

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**30<sup>th</sup> Annual Report  
2013 - 14**

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)  
Dr. B B Ramaiah (Managing Director)  
Sri Justice G Ramanujam (Retd.)  
Sri A A Krishnan  
Dr. Anumolu Ramakrishna  
(upto 20.8.2013)  
Sri Surinder Kumar Kapoor  
Sri P Narendranath Chowdary  
Sri Mullapudi Thimmaraja  
Smt. Anita Rajendra, I.A.S.,  
(Nominee of APIDC from 25.5.2013)  
Sri S V Kanaka Seshu  
(Nominee of APIDC upto 12.8.2013)  
Sri K Rajendra Prasad  
(Nominee of APIDC from 6.11.2013)  
Sri Anirudha Behera  
(Nominee of IDBI Bank Ltd.)  
Sri Ravi Pendyala

## Key Managerial Personnel

Dr. V N Rao  
Chief Executive & Chief Operating Officer  
Sri P Ratna Rao  
General Manager (Finance)  
Sri K Raghu Ram  
Manager (Finance) & Asst. Company Secretary

## 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 / 220975  
Fax : 08819-224168  
CIN : L23209AP1984PLC004635  
E-mail: [info.tnk@andhrapetrochemicals.com](mailto:info.tnk@andhrapetrochemicals.com)  
[investors@andhrapetrochemicals.com](mailto:investors@andhrapetrochemicals.com)  
Website: [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com)

## Factory

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

Contents	Page No.
Notice	2
Directors' Report	6
Management Discussion & Analysis	7
Report on Corporate Governance	9
Independent Auditors' Report	13
Accounting Policies	15
Balance Sheet	16
Statement of Profit & Loss	17
Notes	18
Cash Flow Statement	28
Proxy Form & Attendance Slip	



# THE ANDHRA PETROCHEMICALS LIMITED

CIN : L23209AP1984PLC004635

Regd. Office: Venkatarayapuram, Tanuku - 534215

W.G.District, Andhra Pradesh

Phone Nos.: 08819-224075 & 220975, Fax: 08819-224168

E-mail: info.tnk@andhrapetrochemicals.com, Website: www.andhrapetrochemicals.com

## NOTICE

**NOTICE** is hereby given that the Thirtieth 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 12<sup>th</sup> September, 2014 at 3:00 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2014 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri P Narendranath Chowdary (DIN 00015764) who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri Ravi Pendyala (DIN 03375555) who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory Auditors for the years 2014-15, 2015-16 and 2016-17 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., (Regn. No. 000513S) Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for reappointment.

### SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014, the remuneration of Rs.1,00,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2014-15 to be paid to M/s Narasimha Murthy & Co., (Regn. No. 000042) Cost Accountants, for the conduct of the cost audit of the Company as approved by the Board of Directors of the Company, be and is hereby ratified and confirmed."
6. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Sri K Rajendra Prasad (DIN 00143653) who was appointed by the Board of Directors as Additional Director of the Company with effect from 6<sup>th</sup> November, 2013 pursuant to Article 97 of the Articles of Association of the Company, holds office upto the date of the 30<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the erstwhile 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 160 of the Companies Act, 2013 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."
7. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any,

of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri M R B Punja (DIN 00007228) who retires by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."

8. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri Justice G Ramanujam (Retd.) (DIN 00015173) who retires by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not 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 pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri A A Krishnan (DIN 00086374) whose period of office is subject to retirement by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."
10. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri Surinder Kumar Kapoor (DIN 03058069) whose period of office is subject to retirement by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."
11. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:  
"RESOLVED THAT in supersession of Resolution passed at the Twenty Third Annual General Meeting of the Company held on 6<sup>th</sup> September, 2007, consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, to borrow any sum or sums of monies from time to time which together with the monies already borrowed by the

## The Andhra Petrochemicals Limited

Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves; that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed shall not at any time exceed the limit of Rs.500 crores (Rupees five hundred crores only)."

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

"RESOLVED THAT in supersession of Resolution passed at the Extraordinary General Meeting of the Company held on 5<sup>th</sup> April, 2008, consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, for mortgaging and/or charging on First Charge basis by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company together with power to take-over the management of the business and concern of the Company in certain events, to or in favour of Banks (collectively referred to as "Lenders") (on *pari passu* with the Charges already created in favour of existing Lenders and the Lenders *inter se* and subject to prior Second Charge created in favour of Company's Bankers in respect of working capital sanctioned by them) for financing Optimisation and Modernisation of Company's existing Oxo-Alcohols Plant of 39,000 tonnes per annum capacity at Visakhapatnam, Andhra Pradesh so as to raise its capacity to 73,000 tonnes per annum at an estimated cost of Rs.320 crores (Rupees three hundred twenty crores only) to secure Rupee Term Loan not exceeding Rs.192 crores (Rupees one hundred ninety two crores only) availed from the following Lenders to the Company:

*Rs. in crores*

a. IDBI Bank Ltd. (IDBI)	54.00
b. State Bank of India (SBI)	46.00
c. State Bank of Hyderabad (SBH)	46.00
d. Andhra Bank (AB)	46.00
	<u>46.00</u>
Total	<u>192.00</u>

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to the Lenders under their Loan Agreements entered into by the Company in respect of the said Term Loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above Resolution."

**Hyderabad  
21-7-2014**

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 102(1) of the Companies Act, 2013, in respect of Item Nos.5,6,7,8,9,10,11 and 12 are annexed hereto.

2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. A person can act as Proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A Member holding more than ten percent of the total share capital of the Company may appoint a single person as Proxy and such person cannot act as a Proxy for any other person or shareholder.

The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution / authority, as applicable. A Proxy Form is sent herewith.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 6<sup>th</sup> September, 2014 to Friday, the 12<sup>th</sup> September, 2014 (both days inclusive).
4. Shareholders seeking any further information on the accounts and operations of the Company at the Annual General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of the Meeting.
5. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day prior to the date of the Annual General 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. Pursuant to provisions of Section 124 (5) of the Companies Act, 2013, any dividend which remains unpaid or unclaimed for a period of seven years is required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government and after such transfer no claims shall lie against the Fund or the Company. Details of unclaimed dividend and due dates for transfer to the Fund are as follows:

Sl. No.	Dividend for the Financial Year	Due date for transfer to IEPF
1	2006-07	5 October, 2014
2	2010-11	21 October, 2018
3	2011-12	27 October, 2019

Shareholders who have not encashed their Dividend Warrants issued in respect of dividend declared for the years 2006-07, 2010-11 and 2011-12 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**

**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.

**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.

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

**Sri P Narendranath Chowdary** has been the Director of the Company since 8.8.1996. He is a Graduate in Faculty of Science. He joined The Andhra Sugars Limited (Promoter of the Company) as a Director in the year 1968 and was subsequently elevated as Whole-time Director in 1976. Joint Managing Director in 1983 and Managing Director in 2012. He looks after day-to-day affairs of chemical complexes at Kovvur and Saggonda. Under his dynamic leadership, The Andhra Sugars Limited received an award for Best Energy Conservation in the Chloro-Alkali Industry instituted by Department of Power, Government of India. He is the Managing Trustee of Sree Pendyala Venkata Krishna Rangaraya Memorial Trust, Dommeru, which has been engaging in laudable service of spreading education among the rural population in West Godavari District.

Other Directorships held:

Managing Director – The Andhra Sugars Ltd. Chairman – Sree Akkamamba Textiles Ltd., JOCIL Ltd., The Andhra Farm Chemicals Corpn. Ltd., and Hindustan Allied Chemicals Ltd. Director – Sree Satyanarayana Spinning Mills Ltd., and A.P. Gas Power Corpn. Ltd.

Other Committeeships held:

Member – Shareholders Grievance Committee, The Andhra Sugars Ltd.; Share Transfer & Shareholders / Investors Grievances Committee, JOCIL Ltd.; Managerial Remuneration Committee, Shareholders' Grievance Committee, Sree Satyanarayana Spinning Mills Ltd. Chairman – Shareholders / Investors Grievance Committee, Sree Akkamamba Textiles Ltd.

He holds 4,216 Equity Shares in the Company.

**Sri Ravi Pendyala** has been the Director of the Company since 12.11.2011. He is a Graduate in Commerce and an M.B.A., from Central Queensland University, Australia.

Other Directorships held :

Managing Director – Vibhaas Polymers Pvt. Ltd.

Other Committeeships held: Nil

He holds 1,020 Equity Shares in the Company.

**Annexure to Notice**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013:**

**ITEM NO.5:**

On the recommendation of Audit Committee at its meeting held on 21.7.2014, the Board has considered and approved appointment of M/s Narasimha Murthy & Co., Cost Accountants, for the conduct of the cost audit of the Company at a remuneration of Rs.1,00,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2014-15.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out in Item No.5 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year 2014-15. Your Board recommends necessary Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

**ITEM NO.6:**

**Sri K Rajendra Prasad** is a Post Graduate in Commerce and Graduate in Law. Presently he is Deputy General Manager (Equity Portfolio Management) & I/c Secretarial Division of Andhra Pradesh Industrial Development Corporation (APIDC). Earlier he worked as an Accountant in Neyveli Lignite Corporation Ltd., (a Govt. of India Enterprise), Tamilnadu.

Other Directorships held:

Director – Andhra Pradesh Heavy Machinery & Engineering Ltd., Krebs Biochemicals Ltd., Raasi Refractories Ltd., Restile Ceramics Ltd., Sagar Cements Ltd., Sibar Autoparts Ltd., and Vista Pharmaceuticals Ltd.

Other Committeeships held:

Chairman – Share Transfer & Investors Grievance Committee, Sagar Cements Ltd. Member – Audit Committee, Sagar Cements Ltd.

Company has received a notice in writing from a Member by complying with the provisions of Section 160 of the Companies Act, 2013 signifying its intention to propose Sri K Rajendra Prasad, 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 K Rajendra Prasad, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

**ITEM NO.7:**

**Sri M R B Punja** is a 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., nominated him as Chairman from 26.11.1993.

## **The Andhra Petrochemicals Limited**

He has wide and varied experience in the areas of Financial Management, Information Systems, Business Restructuring, Commercial, Industrial and General Administration. He holds 1,400 Equity Shares in the Company.

Other Directorships held:

Chairman – Delite Engineering Pvt. Ltd.

Director – Mac Charles (India) Ltd., and Sushruta Medical Aid & Research Hospital Ltd.

Other Committeeships held:

Member - Audit Committee, Mac Charles (India) Ltd.

He will retire by rotation at the ensuing Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri M R B Punja is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri M R B Punja, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

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

**Sri Justice G Ramanujam (Retd)** has been on the Board since 1.7.1989 as Independent Director. He holds Degrees in Law and Maths (Hons), was elevated as Madras High Court Judge, dealt with all branches of law viz., Taxation, Labour, Company and Constitution law. He was Vice-Chairman, Central Administrative Tribunal, Madras Bench and Chairman, Tamilnadu Fifth Pay Commission. He does not hold any Equity Shares in the Company.

Other Directorships held: Nil

He will retire by rotation at the ensuing Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri Justice G Ramanujam (Retd) is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

His appointment would be beneficial to the Company in view of his vast experience. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Justice G Ramanujam (Retd), no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

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

**Sri A A Krishnan** has been on the Board since 28.4.1993 as Independent Director. He is a Graduate in Science (Chemistry) from Madras University and also a Graduate in Chemical Engineering from Indian Institute of Science, Bangalore. He holds Dip. Ing (Refinery & Petrochemistry) from Ecole Nationale Supérieure de Petrole at Les Carburants, Paris. He has vast experience of more than 38 years with proven industrial expertise in Petrochemicals. He worked with Indian Oil Corporation, Petrochemical Division of the Department of Petroleum and Chemicals of the Government of India and Indian Petrochemicals Corporation Ltd. He was associated with the development of refineries built at Gauhati, Barauni and Baroda; Development of pre-project activities concerning the aromatics and olefins projects; IPCL projects related to aromatics, olefins, polyethylene, polybutadiene rubber, LAB and ethylene glycol. He was head of the Task Force created by the Government of India to undertake pre-project activities for a new grassroot petrochemicals complex at Nagothane, Maharashtra. At present he acts as an Advisor for several chemical companies.

Other Directorships held:

Director – Vinati Organics Ltd.

Other Committeeships held:

Member - Remuneration Committee, Vinati Organics Ltd.

His period of office is liable to retire by rotation at the Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri A A Krishnan is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri A A Krishnan, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

### **ITEM NO.10:**

**Sri Surinder Kumar Kapoor** has been on the Board since 13.5.2010 as Independent Director. 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

His period of office is liable to retire by rotation at the Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri Surinder Kumar Kapoor is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Surinder Kumar Kapoor, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

**ITEM NO.11:**

At the 23<sup>rd</sup> Annual General Meeting of the Company held on 6.9.2007, shareholders authorised the Board of Directors to borrow monies not exceeding Rs.500 crores (Rupees five hundred crores only) (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) by way of Ordinary Resolution under Section 293 (1)(d) of the erstwhile Companies Act, 1956. Now, Section 180 (1)(c) of the Companies Act, 2013 requires the same authorisation by way of Special Resolution.

Hence, your Directors recommend the Special Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

**ITEM NO.12:**

At the Extraordinary General Meeting of the Company held on 5.4.2008, shareholders authorised the Board of Directors to create mortgage or Charge on its movable or immovable properties for an amount not exceeding Rs.192 crores (Rupees one hundred and ninety two crores only) by way of Ordinary Resolution under Section 293 (1)(a) of the erstwhile Companies Act, 1956. Now, Section 180 (1)(a) of the Companies Act, 2013 requires the same authorisation by way of Special Resolution.

Hence, your Directors recommend the Special Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

**Hyderabad  
21-7-2014**

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

Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Thirtieth Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2014.

**FINANCIAL RESULTS:**

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2014 is summarised below:

(Rs. in Lakhs)

	<b>2013-14</b>	<b>2012-13</b>
Net Sales (excl. Excise Duty)	<b>25929.25</b>	56276.00
Profit / (Loss) before Interest & Depreciation	<b>(1039.30)</b>	3148.89
Less: Interest	<b>650.16</b>	860.16
Depreciation	<b>1334.53</b>	1371.63
Profit / (Loss) after Interest and Depreciation before Extraordinary Items	<b>(3023.99)</b>	917.10
Less: Extraordinary Items (FSA charges relating to earlier years)	--	453.93
Profit / (Loss) after Extraordinary Items	<b>(3023.99)</b>	463.17
Provision for:		
Current Tax	--	93.40
Deferred Tax	<b>(457.14)</b>	151.64
MAT credit entitlement	--	(93.40)
Excess provision for Direct Taxes of earlier years written back	--	(0.34)
Profit / (Loss) after Taxation	<b>(2566.85)</b>	311.87
Balance brought forward from previous year	<b>10149.61</b>	9837.74
Profit carried forward to next year	<b>7582.76</b>	10149.61

**OPERATIONAL AND FINANCIAL PERFORMANCE:**

During the Financial Year 2013-14, the Plant produced 26,460 MTs (previous year 66,564 MTs), which works out to 36% (approx.) capacity utilisation. Sales during the year were 29,157 MTs (previous year 64,407 MTs). Lower production was due to non-supply of Propylene by HPCL for revamp of Propylene Recovery Unit (PRU) in the 1<sup>st</sup> quarter to enhance Propylene production capacity that resulted in shutdown of our Plant for 58 days and a fire accident on 23<sup>rd</sup> August, 2013 in HPCL's cooling tower that resulted in shutdown of PRU during most part of the remaining period in this year. Company had incurred a net loss of Rs.25.67 crores during the current Financial Year 2013-14 against profit after tax of Rs.3.12 crores made during the previous year. This is mainly due to non-availability of Propylene for a long period resulting in 212 days production loss.

**DIVIDEND:**

In view of the loss incurred during the year under report, your Directors are unable to recommend any dividend for the Financial Year 2013-14.

**CAPITAL & RESERVES:**

**Authorised and Paid-up Capital:**

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

**Reserves:**

The total Reserves position as on 31.3.2014 stood at Rs.105.19 crores against Rs.130.86 crores in the previous year.

## **The Andhra Petrochemicals Limited**

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

#### **INDUSTRY STRUCTURE AND DEVELOPMENTS:**

Plant operations were limited throughout the year based on availability of Propylene, the major raw material from M/s Hindustan Petroleum Corporation Limited (HPCL). During the year HPCL have implemented their Propylene Recovery Unit (PRU) expansion in May-June, 2013 with a long shut-down which was expected to remove supply constraint to your Company ever since post Modernisation and Expansion. In fact, the Company operated at 110% of designed capacity for a period of 1 ½ months covering July-August, 2013 after HPCL's PRU commissioning post Expansion. Further Propylene supply position had a major setback due to a major fire accident in HPCL which affected PRU and partially continuing till date. As a result Company's Plant operations and marketing suffered to a great extent that resulted in poor performance for the year under review.

Propylene prices also shot up considerably during certain months with the steepest ever increase in the month of January, 2014. This together with lower market selling prices for the products resulted in under-recoveries that affected Company's performance. HPCL achieving full potential of the PRU is likely to take another 6 to 7 months, after which the Company's performance is expected to improve, subject to products' selling prices.

#### **OPPORTUNITIES AND THREATS:**

HPCL realising full potential of PRU and the Company operations at its full capacity and resultant improved efficiencies and lower cost of production is expected to be favourable for the Company's performance in future. The new capacities that have come up and further capacities coming up in the international scenario, likely strengthening of Rupee against dollar are areas of concern likely to impact, to some extent, Company's performance in the months to come.

#### **INTERNAL CONTROL SYSTEMS:**

Your Company has time-tested, exhaustive internal control systems for all major departments covering entire business. Internal audit by an external reputed audit firm scrutinises internal control systems in all the areas for their effectiveness and comes out with suggestions for improvement. Further Audit Committee of the Board reviews such internal audit reports and ensures effectiveness of the internal control systems.

#### **HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

Your Company has excellent track record on Industrial Relations front. The Management is committed to motivating employees at all levels by way of continuous performance improvement programmes. Training programmes are conducted for different levels of employees for upgrading their skills in their respective areas. As on 31<sup>st</sup> March, 2014 the Company has 296 employees on its rolls.

#### **FUTURE OUTLOOK:**

The Company's performance, to a large extent, is influenced by national and international demand and supply position of products and raw materials and to a large extent their prices. Overall operations are expected to improve further in the years to come.

#### **CAUTIONARY STATEMENT:**

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

#### **DEPOSITS:**

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

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

Your Company has been awarded the 3<sup>rd</sup> Level of Award SURAKSHA PURASKAR, Bronze Trophy for 2013 (Manufacturing sector) Group-A by the National Safety Council of India. There is no 1<sup>st</sup> Level award in this category.

Safety of human and Plant 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 in 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:**

During the year under report, Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) withdrew Sri S V Kanaka Seshu as its Nominee Director from the Board of the Company from 13.8.2013 and in his place Sri K Rajendra Prasad has been co-opted as Additional Director on the Board of the Company with effect from 6.11.2013. Dr. Anumolu Ramakrishna ceased to be the Director of your Company w.e.f., 20.8.2013 consequent upon his sad demise. Your Directors place on record their warm appreciation for the valuable guidance rendered by Sri S V Kanaka Seshu and Dr. Anumolu Ramakrishna during their tenure as Directors of the Company.

Sri K Rajendra Prasad holds office upto the date of the ensuing 30<sup>th</sup> Annual General Meeting (AGM). Resolution seeking his appointment as Director is being placed for the approval of the shareholders at the ensuing 30<sup>th</sup> AGM.

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Directors Sri P Narendranath Chowdary and Sri Ravi Pendyala retire by rotation at the ensuing 30<sup>th</sup> AGM and being eligible offer themselves for reappointment.

Individual Independent Directors appointment is placed before Shareholders for approval at the ensuing 30<sup>th</sup> AGM.

#### **AUDIT COMMITTEE:**

Audit Committee consists of four Non-Executive Independent Directors Sri A A Krishnan, Sri M R B Punja, Sri Surinder Kumar Kapoor and Sri Justice G Ramanujam (Retd.) (Chairman upto 5.11.2013). Sri A A Krishnan is the Chairman of the Committee from 6.11.2013.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:**

As required by the provisions of the Companies Act, 2013, Board of Directors at its Meeting held on 24.5.2014 constituted Corporate Social Responsibility (CSR) Committee comprising Directors viz., Dr. B B Ramaiah, Smt. Anita Rajendra, I.A.S., and Sri A A Krishnan as its Members.

#### **NOMINATION AND REMUNERATION COMMITTEE:**

As required by the provisions of the Companies Act, 2013, Board of Directors at its Meeting held on 24.5.2014 constituted Nomination and Remuneration Committee comprising



## The Andhra Petrochemicals Limited

Directors viz., Sri M R B Punja, Sri Surinder Kumar Kapoor and Sri P Narendranath Chowdary as its Members.

### 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 reappointment.

### 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, 2014. Cost Auditors' Report in respect of Financial Year 2012-13 has been filed with the Ministry of Corporate Affairs on 19.8.2013 i.e., within the stipulated date.

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

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

### PARTICULARS OF EMPLOYEES:

Statement of particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011 forming part of this Report is annexed hereto (Annexure-'B').

### DEMATERIALIZATION OF SHARES:

As on 31<sup>st</sup> March, 2014 out of the total number of 8,49,71,600 Equity Shares, 7,67,79,293 Equity Shares constituting 90.36% stand dematerialised.

### DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

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

### REPORT ON CORPORATE GOVERNANCE:

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

### ACKNOWLEDGEMENTS:

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, the Promoters - The Andhra Sugars Limited and APIDC, Financial Institutions, Banks, Shareholders, Customers, HPCL, GAIL and other 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.

On behalf of the Board

Hyderabad  
21.7.2014

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, 2014.

#### A. CONSERVATION OF ENERGY:

Plant operations were further optimised realising better efficiencies. Some of the energy saving measures undertaken have resulted in reduction of electrical energy consumption, at full load operation.

#### FORM - A

##### A) Power & Fuel Consumption:

1) Electricity:	Current Year	Previous Year
<b>a) Purchased</b>		
Units	<b>2,20,76,500</b>	4,04,63,500
Total Amount (Rs.)	<b>12,20,60,585</b>	23,98,67,392
Rate/Unit (Rs.)	<b>5.53</b>	5.93
<b>b) Own Generation</b>		
i) Through diesel generator		
Units	<b>56,842</b>	10,49,085
Units per litre of Diesel Oil	<b>3.23</b>	3.55
Rate/Unit (Rs.)	<b>18.31</b>	12.38
ii) Through Steam		
Turbines/Generator	<b>N.A.</b>	N.A.
2) Coal:		
Quantity (Tonnes)	<b>N.A.</b>	N.A.
Total Amount (Rs.)	<b>N.A.</b>	N.A.
Average Rate (Rs.)	<b>N.A.</b>	N.A.
3) a) Furnace Oil:		
Quantity (MTs/KLs)	<b>225.610</b>	791.110
Total Amount (Rs.)	<b>1,11,60,416</b>	3,85,31,732
Average Rate (Rs.)	<b>49,467.73</b>	48,705.91
b) L.S.H.S:		
Quantity (MTs)	<b>2,205.390</b>	4,731.890
Total Amount (Rs.)	<b>11,30,92,912</b>	23,71,84,027
Average Rate (Rs.)	<b>51,280.23</b>	50,124.59
4) Others/Internal Generation:		
Oxo-Alcohol Residue		
Quantity (MT)	<b>1,691.000</b>	3,838.000
Total Amount (Rs.)	<b>Nil</b>	Nil
Average Rate (Rs.)	<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>841</b>	<b>2.21</b>	639	1.88
Butanols	<b>811</b>	<b>2.78</b>	567	2.10

#### 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 two blowers to compress additional Carbon Dioxide (which would otherwise go to the atmosphere) to

## The Andhra Petrochemicals Limited

be recycled back into the process thereby reducing Naphtha consumption. The two blowers were installed at a cost of Rs.40.74 lakhs.

- b. Installation of Variable Frequency Drive (VFD) for Old MP boiler blower motor at a cost of Rs.1.7 lakhs.
- c. Installation of VFD for Sea water makeup pump at a cost of Rs.0.7 lakhs.
- d. Installation of Digital Temperature controller for DCS air conditioning at a cost of Rs.1,500.
- e. Separation of lighting circuits of mechanical workshop and Bulk stores at a cost of Rs.2,000.

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

- a. There is a reduction of 40 kg/hr for Naphtha per stream. The blowers have paid back the investment in just two months time.
- b. There is an annual saving potential of Rs.6 lakhs. Due to reduced speed, maintenance on the blower has also reduced resulting in intangible benefit of reduction in maintenance costs.
- c. Due to installation of the VFD, the pump can be run at a lower speed thereby reducing the number starts and stops and annual potential savings of Rs.2 lakhs in power consumption.
- d. A more uniform temperature in the control room and annual potential savings of Rs.1.7 lakhs has been achieved.
- e. Annual potential savings of Rs.0.4 lakhs has been achieved.

### 3. Plan of Action:

More R & D activities in energy conservation and environmental improvement area are planned.

### 4. Expenditure on R & D:

The Company has incurred an expenditure of Rs.42.45 lakhs on R & D during the year.

## II. Technology Absorption, Adaptation and Innovation:

### 1. Efforts made:

The new technology in Oxo and Synthesis and in Butanols Plant has been fully absorbed and the Company is now able to operate the Plant at high loads.

### 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):  
(Rs. in lakhs)

	For the year ended 31.3.2014	For the year ended 31.3.2013
i. Earnings	--	220.22
ii. Outgo	471.33	327.00

On behalf of the Board

Hyderabad  
21.7.2014

M R B Punja  
Chairman

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

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2014.

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

1. Dr. V N Rao, Chief Executive & Chief Operating Officer, B.Tech. (Chemical Engineering), M.Tech. (Chemical Engineering), IIT - Chennai; Ph.D.(Chemical Engineering), IIT - Chennai, 45 years, 4.10.1995, Rs.70,56,243\*, 72 years, Consultant.
2. Sri M K Viswanadham, Senior Executive President (Marketing), B.Sc. (Hons), M.Sc. (Ag), 40 years, 30.10.1992, Rs.60,42,983\*\*, 64 years, M/s. Raasi Cement Ltd., Hyderabad, Chief General Manager (Marketing) - 31/2 years.

\* Gross Remuneration includes salary, rent free accommodation, reimbursement of medical expenses, performance evaluation payment, leave encashment, car with driver and group personal accident insurance premium.

\*\* Gross Remuneration includes salary, house rent allowance, reimbursement of medical expenses, performance evaluation payment, leave encashment, car and group personal accident insurance premium.

## Annexure 'C' to the Directors' Report:

### REPORT ON CORPORATE GOVERNANCE

#### A) MANDATORY REQUIREMENTS:

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

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

##### 2. Board of Directors:

- a) As on 31.3.2014 the Board consisted of 11 Directors.

Composition and category of Directors is as follows:

Non-Executive and Independent Directors	Promoter and Executive Directors	Promoter, Non-Executive & Non-Independent Directors
<b>Sri M R B Punja</b> Chairman <b>Sri Justice G Ramanujam (Retd)</b> <b>Sri A A Krishnan</b> <b>Dr. Anumolu Ramakrishna</b> (upto 20.8.2013) <b>Sri Anirudha Behera</b> (Nominee of IDBI Bank Ltd) <b>Sri Surinder Kumar Kapoor</b>	<b>Dr. B B Ramaiah</b> Managing Director ( <i>Sri P Narendranath Chowdary sister's husband</i> ) *	<b>Smt. Shalini Misra, I.A.S.</b> (upto 11.4.2013) <b>Smt. Anita Rajendra, I.A.S.</b> (from 25.5.2013) <b>Sri P Narendranath Chowdary</b> ( <i>Dr. B B Ramaiah daughter's husband</i> ) * <b>Sri Mullapudi Thimmaraja</b> <b>Sri S V Kanaka Seshu</b> (upto 12.8.2013) <b>Sri K Rajendra Prasad</b> (from 6.11.2013) <b>Sri Ravi Pendyala</b>

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

- b) Non-Executive Directors' Remuneration: Please refer to Point No.6.  
 c) During the Financial Year 2013-14, four Board Meetings were held.  
 Dates on which they were held:  
 (i) 25.5.2013, (ii) 20.7.2013, (iii) 6.11.2013 and (iv) 11.2.2014  
 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. B B Ramaiah	4	Yes	3	1	None	None
Sri Justice G Ramanujam (Retd)	No	No	1	None	1	1
Sri A A Krishnan	3	No	1	None	None	None
Dr. Anumolu Ramakrishna (upto 20.8.2013)	2	N.A.	11	None	11	1
Sri P Narendranath Chowdary	4	Yes	7	4	4	2
Sri Mullapudi Thimmaraja	2	Yes	2	None	4	None
Smt. Shalini Misra, I.A.S. (upto 11.4.2013)	No	N.A.	3	None	None	None
Smt. Anita Rajendra, I.A.S, (from 25.5.2013)	4	N.A.	8	None	None	None
Sri S V Kanaka Seshu (upto 12.8.2013)	No	N.A.	7	None	1	None
Sri K Rajendra Prasad (from 6.11.2013)	2	N.A.	7	None	2	1
Sri Surinder Kumar Kapoor	4	Yes	None	None	None	None
Sri Anirudha Behera	3	No	None	None	None	None
Sri Ravi Pendyala	4	No	None	None	None	None

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

## The Andhra Petrochemicals Limited

Sri Justice G Ramanujam (Retd), Chairman of the Audit Committee, could not attend the Annual General Meeting due to unavoidable circumstances. Sri M R B Punja, 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.

### 4. Audit Committee:

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

As on 31.3.2014, the Audit Committee consists of four Non-Executive Independent Directors - (i) Sri Justice G Ramanujam (Retd) – Chairman (upto 5.11.2013), (ii) Sri A A Krishnan, Chairman (from 6.11.2013) (iii) Dr. Anumolu Ramakrishna (upto 20.8.2013), (iv) Sri Surinder Kumar Kapoor and Sri M R B Punja (from 20.7.2013). Members of the Audit Committee have considerable experience and expertise in the field of Industrial, Financial and Corporate Business Management. Dr. Anumolu Ramakrishna ceased to be the Member of the Audit Committee from 20.8.2013 consequent upon his sad demise.

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 attend the meetings to answer the queries raised by the Committee.

During the Financial Year 2013-14, four Audit Committee Meetings were held on:

(i) 25.5.2013, (ii) 20.7.2013, (iii) 6.11.2013 and (iv) 11.2.2014.

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 (upto 20.8.2013)	2
Sri Surinder Kumar Kapoor	4
Sri M R B Punja (from 20.7.2013)	2

**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 Auditor 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 2013-14:

Sri M R B Punja - Rs.60,000/-; Sri A A Krishnan - Rs.60,000/-; Dr. A. Ramakrishna – Rs.40,000/-; Sri Anirudha Behera – Rs.30,000/- (as he is the nominee of IDBI Bank Ltd., sitting fees payable to him was paid to IDBI Bank Ltd.); Smt. Anita Rajendra, I.A.S., - Rs. 40,000/-; Sri K. Rajendra Prasad – Rs. 20,000/- (as they are nominees of APIDC Ltd., sitting fees payable to them was paid to APIDC Ltd.); Sri Surinder Kumar Kapoor – Rs. 80,000/-; Sri Ravi Pendyala – Rs. 80,000/-.

### 7. Details of Equity Shares of the Company held by Non-Executive Directors as on 31<sup>st</sup> March, 2014:

Name of the Non-Executive Director	No. of shares of Rs.10/- each
Sri M R B Punja	1400
Sri P Narendranath Chowdary	4216
Sri Mullapudi 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 Mullapudi Thimmaraja and Sri Ravi Pendyala 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 31.3.2014:
- |  |       |
|--|-------|
| No. of shareholders' complaints received                               | : 52  |
| No. of complaints not resolved to the satisfaction of the shareholders | : NIL |
| No. of pending complaints (as at 31.3.2014)                            | : NIL |
| No. of pending share transfers (as at 31.3.2014)                       | : 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
2011	22 <sup>nd</sup> September, 2011, 3:00 p.m.
2012	28 <sup>th</sup> September, 2012, 3:00 p.m.
2013	28 <sup>th</sup> September, 2013, 3:00 p.m.

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

Year	Subject Matter
2011	Alteration of the Articles of Association of the Company authorising the Company to buy back its own securities
2012	Appointment of Dr. B B Ramaiah as Managing Director of the Company
2013	Nil

- iii) No Special Resolution requiring Postal Ballot was passed in 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.
- 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:**

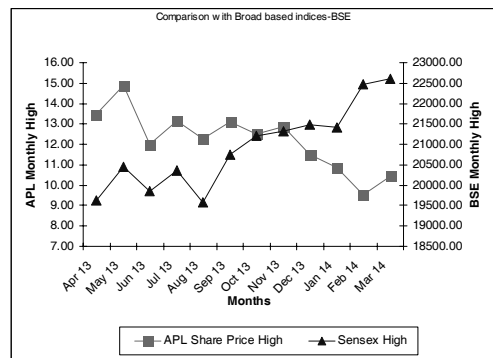
- i) Quarterly financial results are published in "The Hindu Business Line" (English) and "Andhra Bhoomi" (Telugu). Copies of the Results published are forwarded to Stock Exchange and the results are displayed on the Website of the Company, i.e., [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com).
- 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, 12<sup>th</sup> September, 2014 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, 6<sup>th</sup> September, 2014 to Friday, 12<sup>th</sup> September, 2014 (both days inclusive)
- iv) Listing on Stock Exchange and Stock Code:  
 The Bombay Stock Exchange Ltd.  
 Physical Stock Code: 12  
 Demat Stock Code: 500012  
 ISIN: INE714B01016
- v) Market Price Data: High / low price of Company's Equity Shares quoted on The Bombay Stock Exchange Ltd., Mumbai during each month of the Financial Year 2013-14.

Month	High Rs. Ps.	Low Rs. Ps.
April, 2013	13.49	12.00
May, 2013	14.90	11.40
June, 2013	12.01	9.60
July, 2013	13.14	10.32
August, 2013	12.30	10.55
September, 2013	13.10	10.01
October, 2013	12.50	11.25
November, 2013	12.89	10.50
December, 2013	11.50	9.81
January, 2014	10.87	8.51
February, 2014	9.51	7.84
March, 2014	10.45	8.06

- vi) Performance in comparison to BSE sensx:



- vii) Share Transfer System:  
 Transfers of Equity Shares in physical mode are effected within the statutory time limit from the date of receipt. Share transfers are approved weekly.

## The Andhra Petrochemicals Limited

viii) a) Shareholding pattern as on 31<sup>st</sup> March, 2014:

Sl. No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associate Companies	41383635	48.70
2	Financial Institutions	20600	0.02
3	Mutual Funds	12600	0.02
4	Banks	837	0.00
5	Foreign Institutional Investors	11500	0.02
6	Non-Resident Indians	519729	0.61
7	Bodies Corporate	6398676	7.53
8	Indian Public	36624023	43.10
	<b>Total</b>	<b>84971600</b>	<b>100.00</b>

b) Distribution of shareholding as on 31<sup>st</sup> March, 2014:

Shareholding of Nominal value of Rs.	No. of Share-holders	% of Share-holders	No. of Shares	% of Shares
Upto 5000	80024	99.07	20702521	24.36
5001 to 10000	395	0.49	3028528	3.56
10001 to 20000	190	0.23	2748377	3.23
20001 to 30000	47	0.06	1190299	1.41
30001 to 40000	23	0.03	785593	0.93
40001 to 50000	20	0.03	914777	1.08
50001 to 100000	24	0.03	1555624	1.83
100001 onwards	49	0.06	54045881	63.60
<b>Total</b>	<b>80772</b>	<b>100.00</b>	<b>84971600</b>	<b>100.00</b>

ix) As of 31<sup>st</sup> March, 2014, 7,67,79,293 shares constituting 90.36% of paid-up capital have been dematerialised.

	No. of shares	% of paid-up capital
National Securities Depository Ltd.	4,31,78,416	50.82
Central Depository Services (India) Ltd.	3,36,00,877	39.54
<b>Total</b>	<b>7,67,79,293</b>	<b>90.36</b>

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

- x) Plant location:  
Opp: Naval Dockyard  
VISAKHAPATNAM - 530014  
Andhra Pradesh
- xi) Address for correspondence:  
Manager (Finance) & Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram, TANUKU - 534215  
West Godavari District, Andhra Pradesh  
Phone Nos. 08819-224075  
08819-220975 (Shares Dept.)  
Fax No. 08819-224168  
CIN : L23209AP1984PLC004635  
Website: www.andhrapetrochemicals.com  
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, 2014.

Place: Hyderabad  
Date: 21.7.2014

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, 2014, 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 of 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: 21-7-2014

#### INDEPENDENT AUDITORS' REPORT

To

The Members of  
The Andhra Petrochemicals Limited,  
Tanuku.

#### Report on the Financial Statements:

- We have audited the accompanying Financial Statements of The Andhra Petrochemicals Limited, Tanuku ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements:

- Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility:

- Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with

ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

4. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion:**

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
  - b) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements:**

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, 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 those books;
  - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2014, taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2014, from being appointed as a Director in terms of section 274(1)(g) of the Act.

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

**Camp : Hyderabad  
Date : 24<sup>th</sup> May, 2014**

**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT REFERRED TO IN PARAGRAPH 7 UNDER THE HEADING OF "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" 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. Accordingly the "going concern" status of the Company is not affected.

- 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 parities 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 during the year has taken and repaid an unsecured loan amounting to Rs. 10 Crores from a company, to whom the provisions of section 301 of the Companies Act, 1956 apply.
- c) We are of the opinion based on the information provided to us that the rate of interest and other terms and conditions on which the above loan taken by the company are not prima facie prejudicial to the interest of the company.
- d) The company has repaid the loan amount along with the interest accrued thereon during the year.
- 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. The Company has not accepted any deposits from public. Consequently the clause 4(vi) of the order is not applicable.
- 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, 2014 for a period of more than six months from the date they became payable.
- c) As at 31<sup>st</sup> March, 2014, 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, except the following:

## The Andhra Petrochemicals Limited

Sr. No.	Name of the Statute	Nature of the Dues	Amount * (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
1.	The Income Tax Act, 1961	Tax Deduction at Source	1.72	Assessment Year 2006-07	Income Tax Appellate Tribunal, Visakhapatnam.
2.	The Income Tax Act, 1961	Income Tax	2.82	Assessment Year 2008-09	Commissioner of Income Tax (Appeals), Visakhapatnam.
3.	The Income Tax Act, 1961	Fringe Benefit Tax	2.28	Assessment Year 2008-09	Commissioner of Income Tax (Appeals), Visakhapatnam.
4.	The Income Tax Act, 1961	Tax Deduction at Source	15.68	Assessment Years 2008-09 & 2009-10	Commissioner of Income Tax (Appeals), Visakhapatnam.
5.	Value Added Tax	Disallowance of Input tax credit	10.45	Assessment Year 2009-10	Appellate Deputy Commissioner (CT)

\* Net of Pre deposits made.

- x) The Company has no accumulated losses. It has incurred cash loss during the financial year covered by our audit. However, it has not incurred any cash loss in 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 consequent to the rescheduling of term loan installments by IDBI Bank vide its modified sanction letters dated 17<sup>th</sup> May, 2014.
- 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 obtained in earlier years have been applied for the purposes for which they were raised.
- xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) During the year, the Company has not made any preferential allotment of shares. 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 : 24<sup>th</sup> May, 2014

### Note 1: Accounting Policies

#### 1.1 Accounting Concepts:

Financial Statements are prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) in India under historical cost convention on accrual basis and comply all material aspects with the Accounting Standards and the relevant provisions prescribed in the Companies Act, 1956, besides the pronouncements / guidelines of the Institute of Chartered Accountants of India and the Securities and Exchange Board of India.

#### 1.2 Use of Estimates:

The preparation of Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the Financial Statements and reported amount of revenues and expenses during the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, the actual outcome may be different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

#### 1.3 Fixed Assets:

- 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 apportioned.
- Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/erection.

#### 1.4 Classification of Assets and Liabilities as Current and Non-Current:

All assets and liabilities are classified as current and non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, 12 months has been considered by the Company for the purpose of current - non-current classification of assets and liabilities.

#### 1.5 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.

#### 1.6 Inventories:

Inventories are valued at the lower of the cost (net of CENVAT / Input VAT Credit) or net realisable value (except by-products, waste and scrap which are valued at estimated net 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 condition and location.

#### 1.7 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.

#### 1.8 Sales:

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

#### 1.9 Employee Benefits:

##### (i) Defined Contribution Plans:

Employee Benefits in the form of Employee Provident and 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.

#### 1.10 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.

#### 1.11 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, 2014

(₹ in lakhs)

Particulars	Note No.	As at 31-03-2014	As at 31-03-2013
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	10518.76	13085.61
<b>2 Non-current liabilities:</b>			
(a) Long-term borrowings	2.03	1876.86	1718.43
(b) Deferred tax liabilities (Net)	2.04	2720.07	3177.21
(c) Trade payables	2.05	--	178.60
(d) Other Long-term liabilities	2.06	5.00	5.00
(e) Long-term provisions	2.07	114.97	116.06
<b>3 Current liabilities:</b>			
(a) Short-term borrowings	2.08	2669.08	2678.01
(b) Trade payables	2.09	1983.29	831.31
(c) Other current liabilities	2.10	607.90	2552.18
(d) Short-term provisions	2.11	232.11	213.30
<b>TOTAL</b>		<b>29225.20</b>	<b>33052.87</b>
<b>II. ASSETS:</b>			
<b>Non-current assets:</b>			
<b>1 (a) Fixed assets</b>			
(i) Tangible assets	2.12	21222.88	22416.23
(ii) Capital work-in-progress		5.11	11.06
(b) Non-current investments	2.13	1527.05	526.31
(c) Long-term loans and advances	2.14	740.02	500.59
<b>2 Current assets:</b>			
(a) Inventories	2.15	3972.65	5551.13
(b) Trade receivables	2.16	112.94	571.31
(c) Cash and Bank balances	2.17	119.56	1324.93
(d) Short-term loans and advances	2.18	1524.99	2151.31
<b>TOTAL</b>		<b>29225.20</b>	<b>33052.87</b>

Significant Accounting Policies and Notes on Accounts 1 &amp; 2

Per our report of even date		For and on behalf of the Board	
For Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah A A Krishnan P Ratna Rao K Raghu Ram	Chairman Managing Director Director General Manager (Finance) Manager (Finance) & Asst. Company Secretary	
Camp: Hyderabad Date : 24.05.2014	Hyderabad 24.05.2014		

Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2014

(₹ in lakhs)

Particulars	Note No.	This Year	Previous Year
1	2	3	4
I. Revenue from operations	2.19	25929.25	56276.00
II. Other income	2.20	511.48	336.96
III. Total Revenue (I + II)		26440.73	56612.96
IV. Expenses:			
Cost of materials consumed	2.21	19704.83	46488.21
Changes in inventories of finished goods and work-in-process	2.22	2166.43	(1961.17)
Employee benefit expenses	2.23	1426.80	1402.48
Finance costs	2.24	650.16	860.16
Depreciation	2.12	1334.53	1371.63
Other expenses	2.25	4181.97	7534.55
Total expenses		29464.72	55695.86
V. Profit before extraordinary items (III-IV)		(3023.99)	917.10
Less: Electricity FSA Charges relating to earlier years		0.00	453.93
VI. Profit before tax and after extraordinary items		(3023.99)	463.17
VII. Tax expense:			
(1) Current tax		0.00	93.40
(2) Deferred tax		(457.14)	151.64
(3) Excess Provision for Direct Taxes of earlier years written back		0.00	(0.34)
(4) MAT Credit Entitlement		0.00	(93.40)
VIII. Profit after tax (VI-VII)		(2566.85)	311.87
IX. Earnings per Equity Share:			
(1) Basic		(3.02)	0.37
(2) Diluted		(3.02)	0.37

Per our report of even date

For and on behalf of the Board

For Brahmayya & Co.,  
Chartered Accountants  
C V Ramana Rao  
Partner  
Membership No.018545

M R B Punja  
Dr. B B Ramaiah  
A A Krishnan  
P Ratna Rao  
K Raghu Ram

Chairman  
Managing Director  
Director  
General Manager (Finance)  
Manager (Finance) & Asst. Company Secretary

Camp: Hyderabad  
Date : 24.05.2014

Hyderabad  
24.05.2014

**The Andhra Petrochemicals Limited**

Particulars	As at 31-03-2014		As at 31-03-2013	
<b>Note 2.01 : Share Capital</b>				
<b>a. Share Capital</b>				
	<b>Number</b>	<b>₹ in lakhs</b>	Number	₹ in lakhs
<b>Authorised</b>				
Equity Shares of ₹ 10 each	<b>85000000</b>	<b>8500.00</b>	85000000	8500.00
<b>Issued</b>				
Equity Shares of ₹ 10 each	<b>84971600</b>	<b>8497.16</b>	84971600	8497.16
<b>Subscribed &amp; Paid-up</b>				
Equity Shares of ₹ 10 each fully paid	<b>84971600</b>	<b>8497.16</b>	84971600	8497.16
<b>Total</b>	<b>84971600</b>	<b>8497.16</b>	84971600	8497.16

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

Particulars	As at 31-03-2014		As at 31-03-2013	
	No. of Shares held	% of holding	No. of Shares held	% of holding
The Andhra Sugars Limited	<b>28086613</b>	<b>33.05%</b>	28086613	33.05%
Andhra Pradesh Industrial Development Corporation Ltd.	<b>9180000</b>	<b>10.80%</b>	9180000	10.80%

₹ in lakhs

Particulars	As at 31-03-2014	As at 31-03-2013
<b>Note 2.02: Reserves and Surplus</b>		
<b>a. Capital Reserve</b>		
Balance in Capital Reserve	<b>23.37</b>	23.37
<b>b. Securities Premium Account</b>		
Balance in Securities Premium Reserve	<b>412.63</b>	412.63
<b>c. Other Reserves (General Reserve)</b>		
Balance at the beginning of the year	<b>2500.00</b>	2500.00
Balance at the end of the year (c)	<b>2500.00</b>	2500.00
<b>d. Surplus</b>		
Balance at the beginning of the year	<b>10149.61</b>	9837.74
(+) Profit / (-) Loss after tax for the year	<b>(2566.85)</b>	311.87
Balance at the end of the year	<b>7582.76</b>	10149.61
<b>Total (a+b+c+d)</b>	<b>10518.76</b>	13085.61

## The Andhra Petrochemicals Limited

₹ in lakhs

Particulars	As at 31-03-2014	As at 31-03-2013
<b>Note 2.03: Long-Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Term loans*:</b>		
Rupee term loans for optimisation & modernisation of Plant from:		
IDBI Bank Limited	530.40	530.40
State Bank of India	--	299.93
State Bank of Hyderabad	537.71	424.05
Andhra Bank	577.00	464.05
<b>(b) Term loan from IDBI</b>		
(A subservient charge by way of hypothecation of Company's current assets in favour of the lender)	231.75	--
<b>Total</b>	<b>1876.86</b>	<b>1718.43</b>
* (Secured by <i>pari passu</i> 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: Repayable in 17 equal quarterly installments commencing from January 1, 2011.		
<b>Note 2.04: Deferred Tax Liabilities (Net)</b>		
Major components of Deferred Tax Liabilities and Assets arising on account of timing difference are:		
<b>Liabilities:</b>		
Difference between tax and book depreciation	3489.21	3356.04
<b>Assets:</b>		
Items covered under Section 43B of Income Tax Act	113.19	107.21
Unabsorbed depreciation under Income Tax Act	655.95	71.62
<b>Total</b>	<b>2720.07</b>	<b>3177.21</b>
<b>Note 2.05: Trade Payables (Non-current)</b>		
Trade Payables	--	178.60
<b>Total</b>	<b>--</b>	<b>178.60</b>
<b>Note 2.06: Other Long-Term liabilities</b>		
Deposit from a Distributor	5.00	5.00
<b>Total</b>	<b>5.00</b>	<b>5.00</b>
<b>Note 2.07: Long-Term Provisions</b>		
<b>Provision for employee benefits</b>		
Compensated Absences	114.97	116.06
<b>Total</b>	<b>114.97</b>	<b>116.06</b>
<b>Note 2.08: Short-Term Borrowings</b>		
<b>Secured:</b>		
<b>Term loan from IDBI</b>	--	1000.00
(A subservient Charge by way of hypothecation of Company's current assets in favour of the lender)		
<b>Loans repayable on demand:</b>		
From banks	2169.08	1678.01
(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>Unsecured:</b>		
<b>Inter-Corporate Loan</b>	500.00	--
<b>Total</b>	<b>2669.08</b>	<b>2678.01</b>

**The Andhra Petrochemicals Limited**

₹ in lakhs

Particulars	As at 31-03-2014	As at 31-03-2013
<b>Note 2.09: Trade Payables</b>		
Trade Payables	1983.29	831.31
	-----	-----
<b>Total</b>	<b>1983.29</b>	<b>831.31</b>
	-----	-----

There are no dues to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company.

**Note 2.10: Other Current Liabilities**

(a) Current maturities of long-term debt	299.93	1936.84
(b) Interest accrued but not due on borrowings	12.10	25.27
(c) Unpaid dividends	104.10	105.95
(d) Advances received against sales	58.64	88.70
(e) Other Liabilities	133.13	395.42
	-----	-----
<b>Total</b>	<b>607.90</b>	<b>2552.18</b>
	-----	-----

**Note 2.11: Short -Term Provisions**

**Provision for employee benefits**

Gratuity (Funded)	174.71	151.19
Compensated Absences	57.40	62.11
	-----	-----
<b>Total</b>	<b>232.11</b>	<b>213.30</b>
	-----	-----

**Note 2.12: Fixed Assets**

₹ in lakhs

Fixed Assets	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	Balance as at 1.4.2013	Additions	(Disposals)	Balance as at 31.3.2014	Balance as at 1.4.2013	Depreciation charge for the year	On disposals	Balance as at 31.3.2014	Balance as at 31.3.2014	Balance as at 31.3.2013
<b>Tangible Assets</b>										
Land	9.07	--	--	9.07	--	--	--	--	9.07	9.07
Buildings *	1687.85	4.99	--	1692.84	546.99	40.53	--	587.52	1105.32	1140.86
Plant and Equipment	44651.39	215.73	99.07	44768.05	23446.19	1281.83	18.76	24709.26	20058.79	21205.20
Furniture and Fixtures	71.11	0.08	0.56	70.63	56.97	2.31	0.54	58.74	11.89	14.14
Office equipment	119.67	1.11	3.43	117.35	87.66	6.21	3.03	90.84	26.51	32.01
Vehicles	59.74	--	--	59.74	44.79	3.65	--	48.44	11.30	14.95
<b>Total</b>	46598.83	221.91	103.06	46717.68	24182.60	1334.53	22.33	25494.80	21222.88	22416.23
Previous year	46528.70	70.26	0.13	46598.83	22811.04	1371.63	0.07	24182.60	22416.23	23717.66

\* Building of the value of Rs.1677.64 lakhs constructed on Leasehold Land.

**The Andhra Petrochemicals Limited**

₹ in lakhs

Particulars	As at 31-03-2014	As at 31-03-2013
<b>Note 2.13: Non-Current Investments</b>		
<b>Long-term at cost (unquoted)</b>		
Investment in Equity instruments		
9,38,000 Equity Shares of Rs.10/- each fully paid-up (previous year 4,02,000) in Andhra Pradesh Gas Power Corporation Ltd. 5,36,000 Nos. acquired during year.	<b>1527.05</b>	526.31
	-----	-----
<b>Total</b>	<b>1527.05</b>	526.31
	-----	-----
<b>Note 2.14: Long-Term Loans and Advances</b>		
Security Deposits		
(Unsecured, considered good)	<b>313.52</b>	312.89
Prepaid Expenses	<b>3.12</b>	--
MAT credit entitlement	<b>423.38</b>	187.70
	-----	-----
<b>Total</b>	<b>740.02</b>	500.59
	-----	-----
<b>Note 2.15: Inventories</b>		
a. Raw Materials and components	<b>1171.26</b>	381.81
Goods-in-transit	<b>13.49</b>	441.66
	-----	-----
b. Work-in-process	<b>441.76</b>	134.16
c. Finished goods	<b>797.24</b>	3271.27
d. Stores and spares	<b>1548.90</b>	1322.23
Method of valuation is stated in Accounting Policies vide Note No.1.6		
	-----	-----
<b>Total</b>	<b>3972.65</b>	5551.13
	-----	-----
<b>Note 2.16: Trade Receivables</b>		
<b>Trade receivables outstanding for a period less than six months</b>		
Unsecured, considered good	<b>112.94</b>	571.30
	-----	-----
	<b>112.94</b>	571.30
	-----	-----
<b>Trade receivables outstanding for a period exceeding six months</b>		
Unsecured, considered good	--	0.01
	-----	-----
	--	0.01
	-----	-----
<b>Total</b>	<b>112.94</b>	571.31
	-----	-----
<b>Note 2.17: Cash and Bank Balances</b>		
a. Balances with banks	<b>115.78</b>	1127.28
This includes:		
Earmarked Balances (e.g., Unpaid Dividend accounts - less than seven years of ₹ 104.10 lakhs & previous year of ₹ 105.95 lakhs)		
b. Margin money deposits	<b>1.50</b>	1.50
c. Cheques, drafts in transit	<b>0.53</b>	194.66
d. Cash on hand	<b>1.75</b>	1.49
	-----	-----
<b>Total</b>	<b>119.56</b>	1324.93
	-----	-----

Particulars	As at 31-03-2014	₹ in lakhs	As at 31-03-2013
<b>Note 2.18: Short-term loans and advances</b>			
<b>Unsecured, considered good</b>			
Prepaid Expenses	19.04		53.35
Advances to Suppliers	93.22		577.36
Advances to staff	0.22		0.66
Income tax paid in advance (net of provision)	68.11		56.85
MAT Credit Entitlement	388.74		624.42
Input Tax Credit - VAT	646.18		691.76
AP VAT paid under protest	1.49		--
Excise Duty paid in advance	284.27		124.67
Interest receivable	23.72		22.24
	-----		-----
<b>Total</b>	<b>1524.99</b>		<b>2151.31</b>
	-----		-----
	<b>This Year</b>		<b>Previous Year</b>
<b>Note 2.19: Revenue From Operations</b>			
Sale of products (Oxo-Alcohols)	29082.04		63244.45
Less: Excise duty collected	3152.79		6968.45
	-----		-----
<b>Total</b>	<b>25929.25</b>		<b>56276.00</b>
	-----		-----
<b>Note 2.20: Other Income</b>			
Interest received	181.59		223.71
Profit on sale of Inventories	--		104.04
Miscellaneous Receipts	19.30		9.14
Net Credit on Adjustment of Excise Duty on Stocks	282.61		--
Unclaimed credit balance & excess provisions made in earlier years written back	27.98		0.07
	-----		-----
<b>Total</b>	<b>511.48</b>		<b>336.96</b>
	-----		-----
<b>Note 2.21: Cost of Materials Consumed</b>			
<b>Raw Materials Consumed</b>			
Opening Stock	381.81		710.50
Add: Purchases	20494.28		46159.52
	-----		-----
	<b>20876.09</b>		<b>46870.02</b>
Less: Closing Stock	1171.26		381.81
	-----		-----
<b>Total</b>	<b>19704.83</b>		<b>46488.21</b>
	-----		-----
<b>Details of Raw Materials consumed</b>			
i) Propylene	12793.74		31545.05
ii) Naphtha	6911.09		14943.16
	-----		-----
<b>Total</b>	<b>19704.83</b>		<b>46488.21</b>
	-----		-----

## The Andhra Petrochemicals Limited

Particulars	This Year	₹ in lakhs	Previous Year
<b>Note 2.22: Changes in Inventories of Finished Goods and Work-in-Process</b>			
<b>A) Closing Stock</b>			
Finished Goods	797.24		3271.27
Work-in-process	441.76		134.16
<b>Total (A)</b>	<b>1239.00</b>		<b>3405.43</b>
<b>B) Opening Stock</b>			
Finished Goods	3271.27		1090.88
Work-in-process	134.16		353.38
<b>Total (B)</b>	<b>3405.43</b>		<b>1444.26</b>
(Increase)/Decrease in stocks (B-A)	2166.43		(1961.17)
<b>Total</b>	<b>2166.43</b>		<b>(1961.17)</b>
<b>Note 2.23: Employee Benefit Expenses</b>			
Salaries and Allowances	1201.02		1190.21
Company's contribution to PF and other Funds	73.56		67.24
Contribution to Gratuity Fund	43.51		33.48
Workmen and Staff Welfare Expenses	108.71		111.55
<b>Total</b>	<b>1426.80</b>		<b>1402.48</b>
<b>Note 2.24: Finance Costs</b>			
Interest expenses	599.58		809.94
Other borrowing costs	50.58		50.22
<b>Total</b>	<b>650.16</b>		<b>860.16</b>
<b>Note 2.25: Other Expenses</b>			
Stores consumed	641.39		823.48
Fuel, Power and Lighting	2504.74		5312.83
Repairs to Buildings	26.06		20.14
Repairs to Machinery	546.31		535.08
Rent	26.75		23.76
Rates and Taxes	17.95		15.62
Net Debit on Adjustment of Excise Duty on Stocks	--		250.31
Insurance	31.77		58.31
Directors' Sitting Fees	4.10		4.20
Corporate Social Responsibility expenses	40.70		14.03
Auditors' Remuneration			
for Audit Fees	2.60	2.25	
for Taxation Matters	1.41	0.27	
for Other Services	2.28	1.75	
for Out-of-pocket Expenses	0.41	0.30	4.57
Cost Auditors' Remuneration	1.08		0.70
Loss on sale of assets	0.13		0.05
Assets written off	55.89		--
Miscellaneous Expenses	278.40		471.47
<b>Total</b>	<b>4181.97</b>		<b>7534.55</b>



₹ in lakhs

Particulars	This Year	Previous Year
<b>Note 2.26: Contingent Liabilities and Commitments:</b>		
<b>(i) Contingent Liabilities</b>		
(a) Claims against the Company not acknowledged as debt	12.00	12.00
(b) Amounts shown by HPCL as dues as per their statements of account contested by the Company	52.91	52.91
(c) Outstanding Guarantees to Banks including Letters of Credit opened with Banks for supplier payments	10.00	10.00
(d) 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	115.50	115.48
iii) Disputed demand charges against APGPCL Demand allocation	10.47	10.47
iv) Demand against excess incentive recovery	13.19	13.19
e) Disputed Income Tax demands for the Asst. Years 2006-07, 2008-09 and 2009-10	22.49	24.71
f) Disputed Input Tax Credit Accounting Year 2009-10 (Rs.1.49 lakhs paid under protest - grouped under Short-term Loans & Advances)	11.94	--
<b>(ii) Commitments</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	--	1.96
(b) Bills discounted	--	2346.40

**Note 2.27:**

Hindustan Petroleum Corporation Ltd., (HPCL), suspended during most part of the year, the supply of "Propylene", the main raw material for production of "Oxo- alcohols", due to a fire accident occurred in a cooling tower of its refinery on 23<sup>rd</sup> August, 2013, which resulted in suspension of production activities by the Company for a total number of 154 days during the year. Pending admittance of Company's claim by its insurer under "Loss of Profits insurance policy with extended fire risk coverage at Supplier Premises", the said claim has not been recognised in the books of account for the year under report.

**Note 2.28: 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 :

	This Year	Previous Year
Employer's Contributions to Provident and Pension Funds	72.12	65.85

Defined Benefit Plans:

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

## The Andhra Petrochemicals Limited

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

	Gratuity (Funded)		Compensated absences (Unfunded)	
	(₹ in lakhs)			
	This year	Previous year	This year	Previous year
Defined Benefit obligation at beginning				
of the year	<b>281.38</b>	240.58	<b>178.17</b>	139.85
Interest Cost	<b>22.51</b>	19.25	<b>16.70</b>	10.54
Current Service Cost	<b>22.51</b>	16.97	<b>24.84</b>	39.11
Benefits paid	<b>(23.49)</b>	(2.42)	<b>(24.70)</b>	(16.26)
Actuarial loss / (gain) on obligation	<b>8.95</b>	7.00	<b>(22.65)</b>	4.93
Defined Benefit obligation at year end	<b>311.86</b>	281.38	<b>172.36</b>	178.17

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

	Gratuity (Funded)		Compensated absences (Unfunded)	
	(₹ in lakhs)			
	This year	Previous year	This year	Previous year
Fair value of plan assets at beginning of the year			<b>130.18</b>	105.17
Expected return on plan assets			<b>10.46</b>	9.74
Contributions			<b>20.00</b>	17.69
Benefits paid			<b>(23.49)</b>	(2.42)
Actuarial loss / (gain) on obligation			--	--
Fair value of plan assets as at the end of the year			<b>137.15</b>	130.18

### III. Reconciliation of fair value of assets and obligations as at 31.3.2014

	Gratuity (Funded)		Compensated absences (Unfunded)	
	(₹ in lakhs)			
	This year	Previous year	This year	Previous year
Fair value of plan assets	<b>137.15</b>	130.18	--	--
Present value of obligation	<b>311.86</b>	281.38	<b>172.36</b>	178.17
Amount recognised as liability in Balance Sheet	<b>174.71</b>	151.20	<b>172.36</b>	178.17

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

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Current Service Cost	<b>22.51</b>	16.97	<b>24.84</b>	39.11
Interest Cost	<b>22.51</b>	19.25	<b>16.70</b>	10.54
Expected return on plan assets	<b>(10.46)</b>	(9.74)	--	--
Actuarial (gain)/ loss	<b>8.95</b>	7.00	<b>(22.65)</b>	4.93
Expenses recognised in the Statement of Profit & Loss	<b>43.51</b>	33.48	<b>18.89</b>	54.58

### V. Principals Actuarial Assumptions

	Gratuity (Funded)		Compensated absences (Unfunded)	
	This year	Previous year	This year	Previous year
Discount Rate	<b>8.00%</b>	8.00%	<b>9.37%</b>	8.00%
Salary Escalation Rate	<b>7.00%</b>	7.00%	<b>5.00%</b>	5.00%

As per the enterprise's accounting policy actuarial gains and losses are recognised immediately during the same year itself. The above information is certified by the Actuary.

**Note 2.29: 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.

**Note 2.30: Disclosure in respect of Related Party Transactions as per AS-18 issued by Companies (Accounting Standards) Rules, 2006 (amended):**

I. List of Related Parties:

Sl. No.	Name of the Related Party	Relationship
1.	The Andhra Sugars Limited	Investing party, in which the Company is an associate
2.	Dr. B B Ramaiah, Managing Director	Key Managerial Personnel

II. Transactions with the Related Parties:

₹ in lakhs

Particulars	The Andhra Sugars Ltd. (Investing party, in which the Company is an associate)		Dr. B B Ramaiah, Managing Director (Key Managerial Personnel)	
	This Year	Previous Year	This Year	Previous Year
Purchase of goods from	29.27	60.73	NIL	NIL
Services received from	0.91	1.40	NIL	NIL
Interest paid on Inter-corporate Loan of Rs.10 crores taken and repaid during the year itself	6.41	--	NIL	NIL
Dividend paid for the Financial Year 2011-12	--	123.94	NIL	0.71

**Note 2.31: Particulars of Earnings Per Share:**

	This year	Previous year
Net profit (loss) after tax (₹)	(256684776.88)	31186648.64
Number of Equity Shares – Basic	84971600	84971600
Number of Equity Shares – Diluted	84971600	84971600
Nominal value of the shares (₹)	10.00	10.00
Earnings Per Share – Basic (₹)	(3.02)	0.37
– Diluted (₹)	(3.02)	0.37

**Note 2.32:** 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 AS – 28 issued by Companies (Accounting Standards) Rules, 2006 (amended).

₹ in lakhs

**Note 2.33: CIF value of imports:**

	This Year	Previous Year
Capital goods	--	--
Components and spare parts	498.62	281.65

**The Andhra Petrochemicals Limited**

**Note 2.34: Details of imported and indigeneous raw materials and spares consumed:**

	This Year		Previous Year	
	₹ in lakhs	%	₹ in lakhs	%
<b>Raw Materials</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	19704.83	100	46488.21	100
<b>Stores &amp; Spares</b>				
Imported	224.13	9	309.35	8
Indigenous	2149.10	91	3777.74	92
	<u>2373.23</u>	<u>100</u>	<u>4087.09</u>	<u>100</u>

	₹ in lakhs	
	This Year	Previous Year
<b>Note 2.35: Expenditure in foreign currency on account of:</b>		
Bank charges, Subscriptions and cost of services etc.	3.11	2.58
<b>Note 2.36: Earnings in foreign currency:</b>	Nil	220.22

**Note 2.37:** Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable with the current year figures.

Per our report of even date	For and on behalf of the Board	
For Brahmayya & Co., Chartered Accountants CV Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah A A Krishnan P Ratna Rao K Raghu Ram	Chairman Managing Director Director General Manager (Finance) Manager (Finance) & Asst. Company Secretary
Camp: Hyderabad Date : 24.05.2014	Hyderabad 24.05.2014	

CASH FLOW STATEMENT FOR THE YEAR 2013-14

₹ in lakhs

	This Year	Previous Year
<b>A) Cash Flow from Operating Activities:</b>		
Profit/(Loss) for the year after extraordinary items:	(3023.99)	463.51
Adjustments for:		
Depreciation	1334.53	1371.63
Finance costs	650.16	860.16
Interest received	(181.59)	(223.71)
Loss on sale of assets	0.13	0.05
Assets written off	55.89	--
Credit balances written back	(27.98)	(0.07)
Provision for compensated absences	(5.80)	38.32
Provision for Gratuity	23.52	15.78
	-----	-----
Operating Profit before Working Capital changes	(1175.13)	2525.67
Inventories	1578.48	(1717.54)
Trade and other receivables	856.52	850.63
Trade payables	693.99	811.72
	-----	-----
Cash generated from operations	1953.86	2470.48
Finance costs	(650.16)	(860.16)
Income Tax (paid)/refund received	(11.26)	(208.59)
	-----	-----
Net Cash generated in operations	1292.44	1401.73
	-----	-----
<b>B) Cash Flow from Investing Activities:</b>		
Additions to Fixed Assets including Capital work-in-progress	(221.91)	(70.26)
Increase in Capital work-in-progress	5.95	(0.85)
Sale of Fixed Assets	24.71	0.01
Interest received	181.59	223.71
Purchase of Investments	(1000.74)	--
	-----	-----
Net Cash generated from investing activities	(1010.40)	152.61
	-----	-----
<b>C) Cash Flow from Financing Activities:</b>		
(Decrease) / Increase in borrowings (net)	(1487.41)	(31.84)
Dividends paid including tax on dividend	--	(493.78)
	-----	-----
Net Cash used in Financing Activities	(1487.41)	(525.62)
	-----	-----
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	(1205.37)	1028.72
Opening balance of Cash & Cash equivalents	1324.93	296.21
Closing balance of Cash & Cash equivalents	119.56	1324.93

Per our report of even date	For and on behalf of the Board	
For Brahmayya & Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545	M R B Punja Dr. B B Ramaiah A A Krishnan P Ratna Rao K Raghu Ram	Chairman Managing Director Director General Manager (Finance) Manager (Finance) & Asst. Company Secretary
Camp: Hyderabad Date : 24.05.2014	Hyderabad 24.05.2014	



**THE ANDHRA PETROCHEMICALS LIMITED**

CIN : L23209AP1984PLC004635

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

Phone Nos.: 08819-224075 & 220975, Fax: 08819-224168

E-mail: info.tnk@andhrapetrochemicals.com, Website: www.andhrapetrochemicals.com

**30<sup>th</sup> Annual General Meeting  
PROXY FORM**

Name of the Member (s) :  
Registered address :

E-mail ID :  
Folio No. / DP ID-Client ID :

I/We, being the member(s) of ..... shares of the above named Company hereby appoint :

- |                  |                                |
|------------------|--------------------------------|
| (1) Name : ..... | Address : .....                |
| E-mail ID .....  | Signature ..... or failing him |
| (2) Name : ..... | Address : .....                |
| E-mail ID .....  | Signature ..... or failing him |
| (3) Name : ..... | Address : .....                |
| E-mail ID .....  | Signature .....                |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 30<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 12<sup>th</sup> September, 2014 at 3:00 p.m. at the Registered Office and at any adjournment thereof in respect of such Resolutions as are indicated below:

**Ordinary Business:**

- Adoption of Annual Accounts for the Financial Year ended 31<sup>st</sup> March, 2014.
- Reappointment of Sri P Narendranath Chowdary as Director.
- Reappointment of Sri Ravi Pendyala as Director.
- Appointment of M/s. Brahmayya & Co., as Statutory Auditors.

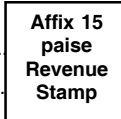
**Special Business:**

- Ordinary Resolution for ratification of remuneration to be paid to M/s. Narasimha Murthy & Co., Cost Accountants, Cost Auditors for the Financial Year 2014-15.
- Ordinary Resolution for appointment of Sri K Rajendra Prasad as Director.
- Ordinary Resolution for appointment of Sri M R B Punja as Independent Director for a period of 5 years from 12<sup>th</sup> September, 2014.
- Ordinary Resolution for appointment of Sri Justice G Ramanujam (Retd.) as Independent Director for a period of 5 years from 12<sup>th</sup> September, 2014.
- Ordinary Resolution for appointment of Sri A A Krishnan as Independent Director for a period of 5 years from 12<sup>th</sup> September, 2014.
- Ordinary Resolution for appointment of Sri Surinder Kumar Kapoor as Independent Director for a period of 5 years from 12<sup>th</sup> September, 2014.
- Special Resolution in supersession of Ordinary Resolution passed at the 23<sup>rd</sup> Annual General Meeting held on 6<sup>th</sup> September, 2007 for according approval to Board of Directors to borrow upto Rs. 500 crores.
- Special Resolution in supersession of Ordinary Resolution passed at the Extraordinary General Meeting held on 5<sup>th</sup> April, 2008 for mortgaging or charging all movable / immovable properties of the Company.

Signed this ..... day of ..... 2014

Signature of Shareholder (s) .....

Signature of Proxy holder(s) .....



**Note :** This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



**THE ANDHRA PETROCHEMICALS LIMITED**

CIN : L23209AP1984PLC004635

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

Phones Nos.: 08819-224075 & 220975, Fax: 08819-224168

E-mail: info.tnk@andhrapetrochemicals.com, Website: www.andhrapetrochemicals.com



Folio No. / DPID & Client ID No.

Name of the 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 30<sup>th</sup> ANNUAL GENERAL MEETING being held on Friday, the 12<sup>th</sup> September, 2014 at 3:00 p.m.

.....  
Signature of Member / Proxy

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




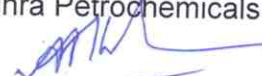
**PRINTED MATTER  
BOOK-POST**

Licensed to post on prepayment of postage in cash  
License No.PMG/VJ/PWPP /2014 dated 18.07.2014 / 25.07.2014 to 10.09.2014  
Licensed to post at TANUKU H.O - 534 211

**To**

If undelivered, please return to :  
**The Andhra Petrochemicals Limited,**  
Venkatarayapuram,  
Tanuku - 534 215,  
West Godavari Dist.,  
Andhra Pradesh.

**FORM A**  
**Format of covering letter of the annual audit report to be filled with the Stock Exchange**

1.	Name of the Company	The Andhra Petrochemicals Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit observation	Nil
4.	Frequency of observation	Not Applicable
5.	To be signed by –  CEO / Managing Director	For The Andhra Petrochemicals Ltd.,   (Dr. B B Ramaiah) Managing Director
	CFO	For The Andhra Petrochemicals Ltd.,   (P. Ratna Rao) General Manager (Finance)
	Auditor of the Company	For Brahmayya & Co., Chartered Accountants (Firm Registration No.000513S)   (C V Ramana Rao) Partner Membership No.018545
	Audit Committee Chairman	For The Andhra Petrochemicals Ltd.,   (A A Krishnan) Audit Committee Chairman







## THE ANDHRA PETROCHEMICALS LIMITED

VENKATARAYAPURAM, TANUKU 534215, West Godavari District, Andhra Pradesh  
Telephone: 08819-224075 Fax: 08819-224168, Email: [info.tnk@andhrapetrochemicals.com](mailto:info.tnk@andhrapetrochemicals.com)

Website: [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com)

CIN: L23209AP1984PLC004635

Dear Member,

Subject: ELECTRONIC VOTING FACILITY – REG.

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 the Company is pleased to offer e-voting facility to the members to cast their votes electronically as an alternative to participation at the 30<sup>th</sup> Annual General Meeting to be held on Friday, 12<sup>th</sup> September, 2014 at 3 p.m. at the Regd. Office of the Company. The Company has engaged the services of Central Depository Services (India) Limited ("CDSL") to provide e-voting facility. The e-voting facility is available at the link <https://www.evotingindia.co.in>. The e-voting particulars are set out overleaf.

Please read the instructions before exercising the vote which are printed hereunder. The Annual Report is also available for download at our website [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com).

### The procedure and instructions for e-voting:

- (i) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "THE ANDHRA PETROCHEMICALS LIMITED" from the drop down menu and click on "SUBMIT"
- (iv) Now enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/Depository Participant are requested to use the Sequence Number in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> <li>• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.</li> </ul>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in our Notice dated 21.7.2014.
- (xi) Click on the EVSN for the relevant The Andhra Petrochemicals Limited on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
  - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
  - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

Please see overleaf



TO OPEN CUT HERE

अन्तर्देशीय पत्र कार्ड  
INLAND LETTER CARD

To

TO OPEN CUT HERE

दूसरे मोड़ SECOND FOLD

भेजनेवाले का नाम और पता

SENDER'S NAME AND ADDRESS

THE ANDHRA PETROCHEMICALS LIMITED

VENKATARAYAPURAM, TANUKU 534215

West Godavari District,

Andhra Pradesh

इस पत्र के अन्दर कुछ न रखें

NO ENCLOSURES ALLOWED

पहला मोड़ FIRST FOLD

The voting period **begins on 6<sup>th</sup> September, 2014 from 9 a.m. and ends on 7<sup>th</sup> September, 2014 at 5.30 p.m.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **30<sup>th</sup> June, 2014**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

Sri Nekkanti S R V S Narayana, Practising Company Secretary (CP No.7839) of M/s Nekkanti S.R.V.V.S. Narayana & Co, Company Secretaries, Hyderabad has been appointed as Scrutiniser for conducting the e-voting process in a fair and transparent manner.

E- Voting Particulars:

EVS (E-VOTING SEQUENCE NUMBER)	PAN / Sequence No.	USER ID (DEMAT NUMBER / FOLIO NUMBER)	BANK ACCOUNT DETAILS AS AVAILABLE WITH THE COMPANY (OR) FOLIO NUMBER

Yours faithfully,  
For THE ANDHRA PETROCHEMICALS LIMITED,  
Sd/-

Place: Tanuku  
Date: 12<sup>th</sup> August, 2014

(Dr. B B Ramaiah)  
Managing Director