

	Comments of the Comptroller and Auditor General of India under section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 st March 2016	Replies of the company forming part of the Directors's report to the members
Para	Statement of Profit and Loss Revenue from Operations (Note-18) : ₹. 11910.76 Crore	
1	The above is understated by ₹11.22 crore due to incorrect accountal of income of temporary supply of electricity. The deposits towards temporary supply of electricity pending for more than one year amounting to ₹.11.22 crore have not been taken into books of accounts due to misclassification. This has also resulted in overstatement of Security and other deposits under Current Liabilities and loss for the year to the same extent.	The Temporary supply deposits collected against GL: 4700601/4700602 will be reviewed each unit wise in detail and rectification entries will be passed in the respective accounts rendering units during FY-2016-17.
2	The above is overstated by ₹54.54 crore due to non-withdrawal of the demand relating to the deemed energy charges billed on HT Consumers during the period from 2011-12 to 2013-14 as per the directives of APERC dated 6th April 2016. According to the directives of APERC, the HT Consumers are not liable to pay any deemed energy charges for the period from 2011-12 to 2013-14. This has resulted in overstatement of Trade Receivables and understatement of loss for the year to the same extent.	It is to state that the deemed energy charges for the years from 2011-12 to 2013-14 (i.e. Three Financial years) were raised along with surcharge as per the APERC orders. The APERC revised the orders dt. 06.04.2016, admitting the petitions filed by the Ferro Alloys Association and other consumers stating that they are not liable for payment of deemed energy charges due to inadequate power supply. The APSPDCL referred the matter to the legal Adviser/APPCC for clarification on the applicability of the orders for all the consumers. Hence, there is delay. However the same is withdrawn during the financial year 2016-17.

B. General :

Cost of Power Purchase (Note 21)

Power Purchase and others: ₹13950.81crore

3

The above is overstated by ₹ 12.16 crore due to inclusion of delayed payment charges levied by a Central Generating Station (NTPC) on power purchase made during the year. As the expenditure incurred was a penalty for delayed payment, the same is to be disclosed distinctly in notes to have fair view of the affairs of the Company.

There are no disputed claims between APPCC and AP Transco & PGCIL for the financial year 2015-16.

The delayed payment surcharge amounting to ₹12.16 crore was admitted for the FY 2015-16 due to delay in payment of monthly energy charges to central generating stations as per regulations of appropriate commissions.

The payment of power purchase bills and debt servicing is being done based on the collections received from APDISCOMs on the day to day basis, utmost priority is given to discharge the bills well within scheduled time to avail rebate. But due to mismatch of collections received at APPCC pool account and payment obligation, APPCC is constrained to prioritise the payment on various issues.

In the prevailing precarious financial situation funds are to be managed efficiently and effectively without any bias. Further it is to inform that, APPCC has been availing CC limits to discharge power purchase bills in a financially noble manner. Day to day collection have to be apportioned to so many traders, CGS, AP GENCO, NCEs to maintain equality in discharging payment duly availing rebate benefit.

In the circumstances explained above and due to dwindling cash flows APPCC could not discharge the Energy Bills on due date. As such surcharge claims are admitted.

Since both Power Purchase Cost and delayed payment charges are revenue in nature and does not have impact on profitability of the company and further no understatement of other expenses.

However, the penalty/delayed payments made will be disclosed separately in the notes to accounts to reflect fair view of the affairs of the Company hereafter.

Short Term Borrowings (Note No.6)		
Security and Other Deposits – ₹224.20 Crore		
4	<p>The above includes ₹8.13 crore being the deposits collected from consumers towards burnt meters. As all the burnt meters are replaced by end of the year, these deposits should be adjusted against the expenditure of the Company towards cost of meters. The impact cannot be quantified due to non-reconciliation of records by the Company. Similar observation was commented upon in the accounts for the year ended 31 March 2015.</p>	<p>The existing procedure and practice of Burnt Meter replacement is such that the replacement is made on cost basis. The consumers have to pay cost of single phase or three phase meters for replacement as per estimate prepared. The amount initially paid will be kept in deposit and replacement will be made against periodical work order for each section. While closing the work order the difference between the cost of burnt meter drawn for Burnt meter replacement and amount so collected from consumers is being transferred to Profit and Loss account</p> <p>As this a continuous process the same procedures will be continued as and when the work orders are closed.</p> <p>However the audit comment is noted and the excess paid amount if any will be accounted in the year while closing of Work orders and will be charged accordingly to Profit and Loss account.</p>
	<p>For and on the behalf of the Comptroller and Auditor General of India</p> <p style="text-align: center;">Sd/-</p> <p>Place:Hyderabad (LATA MALLIKARJUNA) Date:27.09.2016 Accountant General(E &RSA)</p>	<p>For and on behalf of the APSPDCL Board</p> <p>Director(Finance) Chairman & Managing Director Place: Tirupati Date:29.09.2016</p>

[Signature]
28/9/16
JAKS-1

[Signature]
28/9/16
AOKS

[Signature]
28/9/2016
gm/cstg

[Signature]
28/9
DF

[Signature]
28/9
CAM/GOE

[Signature]
28/9
CMD