

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**28<sup>th</sup> Annual Report  
2011 - 12**

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)  
Dr. Mullapudi Harischandra Prasad  
(Managing Director) (upto 3.9.2011)  
Dr. B B Ramaiah (Managing Director)  
Sri Justice G Ramanujam (Retd.)  
Sri A A Krishnan  
Dr. Anumolu Ramakrishna  
Sri Surinder Kumar Kapoor  
Sri V Nagi Reddy, I.A.S.,  
(Nominee of APIDC upto 20.5.2011)  
Smt. Nilam Sawhney, I.A.S.,  
(Nominee of APIDC from 1.8.2011 to 20.4.2012)  
Sri B R Meena, I.A.S.,  
(Nominee of APIDC from 19.5.2012)  
Sri Pradeep Kumar Keshari  
(Nominee of IDBI Bank Ltd., upto 28.4.2011)  
Sri P Narendranath Chowdary  
Sri M Thimmaraja  
Sri M Venkateswara Rao  
(Nominee of APIDC)  
Sri Anirudha Behera  
(Nominee of IDBI Bank Ltd., from 20.5.2011)  
Sri Ravi Pendyala  
(from 12.11.2011)

## 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  
IDBI Bank Ltd.

## Registered Office

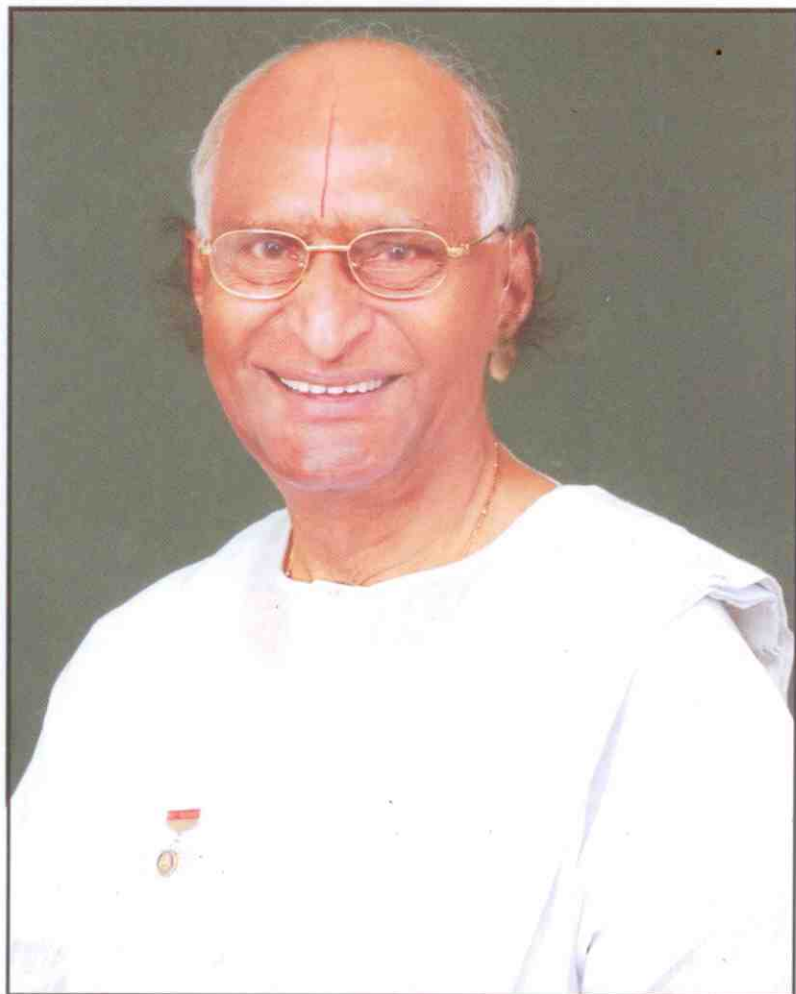
Venkatarayapuram  
Tanuku - 534 215  
West Godavari District  
Andhra Pradesh  
Tel : 08819 - 224075 / 224755 / 220975  
E-mail: info.tnk@andhrapetrochemicals.com  
investors@andhrapetrochemicals.com  
Website: www.andhrapetrochemicals.com

## Factory

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

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# HOMAGE



28-07-1921

03-09-2011

**OUR FOUNDING FATHER**

**Dr. MULLAPUDI HARISCHANDRA PRASAD GARU**

**Managing Director (01.10.1989 to 03.09.2011)**

**The Andhra Petrochemicals Limited**

**NOTICE**

**NOTICE** is hereby given that the Twenty Eighth 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 Friday, the 28<sup>th</sup> September, 2012 at 3:00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2012 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the year 2011-12.
3. To appoint a Director in place of Sri M R B Punja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri Surinder Kumar Kapoor who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Dr. Anumolu Ramakrishna who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors for the year 2012-13 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:**

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification thereof or any re-enactment of the said Act, consent of the Members be and is hereby accorded to the appointment of Dr. B B Ramaiah as Managing Director of the Company, not liable to retire by rotation, for a period of 5 years with effect from 12<sup>th</sup> November, 2011 without any remuneration."

8. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Sri Ravi Pendyala who was appointed by the Board of Directors as an Additional Director of the Company with effect from 12<sup>th</sup> November, 2011 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 28<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") or any statutory modification thereof or any re-enactment of the said 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 as Director of the Company liable to retire by rotation."

9. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Sri B R Meena, I.A.S., who was appointed by the Board of Directors as an Additional Director of the Company with effect from 19<sup>th</sup> May, 2012 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 28<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") or any statutory modification thereof or any re-enactment of the said 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 as Director of the Company liable to retire by rotation."

**Hyderabad**

**21-7-2012**

Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

**By Order of the Board**

**Dr. B.B.Ramaiah**

**Managing Director**

**NOTES:**

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos.7, 8 and 9 are 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. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 15<sup>th</sup> September, 2012 to Friday, the 28<sup>th</sup> September, 2012 (both days inclusive).
3. The Dividend recommended by Directors, if approved at the Meeting, will be paid to the Shareholders whose names are on the Register of Members as on 28<sup>th</sup> September, 2012. **In respect of the shares held in Demat Mode, the above Dividend will be paid on the basis of beneficial ownership as at the end of business hours of 14<sup>th</sup> September, 2012 as per the details furnished by the Depositories for this purpose.**
5. 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.
6. 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.
7. 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.
8. Shareholders who have not encashed their Dividend Warrants issued in respect of Dividend declared for the years 2006-07 and 2010-11 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.

**SPECIFIC ATTENTION OF SHAREHOLDERS**

1. Sub: **Furnishing of Bank Account details for printing on Dividend Warrants.**  
**Shareholders in Physical Mode:** Bank Account details be furnished to the Company at the earliest in the format enclosed (**Page No. 27**).  
**Electronic / Demat Mode:** Bank Account details be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on any request received directly from the Members holding shares in Demat Mode for Bank Account Mandates.
2. Sub: **Furnishing of e-mail ID**  
Members are requested to provide their e-mail IDs so as to enable the Company to send documents like notice calling general meetings, audited financial statements, Directors' Report, Auditors' Report etc., by way of e-mail.  
**Shareholders in Physical Mode:** E-mail ID be furnished to the Company in the format enclosed (**Page No. 26**).  
**Electronic / Demat Mode:** E-mail ID be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on e-mail IDs received directly from the Members holding shares in Demat Mode for registration of e-mail IDs.

### **The Andhra Petrochemicals Limited**

#### **Particulars of Directors proposed to be re-appointed at this Meeting as required under Clause 49 of the Listing Agreement:**

**Sri M R B Punja** is Graduate in Faculty of Arts and former Chairman of IDBI. He was appointed as Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) Nominee Director & Chairman of the Board from 21.3.1987. APIDC withdrew its nomination in August, 1993. He was co-opted as Additional Director on the Board and elected as Chairman from 16.8.1993. In terms of Article 116 of the Articles of Association of the Company, The Andhra Sugars Ltd., has nominated him as Chairman from 26.11.1993. He has wide and varied experience in the areas of Financial Management, Information Systems, Business Restructuring, Commercial, Industrial and General Administration.

#### **Other Directorships held:**

Chairman – Delite Engineering Pvt Ltd.  
Director – Apollo Tyres Ltd., Deepak Nitrite Ltd., Mac Charles (India) Ltd., and Sushruta Medical Aid & Research Hospital Ltd.

#### **Other Committeeships held:**

Chairman – Audit Committee, Deepak Nitrite Ltd., and Apollo Tyres Ltd.; Member – Remuneration Committee, Apollo Tyres Ltd.

He holds 1,400 Equity Shares in the Company.

**Sri Surinder Kumar Kapoor** has been on the Board since 13.5.2010. He 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.

**Dr. Anumolu Ramakrishna** has been the Director of the Company since 30.7.2008. He holds Bachelors 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 the year 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.

#### **Other Directorships held:**

Director – The Andhra Sugars Ltd., GVK Gautami Power Ltd., Taj GVK Hotels & Resorts Ltd., GVK Power & Infrastructure Ltd., GVK Energy Ltd., Madras Cements Ltd., Ramco Industries Ltd., The KCP Ltd., Brigade Enterprises Ltd., GVK Jaipur Expressway Pvt. Ltd., International Infrastructure Consultants Pvt. Ltd., Mumbai International Airport Pvt. Ltd., Christiani & Nielsen (Thai) Public Co. Ltd., Thailand and Bangalore International Airport Ltd.

#### **Other Committeeships held:**

Chairman - Audit Committee, GVK Jaipur Expressway Pvt. Ltd., Taj GVK Hotels & Resorts Ltd., Ramco Industries Ltd., The KCP Ltd., Brigade Enterprises Ltd., and Christiani & Nielsen (Thai) Public Co. Ltd.; Remuneration Committee, GVK Power & Infrastructure Ltd.

Member - Audit Committee, GVK Gautami Power Ltd., GVK Power & Infrastructure Ltd., GVK Energy Ltd., Mumbai International Airport Pvt. Ltd., and Madras Cements Ltd.; Remuneration Committee and Project Management Committee, Madras Cements Ltd.

He does not hold any Equity Shares in the Company.

#### **Annexure to Notice**

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

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

The Board of Directors appointed Dr. B B Ramaiah as Managing Director of the Company for a period of five years with effect from 12.11.2011 without any remuneration. He is a B.Sc., (Hons) in Sugar Technology, an M.Sc., (Chemical Technology); M.Sc., (Chemical Engineering – Wisconsin University, U.S.A), A.M.P (Harvard University) and Doctorate in Public Administration (World University). He has over fifty years of rich experience in industry, trade and finance. He has served on various Industry Associations, Government Bodies and Committees. He led delegations from India to International Society of Sugarcane Technologists (XVI Congress in Brazil and XVII Congress in Manila). He was a Minister of State for Commerce (with independent charge) in the Union Cabinet between June, 1996 to March, 1998. He has been the Director of the Company since its inception in 1984 except during his ministerial tenure.

In view of his vast industrial experience and expertise, the appointment of Dr. B B Ramaiah as Managing Director, would immensely benefit the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Dr. B B Ramaiah and Sri P Narendranath Chowdary, no other Director is deemed to be interested or concerned in the Resolution. This along with relevant Resolution may be treated as an extract pursuant to Section 302 of the Companies Act, 1956.

#### **ITEM NO.8:**

**Sri Ravi Pendyala** is a Graduate in Commerce and an M.B.A., from Central Queensland University, Australia.

#### **Other Directorships held:**

Director: Vibhaas Polymers Pvt. Ltd.

#### **Other Committeeships held: Nil**

He holds 1,020 Equity Shares in the Company.

Company has received a notice in writing along with a deposit of ₹ 500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri Ravi Pendyala as a candidate for the office of Director. His appointment would be beneficial to the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Ravi Pendyala no other Director is deemed to be interested or concerned in the Resolution.

#### **ITEM NO.9:**

**Sri B R Meena, I.A.S.,** is a Post Graduate in History. Earlier, he worked as Asst. Collector, Joint Collector, District Collector & Magistrate, Commissioner - Prohibition & Excise, Vice Chairman - AP State Housing Board, Housing Commissioner - AP State Housing Board, Vice Chairman & Managing Director - Infrastructure Corpn. of AP (INCAP).

**The Andhra Petrochemicals Limited**

Presently he is the Vice Chairman & Managing Director of AP Industrial Infrastructure Corpn. Ltd., (APIIC) and Vice Chairman & Managing Director (FAC) of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC).

Other Directorships held:  
Vice Chairman & Managing Director of APIIC and Vice Chairman & Managing Director (FAC) of APIDC.

Other Committeeships held: Nil

Company has received a notice in writing along with a deposit of ₹ 500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri B R Meena, I.A.S., as a candidate for the office of Director. His appointment would be beneficial to the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Sri B R Meena, I.A.S., no other Director is deemed to be interested or concerned in the Resolution.

**Hyderabad  
21-7-2012**

Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

**By Order of the Board  
Dr. B.B.Ramaiah  
Managing Director**

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Eighth Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2012.

**FINANCIAL RESULTS:**

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2012 is summarised below:

(₹ in lakhs)

	2011-12	2010-11
Net Sales (excl. Excise Duty)	<b>59715.57</b>	45659.29
Profit before Interest & Depreciation	<b>7968.88</b>	9159.27
Less: Interest	<b>1254.72</b>	1710.45
Depreciation	<b>2265.06</b>	2287.75
Profit / (Loss) after Interest and Depreciation	<b>4449.10</b>	5161.07
Provision for:		
Current Tax	<b>1206.00</b>	1033.09
Deferred Tax	<b>242.00</b>	1597.72
MAT credit entitlement	---	(1032.79)
Excess provision for Direct Taxes of earlier years written back	<b>(0.37)</b>	(0.47)
Profit / (Loss) after Taxation	<b>3001.47</b>	3563.52
Balance brought forward from previous year	<b>7830.05</b>	6254.09
Profit available for appropriation	<b>10831.52</b>	9817.61
APPROPRIATIONS:		
Transfer to General Reserve	<b>500.00</b>	1000.00
Proposed Dividend on Equity Shares @5%	<b>424.86</b>	849.72
Tax on Distributable Profits	<b>68.92</b>	137.84
Balance carried forward to next year	<b>9837.74</b>	7830.05
	<b>10831.52</b>	9817.61

**OPERATIONAL AND FINANCIAL PERFORMANCE:**

Your Directors are happy to report that during the year the Plant has operated well achieving 100% capacity utilisation by achieving a production of 73,593 MTs (previous year 57,726 MTs). Sales during the year were 73,436 MTs (previous year 57,472 MTs). This performance of higher production and sales in terms of volume and value is as a result of implementing effective measures, change in product mix and marketing strategies. In spite of higher Gross Sales of Rs.659.75 crores, profit for the year before tax is lower at Rs.44.49 crores. The contribution on sales was lower on account of raw materials and energy price hikes, higher crude prices, depreciation of rupee, general inflation and lower international product prices consequent upon the creation of additional capacities for the product in international market during the year, which may be absorbed by growth in the sector.

**DIVIDEND:**

Your Directors have recommended a Dividend of 50 paise per share (@5% Dividend on 8,49,71,600 Equity Shares) for the year 2011-12 commensurate with the profit earned. The outflow towards the payment of Dividend would amount to ₹ 4,93,78,059 inclusive of Tax thereon. Dividend, if approved by the shareholders, will be paid to all the eligible shareholders.

**CAPITAL & RESERVES:**

**Authorised and Paid-up Capital:**

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

**Reserves:**

With the transfer of ₹ 5.00 crores to Reserves during the current year the total Reserves position as on 31.3.2012 stood at ₹ 127.74 crores.

**MANAGEMENT DISCUSSION AND ANALYSIS:**

**INDUSTRY STRUCTURE AND DEVELOPMENTS:**

The Expanded Plant has demonstrated improved operations at 100% of designed capacity. There was also considerable improvement in the Plant performance efficiencies resulting in considerable cost savings. Indigenous market for Oxo-alcohols growth is continuing at around 8-10% per annum. Towards the end of the year price movements for both raw-materials and products are somewhat unfavourable. The Company is continuously committed in its efforts in further improving the performance for better results in future.

**OPPORTUNITIES AND THREATS:**

Your Company's market share has increased considerably serving the customer requirements to a larger extent.

Inflationary trends in prices of feedstocks, fuel and energy and depreciation of rupee and no corresponding increase in product prices are some of the concerns regarding future performance of the Company.

**INTERNAL CONTROL SYSTEMS:**

Your Company has robust internal control framework for all major business areas. Internal Audit by an external audit firm ensures effectiveness of internal control system in all the areas. The Audit Committee of the Board reviews audit reports and monitors adequacy and effectiveness of the internal control systems.

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

Your Company is committed in its continuous efforts motivating employees at all levels in its continual performance improvement

### **The Andhra Petrochemicals Limited**

programme. Refresher training programmes tailor-made for different levels of employees keep them abreast with latest developments in their areas. Industrial relations were highly cordial throughout the year. As on 31<sup>st</sup> March, 2012 the Company has 278 employees on its rolls.

#### **FUTURE OUTLOOK:**

The Company's performance is greatly influenced by the global and domestic demand-supply conditions, raw-materials and selling prices. In spite of your Company being a sub world scale capacity as of now, it is able to compete well with imports mainly on account of its efficient and economic operations.

#### **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:**

Safety of Human and Physical assets is the top priority of the Company. Continuous training of personnel at various levels on safety and strict compliance of regulations is ensured which resulted one more accident free year. Your Company has established several process measures and a number of Environmental control systems to contain Environmental impact and ensures their close monitoring. It may be noted that your Company is always in the forefront and proactive in implementing environment protection measures.

#### **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:**

Your Directors express profound grief over the sad demise of Managing Director, Dr. Mullanpudi Harischandra Prasad on 3<sup>rd</sup> September, 2011, who was instrumental in bringing the Company to the position of what it is today and place on record their warm appreciation of his commendable contribution to the growth and development of the Company.

Board of Directors at its Meeting held on 12<sup>th</sup> November, 2011, appointed Dr. B B Ramaiah as Managing Director for a period of 5 years i.e., from 12.11.2011 to 11.11.2016. His appointment is being placed for the approval of the shareholders at the ensuing 28<sup>th</sup> Annual General Meeting.

During the year under report, APIDC withdrew Smt. Nilam Sawhney, I.A.S., as its Nominee Director from the Board of the Company from 21.4.2012. Your Directors place on record their warm appreciation of her valuable guidance rendered during her tenure as Director of the Company. In her place Sri B R Meena, I.A.S., Nominee Director of APIDC was co-opted as an Additional Director on the Board of the Company with effect from 19.5.2012. He holds office upto the date of the ensuing 28<sup>th</sup> Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 28<sup>th</sup> Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri M R B

Punja, Sri Surinder Kumar Kapoor and Dr. Anumolu Ramakrishna retire by rotation at the ensuing 28<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment.

#### **AUDIT COMMITTEE:**

With effect from 12.11.2011 Sri Surinder Kumar Kapoor, Director, has been inducted as Member of the Audit Committee. Consequent upon his induction, the Audit Committee consists of four Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna and Sri Surinder Kumar Kapoor. 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, 2012. Cost Auditors' report in respect of Financial Year 2010-11 has been filed with the Ministry of Corporate Affairs on 19.8.2011, i.e., within the stipulated date of 30.9.2011.

#### **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:**

There is no employee of your Company drawing a remuneration requiring disclosure under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011.

#### **DEMATERIALISATION OF SHARES:**

As on 31<sup>st</sup> March, 2012 out of the total number of 8,49,71,600 Equity Shares, 7,65,39,159 Equity Shares constituting 90.08% stands 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.

**The Andhra Petrochemicals Limited**

**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 'B').

**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**  
**Hyderabad**  
**21-7-2012**

**M R B Punja**  
**Chairman**

**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, 2012.

**A. Conservation of Energy:**

Plant operations were optimised realising better efficiencies of Energy in terms of both electricity and steam realising major savings of 8–10%.

Considerable energy savings were also realised by replacing steam jet ejectors with vacuum pumps for vacuum system in the distillation columns. Other conservation steps include installation of additional LT capacitors improving the power factor, replacement of HPMV lamps with CFL lamps.

**FORM A**

**Current Year**    **Previous Year**

**A. Power and Fuel Consumption:**

**1. Electricity:**

**a. Purchased**

Units	<b>4,42,92,101</b>	3,88,29,239
Total Amount (₹)	<b>15,84,71,856</b>	13,11,40,807
Rate/Unit (₹)	<b>3.58</b>	3.38

**b. Own generation**

i) Through diesel generator		
Units	<b>13,32,389</b>	4,38,503
Units per litre of Diesel Oil	<b>4.02</b>	3.45
Rate/Unit (₹)	<b>10.72</b>	11.10
ii) Through Steam		
Turbines/Generator	<b>N.A.</b>	N.A

**2. Coal:**

Quantity (Tonnes)	<b>N.A</b>	N.A
Total Amount (₹)	<b>N.A</b>	N.A
Average Rate (₹)	<b>N.A</b>	N.A

**3. a. Furnace Oil:**

Quantity (MTs/KLs)	<b>908.650</b>	2,133.805
Total Amount (₹)	<b>4,09,49,267</b>	6,76,95,062
Average Rate (₹)	<b>45,066.05</b>	31,725.05

**b. LSHS:**

Quantity (MTs)	<b>5,481.350</b>	3,193.195
Total Amount (₹)	<b>24,69,00,570</b>	11,10,61,057
Average Rate (₹)	<b>45,043.75</b>	34,780.54

**4. Others/Internal Generation:**

Oxo-Alcohol Residue:

Quantity (MTs)	<b>3,660.000</b>	2,783.500
Total Amount (₹)	<b>Nil</b>	Nil
Average Rate(₹) / MT	<b>Nil</b>	Nil

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

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	<b>642</b>	<b>1.95</b>	732	2.24
Butanols	<b>539</b>	<b>1.88</b>	564	1.97

**B. Technology Absorption :**

**FORM B**

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

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

a) Installation of Vacuum pumps for all Vacuum applications, viz., 2-EH refining section, batchstill & Oxo buffer system in place of steam ejector system. The investment of ₹ 60 lakhs has been recovered in 3 months. Annual savings is expected to be ₹ 230 lakhs.

b) Import substitution of buffer solution by developing alternate source and system using indigenous chemicals resulting in savings of ₹100 lakhs per annum.

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

a) Realised considerable reduction in Steam consumption & Effluent generation. Based on the encouraging results obtained Company has plans for further improving the Energy Conservation measures in other areas also.

b) Considerable cost savings in Buffer solution.

**3. Plan of Action:**

The vacuum pumps have already been installed and commissioned.



**The Andhra Petrochemicals Limited**

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

The Company has incurred an expenditure of ₹ 60 Lakhs on R&D during the year.

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

**1. Efforts made:**

The New Technology in Oxo & Synthesis and in the Butanol Plants have been fully absorbed and the Company is now able to operate the Plant at high loads on a continuous basis.

**2. Benefits:**

The Company has realised the benefits after Modernisation-cum-Optimisation by way of improved process efficiencies and also reduction in specific power consumption.

**3. Imported Technology: Nil**

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

(₹ in lakhs)

	For the Year ended 31-3-2012	For the Year ended 31-3-2011
--	------------------------------	------------------------------

i. Earnings	Nil	Nil
ii. Outgo	622.82	1361.10

Hyderabad  
21-7-2012

On behalf of the Board  
M R B PUNJA  
Chairman

**Annexure 'B' 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 31.3.2012 the Board consisted of 12 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Directors	Promoters, Non-Executive & Non-Independent Directors
Sri M R B Punja Chairman	Dr. Mullapudi Harischandra Prasad Managing Director (upto 3.9.2011) (Father of Sri M Thimmaraja)*	Smt. Nilam Sawhney, I.A.S. (from 1.8.2011)
Sri Justice G Ramanujam (Retd)		Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) *
Sri A A Krishnan	Dr. B.B. Ramaiah Managing Director (from 12.11.2011) (Sri Pendyala Narendranath Chowdary sister's husband)*	Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) *
Dr. Anumolu Ramakrishna		Sri M Venkateswara Rao
Sri Anirudha Behera (Nominee of IDBI Bank Ltd., as lender) (from 20.5.2011)		Sri Ravi Pendyala (from 12.11.2011)
Sri Surinder Kumar Kapoor		

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

**The Andhra Petrochemicals Limited**

- b) Non-Executive Directors' Remuneration: Please refer to Point No.6.  
c) During the Financial Year 2011-12, four Board Meetings were held.  
Dates on which they were held:  
(i) 23.5.2011, (ii) 1.8.2011, (iii) 12.11.2011 and (iv) 10.2.2012  
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	Yes	4	None	2	2
Dr. Mullapudi Harischandra Prasad (upto 3.9.2011)	2	N.A.	8	7	2	1
Dr. B B Ramaiah	4	Yes	3	None	None	None
Sri Justice G Ramanujam (Retd)	No	No	2	None	1	1
Sri A A Krishnan	3	No	1	None	None	None
Dr. Anumolu Ramakrishna	3	Yes	11	None	9	1
Sri P Narendranath Chowdary	4	Yes	6	None	2	None
Sri M Thimmaraja	3	Yes	2	None	3	None
Smt. Nilam Sawhney, I.A.S. (from 1.8.2011)	2	No	4	None	None	None
Sri M Venkateswara Rao	2	No	3	None	1	None
Sri Surinder Kumar Kapoor	4	Yes	None	None	None	None
Sri Anirudha Behera (from 20.5.2011)	4	No	None	None	None	None
Sri Ravi Pendyala (from 12.11.2011)	1	N.A.	None	None	None	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.

**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. To broad-base the Committee, Sri Surinder Kumar Kapoor was inducted as a Member of the Audit Committee with effect from 12.11.2011.

The Audit Committee 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 Surinder Kumar Kapoor. 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 2011-12, four Audit Committee Meetings were convened on:

- (i) 23.5.2011, (ii) 31.7.2011, (iii) 12.11.2011 and (iv) 10.2.2012

Audit Committee Meeting convened to be held on 12.11.2011 could not be held for want of quorum. As such the Board itself reviewed and approved the unaudited financial results.

**The Andhra Petrochemicals Limited**

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

Name of the Director	No. of Meetings attended
Sri Justice G Ramanujam (Retd)	-
Sri A A Krishnan	3
Dr. Anumolu Ramakrishna	3
Sri Surinder Kumar Kapoor (from 12.11.2011)	1

**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 does not have any subsidiary.

**6. Remuneration:**

Managing Director does not draw any remuneration from the Company.

Details of sitting fees paid to the Directors during the year 2011-12:

Sri M R B Punja - ₹40,000/-; Sri A A Krishnan - ₹60,000/-; Dr. A. Ramakrishna - ₹70,000/-; Sri Anirudha Behera - ₹40,000/- (as he is the nominee of IDBI Bank Ltd., sitting fees payable to him was paid to IDBI Bank Ltd.); Smt. Nilam Sawhney, I.A.S. - ₹ 20,000/- & Sri M. Venkateswara Rao - ₹20,000/- (as they are nominees of APIDC Ltd., sitting fees payable to them was paid to APIDC Ltd.); Sri Surinder Kumar Kapoor - ₹ 50,000/-; Sri Ravi Pendyala - ₹ 10,000/-.

**7. Details of Equity Shares of the Company held by Non-Executive Directors as on 31<sup>st</sup> March, 2012:**

Name of the Non-Executive Director	No. of shares of ₹10/- each
Sri M R B Punja	1400
Sri P Narendranath Chowdary	4216
Sri M Thimmaraja	1630
Sri Ravi Pendyala	1020

**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) At present the Shareholders / Investors Grievance Committee comprises Sri P Narendranath Chowdary (Chairman of the Committee - Non-executive Director), Sri M Thimmaraja and Sri Ravi Pendyala (with effect from 12.11.2011) 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 31.3.2012:
 

No. of shareholders' complaints received	: 36
No. of complaints not resolved to the satisfaction of the shareholders	: Nil
No. of pending complaints (as at 31.3.2012)	: Nil
No. of pending share transfers (as at 31.3.2012)	: 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
2009	31 <sup>st</sup> August, 2009, 3:00 p.m.
2010	30 <sup>th</sup> September, 2010, 3:00 p.m.
2011	22 <sup>nd</sup> September, 2011, 3:00 p.m.

- ii) Special Resolutions passed at the last three Annual General Meetings.

Year	Date & Time
2009	Nil
2010	Nil
2011	Alteration of the Articles of Association of the Company authorising the Company to buy back its own securities

- iii) No Special Resolution requiring Postal Ballot was passed at the last Annual General Meeting 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.

**The Andhra Petrochemicals Limited**

- 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:**

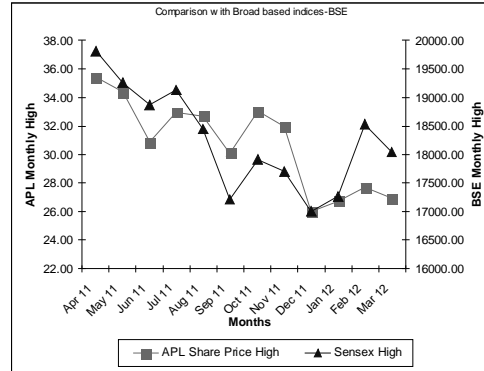
- i) Quarterly financial results are published in "The Hindu Business Line" (English) and "Andhra Bhoomi" (Telugu). Copies of the Results published are forwarded to Stock Exchange and the results are displayed on the Website of the Company, i.e., [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com).
- 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 : Friday, 28<sup>th</sup> September, 2012 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 : Saturday, 15<sup>th</sup> September, 2012 to Friday, 28<sup>th</sup> September, 2012 (both days inclusive)
- iv) Dividend Payment date: From 5<sup>th</sup> October, 2012 onwards
- v) Listing on Stock Exchange and Stock Code: The Bombay Stock Exchange Ltd. Physical Stock Code: 12 Demat Stock Code: 500012 ISIN: INE714B01016
- vi) 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 2011-12.

Month	High		Low	
	Rs.	Ps.	Rs.	Ps.
April, 2011	35.40		27.15	
May, 2011	34.40		28.00	
June, 2011	30.85		26.00	
July, 2011	32.95		26.20	
August, 2011	32.70		26.00	
September, 2011	30.10		26.00	
October, 2011	33.00		29.10	
November, 2011	32.00		23.10	
December, 2011	26.00		22.00	
January, 2012	26.70		21.60	
February, 2012	27.70		22.00	
March, 2012	26.90		22.40	

- vii) Performance in comparison to BSE sensex:



- viii) 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.

- ix) a) Shareholding pattern as on 31<sup>st</sup> March, 2012:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	36484538	42.94
2	Financial Institutions	21600	0.03
3	Mutual Funds	13100	0.01
4	Banks	837	0.00
5	Foreign Institutional Investors	12000	0.01
6	Non-Resident Indians	1279864	1.51
7	Bodies corporate	7077669	8.33
8	Indian Public	40081992	47.17
Total		84971600	100.00

- b) Distribution of shareholding as on 31<sup>st</sup> March, 2012:

Shareholding of Nominal value of ₹	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Upto 5000	75633	89.97	10985402	12.93
5001 to 10000	4539	5.40	3863927	4.55
10001 to 20000	1861	2.21	2927151	3.44
20001 to 30000	627	0.75	1648206	1.94
30001 to 40000	251	0.30	916957	1.08
40001 to 50000	294	0.35	1421591	1.67
50001 to 100000	422	0.50	3221363	3.79
100001 onwards	435	0.52	59987003	70.60
Total	84062	100.00	84971600	100.00

**The Andhra Petrochemicals Limited**

- x) As of 31<sup>st</sup> March, 2012, 7,65,39,159 shares constituting 90.08% of paid-up capital have been dematerialised.

	No. of Shares	% of paid-up capital
National Securities Depository Ltd.	: 4,03,31,654	47.47
Central Depository Services (India) Ltd.	: 3,62,07,505	42.61
Total	<u>7,65,39,159</u>	<u>90.08</u>

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

- xi) Plant location : Opp. Naval Dockyard  
Post Box No.1401  
VISAKHAPATNAM - 530 014  
Andhra Pradesh

- xii) 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, 2012.

Place : Hyderabad  
Date : 21-7-2012

Dr. B.B. Ramaiah  
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, 2012, 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**

Camp : Hyderabad  
Date : 21-7-2012

**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, 2012, the statement of Profit and Loss 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 purpose 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 statement of Profit and Loss dealt with by this report are in agreement with the books of account.
  - d) In our opinion the Balance Sheet and statement of Profit and Loss 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

**The Andhra Petrochemicals Limited**

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, 2012.
- ii) in the case of the statement of Profit and Loss, of the profit 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, 2012 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, 2012 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**

**Camp : Hyderabad  
Date : 19-5-2012**

**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 not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clauses 4(iii) (b) to (d) of the order are not applicable.
- b) The Company has not taken any loans, secured or unsecured from companies, firms, other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, 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 is adequate internal control system 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. We have not observed any major weakness in the internal control system during the course of the audit.
- 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. Consequently, 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. However, we have not made a detailed examination of the records.
- ix) a) According to the information and explanations given to us and on the basis of examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, custom duty, excise duty, service-tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- 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 which were in arrears as at 31<sup>st</sup> March, 2012 for a period of more than six months from the date they became payable.
- c) As at 31<sup>st</sup> March, 2012, 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. Consequently, 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. Consequently, 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. Consequently, 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. Consequently, the clause 4(xv) of the order is not applicable.
- xvi) In our opinion, the Term Loans have been applied

**The Andhra Petrochemicals Limited**

- xvii) for the purposes for which they were raised. 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. Consequently, the clause 4(xviii) of the order is not applicable.
- xix) The Company has not issued any debentures so far. Consequently, clause 4(xix) of the order is not applicable.
- xx) During the year, the Company has not raised money by Public issue. Consequently, 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**

**Camp : Hyderabad  
Date : 19-5-2012**

**Note 1: Accounting Policies**

**1.1 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.

**1.2 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.

**1.3 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.

**1.4 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.

**1.5 Borrowing Costs:**

Borrowing cost is charged to statement of Profit and Loss except cost of specific borrowing for acquisition of qualifying assets which is capitalised till date of commercial use of the said asset.

**1.6 Sales:**

Sales are inclusive of Excise Duty and net of rebates and Sales Tax.

**1.7 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 statement of Profit & Loss 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 statement of Profit & Loss.

**1.8 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.

**1.9 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 statement of Profit and Loss. Premium or discount on forward exchange contracts are amortised and recognised in the statement of Profit & Loss over the period of the contract.

Balance Sheet as at 31<sup>st</sup> March, 2012

(₹ in lakhs)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
1	2	3	4
<b>I. EQUITY AND LIABILITIES:</b>			
<b>1 Shareholders' funds:</b>			
(a) Share capital	2.01	8497.16	8497.16
(b) Reserves and surplus	2.02	12773.74	10266.05
<b>2 Non-current liabilities:</b>			
(a) Long-term borrowings	2.03	3656.32	12645.25
(b) Deferred tax liabilities (Net)	2.29	3025.57	2783.57
(c) Other Long-term liabilities	2.04	5.00	5.44
(d) Long-term provisions	2.05	37.37	121.49
<b>3 Current liabilities:</b>			
(a) Short-term borrowings	2.06	771.96	11.47
(b) Trade payables	2.07	394.58	652.09
(c) Other current liabilities	2.08	2355.86	2325.73
(d) Short-term provisions	2.09	789.86	1191.67
<b>TOTAL</b>		<b>32307.42</b>	<b>38499.92</b>
<b>II. ASSETS:</b>			
<b>1 Non-current assets:</b>			
(a) Fixed assets			
(i) Tangible assets	2.10	23717.66	25569.79
(ii) Capital work-in-progress		10.21	169.37
(b) Non-current investments	2.11	526.31	526.31
(c) Long-term loans and advances	2.12	247.42	530.42
<b>2 Current assets:</b>			
(a) Inventories	2.13	3833.59	2737.96
(b) Trade receivables	2.14	2250.43	2063.75
(c) Cash and cash equivalents	2.15	296.21	5717.30
(d) Short-term loans and advances	2.16	1425.59	1185.02
<b>TOTAL</b>		<b>32307.42</b>	<b>38499.92</b>
Significant Accounting Policies and Notes on Accounts	1 & 2		

Per our report of even date for Brahmayya & Co., Chartered Accountants CV Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah Dr. Anumolu Ramakrishna K. Raghu Ram	for and on behalf of the Board Chairman Managing Director Director Manager (Finance) & Asst. Company Secretary
Camp : Hyderabad Date : 19-5-2012	Hyderabad 19-5-2012	



**Statement of Profit and Loss for the Year ended 31<sup>st</sup> March, 2012**

(₹ in lakhs)

Particulars	Note No.	This Year	Previous Year
<b>I. Revenue from operations</b>	<b>2.17</b>	<b>59715.57</b>	45659.29
<b>II. Other income</b>	<b>2.18</b>	<b>845.02</b>	289.65
<b>III. Total Revenue (I + II)</b>		<b>60560.59</b>	45948.94
<b>IV. Expenses:</b>			
Cost of materials consumed	<b>2.19</b>	<b>45267.92</b>	31001.13
Changes in inventories of finished goods and work-in-process	<b>2.20</b>	<b>(406.54)</b>	(39.16)
Employee benefit expense	<b>2.21</b>	<b>1281.16</b>	1144.14
Finance costs	<b>2.22</b>	<b>1254.72</b>	1710.45
Depreciation	<b>2.10</b>	<b>2265.06</b>	2287.75
Other expenses	<b>2.23</b>	<b>6449.17</b>	4683.56
Total expenses		<b>56111.49</b>	40787.87
<b>V. Profit before tax (III - IV)</b>		<b>4449.10</b>	5161.07
<b>VI. Tax expense:</b>			
(1) Current tax		<b>1206.00</b>	1033.09
(2) Deferred tax		<b>242.00</b>	1597.72
(3) Excess Provision for Direct Taxes of earlier years written back		<b>(0.37)</b>	(0.47)
(4) MAT Credit Entitlement		<b>--</b>	(1032.79)
<b>VII. Profit after tax (V - VI)</b>		<b>3001.47</b>	3563.52
<b>VIII. Earnings per Equity Share:</b>			
(1) Basic (₹)		<b>3.53</b>	4.19
(2) Diluted (₹)		<b>3.53</b>	4.19

Significant Accounting Policies and Notes on Accounts **1 & 2**

Per our report of even date for Brahmayya & Co., Chartered Accountants CV Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah Dr. Anumolu Ramakrishna K. Raghu Ram	for and on behalf of the Board Chairman Managing Director Director Manager (Finance) & Asst. Company Secretary
Camp : Hyderabad Date : 19-5-2012	Hyderabad 19-5-2012	

**The Andhra Petrochemicals Limited**

**Note 2.01: Share Capital**

**a. Share Capital**

Particulars	As at 31-03-2012		As at 31-03-2011	
	Number	₹ in lakhs	Number	₹ in lakhs
<b>Authorised</b>				
Equity Shares of ₹ 10/- each	85000000	8500.00	85000000	8500.00
<b>Issued</b>				
Equity Shares of ₹ 10/- each	84971600	8497.16	84971600	8497.16
<b>Subscribed &amp; Paid up</b>				
Equity Shares of ₹ 10/- each fully paid	84971600	8497.16	84971600	8497.16
<b>Total</b>	<b>84971600</b>	<b>8497.16</b>	<b>84971600</b>	<b>8497.16</b>

b. Equity Shares in the Company held by each shareholder holding more than 5 percent shares specifying the number of shares held.

Particulars	As at 31-03-2012		As at 31-03-2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
The Andhra Sugars Limited	24627213	28.98	24627213	28.98
Andhra Pradesh Industrial Development Corporation Ltd.	9180000	10.80	9180000	10.80

**Note 2.02: Reserves and Surplus**

Particulars	As at 31-03-2012		As at 31-03-2011	
	₹ in lakhs		₹ in lakhs	
<b>a. Capital Reserves</b>				
Balance in Capital Reserve	23.37		23.37	
<b>b. Securities Premium Account</b>				
Balance in Securities Premium Reserve	412.63		412.63	
<b>c. Other Reserves (General Reserve)</b>				
Balance at the beginning of the year	2000.00		1000.00	
(+) Current Year Transfer	500.00		1000.00	
Balance at the end of the year	2500.00		2000.00	
<b>Surplus</b>				
Balance at the beginning of the year	7830.05		6254.09	
(+) Profit after tax for the year	3001.47		3563.52	
(-) Transfer to Reserves - General Reserve	500.00		1000.00	
(-) Proposed Dividend	424.86		849.72	
(-) Tax on Proposed Dividend	68.92		137.84	
Balance at the end of the year	9837.74		7830.05	
<b>Total</b>	<b>12773.74</b>		<b>10266.05</b>	

**Note 2.03: Long-term Borrowings**

**Secured**

**Term loans:**

Rupee term loans for optimisation & modernisation of project		
IDBI Bank Limited	1060.81	3580.23
State Bank of India	799.93	2988.43
State Bank of Hyderabad	879.73	3026.94
Andhra Bank	915.85	3049.65
<b>Total</b>	<b>3656.32</b>	<b>12645.25</b>

(Secured by pari passu charge, by mortgage of the Company's immovable properties and hypothecation of movable plant and machinery, present and future. The loans are further secured by a Second Charge on all the remaining movable assets, subject to a Charge in favour of Company's bankers towards working capital facilities.)

Terms of repayment : Consequent to the prepayments made partly during the year, repayable in 17 equal quarterly installments commencing from January 1, 2011.

**The Andhra Petrochemicals Limited**

Particulars	As at 31-03-2012	₹ in lakhs	As at 31-03-2011
<b>Note 2.04: Other Long-term liabilities</b>			
(a) Trade Payables	--		0.44
(b) Deposit from a Distributor	<u>5.00</u>		<u>5.00</u>
<b>Total</b>	<u>5.00</u>		<u>5.44</u>
<b>Note 2.05: Long-term Provisions</b>			
<b>Provision for employee benefits:</b>			
Compensated Absences	<u>37.37</u>		<u>121.49</u>
<b>Total</b>	<u>37.37</u>		<u>121.49</u>
<b>Note 2.06: Short-term Borrowings Secured</b>			
<b>Loans repayable on demand:</b>			
from banks	<u>771.96</u>		<u>11.47</u>
<b>Total</b>	<u>771.96</u>		<u>11.47</u>
(Secured by the hypothecation of raw materials, work-in-process, finished goods, stores and spares and book debts and collaterally secured by Second Charge on the fixed assets, both present and future, of the Company.)			
<b>Note 2.07: Trade Payables</b>			
Trade Payables	<u>394.58</u>		<u>652.09</u>
<b>Total</b>	<u>394.58</u>		<u>652.09</u>
There are no dues to Micro, Small and Medium Enterprises as defined under Micro, Small, and Medium Enterprises Development Act, 2006 based on the information available with the Company.			
<b>Note 2.08: Other Current Liabilities</b>			
(a) Current maturities of long-term debt	<u>1936.84</u>		<u>1931.32</u>
(b) Interest accrued but not due on borrowings	<u>42.54</u>		<u>101.58</u>
(c) Unpaid Dividends	<u>81.08</u>		<u>37.87</u>
(d) Advances received against sales	<u>148.58</u>		<u>97.49</u>
(e) Other Liabilities	<u>146.82</u>		<u>157.47</u>
<b>Total</b>	<u>2355.86</u>		<u>2325.73</u>
<b>Note 2.09: Short-term Provisions</b>			
<b>(a) Provision for employee benefits</b>			
Salary & Reimbursements:			
Gratuity (Funded)	<u>135.41</u>		<u>121.60</u>
Compensated Absences	<u>102.48</u>		<u>--</u>
<b>(b) Others:</b>			
Income Tax (Net of prepaid taxes)	<u>58.19</u>		<u>82.51</u>
Proposed Dividend	<u>424.86</u>		<u>849.72</u>
Tax on proposed Dividend	<u>68.92</u>		<u>137.84</u>
<b>Total</b>	<u>789.86</u>		<u>1191.67</u>

**Note 2.10: Fixed Assets**

(₹ in lakhs)

Fixed Assets	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK			
	Balance as at 1.4.2011	Additions	Balance as at 31.3.2012 (Disposals)	Balance as at 1.4.2011	Depreciation charge for the year	On disposals	Balance as at 31.3.2012	Balance as at 31.3.2012	Balance as at 31.3.2011	
Tangible Assets										
1. Land	9.07	--	--	9.07	--	--	--	9.07	9.07	
2. Buildings *	1685.74	2.11	--	1687.85	466.04	40.47	--	506.51	1181.34	1219.70
3. Plant and Equipment	44187.01	401.00	1.62	44586.39	19924.79	2206.37	1.49	22129.67	22456.72	24262.22
4. Furniture and Fixtures	68.49	0.37	--	68.86	51.54	3.04	--	54.58	14.28	16.95
5. Office equipment	107.34	9.59	0.14	116.79	72.05	8.51	0.13	80.43	36.36	35.29
6. Vehicles	59.74	--	--	59.74	33.18	6.67	--	39.85	19.89	26.56
<b>Total</b>	<b>46117.39</b>	<b>413.07</b>	<b>1.76</b>	<b>46528.70</b>	<b>20547.60</b>	<b>2265.06</b>	<b>1.62</b>	<b>22811.04</b>	<b>23717.66</b>	<b>25569.79</b>
Previous year	23176.27	23404.36	463.24	46117.39	18638.43	2287.75	378.58	20547.60	25569.79	4537.84

\* Buildings of the value of ₹ 1677.64 lakhs constructed on Lease hold Land.

₹ in lakhs

Particulars	As at 31-03-2012	As at 31-03-2011
<b>Note 2.11: Non-current Investments</b>		
<b>Long-term at cost, unless otherwise specified (unquoted)</b>		
Investment in Equity instruments		
4,02,000 Equity Shares of ₹ 10/- each		
fully paid-up in Andhra Pradesh Gas Power Corporation Ltd.		
	<b>526.31</b>	526.31
<b>Total</b>	<b>526.31</b>	526.31
<b>Note 2.12: Long-term Loans and Advances</b>		
Security Deposits (Unsecured, considered good)	<b>245.34</b>	125.24
Prepaid Expenses	<b>2.08</b>	--
MAT credit entitlement	<b>--</b>	405.18
<b>Total</b>	<b>247.42</b>	530.42
<b>Note 2.13: Inventories</b>		
a. Raw Materials	<b>710.50</b>	565.15
Goods-in-transit	<b>186.64</b>	162.92
b. Work-in-process	<b>353.38</b>	151.37
c. Finished goods	<b>1090.87</b>	869.52
d. Stores and spares	<b>1492.20</b>	989.00
Method of valuation is stated in Accounting Policies vide Note No.1.4		
<b>Total</b>	<b>3833.59</b>	2737.96

**The Andhra Petrochemicals Limited**

Particulars	As at 31-03-2012	As at 31-03-2011
₹ in lakhs		
<b>Note 2.14: Trade Receivables</b>		
<b>Trade receivables outstanding for a period less than six months</b>		
Unsecured, considered good	2250.43	2063.75
	<u>2250.43</u>	<u>2063.75</u>
<b>Trade receivables outstanding for a period exceeding six months</b>		
Unsecured, considered doubtful	--	5.25
Less: Provision for doubtful debts	--	5.25
	<u>--</u>	<u>--</u>
<b>Total</b>	<u>2250.43</u>	<u>2063.75</u>
<b>Note 2.15: Cash and Cash Equivalents</b>		
a. Balances with banks	97.38	1163.90
This includes:		
Earmarked Balances (e.g., Unpaid Dividend accounts - less than seven years of ₹ 81.08 lakhs & previous year of ₹ 37.87 lakhs)		
b. Margin money deposits	4.00	925.00
c. Cheques, drafts in transit	193.68	701.49
d. Cash on hand	1.15	3.91
e. Others - Bank Term Deposits (maturing for a period less than 12 months)	--	2923.00
	<u>--</u>	<u>2923.00</u>
<b>Total</b>	<u>296.21</u>	<u>5717.30</u>
<b>Note 2.16: Short-term loans and advances</b>		
<b>Unsecured, considered good</b>		
Prepaid Expenses	55.80	22.67
Advances to Suppliers	353.82	166.39
Advances to staff	0.06	0.14
Income tax paid in advance (net of provision)	--	22.17
MAT Credit Entitlement	718.57	627.61
Input Tax Credit - VAT	208.86	100.65
Excise Duty paid in Advance	78.57	170.25
Interest receivable	9.91	75.14
	<u>9.91</u>	<u>75.14</u>
<b>Total</b>	<u>1425.59</u>	<u>1185.02</u>
<b>Note 2.17: Revenue from Operations</b>		
<b>Particulars</b>	<b>This Year</b>	<b>Previous Year</b>
Sale of products (Oxo Alcohols)	65974.74	50419.63
Less: Excise duty collected	6259.17	4760.34
	<u>6259.17</u>	<u>4760.34</u>
<b>Total</b>	<u>59715.57</u>	<u>45659.29</u>

**The Andhra Petrochemicals Limited**

Particulars	This Year	Previous Year
	₹ in lakhs	
<b>Note 2.18: Other Income</b>		
Interest received	375.64	207.06
Profit on sale of Assets	0.09	--
Sales tax refund received	366.18	--
Miscellaneous Receipts	26.97	46.60
Unclaimed Credit balances written back	76.14	35.99
<b>Total</b>	<b>845.02</b>	<b>289.65</b>
 <b>Note 2.19: Cost of Materials Consumed</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	565.15	348.61
Add: Purchases	45413.27	31217.67
	45978.42	31566.28
Less: Closing Stock	710.50	565.15
<b>Total</b>	<b>45267.92</b>	<b>31001.13</b>
 <b>Note 2.20: Change in Inventories of Finished Goods and Work-in-Process</b>		
<b>A) Closing Stock</b>		
Finished Goods	1090.87	869.52
Work-in-process	353.38	151.37
<b>Total (A)</b>	<b>1444.25</b>	<b>1020.89</b>
 <b>B) Opening Stock</b>		
Finished Goods	869.52	0.60
Work-in-process	151.37	14.38
Inventory transfer from trial run production	--	863.63
<b>Total (B)</b>	<b>1020.89</b>	<b>878.61</b>
(Increase)/Decrease in stocks (B-A)	(423.36)	(142.28)
Adjustment of Excise Duty on Stocks	16.82	103.12
<b>Total</b>	<b>(406.54)</b>	<b>(39.16)</b>
 <b>Note 2.21: Employee Benefit Expense</b>		
Salaries and Allowances	1079.87	920.65
Company's Contribution to PF and other Funds	63.52	53.91
Contribution to Gratuity Fund	31.57	69.84
Workmen and Staff Welfare Expenses	106.20	99.74
<b>Total</b>	<b>1281.16</b>	<b>1144.14</b>
 <b>Note 2.22: Finance Charges</b>		
Interest expense	1197.84	1661.04
Other borrowing costs	56.88	43.08
Net loss on foreign currency transactions	--	6.33
<b>Total</b>	<b>1254.72</b>	<b>1710.45</b>

**The Andhra Petrochemicals Limited**

Particulars	This Year	₹ in lakhs	Previous Year
<b>Note 2.23: Other Expenses</b>			
Stores consumed	875.66		737.97
Power and Fuel	4671.62		3176.35
Repairs to Building	40.27		84.83
Repairs to Machinery	554.86		447.92
Rent	24.12		28.48
Rates and Taxes	11.23		11.81
Insurance	47.08		26.72
Directors' Sitting Fees	3.10		2.45
Auditors' Remuneration:			
for Audit Fees	1.50	1.50	
for Taxation Matters	0.27	0.21	
for Other Services	1.15	1.28	
for Out-of-Pocket Expenses	0.19	0.10	3.09
Cost Auditors' Remuneration	0.55		0.45
Bad Debts written off	5.25		
Less: Provision for Doubtful Debts	5.25	--	--
Loss on sale of assets	--		15.78
Miscellaneous Expenses	217.57		147.71
<b>Total</b>	<b>6449.17</b>		<b>4683.56</b>

**Note 2.24: Contingent Liabilities and Commitments:**

**(i) Contingent Liabilities**

(a) Claims against the Company not acknowledged as debt	12.00		12.00
(b) Outstanding Guarantees to Banks including Letter of Credit opened with Banks for supplier payments	34.81		--
(c) Various claims made by EPDC of A.P.Ltd. which are contested by Company:			
i) Grid Support charges	115.97		115.97
ii) Electricity duty demand on captive power generation	113.20		110.00
iii) Disputed demand charges against APGPCL demand allocation	10.47		7.78
iv) Fuel Surcharge adjustment charges	78.94		78.94
v) Demand against excess incentive recovery	13.19		--

**(ii) Commitments**

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	--		4.78
(b) Bills discounted	1038.28		--

**2.25: Employee benefit plans:**

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 Plans, recognised as expense for the year, are as under:

	₹ in lakhs	
	This year	Previous year
Employer's Contributions to Provident and Pension Funds (excluding ₹ Nil capitalised during the year) (previous year ₹ 2.56 lakhs)	<b>62.21</b>	52.20

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.

I. Reconciliation of opening and closing balances of Defined Benefit obligations

	(₹ in lakhs)			
	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Defined Benefit obligation at beginning of the year	<b>208.57</b>	141.65	<b>121.49</b>	81.71
Interest Cost	<b>17.70</b>	11.33	<b>9.50</b>	6.15
Current Service Cost	<b>30.90</b>	9.85	<b>29.05</b>	40.20
Benefits paid	<b>(7.36)</b>	(10.11)	<b>(19.91)</b>	(9.69)
Actuarial loss / (gain) on obligation	<b>(9.23)</b>	55.85	<b>(0.28)</b>	3.12
Defined Benefit obligation at year end	<b>240.58</b>	208.57	<b>139.85</b>	121.49

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

	(₹ in lakhs)	
	Gratuity (Funded)	
	This year	Previous year
Fair value of plan assets at beginning of the year	<b>86.97</b>	82.09
Expected return on plan assets	<b>7.79</b>	7.19
Contributions	<b>17.77</b>	7.80
Benefits paid	<b>(7.36)</b>	(10.11)
Actuarial loss / (gain) on obligation	—	—
Fair value of plan assets as at the end of the year	<b>105.17</b>	86.97

III. Reconciliation of fair value of assets and obligations as at 31.3.2012

	(₹ in lakhs)			
	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Fair value of plan assets	<b>105.17</b>	86.97	—	—
Present value of obligation	<b>240.58</b>	208.57	<b>139.85</b>	121.49
Amount recognised as liability in Balance Sheet	<b>135.41</b>	121.60	<b>139.85</b>	121.49



**The Andhra Petrochemicals Limited**

IV. Expenses recognised during the year (in the Statement of Profit & Loss)

	(₹ in lakhs)			
	<b>Gratuity (Funded)</b>		<b>Compensated absences (Unfunded)</b>	
	<b>This year</b>	Previous year	<b>This year</b>	Previous year
Current Service Cost	<b>30.90</b>	9.85	<b>38.27</b>	49.47
Interest Cost	<b>17.70</b>	11.33	<b>9.51</b>	6.15
Expected return on plan assets	<b>(7.80)</b>	(7.19)	—	—
Actuarial (gain)/ loss	<b>(9.23)</b>	55.85	<b>(9.51)</b>	(6.15)
Expenses recognised in the Statement of Profit & Loss	<b>31.57</b>	69.84	<b>38.27</b>	49.47

V. Principals Actuarial Assumptions

	<b>Gratuity (Funded)</b>		<b>Compensated absences (Unfunded)</b>	
	<b>This year</b>	Previous year	<b>This year</b>	Previous year
Discount Rate	<b>8.00%</b>	8.00%	<b>8.00%</b>	8.00%
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 Actuary.

**2.26: Segment information:**

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

**2.27: Related Party disclosures**

Details of Related Party transactions as per AS-18 issued by Companies (Accounting Standards) Rules, 2006 (amended):

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 (upto 3.9.2011)

Dr.B B Ramaiah, Managing Director (from 12.11.2011)

C. Enterprises on which Key Management Personnel exercise significant influence (upto 3.9.2011):

1. Sree Akkamamba Textiles Ltd.
2. The Andhra Farm Chemicals Corporation Ltd.
3. Royal Printing Works (upto 3.9.2011)

II. Transactions with the Related Parties:

(₹ 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>61.45</b>	(50.28)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)
Services received from	<b>0.77</b>	(3.10)	<b>NIL</b>	(NIL)	<b>4.09</b>	(4.32)
Sale of Goods to	<b>2.30</b>	(NIL)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)
Dividend Paid	<b>246.27</b>	(NIL)	<b>NIL</b>	(NIL)	<b>NIL</b>	(NIL)

Figures in brackets are in respect of previous year.

**The Andhra Petrochemicals Limited**

**2.28: Particulars of Earnings Per Share**

	This year	Previous year
Net Profit (loss) after tax (₹)	300146671	356352428
Number of Equity Shares – Basic	84971600	84971600
Number of Equity Shares – Diluted	84971600	84971600
Nominal value of the Shares (₹)	10	10
Earnings Per Share – Basic (₹)	3.53	4.19
– Diluted (₹)	3.53	4.19

**2.29: Deferred tax liabilities (Net)**

	This Year	Previous Year
Major components of Deferred Tax Liabilities and Assets arising on account of timing difference are:		
<b>Liabilities:</b>		
Difference between tax and book depreciation	3116.18	3042.06
<b>Assets:</b>		
Items covered under Section 43B of Income Tax Act	90.61	82.25
Provision for doubtful debts	–	1.70
Unabsorbed depreciation under Income Tax Act	–	174.54
<b>Total</b>	<b>3,025.57</b>	<b>2,783.57</b>

2.30: 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 Companies (Accounting Standards) Rules, 2006 (amended).

**2.31: Raw materials consumed during the year**

	This year	Previous year
Particulars		
i) Propylene	29025.79	19359.43
ii) Naphtha	16242.13	11641.70
	<b>45267.92</b>	<b>31001.13</b>

**2.32: CIF value of imports**

	This year	Previous year
Capital goods	–	–
Components and spare parts	650.56	57.18

**2.33: Details of imported and indigenous raw materials and spares consumed**

Raw Materials	This year		Previous year	
	₹ in lakhs	%	₹ in lakhs	%
Imported	Nil	Nil	NIL	NIL
Indigenous	45267.92	100	31001.13	100
<b>Stores &amp; Spares</b>				
Imported	416.33	9	250.62	8
Indigenous	4099.21	91	2856.27	92
	<b>4515.54</b>	<b>100</b>	<b>3106.89</b>	<b>100</b>

**2.34: Expenditure in foreign currency on account of:**

	This Year	Previous Year
Technical Services Fee	–	1132.97
Bank charges, Subscriptions and cost of services etc.	2.17	1.46
Travelling expenditure (excluding tickets purchased in Indian Currency)	1.81	5.79

**2.35: Earnings in foreign currency:**

Nil Nil

2.36: Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable with the current year figures.

<b>Per our report of even date</b>	<b>for and on behalf of the Board</b>	
for Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah Dr. Anumolu Ramakrishna K. Raghu Ram	Chairman Managing Director Director Manager (Finance) & Asst. Company Secretary
Camp : Hyderabad Date : 19-5-2012	Hyderabad 19-5-2012	

**The Andhra Petrochemicals Limited**

**CASH FLOW STATEMENT FOR THE YEAR 2011-12**

	This Year	(₹ in lakhs) Previous Year
<b>A) Cash Flow from Operating Activities:</b>		
Profit / (Loss) for the year before extraordinary items:	4449.10	5181.98
Adjustment for:		
Depreciation	2265.06	2287.75
Finance costs	1254.72	1689.54
Interest received	(375.64)	(207.06)
Loss on sale of assets	--	15.78
Credit balances written back	(76.14)	(35.99)
Provision for Compensated absences	18.36	39.78
Provision for Gratuity	13.80	62.04
Operating Profit before Working Capital changes	7549.26	9033.82
Inventories	(1095.63)	240.34
Trade and other receivables	(480.64)	(537.45)
Trade payables	(157.20)	82.25
Cash generated from operations	5815.79	8818.96
Finance costs	(1254.72)	(1689.54)
Income Tax (paid)/refund received	(893.64)	(971.53)
Net Cash generated in operations	3667.43	6157.89
<b>B) Cash Flow from Investing Activities:</b>		
Additions to Fixed Assets including capital work-in-progress	(253.91)	(1898.88)
Sale of Fixed Assets	0.23	15.75
Interest received	375.64	207.06
Net Cash generated from investing activities	121.96	(1676.07)
<b>C) Cash Flow from Financing Activities:</b>		
(Decrease) / Increase in borrowings (net)	(8222.92)	235.75
Dividends paid including tax on dividend	(987.56)	--
Net Cash used in Financing Activities	(9210.48)	235.75
Net increase/(decrease) in Cash & Cash equivalents (A + B + C)	(5421.09)	4717.57
Opening balance of Cash & Cash equivalents	5717.30	999.73
Closing balance of Cash & Cash equivalents	296.21	5717.30

Per our report of even date for Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah Dr. Anumolu Ramakrishna  K. Raghu Ram	for and on behalf of the Board    Manager (Finance) & Asst. Company Secretary	Chairman Managing Director Director
Camp : Hyderabad Date : 19-5-2012	Hyderabad 19-5-2012		

**THE ANDHRA PETROCHEMICALS LIMITED**  
**E-MAIL REGISTRATION FORM**  
*(exclusively for Shareholders holding shares in physical form)*

To  
The Manager (Finance) & Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram  
TANUKU – 534215  
West Godavari District., Andhra Pradesh

Dear Sir,

Sub: **Registration of E-mail**

Regd. Folio No. :

Name of First Shareholder : \_\_\_\_\_

Name(s) of Joint Shareholder(s) : \_\_\_\_\_

E-mail ID to be registered : \_\_\_\_\_

Date:

Signature of the first named Shareholder : \_\_\_\_\_

- Note: 1. On registration of e-mail, all the communications, including the Annual Reports, will be sent at the said registered e-mail.  
2. Shareholders are requested to keep the Company informed of any change in their e-mail address.

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**THE ANDHRA PETROCHEMICALS LIMITED**  
**NATIONAL ELECTRONIC CLEARING SERVICE (NECS) /**  
**ELECTRONIC CLEARING SERVICE (ECS)**

Date: 25.7.2012

Dear Shareholder,

As per the directions of the Securities and Exchange Board of India (SEBI) it is mandatory for the Company to print Bank Account details on the Dividend Warrants proposed to be issued in favour of a shareholder in order to obviate any fraudulent encashment or interception in postal transit.

Further the Company also proposes to extend the facility of National Electronic Clearing Service (NECS) / Electronic Clearing Service (ECS), where such facility is available, to enable the shareholder to receive the Dividend by direct electronic credit to his Bank Account.

Format **(Page No.27)** duly filled and signed may please be returned to the Company on or before 10.9.2012.

Thanking you,

Yours faithfully,  
for THE ANDHRA PETROCHEMICALS LIMITED  
K Raghu Ram  
Manager (Finance) & Asst. Company Secretary

**The Andhra Petrochemicals Limited**

To  
The Manager (Finance) & Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram  
TANUKU – 534215  
West Godavari District, Andhra Pradesh

Date:

FOR OFFICE USE ONLY

Ref. No. :

Date :

Dear Sir,

Sub: Payment of Dividend (year 2011-12) [National Electronic Clearing Service (NECS) / Electronic Clearing Service (ECS)]

**NECS / ECS Mandate**

**\* I wish to participate in the National Electronic Clearing Service / Electronic Clearing Service** and give below the details of my bank account, to which you may electronically credit the dividend amount due to me against the reference Folio Number mentioned below :

- 1 Name of the First Holder  
(in Block Letters) : \_\_\_\_\_
- 2 Regd. Folio No. :
- 3 Bank & Branch Name & Address : \_\_\_\_\_  
\_\_\_\_\_
- 4 Bank Account Number (Core Banking compliant) : \_\_\_\_\_  
(as appearing on your Cheque Book)
- 5 Ledger Folio Number : \_\_\_\_\_  
(as appearing on your Cheque Book)
- 6 Account Type : \_\_\_\_\_  
(Savings Bank / Current / Cash Credit A/c.):
- 7 Nine Digit Code number of the Bank &  
Branch appearing on the MICR Cheque   
issued by the Bank

**(Please attach a blank cancelled Cheque or photocopy of Bank Pass Book displaying the Bank Account Number)**

**BANK MANDATE**

**\* I do not wish to opt for NECS / ECS facility** and therefore request the following Bank details to be incorporated on the Dividend Warrant.

Bank Name : \_\_\_\_\_  
Branch Name & Address : \_\_\_\_\_

Bank Account Type  
(Savings Bank / Current / Cash Credit A/c) : \_\_\_\_\_

Bank Account Number  
(as mentioned in Cheque Book) : \_\_\_\_\_

**\* (Strike out which is not applicable)**

I hereby declare that the particulars given above are correct and complete. I undertake to inform of any subsequent changes in the above particulars. If the NECS / ECS payment transaction is delayed or not effected at all for any reasons beyond the control of the Company, I would not hold the Company responsible.

Signature of the first named Shareholder : \_\_\_\_\_

Name : \_\_\_\_\_

Address: \_\_\_\_\_

**Note:** In case of shares held in demat form, the above particulars for NECS / ECS facility / Bank particulars have to be provided to your Depository Participant (DP), quoting your Client ID No. to them.



**THE ANDHRA PETROCHEMICALS LIMITED**

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

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

**PROXY FORM**

Client ID\* .....

Folio No.....

DP. ID\* .....

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 28<sup>th</sup> ANNUAL GENERAL MEETING of the Company to be held on Friday, the 28<sup>th</sup> September, 2012 and at the adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

For office use

Proxy No.:

Date of Receipt:

No. of Shares:

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

Affix 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

**ATTENDANCE SLIP \*\***

Client ID\* .....

Folio No.....

DP. ID\* .....

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 28<sup>th</sup> ANNUAL GENERAL MEETING being held on Friday, the 28<sup>th</sup> September, 2012.

.....  
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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Andhra Pradesh.