference is due to valuations transferred to the Company in the Second Transfer Scheme.</p>
<p><i>(f) Amount payable to APTransco of Rs. 265.16 Crores, which is shown as liability on power purchase, is subject to reconciliation and Confirmation.</i></p>	<p>The reconciliation of amount payable has been completed up to 31-3-03 and it is being reconciled for the FY 03-04.</p>
<p><i>(g) Party wise details, of 'other claims and receivables' of Rs. 10.98 crores, 'Deposits & retentions from suppliers and contractors' of Rs.22.46 Crores and 'Deposits for electrification service connections' of Rs. 12.39 Crores, are not furnished and as such the correctness of the balances could not be ascertained.</i></p>	<p>These amounts are being compiled.</p>
<p><i>(h) Full particulars are not available in respect of liability for capital supplies and O & M supplies of Rs.32.30 crores, debtors for trading a/c Rs.8.22 crores and advances for O&M supplies of Rs.5.23 crores.</i></p>	<p>Outstanding registers are being maintained in the Circles, from these the party wise details are under compilation.</p>
<p><i>(i) There are un-reconciled debit balances to the extent of</i></p>	<p>This being a running account, the</p>

<p><i>Rs.15.14 crores and credit balances of Rs. 9.58 crores in the inter-unit account resulting in understatement of assets and liabilities to that extent.</i></p>	<p>Company is taking necessary steps to reconcile the same periodically.</p>
<p><i>(j) Advances received from the consumers are not shown as liabilities and have been set off against the Sundry debtors. The total credit balances to the extent of Rs. 29.24 crores have been netted off from the sundry debtors.</i></p>	<p>The advances received from the consumers have been set off party wise in the accounts.</p>
<p><i>(k) Adjustments have not been carried out in the liabilities on account of O&M Suppliers against advances paid, resulting in overstatement of liabilities and advances</i></p>	<p>The advances paid to the suppliers will be adjusted after due reconciliation.</p>
<p><i>2.(a) Out of Total Fixed assets of Rs.1499.40 Crores, Rs.799.57 Crores of fixed Assets are intimated in Second Transfer Scheme, which were taken on record by the company. The classification of assets of Rs. 799.57 Crores is not authenticated by the management of A.P.TRANSOCO. In the absence of physical verification of fixed assets during the year and reconciliation in the values given in the provisional fixed assets register with that of the values adopted in the accounts, the consequential effect on the values of various group of assets within the fixed assets as on 31-03-04 is not ascertainable. Consequently, the effect on the provision for depreciation for the year on the revenue account is also not ascertainable.</i></p>	<p>The fixed assets of our company (100% subsidiary of APTRANSCO) are based on the second transfer scheme notified by Govt. of AP vide G.O. Ms. No 109 Energy (power-III) September 29th, 2001 where in the opening balance of fixed assets as on 1-4-2000 is communicated.</p>
<p><i>(b) The company has not reduced the consumer contribution of Rs.337.90 Crores and Kutir Jyothi grant of Rs. 14.275 crores , received towards cost of capital assets from the fixed assets, (Refer Accounting policy 2, in statement – 4) resulting in overstatement of Fixed Assets and liabilities and higher charge of depreciation in the accounts, in contravention of Accounting Standard –10, “Accounting of Fixed Assets”, issued by ICAI. The quantum of higher charge of depreciation is not quantified.</i></p>	<p>The company has not adjusted consumer contribution received against acquisition of fixed assets, as per the terms of ESAAR, 1985</p>
<p><i>(c) The Company is Capitalising the Work in Progress in the following accounting year irrespective of its date of completion which is not in accordance with AS-10 “Accounting for Fixed Assets”. This is also not in accordance with Electricity Annual Accounts Rules, 1985. This results in overstatement of Capital Work in progress and understatement of Fixed Assets. The consequential effect on depreciation due to the above is not ascertained and quantified.</i></p>	<p>Effective steps have been initiated to regularize Capital Work In Progress. The company has also started the process of computerization of Work order Management.</p>
<p><i>(d) The company has provided depreciation under straight line method on the gross block as a whole instead of providing depreciation to the extent of 90% of the value</i></p>	<p>The Company has computed depreciation on the gross block (bifurcated into individual heads on prorating method) as</p>

<p><i>of each individual asset. This results in charging depreciation up to 100% value of the asset and excess depreciation on other assets when the individual asset is depreciated in full. Quantum of such excess depreciation is not ascertained and disclosed.</i></p>	<p>given in the Second Transfer scheme notified by the Government of AP vide G.O. No. 109 Energy (Power III) September 29th, 2001.</p>
<p><i>(e) No depreciation has been provided on the additions made during the year to fixed assets, in contravention of Accounting Standard – 6, “Accounting for Depreciation” (Refer Accounting policy 3 in Statement – 4)</i></p>	<p>Depreciation charge on the newly commissioned assets shall commence in the year following the year of commissioning of the asset. This is in line with the rules specified in ESAAR 1985.</p>
<p><i>(f) No provision has been made in the books of accounts for the “Assets to be discarded” identified.</i></p>	<p>Based on the internal evaluation of assets to be discarded, the percentage of discarded assets on gross block is very negligible and will not have any material effect on the state of affairs of Company as on 31/03/04. Hence no provision is made in the accounts of 2003-04</p>
<p><i>3. The company has written off Rs.79.18 cores in its Balance Sheet during 2002-03 on account of domestic & commercial services (LT-I & LT- II) of Rs.32.80 crores, agriculture services of Rs.28.65 crores and RESCO dues of Rs.18.03 crores, without evaluating the consumer wise recoverability. As reported in the earlier year, none of the services in the above categories have been identified and written off in the consumer ledgers. Thus balance sheet does not tally with the books of accounts.</i></p> <p><i>Further, the company has now raised demand of Rs.23.15 crores and surcharge of Rs.54.60 crores totaling to Rs.77.31 crores, in all the bills stopped agriculture services pertaining to the period prior to 01.04.03. It is explained to us that these demands for arrears and surcharge have been raised as the government has promised to reimburse the same.</i></p> <p><i>The company has not received any communication / GO confirming the amounts reimbursable towards arrears and surcharge of agriculture services, though the government of Andhra Pradesh has been reimbursing the agricultural demand raised after 14.05.04 in accordance with its GO.</i></p> <p><i>The company has also raised Rs.60 crores (approx.) in bills stopped category and Rs.23.99 crores as surcharge during 2002-03 for which no amounts have been reimbursed by the government till date.</i></p> <p><i>Therefore, we are not in agreement with neither the write off adjustment of Rs.79.18 crores without writing</i></p>	<p>The said amount was written off during the year 02-03 and the Statutory Auditors have commented on the same. The Company’s reply has also been furnished in the Annual Accounts of 02-03.</p> <p>It is customary for the farmers to pay at the end of harvesting cycle. Hence even though the status of the consumer is bill stopped, he utilizes the supply and pays after the harvesting cycle. Dismantling is done taking into consideration the socio economic objectives.</p> <p>During the year Surcharge has been levied on accrual basis on agricultural services as the amount is going to be realized from Government of Andhra Pradesh.</p>

<p><i>off in the consumer ledger nor with the raising of demand in all Bills-stopped services, of Rs.23.15 crores & surcharge of Rs.54.16 crores totaling of Rs.77.31 crores as income for the year ended 31.03.04, without any written confirmation of the amounts reimbursable towards arrears and surcharge from the Government of Andhra Pradesh for the agriculture services.</i></p>	
<p>4. <i>M/S Aptransco Ltd., has received Rs.326.40 crores towards UI charges. APTransco has passed on Rs.32.64 crores to SPDCL as its entitlement. These UI charges have been allocated to the company based on the deficit projected by the company and not on the basis of efficiency in the grid management, as per the minutes of meeting of all the Directors (finance) of the distribution companies. This is not in accordance with the Accounting standard – 9, Revenue Recognition.</i></p>	<p>It is based on allocation given by APTRANSCO. The Company feels it to be a fair distribution for our role in grid management and it is not definitely an overstatement of income.</p>
<p>5. <i>Financial ledgers were not written-up and are incomplete in some units. In case of written up financial ledgers, balances did not tally with the trial balance in some cases and do not contain the opening and closing balances of debtors. We have relied on the check figures drawn from cash book, consumer ledgers and adjustment entries passed. Due to not reconciling and improper maintenance of financial and revenue ledgers, the differences are increasing in various units. The impact of the unreconciled demand and collections on the revenue account and on sundry debtors, is not ascertained and quantified.</i></p> <p><i>Further, No action has been initiated to rectify the items of reconciliation between financial ledgers and consumer ledgers, reported by the independent receivable auditors.</i></p>	<p>The Company will comply with this requirement in 2004-05 accounts finalization.</p>
<p>6. <i>The quantities of sale of power given in the statement “Average realization of sale of power” is prepared without adjusting the withdrawals effected during the year in some circles. Further, the quantities shown against each category are not in agreement with the actual figures contained in books of accounts viz. consumer ledgers, in most of the cases. In case of agriculture, the reported total connected load in census report is adopted to arrive at estimated quantity of power sold. We have observed that the census reports are incorrect in many instances, they are not comprehensive and do not represent the ground realities. There are instances where field officials have certified that the Loads existing in census report are incorrect.</i></p> <p><i>The company is presenting consumption figures of agriculture category based on estimated consumption per HP. The same estimates are also being submitted to APERC for the purpose of subsidy & other tariff fixation. We have found that the consumption arrived at is</i></p>	<p>The same have been rectified to a great extent in 03-04 except in some cases which will be rectified in 2004-05.</p>

<p><i>significantly different from the actual consumption taken from the metered transformers specifically earmarked for agricultural supply in some circles. The readings adopted to calculate the agricultural consumption are different than the actual readings maintained at the field in some circles. The billed load (in HP) of the agricultural services is 2236250 hp, as per the in-house records. Whereas the total load (HP) reported in the accounts & to APERC is 2557171 hp.</i></p> <p><i>In light of the above facts, we are unable to state whether the accounting of subsidy on agriculture services is correct.</i></p>	
<p><i>7. The company is in receipt of tariff Subsidy of Rs.401.58 Crores. The subsidy amount has been arrived at after taking into account the “quantities of power sold to various categories” submitted by the company. In view of the errors observed in preparation of quantitative details and errors in estimation methodology for agriculture and further in the absence of details including category wise details of the subsidy, we are unable to comment on the correctness of the Subsidy accounting.</i></p>	<p>Subsidy has been granted by Government of Andhra Pradesh based on tariff order.</p>
<p><i>8. No confirmation is obtained from the Energy Billing Centre, APTransco in respect of pending debits, if any, to SPDCL on account of energy drawn during the year 2003-2004.</i></p>	<p>Confirmation given in the form of Inter Company account from APTRANSCO</p>
<p><i>9. (a) Leave salary encashment is accounted on cash basis and the accrued liability is not quantified.</i></p>	<p>This basis has been followed consistently as advised by the Holding Company APTRANSCO.</p>
<p><i>(b) No provision has been made in the accounts in respect of gratuity liability of employees employed on or after 01.02.1999, in contravention of the Accounting Standard – 15, “Accounting for Retirement Benefits in financial statements” .</i></p> <p><i>(c) The company did not obtain the actuarial valuation in respect of Pension & Gratuity liability of the employees as on 31.03.04. The last actuarial valuation report is given for the year 2000-01. This is also not in accordance with the Accounting Standard – 15, “Accounting for Retirement Benefits in financial statements”</i></p> <p><i>The company has not provided the likely increase in the liability due to the falling interest rates in investments in the country & instead provided at the rates of 13.99% and 14.03% of Salary & DA of the year 2003-04, as in earlier years.</i></p>	<p>The same will be rectified based on the actuarial valuation report to be received in 2004-05.</p>
<p><i>10(a) Variations were observed between the amounts accounted as interest on REC Loans and as per the back-up sheets of interest provided by the institutions. The total variation is not ascertained and adjusted by the management.</i></p>	<p>The interest charge on REC loan has been calculated based on the debit note given by parent company APTRANSCO.</p>

<p>(b) <i>No details were available, in respect of the liability outstanding as on 31.03.2004 and interest levied during the year for the adhoc cash credit availed by the APTranco for payments on behalf of APSPDCL. The same was not recorded as liability in the accounts.</i></p>	<p>The same has been done on the basis on debit note given by AP TRANSCO</p>
<p>(c) <i>10% advance payments made by the holding company, to the suppliers/contractors, on behalf of APSPDCL and outstanding as on 31.03.2004, are not accounted for.</i></p>	<p>The company has been following the system consistently.</p>
<p>(d) <i>Additional lease rentals payable as per the lease agreements were not accounted as expenditure, resulting in understatement of expenditure and overstatement of profit. We have been informed that the security deposits paid by the then APSEB on leased assets are not transferred to SPDCL in the second transfer scheme. Further leased assets, where the lease period was completed, have neither been accounted at their terminal values nor they have been taken away by the lessor. No information is available in this respect.</i></p>	<p>The company will provide as and when the intimation is received.</p>
<p>(e) <i>Fuel surcharge adjustment pertaining to the year 2003-04 of Rs.24.57 has not been billed to the consumers and accounted as unbilled revenue for the year. It is observed that the company could not recover Rs.3.80 crores out of 22.08 crores of FSA advised by the APTranco for the year 2002-03. The company has not estimated the expected recoverable amount and instead accounted the entire FSA amount as revenue & expenditure during the year.</i></p>	<p>The Fuel surcharge adjustment is not an income as well as an expenditure to the company as the same has to be reimbursed to the APGENCO through APTRANSCO so it will not have any effect on the financials of the Company.</p>
<p>(f) <i>No standard & uniform methodology has been formulated for reckoning the cost of the used / scrap materials to determine the profit / loss in the event of sale.</i></p>	<p>The same will be rectified by giving suitable instructions to field staff in 2004-05.</p>
<p>(g) <i>Reconciliations have not been completed in respect of amounts receivable from E-Seva centers in five out of six circles. Further, confirmation of balances are also not been obtained.</i></p>	<p>The same will be rectified by giving suitable instructions to field staff in 2004-05</p>
<p>11. <i>The company has not followed the mandatory accounting standards referred to in 211(3c) of the companies act, 1956, in respect of the following:</i></p> <p>(a) <i>Claims against the company not acknowledged as debts in the nature of Contingent Liabilities are not quantified and disclosed in the notes to accounts, as per Accounting Standard 4, "Contingencies and Events Occurring after the Balance Sheet Date".</i></p>	<p>There are no contingent events which may materially effect the financials of the company.</p>
<p>(b) <i>Recognition of income on account of surcharge for belated payment with out ensuring the recoverability, accounting of revenue on bills</i></p>	<p>It is true that that the recovery from the agricultural sector is not as prompt as in other sectors due to the prevailing drought</p>

<p><i>stopped agriculture services are not in accordance with Accounting Standard –9, “Revenue Recognition”.</i></p>	<p>conditions but the Company feels that the amount is recoverable.</p>
<p><i>(a) In respect of fixed assets, employees’ costs of Rs. 31.57 Crores was capitalized on an adhoc basis, which is not in accordance with Accounting Standard –10, “Accounting for Fixed Assets”.</i></p>	<p>This has been computed @ 10 % of Capital Works in progress as per Para xvii (6) (c) of Electricity Supply Act, 1948.</p>
<p><i>(b) Decline in the value of investments has not been assessed and provided for, which is not in accordance with Accounting Standard –13, “Accounting for Investments”.</i></p>	<p>Since the present investment level is not substantial the Company has not complied this as it is of the opinion that decline in the value is not material enough to affect the audited financials.</p>
<p><i>(c) The method followed in capitalization of borrowing costs is not in accordance with Accounting standard –16, “Borrowing Costs”</i></p>	<p>The Company has taken note of this for due compliance in future</p>
<p><i>12.(a) An amount of Rs.2.23 crores has been paid towards entry tax liability in respect of transformers and conductors purchased from outside state, for the period June, 2002 to December, 2003. Discrepancies were noticed in arriving at the liability of Rs.2.23 crores. There are cases where the entry tax amounts were paid to the suppliers as well as to the government. It is also observed that the tax liability is not correctly arrived at by considering all the cost components for reckoning the liability on account of entry tax. Further, in some cases, the entry tax liability is not capitalized to respective work orders, resulting in understatement of CWIP & Fixed Assets, as the case may be.</i></p>	<p>The same is being reconciled in the ensuing year 2004-05.</p>
<p><i>(b) In respect of Street lights and water works services under LT-Category VI, in majority of the cases meters are either not working or burnt out. The same have not been replaced and billing has been done on an estimate basis. Further, in respect of fishpond services in Nellore circle, in 933 services, no meters have been installed.</i></p>	<p>The same is being reconciled in the ensuing year 2004-05.</p>
<p><i>(c) There is a shortfall of Rs.1.11 crores in creating contingency reserve as required under the Electricity (Supply) Annual accounts Rules, 1985. It is explained to us that the reserve is created as per Tariff Order.</i></p>	<p>The company has been providing the contingency reserve as per the tariff order.</p>
<p><i>13. Rs.8.64 crores and Rs.28.70 crores is receivable (before writing off of 18.03 crores) from RESCOs – Atmakur & Rayachoti respectively towards supply of power and supply of materials. The financial position of RESCOs is not good. The</i></p>	<p>The company feels that taking over of RESCOs may not effect the financial position of the utilities.</p>

<p><i>government has decided to merge the RESCOs with the company.</i></p> <p><i>The company has not estimated the recoverable amount and further no provision has been made in the accounts for the shortfall in recoveries. It is explained to us that the government would be funding any shortfall. However, no communication to this effect is available.</i></p>	
<p>14. <i>No information is furnished on the constitution or otherwise of the Committee envisaged in the Transfer Scheme for any changes in the balances in the movable assets & shared assets. Our opinion is subject to changes, if any, in the value of such assets as may be determined by the committee.</i></p>	<p>Noted for guidance.</p>
<p>We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit <i>except as stated in the paragraphs above.</i></p> <p>In our opinion, proper books of accounts as required by law have been kept by the company in so far as it appears from our examination of such books <i>subject to the deviations explained in paras above.</i></p> <p>The Balance Sheet and Revenue Account referred to in this report are in agreement with the books of accounts <i>subject to the deviations explained in paras above.</i></p> <p>In our opinion the balance sheet and the revenue account, comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956 <i>subject to the extent of deviations expressed in paragraphs 2(b), 2(c), 2(e), 4, 9(c) and 11 above.</i></p> <p>Since the company is a Government Company the provisions of Sec.274(1)(g) of the Companies Act, 1956 are not applicable to the company.</p> <p><i>Subject to our qualifications in paras 1 to 14 above, which result in understatement of Deficit/(Loss) which is not quantified and the impact of the quantified and unquantified amounts on the assets and liabilities, in our opinion and to best of our information and according to the explanations given to us, the Balance Sheet and Revenue account together with the schedules, read with the Accounting polices and notes forming part of the accounts, disclose the information required under the Electricity(Supply) annual accounts rules,1985 notified by the central government under Electricity supply Act 1948, and</i></p> <p>give a true and fair view</p>	

iii. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and

iv. in the case of Revenue Account, of the Deficit(Loss) for the year ended 31st March, 2004

**For RAMAMOORTHY(N) & Co,
Chartered Accountants**

Sd/-
(SURENDRANATH BHARATHI)
PARTNER

Place: Hyderabad
Date: 15-09-2004

For and on behalf of the Board

Sd/-
K.Ranganatham
Chairman & Managing Director

Sd/-
K.P.Anand
Director (Finance)

Place: Tirupati
Date: 15-09-2004

<p>ANNEXURE TO THE AUDITORS' REPORT This is the annexure referred to in our report of even date</p>	<p>SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED, TIRUPATI Replies of the Company forming part of the Directors' Report to the members under Section 217 (3) of the Companies Act, 1956.</p>
<p><i>1. The company is in the process of building-up of fixed assets record showing particulars, including quantitative details and situation, of fixed assets. The company did not have any programme for physical verification of assets during the year. In the absence of physical verification, we are unable to state whether there are any material discrepancies.</i></p>	<p>The company has noted this for future compliance.</p>
<p>8. In our opinion and according to the information and explanations given to us, <i>except in respect of sale of power to Agriculture Services, and in respect of sale of scrap</i>, there are adequate internal control procedures, commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and for the sale of power. We have observed weaknesses in internal controls in continuing failure to correct major weakness in <i>estimating the agriculture consumption (units), arriving at the profit / loss on sale of scrap, incorrect demands and withdrawals in various categories, accounting the temporary supply income including the income from sugar cane crushing, maintenance of proper books of accounts, compiling & maintaining the party-wise details of various liabilities and assets.</i></p>	<p>Noted for guidance.</p>
<p><i>11. The company has an internal audit system, which in our opinion, is not commensurate with its size and nature of its business. The Coverage & strength of the Internal audit staff is inadequate.</i></p>	<p>The company will rectify the same in 04-05. The Company appointed CA firms as internal auditors which will give necessary impetus to the Internal Controls.</p>
<p>12. Maintenance of cost records are made mandatory under section 209(1)(d) of the Companies Act, 1956 from 01.04.2002. <i>It is observed that cost accounting records were not maintained during the year in respect of accounting of CENVAT, maintenance of records separately for items unmoved for more than 2 years, fixed assets records, finance charges, capitalization of employees cost.</i></p>	<p>This will be complied in 2004-05.</p>

<p>13. <i>General Provident Fund recoveries made from the employees are not deposited to any fund/authority. The company has recovered & deposited contributions from employees towards employees provident fund starting from August, 2003 including arrears from the date of employment or from the date of incorporation of the company. It is observed that the EPF dues have not been recovered / paid in some of the unit offices in respect of employees employed on or after 01.02.99 and whose salary is in excess of Rs.6500/- p.m. The amount is not quantified by the company.</i></p>	<p>These are being maintained by the Trust formed by the company. The inflows are sufficient to meet the outflows.</p>
<p>14. <i>There are a few undisputed amounts payable in respect of income tax & sales tax as at 31st March, 2004 which are outstanding for a period of more than six months from the date from which they became payable. We have also observed that the entry tax liability has not been proper arrived at and paid by the company during the year. The quantum is not ascertained.</i></p>	<p>The issue is being addressed and the same will be rectified in due course.</p>
<p>19. <i>The company has not fully utilized the term loans drawn from lending institutions and the same stood as fixed deposits of Rs.20 crores as on 31.03.04. Out of the term loans drawn of Rs.353.02 crores, 55 crores were invested in fixed deposits from time to time. Out of said deposits Rs.35 crores were used for payment to suppliers during 03-04.</i></p>	<p>The loan amounts mentioned were received during end of March and the same were deposited in FDR's to hedge the interest loss only.</p> <p>REC releases loans on the receipt of our claims, bills are received at our end subsequently and the funds released by REC is fully utilized by premature closure of FDR's.</p> <p>Just to prevent idle parking of funds, we invest in FDR's so that we hedge the interest lost and it is a running account.</p>
<p>20. <i>It is observed that, long term funds raised by way of term loans were applied for purchase of materials used for maintenance in some cases, which are in the nature of revenue expenditure. The amount is not quantified and disclosed by the company.</i></p>	<p>The loans drawn were utilized for capital commitments only.</p>
<p style="text-align: center;">M/s.RAMAMOORTHY(N) & Co, Chartered Accountants</p> <p style="text-align: center;">Sd/- (Surendranath Bharati) Partner</p> <p>Place : Hyderabad. Date : 15-09-2004</p>	<p style="text-align: center;">For and on behalf of the Board</p> <p style="text-align: center;">Sd/- K.Ranganatham Chairman & Managing Director (Finance)</p> <p style="text-align: center;">Sd/- K.P.Anand Director</p> <p>Place: Tirupati Date: 15-09-2004</p>

**OFFICE OF THE
ACCOUNTANT GENERAL (AU) - II
ANDHRA PRADESH
HYDERABAD -500 004**

No.AG (Au)II /RAO/EBRA IV/V/2004-05/424

Date:27-12-2004

To
The Chairman and Managing Director
Southern Power Distribution Company of A.P. Limited,
TIRUPATI.

Sir,

Sub: Comments on the accounts of the Southern Power Distribution Company of
Andhra Pradesh Limited, Tirupati for the year ended 31st March 2004.

1. I am to forward herewith the 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 31st March 2004 for necessary action. I am also to enclose a review on the accounts of your company as compiled by this office, for publishing it as an Annexure to the Directors' Report as agreed to by the State Government in their letter number 1392-4/66 dated 10 June 1966.
2. The date of placing of comments along with Annual Accounts and Auditors Reports 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 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 annual report for the year 2003-2004 may be furnished in due course.

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

Yours faithfully,

Sd/-

Deputy Accountant General (C)

Encl : As above

FINANCIAL REVIEW BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31ST MARCH, 2004

Note: The review of accounts has been prepared without taking into account the comments under section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report.

1. Financial Position

The table below summarises the financial position of the company for the three years ended 31st March, 2004.

S.No.	Particulars	2001-02	2002-03	2003-04
	<u>Liabilities</u>			
(a)	Equity:			
	Paid up capital	31060.78	31060.78	31060.78
(b)	Reserves & Reserve Funds	4651.18	502.29	2593.73
(c)	Contributions, Grants, Subsidies towards cost of Capital Assets	15710.16	25736.61	35218.06
(d)	<u>Borrowings:-</u>			
(i)	Loans from Govt of A.P.	4970.45	6507.05	521.33
(ii)	Loans from REC & PFC (guaranteed by Govt of A.P.)	34892.80	44043.72	68729.65
(iii)	Others	NIL	6333.04	8317.03
(e)	Current liabilities	37633.94	48718.81	71403.78
	Total	128919.31	162902.30	217844.36
	<u>Assets:</u>			
(f)	Gross Block	117181.30	131321.67	149939.73
	Less: Depreciation	52473.95	61488.40	71411.52
(g)	Net Fixed Assets	64707.35	69833.27	78528.21
(h)	Capital expenditure in progress	13963.18	20767.45	39557.17
(i)	Investments	58.85	58.85	2311.99
(j)	Current Assets, Loans & Advances	47614.90	69464.28	94945.25
(k)	Miscellaneous Expenditure to the extent not written off or adjusted	31.57	31.57	15.78
(l)	Net Revenue Appropriation Account (Deficit)	2543.76	2746.88	2485.96
	Total	128919.31	162902.30	217844.36
	Capital Employed	88651.19	111346.19	141626.85
	Net Worth	44195.61	54330.94	64352.10

Note: (A) Capital Employed represents net fixed assets including capital expenditure in progress plus working capital.

(B) Net Worth represents paid up capital plus reserves and surplus(including Contributions, Grants & Subsidies towards cost of capital assets) less intangible assets.

2. Capital Structure

The Debt Equity ratio of the Company as at the end of each of the three years ended 31st March, 2004 was 1.28:1 and 1.83:1 and 2.5:1 respectively.

3. Reserves and Surplus

Reserves and Surplus (Contingency Reserve) stood at Rs.NIL; Rs.312.00 Lakh and Rs.575.00 Lakh respectively as at the end of each of the three years ended 31st March, 2004. The Reserves and Surplus amounted to 0.26% to Total Liabilities and 1.85% to Equity as at the end of 31st March, 2004.

4. Liquidity and Solvency

- (a) The percentage of Current Assets, Loans and Advances to Total Assets increased from 36.93% in 2001-02 to 42.64% in 2002-03 and further increased to 43.58% in 2003-04.
- (b) The percentage of Current Assets, Loans and Advances to Current liabilities increased from 126.52% in 2001-02 to 142.58% in 2002-03 and decreased to 132.97% in 2003-04.
- (c) The percentage of Quick Assets (Receivables against supply of power, Cash and Bank balances, Loans and Advances and Sundry receivables) to Current liabilities increased from 117.81% in 2001-02 to 134.95 in 2002-03 and decreased to 128.06% in 2003-04.

5. Working Capital : The working capital (Current Assets, Loans and Advances Less Current Liabilities) at the end of the each of the three years ended 31st March, 2004 amounted to Rs.9980.66 lakh; 20745.47 lakh and Rs.23541.47 respectively.

6. Working Results: The working results of the Company for the three years ended 31st March, 2004 are as tabulated below:

(Rs. In lakh)				
S.No	Particulars	2001-02	2002-03	2003-04
i)	Profit/(Loss) before tax	(2543.76)	(203.12)	305.94
ii)	(After adjustment of Prior Period items)	NIL	NIL	45.02
iii)	Provision for Tax	(2543.76)	(203.12)	260.92
iv)	Profit/(Loss) after tax			
	Percentage of Profit/(Loss) before tax to	1.65	0.11	0.16
	a) Revenue from sale of power	2.87	0.18	0.22
	b) Capital employed	2.17	0.15	0.20
v)	c) Gross fixed assets			
	Percentage of Profit/(Loss) after tax to	5.76	0.37	0.41
	a) Net Worth	8.19	0.65	0.84
	b) Equity Capital	2.87	0.18	0.18
	c) Capital employed			

7. Sources and Uses of Funds

Funds amounting to Rs.10,462.83 lakh from internal sources and Rs.31,994.09 lakh from external sources were utilized during the year as shown below:

(Rs. In Lakh)	
Gross fixed assets including capital	37407.79
Expenditure in progress	
Investments	2253.13
Increase in Working Capital	2796.00
Total	42456.92

8. Sundry Debtors and Turnover

(Rs. In Lakh)

As on 31 st March	Sundry Debtors			Sales	Percentage of debts to sales	Debts in terms of Monthly Turnover
	Considered good	Considered doubtful	Total			
2002	34675.89	8678.82	43354.71	153587.37	28.22%	3.39
2003	49602.32	760.82	50363.14	191644.49	26.28%	3.15
2004	44279.77	760.82	45040.59	190723.18	23.62%	2.83

The age wise break-up of the sundry debtors at the end of 31st March, 2004 is as under:

	Rs. In Lakh
i) Less than one year	35391.62
ii) One to two years	1685.56
iii) Two to three years	3070.94
iv) More than three years	4892.47
Total	45040.59

Hyderabad,
27.12.2004

Sd/-
(SUDARSHANA TALAPATRA)
ACCOUNTANT GENERAL (C & RA)

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

REVENUE ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2004

		Amounts in Rs.	Statement -1
Schedule Note	Sch.No.	Current Year Ended 31st March, 2004	Previous Year Ended 31st March, 2003
Units sold (in Millions)		8086.94	7530.88
INCOME:			
Revenue from Sale of Power	1	18815984265	18923449366
Revenue Subsidies and Grants	4	4015800000	4379700000
Other Income	5	1332242520	589430327
SUB TOTAL		24164026785	23892579693
EXPENDITURE:			
Purchase of Power	6	19879589318	19651968483
Repairs and Maintenance	8	260602420	337034468
Employee Costs	9	1967071948	1920934517
Administration and General Expenses	10	345709847	341329020
Depreciation and Related Expenses(Net)	11	992350230	901444432
Interest and Finance charges	12	1200457459	1035540554
SUB TOTAL:		24645781222	24188251474
LESS : EXPENSES CAPITALISED			
Interest and Finance charges capitalised	13	220472831	131600000
Other Expenses capitalised	14	315674970	150614139
SUB TOTAL:		536147801	282214139
Other Debits	15	109990197	112229211
Extra-Ordinary Items	16	5126869	19105922
SUB TOTAL:		115117066	131335133
Total Expenditure		24224750487	24037372468
PROFIT /(LOSS)BEFORE TAX		(60723702)	(144792775)
Provision for Income Tax	17	4502000	0
PROFIT /(LOSS)AFTER TAX		(65225702)	(144792775)
Net Prior Period (Credits) / Charges	18	(91317937)	(124480984)
SURPLUS/ (DEFICIT)		26092235	(20311791)

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date

For Ramamoorthy (N) & Co.,

Chartered Accountants.

Sd/-
(SURENDRANATH BHARATHI)

Partner.

For and on behalf of the Board

Sd/-
K.RANGANATHAM

Chairman & Managing Director

Sd/-
Dr. K.P.ANAND

Director / Finance

Date:-
Place:TIRUPATI

Sd/-
K.SATEESH GUPTA
Company Secretary

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

NET REVENUE AND APPROPRIATION ACCOUNT

Schedule Note	Amounts in Rs.	
	Period Ended 31st March, 2004	Period Ended 31st March, 2003
Balance brought forward from last year	(274688100)	(254376309)
Surplus / (Deficit) from Revenue Account	26092235	(20311791)
CREDITS:		
Transfer from General Reserve		0
APPROPRIATIONS:		0
Contribution to Reserve and Reserve Funds		0
Sinking Fund for Repayment of borrowings		0
General Reserve		0
Balance Carried Forward	(248595865)	(274688100)

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date
For Ramamoorthy (N) & Co.,
Chartered Accountants.

For and on behalf of the Board

Sd/-
(SURENDRANATH BHARATHI)
Partner.

Sd/-
K.RANGANATHAM
Chairman & Managing
Director

Sd/-
Dr. K.P.ANAND
Director / Finance

Date:-
Place:TIRUPATI

Sd/-
K.SATEESH GUPTA
Company Secretary

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED : : TIRUPATI
BALANCE SHEET AS ON 31ST MARCH, 2004

Schedule Note	SCH. NO	Amounts in Rs.	
		As on 31.3.2004	As on 31.3.2003
NET ASSETS:			
Net Fixed Assets			
Gross Block	19	14993973473	13132167307
Less : Accumulated Depreciation		7141152288	6148839858
Net Fixed Assets		7852821185	6983327449
Capital Expenditure in progress	21	3955717573	2076744810
Assets not in use			
Deferred Costs		1578500	3157000
Intangible Assets			
Investments	25	231198860	5885400
Net Current Assets			
Total Current Assets	26	9494524830	6946428184
Less : Total Current Liabilities			
Security Deposits from Consumers	27	2784438616	2525563211
Other Current Liabilities	28	4355939555	2346318047
Total Current Liabilities		7140378171	4871881258
Net Current Assets		2354146659	2074546926
Subsidy Receivable from Govt.			
NET ASSETS:		14395462777	11143661585
FINANCED BY			
Borrowings for working capital			
Payments due on Capital Liabilities			
Capital Liabilities	32	7756800947	5688380755
Equity	33	3106078090	3106078090
Contributions, Grants and Subsidies towards Cost of Capital Assets	34	3521806233	2573661477
Reserve and Reserve Funds	35	259373372	50229363
Surplus / (Deficit) :		(248595865)	(274688100)
TOTAL FUNDS:		14395462777	11143661585

Notes Annexed to and form part of Accounts : Statement 5

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date

For and on behalf of the Board

For Ramamoorthy (N) & Co.,
Chartered Accountants.

Sd/-
(SURENDRANATH BHARATHI)

Sd/-
K.RANGANATHAM

Sd/-
Dr. K.P.ANAND

Partner.

Chairman & Managing Director

Director / Finance

Sd/-
K.SATEESH GUPTA
Company Secretary

Date:-
Place:TIRUPATI

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI
REVENUE FROM SALE OF POWER

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	Schedule 1 2002-03
	LT. Supply			
1	Domestic supply - Category -I	61.2	4367595346	4130402327
2	Non-Domestic supply - Category -II	61.21	2402294538	2193855357
3	Industrial Supply- Category -III	61.22	2044165867	2175568603
4	Cottage Industries - Category - IV	61.23	33018085	29938047
5	Irrigation and Agriculture Category - V	61.24 & 25	1338183118	2606854899
6	Public Lighting - Category - VI	61.26	387213831	324271594
7	General Purpose - Category - VII	61.27	110133181	99633070
8	Temporary Supply - Category - VIII	61.28	8554221	4766633
	LT. Total		10691158187	11565290530
	HT Supply			
1	Industrial Segregated - Category - I	61.3	3745027220	3468777766
2	Industrial Non-Segregated - Category - II	61.31	732603452	717795165
3	Irrigation and Agriculture - Category - IV	61.33	23123312	13944028
4	Railway Traction - Category - V	61.34	1751563579	1688752416
5	Electricity Co-Operative Societies	61.38	275746603	174973131
6	Power Intensive Consumers	61.32	0	0
7	Temporary Supply	61.39	0	0
8	Colony Consumption	61.35	184745159	187518023
	HT. TOTAL		6712809325	6251760529
9	Fuel Cost Adjustment		245704941	0
	LT + HT Total		17649672453	17817051059
10	Less: 25% Rebate to New Industries	78.83	3396	0
	Net LT + HT Total :		17649669057	17817051059
	MISCELLANEOUS REVENUE			
11	Electricity Duty Recovery		252478778	236580529
12	Interest on Electricity Duty		3855088	4419471
13	Recoveries for Theft of Power/Malpractice	61.7	78014236	65208699
	Sub Total :		334348102	306208699
14	Misc. charges from consumers	61.9	1088300972	1041189608
	Total:		1422649074	1347398307
15	Gross Revenue form Sale of Power		19072318131	19164449366
16	Less: Electricity Duty Paid	61.541	256333866	241000000
	Net Total:		18815984265	18923449366

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED : : TIRUPATI

ELEMENTWISE ANALYSIS OF REVENUE

SNO	Schedule Note	Schedule - 2	Amounts in Rs.
		2003-04	2002-03
	Revenue:		
1	Demand Charges	738427194	729937193
2	Energy Charges	16578221198	16893260332
3	Fuel Cost Adjustment Charges	246082370	182847173
4	Power Factor Surcharge	16384223	21974576
5	Adjustments to past billing	70557468	-10968215
6	Less: 25% Rebate to New Industries	3396	0
	Total :	17649669057	17817051059
7	Interest on ED	3855088	4419471
8	Electricity Duty recovery	252478778	236580529
	Total :	256333866	241000000
9	Recoveries for Theft of Power/Malpractices	78014236	65208699
10	Other Misc. Income	1088300972	1041189608
11	Gross Revenue from Sale of Power	19072318131	19164449366
	Less:		
12	Electricity Duty Paid	256333866	241000000
	Net Total:	18815984265	18923449366

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

AVERAGE REALISATION FROM SALE OF POWER

Previous Year 2002 - 03				Schedule Note	This Year 2003 - 04			
No.of Consumers	Units in MU	%of total units sold	Avg.Real. in Rs. per unit		No.of Consumers	Units in MU	%of total units sold	Avg.Real. in Rs. per unit
				LT				
3149233	1832.40	31%	2.25	Domestic supply - Category -I	3310363	1939.73	31%	2.25
300933	379.23	6%	5.79	Non-Domestic supply - Category -II	322501	406.16	6%	5.91
64414	613.45	10%	3.55	Industrial Supply- Category -III	65443	609.93	10%	3.35
6651	15.18	0%	1.97	Cottage Industries - Category - IV	6879	16.93	0%	1.95
424405	2834.32	48%	0.92	Irrigation and Agriculture Category - V	474343	3032.05	48%	0.44
24490	186.88	3%	1.74	Public Lighting - Category - VI	29313	232.25	4%	1.67
19702	24.41	0%	4.08	General Purpose - Category - VII	20953	26.12	0%	4.22
80	0.66	0%	7.22	Temporary Supply - Category - VIII	60	1.22	0%	7.01
3989908	5886.53	100.00%	1.67	LT. Total	4229855	6264.39	100.00%	1.71
				HT				
601	751.91	46%	4.61	Industrial Segregated - Category - I	639	856.02	47%	4.37
294	126.29	8%	5.68	Industrial Non-Segregated - Category - II	308	134.09	7%	5.46
124	8.64	1%	1.61	Irrigation and Agriculture - Category - IV	125	7.78	0%	2.97
11	359.24	22%	4.70	Railway Traction - Category - V	11	384.49	21%	4.56
2	341.78	21%	0.51	Electricity Co-Operative Societies	3	384.08	21%	0.72
0	0.00	0%	0.00	Temporary Supply	0	0.00	0%	0.00
39	56.49	3%	3.32	Colony Lighting	40	56.07	3%	3.29
1071	1644.35	100.00%	3.65	HT. TOTAL	1126	1822.53	100.00%	3.68
3990979	7530.88	100.00%	2.10	LT + HT Total	4230981	8086.92	100.00%	2.18

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

REVENUE SUBSIDIES AND GRANTS

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	2002-03
1	Subsidies and Grants form Government of Andhra Pradesh	63.110	4015800000	4379700000
2	Grants for Research and Development Expenses	63.120	0	0
3	Subsidies and grants form Govt. of AP - Additional Subsidy	63.130	0	0
	Total		4015800000	4379700000

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

OTHER INCOME

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	2002-03
1	Interest on Staff Loans and Advances	62.210 to 62.219	2133960	1154838
2	Delayed Payment Charges from Consumers	62.25	961209989	548216965
3	Income from Trading (Profit / Loss from sale of Scrap)	62.3	16310736	13490817
4	Miscellaneous Receipts	62.9	352587835	26567707
	Total		1332242520	589430327

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

PURCHASE OF POWER

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	2002-03
1	Power Purchase from APTRANSCO	70.100	19771224477	19431138432
2	Add : Fuel Surcharge Adjustment		245704941	220830051
3	Less : Overdrawal Surcharge		137340100	0
4	Total :		19879589318	19651968483

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

REPAIRS AND MAINTENANCE

Amounts in Rs. Schedule - 8

SNO	Schedule Note	Account Code	2003-04	2002-03
	Repairs and Maintenance to			
1	Plant and Machinery & Transformers	74.1	178279293	232088739
2	Substation maintenance by Private Agencies	74.15	32051172	20939231
3	Buildings	74.2	727149	805918
4	Civil Works	74.3	528236	3456378
5	Lines, Cable Net Work etc	74.5	43787728	72035138
6	Vehicles	74.6	4670041	6590243
7	Furniture and Fixtures	74.7	15244	19930
8	Office Equipment	74.8	543557	1098891
	Total		260602420	337034468

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

EMPLOYEE COSTS

Amounts in Rs. Schedule - 9

SNO	Schedule Note	Account Code	2003-04	2002-03
1	Salaries	75.1	1343069570	1354705084
2	Dearness Allowance	75.3	80651907	45810972
3	Other allowances	75.4	160492469	159436598
4	Sub Total (1 + 2 + 3)		1584213946	1559952654
5	Medical Expenses Reimbursement	75.611	11155739	8116057
6	Leave Travel Assistance	75.612	2042705	658655
7	Earned Leave Enchashment	75.617	140520638	124208485
8	Payment under workmen's compensation Act	75.629	2470012	2438649
9	VRS Benefits	75.650	76175.000	237075.000
10	Sub Total (5 to 9)	75.65	156265269	135658921
11	Staff welfare expenses	75.7	3885413	3402517
12	Medical Allowance	75.71	23878558	24785031
13	EPF Employer Share	75.810 to 75.815	18020721	13074570
14	Terminal benefits	75.8	180808041	184060824
15	Sub Total (11 to 14)		226592733	225322942
	Total (4 + 10 + 15)		1967071948	1920934517

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

ADMINISTRATION AND GENERAL EXPENSES

SNO	Schedule Note	Amounts in Rs.		Schedule - 10	
		Account Code	2003-04	2002-03	
1	Licence fees	76.103	7000000	7000000	
2	Rent, Rates and Taxes	76.101, 102	9325442	33109663	
3	Insurance	76.104 to 107	1834528	504915	
4	Telephone Charges, Postage, Telegram & Telex Charges	76.111 to 113	24039052	19348952	
5	Legal Charges	76.121	1007914	517301	
6	Audit Expenses and Fees : of which	76.122	911602	1305845	
a	Audit Fees		280000	815000	
b	Audit Expenses		480402	490845	
c	Tax Audit Fees		151200	0	
7	Other Professional Charges	76.125	90229192	76520383	
8	Honorarium	76.126	4143375	2631210	
9	Conveyance and Traveling Expenses	76.131 to 139	106425334	109032507	
10	Sub-Total (1 to 9)		244916439	249970776	
11	Other Expenses	76.150 to 191			
a	Training and Participation		4972491	4338565	
b	Fees & Subscription		65999	60468	
c	Books & Periodicals		162814	130704	
d	Printing & Stationery		14130730	13664660	
e	Advertisement		7421370	7251040	
f	Police Guard Charges		354840	433540	
g	Electricity Charges		35218105	35130233	
h	Water Charges		288610	66161	
l	Entertainment to VIPs		411670	194835	
j	Miscellaneous Expenses		26713460	20018045	
12	Sub-Total (a to j)		89740089	81288251	
13	Freight & Other Purchase related expn.	76.210 to 76.220 & 76.230 to 299	11053319	10069993	
14	Total (10 + 12 + 13)		345709847	341329020	

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

DEPRECIATION AND RELATED DEBITS (NET)

Amounts in Rs. Schedule - 11

SNO	Schedule Note	Account Code	2003-04	2002-03
1	Depreciation	77.1 & 77.2	992312430	901444432
2	Assets Decommissioning cost	77.5	0	0
3	Small & Low value items written off	77.6	37800	0
	Total		992350230	901444432

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

INTEREST AND FINANCE CHARGES

SNO	Particulars	Account Code	Amounts in Rs.	
			2003-04	Schedule-12 2002-03
1	Interest on State Government Loans	78.1	96305463	71980185
2	Interest on REC Loan	78.504	537113772	458632297
3	Interest on PFC Loan	78.511	42479476	49276793
4	Interest to consumers	78.600	70808008	63955605
5	Incentive to Consumers	78.820	186913198	109385407
6	Interest on General Provident Fund	78.852	0	72403734
7	Other Interest(other sub-accounts)	78.853 to 859	10106397	7980530
8	Commitment Charges	78.860 to 867	0	0
9	Lease Rentals on Lease Finance	78.868	108639334	118016400
10	Other Charges	78.880 to 78.889	6134308	10221773
11	State Government Guarantee Commission on Loans		88011551	73687830
12	Swapping Premium on REC Loans		53945952	0
	Total		1200457459	1035540554

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

INTEREST AND FINANCE CHARGES CAPITALIZED

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	Schedule -13 2002-03
1	Interest and Finance Charges Capitalized	78.9	220472831	131600000
	Total		220472831	131600000

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

OTHER DEBITS

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	Schedule-15 2002-03
1	Belated Payments or Additional charges waived	79.4	1203675	438425
2	Miscellaneous losses and write-offs	79.5 & 79.6	13227978	9911044
3	Sundry Expenses - Employee Costs and Administration Expenditure of AO/CPR & CE / Reforms of APTRANSCO	79.75	67680044	70679742
4	Provision for Contingency Reserve	79.73	26300000	31200000
5	Write off of Preliminary Expenses		1578500	0
	Total		109990197	112229211

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

EXTRAORDINARY ITEMS

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	2002-03
1	Extraordinary Debits (Losses on A/c of Flood,Cyclone, Fire etc.)	79.8	5126869	19105922
	Total :		5126869	19105922

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

PROVISION FOR INCOME TAX

SNO	Schedule Note	Account Code	Amounts in Rs.	
			2003-04	2002-03
1	Provision for Income Tax	81.1	4502000	0
	Total :		4502000	0

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

NET PRIOR PERIOD CREDITS/CHARGES

SNO	PARTICULARS	Account Code	Amounts in Rs	
			2003-04	2002-03
1	Income relating to Previous Year			
a	Receipts Prior Period	65.200	11259245	-98421225
b	Excess Provision - Interest & Finance Charges	65.700	(1337492)	1280048
c	Other Excess Provisions	65.800	(8054)	432119
d	Other Income Prior Period	65.900		
	Sub-Total (a to d)		9913699	(96709058)
2	Prior Period Expenses / Losses			
a	Operating Expenses	83.300	(20923377)	(232839065)
b	Employee Costs	83.500	(69612802)	9853691
c	Depreciation under provided	83.600		0
d	Interest & Other Finance Charges	83.700	(7744308)	245969
e	Other charges	83.800	(2951149)	1549363
	Sub-Total (a to e)		(101231636)	(221190042)
3	Net prior period credits/(charges) (1 - 2)		(91317937)	124480984

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED : : TI

FIXED ASSETS AND PROMSION FOR DEPRECIATION- 2003-2004

Schedule-19

SNO	Asset Group	Rate of Depreciation	Account Code	GROSSEBLOCK						NET BLOCK	
				At the end of the previous year	Additions	Deductions	Reclassification	At the end of the year	At the end of the previous year	At the end of the year	
1	Land and Land Rights	0	10.100	18471066	1800994	2218	0	20269842	0	18471066	20269842
2	Buildings	3.02	10.200	211752296	7393321	0	0	219145617	81166859	130585437	131583838
3	Hydraulic Works	0	10.300	0			0	0	0	0	0
4	Other Civil Works	0	10.400	27815	420834	10473	0	438176	0	27815	438176
5	Plant and Machinery	7.84	10.500	4691407499	734924139	300	0	5426331338	2101488449	2589919050	2957036541
6	Lines and Cable Network	7.84	10.600	7757402733	1072363049	0	0	8829765782	3900922745	3856479988	4320662663
7	Vehicles	33.4	10.700	28198206	2047200	98000	0	30147406	26473465	1724741	3673941
8	Furniture and Fixtures	12.77	10.800	44618830	1913306	113418	0	46418718	37209281	7409549	3511612
9	Office equipment	12.77	10.900	33147723	17250999	739642	0	49659080	1579059	31568664	43847057
10	Sub-Total (1 to 9)			12785026168	1838113842	964051	0	14622175959	6148839858	6636186310	7481023671
11	Spare units/Service units	7.84	11.200	347141139	101034185	76377810	0	371797514	0	347141139	371797514
12	Sub-Total (11)			347141139	101034185	76377810	0	371797514	0	347141139	371797514
13	Total : (10 + 12)			13132167307	1939148027	77341861	0	14993973473	6148839858	6983327449	7852821185
14	Total for Previous Year : 02 - 03			11718129834	1414037473	0	0	13132167307	5247395426	6470734408	6983327449

Note: Depreciation has not been claimed on Vehicles as 90% of the Block is already claimed as Depreciation.

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

CAPITAL EXPENDITURE IN PROGRESS

Amounts in Rs. Schedule-21				
SNO	PARTICULARS	Account Code	As on 31.3.2004	As on 31.3.2003
1	Capital Work - in - Progress	14	3463324379	1673224447
2	Revenue Expenditure Pending Allocation over Capital Works	15.2	220472831	131600000
3	Advance for Suppliers / Contractors (Capital)	25.100 to 25.900	271920363	271920363
4	Total		3955717573	2076744810

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATHI

INVESTMENTS

Schedule - 25 Amounts in Rs.				
S.NO	Asset Group	Acct.Code	As on 31.3.2004	As on 31.3.2003
1	Share Capital in Resco - Atmakur, Nellore	20.200	3814500	3814500
2	Share Capital in Resco - Rayachoty, Cuddapah	20.200	2070900	2070900
3	Investments in FDR's	20.110	225313460	0
	Total:		231198860	5885400

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

TOTAL CURRENT ASSETS

Schedule-26 Amounts in Rs.				
SNO	PARTICULARS	SCH NO	As on 31.3.2004	As on 31.3.2003
1	Stocks	26(a)	350624213	371839344
2	Receivables against Supply of Power	26(b)	4427976987	4960231879
3	Cash and Bank Balances	26(c)	511722043	663898196
4	Loans and Advances	26(d)	789012683	697684426
5	Sundry Receivables	26(e)	3415188904	252774339
6	Total		9494524830	6946428184

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

STOCKS

			Schedule-26a	Amounts in Rs.
SNO	PARTICULARS	Account Codes	As on 31.3.2004	As on 31.3.2003
1	Stock of materials at stores	22.62,63	450643511	462795501
2	Materials at site	22.64,65	2749257	1541191
3	Materials pending inspection	22.66,67	12376623	38271647
4	Materials in transit	22.68,69	-200084	-200084
5	Other Materials Accounts	22.7	101438780	94764710
6	Materials stock excess/shortage pending investigation	22.8	1148522	-13746688
7	Provision for recovery /write off of cost of materials	22.9	-217532396	-211586933
	Total:		350624213	371839344

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATHI

RECEIVABLES AGAINST SUPPLY OF POWER

			Schedule-26b	Amounts in Rs.
SNO	PARTICULARS	A/c Code	As on 31.3.2004	As on 31.3.2003
1	Sundry Debtors for Sale of Power	23.1	1419113948	2269156901
2	Sundry Debtors for Electricity Duty	23.2	32197982	24816548
3	Provision for Unbilled Revenue(March billed in April)	23.4	3052646094	2742267399
4	Sundry Debtors - Miscellaneous Receipts from consumers	23.7	101051	73119
5	Sub-total :		4504059075	5036313967
6	Less: Provision for doubtful dues form consumers	23.9	(76082088)	(76082088)
7	Total		4427976987	4960231879

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

CASH AND BANK BALANCES

			Schedule-26c	Amounts in Rs.
SNO	PARTICULARS	A/c Code	As on 31.3.2004	As on 31.3.2003
1	Cash on Hand	24.1	48712605	50504251
2	Balance with Banks	24.3,24.4	329885162	330811296
3	Cash in Transit	24.5,24.6	133124276	282582649
4	Total		511722043	663898196

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATHI

LOANS AND ADVANCES

SNO	PARTICULARS	A/c Code	Schedule-26d	
			Amounts in Rs.	
			As on 31.3.2004	As on 31.3.2003
1	Advances for O&M supplies/works	26.1 to 26.7	52287608	53698568
2	Loans and Advances to Staff	27.1 & 27.2	27371806	8798340
3	Advance Income Tax/Deduction at source	27.4	8608	8608
4	Loans and Advances -others	27.8	18910	18910
5	Loans and Advances - SPDCCL Trusts	27.3	635160000	635160000
6	Amounts Receivable from APTRANSCO P & G Master Trust		74165751	0
7	TOTAL:		789012683	697684426

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

SUNDRY RECEIVABLES

SNO	PARTICULARS	A/c Code	Schedule-26e	
			Amounts in Rs.	
			As on 31.3.2004	As on 31.3.2003
1	Sundry Debtors-Trading Account	28.1	82240343	35980184
2	Other Income accrued but not due	28.29	338009	55919
3	Amount recoverable from employee/Ex-employees	28.4	12794265	13264150
4	Other Claims and Receivables	28.7 & 28.8	109848394	232461171
5	Amounts Receivable from Government of Andhra Pradesh towards Agricultural Arrears	28.83	3142854430	
6	Other claims under Inter Unit accounts	30 to 39	55593068	-39774778
7	Deposits	28.9	11520395	10787693
8	Total		3415188904	252774339

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

SECURITY DEPOSITS FROM CONSUMERS

SNO	PARTICULARS	A/c Code	Schedule - 27	
			Amounts in Rs.	
			As on 31.3.2004	As on 31.3.2003
1	Security Deposits form Consumers	48.1	2722802035	2466663700
2	Interest payable on Consumers Deposits	48.3	61636581	58899511
	Total		2784438616	2525563211

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

OTHER CURRENT LIABILITIES

			Schedule-28	Amounts in Rs.
SNO	PARTICULARS	A/c Code	As on 31.3.2004	As on 31.3.2003
1	Liability for Purchase of Power	41.1, 41.2	2897326077	213364464
2	Liability for Capital Supplies and O&M supplis/works	43.1 to 43.3	322992137	542738577
3	Staff related liabilities and provisions	44.1 to 44.4	148373820	190669675
4	Deposits and retentions from suppliers and contractors (net of deopstis received in form of investments etc.)	46.1	224595629	169446469
5	Liability for Expenses	46.4	35370260	96600162
6	Accrued/unclaimed amounts relating to borrowings	46.7	95481366	106760877
7	Liability for Electricity Duty payable to State Govt. of AP	46.3	(15569514)	696620
8	Other Liabilities and Provisions	46.9	83516819	91676781
9	Provision for Tax	46.8	4502000	0
10	Stale Cheques	46.931	21205	21205
11	Deposits for electrification service connection etc	47	123890535	92530207
12	Liability towards Kutir Jyoti Scheme	47.35	6075120	6075120
13	SPDCL P & G Trust	57.172	412862114	633160000
14	SPDCL GPF Trust	57.171	16501987	202577890
15	Total		4355939555	2346318047

**SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI
PAYMENT DUE ON CAPITAL LIABILITIES**

		Schedule-31	Amounts in Rs.					
SNO	PARTICULARS	Due at the beginning of the previous year 1-4-2003	Becoming due during the previous year	Payments made during the previous year	Due at the end of the previous year	Becoming due during the year	Payments made during the year	Due at the end of the year
	REPAYMENTS DUE:							
1	Guaranteed:							
	REC	0	483216704	483216704	0	703071034	703071034	0
	Govt Loans	0	33100000	33100000	0	711721496	711721496	0
	PFC	0	46984674	46984674	0	46984672	46984672	0
2	Total :	0	563301378	563301378	0	1461777202	1461777202	0

**SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI
CAPITAL LIABILITIES**

Amounts in Rs.

Schedule-32

SNO	PARTICULARS	A/c Code	Outstanding at the beginning of the previous year	Amount received during the previous year	Repayments due during the previous year	Details of Interest rate moratorium and rate applicable at the end of the year	Out standing at the end of the previous year	Amount received during the year	Repayments due during the year	Out standing at the end of the year
1	Loan from REC	53.301	3137981611	1445292800	483216704	13-14.5%& moratorium 2 years	4100057707	3218648927	703071034	6615635600
2	Loan from PFC	53.710	351299101	0	46984674	16.75% & 1 1/2 year moratorium	304314427	0	46984672	257329755
3	Loan from Govt. of A.P	54.100	497045270	186759351	33100000	12.50%	650704621	113149467	711721496	52132592
4	DFID / AIJ		0	3384000	0	12.50%	3384000	0	0	3384000
5	PMGY		0	25575000	0	12.50%	25575000	52420000	0	77995000
6	APDP		0	114225000	0		114225000	145979000	0	260204000
7	APRDP		0	490120000	0		490120000	0	0	490120000
	Total		3986325982	2265356151	563301378		5688380755	3530197394	1461777202	7756800947

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

EQUITY

Schedule - 33

Amounts in Rs.

SNO	PARTICULARS	2003-2004	2002-2003
1	Authorized Share Capital : 311000000 Equity Shares of Rs.10/- each	3110000000	3110000000
2	Subscribed and Shares Alloted : 310607809 Equity Shares of Rs.10/- each fully paid up (of which 310607800 Equity Shares are issued for consideration other than cash)	3106078090	3106078090
	TOTAL EQUITY :	3106078090	3106078090

**SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI
CONTRIBUTIONS, GRANTS AND SUBSIDIES TOWARDS COST OF CAPITAL ASSETS**

Amounts in Rs.								Schedule-34
SNO	PARTICULARS	A/c Code	Balance at the beginning of the previous year	Received during the previous year	Balance at the end of the previous year	Additions during the year	Total at the end of the year	
1	Consumers Contribution	55.1	1563882872	834465920	2398348792	713355796	3111704588	
2	Subsidies towards cost of Capital Assets	55.2	7132685	0	7132685	0	7132685	
3	Grants towards cost of Capital Assets	55.3	0	114225000	114225000	145979000	260204000	
4	Grant Received from REC towards Kutir Jyothi Scheme	55.3	0	53955000	53955000	88809960	142764960	
5	Total		1571015557	1002645920	2573661477	948144756	3521806233	

Kutir Jyothi scheme envisages grant for the purpose of release of single point light connection to the households of rural poor .

**SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI
RESERVE AND RESERVE FUNDS**

Amounts in Rs.										Schedule-35
SNO	PARTICULARS	A/c Code	Balance at the beginning of the Previous year	Additions during the previous year	Deductions during the previous year	Balance at the end of the Previous year	Additions during the year	Deductions during the year	Balance at the end of the year	
1	Contingency Reserve	56.2	0	31200000		31200000	26300000	0	57500000	
2	General Provident Fund	57.121 & 57.122	0	343068657	343068657	0	362587078	362587078	0	
3	FBF	57.151	0	52230	913458	(861228)	0	999529	(1860757)	
4	Group Insurance Savings Fund	57.152 & 57.153	0	12369414	7893814	4475600	10995430	7824974	7646056	
5	Group Insurance Fund	57.154	0	1161015	1792424	(631409)	1279713	1541825	(893521)	
6	Pension /Gratuity Fund	57.142 , 57.145 , 57.148 , 57.149	465117624	843059747	1292130971	16046400	1157892571	976957377	196981594	
	Total		465117624	1230911063	1645799324	50229363	1559054792	1349910783	259373372	

STATEMENT OF ACCOUNTING POLICIES

STATEMENT –4

STATEMENT ON COMPLIANCE WITH THE PROVISIONS OF THE ELECTRICITY (SUPPLY) ACT, 1948 AND THE RULES MADE THEREUNDER:

The Annual Accounts of the company has been prepared as per Electricity (Supply) Annual Accounts Rules, 1985 and the deviations made from the Basic Accounting Policies have been disclosed in the statement 4 of Annual Accounts.

Further, the accounting principles / accounting policies enunciated in Electricity (Supply) (Annual Accounts) Rules 1985, are not in total consonance with the Accounting Standards referred to in Section 211 (3 C) of the Companies Act, 1956. Significant Accounting Policies adopted by the Company are as follows.

1. **Basis of Preparation:** The Financial statements have been prepared under the historical cost convention overall on accrual basis to comply in all material respects with the accounting policies and principles enunciated in Electricity (Supply) (Annual Accounts) Rules 1985 except in the case of Interest on Family Benefit Fund and certain non recurring items which are accounted on Cash Basis.
2. The Contributions received from consumers towards capital items are treated as capital receipts and credited to Capital Reserve Account.
3. **Depreciation:**
 - The Company shall charge as depreciation on the fixed assets in use in the beginning of the year, such an amount as is required to write-off 90 percent of the cost of an asset, on a straight-line method over the 'estimated useful life of the asset'.
 - Depreciation charge on an asset shall cease from the year following the year in which:
 - The year's 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.
 - Depreciation charge on a newly commissioned asset shall commence in the year immediately following the year of commissioning.
 - The Company is following Depreciation rates as notified by the Ministry of Power, Government of India through Gazette Notification issued from time to time.

The following departures from the Basic Accounting Principles and Accounting Policies have been made.

1. Expenses incurred by the Company, which are attributable to Capital Works, have been charged to Capital Work-in-Progress account based on Para xvii (6) (c) of ESA 1948.
2. The Company has computed depreciation on the Gross Block of Rs.799.57 crores given in 2nd Transfer Scheme vide G.O.Ms.No.109, Energy (Power – III), Dated 29.9.2001.
3. According to the Electricity Supply Act, depreciation is to be computed on 90% of the individual asset, but whereas the Company had calculated depreciation on Gross Block as a whole not taking into account the individual asset. Depreciation has not been claimed on Stores / Spare Units.

Notes to Accounts

Statement - 5

1. The billing for domestic and non-domestic and general-purpose categories of consumers is carried out on Bi-monthly system except for certain high value billing and for LT category III & IV, which are done on a monthly basis. For all municipal towns in LT Category I are billed on monthly basis.
2. The company has received Rs.32.69 crores as Unscheduled inter change, which has been received from APTRANSCO towards efficient grid management. Which has been accounted as other income.
3. The Company has received Tariff Subsidy of Rs 401.58 crores for the year 2003-04 (previous year Rs. 437.97 crores).
4. Grants received from REC towards Kutir Jyothi Scheme have been accounted on cash basis. They are treated as Capital receipts, as it is a grant for service line charges to be paid by Rural poor.
5. The Fuel Surcharge Adjustment has been communicated by APTRANSCO (APEREC) in the year 2003-04 and has been accounted as power purchase expenditure and unbilled revenue. However, the Company will recover the amounts from the consumers during the year 2004-05.

The company has accounted FSA demand pertaining to the year 2000-01 in the year 2003-04 as a spill over from the year 2002-03.

6. The company has swapped its high cost REC loans of Rs.242.42 crores with Low cost REC Loans for the balance outstanding and paid a premium of Rs.5.39 Crores. The premium paid is accounted as financial charges for the year.

The company has also swapped Government loans to the tune of Rs.66.85 Crores with Low cost REC loans.

7. Delayed payment surcharge of agriculture:

The delayed payment surcharge on agriculture has been accounted on accrual basis. The Delayed Payment Surcharge of period prior to 01.04.2003 amounts to Rs.36.70 Crores.

8. Fifty percent of the Preliminary Expenses amounting to Rs 15.78 lacs are written off during the year and the balance carried forward for future write off

9. Fixed Assets:

The classification of the fixed assets is communicated by APTransco on a pro-rata basis for the amount of Rs.799.57 crores intimated in the second transfer scheme. Additions to fixed assets have been taken to its natural heads of classification.

The company is capitalizing the capital work in progress of earlier year as fixed assets of the current year, on the assumption that the capital works undertaken in the previous year could have got completed.

This method of capitalization has been followed consistently.

10. Depreciation:

- Depreciation has been claimed on fixed assets under Straight Line Method on the Opening Gross Block of assets as on 1.4.2000 intimated in second transfer scheme based on the classification provided by the APTransco. Further, depreciation is provided on additions from the succeeding year of its addition.
 - The Company is following Depreciation rates as notified by the Ministry of Power, Government of India through Gazette Notification No.S.O.266 (E) dated 29th, March, 1994.
11. The Company has kept a Contingency Reserve of Rs 2.63 Crores based on the Tariff Order 2003-04.
 12. The company is in the process of obtaining the revised actuarial valuation for the terminal benefits of employees as on 31.03.04. Awaiting which a Provision has been made for terminal benefits for Rs.18.08 crores as per the earlier Actuarial Valuation communicated by APTRANSCO. As against this liability, the Company has deposited Rs.18.98 Crores during 2003-04 as per Tariff Order.
 13. An amount of Rs.31.56 Crores is capitalized from employees cost. This has been computed @10% of Capital Works in Progress as per Para xvii (6) (c) of Electricity Supply Act, 1948.
 14. An amount of Rs.6.76 Cr (Share of 19 %) has been accounted under the head "Other Debits" in the statement - towards Employee Costs and Administration expenses of AO/CPR/APTRANSCO & CE/Reforms, Hyderabad.
 15. The Loans from PFC / REC are unsecured and guaranteed by the Government of Andhra Pradesh. Assets worth Rs.63.86 Crores have been mortgaged to REC.
 16. The company has implemented Employees Provident Fund Scheme, 1952 for the eligible employees from the financial year 02-03 for employees who have joined after 01.04.2000 or from the date of employment, which ever is later. (For the employees who were not covered under GPF scheme.)

17. The interest & finance charges on REC, PFC and Govt. Loans, including guarantee commission paid to government, have been allocated proportionately to the Capital Works in Progress as Interest during Construction based on BNA (Balance Net Assets) / ACS (Assets at Construction Stage) method adopted by APTRANSCO (Holding Company).
18. Guarantee Commission of Rs.8.80 crores is paid to Government of Andhra Pradesh for extending the government guarantee on Loans drawn from REC.
19. Consumption figures given in the statement No.3, are based on the actual consumption in respect of categories I to VIII except in case of category 5 - Agriculture.
20. 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.

21. Inventories:

- Inventories at the year-end (as certified by the Management) are short to the extent of Rs.10.08 Crores, as compared to amount shown in Balance Sheet, Major portion of which is due to difference in the second transfer scheme figures.
 - The overall value of surplus, obsolete, unserviceable, non-moving and scrap materials comes to Rs.4.96 crores as on 31.3.2004
 - A provision of Rs.20.17 crores on 1.4.2000 is intimated in the Second Transfer Scheme, in this regard. Management considers that there is no additional provision required for both the above items.
22. Provision for tax of Rs. 0.45 crores represents Minimum Alternate Tax payable u/s 115 JB of the Income Tax Act, 1961.

23. Debtors:

- The Total credit balances in the sundry debtors of Rs.29.24 Crores are netted off from the sundry debtors and not shown as advance collection because of incomplete details.
- Sundry Debtors are shown at Rs.145.12 Crores in Balance Sheet. The Balance as per Financial Ledger comes to Rs.121.49 crores and balance as per Consumer Ledger is Rs.134.32 Crores as on 31.3.04. (these amounts are after transfer of agricultural dues to receivables account from Government of Andhra Pradesh).
- The company was intimated Rs.86.78 Crores as provision for bad debts in the Second Transfer Scheme. From this provision Rs.79.18 Crores has been written off against the debtors. However, service wise write off is not effected in the consumer ledger.
- The Company has adjusted the total receivables from agriculture Rs.314.28 as on 31-03-2004 as receivables from Government of AP, based on the statement of chief minister of Andhra Pradesh while addressing the energy department.

Agriculture Arrears as on 31-3-04 transferred to Receivable account from GOAP

Particulars	Amount (Rs Crores)
As per CL receivables from agriculture	315.60
As per FL receivables from agriculture is	314.28
Difference	1.32

The Company is consolidating the comments of Receivables audit and when this process gets completed the difference may get nullified.

24. Cash Balances:

- In respect of Cash balance as on 31st March 2004, the actual cash balance as per unit records works out to Rs.3.43 Crores, as against of Rs.4.87 Crores shown in Balance Sheet. The above difference of Rs.1.44 Crores is inclusive of opening balance difference of Rs.0.77 Crores as on 1.4.2000.
- Cash-in-transit includes Cheques and DDs on hand of Rs.2.47 Crores as on 31.3.04 in the various units.

25. Prior period income consists of

- (a) Reversal of entry tax liability of 2002-03 Rs. 2.23 crores
- (b) Reversal of interest on O & M (GPF) employees charged in the years 2002-03 & 2001-02 Rs. 7.17 crores

26. **Contingent Liabilities:** On the basis of Company's records, the management is of the opinion that there are no Contingent items (having potential liability) affecting materially the audited financials as on 31.3.2004.

27. In Case of Entry tax the company has filed an appeal with the appellate tribunal that the entry tax is leviable only in case of conductors and not on transformers, which the commercial tax authorities have contested.

28. Liability of General Provident Fund upto 31.3.2002 rests with APGENCO and APGENCO discharged liability by issuing AP Genco Bonds to the tune of Rs.46.00 Crores to SPDCL GPF Trust. With effect from 1.4.2002 liability for GPF & Interest to GPF Account holders rests with SPDCL GPF trust.

29. Loans and advances made by the Company to Employees are secured and Other Advances made to Capital Suppliers are unsecured in nature.

30. There have been no irregularities involving management/ employees having material effect on the audited financial statements. However, in respect of minor financial irregularities, the management has initiated suitable action to recover the amounts involved.

31. Claims against the Company and not acknowledged as debts, if any, are not assessed.

32. Quantitative Details of Purchases and Sales / Consumption of Major Components of Stores / Inventory:

Energy Purchased and Sold	Purchases		Sales	
	In MU	Rs. In Crores	In MU	Rs. in Crores
FY: 01-02	8838	1729.15	6903	1535.87
FY: 02-03	9561	1965.19	7531	1916.44
FY: 03-04	10026	1963.39	8087	1882.66

33. Payments and Benefits to Managing and Other Directors: (FY: 03-04)

SNo	Particulars	Managing Director	Other Directors
1	Salary / Remuneration	486632	1082048
2	Traveling Expenses	138169	119393
3	Telephone, Conveyance and other such perquisites	43169	67896
	Total:	667970	1269337

34. Payments and Benefits to Managing and Other Directors: (FY: 02-03)

SNo	Particulars	Managing Director	Other Directors
1	Salary / Remuneration	432180	681334
2	Traveling Expenses	146295	141091
3	Telephone, Conveyance and other such perquisites	87710	164936
	Total:	666185	987361

35. Loans and Advances to Directors – NIL.

36. During the year the Company did not incur any expenditure in Foreign Currency.

37. The Deposits from Consumers received for the Year of Rs.25.89 crores as per Schedule 27 is for releasing of new services and for additional load. This deposit carries an interest @ 3 % per annum. The Interest has been provided in the accounts from the date of release of the service connection.

These deposits fall outside the purview of Section 58 A of the Companies Act, 1956.

38. The amounts have been regrouped wherever necessary.

As per our report of even date

for and on behalf of the Board

For RAMAMOORTHY(N) & Co,
Chartered Accountants

Sd/-
(Surendranath Bharati)

Sd/-
K.Ranganatham

Sd/-
K.P.Anand

Partner

Chairman & Managing Director Director (Finance)

Sd/-

K.Sateesh Gupta
Company Secretary

Place: Hyderabad.
Date: 15-09-2004.

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATI

Sources and Uses of Funds

Statement-7

Particulars		2003-04 Rs. in Crores
FUNDS PROVIDED BY :		
Profit before tax (excluding Revenue Subsidies and Grants)		(398.97)
Less : Tax payments during the year		0.00
Add : Debits to Revenue Account not requiring cash outlay		0.00
Depreciation		99.24
Amortisation of Deferred Costs		0.16
Amortisation of Intangible assets		0.00
Less : Credits to Revenue Account not involving cash receipts		0.00
Net funds from Earnings:		(299.58)
Receipts of Revenue Subsidies and Grants		401.58
Contributions, Grants and Subsidies towards Cost of Capital Assets		94.81
Proceeds from disposal of fixed assets		0.00
FUNDS FROM OPERATION :		196.82
Increase / (Decrease) in working capital:		
Increase / (Decrease) in Stocks	(2.12)	
Increase in Receivables against supply of power	(53.23)	
Increase in Loans and Advances	9.13	
Increase in Sundry Receivables	316.24	
Sub Total :	270.03	
Increase in Security Deposits from consumers	25.61	
Increase in Current and Accrued Liabilities	200.96	
Net Increase / Decrease in Working Capital:		(43.45)
Increase in Cash and bank balances		(15.22)
Increase / Decrease in borrowings for Working Capital		0.00
Funds utilised on Working Capital:		(58.67)
Net Funds from Operations:		138.15
UTILISATION OF FUNDS:		
Funds utilized for Capital Expenditure		
On projects		346.33
Intangible Assets		0.00
Deferred Costs		0.00
Total Capital Expenditure: (Note :1)		346.33
Shortfall in Capital Funds met from External Sources		208.18
Net increase / decrease in Capital Liabilities:		
Fresh Borrowings		
State Govt. Loans	31.15	
Foreign Currency Loan Credits	0.00	
Other Borrowings	321.86	
Less : Repayments		
State Govt. Loans	71.17	
Foreign Currency Loan Credits	0.00	
Other Borrowings	75.01	
Increase / Decrease in Capital Liabilities		206.84
Net (increase) / decrease in Investments		22.53
Net Capital Funds from external sources		206.84
Net Funds from Operations as a % of total Capital Expenditure		40%

**SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED
TIRUPATI
STATEMENT OF CAPITAL BASE AND SURPLUS**

Under Section 59 of the Electricity (Supply) Act, 1948)

Statement - 8

Particulars	Sch. No	Rs. in Crores	
		At the beginning of this year (as on 1.4.2003)	At the beginning of this year (as on 1.4.2002)
1. Original Cost of Fixed Assets	19	1313.22	1171.81
2. Less: Accumulated Depreciation	19	614.88	614.88
3. Net Block (1 - 2)		698.33	556.93
4. Consumers' contribution	34	257.37	239.83
5. CAPITAL BASE (3 - 4) (ie value of fixed assets in service at the beginning of the year under Section 59)		440.97	317.09

Particulars		2003-2004	2002-2003
6. Surplus / (Deficit)	1	2.61	(2.03)
7. Surplus as a % of capital base (under section 59)		0.59%	0.00

SOUTHERN POWER DISTRIBUTION COMPANY OF AP LIMITED :: TIRUPATHI

WHAT WE EARNED AND SPENT (FY: 2003-04)	Rs. in Crores
We Earned (Revenue):	
From Electricity Sales	1881.60
From Other Income	133.22
From Revenue Subsidies and Grants	401.58
TOTAL:	2416.40
We Spent:	
Expenditure on Purchase of Power, Employees Cost, Repairs and Maintenance, Administration and General Expenses, Other Debits	2248.13
Interest & Finance Charges	120.05
Depreciation	99.24
Less : Expenses and Interest Capitalization	53.61
TOTAL:	2413.79
Surplus / (Deficit) during the Year:	2.61

Statement 9

Statement of Technical Particulars

S. No	Particulars	This Year	Previous Year
1	Installed generating Capacity in (MW) at the year-end		
	Hydel		
	Thermal		
	Total		
2	Normal Maximum Demand on the System(In MW)		
	a) Restricted		
	b) Unrestricted		
3	Plant Capacity Available at the time Maximum System demand was met (as a Declared Net Capacity of the Generating System)	N.A	N.A
4	Plant Load Factor		
5	Generation (in Million KWH)		
	Hydel		
	Thermal		
	Total		
6	Auxiliary Consumption (in Million KWH)		
7	Power Purchase (in Million KWH)		
	APTRANSCO	10025.98	9561.06
	Total	10025.98	9561.06
8	Power Available for Sale (in Million KWH) 5-6+7	10025.98	9561.06
9	Power Sold	8086.92	7530.88
10	Transmission and Distribution Losses		
	- In Million KWH	1939.06	2030.18
	- As a% of Total Power Available	19.34%	21.23%
11	Fuel		
	a) Consumption in MT		
	Coal		
	RFO/FO		
	LD oil/HSD		
	b) Average Calorific Value per Kg of Fuel Consumed	N.A	N.A
	Coal		
	RFO/FO		
	LD oil/HSD		
	C) Consumption Per unit of Generation		
	Coal		
	RFO/FO		
	LD oil/HSD		

Statement 9

Sr No	Particulars	2003-04		2002-03	
		No of Consumers	Connected Load in KW	No of Consumers	Connected Load in KW
		1	2	3	4
12	Sale of Power				
	Consumer Category				
1	Domestic	3310363	1935190	3149233	1896722
2	Commercial	322501	416270	300933	408577
3	Public Lighting	29313	82900	24490	82600
4	Irrigation and Dewatering	474468	2284675	424529	2205300
5	Public Water Works	20953	19320	19702	18860
6	Industrial (LT/HT, Power Intensive Special)	73369	1282400	72079	1266310
7	Railway Traction	11	103000	11	103000
8	Bulk Supply(RESCO)	3	5560	2	5560
9	Outside Suppliers	0	0	0	0
10	Miscellaneous	0	0	0	0
	Total	4230981	6129315	3990979	5986929

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No.	:	34118
State Code	:	01
Balance Sheet Date	:	31-03-2004

II. Capital raised during the Year

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

III. Position of Mobilisation and Development

	:	(Rupees in Thousands)
Total Liabilities	:	21784435
Total Assets	:	21784435
Sources of Funds		
Paid up capital	:	3106078
Reserves & Surplus	:	259373
Secured Loans	:	NIL
Unsecured Loans (Guaranteed by Govt. of A.P)	:	5688381

Application of Funds

Net Fixed Assets	:	7852521
CWIP	:	3955717
Investments	:	231198
Net Current Assets	:	2354146
Miscellaneous Expenditure	:	1578

IV. Performance of the Company

	:	(Rupees in Thousands)
Turnover	:	24164026
Total Expenditure (including net prior period Credits)	:	24133433
Profit / (Loss) before Tax	:	30593
Profit / (Loss) After Tax	:	26092
Earnings per Share	:	Rs. 0.08
Dividend Rate %	:	NIL

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

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

Proxy form

Southern Power Distribution Company of A.P. Limited
Registered Office: 19-3-13M, Renigunta 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 Fourth Annual General Meeting of the Company to be held on **Wednesday, the 29th December, 2004 at 11.00 A.M.** or at any adjournment thereof at the Registered Office of the Company.

Affix Revenue Stamp

Signed this..... Day of 2004.

Place:
Date :