



## EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

### Regd. Office :

P & T Colony, Seethammadhara, Visakhapatnam - 530 013

Phone : 0891 - 2582503, Fax : 0891 - 2737675

website : [www.apeasternpower.com](http://www.apeasternpower.com)

### DIRECTORS

**SRI AHMAD NADEEM, I.A.S.,**

Chairman & Managing Director

**SRI K.RANGANATHAM**

Non Whole Time Director

**SRI B.UMAKARA RAO**

Non Whole Time Director

**SRI V.SURYANARAYANA**

Director (Projects)

**SRI H.Y.DORA**

Director (Operations)

**SRI Y.NARAYANA**

Director (RA&Plg.)

**SRI P. HARI PRASAD, I.R.A.S., SRI MUNINDRA, I.F.S., SRI K.N.MALLESWARA RAO**

Director (Finance)

Part Time Official Director

Part Time Official Director

### BANKERS

**STATE BANK OF HYDERABAD**

**STATE BANK OF INDIA**

**ANDHRA BANK**

**BANK OF INDIA**

**INDIAN OVERSEAS BANK**

### AUDITORS

**BASHA & NARASIMHAN**

Chartered Accountants

No.10-1-86, Mehar Nagar,  
Old Gajuwaka  
Visakhapatnam - 530026.

### Company Secretary

**A.RAMA RAO, A.C.S**

**EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**  
**Visakhapatnam – 530 013**

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## EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

Regd. Office: P&T Colony, Seethammadhara, Visakhapatnam – 530 013

### NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Eastern Power Distribution Company of Andhra Pradesh Limited will be held on Tuesday, the 27th day of September, 2011 at 12.00 Noon at the Registered Office of the Company at P&T Colony, Seethammadhara, Visakhapatnam – 530 013 to transact the following business:

#### Ordinary Business:

- To receive, consider and adopt the Audited Profit and Loss Account for the Period ended 31.03.11 and balance sheet as on 31.03.11 of the company together with the Directors' Report, the Statutory Auditors Report and the comments of the Comptroller and Auditor General of India thereon.
- To take note of the appointment of Statutory Auditors for the Financial year 2011-12 under the provisions of Sec. 619 of Companies Act, 1956 by Comptroller and Auditor General of India and fix the remuneration of Statutory Auditors of the Financial year 2011-12.

#### Draft Resolution:

RESOLVED THAT, pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies act, 1956, the Board of Directors of the Company be and are hereby authorised to fix the remuneration payable to Statutory Auditors and to provide for reimbursement of their actual out-of-pocket expenses for the Financial Year 2011-2012.”

By Order of the Board



A. Rama Rao

Company Secretary

#### Notice :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and such proxy need not be a member of the Company.
2. The comments of the Comptroller and Auditor General of India (CAG) on the Annual Accounts F.Y.2010-2011 shall be placed before the shareholders at the AGM.



**Eastern Power**  
Distribution Company of A.P. Ltd

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణి సంస్థ

(An ISO 9001-2008 & ISO 27001:2005 Certified Company)



# DIRECTORS' REPORT

## **EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED**

Regd. Office : P & T Colony, Seethammadhara, Visakhapatnam - 500 013

### **DIRECTORS' REPORT**

***Dear Shareholders,***

Your directors take immense pleasure in presenting the Eleventh Annual Report of the Company together with the Audited statement of Accounts for the year ended 31st March 2011. During Eleventh year of the Company's operations, your company advances on the path of progress by effective management through optimum utilization of resources and better management of human resources and Information technology. Your management continues its focus on the key areas of loss reduction and quality control; together with dedicated customer care measures.

#### **PERFORMANCE AND OPERATIONAL HIGHLIGHTS :**

During the year, the Sale of Energy was 10334.236 Million Units, an increase of 4.72% as compared to 9868.55 Million Units for the previous year. The aggregate technical and commercial losses were brought down to 7.00% from 7.896% in the previous year.

During the year, the DPE wing has inspected 36,539 services and assessed an amount of Rs.3366.47 Lakhs in respect of 8252 cases booked, relating to pilferage, malpractice, back billing, etc.; out of which an amount of Rs.1956.69 Lakhs has been realised.

During the year, the Assessment wing has disposed off 4141 Nos. of cases.

#### **PROGRESS OF PROJECT WORKS :**

Your Company continues to explore various modes to utilize project works for improving operational efficiency. Some of the highlights are:

- EPDCL has made investments worth Rs.233.55 Crores during 2010-11 on various capital investment schemes for System Improvement and new schemes for improving quality of power supply.
- 27 Nos. new 33/11KV Sub-stations were charged during the year 2010-11 by utilizing funds under T&D to improve voltage profiles and to meet future load growth.
- Pilot project was undertaken for Segregation of agricultural services from mixed feeders in EPDCL, one mandal in each of the five Circles with internal funds at an amount of Rs.21.04 Crs.
- EPDCL has released 62,415 Nos. BPL services and 9,994 Nos. APL services to the rural households, and 101 habitations were electrified and 783 Nos. villages were intensified during 2010-11 under RGGVY scheme. So far 6,06,343 Nos. BPL services and 91,151 Nos. APL services were released and 1,334 Nos. habitations electrified and 7,532 Nos. villages intensified.
- In HVDS system to improve tail end voltage, 54 Nos. small capacity DTRs have been erected for conversion of 70 Nos. pumpsets into HVDS during 2010-11. 49 Nos. S-Ph DTRs have been removed which were connected to agricultural consumers.
- The works for HVDS scheme under Phase – III in Rajahmundry circle were awarded during December – 2010 at an estimated amount of 50.346 crores for conversion of 9,553 Nos. pumpsets in to HVDS and works are under progress.

- 430 Km of new 33 KV feeders/ Interlinking lines for erection of 50 Nos. 33KV feeders covering 155 Nos. 33/11KV sub-stations are being taken up at an estimated cost of Rs.24.965 Crs.
- R-APDRP a central sponsored scheme has been sanctioned for an amount of Rs.60.66 Crores under Part-A IT enabling works. The work was awarded to M/s. Tata Consultancy Services (TCS) on 31.03.2010 and works are under progress. The work of providing of network connectivity was awarded to M/s. Tata Tele Services (TTL) and work is under progress.
- A pilot project at a cost of Rs.6.54 Crores was taken-up during 2010-11 for providing of UG cable in selected routes at Siripuram Junction – GVMC building in Visakhapatnam City where Municipal cable ducts are existing.

### **FINANCIAL HIGHLIGHTS**

The financial performance of the Company for the F.Y.2010-11 as against APERC Targets and in comparison with previous year is as follows:

**(Rs. Crores)**

	Particulars	APERC Target 2010-11	Actual 2010 - 11	Actual 2009-10
<b>I</b>	<b>Revenue</b>			
	Sale of Power (incl. Electricity Duty)	3386.97	3298.19	2725.63
	Inter state sales and Inter Discom Sales		217.80	295.53
	Other Income	90.50	141.08	113.11
	Subsidy	272.66	857.66	887.97
	Total Revenue	3750.13	4514.73	4022.24
<b>II</b>	<b>Expenditure</b>			
	Power Purchase	3093.46	3589.41	3305.67
	Electricity Duty		43.90	38.41
	Employee Cost	314.67	451.98	275.25
	Administration & General Charges	53.99	49.42	46.79
	Repairs & Maintenance	18.69	17.87	13.90
	Interest & Finance Charges	132.12	186.94	180.69
	Depreciation	154.58	179.66	168.43
	Other Expenses		2.40	3.93
	Prior Period Credits/(Charges)		0.00	4.96
	Special Appropriation – Contingency Reserve	5.00	-	0
	Less:1. Expenses Capitalized	28.75	22.23	19.39
	2. Interest During Construction (IDC)		0.63	8.71
	<b>Total Expenditure</b>	3743.76	4498.72	4000.01
	Profit before Tax but After Prior period items &Spl. Appropriation	6.37	16.01	22.23
	Provision for Income Tax & FBT	1.98	3.19	3.90
<b>III</b>	<b>Profit after Tax</b>	4.39	12.82	18.33

Note: \* Actual Sale of Power is inclusive of efficiency gains.

### **VARIATION IN EXPENDITURE WHEN COMPARED TO APERC TARGETS**

The actual expenditure during the year was Rs. 4498.72 Crores as against the APERC approved estimate of Rs.3743.76 Crores. The details of the current year's expenditure in certain key areas, against the APERC Target are as follows:

<b>Particulars</b>	<b>ARR Target</b>	<b>Actual</b>	<b>Remarks</b>
	<b>2010-11 (in Crores)</b>	<b>2010-11 (in Crores)</b>	
Power Purchase	3093.46	3589.41	Actual Power purchase cost is Rs. 2.89/unit as against the target power purchase cost of Rs.2.30 /unit. The increase in cost is mainly due to high cost power purchase.
Employee Cost	314.67	451.98	The increase in actual expenditure is due to the impact of wage revision with effect from 01.04.2010 and increase in provision for terminal benefits.
Depreciation	154.58	179.66	Depreciation is charged as per accounting policy of the company. The variation is due to increase in capitalization during the year.
Interest & Finance Charges	132.12	186.94	Increase in interest and finance charges is due to interest on short term loans taken to meet the additional power purchase cost.
Admin. and Gen. Charges	53.99	49.42	Actual cost is less than ARR Target.
Repairs and Maintenance	18.69	17.87	Actual cost is less than ARR Target.

### **SURPLUS IN REVENUE ACCOUNT:**

During the year 2010-11 the Company achieved a surplus after tax of Rs. 12.82 Crores after making Provision of Rs. 3.19 Crores towards Minimum Alternate Tax under the provision of the Income-Tax Act, 1961.

### **DIVIDEND AND TRANSFER TO RESERVES**

As there is no adequate surplus available for distribution of dividend, your Directors could not declare any dividend for the year 2010-11.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE**

### **EARNINGS AND OUTGO**

The disclosure requirements as to conservation of energy under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are not applicable to the Company. There were no foreign exchange earning and outgo during the year.

### **PARTICULARS OF EMPLOYEES**

There were no employees drawing remuneration in excess of the prescribed limit whose details require to be disclosed under the Companies (Particulars of Employees) Rules, 1975.

### **BOARD OF DIRECTORS**

The Details of Directors of the Board from the last Annual General Meeting to till to date as follows:

Name of the Director	Designation	Date of appointment
Sri Ahmad Nadeem, I.A.S.,	Chairman & Managing Director	02.04.2010
Sri K.Ranganatham	Non Whole Time Director	09.07.2010
Sri B.Umakara Rao	Non Whole Time Director	09.01.2009
Sri V.Suryanarayana	Director (Projects)	30.06.2009
Sri H.Y.Dora	Director (Operations)	01.05.2008
Sri Y.Narayana	Director (RA&Plg.)	29.11.2008
Sri P.Hari Prasad, I.R.A.S.,	Director (Finance)	01.05.2009
Sri Munindra, I.F.S.,	Part Time Official Director	28.07.2011
Sri K.N.Malleswara Rao	Part Time Official Director	18.08.2011

**During the year, the Company held Five Board Meetings as per following details:**

Sl. No.	Date of the Meeting	No. of Whole Time Directors attended	No. of Non Whole Time Directors attended
1	23.04.2010	6	1
2	29.06.2010	5	1
3	16.09.2010	5	2
4	20.12.2010	5	1
5.	10.03.2011	5	2

## **AUDIT COMMITTEE**

The Audit Committee of the Company consists of the following three Directors, out of whom two are Non-Whole Time Directors:

Name of the Director	Designation	Other Directorship/s
Sri K.Ranganatham	Non Whole Time Director	Addl. Joint Managing Director (HRD and Distribution), APTRANSCO
Sri B.Umakara Rao	Non Whole Time Director	Director (Projects), APTRANSCO
Sri H.Y.Dora	Director (Operations)	Nil

**During the year, the Company held Two Audit Committee Meetings as detailed:**

Sl. No.	Date of the Meeting	No. of Whole Time Directors attended	No. of Non Whole Time Directors attended
1	29.06.2010	1	1
2	16.09.2010	1	2

## **AUDITORS**

The Office of the Comptroller and Auditor General of India (C&AG) have appointed M/s Basha & Narasimhan, Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2010-2011.

## **REPLIES TO COMMENTS OF THE STATUTORY AUDITORS AND THE C&AG**

Replies of the management to comments of the Statutory Auditors and the Comptroller and Auditor General of India (CAG) u/s 619(4) of the Companies Act, 1956, are annexed hereto and forms part of this Report.

## **RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

- The Annual Accounts are prepared as per the Electricity Supply (Annual Accounts) Rules, 1985 and the applicable Accounting Standards, so as to give a true and fair view of the state of affairs of the Company for the Financial Year ended on March 31st, 2011; and of the Revenue Account for that period with proper explanation relating to material departures;

- ii. The Accounting Policies have been selected and consistently applied, 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 Revenue of the Company for that period;
- iii. Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- iv. The Annual Accounts were prepared on a going concern basis.

### **CUSTOMER SERVICE**

Your company dedicates itself to efficient and timely customer service and the following initiatives were further launched during the year.

- Introduced centralized call center in APDRP scheme at the Corporate Office Level. For this purpose a toll free number was taken as 1800-42-555333.
- Online Spandana has been introduced for receiving the consumer complaints and suggestions to improve the customer services and achieve the objective of customer delight.
- Out of the 48 Lakhs of consumers the usage of facilities provided to them are increased continuously by availing On-line, ECS, Any Time Payment Machines facilities etc.
- Call Service Centers have been increased during the year from 58 Nos. to 62 Nos. CSCs.
- As a part of achieving optimum customer satisfaction, 100% feedback by telephone is being obtained from the consumers adhering the APERC guidelines and resolution of fuse of calls and billing complaints etc.

### **INFORMATION TECHNOLOGY**

Your Company continues to explore various modes to utilize technological developments for improving operational efficiency and customer care. Some of the highlights are:

- Developed In house application EPIMRS (Eastern Power Information Management Reporting System) for automation of all the activities performed in different offices of APEPDCL through which all the processes are made transparent and for better consumer service.
- Upgraded SAP 4.7 to ECC 6.0 and deployed modules like Finance & controlling, Material Management, Project systems, Plant Maintenance and Human Capital Management for better finance activities, asset maintenance and purchasing of materials.
- Developed Revenue Assurance System (RAS) for better billing and to analyse/resolve the

consumer related billing complaints.

- Implementing the IT-Initiatives under R-APDRP (Part A) sanctioned by Power Finance Corporation with a total amount of 61.4467 crores covering 29 major towns of APEPDCL. The main objective of this programme is
  - i. Reduction of AT&C losses
  - ii. Bring about commercial viability
  - iii. Reduce outages and interruptions and
  - iv. Increase consumer satisfaction
- Constructed a centralized Data Centre at EPDCL Corporate office and resided all the IT application Servers like SAP, EPIMRS etc.
- Installed the IAMRs for all the feeder meters of APEPDCL and developed an application for better monitoring the agriculture load graphs centrally from the EPDCL corporate office.
- Developed intranet application which consists of LMC (Load Monitoring Cell) for better monitoring the interruptions and CAT (Consumer Analysis Tool) for analysing the consumer data and raising the exceptions for attending immediately.
- Collection software has been developed for deploying into the respective Rajeev EPDCL collection centres for collection of CC bills from consumers as a better bill payment option.

### **CONSUMER GRIEVANCES REDREESSAL FORUM**

- Forum has conducted 46 consumer awareness programmes and disposed 453 complaints during the year.

### **HUMAN RESOURCE DEVELOPMENT ACTIVITIES**

1. 67 Nos. of Sub Engineers and 28 Nos. of Assistant Engineer Posts were filled in during the year 2010-2011.
2. The Rule of Reservation is followed both in promotions and recruitment.
3. Industrial harmony was maintained through out the year and continuous interaction with respective unions / Associations were maintained.
4. Motivational steps such as Non – Monetary Rewards, encouragement by commendation Certificates etc., were maintained.

## ACKNOWLEDGEMENTS

Your Directors acknowledge the invaluable support and co-operation of the Chairman & Managing Director, APTRANSCO and Chairman & Managing Directors of sister Distribution Companies. We Welcome Sri Munindra, IFS and Sri K.N.Malleswara Rao, as Part Time Official Directors who are appointed on the Board, by the Govt. of Andhra Pradesh. We take this opportunity to thank the Principal Secretary, Energy, Government of A.P., the Secretary, APERC and other officials of the Govt. of A.P., the Office of the Comptroller & Auditor General of India; the Bankers and Financial Institutions and look forward to their continued support in the future. We also wish to congratulate the employees as well as the Employee's Unions and the Engineers' and Officers' Associations of APEPDCL, for their invaluable services. We further congratulate the accounts department for their dedicated involvement in completing and preparing the accounting statements as well as in completing Statutory Audit and A.G. Audit in time.

For and on behalf of the Board



**Sri Ahmad Nadeem, I.A.S.,**  
Chairman & Managing Director



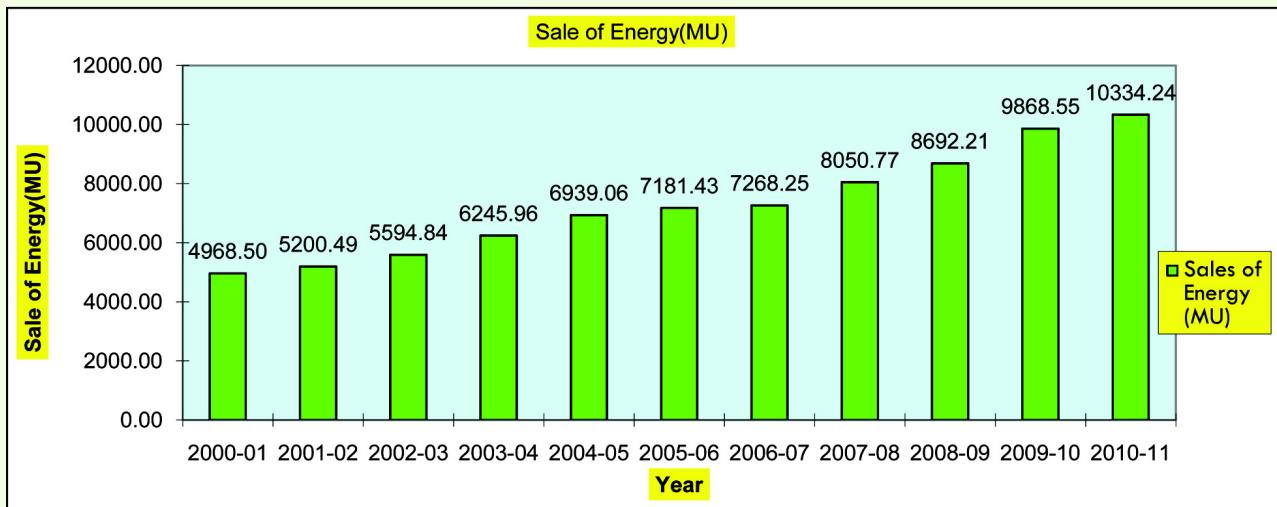
**Eastern Power**  
Distribution Company of A.P. Ltd

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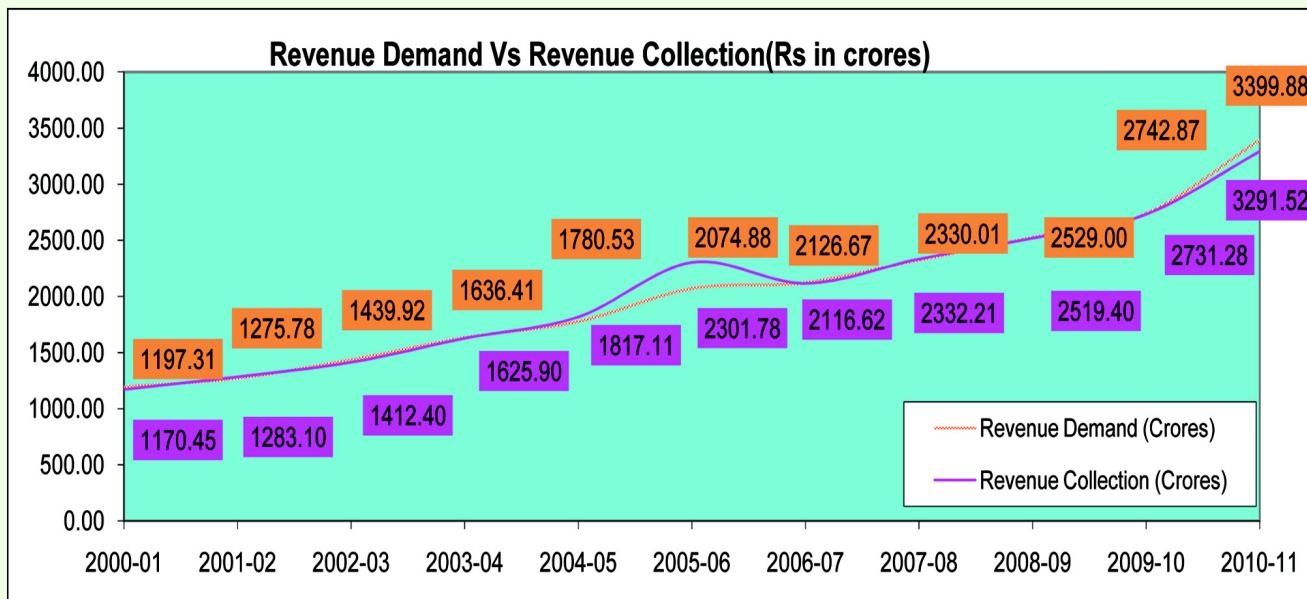
(An ISO 9001-2008 & ISO 27001:2005 Certified Company)



**COMMITTED  
TO GROW**

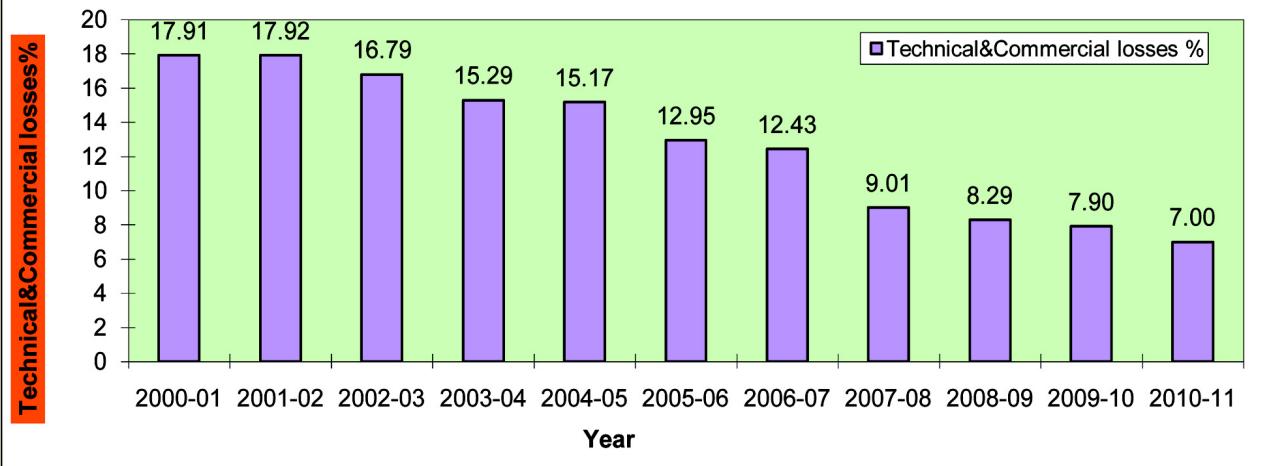


YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Sale of Energy (MU)	4968.50	5200.49	5594.84	6245.96	6939.06	7181.43	7268.25	8050.77	8692.21	9868.55	10334.24



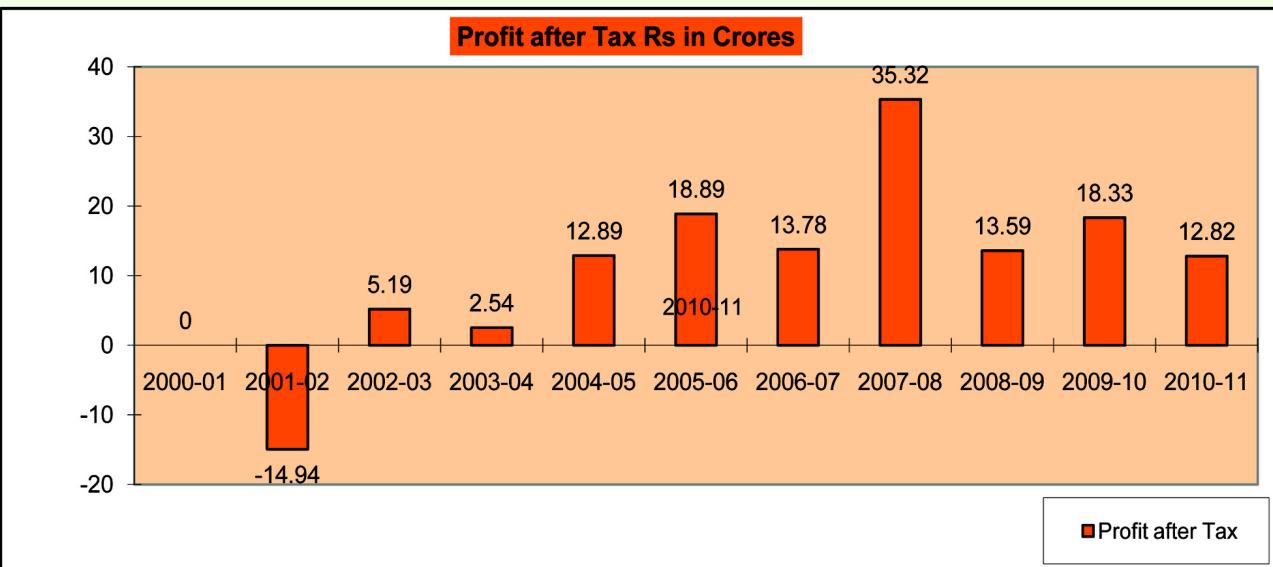
YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Demand (Crores)	1197.31	1275.78	1439.92	1636.41	1780.53	2074.88	2126.67	2330.01	2529.00	2742.87	3399.88
Revenue Collection (Crores)	1170.45	1283.10	1412.40	1625.90	1817.11	2301.78	2116.62	2332.21	2519.40	2731.28	3291.52

### Technical&Commercial losses %



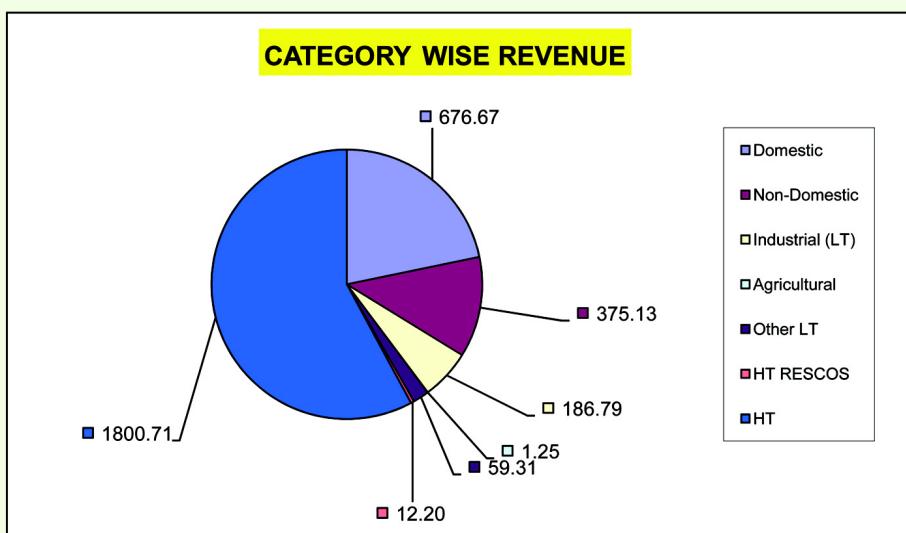
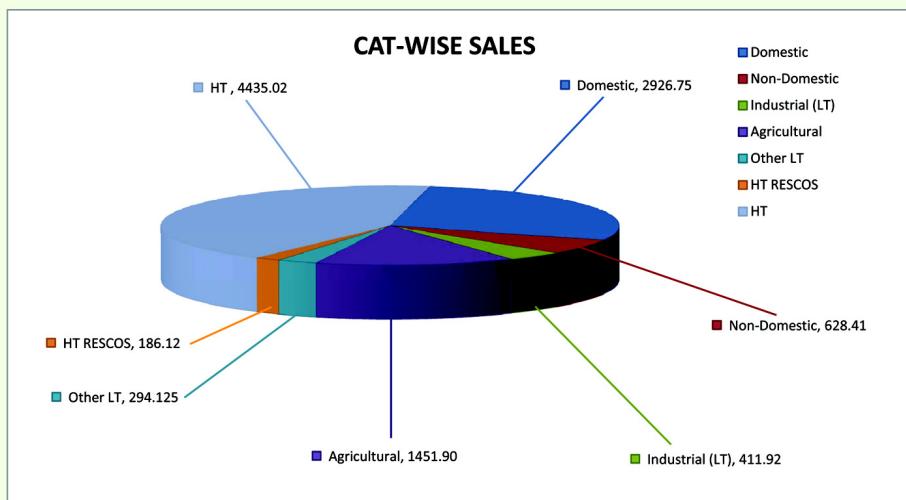
YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Technical & Commercial losses %	17.91	17.92	16.79	15.29	15.17	12.95	12.43	9.01	8.29	7.90	7.00

### Profit after Tax Rs in Crores



YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Profit after Tax	0	-14.94	5.19	2.54	12.89	18.89	13.78	35.32	13.59	18.33	12.82

Particulars	SALES		REVENUE	
	MU	%	Rs. Crores	%
Domestic	2926.75	28.32	676.67	21.74
Non-Domestic	628.41	6.08	375.13	12.05
Industrial (LT)	411.92	3.99	186.79	6.00
Agricultural	1451.90	14.05	1.25	0.04
Other LT	294.125	2.85	59.31	1.91
HT RESCOS	186.12	1.80	12.20	0.39
HT	4435.02	42.92	1800.71	57.86
<b>TOTAL</b>	<b>10334.24</b>	<b>100.00</b>	<b>3112.05</b>	<b>100.00</b>



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER  
SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF EASTERN  
POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, VISAKHAPATNAM  
FOR THE YEAR ENDED 31 MARCH 2011**

The Preparation of financial statements of Eastern Power Distribution Company of Andhra Pradesh Limited for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of charted Accountants of India. This is stated to have been done by them vide their Audit Report dated 26 July 2011.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Eastern Power Distribution Company of Andhra Pradesh Limited for the Year ended 31 March 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956, which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit report.

## **A. Comments on Profitability :**

## **Revenue Account – Statement – I**

## Income

## **Other Income (Schedule - 5)**

## **UI Charges Rs. 6.10 Crore**

1. This does not include an amount of Rs. 2.75 crore being the unscheduled Interchange (UI) Charges in respect of NCS sugars (Generator) adjusted and decided to be passed on to APTRANSCO. Non acceptance has resulted in understatement of Other Income (UI charges) and Sundry Receivables (Schedule 26(e)). Consequently profit for the year also is understated by Rs. 2.75 Crore.

## Expenditure

### **Purchase of Power (Schedule6) : Rs. 3589.41 Crore**

2. The above is understated by Rs. 28.08 Crore (15.80% of Rs. 177.69 crore) due to nonaccountal of the claim received from APGENCO (September and October 2010) towards belated payment surcharge for the period from 22.12.2009 to September 2010 and Rs. 79.94 Lakh due to non provision of late payment surcharge payable to APGENCO on account of delay of eight months in payment of Rs. 50.59 crore towards Thermal incentive. As the delayed payment surcharges are payable as per clause 3.1.15 of the power purchase agreement entered on 22 December 2009, the same should have been provided for Non- Provision has resulted in ‘understatement of Current Liabilities and Provisions – Sundry Creditors’ and overstatement of ‘Net profit’ by Rs. 28.88 Crore

### **Administration and general Expense (Schedule 10)**

#### **Other Professional Charges Rs. 18.25 Crore**

3. This does not include Rs. 1.90 Crore being the amount payable to M/s Phoenix IT Solutions (P) Ltd., Visakhapatnam for supply of Revenue Assurance System (RAS-IT Billing package). Though the works were completed the payment to the above firm was kept in abeyance as per Government orders. Since the liability had crystallized non provision of the amount due has resulted in understatement of Other professional charges under Administration and general Expenses and Provisions Consequently profit for the year is also overstated to the same extent.

## Balance Sheet

### **Application of funds**

#### **Net current Assets**

### **Receivables against supply of power (schedule 26-b)**

#### **Sundry Debtors for Sale of Power : Rs. 312.59 crore**

4. The Andhra Pradesh Electricity Regulatory Commission (APERC) determined the Tariff Orders for the years 2009-10 and 2010-11 by fixing the tariff rate of Composite Protected Water Supply (CPWS) services at Rs. 0.35 per unit for the energy delivered to them as against Rs. 2.36/ 2.60 billed by the Company. The commission through their circulars issued from time to time communicated that the same rate is applicable for the earlier years also. Though the Company had withdrawn the demand raised for the years 2003-04 to 2008-09 by making a provision during the year, an amount of Rs.0.97 Crore towards the claim made for 2010-11 was not withdrawn.

Non withdrawal of the above demand has resulted in overstatement of 'Debtors - Sale of Power' and understatement of 'Other Expenses and Provisions — Bad and Doubtful debts written off by Rs.0.97 crore. Consequently, 'Profit for the Year' is also overstated by similar amount.

### **B. Comments on Disclosure:**

#### **Notes on accounts :**

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

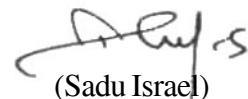
To the end of March 2011 the company received Rs.234.71 crore and spent/created RGGVY assets valued Rs. 214.43 crore. As the Company is not the owner of the assets, proper disclosure to the extent of funds received and assets created should have been made in the notes on accounts.

Place : Hyderabad

Date : 21-09-2011

for and on the behalf of

The Comptroller and Auditor General of India



(Sadu Israel)

Accountant General (C&RA)

## REPLIES OF THE COMPANY TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT,1956 FOR THE YEAR ENDED 31 MARCH 2011.

Sl No	Comments of Comptroller and Auditor General of India	Reply of the Company
1	<p><b>A. Comments on Profitability:</b></p> <p><b>Revenue Account – Statement – I</b></p> <p><b>Income</b></p> <p><b>Other Income (Schedule. 5)</b></p> <p><b>U I Charges: Rs. 6.10 crore</b></p> <p>This does not include an amount of Rs. 2.75 crore being the Unscheduled Interchange (UI) Charges in respect of NCS sugars (Generator) adjusted and decided to be passed on to APTRANSCO. Non acceptance has resulted in understatement of Other Income (UI Charges) and Sundry Receivables (Schedule 26 (e)). Consequently profit for the year also is understated by Rs. 2.75 Crore.</p>	The Unscheduled Interchange (UI) Charges levied on M/S NCS Sugars limited will be accounted for in F.Y. 2011-12 Annual Accounts
2	<p><b>Expenditure</b></p> <p><b>Purchase of Power (Schedule.6): Rs. 3589.41 crore</b></p> <p>The above is understated by Rs. 28.08 crore (15.80% of Rs. 177.69 crore) due to non-accountal of the claim received from APGENCO (September and October 2010) towards belated payment surcharge for the period from 22.12.2009 to September 2010 and Rs. 79.94 Lakh due to non provision of late payment surcharge payable to APGENCO on account of delay of eight months in payment of Rs. 50.59 Crore towards Thermal incentive. As the delayed payment surcharges are payable as per clause 3.1.15 of the power purchase agreement entered on 22 December 2009, the same should have been provided for. Non-Provision has resulted in understatement of 'Current Liabilities and Provisions– Sundry Creditors' and overstatement of 'Net profit' by Rs. 28.88 crore.</p>	There is no provision for payment of late payment surcharge in the PPA entered between APGENCO and APTRANSCO on 10-03-2003 and this PPA is in live as there is no other PPA entered between APGENCO and APDISCOM/ APTRANSCO after the above PPA. Further, the Regulation 1 of 2008 will come into force once the clauses refereed in regulation is incorporated in proposed PPA to be entered between APGENCO and APDISCOMS, till such time the payment of delayed payment surcharge will not be attracted. Therefore, in view of the forgoing factors, the Provision is not recognized in the books of accounts.

Sl No	Comments of Comptroller and Auditor General of India	Reply of the Company
3.	<p><b>Administration and general Expenses (Schedule 10)</b></p> <p><b>Other Professional Charges Rs. 18.25 Crore</b></p> <p>This does not include Rs. 1.90 Crore being the amount payable to M/s phoenix IT solutions (P) Ltd, Visakhapatnam for supply of Revenue Assurance System (RAS-IT Billing package). Though the works were completed the payment to the above firm was kept in abeyance as per Government orders. Since the liability had crystallized non provision of the amount due has resulted in understatement of Other Professional charges under Administration and general Expenses and provisions. Consequently profit for the year is also overstated to the same extent.</p>	<p>The company has entered agreement with M/S Phoenix IT Solutions (P) Ltd for supplying the RAS billing package for billing, accounting, collecting etc as per EPDCL specifications for a period of three years from the agreement @ Re 0.32 per consumer and per month. The agreement was entered on 29th March 2010. But the same was kept under abeyance by the State Government from 17.05.2010. Hence the Provision was not made in Annual Accounts for F.Y. 2010- 11. However the required entries will be passed in the current year on receipt of the order from the Government.</p>
4	<p><b>Balance Sheet</b></p> <p><b>Application of funds</b></p> <p><b>Net Current Assets</b></p> <p><b>Receivables against supply of power (Schedule. 26-b)</b></p> <p><b>Sundry Debtors for Sale of Power: Rs. 312.59 crore</b></p> <p>The Andhra Pradesh Electricity Regulatory Commission (APERC) determined the Tariff Orders for the years 2009-10 and 2010-11 by fixing the tariff rate of Composite Protected Water Supply (CPWS) services at Rs. 0.35 per unit for the energy delivered to them as against Rs. 2.36/ 2.60 billed by the Company. The Commission through their circulars issued from time to time communicated that the same rate is applicable for the earlier years also. Though the Company had withdrawn the demand raised for the years 2003-04 to 2008-09 by making a provision during the year, an amount of Rs. 0.97 crore towards the</p>	<p>The Hon'ble APERC in Tariff Order FY 2009-10 has introduced new tariff applicable to energy consumption by HT services pertaining to Composite Protected Water Supply (CPWS) schemes in rural areas under HT Category –VI which has been re-categorized as HT Cat.IV ( C ) in the tariff order 2011-12.</p> <p>Prior to March 2009 the water works of Municipalities and Corporations and any other Government organizations and Pumping of water by industries as Subsidiary function and sewerage pumping stations operated by local bodies were billed</p>

Sl No	Comments of Comptroller and Auditor General of India	Reply of the Company
	<p>claim made for 2010-11 was not withdrawn.</p> <p>Non withdrawal of the above demand has resulted in overstatement of 'Debtors–Sale of Power' and understatement of 'Other Expenses and Provisions – Bad and Doubtful debts written off by Rs. 0.97 crore. Consequently, 'Profit for the Year ' is also overstated by similar amount.</p>	<p>under HT Cat, I Tariffs.</p> <p>This Tariff is applicable from 2010-11 only. The demand raised by the Srikakulam Circle of Rs. 96.76 lakhs more than the Tariff order has been withdrawn after getting clarification from the Corporate Office.</p>
5	<p><b>B. Comments on Disclosure:</b></p> <p><b>Notes on accounts</b></p> <p>As per the tripartite agreement between the Rural Electrification Corporation (REC), Government of Andhra Pradesh (GOAP) and the Company for execution of the RGGVY scheme, the Company shall construct and operate the assets created out of the loan assistance given by REC and the ownership of the assets shall be with the GOAP.</p> <p>To the end of March 2011 the company received Rs. 234.71 crore and spent/created RGGVY assets valued Rs. 214.43 crore. As the Company is not the owner of the assets, proper disclosure to the extent of funds received and assets created should have been made in the notes on accounts.</p>	<p>The assets created under the Rajeev Gandhi Grameena Vidyutkaran Yojana (RGGVY) Works is belongs to the Government as the above scheme is being sponsored by the Government. The expenditure charged under the above head was charged to a separate account No.4300002 to know the expenditure charged and amount received from the Government. As the assets are belongs to the Government, the depreciation should not be charged on those assets. Hence there is no impact on profit and Loss Account. However the procedure of creation of assets under separate group of assets will be followed. Noted for guidance and the same will be disclosed in notes to accounts as suggested for Audit.</p>



## **AUDITORS' REPORT**

**To**

**THE MEMBERS OF**

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

**VISAKHAPATNAM**

1. We have audited the attached Balance Sheet of **EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED** as at 31st March, 2011 and also the Revenue Account for the year ended on that date annexed there to and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies Auditor's Report Order, 2003, as amended by the Companies Auditor's Report (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, attention is invited the following items of significant Accounting Policies and Notes to Accounts we report that:
  - i) The Company is governed by the Electricity Act, 2003. The provisions of the Electricity act 2003 read with the rules made there under prevail wherever the same are inconsistent with

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**Phone No.: 044 24990993, 24983311 Fax No: 044 24983311**

the provisions of the Companies Act, 1956 in terms of Section 174 of the Electricity Act, 2003. The annual accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985 (hereinafter referred to as ESAAR) in accordance with the Section 185(2)(d) of Electricity Act, 2003, and not as per the requirements of Schedule VI to the Companies Act, 1956. The Accounting principles and policies enunciated in the ESAAR 1985 followed by the Company are not in total consonance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

- ii) Accounting Standard-2: The Company has valued the inventory of Capital Stores and decapitalised equipment, included in the inventory at Weighted average cost instead of at cost / lower of net realizable value or cost, as contemplated in AS-2 Valuation of Inventories. The impact thereof could not be ascertained. The Company has also identified obsolete/ non-moving / scrapped inventory valued at Rs.248.59 Lakhs, Reference is invited to Note No.12, the value of which is as estimated by the management and relied upon by us.
- iii) Depreciation on Fixed Assets: Reference is invited to Note No.7, Provision for Depreciation on Fixed Assets is charged under Straight Line Method (SLM), on the basis of rates prescribed by the Central Government, vide notification No.S.O.265(E) dated 29th March 1994. No separate depreciation rate is mentioned for the Computer and IT Equipments and in respect of these assets the Company has adopted the rate of Depreciation provided for the Office Equipments. However the rates so adopted are less than the minimum rates prescribed in Schedule XIV of the Companies Act, 1956. The impact of the above on the Revenue Account and Asset Account could not be ascertained
- iv) Fixed Assets: Reference is invited to Significant Accounting Policy No.2.9. Instead of determining expenses attributable to the specific assets for the purpose of capitalisation, the company has on an adhoc basis capitalised 11% of the value of Assets amounting to Rs.22.22 Crores, Reference is invited to Schedule No.14, by reducing the revenue expenses. This is not in compliance with the provisions of AS – 10, ‘Accounting for Fixed Assets’. The impact of the above on the Revenue Account and Asset Account could not be ascertained.
- v) Further the above is not in line with the stipulations of AS - 6, ‘Depreciation Accounting’. As per AS - 6 residual value of each individual asset has to be estimated at the time of its capitalisation or if residual value of an asset is likely to be insignificant it may be taken as Nil.
- vi) Reference is invited to Note No.6 regarding the Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to Distribution Companies in specified ratio with effect from 09/06/2005 and subsequent revision of the ratio of allocation. In order to facilitate purchase and trading of

power, the Government of Andhra Pradesh has constituted one Apex committee and two sub committees. These committees intimate the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other Electricity Boards / Companies, on a monthly basis. The power purchase costs, Discom to Discom and Inter State sale of Power as provided by Andhra Pradesh Power Purchase Coordination Committee (APPCC) constituted to regulate the power purchase and sale in the State and the figures certified by M/s. Sagar & Associates, Chartered Accountants, Hyderabad, Internal Auditors of APPCC has been adopted in the books of accounts of the Company.

**Further we report that:**

- (a) Balance with Power Generators / Traders, other distribution Companies, Loans and advances and deposits are subject to confirmation.
- (b) The balance of Rs.1377 Crores, Reference is invited to Schedule 26(d), in the Pool account is subject to reconciliation and confirmation.
- (c) By virtue of Third Transfer scheme all rights and obligations existing as on 9th June 2005 in respect of Bulk Supply Undertaking shall devolve upon the Company. The contingent liability in respect of the same could not be ascertained.
- vii) The Company is paying Bonus / Ex-gratia to employees as decided by the Management on a regular basis. However such expenditure is accounted on cash basis instead of accrual basis. This accounting is in contrary to section 209(3)(b) of the Companies Act, 1956.
- viii) The Company has included adhoc expenditure referred to above in para 4(v) in arriving at the cost and capitalized interest as per AS - 16 on such cost which in our opinion is contrary to AS - 16 / AS - 10.
- ix) The disclosure made for Gratuity, Pension and Earned Leave Encashment are not in line with AS - 15 '(Revised)' 'Employee Benefits'
- x) The disclosures are required under AS -17 Segment reporting are not made and reference is invited to Note No.14.
- xi) The Company has not ascertained and accounted deferred tax liability / deferred tax asset as per the requirements of AS - 22. Thus AS - 22 is not complied with regard to accounting and disclosures relating to Deferred Tax Liability / Asset and reference are invited to Note No.15.
- xii) The Assets and Liabilities of the Company as on 31st March 2011 contain balances transferred under the second transfer scheme under A.P.Gazzette Notification No. 109, dated 29th September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazzette Notification. The item wise details of every account

under each group are reported to be in the process of ascertainment. The assets and liabilities accounted as per third transfer scheme is subject to reconciliation with APTRANSCO.

xiii) As per Accounting Policy No.2.30 capitalization of assets shall be done on issue of work completion certificate. However in some cases capitalization has been done for which work completion certificates have not been made available for our verification. Further we have noticed that capitalization has been done only to the extent of bills received and accounted. In respect of bills not received relating to such works, no liabilities is ascertained and accounted. Thus the excess / under capitalization and consequential depreciation is not determinable.

xiv) The details of project wise breakup of Capital-Work-In-Progress as on 31st March 2011 were not made available to us. In the absence of details we are not in a position to confirm the correctness or otherwise of the projects capitalized reasons for long pending projects and projects where there is no progress. The impact if any on such projects could not be ascertained.

xv) Sundry Debtors: The Company has not furnished the details of reconciliation of balances between Customer Ledgers and Financial Ledger and also not furnished age wise / cause wise breakup of dues from customers particularly in respect of long outstanding dues. Further there is no system or procedure of obtaining confirmation of balances from customers and there is no proper system of review for identifying doubtful dues particularly arising out of dispute and long pending dues. In the absence of the above, we are not in a position to quantify the provision required for irrecoverable / doubtful dues and the consequential impact thereof on the financial statements. Further, Security Deposits from consumers amounting to Rs.618 Crores, Reference is invited to Schedule No.27, is subject to reconciliation with consumer ledger and confirmation.

xvi) Cash & Bank balances: Balances with schedule banks in current accounts include unreconciled items since 01.04.2000 and there are unidentified credits in the bank and cheques deposited but not credited are under reconciliation. The impact of the above on the Revenue Account, Assets & Liabilities could not be determined.

xvii) Reference is invited to Schedule No.s 19, 26 and 28 which includes old items and also some items for which supplies / services have already been received. In certain cases the credit is lying elsewhere in the accounts. These accounts and reconciliation and proper adjustments. Pending such adjustments, we could not determine the effect on the Revenue Account, Assets and Liabilities.

xviii) Reference is invited to Note No.19, regarding the financial misappropriation and unauthorized credit in some EROs. In the opinion of the Management, the loss if any, on account of the above is not presently quantifiable and no provision has been made in the accounts. The impact of the above on the Revenue account could not be ascertained.

xix) Net Revenue from Sale of Power: A sum of Rs.585 crores is accounted as Fuel Surcharge Adjustment recoverable from the Consumers, based on the advice given by the Andhra Pradesh Power Purchase Co-ordination Committee (APPCC), which is subject to the approval of the Andhra Pradesh Electricity Regulatory Commission (APERC). This may have effect on the accounts if the approval of the APERC is at variance with the calculation adopted by the APPCC.

xx) Non Confirmation of balance:

- (a) Amount payable to APTRANSCO & Other IPPs Rs.660 Crores, Reference is invited to Schedule No.28(1), which is shown as liability on Power Purchase & Fuel Surcharge adjustment is subject to confirmation.
- (b) The Company has not furnished details in respect of liability for Sundry Creditors for Capital and O&M Supplies of Rs.17.48 Crores, Reference is invited to Schedule No.28(2), and such balance are also subject to confirmation / consequential adjustments.
- (c) The inter unit balance shows a net unreconciled credit balance of Rs.19.03 Crores, (Reference is invited to Schedule No.26e).
- (d) We have observed unreconciled debits and credits in the bank reconciliation statement wherein no proper explanation has been given by the Company. Further differences between the bank balances as per SAP accounting system and manual cash books should be reconciled.
- (e) The balances appearing under sundry advances, creditors, loans, inter corporate deposits are subject to confirmation / reconciliation and consequential adjustments. In the absence of confirmation of balance and / or reconciliation in respect of the above we are not in position to quantify the consequential impact on the accounts.

xxi) The Company has not identified the name & amount payable to 'Small, Micro, Medium Enterprises (SMEs). Whether the amount was paid on due date or not ascertained. The Company has not provided interest, if any payable to SMEs for delay of payment as required under SME Act, 2006.

The Cumulative impact of the above comments (i) to (xxi) above on the financial statements is not determinable.

**Subject to the above, we report that:**

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of accounts are required by law have been kept by the company

so far as it appears from our examination of such books.

iii. The Balance Sheet and Revenue account dealt with by this report are in agreement with the Books of Account **subject to the following observation:**

The Unit wise opening balances adopted as on 01.04.2010 in the Units Trial Balance are having variations with the closing balances of the previous year audited Trial Balance of the respective Units.

iv. The Balance Sheet and Revenue account dealt with by this report comply with requirements of the Accounting Standard except to the extent deviations expressed in paragraphs (4) above in so far as they relate to AS-2 on valuation of Inventories, AS-6 on Depreciation Accounting, AS-10 on Accounting for Fixed Assets, AS15 (Revised) on Employee Benefits, AS-16 on Borrowing Cost, AS-17 on Segment Reporting, and AS-22 Accounting for Taxes on Income.

v. As per Notification no: GSR 829(E) dated 21 October 2003, the Government Companies are exempted from the provisions of clause 274(1) (g) of the Companies Act,1956:

vi. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with Accounting Polices and Notes thereon, **and subject to the observations given in paragraph 4 above**, the cumulative impact of which, on the Balance Sheet and Revenue Account are not quantifiable, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India

(a) In case of Balance Sheet, of the state of affairs of the Company as at 31st March 2011.

(b) In case of Revenue Account, of the Surplus for the Year ended 31st March 2011.

(c) In case of cash flow statement, of the Cash Flow of the Company for the year ended 31<sup>st</sup> March, 2011

Place : Visakhapatnam

Date : 26-07-2011

for **BASHA & NARASIMHAN**,

Chartered Accountants,

Firm Registration No. 006031S



**(Sk. Phyaji Basha Saheb)**

Partner

Membership No. : 23417



## **ANNEXURE TO THE AUDITORS' REPORT**

This is the annexure referred to paragraph 3 of our report of even date

### **1. Fixed Assets**

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets of the company.
- b. We were informed that the fixed assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.
- c. There has been no sale of substantial part of the fixed assets as to affect its status as a going concern.

### **2. Physical verification and reconciliation of Inventories**

- a. The inventory has been physically verified during the year by the management; in our opinion the frequency of verification is reasonable.
- b. The procedure for physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The company is maintaining proper records of inventory and the discrepancies noticed on verification between the physical stock and the book records were not material.

### **3. Loans and Advances to parties covered in register maintained under section 301 of the Companies Act, 1956.**

The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub clauses (b), (c), (d), (e), (f) and (g) are not applicable.

### **4. Internal control Procedure**

In our opinion and according to the information and explanation given to us, the internal control system is commensurate with the size of the company and the nature of its business for purchase of inventory, fixed assets and sale of power. We have not observed any continued failure to correct major weakness in internal controls. However, the internal control systems needs to be strengthened with regard to SAP implementation reconciliation of accounts such as remittances in transit and inter units accounts, accounting of capital and revenue work orders, review of debtors particularly long outstanding dues, obtaining balance confirmation from vendors and customers and reconciliation thereof with book balances and stores accounting. Considering the reliance on

SAP System and the related data / information, company should evolve and implement Disaster Recovery Plan in relation to the SAP Data. Further it is necessary to have independent Information Systems Audit be conducted on SAP.

**5. Transactions to be entered into Register maintained under section 301 of the Companies Act, 1956**

According to the information and explanations given to us, there are no transactions of purchase of goods or materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section.301 of the Companies Act, 1956 as aggregating during the year to Rs.5,00,000/- in respect of each party.

**6. Acceptance of Public Deposits.**

The Company has not accepted any deposits from the public within the meaning of provisions of Section 58A & 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed there under.

**7. Internal Audit System**

The Company has an Internal Audit System covering all Circles, the scope and coverage of which, in our opinion needs to be enlarged keeping in view the size of the organization and nature of its business. There is a need for “Systems Audit” of the new EDP environment with regard to SAP Implementation and related areas. The internal audit may also cover compliance of sub ledger with control accounts.

**8. Maintenance of Cost Records**

According to the information and explanations given to us and on a broad review of the books of accounts maintained by the Company, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie*, the prescribed accounts and records are being maintained. However we have not made a detailed examination of the records.

**9. Payments and remittances to Statutory Authorities**

- a) According to the books and records produced to and examined by us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other dues applicable to the Company.
- b) According to the information and explanations given to us and records of the Company examined by us, as there are no undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess, Services Tax and / Electricity Duty outstanding for more than six months from the date when they become payable except in respect of the dues of electricity duty for which details and age wise outstanding of taxes are not available as at 31st March 2011. In respect of disputed statutory liabilities, the details are as under:

Amount involved Rs. In Crores	Nature of Statutory Liability	Period to which the amount relates	Forum where pending
5.69	Income Tax	Asst. Year 2005-06	Commissioner of Income Tax (Appeals)
1.45	Income Tax	Asst. Year 2006-07	Commissioner of Income Tax (Appeals)
42.87	Income Tax	Asst. Year 2007-08	Commissioner of Income Tax (Appeals)
41.80	Income Tax	Asst. Year 2008-09	Commissioner of Income Tax (Appeals)
6.58	Entry Tax	Fin Year 2002-03 to 2004-05	Andhra Pradesh Sales Tax Appellate Tribunal, Hyd
0.20	Central Excise	1993-2003	Central Excise & STAT
3.18	Provident Fund Contract Labour	2000-2005	Employee Provident Fund Tribunal/High Court.

#### **10. Accumulated Losses / Cash Losses**

The company has no accumulated losses as at 31st March 2011 and it has not incurred cash losses in the financial year ended as on the date or in the immediately preceding financial year.

#### **11. Repayment of Dues to Banks or Financial Institutions**

According to the information and explanations given to us the company has not defaulted in repayment of dues to any financial institution or Bank during the year.

#### **12. Loans & Advances on the basis of security by way of pledge of Shares etc.,**

According to the information and explanations given to us the company has not granted loans or advances against pledge of shares, debentures and other securities. There are no borrowings by way of debentures.

#### **13. Chit-Fund / Nidhi / Mutual Benefit Societies**

In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to Chit Fund and Nidhi / Mutual Benefit Fund / Societies.

#### **14. Trading in Shares, etc.,**

Based on our examination of records and according to the information and explanations given to

us, the Company has not dealt / traded in shares, debentures or other securities during the year.

**15. Guarantee for Loan taken by others**

According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institution.

**16. Application of Term Loans**

In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which the loans are obtained

**17. Usage of Short Term and Long Term Funds**

According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment and vice versa.

**18. Preferential Allotment of Shares**

According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to the parties and to the companies covered under section 301 of the Companies Act, 1956.

**19. Issue of Debentures**

The Company did not have any outstanding debentures during the year.

**20. End use of money raised by Public Issue**

According to the information and explanations given to us, the Company has not raised any money through public issue during the year.

**21. Frauds**

Based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the year. However reference is invited to Note No.19 regarding frauds committed in earlier years which are reported to be under investigation.

Place : Visakhapatnam

Date : 26-07-2011

for **BASHA & NARASIMHAN**,

Chartered Accountants,

Firm Registration No. 006031S



(Sk. Phyaji Basha Saheb)

Partner

Membership No. : 23417

**REPLIES OF THE COMPANY TO THE COMMENTS OF THE STATUTORY AUDITORS  
CONTAINED IN THEIR REPORT FOR THE YEAR 2010-11.**

<b>Sl. No.</b>	<b>Statutory Auditors Comments</b>	<b>Reply of the Company</b>
1	Accounting Standard – 2: The Company has valued the inventory of Capital Stores and decapitalised equipment, included in the inventory at Weighted average cost instead of at cost / lower of net realizable value or cost, as contemplated in AS – 2 Valuation of Inventories. The impact thereof could not be ascertained. The Company has also identified obsolete / non – moving / scrapped inventory valued at Rs. 248.59 Lakhs. Reference is invited to Note No. 12, the value of which is as estimated by the management and relied upon by us.	It is difficult to ascertain market value of all items in stores as on 31.03.2011. Further most of the items are purchased during the year and their realizable value may be more than the cost.
2	Depreciation on Fixed Assets: Reference is invited to Note No. 7, provision for Depreciation on Fixed Assets is charged under Straight Line Method (SLM), on the basis of rates prescribed by the Central Government, vide notification No.S.O. 265(E) dated 29 <sup>th</sup> March 1994. No separate depreciation rate is mentioned for the Computer and IT Equipments and in respect of these assets the Company has adopted the rate of Depreciation provided for the Office Equipments. However the rates so adopted are less than the minimum rates prescribed in Schedule XIV of the Companies Act, 1956. The impact of the above on the Revenue Account and Asset Account could not be ascertained.	The EPDCL is following the same method of depreciation and also applying the depreciation rates as per the Central Government notification No S.O.265(E) dated 27.03.1994 the fact of which was disclosed in Statement-5 (Notes to Accounts) under Note No-7.
3	Fixed Assets: Reference is invited to Significant Accounting Policy No. 2.9. Instead of determining expenses attributable to the specific assets for the purpose of capitalization, the company has on an adhoc basis capitalised 11% of the value of Assets amounting to Rs. 22.22 Crores, Reference is invited to Schedule No. 14, by reducing the revenue expenses. This is not in compliance with the	The company has taken a decision to enhance the rate of capitalization of Establishment and General charges due to increased focus on Quality Control mechanism which will increase the expenditure of establishment and general charges. To compensate that

Sl. No.	Statutory Auditors Comments	Reply of the Company
	<p>provisions of AS – 10, ‘Accounting for Fixed Assets’ The impact of the above on the Revenue Account and Assets Account could not be ascertained.</p> <p>Further the above is not in line with the stipulations of</p>	<p>above on the Revenue Account and Asset Account could not be ascertained. expenditure the rate was enhanced from 10% to 11% and the change of accounting policy was disclosed in Accounting Principles and Policies (Statement-4) under item No. 2.9 and also disclosed in Notes to Accounts (Statement-5) under item No.2.</p>
4	<p>As - 6, ‘Depreciation Accounting’. As per AS-6 residual value of each individual asset has to be estimated at the time of its capitalization or if residual value of an asset is likely to be insignificant it may be taken as Nil.</p>	<p>Noted</p>
5	<p>Reference is invited to Note No.6 regarding the Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and power purchase Agreements were transferred from APTRANSCO to Distribution Companies in specified ratio with effect from 09/06/2005 and subsequent revision of the ratio of allocation. In order to facilitate purchase and trading of power, the Government of Andhra Pradesh has constituted one Apex committee and two sub committees. These committees intimate the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other Electricity Boards / Companies, on a monthly basis. The power purchase costs, Discom to Discom and Inter State sale of power as provided by Andhra Pradesh power purchase coordination Committee (APPCC) constituted to regulate the power purchase and sale in the State and the figures certified by M/s. Sagar &amp; Associates, Chartered Accountants, Hyderabad, Internal Auditors of APPCC has been adopted in the books of accounts of the Company.</p> <p>Further we report that:</p> <p>(a) Balance with power Generators / Traders, other</p>	<p>At present the EPDCL is not collecting any confirmation letters from the other Discoms or from AP Transco as the reconciliation is being taken care at APPCC level.</p> <p>Noted for guidance</p>

<b>Sl. No.</b>	<b>Statutory Auditors Comments</b>	<b>Reply of the Company</b>
	<p>distribution Companies, Loans and advances and deposits are subject to confirmation.</p> <p>(b) The balance of Rs. 1377 Crores, Reference is invited to Schedule 26 (d), in the pool account is subject to reconciliation and confirmation.</p> <p>(c) By virtue of Third Transfer scheme all rights and obligations existing as on 9th June 2005 in respect of Bulk Supply Undertaking shall devolve upon the Company. The contingent liability in respect of the same could not be ascertained.</p>	
6	<p>The Company is paying Bonus / Ex-gratia to employees as decided by the Management on a regular basis. However such expenditure is accounted on cash basis instead of accrual basis. This accounting is in contrary to section 209 (3) (b) of the Companies Act, 1956.</p>	Noted
7	<p>The Company has included adhoc expenditure referred to above in para 4(v) in arriving at the cost and capitalized interest as per As – 16 on such cost which in our opinion is contrary to AS-16 /AS-10.</p>	<p>The funding agency wise interest rates were adopted in SAP system as Interest indicators for IDC calculation</p>
8	<p>The disclosure made for Gratuity, pension and Earned Leave Encashment are not in line with AS – 15 ‘(Revised)’ ‘Employee Benefits’</p>	<p>Disclosure made as per the report of Actuary. However the same was noted for future guidance.</p>
9	<p>The disclosures are required under AS – 17 Segment reporting are not made and reference is invited to Note No. 14.</p>	<p>Not Applicable as Company is doing only retail power distribution business and does not have any other business segments. The company operates in only one segment namely power distribution hence there are no reportable segments under accounting standard – 17 ‘Segmenting Reporting’ as prescribed by Companies (Accounting Standards) Rules, 2006.</p>
10	<p>The Company has not ascertained and accounted deferred tax liability /deferred tax asset as per the requirements of AS–22. Thus AS–22 is not complied</p>	<p>As there is a carried forward loss for the Company, as per the Income Tax return</p>

<b>Sl. No.</b>	<b>Statutory Auditors Comments</b>	<b>Reply of the Company</b>
	with regard to accounting and disclosures relating to Deferred Tax Liability / Asset and reference are invited to Note No. 15.	filed, the compliance will be taken care of at appropriate time.
11	The Assets and Liabilities of the Company as on 31st March 2011 contain balances transferred under the second transfer scheme under A.P.Gazzette Notification No. 109, dated 29th September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazzette Notification. The item wise details of every account under each group are reported to be in the process of ascertainment. The assets and liabilities accounted as per third transfer schemes is subject to reconciliation with APTRANSCO.	The item – wise details of every account under each group of assets and liabilities are ascertained and the differences between the book balances as available at unit /circle level and 2nd Transfer Scheme are in the process of analysis. The same is disclosed in Note No.5 of Notes to Accounts.
12	As per Accounting Policy No. 2.30 capitalization of assets shall be done on issue of work completion certificate. However in some cases capitalization has been done for which work completion certificates have not been made available for our verification. Further we have noticed that capitalization has been done only to the extent of bills received and accounted. In respect of bills not received relating to such works, no liabilities is ascertained and accounted. Thus the excess / under capitalization and consequential depreciation is not determinable.	In most of the cases the units are capitalizing the assets based on work completion certificates. However the necessary instructions were already issued to all unit officers to follow the procedure.
13	The details of project wise breakup of Capital Work- In – Progress as on 31st March 2011 were not made available to us. In the absence of details we are not in a position to confirm the correctness or otherwise of the projects capitalized reasons for long pending projects and projects where there is no progress. The impact if any on such projects could not be ascertained.	In SAP System the work order wise details are available for the total CWIP as on 31.03.2011. Due to voluminous the same can be viewed in the system itself.
14	Sundry Debtors: The Company has not furnished the details of reconciliation of balances between Customer Ledgers and Financial Ledger and also not furnished age wise / cause wise breakup of dues from customers	The reconciliation between consumer ledger and financial ledger is being done regularly.

<b>Sl. No.</b>	<b>Statutory Auditors Comments</b>	<b>Reply of the Company</b>
	<p>particularly in respect of long outstanding dues. Further there is no system or procedure of obtaining confirmation of balances from customers and there is no proper system of review for identifying doubtful dues particularly arising out of dispute and long pending dues. In the absence of the above, we are not in a position to quantify the provision required for irrecoverable / doubtful dues and the consequential impact thereof on the financial statements. Further, Security Deposits from consumers amounting to Rs. 618 Crores, Reference is invited to Schedule No. 27, is subject to reconciliation with consumer ledger and confirmation.</p>	<p>As there is enough provision available to taken care of the doubtful debts if any. Reconciliation of security deposit from consumers with consumer Ledger is active Process.</p>
15	<p>Cash &amp; Bank balances: Balances with schedule banks in current accounts include unreconciled items since 01.04.2000 and there are unidentified credits in the bank and cheques deposited but not credited are under reconciliation. The impact of the above on the Revenue Account, Assets &amp; Liabilities could not be determined.</p>	<p>The bank reconciliation is being done regularly. Action is being initiated to clear off the bank and board excess.</p>
16	<p>Reference is invited to Schedule Nos. 19, 26 and 28 which includes old items and also some items for which supplies / services have already been received. In certain cases the credit is lying elsewhere in the accounts. These accounts need reconciliation and proper adjustments. Pending such adjustments, we could not determine the effect on the Revenue Account, Assets and liabilities.</p>	<p>Noted.</p>
17	<p>Reference is invited to Note No.19, regarding the financial misappropriation and unauthorized credit in some EROs. In the opinion of the Management, the loss if any, on account of the above is not presently quantifiable and no provision has been made in the accounts. The impact of the above on the Revenue account could not be ascertained.</p>	<p>The case wise details are already provided in Notes to Accounts as the amount involved is recoverable. Hence provision has not been made.</p>

<b>Sl. No.</b>	<b>Statutory Auditors Comments</b>	<b>Reply of the Company</b>
18	<p>Net Revenue from Sale of Power: A Sum of Rs. 585 Crores is accounted as Fuel Surcharge Adjustment recoverable from the consumers, based on the advice given by the Andhra Pradesh Power Purchase Co-Ordination Committee ( APPCC) , Which is subject to the approval of the Andhra Pradesh Electricity Regulatory Commission (APERC). This may have effect on the accounts if the approval of the APERC is at variance with the calculation adopted by the APPCC.</p>	<p>FSA Proposals were filed before hon'ble APERC for approval.</p>
19	<p>Non Confirmation of balance:</p> <p>(a) Amount payable to APRTANSO &amp; Other IPPs Rs.660 Crores, Reference is invited to Schedule No. 28(1) , which is shown as liability on power purchase &amp; Fuel Surcharge adjustment is subject to confirmation.</p> <p>(b) The Company has not furnished details in respect of liability for Sundry Creditors for Capital and O &amp; M supplies of Rs. 17.48 Crores, Reference is invited to Schedule No. 28 (2), and such balance are also subject to confirmation/consequential adjustments.</p> <p>(c) The inter unit balance shows a net unreconciled credit balance of Rs. 19.03 Crores, (Reference is invited to schedule No. 26e)</p> <p>(d) We have observed unreconciled debits and credits in the bank reconciliation statement that needs to be reconciled. Further differences between the bank balances as per SAP accounting system and manual cash books should be reconciled.</p> <p>(e) The balances appearing under sundry advances, creditors, loans, inter corporate deposits are subject to confirmation / reconciliation and consequential adjustments. In the absence of confirmation of balance and / or reconciliation</p>	<p>Noted</p> <p>Vendor wise details available in SAP</p> <p>Reconciliation is being done regularly.</p> <p>Bank reconciliation is a regular process and the differences identified will be reconciled in due course.</p> <p>There is no such procedure of obtaining confirmations and reconciliation is being done.</p>

Sl. No.	Statutory Auditors Comments	Reply of the Company
	in respect of the above we are not in a position to quantify the consequential impact on the accounts.	
20	The Company has not identified the name & amount payable to 'Small, Micro, Medium Enterprises (SMEs). Whether the amount was paid on due date or not ascertained. The Company has not provided interest, if any payable to SMEs for delay of payment as required under SME Act, 2006. The Cumulative impact of the above comments (i) to (xxi) above on the financial statements is not determinable.	Noted



**Eastern Power**  
Distribution Company of A.P. Ltd

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణి సంస్థ

(An ISO 9001-2008 & ISO 27001:2005 Certified Company)



# FINANCIAL STATEMENTS

## REVENUE ACCOUNT FOR THE YEAR ENDING 31<sup>st</sup> MARCH 2011

### STATEMENT-I

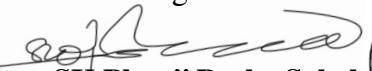
(In Rupees)

SCH. No.	Particulars	Current Year 2010-11	Previous Year 2009-10
<b>1</b>	<b>INCOME</b>		
Revenue from Sale of Power (Gross)	32981874114	27256315464	
Inter State Sales & Discom to Discom Sales	2178013807	2955282463	
Less: State Electricity duty	438988069	384124193	
Revenue from Sale of Power (Net)	34720899852	29827473734	
Revenue Subsidies and grants	8576600001	8879700000	
Other Income	1410787070	1131082126	
	<b>TOTAL INCOME</b>	44708286923	39838255860
<b>6</b>	<b>EXPENDITURE</b>		
Purchase of Power	35894138238	33056714535	
8	Repairs & Maintenance	178680253	139008767
9	Employee costs	4519801422	2752536545
10	Administration & General Expenses	494190892	467876731
11	Depreciation and Related Expenses (Net)	1796613587	1684261064
12	Interest & Finance Charges	1869431856	1806877081
	<b>SUB TOTAL (1):</b>	44752856248	39907274723
<b>13</b>	<b>LESS: EXPENSES CAPITALISED</b>		
Interest and Finance charges capitalised	6340087	87119559	
14	Other expenses capitalised	222282460	193898352
	<b>SUB TOTAL (2)</b>	228622547	281017911
15	Other Debits	23928668	39296373
16	Extra-Ordinary Items	70000	0
	<b>SUB TOTAL (3)</b>	23998668	39296373
	<b>TOTAL EXPENDITURE (1 to 3)</b>	44548232369	39665553185
<b>17</b>	<b>PROFIT / (LOSS) BEFORE TAX</b>	160054554	172702675
Provision for Taxes			
Income Tax	31912751	37782201	
Fringe Benefit Tax	0	1240076	
<b>Total Tax</b>	31912751	39022277	
PROFIT/ (LOSS) AFTER TAX	128141803	133680398	
18	Net Prior Period Credits / (Charges)	65620	49611089
	<b>SURPLUS / (DEFICIT)</b>	128207423	183291487

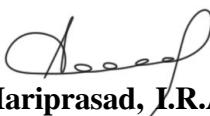
As per our report attached

For M/s **Basha and Narasimhan**

Chartered Accountants  
Firm Regn No.006031S

  
**SK.Phyaji Basha Saheb**  
Partner  
Membership No: 23417



  
**P.Hariprasad, I.R.A.S.**

Director(Finance)



**P.S.Kumar**  
Chief General Manager (Expr.)

For and on behalf of the board

  
**Ahmad Nadeem I.A.S.**  
Chairman & Managing Director



**A. Rama Rao**  
Company Secretary

## NET REVENUE AND APPROPRIATION ACCOUNT

**STATEMENT-II**  
 (In Rupees)

<b>PARTICULARS</b>	<b>Current Year</b>	<b>Previous Year</b>
	<b>2010-11</b>	<b>2009-10</b>
Balance brought forward from last year	838,848,974	655,557,487
Surplus/( Deficit) from Revenue Account	128,207,423	183,291,487
<b><u>CREDITS:</u></b>		
Transfer from General Reserve	-	-
<b>TOTAL</b>	<b>967,056,397</b>	<b>838,848,974</b>
<b><u>APPROPRIATIONS :</u></b>		
Contribution to Reserve and Reserve Funds	-	-
Sinking Fund for Repayment of Borrowings	-	-
General Reserve	-	-
Contingency Reserve	-	-
Appropriation to Special Safty Reserve	-	-
Balance carried forward	967,056,397	838,848,974

## BALANCE SHEET AS ON 31.03.2011

**STATEMENT-III**  
(In Rupees)

SCH. No.	Particulars	As at 31-03-2011	As at 31-03-2010
	<b>NET ASSETS</b>		
19	Net Fixed Assets		
	Gross Block	28545307318	26481091526
	<b>Less:</b> Accumulated Depreciation	13176069882	11415966566
	Net Fixed Assets	15369237436	15065124960
21	Capital Expenditure in progress	1815987909	1921676672
22	Assets not in use	18282521	18282521
24	Intangible Assets	0	195700
25	Investments	708398800	255508800
	<b>Net Current Assets</b>		
26	Total Current Assets	41191116741	27225551496
	Less: Total Current Liabilities		
27	Security Deposits from Consumers	6539094830	5909341717
28	Other Current Liabilities	9857950486	9209763056
	Total Current Liabilities	16397045316	15119104773
	<b>Net Current Assets</b>	24794071425	12106446723
	<b>NET ASSETS</b>	<b>42705978091</b>	<b>29367235376</b>
	<b>FINANCED BY:</b>		
30	Borrowings for working capital	27636059295	15683357371
31	Payments due on capital liabilities	517017373	534787373
32	Capital & other liabilities	3725691451	3903951837
33	Funds from state Government	1212253290	1212253290
34	Contributions, Grants and Subsidies towards cost of capital Assets	6555149803	5918139546
35	Reserves & Reserve funds	2092750482	1275896985
	Deficit / Surplus from Revenue	967056397	838848974
	<b>TOTAL FUNDS</b>	<b>42705978091</b>	<b>29367235376</b>

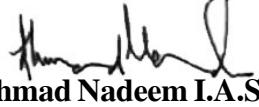
As per our report attached

For and on behalf of the board

For M/s **Basha and Narasimhan**

Chartered Accountants  
Firm Regn No.006031S

  
**P. Hariprasad, I.R.A.S**  
Director(Finance)

  
**Ahmad Nadeem I.A.S**  
Chairman & Managing Director

  
**SK. Phyaji Basha Saheb**  
Partner  
Membership No: 23417



  
**P.S. Kumar**  
Chief General Manager (Expr.)

  
**A. Rama Rao**  
Company Secretary

## REVENUE FROM SALE OF POWER

**SCHEDULE - 1**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current Year (2010 - 11)	Previous year (2009 - 10)
	<b><u>L.T.SUPPLY:</u></b>			
1	Domestic supply - Category-I	6100210 to 218	6766714605	6071445689
2	Non-Domestic Supply - Category-II	6100220 to 228	3751250305	3146423788
3	Industrial supply-Category-III	6100230 to 238 & 6101230 to 1238	1867920131	1607080744
4	Cottage Industries - Category-IV	6100240 to 248	4784517	3665345
5	Irrigation and Agriculture Category-V	6100250 to 258 & 6101250 to 1258	12468663	49632249
6	Public Lighting - Category-VI	6100260 to 268 & 6101260 to 1268	449728970	413463862
7	General Purpose - Category-VII	6100270 to 277, 6101270,278	132878209	115945258
8	Temporary - Category-VIII	6100280 to 288	5675851	13030642
	<b>L.T.TOTAL :</b>		<b>12991421250</b>	<b>11420687577</b>
	<b><u>H.T.SUPPLY</u></b>			
1	Industrial segregated - Category-I	6100310 to 318, 6101310 to 316	13317390914	10225639134
2	Industrial non-segregated-Category-II	6100320 to 328	2164545121	1775896420
3	Irrigation and Agriculture - Category-IV	6100340 to 346 & 6101340 to 1346	92197950	169894096
4	Railway Traction-Category-V	6100350 & 356	2315718634	2062602692
5	Electricity Co-op. Societies	6100370	122004181	122386032
6	Power incentive Consumers			0
7	Extra State supplies to . Government of Pondicherry			0
8	Inter State Supplies			0
9	Temporary supply	6100380 to 388	0	2752532
10	Grid support charges	6100970	0	9643625
11	Colony Consumption	6100360 to 366	117235253	124917221
	<b>H.T. TOTAL:</b>		<b>18129092052</b>	<b>14493731753</b>
	<b>L.T. + H.T. TOTAL</b>		<b>31120513302</b>	<b>25914419331</b>
	<b>Less HT Incentive</b>	7600563	51782069	173959912
	<b>Net L.T. + H.T. Total:</b>		<b>31068731234</b>	<b>25740459418</b>

## REVENUE FROM SALE OF POWER

### SCHEDULE- 1(contd...)

(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
	<b>MISCELLANEOUS REVENUE</b>			
1	Electricity Duty recovery	6100501 to 6100518, 6101503 to 6101514	438988069	384124193
2	Other state levies recovery	6100521 to 6100540, 6101529	8559187	5780667
3	Recoveries for theft of power / Malpractices	6100810 to 6100820	53206973	44969698
	<b>Sub Total:</b>		500754228	434874558
4	Wheeling charges recoveries	6100825	331319	0
5	Miscellaneous charges from consumers	6100613 to 6100783, 6100845, 6100902 to 950,913	1412057334	1080981488
	<b>Total Misc. Revenue</b>		1913142881	1515856046
	<b>Gross Revenue from sale of power</b>		32981874114	27256315464
6	Inter state sales & DD sales	6100145&6100147, 153	2178013807	2955282463
	Less: Electricity Duty & other state levies payable	7000901	438988069	384124193
7	Other state levies payable(which is included in (61.541))			0
	<b>Net Total :</b>		34720899852	29827473734

## ELEMENTWISE ANALYSIS OF REVENUE

### SCHEDULE - 2

<b>Sl. No.</b>	<b>Particulars</b>	<b>Current Year 2010-11 (In Rupees)</b>	<b>Previous Year 2009-10 (In Rupees)</b>
	<b><u>REVENUE</u></b>		
1	Demand charges	2768987369	2337400607
2	Energy charges	28303018636	23534478967
3	Fuel cost adjustment charges	(0)	(0)
4	Power Factor Surcharge	48507297	42539756
	<b>Less: 25% Rebate to New Industries/HT Incentive</b>	<b>51782069</b>	<b>173959912</b>
	<b>Sub-total (a)</b>	<b>31068731234</b>	<b>25740459418</b>
	<b><u>Electricity Duty &amp; Other State Levies</u></b>		
6	Electricity Duty recovery	438988069	384124193
7	Other State Levies recovery	8559187	5780667
	<b>Sub-total (b)</b>	<b>447547256</b>	<b>389904860</b>
8	Recoveries for Theft of Power/Malpractices	53206973	44969698
9	Wheeling charges recoveries	331319	0
10	Miscellaneous recoveries	1412057334	1080981488
	<b>Sub-total (c)</b>	<b>1465595625</b>	<b>1125951186</b>
11	Gross Revenue from Sale of Power (a+b+c)	32981874115	27256315464
	Less: Adjustments to Past Billing (as per contra)	—	—
	<b>Net Revenue</b>	<b>32981874115</b>	<b>27256315464</b>
	Less: Electricity Duty & Other State levies payable	438988069	384124193
	<b>Net Revenue from sale of power</b>	<b>32542886046</b>	<b>26872191271</b>
	ADD : Inter state & DD Sales	2178013807	2955282463
	<b>Total Revenue from Sale of Power</b>	<b>34720899852</b>	<b>29827473734</b>

## AVERAGE REALISATION FROM SALE OF POWER

### SCHEDULE - 3

Sl. No.	Particulars	Number of Consumers	Total units (MU)	Average realisation in paise per unit
	<b><u>L.T.SUPPLY:</u></b>			
1	Domestic supply - Category-I	3,953,186	2926.747	231.20
2	Non-Domestic Supply - Category-II	344,041	628.408	596.95
3	Industrial supply-Category-III	25,354	411.923	453.46
4	Cottage Industries - Category-IV	1,446	1.985	241.03
5	Irrigation and Agriculture Category-V	161,750	1451.899	0.86
6	Public Lighting - Category-VI	37,733	256.841	175.10
7	General Purpose - Category-VII	35,505	34.103	389.64
8	Temporary - Category-VIII	248	1.196	474.57
	<b>L.T.TOTAL</b>	4,559,263	5,713.102	227.40
	<b><u>H.T.SUPPLY</u></b>			
1	Industrial segregated - Category-I	1,147	3457.872	385.13
2	Industrial non-segregated-Category-II	791	380.001	569.62
3	Irrigation and Agriculture - Category-IV	84	32.968	279.66
4	Railway Traction-Category-V	16	535.625	432.34
5	Electricity Co-op. Societies	2	186.118	65.55
6	Colony Consumption - VI	39	28.550	411.30
7	Temporary Supply	-	-	-
	<b>H.T. TOTAL:</b>	2,079	4621.134	392.31
	<b>L.T. + H.T. TOTAL</b>	4,561,342	10,334.236	301.14

## REVENUE SUBSIDIES AND GRANTS

**SCHEDULE - 4**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Subsidies and grants from Government	6300130	8576600001	8879700000
2	Subsidies- loss on flood,fire,cyclone	63.200	-	-
3	Other Subsidies and grants	63.300	-	-
	<b>TOTAL</b>		8576600001	8879700000

## OTHER INCOME

**SCHEDULE - 5**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Interest on staff loans and advances	6200936	1011142	334939
2	Delayed payment charges from consumers	6200251 to 6200270	251514699	168877407
3	Interest from Banks & Investments	6200926,6200220,228	157816186	307298689
4	Income from Trading (Profit on sale of scrap etc.)	6400301 to 6400305	14940744	19868008
5	Miscellaneous receipts	6200901 to 6200925, 927 to 931, 936	217027205	1903613
6	Amortisation of consumer contributions, subsidies, grants towards cost of capital assets(Current year)	6400828	707466702	584037581
7	UI Charges (Incl. Incentive tws Power Purchase&STOA)	6100845, 6200935	61010392	48761890
	<b>TOTAL</b>		1410787070	1131082126

## PURCHASE OF POWER

**SCHEDULE - 6**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Power Purchase	7000101 to 701	36231278963	33449462346
	Less: Rebate on PP Bills & Incentive	6200934	337140725	392747811
	<b>Total</b>		35894138238	33056714535

## REPAIRS AND MAINTENANCE

**SCHEDULE - 8**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	<u>Repairs and Maintenance to</u>			
1	Plant and Machinery and Transformers	7400502, 503	68550001	59641522
2	Substation maintenance by Pvt.Agencies	7400501	33159960	13675341
3	Buildings	7400201	1102722	7489693
4	Civil Works	7400401	5788391	18154256
5	Lines, Cable net work etc.	7400601 & 651	64054164	34512270
6	Vehicles	7400701 & 702	620671	396334
7	Furniture and Fixtures	7400801	17500	-
8	Office equipment	7400901,911,921, 931,941	5386843	5139351
	<b>TOTAL</b>		178680253	139008767

## EMPLOYEE COSTS

**SCHEDULE - 9**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Salaries	7500101 to 220	2187946803	1290492877
2	Dearness Allowance	7500301 to 370	151931233	305787952
3	Other Allowances	7500401 to 470, 618	310150354	161728255
4	Bonus/Exgratia	7500501 to 520	8422252	8499736
	<b>Sub-Total 1 (1 to 4)</b>		2658450642	1766508820
5	Medical expenses Reimbursement	7500611	23152876	10569028
6	Leave Travel Assistance	7500612 to 613	13761666	700677
7	Earned Leave Encashment	7500617, 7500804	600034234	286483233
8	Payment under workmen's compensation Act	7500629	2930060	2457484
	<b>Sub-Total 2 (5 to 8)</b>		639878835	300210423
9	Medical reimbursement(Monthly allowance)	7500610	46943958	16513420
10	Other welfare expenses	7500650 to 669,765, 805 to 815	93727870	55023466
11	GPF Booster scheme	7500670	429727	782268
12	Terminal benefits	7500801 to 803	1080370389	613498148
	<b>TOTAL</b>		4519801422	2752536545

## ADMINISTRATION AND GENERAL EXPENSES

**SCHEDULE - 10**  
**(In Rupees)**

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Rent, Rates and Taxes	7600101 & 102	12240118	10858254
2	Licence Fee - APERC	7600103	7333304	7333340
3	Insurance	7600520&521,523	399372	356139
4	Telephone charges, Postage, Telegram & charges	7600201 to 205,	30199269	32231461
5	Legal charges	7600301	11992069	3417460
6	Audit fees	7600401	554988	554987
7	Consultancy charges	7600302	5583339	4349937
8	Technical fees	7600303	-	28105
9	Other professional charges	7600306 & 309	182497297	197467644
10	Honorarium	7600305	719532	535352
11	Conveyance expenses	7600568	666675	810657
12	Travelling expenses	7600567	82086252	66910793
13	Vehcile running exp.(Cars,Jeeps, etc.)	7600307&530to533	7350559	6843560
14	Vehcile hire charges	7600308, 310	54491605	49706431
15	Training and participation	7600515	5617777	4097455
16	Fees&Subscription	760502	449086	671426
17	Books&periodicals	7600503	97745	189676
18	Printing & Stationary	7600504 & 508	11633985	10959185
19	Advertisement	7600505	10512289	8101190
20	Contributions		-	0
21	Electricity charges	7600506	32141793	28897084
22	Water charges	7600507	39577	353013
23	Entertainment	7600501	449278	619980
24	Misc.Expenses	7600511, 7600550 to 562, 570 to 577	36503243	31188247
25	Preliminary Expenses written off	7700201	195700	195700
26	Payment Electricity workers panchayat	7600512	436040	1199658
27	Expenses towards prajasadassu		-	0
	<b>TOTAL</b>		494190892	467876731

## DEPRECIATION AND RELATED DEBITS (NET)

**SCHEDULE - 11**  
**(In Rupees)**

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Depreciation	7700101	1796613587	1684261064
	<b>TOTAL</b>		1796613587	1684261064

## INTEREST AND FINANCE CHARGES

**SCHEDULE - 12**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Interest on State Government loans	7800107	-	-
2	Interest on Bonds	7800101	24233041	22488568
3	<u>Loans from Financial Institutions/Banks</u>			
	R.E.C	7800103	274551943	291386212
	P.F.C	7800104	0	75150571
	I.C.I.C.I	7800132	0	12783412
	Bank of Baroda	7800133	16801397	16625740
4	Interest to Consumers	7800110	320601543	296749622
5	SBH	7800130	21400508	22497551
6	Other Interest (other sub-accounts)	7800114 to 120 & 135 to 157	1203453974	1022882976
7	Cost of raising Finance ( Guarantee commission)	7800205	0	0
8	Bank charges	7800203,204,206& 210 to 214	8389450	46312429
	<b>TOTAL</b>		1869431856	1806877081

## INTEREST AND FINANCE CHARGES CAPITALISED

**SCHEDULE - 13**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Interest and Finance charges capitalized	7809000&7809001	6340087	87119559
	<b>TOTAL</b>		6340087	87119559

## OTHER EXPENSES CAPITALISED

**SCHEDULE-14**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Expenses capitalised	7509000&7609000	222282460	193898352
	<b>TOTAL</b>		222282460	193898352

## OTHER DEBITS

**SCHEDULE-15**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Waiver of Surcharge		-	-
2	Miscellaneous losses and write-offs	8000101,103,8500201 202, 308 to 322	15315338	33025163
3	Sundry Expenses	8500304, 305	8613330	6271210
	<b>TOTAL</b>		23928668	39296373

## EXTRAORDINARY ITEMS

**SCHEDULE - 16**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Extra Ordinary debits (Loss on account of Flood, Cyclone, Fire etc.)	8500601	70000	0
	Net Extra ordinary items [(Dr) / Cr]		70000	0

## PROVISION FOR INCOME TAX

**SCHEDULE - 17**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Provision for Taxes			
	Income Tax	8600101	31912751	37782201
	Fringe Benefit Tax	8700101	0	1240076
	<b>TOTAL</b>		31912751	39022277

## NET PRIOR PERIOD CREDITS/CHARGES

**SCHEDULE - 18**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	<u>Income relating to previous year</u>			
	Receipts-prior periods	6600212 to 880	-	3763211
	Excess provision Depreciation	6601983	-	0
	Other income prior periods	6601984, 985	65620	45847743
	<b>Sub Total:</b>		<b>65620</b>	<b>49610954</b>
2	<u>Prior period Expenses / Losses</u>			
	Short provision for power	8800101		
	Operating Expenses of previous year	8800201		(135)
	Employees cost	8800301		
	Depreciation under provided	83.600		0
	Interest & other Fin. Charges	83.700		0
	Income tax relating to previous years	8800601		
	<b>Sub Total:</b>			<b>(135)</b>
3	Net Prior Period Credits /(Charges)		65620	49611089

## CAPITAL EXPENDITURE IN PROGRESS

**SCHEDULE - 21**  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2010 - 11)	Previous year (2009 - 10)
1	Capital work-in-progress	1400101 & 102	1815987909	1921676672
	<b>TOTAL</b>		1815987909	1921676672

## FIXED ASSETS AND PROVISION FOR DEPRECIATION

### SCHEDULE-19 (In Rupees)

Asset Group	Account Code	GROSS BLOCK			PROVISION FOR DEPRECIATION			NET BLOCK				
		At the end of the Previous Year/ 2009-10	Additions during the year/ 2010-11	Deductions during the year 2010-11	Re-classification	At the end of the year 31-03-2011	At the end of the Previous Year 2009-10	Depreciation for the year/ 2010-11	Adjustments on Deductions	Reclassification	At the end of the year as on 31-03-2011	At the end of the Previous Year/ 2009-10
Land and Landrights	1000101	814187951	2500001	0		816688751	0	0	0		0	816688751
Buildings	1000201	38857110	68540878	0		46487988	99744436	12552591	0		112297026	35210062
Other Civil Works	1000301	90194998	27298429	0		117493427	4391204	3125569	0		7514773	109978554
Plant and Machinery	1000401	10283638740	760799738	977880		11040780588	4033402607	701334756	8746092		4725991271	6314789328
Lines and Cable Network	1000501	1385369314	885017888	0		14739387212	6460566814	82866332	0		7288920116	7449467096
Meters & Metering Equipment	1000551	738033322	314509154	31915324		1021647153	632271645	27324690			882108517	138538336
Vehicles	1000601	17571018	0	488320		17082688	15713892	100024	439488		15374427	1708270
Furniture and Fixtures	1000701	68577492	10403742	0		79881234	43762035	7397145	0		51159478	28821756
Office Equipment	1000751, 851,951	22393034	499995	0		87392939	44334214	10331587	0		546655801	32727138
Computers	1000801	128188547	32267571	0		160456118	21389719	15648754	0		37038473	123417644
<b>TOTAL</b>		2681091526	2106337316	42121524		28545307318	11415966566	1796613586	36510270		1317609882	15389237436
Previous year		2394886730	2532522807	328011		26481091526	973200711	1684261064	29209		11415966566	15055124960
												1421686019

## ASSETS NOT IN USE

**SCHEDULE-22**  
(In Rupees)



**Eastern Power**  
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Balance at the beginning of the Previous year	Additions during the Previous year	Deductions during the Previous year	Asset Group	Account Code	Balance at the end of the Previous year (31-3-2010)	Additions during the year (2010-11)	Deductions during the year (2010-11)	Balance at the end of this year (31-03-2011)
			Written down value of Obsolete, Scrapped Assets:					
			- Land and rights	1600101				
			- Buildings	1600201				
			- Hydraulic works	1600301				
			- Other civil works	1600401	(615896)			
			- Plant and Machinery	1600501	18558491			
			- Meters & Metering Equipment	1600551	12093			
			- Lines and Cable net work	1600601	79370	0		79370
			- Vehicles	1600701	14696	0		14696
			- Furniture & Fixtures	1600801	166817	0		166817
			Office equipment	1600901,	66950	0	0	66950
				911,921,851				
<b>18200196</b>	<b>958479</b>	<b>876154</b>	<b>Total</b>		<b>182282521</b>	<b>0</b>	<b>0</b>	<b>182282521</b>

## INTANGIBLE ASSETS (PRELIMINARY EXPENSES PENDING WRITE OFF)

**SCHEDULE-24**  
(In Rupees)

Balance at the begin-ning of the previous Year	Cost incurred during the previous year	Cost charged to revenue during the previous year	Intangible Assets	Account Code	Balance at the end of the previous year (31-3-2010)	Cost incurred during the year	Cost charged to revenue during the year	Balance at the end of this year (31-03-2011)
391400	-	195700	Expenses for forming and organising the Company	1201001 & 7700201	195700	-	-	195700
391400	0	195700	<b>Total</b>		195700	0	195700	-

## INVESTMENTS

**SCHEDULE - 25**  
(In Rupees)

Balance at the beginning of the previous Year	Further investments during the previous year	Investments realised during the previous year	Investments	Account Code	O.B. as on 01-04-2010	Further investments during the year (2010-11)	Closing balance as on 31-03-2011
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Investments against funds</u>							
90292200	0		Contingency reserve	2001070	90292200	30000000	120292200
2016600	0		Investments	2006010	2016600	(1110000)	906600
-	163200000	-	Investment in Equity Share capital of RESCOs	2006040	163200000	324000000	487200000
-	-		Investment in APPDCL	2006030	100000000	-	100000000
<b>92308800</b>	<b>163200000</b>	<b>0</b>	<b>Grand Total</b>		<b>355508800</b>	<b>352890000</b>	<b>708398800</b>



**Eastern Power**  
Distribution Company of A.P. Ltd  
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## **TOTAL CURRENT ASSETS**

**SCHEDULE - 26**  
(In Rupees)

<b>Sl. No.</b>	<b>Particulars</b>	<b>Account Code</b>	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
1	Stocks	26(a)	458595324	343025635
2	Receivables against supply of power	26(b)	7000551952	4374034497
3	Cash and Bank Balances	26(c)	1731057023	1427420921
4	Loans and advances	26(d)	15524084379	6793908546
5	Sundry Receivables	26(e)	16476828062	14287161896
	<b>TOTAL</b>		41191116741	27225551496

## **STOCKS**

**SCHEDULE - 26(a)**  
(In Rupees)

<b>Sl. No.</b>	<b>Particulars</b>	<b>Account Code</b>	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
1	Stock of materials at other stores	2200101 to 162	437643668	488511657
2	Materials stock pending investigation and provision for recovery/ write off of cost of materials	2200201 to 2201101	20951657	(145486022)
	<b>TOTAL</b>		458595324	343025635

## **RECEIVABLES AGAINST SUPPLY OF POWER**

**SCHEDULE - 26(b)**  
(In Rupees)

<b>Sl. No.</b>	<b>Particulars</b>	<b>Account Code</b>	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
1	Sundry Debtors for sale of power	2300301, 2302110 to 2810, 2305510 to 5660, 2301100 to 1800 & 2303100 to 3800	3125875250	1492251568
2	Sundry Debtors for Electricity Duty	2302100 to 2800& 2305110 to 5260	271928842	326948046
3	Provision for unbilled Revenue	2300551 & 552	3927875977	2877941241
4	Accrued revenue-Generation			
	Sundry Debtors - Miscellaneous			
	Receipts from consumers	2300302, 502, 835 & 901	39412622	41434380
	<b>Sub-Total:</b>		7365092691	4738575236
5	Less: Provision for doubtful dues from consumers	2300701 to 722 & 730	364540739	364540739
	<b>TOTAL</b>		7000551952	4374034497

## CASH AND BANK BALANCES

**SCHEDULE - 26(c)**  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.2011	As at 31.03.2010
1	Cash on hand	2401250 to 2401308	266982352	208261990
2	Cash Imprests with staff	2404901 to 4903	2155663	2144370
3	Balance with Banks	2404501 to 503 & 2428761 to 2431991	962773195	1166013230
<b>Cash and Bank Balances</b>			<b>1231911209</b>	<b>1376419589</b>
<b>FUNDS CLEARANCE ACCOUNTS</b>				
Remittance from HQ to Units & Units to HQ in transit		2404988 to 5000	499145813	51001332
<b>TOTAL</b>			<b>1731057023</b>	<b>1427420921</b>

## LOANS AND ADVANCES

**SCHEDULE - 26(d)**  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.2011	As at 31.03.2010
1	Advances for O&M supplies/works	2501010&2600101	821068461	79057304
2	Loans and Advances to staff	2700101 to 130	78163956	21150882
3	Advance Income Tax & Tax Deduction at Source	2700423 & 425	160537979	143364753
4	Loans and Advances - Others Inter Corporate Deposits Dues from Other Discoms ( Towards pool imbalance mechanism)	2600101 to 107 2002020 2601010,2800103 to 107	- 690000000 13774313983	66607627 950000000 5533727979
	<b>TOTAL</b>		<b>15524084379</b>	<b>6793908546</b>

## SUNDAY RECEIVABLES

**SCHEDULE - 26(e)**  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.2011	As at 31.03.2010
1	Sundry Debtors-Trading Account	2800101 & 2805160	2889916	(43793575)
2	Income accrued and due on investments	2800201 & 251	69115377	90035848
3	Other Income accrued and due	2800302	75250204	115839998
4	Amount recoverable from employees / Ex-employees	2800507 to 510	4310715	86758624
5	GPF Trust	2800802	8548793	97218314
6	P & G Trust	2800801, 803 & 805	0	0
7	Other claims and Amount receivable from APGovt.	2800301, 311 to 426, 430 to 446 & 502	14534909754	12125739403
8	Other claims under inter unit accounts	3000100 to 3700001	(190324739)	(181768403)
9	Deposits (Including Bank Deposits)	2002050	1972128041	1997131688
	<b>TOTAL</b>		<b>16476828062</b>	<b>14287161896</b>

## SECURITY DEPOSITS FROM CUSTOMERS

**SCHEDULE -27**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.2011	As at 31.03.2010
1	Security Deposits from consumers (in cash)	4800101,201,4800302, 4801020 to 3094	6183790706	5630893346
2	Interest payable on consumer's deposits	4800301 & 4500521	355304124	278448371
	<b>TOTAL</b>		6539094830	5909341717

## OTHER CURRENT LIABILITIES

**SCHEDULE - 28**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.2011	As at 31.03.2010
1	A.P.Transco and power purchase liability	4101010	6604556070	6169999914
2	Liability for capital supplies/works	4200301 to 4201000	174845907	206550774
3	Liability for O&M supplies/Works	4300001 to 4301000	384275005	253433719
4	Staff related liabilities and provisions	4301010 to 4400451	1704833863	975681731
5	Deposits and retentions from suppliers and contractors	4601010 to 4603080	(485376259)	617642154
6	Electricity Duty and other levies payable to Govt.	4600301 to 310	29557183	27034710
7	Liability for expenses	4500101 to 501, 4500551 to 903 & 4600107 to 201,302	295385624	85541324
8	Accrued liability amounts relating to borrowings.	4500511 & 4600801	(27165698)	8690580
9	Other liabilities and provisions	4600850 to 934	390609521	348044518
10	Deposits for electrification, service connection etc.	4700101 to 603, 4700801 & 4706110	723099743	464916372
11	Liability towards Kutir Jyoti Scheme.	4700701	63329526	52227259
	<b>TOTAL:</b>		9857950486	9209763056

**SCHEDULE - 30**  
**(In Rupees)**
**BORROWINGS FOR WORKING CAPITAL**

Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Repayments due during the previous year	Particulars	Account Code	O.B. as on 01-04-2010	Amount received during the year (2010-11 )	Repayments made during the year (2010-11 )	Outstanding at the end of the year (31-03-2011)
1786057371	26513320000	27053500000	(i) CC limits - SBH	5000102	1245877371	1879673719	18918637179	1123977371
9000000000	23818900000	18381420000	(ii) Working Capital loan to 5101122	5101100	14437480000	38701542630	26626940706	26512081924
<b>10786057371</b>	<b>50332220000</b>	<b>45434920000</b>			<b>15683357371</b>	<b>57498279809</b>	<b>45545577885</b>	<b>27636059295</b>

**SCHEDULE -31**  
(In Rupees)

**PAYMENT DUE ON CAPITAL LIABILITIES**

Due at the beginning of the previous year	Amt. received during the prev. year	Pay- ments made during the previous year	Particulars	Account Code	Due at the beginning of the year (1-04-2010)	Amt.received during the year (2010-11)	Payments made during the year (2010-11)	Outstanding at the end of the year (31-03-2011)
<b>REPAYMENTS DUE</b>								
570,323,373	-	35536000	Loans from Govt. of Andhra Pradesh	5303300	534787373	0	17770000	517017373
570,323,373	-	35536000	<b>TOTAL</b>		534787373	0	17770000	517017373

## CAPITAL & OTHER LIABILITIES

**SCHEDULE -32**  
(In Rupees)

Outstanding at the beginning of the previous year	Amount Received during the Previous year	Repayments due during the previous year	Particulars	Account Code	OB as on 01-04-2010	Amount received during the year (2010-11)	Repayments made during the year (2010-11)	Outstanding at the end of the year (31-03-2011)
<b>Secured Loans</b>								
3424264430	537127087	899795783	(i) Loan from REC Ltd	5303100	3061595734	153685795	473593269	2741688260
1405196908	116165194	1339362103	(ii) Loan from PFC Ltd	5303200	1819999999	7340100	0	189340099
268502273	0	268502273	(iii) Loan from Federal Bank	5303400	0	236400000	35460000	200940000
249797984	0	41633004	(iv) Loan from Bank of Baroda	5303500	208164980	0	41633004	166531976
202200000	0	0	(v) AP Transco Vidyut Bonds	5301000	202200000	0	0	202200000
249991124	0	0	(vi) Loan from SBH	5303520	249991124	2083334	27083342	224991116
0	0	0	Other Liabilities towards subsidy re-allocation and adjustment through APPCC		0	0	0	0
5799952719	653292281	2549293163	<b>Total</b>		3903951837	399509229	577769615	3725691451



**Eastern Power**  
Distribution Company of A.P. Ltd  
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## FUND'S FROM STATE GOVERNMENT

**SCHEDULE -33**  
(In Rupees)



**Eastern Power**  
Distribution Company of A.P.Ltd  
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Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Repayments during the previous year	Particulars	Account Code	Outstanding at the end of Previous year (31-03-2010)	Amount received during the year (2010-11)	Repayments due during the year (2010-11)	Outstanding at the end of the year (31-03-2011)
1220000000	-	-	<u>SHARE CAPITAL</u> <u>Authorised Capital</u> 12,20,00,000 equity shares of Rs.10 each.		1220000000	0	0	1220000000
1212253290	-	-	<u>Issued subscribed and paidup capital</u> 12,12,25,329 equity shares of Rs.10 each (Out of which 7,56,63,829 equity shares of Rs.10 each were issued for consideration other than cash by virtue of 2nd transfer scheme notified by the Govt. of Andhra Pradesh vide G.O.Ms No.109 dated 29-09-2001)		5600800	1212253290	0	1212253290
1212253290	-	-	<b>TOTAL</b>		1212253290	0	0	1212253290

## CONTRIBUTIONS, GRANTS AND SUBSIDIES TOWARDS COST OF CAPITAL ASSETS

SCHEDULE - 34 (In Rupees)						
Balance at the beginning of the previous year	Amount Received during the Previous year	Amortisation during the year	Particulars	OB as on 01-04-2010 Account Code	Additions during the year (2010-11)	Amortisation during the year (31.03.2011)
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
5020434133	1318447165	565639458	1. Consumers Contribution	5500101 & 102	57773241840	134476959
647780	0	72984	2. Subsidies towards cost of Capital Assets	5500200	574796	72984
162648049	0	18325139	3. Grants towards cost of Capital Assets	5500300	144322910	0
5183729962	1318447165	584037581	<b>TOTAL</b>		5918139546	134476959
					707466702	6555149803



**Eastern Power**  
Distribution Company of A.P. Ltd  
(An ISO 9001-2008 & ISO 27001:2005 Certified Company)

## RESERVE AND RESERVE FUNDS

**SCHEDULE -35**  
(In Rupees)

Balance at the beginning of the Previous year	Additions during the previous year	Deductions during the previous year	Particulars	Account Code	Balance at the end of the Previous year (31-03-2010)	Additions during the year (2010-11)	Deductions during the year (2010-11)	Balance at the end of the year (31-03-2011)
Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
<b>RESERVES &amp; RESERVE FUNDS</b>								
1044104998	8109550	0	1. Capital Reserve(Contingency & Other Reserves)	5700702 & 711	1052214548	0	0	1052214548
14241457	905393	905393	2. Other Reserves and Reserve funds(PF, P&G Trusts balance)	5400161 & 162	14241457	25000	29097	14237360
(28642)	204365663	204365662	3. General Providend Fund	5400121 & 122	(28642)	253140110	253140110	(28642)
(5177478)	124483	652732	4. Family Benefit Fund	5400151	(5705727)	72243	381705	(6015189)
11243242	7906379	4881548	5. Group Insurance - Savings Fund	5400152 & 153	14268073	6928843	4802060	16394856
(1952877)	947335	1245031	6. Group Insurance- Insurance Fund	5400154	(2250572)	785493	495805	(1960884)
836340074	1669764336	2302946561	7. Pension/Gratuity Fund	5400130 to 147	203157848	3466904735	2652154151	1017908433
1898770774	1892123139	2514996928	<b>TOTAL</b>		1275896985	3727856425	2911002928	2092750482



**Eastern Power**  
Distribution Company of A.P. Ltd

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణి సంస్థ

(An ISO 9001-2008 & ISO 27001:2005 Certified Company)



# ACCOUNTING PRINCIPLES & POLICIES

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

P & T Colony, Seethammadhara, Visakhapatnam - 500 013

Year - 2010 - 2011

### **Statement - 4**

## ACCOUNTING PRINCIPLES AND POLICIES

## 1. BASIC ACCOUNTING PRINCIPLES

1.1 The basic accounting principles laid down in the following paragraphs are followed in the preparation of its Annual Accounts of the company.

## ENTITY OF THE COMPANY FOR THE PURPOSE OF ANNUAL ACCOUNTS

1.2 Annual Accounts of the Company reflect the transactions of the Company.

1.3 Interest acquired by the Company in any body corporate whose transactions do not require incorporation into a Company's accounts are disclosed at cost, in Company's accounts as investments. In such cases the excess or shortfall of Company's share of the net assets of the body over the cost of acquiring the interest in that body are disclosed in the Company's accounts by way of a note.

## **HISTORICAL COST CONVENTION**

1.4 In Company's accounts, Assets, Liabilities, Expenses and Revenue are recorded at the amounts at which the transactions took place. This policy implies that no revaluation of assets liabilities is done for adjusting them to replacement cost, current cost etc.

## GOING CONCERN CONCEPT

1.5 Financial statements of the Company are drawn up on the premise that its business will continue indefinitely.

## CONSISTENCY CONCEPT

1.6 Uniform accounting policies are applied on the same basis from year to year. Even the accounting policies followed in respect of areas not specifically covered here after or in cases where departure from the prescribed accounting policy is permitted, is followed consistently from year to year.

## **TRUE AND FAIR PRESENTATION**

1.7 Accounts of the Company present a true and fair view of the financial position and results of operations of the Company. True and fair view implies the disclosure of all information necessary for a reader's understanding of the financial position and results of operations of the Company.

1.8 The objective of prescribing the forms of annual accounts of the Company is to prescribe the minimum and uniform disclosure required. Additional information in the accounts or by way of notes is given where it is necessary to ensure true and fair presentation.

## **ACCRUAL BASIS OF ACCOUNTING**

1.9 The Company follows commercial accounting system, which requires recording of transactions by which revenues, costs, assets and liabilities are reflected in the accounts for the period in which they accrue.

## **COMPARATIVE FIGURES FOR PREVIOUS YEAR**

1.10 Comparative figures for the previous year are given in the Annual Accounts. No regrouping of previous year's figures is made except in cases where a different basis for the figures for the same item has been adopted during the current year.

## **RESERVES NOT TO ABSORB CHARGE AGAINST REVENUE**

1.11 Reserves of a Company whether created out of appropriation from surplus of past years or in any other manner shall not be used (expect in prescribed circumstances) for absorbing the costs which would otherwise be a charge against the revenue of the current year, past years or future years.

## REVENUES NOT TO BE DIRECTLY CREDITED TO RESERVES

1.12 No reserves are given any credit for any amount, which should otherwise be treated as revenue for the current year, past years or future years.

## OFFSETTING OF ASSETS AND LIABILITIES

1.13 In the balance sheet of the Company, assets and liabilities are set off against each other only when a legal right of offset exists. Payables to one party are therefore not set off against receivables from the same-party unless the Company has a legal right to offset the two.

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

1.14 All events or transactions occurring after the date of balance sheet and before the date of the auditors report are treated in the following manner.

- 1) Two types of subsequent events and transactions require consideration by the Company.
- 2) The first type consists of those events that provide additional evidence with respect to the conditions that existed at the date of the balance sheet and affect the estimates necessary for accrual etc. in the process of preparing annual accounts. All information that becomes available prior to the finalisation of the annual accounts should be used in evaluating the conditions on which the estimates were based. The annual accounts are adjusted for any changes in estimates resulting from the use of such evidence. Identifying the events that require adjustment in accounts calls for the exercise of judgment and knowledge of the facts for example, a loss on an uncollectable receivable as a result of a consumer's deteriorating financial condition leading to bankruptcy subsequent to the balance sheet date would be indicative of his poor

financial condition existing at the balance sheet date, thereby calling for adjustment of the accounts. On the other hand a similar loss resulting from a consumer's major casualty such as a fire or flood subsequent to the balance sheet date would not be indicative of conditions existing in respect of the consumer at the balance sheet date and adjustment would not be called for.

- 3) The second type consists of events that provide evidence with respect to conditions that did not exist at the balance sheet date but arose subsequent to that date. These events should not result in adjustment of the accounts. Some of these events however, may be of such a nature that the omission of their disclosure may result in misleading statements. Examples of this type of event (which should not result in adjustment to accounts but which do require disclosure) are takeover of a license, loss from fire, flood etc.

## NO DEFERRMENT OF LOSS WRITE OFF

1.15 In the Revenue Account for a Company shall reflect full amount of the loss, if any, to the Company due to any natural calamities like cyclone, flood, etc, on recurring events like fire or possibly recurring events like receipt of inferior grade of coal. No part of the loss is deferred for write off over future years.

## 3% RETURN AND THE TREATMENT OF UNUSUAL AND EXTRAORDINARY GAINS AND LOSSES AND PRIOR YEAR INCOME AND EXPENSES

1.16 The Company's Revenue Account, all unusual and extraordinary losses or gains and prior periods income and expenses are disclosed separately. However, for the purpose of compliance with Section 59 requiring minimum surplus of 3% on fixed assets base such unusual extraordinary losses and gains and prior period credits and charge are considered in the same way as other usual and recurring income

expenses, losses or gains for the year. Such a treatment will reflect (and not conceal by ignoring such items) that the Company's operating surplus has been affected during the year on account of such items.

## 2. ACCOUNTING POLICIES

2.1 Transactions of the Company are accounted for in accordance with the Accounting Policies laid down herein below. The prescribed accounting policies are classified under the following sections-

- 1) Capital Expenditure and fixed Assets.
- 2) Fuel and Materials Accounting
- 3) Borrowings and Investments
- 4) Other Accounting Areas.

### I. CAPITAL EXPENDITURE AND FIXED ASSETS:

Disclosure at Historical Cost and no Revaluation of Fixed Assets

2.2 Fixed Assets of a Company are recorded in the books of account and disclosed in annual accounts at Historical Cost. This policy implies that no revaluation of fixed assets is done for adjusting them to replacement cost, current cost etc.

#### Expenditure on Project identification Survey and Feasibility Studies

2.3 Expenditure incurred on identification, survey and feasibility studies of a project before the project is considered for sanction or rejection are accumulated in an account provided for the purpose. Later, if the project is rejected, the full amount of expenditure is charged to Revenue as in fructuous capital expenditure in the year in which the project is rejected. If the project is sanctioned, the expenditure is charged to capital work-inprogress account for that project. Any expenditure incurred on detailed feasibility studies etc. after a project is sanctioned shall also be charged to the capital work-inprogress account for that project. The aggregate of expenditure incurred before and after sanction of a project are allocated over the "tangible" assets

acquired /constructed under the project, in the same manner as the revenue expenditure chargeable to capital works are to be allocated.

#### COST OF CAPITAL ASSETS

2.4 Cost of a capital asset shall include all 'actual Costs' incurred to prepare the asset for use subject to the exceptions and the basis of determining costs prescribed in the following paragraphs.

#### Treatment of material related costs

2.5 All materials related costs recorded at an accounting unit under which only capital construction activities are carried out are charged to capital works.

2.6 At a location under which capital construction as well as O & M activities is being carried out, only the following costs are charged to works:

- 1) Inland freight on imported capital equipment.
- 2) Freight on Local Capital Equipment
- 3) Testing charges – capital equipment
- 4) Incidental Stores Expenses- Capital Equipment.
- 5) Octroi on capital Equipment.
- 6) Advertisement for tenders etc. for purchase of capital equipments.

2.7 Capital Equipments, spares and other materials imported by the Company are valued as follows for receipts and issues accounting:

- (1) C.I.F. Value; and
- (2) Customs Duty

In accordance with Accounting standard.

#### Outside Labour / Contractor Charges

2.8 All Labour charges or contractor charges or contractor charges payable to outsiders for work done by them in respect of capital jobs are included in the cost of concerned capital assets.

#### Capitalisation of Expenses

2.9 The percentage of capitalization of expenses is fixed at 11% of base capital expenditure.

## Land and Land Rights

2.10 Land cost comprise of the following:

- 1) Purchase price of land
- 2) Compensation for acquisition of land
- 3) Compensation for trees and crops on the acquired land
- 4) Legal charges stamp duty etc. incurred in order to secure effective title
- 5) Land revenue and other taxes paid during the stage of land development.
- 6) Site preparation costs such as cost of leveling hills or filling low spots cost of clearing trees etc.
- 7) Cost of demolishing an unwanted structure if the land is acquired with structure.

2.11 Cost of land improvements having a limited life such as cost of landscaping gardens, sidewalks, fences and digging for sewage system shall also be added to Cost of Land as “Cost of Land Development”.

## Buildings

2.12 In case of purchase/acquisition of a building the building costs shall include the following items:

- 1) Purchase price
- 2) Compensation for acquisition of Building
- 3) Payments to tenants to cancel their tenancy rights.
- 4) Expenses such as legal charges stamp duty etc incurred for securing an effective title
- 5) Repairs alterations and improvements to put the building in usable condition.
- 6) Architect's fees for remodeling, alterations, improvements before the building is first put to use.

2.13 Cost of a constructed building shall include the following items:

- 1) Cost of construction comprising of materials, labour, contractor charges and

depreciation on construction machinery

- 2) Surveying
- 3) Cost of obtaining permits, sanctioned plans, occupation certificates from Municipal or other bodies
- 4) Architectural fees
- 5) Insurance on uncompleted structure
- 6) Cost of excavation (excavation is not a cost of land development).

## Additions, improvements, Replacement & Repairs

2.14 Expenditure on additions, improvements, replacement and repairs and maintenance are treated in accordance with the policies prescribed in the following paragraphs.

### Repairs before commissioning of Assets

2.15 Any expenditure on repairs or rehabilitation of an asset purchased by the Company (whether second hand or new) incurred before commissioning the asset or putting the asset in usable condition are treated as a cost of that capital asset.

2.16 Any expenditure on restoring an asset back upto the level of output / efficiency / performance at which it was, when it was first put to use is repairs expenditure. Any expenditure on maintaining the asset upto the level of output/efficiency/ performance at which it was, when it was first put to use is maintenance expenditure.

2.17 Expenditure on repairs and maintenance are charged to revenue in the year in which it is incurred.

### Additions

2.18 Additions may bring into existence a new asset or increase the physical size of an asset through expansion, extension etc. All expenditure on additions is capitalized.

### Improvements

2.19 An expenditure having the effect of extending the useful life of an asset or increasing output or capacity or efficiency of an asset or decreasing operating costs of an asset is ‘improvement’. Expenditure on improvement may involve replacement

of an existing asset (Eg. replacing a transformer by another transformer of higher capacity) or may not involve replacement an existing asset (E.g. expenditure on acid resistance lining in a tank in water treatment plant). All expenditure on improvements is capitalised.

### **Replacement**

2.20 Replacements can be defined as ‘substitution of one fixed asset by another, particularly of an old asset by a new asset, or of an old part by a new part’ Expenditure on O&M or replacements is charged to revenue a Repairs and Maintenance Expenditure. Major replacement expenditure is capitalised. However, the cost and accumulated depreciation of the old replaced asset are withdrawn when the expenditure on the new replacing asset is capitalised. A broad criterion of distinguishing between minor and major expenditure is that where replacement of any asset or part of asset requires a separate fixed asset record, it is considered a major replacement.

### **Rebuilding**

2.21 An asset may be rebuilt by replacement of its components over a period of time instead of at one time. The criteria fixed for ‘minor’ ‘major’ replacements shall in such cases be the aggregate of expenditures on replacement in an asset and accounted for accordingly.

2.25 Any expenditure incurred on shifting an asset from one place to another place is, regardless of the amount of expenditure, is charged to revenue in the year in which the expenditure is incurred.

### **Contributions, Grants & Subsidies Towards Cost of Capital Assets**

2.22 Contributions, Grants and Subsidies towards cost of Capital Assets are treated in accordance with the policies laid down in the following paragraphs.

2.23 Amount receivable as consumer’s contribution, subsidy or grant towards capital assets are credited to appropriate account set out in chart of Accounts only if the following conditions are satisfied:

1. The amount is not subject to any conditions

to be fulfilled by the Company; or

2. The conditions attached to the amount have been fulfilled by the Company.

2.24 Consumers contributions subsidies and grants related to depreciable fixed assets are to be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset, i.e., such amounts should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged.

Consumers Contribution, Capital Subsidies and Grants related to nondepreciable assets should be credited to capital reserve. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income balance is to be separately disclosed in the financial statements

2.25 Accounting for cost of a capital is done in the normal course without considering any contribution, subsidy or grants towards the cost of the asset. Depreciation shall also be charged in the normal course on the ‘full cost’ of the asset.

### **Full Write-off of Small Value items:**

2.26 Full cost of all small and low value assets each costing Rs.500 or less is fully charged to revenue in the year in which the assets are put to use. No part of the cost of such items shall therefore be included in the cost of fixed assets nor shall any depreciation be charged thereon.

2.27 The policy for full write-off stated in paragraph 2.30 above do not apply to:

1. Items of a type for which a specific classification has been prescribed for the purpose of depreciation under the Electricity (Supply) Act, 1948.
2. Items included under the classifications ‘Furniture & Fixture’ and Office Equipments.

2.28 All capital expenditure is accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure is transferred to appropriate fixed assets accounts. Transfer from capital work-in-progress accounts to fixed asset accounts is referred to in this section as 'Capitalisation of Assets'. The accounting policies prescribed for capitalization of assets are laid down in the following paragraphs.

#### **Capitalisation when Asset is first put to use**

2.29 An asset is capitalized when it is first put to use for commercial purposes.

#### **Technical Certificate**

2.30 Commissioning of an asset is a technical matter, which involves consideration of various factors such as trial, testing to ensure whether the asset is unusable condition etc. Capitalisation of assets shall therefore be done on issue of Asset commissioning certificate from the relevant Technical Authority of the Company.

#### **Capitalisation regardless of disputes with contractors**

2.31 Mere disputes with contractors / suppliers regarding the fulfillment of the terms and conditions of contract with them shall not be a reason to withhold or defer capitalisation of assets concerned. Cost of the assets determined on the basis of the contract should be capitalized by making necessary provision for liability to contractors / suppliers acknowledged by the Company.

#### **Rural Electrification Schemes**

2.32 Cost of assets forming basic infrastructure for an electrification scheme are capitalized, when the infrastructure is first put to use and lines are energized. The subsequent expenditure or granting service connections, are capitalized as and when each service connection is granted Capitalisation of individual service connections shall not be withheld or deferred until the targeted number of service connections granted.

#### **Full Capitalisation of Common Facilities**

2.33 Certain asset may constitute common facilities, cost of such common facilities assets are capitalized when the assets are first put to use.

#### **Commissioning of Transmission Lines and Sub-stations**

2.34 On commissioning of a transmissions lines, all the assets which are put to use are capitalized and the total cost of such assets are transferred from capital work-in-progress accounts to Fixed Asset Accounts. All expenses incurred before commissioning of transmission lines and sub-station are included in the cost of the assets.

#### **Capitalisation of Spare Units / Service Units**

2.35 Assets which are to be classified as Spare Units/ Service Units in accordance with the accounting policy recommended under the section 'Other Accounting Policies' are capitalized when they are 'put into usable condition' regardless of whether they are actually used or not.

#### **DEPRECIATION**

2.36 The accounting policies relating to depreciation on fixed assets are laid down in the following paragraphs:

1. The Company charges as depreciation on the fixed assets in use at the closing of the year (on the opening balance and considering further additions & deletions, if any, during 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.
2. Depreciation charge on an asset shall cease from the year following the year in which.
  - a. 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
  - b. The asset permanently ceases to be used by the Company.

Whichever is earlier

- c. Depreciation charge on a newly commissioned asset shall commence in the year of commissioning from the date of Capitalisation.

2.37 In respect of leasehold assets, depreciation is charged every year on such an amount as is required to write off 100 percent (unlike 90 percent for other assets) of the cost of leasehold asset, on a straightline method, for - The estimated useful life of the asset; or - Over the period of the lease Whichever is shorter. In considering the period of the lease, the renewal clause, if any, in the lease agreement shall be ignored.

2.38 Expenditure on development / improvement on leasehold assets is depreciated in such a way that full amount of such expenditure, can be written-off, on straight line method over

- The estimated useful life of those assets ascertained by the State Government; and
- Where no such period is ascertained by the State Government ‘Half of the estimated useful life of new assets of that class’ (as if half the life is expired)

2.39 Assets, which are of use only collectively in a group, and an individual asset in that group is of no use in isolation after the other assets of the group are retired/scrapped are defined as Assets of Common Retirement Date. The period of estimated useful life adopted for the purpose of charging depreciation shall be common for all the assets in the group of ‘Assets of Common Retirement Date’.

2.40 Assets used for construction are classified as under:

- 1) Construction facilities
- 2) Project Assets.
- 3) Fixed Assets.

2.41 By ‘construction facilities’ is meant those assets, which are intended for use on one or the other capital project.

2.42 Depreciation is charged on assets classified as

construction facilities in the normal manner as it is charged on assets used for O&M except that the amount of depreciation is debited not to Depreciation Account but to 'capital WIP – Revenue Expenses Reclassified account',

2.43 Certain assets acquired / constructed as a part of a project may be used for construction of other assets of the same project. Such assets should be capitalized when they are first put to use.

Capitalisation should not be withheld till commissioning of, say power plant itself.

Depreciation is not chargeable in the first year of commissioning; but from the subsequent year, depreciation should be charged in the normal manner. However, the depreciation so charged are reclassified and charged to cost of other assets of the project.

2.44 Fixed Assets used for construction means those assets, which have been, on their commissioning, transferred to fixed assets accounts, and are now deployed on any project at construction stage.

2.45 Depreciation on such assets is charged in the normal manner. The amount of depreciation charged on such assets is later reclassified and charged to capital works.

## Retirement, Scrapping, Obsolescence and Sale of Assets

2.46 The accounting policies relating to retirement scrapping obsolescence and sale of assets are laid down in the following paragraphs.

## Cost of Retirement, Scrapping, Sale of Assets

2.47 All costs incurred on retirement scrapping and sale of assets are charged to Revenue Account in the year in which the cost are incurred Examples of such costs are:

- 1) Building / Civil Works demolition costs
- 2) Plant decommissioning costs
- 3) Site restoration
- 4) Expenses like Legal charges and stamp duty for transfer of title to the purchaser.

- 5) Freight etc. on transfer of assets to any Asset/ Scrap Disposal Authority in the Company.
- 6) Expenditure on freight etc. on delivery of the solid assets/ scrap to the purchaser.

### **Withdrawal of cost and Depreciation**

2.48 On retirement, scrapping, obsolescence of asset, the cost of the asset and the accumulated depreciation on it are withdrawn from the fixed asset base and transferred to a separate account provided for this purpose.

### **Loss on Scrapping of Assets**

2.49 In case of scrapped asset for which no scrap / salvage value is realized, the written down value of such assets are charged off as “written down value of assets scrapped” in the Revenue Account for the year in which the scrapped assets are found unrealizable.

### **Gain or Loss on Sale of Assets**

2.50. Gain or loss arising on sale of capital assets are treated as a revenue item provided the realization value is lower than the original cost of acquisition. However for the sale value of capital assets where the realization value is more than the original cost of acquisition, the excess realization should be treated as a capital reserve.

2.51. The gain on sale of assets is treated as a Revenue item only to the extent of total depreciation charged on the sold asset. Gain if any in excess of the accumulated depreciation charged by the Company on the sold asset are treated as a capital gain and credited to Capital Reserve.

2.52 For the purpose of computing gain or loss on sale of an asset also the contributions, grants and subsidies towards cost of any capital asset sold shall not be reduced from the cost of the asset sold.

### **Date of Acquisition not known**

2.53. In case of assets scrapped / destroyed / sold for which the date of acquisition is not known, it is assumed, for the purpose of withdrawal of cost and depreciation, that the asset concerned was the oldest

asset of the type in use at that accounting unit.

### **Loss of Assets:**

2.54. In the event of loss /destruction of an asset, the cost and the accumulated depreciation on that assets are withdrawn from the fixed assets block and provision for depreciation respectively.

### **Write – off of Loss**

2.55. Excess of the written down value of the lost / destroyed asset over the amount of insurance claim granted are charged to revenue in the year in which the insurance claim is settled.

### **Formation of a New Company**

2.56. On formation of a new State Electricity Company, the geographical territories of an existing Company may get transferred to the new Company. The fixed assets of the existing Company may also get transferred at Book value (cost less accumulated depreciation) to the new Company. In all cases of transfers, the new Company shall not account for the book value at the net cost but shall incorporate gross cost as well as accumulated depreciation in its books of account. Depreciation on such assets should also continue to be charged on the gross cost in the same manner as the Company holding that asset hitherto would have charged. **Finance related costs.**

2.57. The accounting policies for treatment of costs related to funds utilised for the purpose of construction / acquisition of assets are prescribed in the following paragraphs.

### **Costs relating to Borrowing**

2.58. Guarantee charges, commitment charges, legal charges / stamp duty for loan agreements / bonds / debentures, advertisement costs in a public issue of bonds, commission on issue of bonds / debentures and such other costs are charged to revenue in the year in which the costs are included.

### **Discount / Commission /Redemption Premium on Bonds / Debentures etc.**

2.59. Discounts on issue of bonds / debentures are charged to revenue in the year in which bonds /

debentures are issued. Premium payable on redemption of bonds / debentures are charged to revenue in the year in which the premium becomes payable.

#### **Capitalisation of interest on Funds utilised at construction Stage.**

2.60. No Capitalisation of an imputed interest cost (notional interest) on the Company's own funds and interest free finance are permitted.

2.61 Interest on amounts utilised for capital works out of Borrowed funds shall be capitalised considering the principles laid down in AS-16 "Borrowing Costs" issued by the ICAI. Which are as follows:

- When one or more capital works are done out of funds borrowed from one source then interest to be capitalised shall be computed taking the rate of Interest of the loan and the funds utilised for each work considering the duration of the work;
- When one or more capital works are done out of funds borrowed from two or more sources then Capitalisation of Interest shall be done taking the weighted average rate of interest of all the borrowings which are used for that capital work / works considering the funds utilised in each of the work and the duration of the work.
- When funds utilised for capital work comprise of loan and grant funds then Capitalisation of interest shall be restricted to the extent of loan funds only.

2.62 No part of interest are capitalised in respect of assets which involve no time period or involve insignificant time periods for bringing the asset into usable condition examples of such cases are:

- Purchase of new vehicles
- Purchase of Office equipments

2.63 The amount of interest capitalised are included in the cost of the assets which involve significant time periods at construction stage and the same shall along-with the basic cost of assets be depreciated in normal course, over the expected useful life of the assets.

## **II. MATERIALS ACCOUNTING**

### **Accounting for Materials Transactions**

2.64. Accounting for all materials transactions are in the same period, in which the physical event of receipts, issues etc. take place. Similarly, liability for all materials received by the Company is created in the month in which the materials are received.

### **Accounting for Incidental Expenses**

2.65. The cost of inventories should comprise all costs of purchases, Costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### **Recognition of Consumption**

2.66. Accounting for consumption shall closely follow the physical transactions. Issues of materials in respect of specific works are forthwith treated as consumption. Where there is lump-sum withdrawal of materials, consumption is recognised only when the exact end-use is established.

## **III. BORROWINGS AND INVESTMENTS**

### **Interest on Borrowings**

2.67 Provision is made every year for the interest accrued on all borrowings including State Government loans whether such interest is due or not and whether it is actually paid or not.

2.68. Total interest cost for the year including interest on State Government loans shall, subject to capitalisation of a portion of interest as per paragraphs 2.64 & 2.65 be charged to Revenue Account for the year.

2.69. A portion of the interest on borrowings which relates to financing of capital work-inprogress upto the stage of commissioning shall, if so directed by Central Government, be capitalised

### **Cost Relating Borrowings**

2.70. Guarantee charges, commitment charges and legal charges / stamp duty for loan agreements, debenture trust deeds, bonds or debentures are charged to revenue in the year in which the costs are incurred. Provision is made at the yearend for the

above costs for the year, which has accrued but is not paid.

#### **Discount and Redemption Premium on Bonds etc**

2.71 Discount on issue of bonds, debentures or other securities offered by a Company are charged to Revenue in the year in which the bonds / debentures are issued.

2.72. Premium, if any payable on redemption of bonds, debentures or other securities shall also be charged to Revenue Account in the year in which premium becomes payable.

#### **Treatment of income and investments**

2.73. Income from investment is credited to Revenue Account for the year in which the income has accrued. However, if the investments are held as earmarked investments against any Fund such as Pension Fund, Gratuity Fund etc., the income from such investments may be credited directly to the respective Fund.

2.74. Provision is made for the income from investments (whether to be credited to Revenue Account of a Fund), which has accrued but not received by the Company.

#### **Investments to be recorded 'at Cost'**

2.75. Investments are recorded in the books of accounts at actual cost of acquisition including transfer charges, stamp duty etc. No adjustment is made for the excess or shortfall of the cost over the face value of the investments.

#### **Treatment of Loss/Gain relating to Investments**

2.76. Gain on sale of investments is credited to the net Revenue and Appropriation Account. Similarly if any Redemption premium is received on maturity of securities, the same is also credited to Net Revenue and Appropriation Account. Loss on sale of investments is debited to Net Revenue and Appropriation Account. In case of investments against a Fund, the credit for the gain or debit for the loss is not passed on to the Revenue Account, but to the respective Fund Account itself.

## **IV. OTHER ACCOUNTING AREAS**

#### **Foreign Currency Transactions**

2.77. When a foreign currency transaction is being first recorded in a Company's books of accounts, the assets, liabilities, income or expenses arising from the foreign currency transaction are translated at the official exchange rate in force on the transaction date.

2.78. All amounts owed to the Company or owed by the Company in foreign currency outstanding at the balance sheet date (including liability in relation to acquisition of fixed assets) are translated at the official exchange rate in force as on the balance sheet date. If the amount derived on such translation is different from the amount at which the receivable or liability is appearing in the books of account, the difference is recorded in the books as under:

- (1) Increase in the amount of receivable or decrease in the amount of the liability is treated as a gain and be credited to Exchange Variance Reserve.
- (2) Decrease in the amount of receivable or increase in the amount of liability is treated as a loss and is debited to Exchange Variance Reserve. If as a result of such debit the net balance in reserve account is a debit balance, the amount of debit balance is charged to revenue for the year as "Loss on Exchange Rate Variation". Gain or loss arising on account of difference between actual amount received/paid and the amount at which the item is appearing in books shall also be treated in the same manner as above.

2.79. Where any revaluation or devaluation of rupee vis-à-vis the currency in which the liability is to be discharged is more than 10% at one time the same shall not be treated in accordance with the abovementioned policy. The policy relating to treatment of such situation is as follows:

- (1) The increase or decrease in the amount of foreign currency liability is accounted for

as an increase or decrease in the cost of the assets financed by the liability.

- (2) The depreciation for the past years shall also be reworked for the assets where the conditions laid down in paragraph 2.65 for retrospective reworking of depreciation are fulfilled.

#### **Loss due to Fire, Flood, Cyclone etc**

2.80. All losses on account of flood, cyclone fire etc., are treated as the loss for the year in which the loss was incurred. Such a charge against revenue is reduced.

- (1) By the insurance claim granted by the insurer, where assets are insured with an outside insurer;
- (2) By the amount of reserve created, where the Company follows self insurance practice; and
- (3) By subsidy, if any, received from Government etc., specifically for meeting the loss.

In the case referred to in sub point (2) above, the excess amount set aside, if any, in respect of the assets may be written back to Revenue Account.

#### **Income tax**

2.81 Provision is made every year, for the tax payable by the Company on its income or profits in accordance with provisions of the relevant tax law. Such a provision is treated as a charge against the revenue before arriving at the Company's profit for the purpose of computing surplus for the year under Section 59.

2.82. Any excess or shortfall of the provision for income tax as compared to the tax payable is treated as prior period credit or prior period charge in the Revenue account for the year in which such excess or shortfall is established.

#### **Timing of Accounting for Revenue**

2.83. Revenue from sale of power is accounted for

on an accrual basis. The accounting for revenue shall thus be totally de-linked from the timing and the extent of actual collection of revenue from consumers. Where the sale of energy prior to the end of a year has not been billed, a provision for such unbilled revenue is made at the year-end so as to treat the amount as revenue in the year of supply of power.

#### **Treatment of certain items recoverable from consumers**

2.84. The accounting policy on treatment of certain items recoverable from consumers is laid down below with reference to each such item:

- (1) Electricity Duty: Electricity duty recovered from consumers and forwarded to the Government is neither a cost nor an income to the Company it should thus be kept out of the Revenue Account altogether. The point of time the liability to pay Electricity duty to the Government arises would differ from State to State – it may arise either on assessment or on collection. In order to reflect the liability truly in either case, the amount of duty assessed but not collected from consumers and the amount of duty collected from consumers but not yet remitted to the Government is shown separately in the accounts.
- (2) Minimum Charges: Minimum charges levied in case of consumption below a specific minimum consumption during a billing period or during a year shall, for the sake of working convenience, be treated fully as revenue from sale of power although strictly only a part thereof relates to sale of power. Treatment of Minimum charge levied on Applicants who have delayed taking of connection: Applicants who delay their Test Report are at times billed a minimum charge even though no power has been supplied to them. Such income is treated as "Miscellaneous Charges from Consumers".

The amount receivable on the account shall also be accounted for in an account separate from 'Sundry Debtors for Sale of Power'.

- (3) Treatment of Discount allowed for Timely Payment: Cash discounts allowed to consumers as an incentive for timely payment by the due date should, when allowed, be treated as a cost and shown separately as such in the Revenue Account.
- (4) Treatment of Delayed Payment Charges: Charges recovered from consumers for delayed payment should not be clubbed with the revenue from sale of power but shown separately since these are more in the nature of a financial charge.
- (5) Accounting for bills of Thefts of Energy: Income arising from the bills raised for Theft of Energy. Whether on a consumer or an outsider are treated as income and reported under a separate account head provided for such revenue.

#### **Cheque Received and in Hand to be regarded as Cash**

2.85. Cheques and bank drafts received will be treated

as cash until they are deposited in bank, and will be included as cash on hand in the accounts. Banking of such cheques and drafts will, therefore, be considered as deposit of cash in the Bank Account.

2.86. Subsidies which are receivable to assist a Company to meet, partly or fully, shortfall of revenue as compared to cost of operations of a specific type or of a specific activity carried out or being carried out by the Company on its own or under the directive of the body from whom the subsidy is receivable are credited to Revenue Account.

2.87. The subsidies, the receipt whereof is dependent upon the Company satisfying certain conditions shall not be taken credit for to Revenue Account until the Company satisfies all such conditions.

2.88. Where a claim for subsidy of revenue nature is made but no intimation of granting of the claim has so far been received the outstanding amount for the current year and for the past years should be shown as a deduction in the Reserve Schedule.

2.89. The Company follows the mandatory accounting standards issued by the ICAI, to the extent applicable, in regards to the accounting treatment of various transactions and prescribed in the Accounts.

As per our report attached

For M/s **Basha and Narasimhan**

Chartered Accountants

Firm Regn No.0060318



**SK.Phyaji Basha Saheb**

Partner

Membership No: 23417

For and on behalf of the board

  
**P.Hariprasad, I.R.A.S**

Director(Finance)

  
**Ahmad Nadeem I.A.S**  
Chairman & Managing Director

  
**P.S. Kumar**

Chief General Manager (Expr.)

  
**A. Rama Rao**  
Company Secretary



**Eastern Power**  
Distribution Company of A.P. Ltd

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణి సంస్థ

(An ISO 9001-2008 & ISO 27001:2005 Certified Company)



# NOTES TO ACCOUNTS

## **NOTES TO ACCOUNTS (2010-11)**

1. The Books of accounts of the Company have been prepared in accordance with Electricity (Supply) (Annual accounts) Rules, 1985 as notified by the Central Government, Electricity Act, 2003 and Companies Act, 1956 wherever the company has adopted the provisions thereof. The principles laid down under ESAAR 1985 are not in total consonance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

**2. Capitalisation of expenses:**

“The percentage of capitalization of expenses is fixed at 11% on base capital expenditure.”

3. SAP ECC 6.0 Version is being implemented from 01.04.2010 for which the unit wise reconciled Opening Balances as on 01.04.2010 were already communicated to all units and the same balances were uploaded.

**4. Income Tax:**

❖ Appeals in respect of the following assessment years are pending in connection with the income tax assessment of the Company.

<b>Assessment year</b>	<b>Authority before which the appeal is pending</b>	<b>Amount in dispute (Rs.)</b>
2005-06	Commissioner of Income Tax(Appeals)	5,69,85,634
2006-07	Commissioner of Income Tax(Appeals)	1,45,13,785
2007-08	Commissioner of Income Tax(Appeals)	42,87,81,054
2008-09	Commissioner of Income Tax(Appeals)	41,80,59,915

❖ Provision for Income Tax has been made on Book Profits u/s.115JB of the Income Tax Act, 1961.

**5. Second Transfer Scheme Balances:**

The Opening balances as on 1st April 2010 of all Assets and Liabilities includes balances adopted from the 2nd Transfer Scheme Vide G.O.Ms.No.109, dated 29-09-2001 as per the notification of the Government of Andhra Pradesh. The said opening balances are allocated among the circles. The Head wise Opening Balances of the Company as a whole has been tallied and certified by the internal auditors of the company and the same was incorporated in the SAP system. The annual accounts for the year 2010-11 along with relevant schedules have been derived from SAP system.

**6. Third Transfer Scheme with effect from 10th June 2005:**

❖ An amendment to the Provisional Third Transfer Scheme (issued under G.O.Ms.No.58, Energy (Pr.III) Department, Dated the 7th June, 2005) has been issued vide G.O.Ms.No.53 Dt.28.04.2008 indicating

the final allocation of generating capacities. As per this latest G.O. the amendment shall be deemed to have come into force with effect from 9th June, 2005. A proposal for representing before Govt.of AP for requesting to give prospective effect to the said amendment G.O is under consideration at APPCC level.

## 7. Fixed Assets/Depreciation:

- ❖ Depreciation on fixed assets is provided under 'Straight line method' at the rates prescribed by the Central Government vide Notification No.S.O.265 (E) dated 27th March, 1994 issued under the Electricity (Supply) Act, 1948
- ❖ Assets Costing less than Rs 500/- are charged to Profit and loss account.
- ❖ The Company's Fixed Assets of Vehicles have been insured fully and other Assets wherever considered essential in view of nature of assets. The Company has taken a fidelity insurance coverage for Rs.150 Crores for the Cash in transit and Rs.50 lakhs for cash on hand.

## 8. Terminal Benefits

- a) Liability towards Earned Leave encashment is provided on the basis of Actuarial Valuation. The liability provided during the year 2010-11 is Rs.60 crores. (Previous Year Rs.28.65 crores).
- b) As per the Actuarial valuation report, the total accrued liability towards pension and gratuity as on 31.3.2011 is Rs.379.27 crores(Previous year Rs 273.55 crores) and the investments in Pension and Gratuity Trust is Rs.271.31 crores (Previous year Rs 212.40 crores) towards future liability. As per the actuarial valuation an amount of Rs. 107.96 Crores (Previous year Rs 61.15 crores) balance liability is provided in the books of accounts during the year 2010-11.

## **A. Revised AS-15 (2005) Disclosure**

**Table-1**

<b>Reconciliation of PBO</b>	<b>31-Mar-09 to 31-Mar-2010</b>	<b>31-Mar-2010 to 31-Mar-2011</b>
Projected Benefit Obligation at Begning of year	2,511,752,695	2,735,548,750
Current Service Cost	64,004,679	69,707,468
Interest Cost	199,480,980	214,824,497
Contributions by plan participation	-	-
Actuarial (Gain)/Loss	124,800,647	611,272,002
Foreign currency exchange rate changes on plans measured in a currency difference from the enterprise's reporting currency		
Benefits Paid	(164,490,251)	(239,900,000)
Past service cost	-	401,289,907
Amalgamations	-	-
Curtailments	-	-
Settlements	-	-
<b>Projected Benefit Obligation at End of year</b>	<b>2,735,548,750</b>	<b>3,792,742,624</b>

**Table-2**

<b>Plan Asset at Fair Value</b>	<b>31-Mar-09 to 31-Mar-2010</b>	<b>31-Mar-2010 to 31-Mar-2011</b>
Plan Asset at beginning of year	497,200,000	2,124,000,000
Foreign currency exchange rate changes on plans measured in a currency different from the enterprise's reporting currency	-	-
Expected Return on Plan Asset	101,555,188	134,300,000
Employer Contribution	1,689,735,063	694,700,000
Employee Contribution		
Benefit Payments	(164,490,251)	(239,900,000)
Asset Gain / (Loss)	-	-
Amalgamations	-	-
Settlements	-	-
<b>Ending Asset</b>	<b>2,124,000,000</b>	<b>2,713,100,000</b>
Total actuarial gain/(loss) to be recognised immediately	(124,800,647)	(611,272,002)

**A. Revised AS-15 (2005) Disclosure**

**Table-3**

<b>Amounts to be Recognised in the balance sheet</b>	<b>31-Mar-09 to 31-Mar-10</b>	<b>31-Mar-10 to 31-Mar-11</b>
Projected Benefit Obligation at End of year	2,735,548,750	3,792,742,624
Ending Asset	2,124,000,000	2,713,100,000
Funded Status asset / (liability)	(611,548,750)	(1,079,642,624)
Unrecognised past service cost - non vested benefits	-	-
<b>Liability(-)/Asset(+) recognised in Balance Sheet</b>	<b>(611,548,750)</b>	<b>(1,079,642,624)</b>

**Table-4**

<b>Statement of Profit and Loss</b>	<b>31-Mar-09 to 31-Mar-10</b>	<b>31-Mar-10 to 31-Mar-11</b>
Current Service Cost	64,004,679	69,707,468
Interest Cost	199,480,980	214,824,497
Expected return on plan asset	(101,555,188)	(134,300,000)
Net actuarial (gain)/loss to be recognised in year	124,800,647	611,272,002
Past Service Cost	-	401,289,907
Effect of Curtailments	-	-
<b>Income (-)/Expense(+) recognised in the Statement of Profit and Loss</b>	<b>286,731,118</b>	<b>1,162,793,874</b>

Reconciliation		
Incremental liability [Asset(+)/Liability(-)]		(468,093,874)
P&L Charge		1,162,793,874
Less Contribution paid		694,700,000
Balance ( income(-)/Expense(+)		468,093,874

9. Security Deposits collected from the consumer up to 31.3.2011 is Rs.618.38 crores as against Rs. 563.09 up to 31.3.2010. The interest on Security Deposit is allowed @ 6% per annum as per Regulation 6 of 2004 issued by the APERC. Excess consumption Deposit as per regulation No 6 is pending adjustment to consumer a/c in cases where consumers have not requested for refund of the same.

10. During the year an amount of Rs. 134.45 crores is received towards consumer contribution. An amount of Rs. 70.75 crores is taken to Revenue account in accordance with accounting policy No. 2.24.
11. The Accounting of DD/ Cheque received is being done based on the date of receipt by the concerned unit office.
12. Inventory: The following is the position of surplus, Non-moving and obsolete stock as on 31-03-2011.

(Rs. in Lakhs)

Sl. No	Name of the Stores	Scrap (Estimated realizable value)	Surplus	Obsolete	Non-Moving	Un Serviceable	Total
1	Srikakulam	18.27	0	0.37	2.47	0	21.11
2	Vizianagaram	8.72	0	0	0	0.49	9.21
3	Visakhapatnam	25.42	0	0	63.54	0	88.96
4	Rajahmundry	68.31	0	0	0	0	68.31
5	Eluru	61.00	0	0	0	0	61.00
	<b>TOTAL</b>	181.72	0	0.37	66.01	0.49	248.59

13. Preliminary expenses are written off over a period of 10 years, commencing from 2001-02 onwards and the period of 10 years is completed to end of 31.3.2011.
14. The Company operates in only one segment namely power distribution hence there are no reportable segments under accounting standard – 17 ‘Segmenting Reporting’ as prescribed by Companies (Accounting Standards) Rules, 2006.
15. The company has not provided for Deferred Tax Liability / Asset as per the requirements of AS-22 issued by the Institute of Chartered Accountants of India, from the date of incorporation, company has no taxable profit as per regular provision of Income Tax Act, other than the provisions of section 115JB of the Income Tax Act, 1961.
16. Aggregate amount of Capital Liabilities (tentative) falling due for Repayment / Redemption during 2011-12 is:

(Rs. in Crores)

Funding Agency	Principle	Interest
REC	50.20	26.50
PFC	Nil	Nil
Govt. Loan	Nil	Nil
Federal Bank	4.73	1.60
Bank of Baroda	4.20	1.50
State Bank of Hyderabad	2.50	2.00
Vidyut Bonds	Nil	2.34
<b>TOTAL</b>	<b>61.63</b>	<b>33.94</b>

**17. Purchase of Power:** Consequent to the Andhra Pradesh Gazette Notification No. 396 dated 9.06.2005, for Transfer of Bulk Supply Undertaking and Power Purchase Agreements from AP Transco to Distribution companies:

- i. Andhra Pradesh Power Transmission Corporation (APTRANSCO) transferred, on 09.06.05, its entire investments in equity of the Company in favour of the Government of Andhra Pradesh upon which, the company ceased to be a subsidiary of AP Transco.
- ii. The Power Purchases and its accounting are being carried out by the Andhra Pradesh Power Coordination committee, and are sent to the Distribution Companies. The amount as certified by M/S Sagar & Associates, CAs, the internal auditors of APPCC has been adopted in the books of accounts of the company.
- iii. A Bank account in the name of AP POWER DISTRIBUTION COMPANIES POOL ACCOUNT has been opened by all the Distribution companies jointly which is being operated by the nominees of Andhra Pradesh Power Co-ordination Committee. Since this is a single account, Distribution company wise confirmation of balance is not available.
- iv. The power purchases and their payments and the inter-state sale of power and their receipts are affected through the above said Bank account by the Andhra Pradesh Power Co-ordination Committee.

18. Equity Participation in 1600MW Power Project at Krishna Patnam in Sri Potti Sriramulu, Nellore District. As per the Resolution passed in 61<sup>st</sup> Board Meeting held on 29-10-2009 APEPDCL Share is 6.76% (out of 49%). Equity Payment made so far to the end of 31-03-2011 is Rs.48.72 Crores.

**19. Frauds:**

An incident of fraud / misappropriation of funds is identified in Division Office /C&O/Paderu/ Visakhapatnam Circle during 2004-05 to 2007-08. The said misappropriation pertains to remittance of amounts to outside agencies. An amount of Rs. 8.18 lakhs and amount realized so far is Rs. 3.31 Lakhs and the balance amount of Rs.4.87 identified and yet to be realized. The departmental action is in progress. Another incident of fraud of Rs.9,06,457/- is identified in ERO/Narisipatnam during 2007-08 on account of misappropriation of funds collected from consumers. So far an amount of Rs.809983/- is realized. The departmental action is in progress.

In view of the certainty involved in realization of the balance amount in both the above cases the necessity of provision for the unrealized amount is not felt required.

20. Disclosure of quantitative particulars in pursuance of the requirements of part II to Schedule VI of the Companies Act, 1956:

- (a) Quantitative Details of Purchase & Sale of Power and Circle & Sub-transmission losses (as per Energy Billing Center certification grossed up to normative transmission losses).

(in Million Units)

S.No	Particulars	2010-11	2009-10
1	Gross Energy Purchased	11602.87	11260.691
2	Gross Energy Input	11602.87	11260.691
3	Direct Sales:		
	a) EHT	371.60	445.458
	b) HT	84.96	100.693
	c) Total direct Sales (a + b )	456.56	546.151
4	<b>Net Energy Input (2 – 3)</b>	<b>11146.30</b>	<b>10714.540</b>
5	Sale by Circles:		
	a) EHT(incl. Ferroalloy)	2277.20	2056.781
	b) HT	2340.41	1956.843
	c) LT(Excluding Agl)	4296.87	3986.613
	d) Agricultural Consumption	1451.90	1868.314
	<b>e) Total Sales by Circles (a+b+c+d)</b>	<b>10366.38</b>	<b>9868.551</b>
6	<b>Circle Losses (MU) (4-5)</b>	<b>779.92</b>	<b>845.990</b>
	Sub-transmission losses (%)	8.71	9.659
	Circle Losses to Gross Input (%)	6.722	7.513
	<b>Discom Losses (%)</b>	<b>7.00</b>	<b>7.896</b>

(b) Payments and benefits to the Chairman and Managing Director and other Directors:

(In Rupees)

Sl. No	Particulars	Sri. N.Gulzar, IAS CMD	Sri. Ahmad Nadeem, IAS, CMD	Sri V.Suryana rayana, (Director- Proj.)	Sri.H.Y. Dora (Director- Opn.)	Sri Y.Narayana, (Director- RA )	Sri V.Krishna Murthy (Director- Plg)	Sri P. Hari Prasad, (Director Finance)
1	Salary/ Remuneration	44256	605140	578145	562925	551830	256198	667932
2	Allowances/DA	20810	251922	42028	40660	40110	19974	265492
3	HRA	Free accommo dation	Free accommo dation	93000	93000	93000	39839	180000
4	Estimated Benefits such as Telephone, Accommodation and Conveyance	15234	133592	199350	199350	199350	89040	199350
5	EPF	0	0	0	0	0	0	0
	<b>Total</b>	<b>80300</b>	<b>990654</b>	<b>912523</b>	<b>895935</b>	<b>884290</b>	<b>405051</b>	<b>1312774</b>

c) Sitting fee is paid to Non- whole time directors only and the details are as follows:

(In Rupees)

Sl. No.	Particulars	Sri. B. Umakara Rao	TOTAL
(1)	(2)	(3)	(4)
1	Sitting fee	3000	3000
2	Out of pocket expenses	9000	9000
	<b>Total</b>	<b>12000</b>	<b>12000</b>

Loans and Advances include Advances / Loans to Directors of Rs. - NIL

Maximum amount outstanding at any time during the year is Rs. - NIL

(d) Details of Remuneration to Auditors:

(Rupees in Lakhs)

	Particulars	2010-11	2009-10
a)	For Statutory Audit Fee	3.64	3.64
b)	For Tax Audit Fee	0.91	0.91
c)	For Company Law Matters	0	0
d)	For Other Services	0	0
e)	For reimbursement of out of pocket expenses	1.00	1.00
	<b>Total</b>	<b>5.55</b>	<b>5.55</b>

(e) During the year the Company has not incurred expenditure in Foreign Currency.

## 21. Court Cases / Legal Disputes / Contingent liabilities:

- The receivables for sale of power as on 31-03-2011 include Rs. 163.18 Crores, which are Subject to finalisation of disputes in court cases.
- Demand of Rs.19.57 crores (previous year Rs.14.66 crores) raised on the participating industries of APGPCL during 2010-11 is in dispute. Realisability of the same depends on the outcome upon finalisation of the said dispute. The corresponding power purchase cost to the tune of Rs. 10.36 crores (previous year Rs. 5.82 crores) is also provided in the books of account based on matching concept.
- Arbitrator appointed by Hon'ble High Court had passed (October 2007) an award directing the Company for payment of Rs. 71.25 lakh with interest at 12 per cent per annum to Nagarjuna Construction Company Limited towards service tax incurred by them in respect of works executed for the Company. The company had disputed the claim and filed (31.12.2007) Original petitions (Ops) against the award and the same are pending for numbering at High court, Hyderabad.
- An agreement was entered with M/s Tata Projects Ltd., Hyderabad for erection of 6 Nos. substations. As the works executed are under partial turnkey basis, the Contractor demanded for the penalty for

the delay in handing over the sites and material for an amount of Rs.73, 45,170/- as penalty. An Arbitrator was appointed by the High Court of A.P. and award was passed on May 4th 2009, favouring the Contractor. M/s Tata projects has come for amicable settlement of the Award and has decided to reduce the rate of interest from 14.5% to 6% p.a. If the management agrees, Compromise petition has to file up.

- e) An agreement was entered with M/s Global Energy Consulting Engineers, Hyderabad to execute the works of GIS based consumer indexing and assets coding in 29 towns of APEPDCL. The contractor has failed to complete the work in full shape and fulfill the contractual obligations and APEPDCL has imposed LD charges on M/s GECE and encashment of BG. The GECE has filed a writ petition. The vacate Stay petition No. 2126/2009 is pending hearing and the date of hearing is not yet fixed.
- f) An agreement was entered with M/s Saif Electronic Ltd., Mumbai for supply , installation, testing and commissioning of LT fixed capacitors on LV side of DTRs vide Agt. No. 8 to 11/2007-08 of CGM/Projects/VSP. Contractor was blacklisted due to his high failure rate 65.35% and his BG for Rs. 9.549 Lakhs was forfeited and Rs. 38.95 lakhs of pending bills, retention amount of Rs. 8.05 lakhs are pending with EPDCL. The contractor claimed for an amount of Rs. 109.38 lakhs and appointed sole Arbitrator. The arbitration application No. 09/2011 has come up for hearing on 08.03.2011, 21.4.2011 and again adjourned to 9.6.2011. The matter is again adjourned to 22.6.2011 for filing of the counter.
- g) An amount of Rs. 97,86,824/- & 3,37,740/- deposited at Hon'ble A.p. High Court under Protest against the SSI penal interest.
- h) There is dispute on implementation of Employees Provident Fund Scheme in respect of Contract labour engaged for which notices received from the Provident fund Authorities against that certain amounts were paid under protest and appealed to Tribunal/ High court.

The division wise details are furnished hereunder:

Division	Amount involved	Paid/Deposited
Eluru	56,89,348	27,37,286
T.P.Gudem	28,22,685	19,93,612
Bhimavaram	28,62,505	10,83,261
Nidadavole	28,79,963	17,08,978
Jaggampeta	16,65,572	8,32,786
Rajahmundry	21,15,414	12,69,249
Ramachandrapuram	10,95,293	8,17,461
Amalapuram	70,76,042	31,06,873
Circle Office/Rjy	7,98,764	4,79,309
Anakapalli	8,94,858	4,47,429
Paderu	8,04,620	4,02,310
Circle Office/VSP	2,41,229	1,20,615
Bobbili	11,38,996	5,69,498
Vizianagaram	15,11,684	7,55,843
Circle Office/VZM	1,87,954	1,87,954

- i) The Company is contingently liable for Entry Tax of Rs. 6.58 Crs. from June 2002 onwards for procurement of Transformers and conductors. The company had gone for Appeal before Andhra Pradesh Sales Tax Appellate Tribunal, Hyderabad for the period from June 2002 to Nov 2004 and also obtained stay on collection or recovery from A.P. High Court for the same period. An amount of Rs.3.01 crores deposited with Commercial Tax Officer as per the directions of the Hon'ble High Court of AP, as the case is still pending before the Sales Tax Appellate Tribunal, Visakhapatnam. Hence there is a possibility of getting refund of Rs.3.01 crores in view of Hon'ble A.P.High Court judgement. The refund will be claimed before Sales Tax Appellate Tribunal as and when it restores normal activity.
- j) Demand raised by Central Excise authorities in Eluru Circle for an amount of Rs.20.11 Lakhs relating to manufacture of PSCC poles etc., is pending before Appellate authorities.
- k) Klen & Marshall the 'Lessor' of certain equipment to the Company has claimed Rs1.40 Crores towards lease rentals of ELURU circle for the period from Sep-05 to Sep-2006. The same is not taken into books of accounts as a case was filed by the above company in the High Court and the case was disposed by the Hon'ble High Court with a direction to the petitioner to represent in appropriate forum.
- l) An amount of Rs 947244/- is deposited in court under protest in respect of Non departmental fatal accident compensation in Bobbili Division of Vizianagaram Circle.
- m) An amount of Rs 298742.00 is deposited in court under protest in respect of Non departmental fatal accident compensation in Vizianagaram Division of Vizianagaram Circle.
- n) An order passed by the Tribunal cum I Additional Judge, W.G.Eluru directing to pay an amount of Rs.716944.00 towards compensation against Non-Departmental non fatal accident. Appeal has to be preferred before the Tribunal.
- o) An order passed by the Tribunal cum I Additional Judge, W.G.Eluru directing to pay an amount of Rs.446127.00 towards compensation against Non-Departmental non fatal accident. Vakalat filed in the Hon'ble High Court of A.P. Hyderabad on 15-8-08 against the judgement in lower court.
- p) OS No.588/2008 filed by Smt.Jada Gandalamma and others in connection with Non-departmental fatal accident case occurred to Sri J. Gangarao on 20.09.2005. The case was decreed against EPDCL and the defendants are directed to pay the plaintiff a sum of Rs.2.5 lakhs together with interest @ 12% p.a. from 11.08.2008. As per opinion of the BLC, the appeal is being filed.
- q) A.S. No.210/03 1st. Addl. Senior Civil Judge Court, Kakinada has ordered in the judgement directed the respondents to pay an amount of Rs.50,000/- towards compensation in connection with nondepartmental fatal accident occurred to Sri M. Chakram at Aratlakatta of Karapa Section on 18.10.1993. The appeal suit was also dismissed confirming the decree of the Trial Court, 2nd appeal was filed before the Hon'ble High Court, Hyderabad as per the interim orders of Hon'ble High Court an amount of Rs.28,669.00 being the 50% amount was deposited.
- r) OS No.44/2004 filed by Smt. Singuluri Lakshmi W/o (late) Tatabbai and 5 others in connection with non departmental fatal accident occurred to Sri Singuluri Tatabbai on 19.06.2001 was decreed in favour of plaintiff with a direction to the respondents to pay a sum of Rs.3,80,000/- with interest of 6%p.a. Appeal has been filed in the District Court and an amount of Rs.2, 86,656.00 was deposited. Appeal

dismissed in the District Court. Writ Appeal will be filed in Hon'ble High Court.

- s) The suit filed by Sri R. Nageswara Rao, in the court of Senior Civil Judge, Pithapuram in connection of nondepartmental fatal accident to Sri R.Chittibabu, on 25.04.1999 was decreed in favour of plaintiffs and directed the dependents to pay an amount of Rs.1,00,000/- together with interest thereon @ 12% p.a. The appeal has been filed duly depositing the amount of Rs.42,727.50 being the 1/4th amount granting to stay on the lower court judgment.
- t) OS No.19/2009 filed by Smt.Gorla Venkata lakshmi Gandalamma and others in connection with Nondepartmental fatal accident case occurred to Gorla Vara Lakshmi . The case was decreed against EPDCL and the defendants are directed to pay the plaintiff a sum of Rs.13.51 lakhs and also court chares Rs.16020, the appeal is being filed at Principal Division Court, Rajahmundry.
- u) A.S 1/08 Non departmental fatal accident filed by Kovvuru Dhamayanthi accident occurred to Kovvuru Chandra Reddy in Kutukuluru Village Case filed at Senior civil Judge Ramachandrapuram was decreed in favour of plaintiff with a direction to the respondents to pay a sum of Rs.543275/- As per the interim orders of Sr.Civil Judge/RCP an amount of Rs.229815/- being the 50% amount was deposited. Case pending in District court Rajahmundry.
- v) O.S.No.699/07 Non departmental fatal accident occurred to Kodavali Satyanarayana filled at 2nd Senior Civil Judge Court, Rajahmundry – Rs. 3 Lakhs.
- w) O.S.No.701/07 Non departmental fatal accident occurred to Kodavali Srinivasu filled at 2nd Senior Civil Judge Court, Rajahmundry – Rs. 2 Lakhs.
- x) AS.No. 77/2008 in OS.No. 542/2005 filed by Smt. Dangeti Someswari and others in connection with Non departmental fatal accident case occurred to Sri D. Gunnayyasetti on 23.11.2003. The case was decreed against EPDCL and the defendants are directed to pay the plaintiff for some of Rs. 1.5 lakhs together with interest @ 12% p.a. from 24.10.2007.

22. Previous years figures are regrouped and rearranged where ever necessary.

23. Amounts have been rounded off to nearest rupee.

As per our report attached

For M/s **Basha and Narasimhan**

Chartered Accountants

Firm Regn No.006031S



**SK.Phyaji Basha Saheb**

Partner

Membership No: 23417

For and on behalf of the board

  
**P.Hariprasad, I.R.A.S**

Director(Finance)



**Ahmad Nadeem I.A.S**

Chairman & Managing Director



**P.S.Kumar**

Chief General Manager (Expr.)



**A. Rama Rao**

Company Secretary

## CASH FLOW STATEMENT AS ON 31ST MARCH 2011

**Statement - 7**  
(Rs. in Lakhs)

	PARTICULARS	2010-11	2009-10
<b>A</b>	<b>Cash Flow From Operation Activities:</b>		
	<b>Net Profit Before Tax</b>	<b>1600.55</b>	<b>2142.04</b>
	<u>Adjustments For:</u>		
	Depreciation	17601.03	16839.66
	Interest (Net)	17116.16	14995.78
	Adjustments for Employees terminal benefits like GPF & P&G	8168.53	-6228.74
	<b>Operating Profit before Working Capital Changes</b>		
	<b>Adjustments for :</b>	<b>44486.27</b>	<b>27748.75</b>
	(Increase)/Decrease in Trade and Other Receivables	-135463.59	-64950.46
	(Increase)/Decrease in Inventories	-1155.70	1923.64
	(Increase)/Decrease in Miscellaneous Expenditure Written Off	1.96	1.96
	Interest to Consumers on Security Deposits	-3206.02	-2967.50
	Increase/(Decrease) in Trade Payables	12462.36	34717.09
	<b>Cash Generated from Operations</b>	<b>-82874.72</b>	<b>-3526.53</b>
	Provision for Income Tax	319.13	390.22
	Amortisation of consumer contribution, Subsidies and Grants towards cost of capital assets	7074.67	5840.38
	Net borrowings towards working capital	119527.02	48973.00
	<b>Net Cash From Operating Activities</b>	<b>29258.50</b>	<b>39215.88</b>
<b>B</b>	<b>Cash Flow From Investing Activities</b>		
	Purchase of Fixed Assets (Including Interest Capitalised)	-19950.37	-25128.36
	Purchases of Investments - including Contingency Reserve in Govt. Bonds	-3528.90	-1632.00
	Interest Received	1578.16	3072.99
	Increase/(Decrease) in Liability for Capital Works	-317.05	-1311.60
	Accumulated Interest on Investments through Contingency Reserve	0	81.10

(Rs. in Lakhs)

	PARTICULARS	2010-11	2009-10
<b>C</b>	<b>Net Cash (used in)/from Investing Activities</b>	<b>-22218.30</b>	<b>-24917.88</b>
<b>C</b>	<b>Cash Flow From Financing Activities:</b>		
	Proceeds from issue of Share Capital	0	0
	Proceeds from Long Term Borrowings	3995.09	6532.92
	Proceeds from Govt. as Subsidy & Grants	0	0
	Proceeds of Consumer Contribution for capital Assets	13444.77	13184.47
	Repayment of Long Term Borrowings	-5955.40	-25848.29
	Interest Paid	-15488.30	-15101.27
	<b>Net Cash (used in) From Finance activities</b>	<b>-4003.84</b>	<b>-21232.17</b>
	Net(decrease)/increase in cash and cash equivalent(A+B+C)	3036.36	-6934.17
	Cash and Cash Equivalents at Beginning of the year	14274.21	21208.38
	Cash and Cash Equivalents at end of the year	17310.57	14274.21

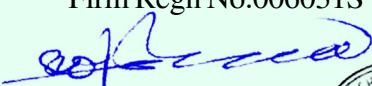
As per our report attached

For and on behalf of the board

For M/s **Basha and Narasimhan**

Chartered Accountants

Firm Regn No.006031S




**SK. Phyaji Basha Saheb**  
Partner  
Membership No: 23417



**P.Hariprasad, I.R.A.S**  
Director(Finance)



**Ahmad Nadeem I.A.S**  
Chairman & Managing Director



**P.S.Kumar**

Chief General Manager (Expr.)



**A. Rama Rao**  
Company Secretary

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

SCHEDULE VI PART IV	BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE		THE COMPANIES ACT, 1956 (1 of 1956)
<b>I. Registration Details :</b> Registration No. <span style="border: 1px solid black; padding: 2px;">0 3 4 1 1 7</span>	<b>State Code</b> <span style="border: 1px solid black; padding: 2px;">0 1</span> (Refer Code List)	<b>Balance Sheet Date</b> <span style="border: 1px solid black; padding: 2px;">3 1 0 3 1 1</span>	
<b>II. Capital raised during the year : (Amount in Rs. Thousands)</b>			
Public Issue <span style="border: 1px solid black; padding: 2px;">N I L</span>	Rights Issue <span style="border: 1px solid black; padding: 2px;">N I L</span>		
Bonus Issue <span style="border: 1px solid black; padding: 2px;">N I L</span>	Private Placement <span style="border: 1px solid black; padding: 2px;">N I L</span>		
<b>III. Position of Mobilisation and Deployment of funds : (Amount in Rs. Thousands)</b>			
Total Liabilities <span style="border: 1px solid black; padding: 2px;">4 2 7 0 5 9 7 8</span>	Total Assets <span style="border: 1px solid black; padding: 2px;">4 2 7 0 5 9 7 8</span>		
<b>Sources of Funds</b>			
Paid - up Capital <span style="border: 1px solid black; padding: 2px;">1 2 1 2 2 5 3</span>	Reserves & Surplus <span style="border: 1px solid black; padding: 2px;">3 0 5 9 8 0 6</span>		
Secured Loans <span style="border: 1px solid black; padding: 2px;">3 1 8 7 8 7 6 9</span>	Unsecured Loans <span style="border: 1px solid black; padding: 2px;">6 5 5 5 1 5 0</span>		
<b>Application of Funds</b>			
Net Fixed Assets <span style="border: 1px solid black; padding: 2px;">1 7 2 0 3 5 0 8</span>	Investments <span style="border: 1px solid black; padding: 2px;">7 0 8 3 9 9</span>		
Net Current Assets <span style="border: 1px solid black; padding: 2px;">2 4 7 9 4 0 7 1</span>	Miscellaneous Expenditure <span style="border: 1px solid black; padding: 2px;"> </span>		
Accumulated Losses <span style="border: 1px solid black; padding: 2px;"> </span>			
<b>IV. Performance of Company : (Amount in Rs. Thousands)</b>			
Turnover <span style="border: 1px solid black; padding: 2px;">4 4 7 0 8 2 8 7</span>	Total Expenditure <span style="border: 1px solid black; padding: 2px;">4 4 5 4 8 2 3 2</span>		
Profit / Loss before Tax <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;">1 6 0 0 5 4</span>	Profit / Loss after Tax <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;">1 2 8 2 0 7</span>		
(Please tick appropriate box + for Profit - for Loss)			
Earning per Share in Rs. <span style="border: 1px solid black; padding: 2px;"> </span>	Dividend rate % <span style="border: 1px solid black; padding: 2px;"> </span>		
<b>V. Generic Names of Three Principal Products / Service of company (as per monetary terms)</b>			
Item Code No. (ITC Code) <span style="border: 1px solid black; padding: 2px;"> </span>			
Product Description <span style="border: 1px solid black; padding: 2px;">S U P P L Y A N D</span>			
	D I S T R I B U T I O N O F		
	E L E C T R I C I T Y		
Item Code No. (ITC Code) <span style="border: 1px solid black; padding: 2px;"> </span>			
Product Description <span style="border: 1px solid black; padding: 2px;"> </span>			
Item Code No. (ITC Code) <span style="border: 1px solid black; padding: 2px;"> </span>			
Product Description <span style="border: 1px solid black; padding: 2px;"> </span>			
Note : For ITC Code of Products please refer to the publication Indian Trade Classification based on harmonized commodity description and coding system by Ministry of commerce, Directorate General of Commercial Intelligence & Statistics, Calcutta - 700 001			

**EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

Regd. Office: P&T Colony, Seethammadhara,  
Visakhapatnam – 530 013

**PROXY FORM**

I/We, \_\_\_\_\_

S/o D/o W/o \_\_\_\_\_

R/o \_\_\_\_\_

being a Member of EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED hereby appoint \_\_\_\_\_

\_\_\_\_\_  
S/o D/o W/o \_\_\_\_\_

R/o \_\_\_\_\_

as my proxy to attend and vote for me and on my behalf at the Eleventh Annual General Meeting of the Company to be held on 27th September, 2011 at the Registered Office of the company at P&T Colony, Seethammadhara, Visakhapatnam – 530 013 or at any adjournment thereof.

Place:

Please affix  
Rs.1/-  
Revenue  
Stamp

Date :