

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**26<sup>th</sup> Annual Report  
2009 - 10**

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)  
Dr. Mullapudi Harischandra Prasad  
(Managing Director)  
Dr. B B Ramaiah  
Sri Justice G Ramanujam (Retd.)  
Sri A A Krishnan  
Dr. Anumolu Ramakrishna  
Sri Surinder Kumar Kapoor  
(from 13.5.2010)  
Sri Vinod Kumar Agrawal, I.A.S.,  
(Nominee of APIDC)  
Sri Pradeep Kumar Keshari  
(Nominee of IDBI Bank Ltd.)  
Sri P Narendranath Chowdary  
Sri M Thimmaraja  
Sri M. Venkateswara Rao (Nominee of APIDC)  
(from 22.10.2009)

## Manager (Finance) & Asst. Company Secretary

Sri K. Raghu Ram

## Statutory Auditors

M/s. Brahmayya & Co.,  
Chartered Accountants  
D.No. 33-25-33-B,  
Govindarajulu Naidu Street,  
Suryarao Peta,  
Vijayawada - 520 002

## Cost Auditors

M/s. Narasimha Murthy & Co.,  
Cost Accountants  
104, Pavani Estate  
3-6-365, Himayatnagar  
Hyderabad - 500 029

## Bankers

State Bank of India  
State Bank of Hyderabad  
Andhra Bank

## Registered Office

Venkatarayapuram  
Tanuku - 534 215  
West Godavari District  
Andhra Pradesh  
Tel : 08819 - 224075 / 224755 / 220975  
E-mail: info.tnk@andhrapetrochemicals.com  
investors@andhrapetrochemicals.com  
Website: www.andhrapetrochemicals.com

## Factory

Opp. Naval Dockyard  
Post Box No. 1401  
Visakhapatnam - 530 014  
Andhra Pradesh

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## NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of THE ANDHRA PETROCHEMICALS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku - 534215, West Godavari District, Andhra Pradesh on Thursday, the 30<sup>th</sup> September, 2010 at 3:00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Anumolu Ramakrishna who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri P. Narendranath Chowdary who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri M. Thimmaraja who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors for the year 2010-11 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for reappointment.

### SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Sri M. Venkateswara Rao who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22.10.2009 pursuant to Article 97 of the Articles of Association of the Company and who holds office upto the date of the 26<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Act proposing his Candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Sri Surinder Kumar Kapoor who was appointed by the Board of Directors as an Additional Director of the Company with effect from 13.5.2010 pursuant to Article 97 of the Articles of Association of the Company and who holds office upto the date of the 26<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Act proposing his Candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation."

**Visakhapatnam**                      **By Order of the Board**  
**5-8-2010**                      **Dr. MULLAPUDI HARISCHANDRA PRASAD**  
Registered Office:                      **Managing Director**  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

### NOTES:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos.6 and 7 is annexed hereto.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more Proxies to attend and vote instead of himself and such Proxy need not be a Member of the Company. Proxy Forms duly stamped and executed should reach the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 20<sup>th</sup> September, 2010 to Thursday, the 30<sup>th</sup> September, 2010 (both days inclusive).
4. Shareholders seeking any further information on the accounts and operations of the Company at the Annual General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of the Meeting.
5. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers on the Attendance Slip for easy identification of attendance at the Meeting.
6. Shareholders holding shares in Physical Mode are requested to intimate their change of address, if any, to the Company and **the shareholders holding shares in Demat Mode are requested to notify their change of address, if any, to the DP (and not to the Company) with whom they have Demat Account.**
7. Shareholders who have not encashed their Dividend Warrants issued in respect of dividend declared for the year 2006-07 are requested to write to the Regd. Office of the Company in order to enable the Company to proceed with their requests in case the Dividend Warrants remain unencashed.

### **Particulars of Directors who are proposed to be reappointed at this Meeting as required under Clause 49 of the Listing Agreement:**

**Dr. Anumolu Ramakrishna** has been the Director of the Company since 30.7.2008. He holds Bachelor Degree in Civil Engineering and M.Sc., in Structural Engineering. He started his career in 1962 with Engineering Construction Corporation Ltd., which was subsequently amalgamated with Larsen & Toubro Ltd., (L&T). He was inducted on the Board of L&T in the year 1992 and was elevated to the position of Deputy Managing Director in 2000. He was associated with many prestigious and huge construction projects in India and abroad which were completed in record time. He has been conferred Degree of Doctorate of Science by Andhra University and Degree of Doctorate of Philosophy by Jawaharlal Nehru Technological University.

## **The Andhra Petrochemicals Limited**

Other Directorships held:

Director – The Andhra Sugars Ltd., GVK Jaipur Expressway Pvt. Ltd., The KCP Ltd., Madras Cements Ltd., Ramco Industries Ltd., Taj GVK Hotels and Resorts Ltd., GVK Industries Ltd., GVK Gautami Power Ltd., International Infrastructure Consultants Pvt. Ltd., GVK Power & Infrastructure Ltd., SPEL Semiconductor Ltd., Teesta Urja Ltd., Brigade Enterprises Ltd., and Mumbai International Airport Pvt. Ltd.

Other Committeeships held:

Member – Audit & Compensation Committee, Madras Cements Ltd; Audit Committee, Ramco Industries Ltd., The KCP Ltd., SPEL Semiconductor Ltd., GVK Power & Infrastructure Ltd., GVK Gautami Power Ltd., Teesta Urja Ltd., and Brigade Enterprises Ltd.; Chairman – Audit Committee, Taj GVK Hotels & Resorts Ltd., and GVK Jaipur Expressway Pvt. Ltd.

He does not hold any Equity Shares in the Company.

**Sri Pendyala Narendranath Chowdary** has been the Director of the Company since 8.8.1996. He is a Graduate in Faculty of Science. He joined The Andhra Sugars Limited (Promoter of the Company) as a Director in the year 1968 and subsequently elevated as Whole-time Director in 1976 and Joint Managing Director in 1983. He looks after day-to-day affairs of chemical complexes at Kovvur and Saggonda. Under his dynamic leadership, The Andhra Sugars Limited received an award for Best Energy Conservation in the Chloro-Alkali Industry instituted by Department of Power, Government of India. He is the Managing Trustee of Sree Pendyala Venkata Krishna Rangaraya Memorial Trust, Dommeru, which has been engaging in laudable service of spreading education among the rural population in West Godavari District.

Other Directorships held:

Joint Managing Director – The Andhra Sugars Ltd; Director – Sree Akkamamba Textiles Ltd., JOCIL Ltd., The Andhra Farm Chemicals Corp. Ltd., Sree Satyanarayana Spinning Mills Ltd., and Hindustan Allied Chemicals Ltd.

Other Committeeships held:

Member – Shareholders Grievance Committee and Share Transfer Committee, The Andhra Sugars Ltd.; Member – Share Transfer and Shareholders / Investors Grievance Committee, JOCIL Ltd.

He holds 4,216 Equity Shares in the Company.

**Sri M Thimmaraja** has been the Director on the Board since 7.11.1992. He is a Graduate in Chemical Engineering. He did his Postgraduation in Business Administration from the University of Florida, U.S.A. For more than two decades he has been the Whole-time Director of the Promoter company The Andhra Sugars Ltd., a multi product and multi division company manufacturing Sugar and wide range of Organic and Inorganic Chemicals.

Other Directorships held:

Joint Managing Director – The Andhra Sugars Ltd.

Director – JOCIL Ltd.

Other Committeeships held:

Member – Audit Committee and Shareholders / Investors Grievances Committee, JOCIL Ltd.; Shareholders / Investors Grievance Committee, The Andhra Sugars Ltd.

He holds 1,580 Equity Shares in the Company.

Particulars of Directors Sri M Venkateswara Rao and Sri Surinder Kumar Kapoor who are being appointed at the 26<sup>th</sup> Annual General Meeting are given in the Explanatory Statement attached to Notice.

## **Annexure to Notice**

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**

#### **ITEM NO.6:**

**Sri M. Venkateswara Rao** is a Graduate in Commerce and Law and Postgraduate in Business Administration. He is also a Fellow Member of The Institute of Company Secretaries of India and Associate Member of The Institute of Cost and Works Accountants of India. He is presently Secretary & Assistant General Manager (Accounts) of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) in which he has 20 years of experience as Company Secretary. In terms of the Investment Agreement entered into with APIDC, he has been nominated as its Director on the Board.

Sri M. Venkateswara Rao was co-opted as an Additional Director on the Board of the Company with effect from 22.10.2009. Pursuant to Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company, Sri M. Venkateswara Rao holds office only upto the date of the 26<sup>th</sup> Annual General Meeting of the Company. Company has received a notice in writing along with a deposit of Rs.500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri M. Venkateswara Rao as a candidate for the office of Director.

Other Directorships held:

Director - Avanti Industries Ltd., Krebs Bio Chemicals Ltd., Vybra Automac Ltd., CMH Tools Ltd., Vamsadhara Paper Mills Ltd., Other Committeeships held:

Member – Audit Committee, Krebs Bio Chemicals Ltd.

He does not hold any Equity Shares in the Company. Keeping in view his rich experience and qualifications, your Board of Directors recommend the necessary Resolution for your approval.

Except Sri M. Venkateswara Rao no other Director is deemed to be interested or concerned in the Resolution.

#### **ITEM NO.7 :**

**Sri Surinder Kumar Kapoor** was co-opted as an Additional Director on the Board of the Company with effect from 13.5.2010. Pursuant to Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company, Sri Surinder Kumar Kapoor holds office only upto the date of the 26<sup>th</sup> Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs.500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri Surinder Kumar Kapoor as a candidate for the office of Director.

Sri Surinder Kumar Kapoor, is a Mechanical Engineer [B.E. Hons]. He served Hindustan Petroleum Corporation Ltd., (HPCL) for 37 years handling different assignments in various management positions. He retired from HPCL as Director (Marketing). He was Director on the Boards of Mangalore Refineries & Petrochemicals Ltd., Petronet India Ltd., (Pipelines), Hindustan Colas (a joint venture with Colas SA of France, world leaders for Bitumen Emulsions) and South Asia LPG (a joint venture with Totalfina Elf of France for mega scaled LPG infrastructure). He served as an Advisor to Sun Group (Moscow) and Reliance Industries Ltd., (President Level) petroleum business.

Other Directorships held: Nil

He does not hold any Equity Shares in the Company. With a view to avail the benefit of his long-standing industrial experience and valuable guidance, his appointment as a Director on the Board is considered desirable in the best interests of the Company.

Your Board of Directors recommend the necessary Resolution for your approval.

Except Sri Surinder Kumar Kapoor no other Director is deemed to be interested or concerned in the Resolution.

**Visakhapatnam By Order of the Board**  
**5-8-2010 Dr. MULLAPUDI HARISCHANDRA PRASAD**  
Registered Office: **Managing Director**

Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2010 is summarised below:

(Rs. in lakhs)

	2009-10	2008-09
Net Sales (excl. Excise Duty)	<b>13714.27</b>	24493.84
Profit before Interest & Depreciation	<b>486.74</b>	4008.52
Less: Interest	<b>134.93</b>	303.34
Depreciation	<b>1202.81</b>	1206.16
Profit /(Loss) after Interest and Depreciation	<b>(851.00)</b>	2499.02
Provision for:		
Current Tax	<b>76.00</b>	1223.00
Deferred Tax	<b>(386.77)</b>	(343.34)
Fringe Benefit Tax	—	4.12
Excess provision for Direct Taxes written back	<b>(2.18)</b>	(2.97)
Profit / (Loss) After Taxation	<b>(538.05)</b>	1618.21
Balance brought forward from previous year	<b>6792.14</b>	5173.93
Balance of Profit carried forward to next year	<b>6254.09</b>	6792.14

### OPERATIONAL AND FINANCIAL PERFORMANCE:

During the Financial Year 2009-10, the Plant was shut down for 141 days in connection with the Modernisation-cum-Optimisation of the Oxo-Alcohols Plant and for trial runs. This resulted in lower turnover compared to 2008-09. The recessionary trends of 2008-09, which continued in first half of 2009-10, resulted in lower sales realisations.

Operating the Plant for part of the Financial Year and disproportionate fall in selling prices without corresponding reduction in raw material prices resulted in lower financial performance. However, the Company has implemented the Modernisation-cum-Optimisation programme well within the time frame and cost as envisaged originally. This indicates the financial leverage of your Company in the future.

### DIVIDEND:

In view of loss incurred by the Company during the year under report and requirement of funds to meet the post Expansion needs (payment of installments to the Banks during the Financial Year 2010-11) your Directors considered it prudent not to recommend any dividend for the Financial Year 2009-10.

### CAPITAL & RESERVES:

#### Authorised and Paid-up Capital:

The Authorised Capital of the Company is Rs.85 crores and the Paid-up Capital is Rs.84.97 crores.

#### Reserves:

The total Reserves position as on 31.3.2010 stood at Rs.76.90 crores against Rs.82.28 crores in the previous year.

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### Industry Structure and Developments:

The Oxo-Alcohols business in the country, which is the main activity of your Company, continues to grow at a healthy rate of 8% - 10% per annum. The industry has come out of the recessionary trends that prevailed during part of 2008-09 and 2009-10 and currently recording better margins. The present trends are encouraging and your Company is hopeful of better prospects in future.

Modernisation-cum-Optimisation of the Expanded Oxo-Alcohols Plant commenced commercial production with effect from 1<sup>st</sup> May, 2010. After Expansion the installed capacity of the Plant has increased to 73,000 MTPA from the existing capacity of 39,000 MTPA. Your company can now meet around 55% of country's total demand of Oxo-Alcohols as against earlier 27%. The enhanced capacity coupled with efficiencies associated with the latest technology is expected to improve the bottom line.

#### Opportunities and Threats:

After capacity enhancement, your Company is now in a better position to compete with imports due to scale of economies. Due to increased market share, the domestic end-users are better placed for reasonably assured quantities domestically thereby lesser dependent on imports. However, cheaper imports from South-East Asia and Middle East countries is an area of concern.

#### Internal Control Systems:

External professional accounting firm is entrusted with the responsibility of internal audit of the Company. Internal audit is carried out for each quarter. The effectiveness of internal control systems are thoroughly checked, reviewed and reported through internal audit reports. The internal audit reports, their findings, recommendations / suggestions with regard to internal control systems are periodically reviewed and monitored by the Audit Committee which ensures strict implementation of the recommendations.

#### Human Resources and Industrial Relations:

Your Company continues to lay its emphasis on good HR practices to motivate employees at all levels for retention and better performance. Necessary training is imparted periodically to keep the employees abreast with the latest technological development in their area of operations. Industrial relations continued to be cordial throughout the year. As on 31<sup>st</sup> March, 2010 the Company has 312 employees on its rolls.

## **The Andhra Petrochemicals Limited**

### **Future Outlook:**

Consequent upon enhancement of production capacity from 39,000 MTPA to 73,000 MTPA w.e.f., 1<sup>st</sup> May, 2010, your Company's market share is expected to be doubled compared to earlier periods. The scale of economies though still well below current world scale levels, place the Company in a better position to compete with imports with an assured and improved supplies to the customers.

### **Cautionary Statement:**

The statements describing the Company's outlook, estimates or predictions may be forward-looking statements based on certain assumptions of future events. Actual results may differ materially from those expressed or implied, since the Company's operations are influenced by external or internal factors. Your Company closely monitors all major developments likely to affect the operations and will respond to meet the potential threats and to gain from any possible opportunities.

### **DEPOSITS:**

During the year under review, your Company has not invited or accepted any Fixed Deposits from the Public.

### **SAFETY, HEALTH AND ENVIRONMENT:**

Your Company continues to accord top priority to Safety, Occupational Health and Environment. Pollution control systems are functioning satisfactorily and are being closely monitored to ensure that gaseous emissions and effluents discharged are within the prescribed norms.

### **INSURANCE:**

All the insurable assets of the Company including Plant and Machinery, Buildings and Inventories are insured on reinstatement value basis.

### **LISTING:**

The Equity Shares of your Company are listed on the Bombay Stock Exchange. Listing fees has been paid.

### **DIRECTORS:**

During the year under report, Sri M. Venkateswara Rao, Nominee Director of APIDC, was co-opted as an Additional Director on the Board of the Company with effect from 22.10.2009. He holds office upto the date of the ensuing 26<sup>th</sup> Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 26<sup>th</sup> Annual General Meeting.

Sri Surinder Kumar Kapoor was co-opted as an Additional Director on the Board of the Company with effect from 13.5.2010. He holds office upto the date of the ensuing 26<sup>th</sup> Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 26<sup>th</sup> Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Dr. Anumolu Ramakrishna, Sri P Narendranath Chowdary and Sri M. Thimmaraja retire by rotation at the ensuing 26<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment.

### **AUDIT COMMITTEE:**

Audit Committee consists of four Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna and Sri Pradeep Kumar Keshari. Sri Justice G Ramanujam (Retd.) is the Chairman of the Committee.

### **AUDITORS:**

M/s Brahmayya & Co., Chartered Accountants, Vijayawada, the present Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

### **COST AUDITORS:**

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad, were appointed as Cost Auditors of the Company for the year ended 31<sup>st</sup> March, 2010.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'A' to this Report.

### **PARTICULARS OF EMPLOYEES:**

Statement of particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) forming part of this Report is annexed hereto.

### **DEMATERIALISATION OF SHARES:**

As on 31<sup>st</sup> March, 2010 out of the total number of 8,49,71,600 Equity Shares, 5,50,89,486 Equity Shares constituting 64.83% stand dematerialised.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

It is hereby confirmed:

- i) that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any.

- ii) that Accounting Policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent, so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial Year and of the Profit of the Company for that year.
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors had prepared the Annual Accounts on a going concern basis.

**REPORT ON CORPORATE GOVERNANCE:**

As required under Clause 49 of the Listing Agreement with the Stock Exchange, the report on Corporate Governance and the Auditors' Certificate on the compliance of Corporate Governance are annexed and form part of the Directors' Report (Annexure 'C').

**ACKNOWLEDGEMENTS:**

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, the Promoters - The Andhra Sugars Limited and APIDC, Financial Institutions, Banks, HPCL, Davy Process Technology Ltd., London, Aker Solutions Pvt. Ltd., Shareholders, Customers and Suppliers. Your Directors also wish to place on record their deep sense of appreciation of the valuable contribution made by the employees at all levels, which enabled the Company to achieve a sustained growth in the operational performance during the year under review.

On behalf of the Board  
**M R B Punja**  
 Chairman

Visakhapatnam  
 5-8-2010

**Annexure 'A' to the Directors' Report:**

Additional information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March, 2010.

**A. Conservation of Energy:**

Five Nos. of Energy Conservation Projects have been executed during the year which resulted in a saving of 52,226 KWH electric energy.

**FORM A**

**A. Power and Fuel Consumption:**

	Current Year	Previous Year
<b>1. Electricity:</b>		
<b>a. Purchased</b>		
Units	1,63,54,300	2,43,97,272
Total Amount (Rs.)	5,52,59,991	6,84,55,406
Rate / Unit (Rs.)	3.38	2.81
<b>b. Own generation</b>		
<b>i. Through diesel generator</b>		
Units	12,57,640	11,68,183
Units per litre of Diesel Oil	3.56	3.15
Cost / Unit (Rs.)	13.96	18.33
<b>ii. Through steam</b>		
Turbines / Generator	N.A	N.A
<b>2. Coal:</b>		
Quantity (Tonnes)	N.A	N.A
Total Amount (Rs.)	N.A	N.A
Average Rate	N.A	N.A
<b>3. a. Furnace Oil:</b>		
Quantity (MTs/KLs)	953.620	1,561.840
Total Amount (Rs.)	2,45,42,799	3,87,16,921
Average Rate	25,736.46	24,789.30
<b>b. LSHS:</b>		
Quantity (MTs)	1,515.380	1,956.160
Total Amount (Rs.)	3,86,49,991	5,21,87,320
Average Rate	25,505.15	26,678.45
<b>4. Others/Internal Generation</b>		
Oxo-Alcohol Residue:		
Quantity (MTs)	1,402.500	2,071.000
Total Amount (Rs.)	Nil	Nil
Average Rate	Nil	Nil

**B. Consumption per tonne of production:**

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	774	2.40	701	2.22
N-Butanol	672	2.09	608	1.91
I-Butanol	711	2.21	643	2.02

**B. Technology Absorption :**

**FORM B**

**I. Research & Development (R & D)**

**1. Specific areas in which R&D carried out by the Company:**

The Company has developed schemes for Modernisation-cum-Optimisation of the existing Oxo-Alcohols Plant thereby enhancing Plant capacity from 39,000 MTPA to 73,000 MTPA. Even though the Technology as such has been provided by M/s Davy Process Technology Ltd., (DPT), UK, the schemes of Optimisation using the existing process equipments and utilities to the maximum extent to result in minimum capital expenditure for Expansion has been worked out jointly by Plant personnel and DPT. Major schemes were as below:

- Conversion of the existing Gas Recycle process in Oxo Synthesis to the latest Liquid Recycle process resulting in improved process efficiencies and reduced power consumption.
- Modifications to the existing Isomer Column with certain changes to fit into the Modernisation scheme and meet the duty of the Expanded Plant.
- Use of Liquid phase hydrogenation in the new Butanols Plant.
- De-bottlenecking the Pressure Swing Absorption, Hydrogen Unit at minimum cost for virtually doubling the capacity.
- Employing latest SIL certified Instrumentation in the emergency shutdown system for increased safety of the Plant.
- Installed Sea Water Desalination Plant to meet the increased requirement of raw-water.

**2. Benefits derived as a result of above R&D:**

Realisation of additional capacity at lower project cost. Employed the latest and energy efficient process in Oxo as well as Alcohols Plant. Better safety in the operation of the Plant. Highly integrated and economical utility systems. Expected to realise longer catalyst lives.

**3. Plan of Action:**

Optimum operation of the Modernised and Expanded Plant to realise benefits of improved process and energy efficiencies.

**4. Expenditure on R & D:**

The Company has incurred an expenditure of Rs.104.80 lakhs on R & D during the year.

**II. Technology Absorption, Adaptation and Innovation:**

**1. Efforts Made:**

The new technology in the Oxo Synthesis and Butanols Plant has been well understood resulting in smooth start up and operation of the Plant at rated capacity, in a short span of time.

**2. Benefits:**

The Company has started realising the benefits of Modernisation-cum-Optimisation by way of improved process efficiencies and also reduced power consumption.

**3. Imported Technology:**

The process Licence and Basic Engineering Package for the new Oxo Synthesis and Butanols Plant has been supplied by M/s Davy Process Technology Ltd., UK, the Licensor for the earlier Plant.

**C. Foreign Exchange Earning and Outgo (on cash basis):**

	(Rs.in lakhs)	
	<b>For the Year ended 31-03-2010</b>	For the Year ended 31-03-2009
i. Earnings	<b>Nil</b>	Nil
ii. Outgo	<b>1449.20</b>	2049.16

**Visakhapatnam  
5-8-2010**

**On behalf of the Board  
M R B PUNJA  
Chairman**

**Annexure 'B' to the Directors' Report:**

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2010.

Name of Employee, Designation, Qualification, Experience, Date of commencement of employment in the Company, Gross Remuneration, Age, Previous Employment:

1. Dr. V N Rao, Chief Executive & Chief Operating Officer, B.Tech.(Chemical Engineering), M.Tech.(Chemical Engineering), IIT - Chennai; Ph.D.(Chemical Engineering), IIT - Chennai, 41 years, 4.10.1995, Rs.35,16,845\*, 68 years, Consultant.
  2. Sri M K Viswanadham, Senior Executive President (Marketing), B.Sc.(Hons) Agr & A.H., M.Sc. Agriculture (Agronomy), 36 years, 30.10.1992, Rs. 65,47,858\*\*, 60 years, M/s Raasi Cement Ltd., Hyderabad, Chief General Manager (Marketing) – 3½ years.
- \* Gross remuneration includes salary, rent free accomodation, reimbursement of medical expenses, performance evaluation payment, leave encashment, car with driver and group personal accident insurance premium.
- \*\* Gross remuneration includes salary, house rent allowance, reimbursement of medical expenses, performance evaluation payment, leave encashment, car, provident fund contribution, group personal accident insurance premium and gratuity.



Annexure 'C' to the Directors' Report:

**REPORT ON CORPORATE GOVERNANCE**

**A. MANDATORY REQUIREMENTS:**

**1. Company's philosophy on Corporate Governance:**

Your Company affirms that adoption of the good Corporate Governance practices in all its dealings, operations and actions is *sine qua non* for enhancement of overall shareholder value and protection of interests of all its stakeholders including customers, employees, lenders, suppliers, government and the community in which it operates.

**2. Board of Directors:**

a) As on 31.3.2010 the Board consisted of 11 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Director	Promoters, Non-Executive & Non-Independent Directors
Sri M R B Punja Chairman	Dr. Mullapudi Harischandra Prasad Managing Director (Father of Sri M. Thimmaraja)*	Dr. B B Ramaiah (Sri Pendyala Narendranath Chowdary sister's husband) *
Sri Justice G Ramanujam (Retd)		Sri Vinod Kumar Agrawal, I.A.S.
Sri A A Krishnan		Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) *
Dr. Anumolu Ramakrishna		Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) *
Sri Pradeep Kumar Keshari (Nominee of IDBI Bank Ltd., as lender)		Sri M. Venkateswara Rao (from 22.10.2009)

\* Indicates *inter se* relationship between the Directors as per Section 6 of the Companies Act, 1956.

Note: Sri Surinder Kumar Kapoor has been appointed as an Additional Director from 13.5.2010.

b) Non-Executive Directors' Remuneration: Please refer to Point No.6.

c) During the Financial Year 2009-10, four Board Meetings were held.

Dates on which they were held:

(i) 25.5.2009, (ii) 25.7.2009, (iii) 22.10.2009 and (iv) 28.1.2010.

d) Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorships and Chairmanships / Membership of Committees of each Director in various Companies:

Name of the Director	Attendance Particulars		Directorship, Committee Membership and Chairmanship in other Companies			
	Board Meetings	Last AGM	Directorship	Chairmanship	Committee Membership*	Committee Chairmanship*
Sri M R B Punja	4	No	6	1	4	3
Dr. Mullapudi Harischandra Prasad	4	Yes	8	7	2	2
Dr. B B Ramaiah	4	Yes	3	None	None	None
Sri Vinod Kumar Agrawal, I.A.S.	2	No	4	1	None	None
Sri Justice G Ramanujam (Retd)	1	No	3	None	1	1
Sri A A Krishnan	2	No	1	None	None	None
Dr. Anumolu Ramakrishna	2	Yes	11	None	9	1
Sri Pradeep Kumar Keshari	4	No	1	None	1	None
Sri P Narendranath Chowdary	3	No	6	None	2	None
Sri M Thimmaraja	3	No	2	None	3	None
Sri M. Venkateswara Rao (from 22.10.2009)	2	NA	5	None	1	None

\* Represents Membership / Chairmanship of Audit Committees and Investors Grievance Committees of other public limited companies.

Sri Justice G Ramanujam (Retd), Chairman of the Audit Committee, could not attend the Annual General Meeting due to unavoidable circumstances. Dr. Anumolu Ramakrishna, Member of the Committee, as authorised by the Audit Committee attended the Annual General Meeting to answer the queries of the shareholders.

## **The Andhra Petrochemicals Limited**

### **3. Code of Conduct:**

The Board of Directors has adopted the Code of Conduct for Board Members and Senior Management Personnel of the Company. The said Code has been communicated to the Directors and the Senior Managers from whom the necessary affirmation has been received with regard to the compliance of the Code. A declaration in this regard by the Managing Director is furnished at the end of the report. The Code has been posted on the Company's website - [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com).

### **4. Audit Committee:**

A qualified Audit Committee, meeting the requirements of Clause 49 of the Listing Agreement, has been constituted.

The Audit Committee presently consists of four Non-Executive Independent Directors - (i) Sri Justice G Ramanujam (Retd) - Chairman, (ii) Sri A A Krishnan, (iii) Dr. Anumolu Ramakrishna and (iv) Sri Pradeep Kumar Keshari. Members of the Audit Committee have considerable experience and expertise in the field of Industrial, Financial and Corporate Business Management.

Sri K. Raghu Ram, Manager (Finance) & Asst. Company Secretary, acts as the Secretary to the Audit Committee.

Statutory, Internal and Cost Auditors and Senior Executives are invited to attend the meetings to answer the queries raised by the Committee.

During the Financial Year 2009-10, four Audit Committee Meetings were held.

Dates on which they were held:

(i) 25.5.2009, (ii) 25.7.2009, (iii) 22.10.2009 and (iv) 28.1.2010.

### **Attendance of Directors at the Audit Committee Meetings:**

Name of the Director	No. of Meetings attended
Sri Justice G Ramanujam (Retd)	1
Sri A A Krishnan	2
Dr. Anumolu Ramakrishna	2
Sri Pradeep Kumar Keshari	4

### **Broad terms of reference of the Audit Committee are as under:**

- Approving and implementing the audit procedures and techniques.
- Reviewing audit reports of Statutory, Internal and Cost Auditors with Auditors, Management and Senior Executives.

- Reviewing financial reporting systems, internal control systems and procedures.
- Recommending to the Board the appointment, re-appointment and if required the replacement or removal of the Statutory Auditors and fixation of Audit Fees.
- Approval of payment to the Statutory Auditors for any service rendered by them.
- Review with the Management, the quarterly and yearly financial statements before submission to the Board for approval.
- The Audit Committee also reviews the following information as and when required:
  - Management Discussion & Analysis of financial condition and results of operations
  - Statement of significant related party transactions (as defined by the Audit Committee)
  - Management letters / letters of internal control weaknesses issued by the Statutory Auditors
  - Internal Audit Reports relating to internal control weaknesses
  - The appointment, removal and terms of remuneration of the Chief Internal Auditor
- Ensuring compliance with regulatory guidelines.

### **5. Subsidiaries:**

The Company has no subsidiary companies.

### **6. Remuneration:**

Managing Director does not draw any remuneration from the Company.

Details of Sitting Fees paid to the Directors during the year 2009-10:

Sri M R B Punja - Rs.20,000/-; Sri Justice G Ramanujam (Retd) - Rs.10,000/-; Sri A A Krishnan - Rs.35,000/-; Dr. A. Ramakrishna - Rs.40,000/-; APIDC - Rs. 20,000/- (in respect of its Nominee Directors Sri Vinod Kumar Agrawal, I.A.S., and Sri M. Venkateswara Rao); IDBI Bank Ltd., - Rs. 40,000/- (in respect of its Nominee Director Sri Pradeep Kumar Keshari).

### **7. Details of Equity Shares of the Company held by Non-Executive Directors as on 31<sup>st</sup> March, 2010:**

Name of the Non-Executive Director	No. of shares of Rs.10/- each	Total face value Rs.
Sri M R B Punja	1400	14,000
Dr. B B Ramaiah	10975	1,09,750
Sri P Narendranath Chowdary	4216	42,160
Sri M Thimmaraja	1580	15,800

### **8. Management:**

Management Discussion & Analysis forms part of the Annual Report.

**9. CEO / CFO Certification:**

In accordance with the requirements of Clause 49(V) of the Listing Agreement the Board of Directors of the Company, the Audit Committee and the Auditors have been furnished with the requisite certificate from the Managing Director.

**10. Shareholders / Investors Grievance Committee:**

- a) The Board has constituted Shareholders / Investors Grievance Committee comprising Dr. B B Ramaiah (Chairman of the Committee – Non-Executive Director), Sri P Narendranath Chowdary and Sri M Thimmaraja as Members of the Committee. The Committee looks into the redressal of the shareholders' complaints like transfer of shares, non-receipt of Annual Report and Dividend and other matters.
- b) The Board has designated Sri K Raghu Ram, Manager (Finance) & Asst. Company Secretary as the Compliance Officer.
- c) Investor Complaints received during the year ended 31.3.2010:

No. of shareholders' complaints received :	20
No. of complaints not resolved to the satisfaction of the shareholders :	Nil
No. of pending complaints (as at 31.3.2010) :	Nil
No. of pending share transfers (as at 31.3.2010) :	Nil

**11. Details of General Body Meetings:**

- i) Particulars of the last three Annual General Meetings held at the Regd. Office, Venkatarayapuram, Tanuku.

Year	Date & Time
2007	6 <sup>th</sup> September, 2007, 3:00 p.m.
2008	27 <sup>th</sup> September, 2008, 3:00 p.m.
2009	31 <sup>st</sup> August, 2009, 3:00 p.m.

- ii) No Special Resolutions were passed at the last three Annual General Meetings.
- iii) No Special Resolution requiring Postal Ballot was passed in the last year and no Special Resolution requiring Postal Ballot is being proposed at the ensuing Annual General Meeting.

**12. Disclosures:**

- i) No transaction of material nature has been entered into by the Company with Directors or Management and their relatives etc., that may have potential conflict with the interest of the Company at large. Wherever required necessary approvals have been obtained from the Central Government under Section 297 of the Companies

Act, 1956 with regard to specific contracts requiring the approval of the Central Government. The Register of Contracts containing transactions in which Directors are interested, is placed before every meeting of the Board and signed by the Directors present.

- ii) No penalties or strictures were imposed on the Company for non-compliance by Stock Exchange / SEBI or any authority on any matter related to capital markets during the last 3 years.
- iii) The Company does not have any Whistle Blower Policy system.
- iv) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

**13. Means of Communication:**

- i) Quarterly financial results are published in "The Hindu Business Line" (English) and "Andhra Bhoomi" (Telugu). Copies of the Results published are forwarded to Stock Exchange and they are displayed on the Website of the Company, i.e., [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com).
- ii) The Company has not issued any press release or made any presentations to the institutional investors or analysts about its financial results during the year.

**14. General Shareholder Information:**

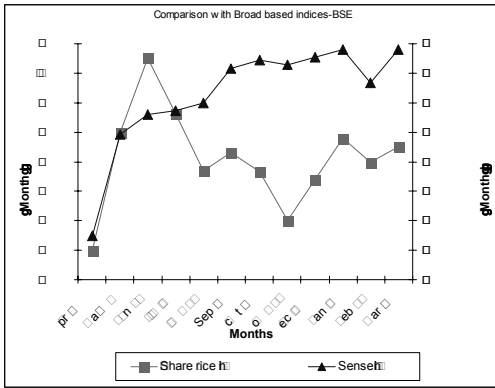
- i) Annual General Meeting
  - Date and Time : Thursday, 30<sup>th</sup> September, 2010 at 3:00 p.m.
  - Venue : Regd. Office: Venkatarayapuram, TANUKU –534215 West Godavari Dist., Andhra Pradesh
- ii) Financial Year : 1<sup>st</sup> April to 31<sup>st</sup> March
- iii) Dates of Book Closure : Monday, 20<sup>th</sup> September, 2010 to Thursday, 30<sup>th</sup> September, 2010 (both days inclusive)
- iv) Listing on Stock Exchange and Stock Code: The Bombay Stock Exchange Ltd., Physical Stock Code: 12 Demat Stock Code: 500012 ISIN: INE714B01016

**The Andhra Petrochemicals Limited**

- v) Market price data: High / low price of Company's Equity Shares quoted on The Bombay Stock Exchange Ltd., Mumbai during each month of the Financial Year 2009-10.

Month	High		Low	
	Rs.	Ps.	Rs.	Ps.
April, 2009	13.00		9.03	
May, 2009	17.00		10.70	
June, 2009	19.50		13.80	
July, 2009	17.65		12.35	
August, 2009	15.68		13.45	
September, 2009	16.30		13.80	
October, 2009	15.65		12.15	
November, 2009	14.00		11.50	
December, 2009	15.40		12.61	
January, 2010	16.80		13.35	
February, 2010	16.00		13.40	
March, 2010	16.50		13.91	

- vi) Performance in comparison to BSE sensex:



- vii) Share Transfer System:

Transfer of Equity Shares in physical mode are effected within the statutory time limit from the date of receipt. Share transfers are approved weekly.

- viii) a) Shareholding pattern as on 31<sup>st</sup> March, 2010:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	35131664	41.35
2	Financial Institutions	21600	0.03
3	Mutual Funds	13100	0.02
4	Banks	837	0.00
5	Foreign Institutional Investors	219000	0.26
6	Non-Resident Indians	552160	0.65
7	Bodies Corporate	6007932	7.07
8	Indian Public	43025307	50.62
	Total	84971600	100.00

- b) Distribution of shareholding as on 31<sup>st</sup> March, 2010:

Shareholding of Nominal value of Rs.	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Upto 5000	83800	88.20	12827547	15.10
5001 to 10000	6091	6.41	5247420	6.18
10001 to 20000	2584	2.72	4107648	4.83
20001 to 30000	843	0.89	2221261	2.61
30001 to 40000	358	0.38	1311353	1.54
40001 to 50000	422	0.44	2041836	2.40
50001 to 100000	511	0.54	3891535	4.58
100001 onwards	397	0.42	53323000	62.76
Total	95006	100.00	84971600	100.00

- ix) As of 31<sup>st</sup> March, 2010, 5,50,89,486 shares constituting 64.83% of paid-up capital have been dematerialised.

	No. of Shares	% of paid-up capital
National Securities Depository Ltd., Central Depository Services (India) Ltd.,	4,42,77,222	52.10
Total	5,50,89,486	64.83

Dematerialisation of shares is attended by M/s XL Softech Systems Ltd., Hyderabad.

- x) Plant location : Opp: Naval Dockyard  
Post Box No.1401  
VISA KHAPATNAM - 530 014  
Andhra Pradesh

- xi) Address for correspondence :  
Manager (Finance) &  
Asst. Company Secretary  
The Andhra Petrochemicals Ltd.,  
Venkatarayapuram  
TANUKU - 534 215  
West Godavari District, Andhra Pradesh  
Phone Nos. 08819 - 224755, 224075  
08819 - 220975 (Shares Dept.)  
E-mail : [info.tnk@andhrapetrochemicals.com](mailto:info.tnk@andhrapetrochemicals.com)  
[investors@andhrapetrochemicals.com](mailto:investors@andhrapetrochemicals.com)

**B. NON-MANDATORY REQUIREMENTS:**

The Company has not adopted any of the non-mandatory requirements mentioned in Clause 49 of the Listing Agreement. The same will be adopted as and when considered necessary.

**CEO's declaration on compliance with the Company's Code of Conduct**

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and Senior Management Personnel have affirmed the compliance of the Company's Code of Conduct for the Board Members and Senior Management Personnel, as applicable, for the year ended 31<sup>st</sup> March, 2010.

**Place : Visakhapatnam**  
**Date : 5-8-2010**

**Dr. MULLAPUDI HARISCHANDRA PRASAD**  
**Managing Director**

**AUDITORS' CERTIFICATE**

**To**  
**The Members of**  
**The Andhra Petrochemicals Limited,**  
**Tanuku.**

We have examined the compliance of conditions of Corporate Governance by The Andhra Petrochemicals Limited, Tanuku for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**for BRAHMAYYA & CO.,**  
**Chartered Accountants**  
**Firm Regn. No. 000513S**  
**C V Ramana Rao**  
**Partner**  
**Membership No.018545**

**Place : Visakhapatnam**  
**Date : 5-8-2010**

**AUDITORS' REPORT**

**To**  
**The Members of**  
**The Andhra Petrochemicals Limited,**  
**Tanuku.**

1. We have audited the attached Balance Sheet of The Andhra Petrochemicals Limited, Tanuku as at 31<sup>st</sup> March, 2010, the Profit and Loss Account for the year ended on that date annexed thereto and 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 have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 above, we report that:
  - a) We have obtained all the information and

- explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3c) of Section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010.
    - ii) in the case of the Profit and Loss account, of the loss for the year ended on that date.
    - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.
  - f) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**for BRAHMAYYA & CO.,**  
**Chartered Accountants**  
**Firm Regn. No. 000513S**  
**C V Ramana Rao**  
**Partner**  
**Membership No.018545**

**Place : Visakhapatnam**  
**Date : 5-8-2010**

**ANNEXURE TO THE AUDITORS' REPORT  
REFERRED TO IN PARAGRAPH 3 OF OUR REPORT  
OF EVEN DATE:**

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c) The Fixed Assets disposed off by the Company during the year do not form a substantial part thereof.
- ii) a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii) a) The Company has during the year granted an unsecured inter-corporate loan of Rs. 9 crores to one company, which is covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In our opinion, the rate of interest and other terms and conditions on which the said loan has been granted by the Company is not, prima facie, prejudicial to the interest of the Company.
- c) The Company has received repayment of the full principle amount of the inter-corporate loan together with the interest accrued thereon. Accordingly, clause 4(iii)(d) of the Order is not applicable.
- d) The Company has not taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii) (f) & (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the contracts and arrangements made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from public. Accordingly the clause 4(vi) of the order is not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules 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 have been made and maintained.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it were in arrears as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
- c) As at 31<sup>st</sup> March, 2010, there have been no disputed dues, which have not been deposited

with the respective authorities in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess.

- x) The Company has no accumulated losses and has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
- xi) The Company has not defaulted in payment of any loan installment or interest in respect of term loans from financial institutions and banks.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the clause 4(xii) of the order is not applicable.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the clause 4(xiii) of the order is not applicable.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other instruments. Accordingly the clause 4(xiv) of the order is not applicable.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the clause 4(xv) of the order is not applicable.
- xvi) In our opinion, the Term Loans have been applied for the purposes for which they were raised.
- xvii) According to the information and explanations given to us and on 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.
- xviii) During the year, the Company has not made any preferential allotment of shares. Accordingly the clause 4(xviii) of the order is not applicable.
- xix) The Company has not issued any debentures so far. Accordingly clause 4(xix) of the order is not applicable.
- xx) During the year, the Company has not raised money by Public issue. Accordingly the clause 4(xx) of the order is not applicable.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**for BRAHMAYYA & CO.,  
Chartered Accountants  
Firm Regn. No. 000513S  
C V Ramana Rao  
Partner  
Membership No.018545**

**Place : Visakhapatnam  
Date : 5-8-2010**

**Accounting Policies**

- 1. General:**  
The accounts are prepared on accrual basis under the historical cost convention and in accordance with the accounting standards specified under sub section (3c) of section 211 of the Companies Act, 1956.
- 2. Fixed Assets:**
  - a. Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is net of CENVAT / Input VAT Credit and inclusive of freight, duties, taxes, incidental expenses including interest on specific borrowings as allotted.
  - b. Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/erection.
- 3. Investments:**  
Investments are stated at cost, inclusive of all expenses relating to acquisition. Provision for diminution in the market value of long-term investments is made, if in the opinion of the Management such diminution is permanent in nature.
- 4. Inventories:**  
Inventories are valued at the lower of the cost (net of CENVAT / Input VAT Credit) or net realisable value (except scrap / waste which are valued at estimated realisable value). Cost is computed on monthly weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
- 5. Borrowing Costs:**  
Borrowing cost is charged to Profit and Loss Account except cost of specific borrowing for acquisition of qualifying assets which is capitalised till date of commercial use of the said asset.
- 6. Sales:**  
Sales are inclusive of Excise Duty and net of rebates and Sales Tax.
- 7. Employee Benefits:**
  - (i) Defined Contribution Plans**  
Employee Benefits in the form of Employee Provident Pension Funds are considered as Defined Contribution plans and the contributions are charged to the Profit & Loss Account of the year when the contributions to the said fund are due.
  - (ii) Defined Benefit Plans**  
Retirement Benefit in the form of Gratuity is considered as Defined Benefit Obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method as at the date of Balance Sheet.
  - (iii) Other Long Term Benefits**  
Long-Term Compensated Absences are provided on the basis of an actuarial valuation using the Projected Unit Credit Method as at the date of Balance Sheet.

Actuarial gains / losses, if any, are immediately recognised in the Profit & Loss Account.
- 8. Depreciation:**  
Depreciation on buildings and plant and machinery is charged under straight-line method and on the remaining assets under written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.
- 9. Foreign Currency Transactions:**  
Transactions on account of foreign currency are accounted for at the rates prevailing on the date of the transaction. Foreign Currency assets and liabilities are restated at the rates prevailing as on the date of Balance Sheet. Exchange rate differences are dealt with in the Profit and Loss Account. Premium or discount on forward exchange contracts are amortised and recognised in the Profit & Loss Account over the period of the contract.

Balance Sheet as at 31<sup>st</sup> March, 2010

(Rs. in lakhs)

	Schedule No.	As at 31-03-2010	As at 31-03-2009
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
a) Share Capital	1	8497.16	8497.16
b) Reserves and Surplus	2	7690.09	8228.14
		<u>16187.25</u>	<u>16725.30</u>
<b>2. Loan Funds:</b>			
Secured Loans	3	14352.29	1404.56
		<u>14352.29</u>	<u>1404.56</u>
<b>3. Deferred Tax Liability</b>			
		1185.85	1572.62
Total		<u>31725.39</u>	<u>19702.48</u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>			
a) Gross Block	4	23176.27	23224.40
b) Less: Depreciation		18638.43	17486.85
c) Net Block		4537.84	5737.55
d) Capital Work-in-progress	5	21674.85	7762.69
		<u>26212.69</u>	<u>13500.24</u>
<b>2. Investments</b>			
	6	526.31	526.31
<b>3. Current Assets Loans and Advances:</b>			
a) Inventories	7	2925.17	2818.61
b) Sundry debtors	8	139.69	1531.84
c) Cash and Bank Balances	9	999.73	1674.71
d) Interest Receivable		7.09	5.74
e) Loans and Advances	10	2061.66	629.76
		<u>6133.34</u>	<u>6660.66</u>
Less: Current Liabilities & Provisions:			
a) Current Liabilities	11	1005.68	827.42
b) Provisions	12	141.27	157.31
		<u>4986.39</u>	<u>5675.93</u>
Net Current Assets		<u>4986.39</u>	<u>5675.93</u>
Total		<u>31725.39</u>	<u>19702.48</u>
Significant Accounting Policies & Notes on Accounts	18		

Per our report of even date for Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	M R B Punja Dr. Mullapudi Harischandra Prasad Dr. Anumolu Ramakrishna K. Raghu Ram	for and on behalf of the Board Managing Director Director Manager (Finance) & Asst. Company Secretary
Place : Visakhapatnam Date : 5-8-2010	Visakhapatnam 5-8-2010	



**Profit and Loss Account for the Year ended 31<sup>st</sup> March, 2010**

(Rs. in lakhs)

	Schedule No.	This Year	Previous Year
<b>INCOME :</b>			
Gross Sales (excluding sale of production out of trial run)		<b>14868.66</b>	27800.77
Less: Excise Duty collected		<b>1154.39</b>	3306.93
		<b>13714.27</b>	24493.84
Cost of products used for testing of new Plant under installation		<b>513.95</b>	-
Increase / (decrease) of stocks	13	<b>(1606.52)</b>	613.32
Other Income	14	<b>147.65</b>	641.14
		<b>12769.35</b>	25748.30
<b>EXPENDITURE :</b>			
Raw materials consumed		<b>9485.15</b>	18000.81
Staff Cost	15	<b>795.87</b>	850.41
Other Expenses	16	<b>2001.59</b>	2888.56
Interest	17	<b>134.93</b>	303.34
Depreciation	4	<b>1202.81</b>	1206.16
		<b>13620.35</b>	23249.28
Profit / (Loss) before Taxation		<b>(851.00)</b>	2499.02
Provision for:			
Current Tax		<b>76.00</b>	1223.00
Deferred Tax		<b>(386.77)</b>	(343.34)
Fringe Benefit Tax		-	4.12
Excess Provision for Direct Taxes written back		<b>(2.18)</b>	(2.97)
Profit / (Loss) after Taxation		<b>(538.05)</b>	1618.21
Balance of surplus brought forward from previous year		<b>6792.14</b>	5173.93
Balance of surplus carried forward to next year		<b>6254.09</b>	6792.14
Earning per Equity Share of Rs.10/- each (Basic & Diluted)		<b>(0.63)</b>	1.90

Significant Accounting Policies & Notes on Accounts 18

<b>Per our report of even date for Brahmayya &amp; Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545</b>	<b>for and on behalf of the Board</b>	
	<b>M R B Punja Dr. Mullapudi Harisanchandra Prasad Dr. Anumolu Ramakrishna</b>	<b>Chairman Managing Director Director</b>
<b>Place : Visakhapatnam Date : 5-8-2010</b>	<b>K. Raghu Ram Visakhapatnam 5-8-2010</b>	<b>Manager (Finance) &amp; Asst. Company Secretary</b>

## Schedules attached to and forming part of the Balance Sheet

(Rs. in lakhs)

As at 31-03-2010 As at 31-03-2009

### SCHEDULE – 1 - Share Capital:

Authorised: 8,50,00,000 Equity Shares of Rs.10/- each	<b>8500.00</b>	8500.00
Issued, Subscribed and Paid-up: 8,49,71,600 Equity Shares of Rs.10/- each fully paid-up	<b>8497.16</b>	8497.16
Total	<b>8497.16</b>	8497.16

### SCHEDULE – 2 - Reserves and Surplus:

Share Premium	<b>412.63</b>	412.63
Capital Reserve *	<b>23.37</b>	23.37
General Reserve	<b>1000.00</b>	1000.00
Surplus in Profit & Loss A/c	<b>6254.09</b>	6792.14
Total	<b>7690.09</b>	8228.14

\* Represents the cessation of liability on one time settlement of Term Loans.

### SCHEDULE – 3 - Secured Loans:

A) Rupee Term Loans from:		
IDBI Bank Ltd.	-	334.59
IFCI Ltd.	-	153.02
Life Insurance Corporation of India	-	20.96
Sub-Total (A)	<b>-</b>	<b>508.57</b>
B) Rupee Term Loans for Optimisation & Modernisation Project from:		
IDBI Bank Ltd.	<b>3959.58</b>	143.58
State Bank of India	<b>3372.88</b>	122.30
State Bank of Hyderabad	<b>3371.94</b>	122.30
Andhra Bank	<b>3372.87</b>	122.30
Sub-Total (B)	<b>14077.27</b>	<b>510.48</b>
C) Working Capital Loans from Scheduled Banks in Indian Currency	<b>275.02</b>	385.51
Sub-Total (C)	<b>275.02</b>	385.51
Total (A+B+C)	<b>14352.29</b>	<b>1404.56</b>

**SCHEDULE – 4 - Fixed Assets:**

(Rs.in lakhs)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		Cost as at 31.3.2009	Additions	Deductions	Cost as at 31.3.2010	Upto 31.3.2009	For the year	On deductions	Upto 31.3.2010	As at 31.3.2010	As at 31.3.2009
1	Land	9.07	-	-	9.07	-	-	-	-	9.07	9.07
2	Buildings*	1169.03	-	-	1169.03	400.92	26.75	-	427.67	741.36	768.11
3	Plant & Machinery	21853.00	-	76.84	21776.16	16950.61	1160.54	40.57	18070.58	3705.58	4902.39
4	Furniture & Office Equipment	162.98	11.65	12.35	162.28	114.60	12.09	10.66	116.03	46.25	48.38
5	Vehicles	30.32	29.41	-	59.73	20.72	3.43	-	24.15	35.58	9.60
	<b>Total</b>	<b>23224.40</b>	<b>41.06</b>	<b>89.19</b>	<b>23176.27</b>	<b>17486.85</b>	<b>1202.81</b>	<b>51.23</b>	<b>18638.43</b>	<b>4537.84</b>	<b>5737.55</b>
	Previous year	23202.38	42.32	20.30	23224.40	16296.16	1206.16	15.47	17486.85	5737.55	6906.22

\* Constructed on Lease-hold Land.

(Rs. in lakhs)

**SCHEDULE – 5 - Capital Works-in-Progress:**

	As at 31-03-2010	As at 31-03-2009
Capital works-in-progress	13729.47	1272.16
Capital Advances	5819.07	6126.95
Expenditure incurred during construction period awaiting allocation to Fixed Assets (Schedule - 5 A)	2126.31	363.58
<b>Total</b>	<b>21674.85</b>	<b>7762.69</b>

**SCHEDULE – 5 A - Expenditure Incurred During Construction Period:**

(Pending capitalisation to Fixed Assets)

	(A)	
Balance at the beginning of the year	363.58	176.23
Expenditure incurred during the year:		
a) Raw Materials consumed	2597.43	-
b) Cost of Production used for testing of new Plant under installation	513.95	-
c) Staff Cost	102.93	-
d) Stores & Spares consumed	63.42	-
e) Power & Fuel	412.66	10.47
f) Rent	2.10	0.98
g) Taxes & Licences	0.59	0.02
h) Other Expenses	181.30	76.84
i) Interest and Finance Expenses	651.69	99.04
Less: Value of Trial Production by way of:		
i) Sales of Trial Run Production (excluding Excise Duty collected Rs.138.61 lakhs)	(1347.29)	-
ii) Closing Stock of Trial Run Production	(1416.05)	-
<b>Total for the year</b>	<b>1762.73</b>	<b>187.35</b>
<b>Total expenditure awaiting allocation to Fixed Assets (A+B)</b>	<b>2126.31</b>	<b>363.58</b>

**SCHEDULE – 6 - Investments:**

Investment at cost:

Long Term - Non-Trade - unquoted:  
4,02,000 Equity Shares of Rs.10/- each  
fully paid-up in Andhra Pradesh Gas  
Power Corporation Ltd.

Total

<u>526.31</u>	<u>526.31</u>
<u>526.31</u>	<u>526.31</u>

**SCHEDULE – 7 - Inventories (as certified by the Management):**

Stores and Spares	1018.17	909.78
Stores-in-transit	46.05	77.18
Raw Materials	348.61	129.44
Work-in-process	626.62	685.80
Finished Goods	885.72	1016.41
Total	<u>2925.17</u>	<u>2818.61</u>

**SCHEDULE – 8 - Sundry Debtors (unsecured):**

Outstanding for a period exceeding six months and considered doubtful	5.25	5.25
Outstanding for less than six months and considered good	<u>139.69</u>	<u>1531.84</u>
	144.94	1537.09
Less: Provision for doubtful debts	<u>5.25</u>	<u>5.25</u>
Total	<u>139.69</u>	<u>1531.84</u>

**SCHEDULE – 9 - Cash and Bank Balances:**

Cash on hand	1.08	1.92
Cheques on hand	234.96	107.82
With Scheduled Banks :		
In Current Accounts*	562.80	164.97
In Term Deposits	<u>200.89</u>	<u>1400.00</u>
Total	<u>999.73</u>	<u>1674.71</u>

\* Includes Rs.38.06 lakhs on account of unclaimed dividend. Previous year Rs.38.26 lakhs.

**SCHEDULE – 10 - Loans and Advances:**

(Unsecured, considered good and  
recoverable in cash or kind or  
for value to be received)

Advances Recoverable	620.94	292.13
Pre-paid Expenses	8.86	10.77
Deposit with Excise Authorities	1257.77	181.93
Other Deposits Recoverable	152.43	144.93
Advance Income Tax paid (net of provision)	<u>21.66</u>	<u>-</u>
Total	<u>2061.66</u>	<u>629.76</u>

**SCHEDULE – 11 - Current Liabilities:**

Creditors for Capital Works	<b>451.31</b>	103.01
Sundry Creditors *	<b>332.17</b>	596.84
Other Liabilities	<b>14.57</b>	20.92
Advances received against Sales	<b>80.87</b>	61.03
Trade Deposits	<b>5.00</b>	5.00
Interest Accrued but not due on term loans	<b>83.70</b>	2.36
Unclaimed Dividends #	<b>38.06</b>	38.26
Total	<b><u>1005.68</u></b>	<u>827.42</u>

\* Includes Rs.Nil (previous year Rs. Nil) due to Micro Small and Medium Enterprises to the extent such parties have been identified from the available information and there are no Micro Small and Medium Enterprises where the outstandings are due for more than 45 days.

# Amounts due and outstanding to be credited to Investors Education and Protection Fund Rs. Nil (Previous year Rs. Nil).

**SCHEDULE – 12 - Provisions:**

Provision for:		
Gratuity	<b>59.56</b>	53.89
Compensated absences	<b>81.71</b>	85.14
Income Tax (Net of prepaid taxes)	-	18.24
Fringe Benefit Tax (Net of prepaid taxes)	-	0.04
Total	<b><u>141.27</u></b>	<u>157.31</u>

**Schedules attached to and forming part of the Profit and Loss Account**

	This Year	Previous Year
	(Rs. in lakhs)	
<b>SCHEDULE – 13 - Increase / (Decrease) of Stocks:</b>		
<b>A) Closing Stock:</b>		
Finished goods	<b>14.98</b>	1016.41
Work-in-process	-	685.80
Total (A)	<b><u>14.98</u></b>	<u>1702.21</u>
<b>B) Opening Stock:</b>		
Finished goods	<b>1016.41</b>	571.99
Work-in-process	<b>685.80</b>	528.08
Total (B)	<b><u>1702.21</u></b>	<u>1100.07</u>
Increase / (decrease) of stocks (A-B)	<b>(1687.23)</b>	602.14
Adjustment of Excise Duty on Stocks	<b>80.71</b>	11.18
Total	<b><u>(1606.52)</u></b>	<u>613.32</u>

**The Andhra Petrochemicals Limited**

(Rs. in lakhs)

**This Year**      Previous Year**SCHEDULE – 14 - Other Income:**

Interest received (TDS Rs.17.02 lakhs previous year Rs.124.76 lakhs)	<b>136.45</b>	631.11
Miscellaneous Receipts	<b>8.32</b>	5.72
Provisions no longer required	<b>2.88</b>	3.60
Exchange Variation Gain	-	0.71
<b>Total</b>	<b>147.65</b>	<b>641.14</b>

**SCHEDULE – 15 - Staff Cost:**

Salaries, Allowances and Bonus	<b>744.61</b>	726.79
Contributions to Provident, Pension, Gratuity and other funds	<b>60.33</b>	55.09
Staff welfare expenses	<b>93.86</b>	68.53
<b>Total</b>	<b>898.80</b>	850.41
Less: Transfer to expenditure during construction period	<b>102.93</b>	-
<b>Taken to Profit &amp; Loss account</b>	<b>795.87</b>	<b>850.41</b>

**SCHEDULE – 16 - Other Expenses:**

Stores & spares and packing materials consumed	<b>240.57</b>	638.83
Power and Fuel	<b>1718.91</b>	1726.30
Insurance	<b>11.82</b>	17.14
Rent paid	<b>27.97</b>	24.86
Taxes and Licences	<b>5.79</b>	3.99
Repairs to Buildings	<b>16.85</b>	12.30
Repairs to Machinery	<b>292.26</b>	317.94
Repairs to Other Assets	<b>4.71</b>	8.45
Commission on sales	<b>0.25</b>	1.65
Directors' Fee and expenses	<b>6.53</b>	6.52
Payments to Auditors (vide Note No.18 of Schedule-18)	<b>4.34</b>	6.41
Miscellaneous expenses	<b>315.35</b>	120.85
Loss on Sale of Assets	<b>16.31</b>	3.31
Assets Written Off	-	0.01
<b>Total</b>	<b>2661.66</b>	<b>2888.56</b>
Less: Transfer to expenditure during construction period	<b>660.07</b>	-
<b>Taken to Profit &amp; Loss account</b>	<b>2001.59</b>	<b>2888.56</b>

**SCHEDULE – 17 - Interest:**

On Fixed Loans	<b>672.79</b>	109.16
To Banks and others	<b>113.83</b>	194.18
<b>Total</b>	<b>786.62</b>	303.34
Less: Transfer to expenditure during construction period	<b>651.69</b>	-
<b>Taken to Profit &amp; Loss account</b>	<b>134.93</b>	<b>303.34</b>

**SCHEDULE – 18 - Notes forming part of the Accounts**

	(Rs. in lakhs)	
	This Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances & letters of credits opened)	<b>229.76</b>	10034.35
<b>2. Contingent liabilities not provided for:</b>		
i. Outstanding Guarantees to Banks including Letter of Credit opened with Banks for capital payments	<b>962.89</b>	982.39
ii. Grid support charges claimed by A.P.Transco – disputed by the Company	<b>115.97</b>	115.97
iii. Demand by EPDC of A.P Ltd., towards differential electrical charges - contested by the Company	<b>573.84</b>	573.84
iv. Claims against the company by contractors not acknowledged as debts	<b>12.00</b>	12.00

**3. Secured Loans:**

**A. Term Loans for Optimisation and Modernisation Project:**

All the term loans are secured by pari passu charge, by mortgage of the Company's immovable properties and hypothecation of movable assets including movable machinery, present and future. The loans are further secured by a second charge on all the remaining movable assets, subject to charge in favour of Company's bankers on specified movables towards working capital facilities.

**B. Working Capital Loans from Banks:**

Secured by the hypothecation of raw materials, semi-finished goods, finished goods, stores and spares and book debts and also collaterally secured by second charge on the fixed assets, both present and future of the company.

**4. As per Accounting Standard 15 "Employees Benefits" the disclosure of Employee Benefits as defined in the Accounting Standard are given hereunder:**

Defined Contributions Plans

Contributions to Defined Contribution plan, recognised as expense for the year, are as under:

	(Rs. in lakhs)	
	<b>2009-10</b>	2008-09
Employer's contributions to Provident and Pension Funds (excluding Rs. 6.53 lakhs capitalised during the year) (previous year Rs. Nil)	<b>33.83</b>	40.61

Defined Benefit Plans:

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absences is recognised in the same manner as gratuity.

**The Andhra Petrochemicals Limited**

I. Reconciliation of opening and closing balances of Defined Benefit obligation:

(Rs. in lakhs)

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Defined Benefit obligation at beginning of the year	131.30	118.10	85.14	54.82
Interest Cost	10.59	9.53	6.03	3.85
Current Service Cost	9.80	10.22	3.68	16.47
Benefits paid	(15.42)	(5.68)	(19.59)	(6.97)
Actuarial loss / (gain) on obligation	5.38	(0.87)	6.45	16.97
Defined Benefit obligation at year end	141.65	131.30	81.71	85.14

II. Reconciliation of opening and closing balances of fair value of plan assets:

(Rs. in lakhs)

	Gratuity (Funded)		Previous Year
	This Year	Previous Year	
Fair value of plan assets at beginning of the year	77.41	77.41	66.42
Expected return on plan assets	6.38	6.38	5.91
Contributions	13.72	13.72	10.76
Benefits paid	(15.42)	(15.42)	(5.68)
Actuarial loss / (gain) on obligation	—	—	—
Fair value of plan assets as at the end of the year	82.09	82.09	77.41

III. Reconciliation of fair value of assets and obligations as at 31.3.2010:

(Rs. in lakhs)

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Fair value of plan assets	82.09	77.41	—	—
Present value of obligation	141.65	131.30	81.71	85.14
Amount recognised as liability in Balance Sheet	59.56	53.89	81.71	85.14

IV. Expenses recognised during the year (in the statement of Profit & Loss Account):

(Rs. in lakhs)

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Current Service Cost	9.80	10.22	16.15	30.32
Interest Cost	10.59	9.53	6.03	3.85
Expected return on plan assets	(6.38)	(5.91)	—	—
Actuarial (gain)/ loss	5.38	(0.87)	(6.03)	(3.85)
Expenses recognised in the statement of Profit & Loss Account	19.39	12.97	16.15	30.32



V. Principals Actuarial Assumptions:

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Discount Rate	<b>8.00%</b>	8.00%	<b>8.00%</b>	7.50%
Salary Escalation Rate	<b>7.00%</b>	7.00%	<b>4.00%</b>	4.00%

As per the enterprise's accounting policy actuarial gains and losses are recognised immediately during the same year itself.

The above information is certified by the Actuary.

5. The Company operates only in one business segment being the manufacture of Oxo-Alcohols and there are no geographical segments to be reported.

6. Details of Related Party transactions as per AS-18 issued by the Institute of Chartered Accountants of India:

I. List of Related Parties:

A. Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate:  
The Andhra Sugars Limited

B. Key Management Personnel:

Dr. Mullapudi Harischandra Prasad, Managing Director

C. Enterprises on which Key Management Personnel exercise significant influence:

1. Sree Akkamamba Textiles Ltd.,
2. The Andhra Farm Chemicals Corporation Ltd.,
3. Royal Printing Works

II. Transactions with the Related Parties:

(Rs. in lakhs)

Particulars	Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate		Key Management Personnel		Enterprises on which Key Management Personnel exercise significant influence	
Purchase of goods from	<b>23.39</b>	(24.46)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)
Services rendered by	<b>0.50</b>	(1.74)	<b>NIL</b>	(NIL)	<b>3.82</b>	(3.59)
Sale of Goods to	<b>0.13</b>	(NIL)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)
Interest received on ICD of Rs. 9 crores (previous year Rs. 20 crores) which were repaid during the respective years.	<b>15.53</b>	(195.86)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)

Figures in brackets are in respect of previous year.

7. Earnings per Share (EPS):

	This Year	Previous Year
a) Net Loss available to Shareholders (Rs.)	<b>(53805002)</b>	161821318
b) Weighted average No. of Equity Shares used as denominator for calculating EPS	<b>84971600</b>	84971600
c) Basic and diluted earnings per Equity Share of Rs.10/- each (Rs.)	<b>(0.63)</b>	1.90

**The Andhra Petrochemicals Limited**

		(Rs. in lakhs)			
8. Major components of deferred tax liabilities and assets arising on account of timing difference are:		This Year	Previous Year		
Liabilities:					
Difference between tax and book depreciation		<u>1198.72</u>	<u>1590.36</u>		
Assets:					
Items covered under Section 43B of Income Tax Act		11.13	15.96		
Provision for doubtful debts		<u>1.74</u>	<u>1.78</u>		
		<u>12.87</u>	<u>17.74</u>		
Deferred Tax Liability		<u>1185.85</u>	<u>1572.62</u>		
9. According to an internal technical assessment carried out by the Company, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard – 28 (AS – 28) issued by the Institute of Chartered Accountants of India.					
10. Particulars of capacity and production:		This Year M.T	Previous Year M.T		
a) Licenced and installed capacity:					
Oxo-Alcohols					
Licenced		30000 P.A	30000 P.A		
Installed					
(As certified by the management)		39000 P.A	39000 P.A		
b) Production:					
Oxo-Alcohols (excluding Trial Run Production of 2619 MT)		<u>24192</u>	<u>36747</u>		
		This Year		Previous Year	
	Quantity in M.T	Value Rs. in lakhs	Quantity in M.T	Value Rs. in lakhs	
11. Sales:					
Oxo-Alcohols	26077	14868.66	35609	27800.77	
Excluding sales out of Trial Run production of 1623 MT with a value of Rs. 1485.90 lakhs, which includes Excise Duty collections of Rs.138.61 lakhs, and internal consumption of 159 MT.					
12. Opening & Closing Stock of Finished Goods:					
a) Opening Stock					
Oxo-Alcohols	2044	1016.41	906	571.99	
b) Closing Stock					
Oxo-Alcohols representing stock out of Trial Run	996	870.74	2044	1016.41	
Others		<u>14.98</u>		---	
		<u>885.72</u>		<u>1016.41</u>	
13. Raw Materials consumed:					
Propylene (MT)	21512	7600.02	29132	12569.36	
Naphtha (MT)	11765	<u>4482.56</u>	12668	<u>5431.45</u>	
		<u>12082.58</u>		18000.81	
Less: Consumed during Trial Runs:					
Propylene		1244.44		—	
Naphtha		<u>1352.99</u>		—	
		<u>9485.15</u>		<u>18000.81</u>	
		(Rs. in lakhs)			
14. Value of imports during the year calculated on CIF basis:		This Year	Previous Year		
Capital goods		912.11	Nil		
Components and spare parts		469.43	172.38		

	This Year		Previous Year	
	Rs. in lakhs	%	Rs. in lakhs	%
15. a) Consumption of raw materials: (including consumption during trial runs)				
Imported	Nil	Nil	Nil	Nil
Indigenous	12082.58	100	18000.81	100
b) Consumption of stores during the year (charged to appropriate heads of account):				
Imported	61.42	4	243.60	13
Indigenous	1561.15	96	1648.89	87
	<u>1622.57</u>	<u>100</u>	<u>1892.49</u>	<u>100</u>

	(Rs. in lakhs)	
	This Year	Previous Year
16. Expenditure in Foreign Currency on account of:		
Technical Services Fee	95.46	1654.83
Bank charges, Subscriptions and cost of services etc.	3.32	2.78
Travelling expenditure (excluding tickets purchased in Indian currency)	30.46	3.87

17. Earnings in Foreign Currency: Nil Nil

	(Rs. in lakhs)	
	This Year	Previous Year
18. Payments made to Auditors towards:		
Statutory Audit Fees	1.20	1.00
Taxation matters incl. Tax Audit	1.21	3.69
Consultancy and certification	0.98	1.12
Out-of-pocket expenses	0.23	0.11
	<u>3.62</u>	<u>5.92</u>
Cost Audit fees	0.35	0.30
Out-of-pocket expenses	0.37	0.19
	<u>4.34</u>	<u>6.41</u>

19. Figures have been rounded off to the nearest thousand. Previous year's figures have been regrouped wherever necessary.

Per our report of even date for Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	for and on behalf of the Board	
	M R B Punja Dr. Mullapudi Harischandra Prasad Dr. Anumolu Ramakrishna	Chairman Managing Director Director
	K. Raghu Ram	Manager (Finance) & Asst. Company Secretary
Place : Visakhapatnam Date : 5-8-2010	Visakhapatnam 5-8-2010	

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

I. Registration Details:	
Registration No.	4635
State Code	01
Balance Sheet Date	31st March, 2010
	(Rs. Thousands)
II. Capital Raised during the year:	
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private placement	Nil
III. Position of Mobilisation and Deployment of Funds:	
Total Liabilities	3172539
Total Assets	3172539
Source of Funds:	
Paid-up-Capital	849716
Reserves & Surplus	769009
Secured Loans	1435229
Unsecured Loans	Nil
Deferred Tax Liability	118585
<b>Total</b>	<b>3172539</b>
Application of Funds:	
Net Fixed Assets	2621269
Investments	52631
Net Current Assets	498639
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil
<b>Total</b>	<b>3172539</b>
IV. Performance of Company:	
Turnover	1371427
Cost of Products used for testing of new plant under installation	51395
Increase /(Decrease) of stocks	(160652)
Other Income	14765
Total Expenditure	1362035
Loss before Tax	(85100)
Loss after Tax	(53805)
Earning per share in Rs.	(0.63)
Dividend rate %	Nil
V. Generic names of three principal products/services of Company (As per monetary terms)	
<b>Item Code No. (ITC Code)</b>	<b>Product Description</b>
	(Oxo Alcohols)
1. 29051600	2-Ethyl Hexanol
2. 29051300	Normal Butanol
3. 29051409	Iso Butanol

**CASH FLOW STATEMENT FOR  
THE YEAR 2009-2010**

	(Rs. in lakhs)	
	<b>This Year</b>	Previous Year
<b>A) Cash Flow from Operating Activities:</b>		
Profit/(Loss) for the year before extraordinary items:	<b>(851.00)</b>	2499.02
Adjustments for:		
Depreciation	<b>1202.81</b>	1206.16
Interest paid	<b>134.93</b>	303.34
Interest received	<b>(136.45)</b>	(631.11)
Loss on sale of assets	<b>16.31</b>	3.31
Assets written off	---	0.01
Provision for compensated absences	<b>(3.43)</b>	30.32
Provision for Gratuity	<b>5.68</b>	2.21
Operating Profit before Working Capital changes	<b>368.85</b>	3413.26
Inventories	<b>(106.56)</b>	(273.19)
Trade and other receivables	<b>(19.44)</b>	398.51
Trade payables	<b>178.26</b>	273.66
Cash generated from operations	<b>421.11</b>	3812.24
Interest paid	<b>(134.93)</b>	(303.34)
Income Tax (paid)/refund received	<b>(113.77)</b>	(1264.69)
Net Cash generated in operations	<b>172.41</b>	2244.21
<b>B) Cash Flow from Investing Activities:</b>		
Additions to Fixed Assets including Capital Work In Progress	<b>(13953.22)</b>	(6082.00)
Sale of Fixed Assets	<b>21.65</b>	1.51
Interest received	<b>136.45</b>	631.11
Net Cash used in investing activities	<b>(13795.12)</b>	(5449.38)
<b>C) Cash Flow from Financing Activities</b>		
Increase in borrowings (net)	<b>12947.73</b>	208.02
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	<b>(674.98)</b>	(2997.15)
Opening balance of Cash & Cash equivalents	<b>1674.71</b>	4671.86
Closing balance of Cash & Cash equivalents	<b>999.73</b>	1674.71

<b>Per our report of even date for Brahmayya &amp; Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545</b>	<b>M R B Punja Dr. Mullapudi Harischandra Prasad Dr. Anumolu Ramakrishna</b>	<b>for and on behalf of the Board</b>	<b>Chairman Managing Director Director</b>
	<b>K. Raghu Ram</b>	<b>Manager (Finance) &amp; Asst. Company Secretary</b>	
<b>Place : Visakhapatnam Date : 5-8-2010</b>	<b>Visakhapatnam 5-8-2010</b>		



**THE ANDHRA PETROCHEMICALS LIMITED**

Regd. Office: Venkatarayapuram, Tanuku - 534215  
W.G.District, Andhra Pradesh

**26<sup>th</sup> Annual General Meeting**

**PROXY FORM**

Client ID\* .....

DP. ID\* .....

Folio No.....

I/We \_\_\_\_\_ being a

Member(s)of the THE ANDHRA PETROCHEMICALS LIMITED hereby appoint \_\_\_\_\_

in the district of \_\_\_\_\_ or failing him \_\_\_\_\_ of

\_\_\_\_\_ in the district of \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the 26<sup>th</sup> ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 30<sup>th</sup> September, 2010 and at the adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

For office use

Proxy No.:

Date of Receipt:

No. of Shares:

Signature of the Shareholder(s) \_\_\_\_\_

Affix a 15 Ps.

Revenue

Stamp

\* Applicable for investors holding shares in electronic form.

N.B. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.



**THE ANDHRA PETROCHEMICALS LIMITED**

Regd. Office: Venkatarayapuram, Tanuku - 534215  
W.G.District, Andhra Pradesh

Client ID\* .....

DP. ID\* .....

**ATTENDANCE SLIP \*\***

Folio No.....

Name of Member \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Name of Proxy \_\_\_\_\_

(to be filled in only when a Proxy attends the Meeting)

I hereby register my presence at the 26<sup>th</sup> ANNUAL GENERAL MEETING being held on Thursday, the 30<sup>th</sup> September, 2010.

.....  
Signature of Member/Proxy

\* Applicable for investors holding shares in electronic form.

\*\* This Slip may please be handed over at the entrance of Meeting Hall.

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