

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**23<sup>rd</sup> Annual Report  
2006 - 07**

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)

Dr. Mullapudi Harischandra Prasad  
(Managing Director)

Dr. B B Ramaiah

Sri Justice G Ramanujam (Retd.)

Sri M Gopalakrishna, I.A.S.,(Retd.)  
(Nominee of APIDC)

Sri Indrajit Pal, I.A.S.,  
(Nominee of APIDC)

Sri Salil Kumar Dutta  
(Nominee of IDBI)

Sri A A Krishnan

Sri P Narendranath Chowdary

Sri M Thimmaraja

## Asst. Company Secretary

Sri K Raghu Ram

## Statutory Auditors

M/s. Brahmayya & Co.,  
Chartered Accountants  
26-13-37, Sanyasiraju Road  
Gandhi Nagar  
Vijayawada - 520 003

## Cost Auditors

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

## Bankers

State Bank of India  
State Bank of Hyderabad  
Andhra Bank

## Registered Office

Venkatarayapuram  
Tanuku - 534 215  
West Godavari District  
Andhra Pradesh  
Tel : 08819 - 224075 / 224755 / 220975  
email : info.tnk@andhrapetrochemicals.com  
andpetrotnk@dataone.in  
investors@andhrapetrochemicals.com  
website: www.andhrapetrochemicals.com

## Factory

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

## NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of THE ANDHRA PETROCHEMICALS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku - 534 215, West Godavari District, Andhra Pradesh, on Thursday, the 6<sup>th</sup> September, 2007 at 3 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year 2006-07.
3. To appoint a Director in place of Sri A A Krishnan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri M Gopalakrishna, I.A.S. (Retd.) who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Sri P Narendranath Chowdary who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2007-08 and fix their remuneration. The present Auditors of the Company, M/s Brahmaya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

## SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:  
“RESOLVED THAT in supersession of Resolution passed at the Eighth Annual General Meeting of the Company held on 28<sup>th</sup> September, 1992, consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to borrow any sum or sums of monies from time to time which together with the monies already borrowed by the 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).”

Hyderabad  
25-06-2007  
Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

By Order of the Board  
Dr. MULLAPUDI HARISCHANDRA PRASAD  
Managing Director

## NOTES:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.7 is annexed hereto.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more Proxies to attend and vote instead of himself and such Proxy need not be a Member of the Company. Proxy Forms duly stamped and executed should reach the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 1<sup>st</sup> September, 2007 to Thursday, the 6<sup>th</sup> September, 2007 (both days inclusive).
4. The dividend recommended by Directors, if approved at the Meeting, will be paid to the Shareholders whose names are on the Register of Members as on 6<sup>th</sup> September, 2007. **In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as at the end of business hours of 31<sup>st</sup> August, 2007 as per the details furnished by the Depositories for this purpose.**
5. Shareholders seeking any further information on the accounts and operations of the Company at the Annual General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of the Meeting.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP. ID numbers on the Attendance Slip for easy identification of attendance at the Meeting.
7. Shareholders holding shares in Physical Mode are requested to intimate their change of address, if any, to the Company (**Page No. 26**) 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.

### SPECIFIC ATTENTION OF SHAREHOLDERS

**Sub : Furnishing of Bank Account details for printing on Dividend Warrants.**

#### Shareholders

Physical Mode : *Bank Account details be furnished to the Company at the earliest in the format enclosed (Page No. 27)*

Electronic / Demat Mode : *Bank Account details be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on any request received directly from the members holding shares in Demat Mode for Bank Account Mandates.*

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

**Sri A A Krishnan** 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 36 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 petrochemical complex at Nagothane, Maharashtra. At present he acts as advisor for several chemical companies. Presently he is a Director on the Boards of Petron Engineering Construction Ltd. and Vinati Organics Ltd. He is a member of the Audit Committee and Project Management Committee constituted by Board of the Company. He does not hold any Equity Shares in the Company.

**Sri M Gopalakrishna, I.A.S. (Retd.)** is a Graduate in Faculties of Science and Law. He served as Secretary/Additional Secretary to the various Ministries of Assam/Andhra Pradesh/Government of India. He held prestigious positions such as Chairman and Managing Director, Assam Gas Company; Rural Electrification Corporation; Managing Director, Nagarjuna Fertilisers and Chemicals Ltd.; Senior Management Consultant to UNDP etc. He has, to his credit, vast experience in administrative and corporate affairs. He was the recipient of several awards including Manager of the year Award, Udyog Vibhushan; Udyog Patra Award; Gem of India Award, National Unity Award, CBIP Diamond Jubilee Award, CITD Silver Jubilee Award etc. Presently he is Chairman of the PEC Potentiometers Ltd. and Sentini Biotech (Pvt) Ltd. He is a Director on the Boards of JOCIL Ltd., Rithwik Energy Systems Ltd., Andhra Pradesh Gas Power Corporation Ltd., and Avra Labs (Pvt) Ltd. He is a nominee Director of APIDC (Promoter of the Company) on the Board of the Company. He is a member of the Audit Committee, Board Sub-Committee to approve Un-audited Quarterly Financial Results of the Company and Project Management Committee constituted by the Board of the Company. He does not hold any Equity Shares in the Company.

**Sri Pendyala Narendranath Chowdary** is a Graduate in Faculty of Science. He has been the

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

Directorships held: The Andhra Sugars Limited, Sree Akkamamba Textiles Ltd., JOCIL Ltd., The Andhra Farm Chemicals Corpn. Ltd., Sree Satyanarayana Spinning Mills Ltd., Hindustan Allied Chemicals Ltd.

Committees held: The Andhra Sugars Limited – Shareholders Grievance Committee and Share Transfer Committee; JOCIL Ltd., – Share Transfer and Shareholders / Investors Grievances Committee. He is a member of Shareholders / Investors Grievance Committee, Committee for issue of Duplicate Share Certificates and Sub-Committee of the Board of Directors to approve Un-audited Quarterly Financial Results of the Company. He holds 4,216 Equity Shares in the Company.

**Annexure to Notice**

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

**ITEM NO.7:**

Under Section 293(1)(d) of the Companies Act, 1956 the Board of Directors cannot, except with the consent of the Company in General Meeting, borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the Paid-up Capital and Free Reserves of the Company.

At the 8<sup>th</sup> Annual General Meeting of the Company held on 28<sup>th</sup> September, 1992 the shareholders authorised the Board of Directors to borrow monies not exceeding Rs.200 crores (Rupees Two hundred crores only). In view of the enlarged operations of the Company your Directors consider it advisable that the Borrowing Powers of Board be increased to Rs.500 crores from the present limit of Rs.200 crores.

Your Directors recommend the Resolution for your approval.

None of the Directors is interested in the said Resolution.

**Hyderabad** **By Order of the Board**  
**25-06-2007** **Dr. MULLAPUDI HARISCHANDRA PRASAD**  
Registered Office: **Managing Director**  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Third Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

### FINANCIAL RESULTS:

The Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2007 is summarised below:

(Rs. in lakhs)

	2006-2007	2005-2006
Net Sales (excl. of Excise Duty)	26598.58	19352.25
Profit before Interest & Depreciation	7184.69	2138.80
Less: Interest	518.62	590.24
Depreciation	1182.22	1151.82
Profit after Interest and Depreciation	5483.85	396.74
Provision for:		
Current Tax (MAT)	626.00	34.00
Deferred Tax	1867.09	133.54
MAT Credit entitlement	(647.99)	--
Fringe Benefit Tax	3.17	3.77
Profit after Taxation	3635.58	225.43
Balance of loss brought forward from previous year	(89.59)	(315.94)
Income Tax refund of / (paid for) earlier years	0.55	0.92
Profit available for appropriations	3546.54	(89.59)
APPROPRIATIONS :		
Transfer to General Reserve	1000.00	--
Proposed Dividend on Equity Shares @ 10%	849.72	--
Tax on Distributable Profits	144.41	--
Balance carried forward to next year	1552.41	--
	3546.54	--

From the Results you will be glad to note that Profit Before Tax increased to Rs.54.84 crores from Rs.3.97 crores achieved last year. Profit After Tax was Rs.36.36 crores compared to Rs.2.25 crores achieved last year.

### DIVIDEND:

Your Directors are happy to report that the Financial Results of the year 2006-07 has enabled your Company to consider and recommend a Maiden Dividend to the shareholders.

In view of the good performance your Directors are pleased to recommend a dividend of Re.1/- per share (@ 10% Dividend on 8,49,71,600 Equity Shares) for the year 2006-07. The outflow towards the payment of dividend would amount to Rs.9,94,12,523/- inclusive of Tax thereon. Dividend, if approved by the shareholders, will be paid to all eligible shareholders.

### 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:

With the transfer of Rs.10 crores to Reserves during the year 2006-07, the total Reserves position as on 31.3.2007 stood at Rs.29.88 crores.

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### Industry Structure and Developments:

Your Company's main business is manufacture and sale of Oxo-Alcohols. The Plant at Visakhapatnam has the capacity to produce around 42,000 MTPA of Oxo-Alcohols. The market demand for Oxo-Alcohols is currently estimated at 1,43,000 MTPA, out of which your Company is able to meet 30%. Balance 70% is met through imports. The estimated annual growth in demand is 8 to 10% . To secure a greater share of the market and meet the growing demand your Company has initiated an Expansion and Modernisation programme to increase its production capacity to 73,000 MTPA. The expansion initiative has been undertaken with the twin objectives of gaining wider market share and improve the profitability and returns to the stockholders while strengthening its competitiveness. The enhanced capacity of the Plant is expected to be operational in the 2<sup>nd</sup> half of 2009-10. Your Company will during the Financial Year 2010-11 operate at 73,000 MTPA capacity when your Company's market share would be around 36%.

#### Operational and Financial Performance:

The year 2006-07 witnessed allround improvement in the performance of your Company. Production of Oxo-Alcohols was 42,408 MTs and sales achieved was 42,808 MTs. Gross Income for the year rose to Rs.312.41 crores from Rs.227.58 crores in the previous year. Your Company has posted an all time high Profit (Before Tax) of Rs.54.84 crores. The improved performance and profitability are mainly due to better sales realisation and reduction in cost of power.

To secure savings in power cost, your Company has installed and commissioned 2400 KVA Uninterrupted Power Supply System and discontinued the continuous operation of D.G.Sets. The system was in operation for the period from September, 2006 to March, 2007 which resulted in reduction in power cost to the tune of Rs.8 crores per annum on annualised basis.

### ***The Andhra Petrochemicals Limited***

The Company's Writ Petition filed in the Hon'ble High Court of Andhra Pradesh for withdrawal of Input Tax Credit on Naphtha, which is used as main raw-material by the Company has not yet been listed for hearing. Based on the professional advice, your Company has decided to postpone the recognition of its claim of Input Tax Credit on Naphtha as income in the books of accounts. As such the Input Tax Credit on Naphtha relating to the years ended 31<sup>st</sup> March, 2006 amounting to Rs. 504.16 lakhs and 31<sup>st</sup> March, 2007 amounting to Rs. 559.16 lakhs have been charged to the Profit and Loss Account of the year under report.

#### **Internal Control Systems:**

To strengthen financial system and operational functions your Company continuously reviews the Internal Control procedures & practices. Internal Auditors periodically check the adequacy of Internal Control systems and procedures to ensure that it meets the Industry standards. The Audit Committee reviews the Internal Audit Reports and ensures the proper implementation of the suggestions made by the Internal Auditors and compliance with all regulatory guidelines.

#### **Human Resources and Industrial Relations:**

Your Company recognises the crucial role played by the employees at all levels and provides training support to the employees to upgrade their skills to equip themselves to adapt to the fast changing technology and business environment. Good HR practices are implemented to motivate the employees to deliver quality performance. As on 31<sup>st</sup> March, 2007 the Company had 290 employees on its roll.

#### **Future Outlook:**

With the strengthening of the Rupee value, imports are becoming cheaper and the Company's products may be exposed to competition from imports. Further, as per the agreement with HPCL, the price of Propylene, the main raw-material, is due for revision. To meet the situation your Company is implementing cost reduction measures in power utilisation and in other possible areas of operation.

#### **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 express or implied, since the Company's operations are influenced by external or internal factors. Your Company is keeping a close watch on all major developments and will respond properly to meet potential threats and to gain from any opportunities.

#### **DEPOSITS:**

During the year under review, your Company has neither invited nor accepted any Fixed Deposits from the Public.

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

Your Company continues to accord top priority to Safety, Occupational Health and Environment. A creditable feature is that there has been no reportable accident over the past 7 years. Pollution Control systems are functioning satisfactorily and closely monitored to ensure that emission of effluents are within the prescribed norms.

#### **INSURANCE:**

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

#### **LISTING:**

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

#### **DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri A A Krishnan, Sri M Gopalakrishna, I.A.S. (Retd.) and Sri P Narendranath Chowdary, retire by rotation at the ensuing 23<sup>rd</sup> Annual General Meeting and, being eligible, offer themselves for reappointment.

#### **AUDITORS:**

M/s Brahmayya & Co., Vijayawada, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

#### **COST AUDITORS:**

The Board, with the Approval of the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, appointed M/s Narasimha Murthy & Co., Hyderabad, as Cost Auditors for the year ended 31<sup>st</sup> March, 2007.

#### **PARTICULARS OF EMPLOYEES:**

During the year under report no employee of the Company is drawing remuneration which requires disclosure under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**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.

**DEMATERIALISATION OF SHARES:**

As directed by SEBI, Company's Equity Shares are traded compulsorily in dematerialised form from September 25, 2000. Up to 31<sup>st</sup> March, 2007, out of the total number of 8,49,71,600 Equity Shares, 5,35,60,204 Shares constituting 63.03% stands dematerialised.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

It is hereby confirmed:

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

**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 Annual Report.

**ACKNOWLEDGEMENTS:**

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

On behalf of the Board

Hyderabad  
25-06-2007

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, 2007.

**A. Conservation of Energy:**

Several initiatives were taken for Energy Conservation for which an Energy Conservation Cell was formed. The team of engineers have identified and implemented several measures that have resulted in considerable reduction in specific electrical power consumption.

**FORMA**

**A. Power and Fuel Consumption:**

	Current Year	Previous Year
<b>1. Electricity:</b>		
<b>a. Purchased</b>		
Units	2,09,45,300	1,34,27,100
Total Amount (Rs.)	5,61,89,217	3,39,32,890
Rate / Unit (Rs.)	2.68	2.53
<b>b. Own generation</b>		
i. Through diesel generator		
Units	64,51,308	1,36,96,690
Units per litre of diesel oil	3.73	3.77
Cost / Unit (Rs.)	11.31	8.72
ii. Through steam turbines / generator	N.A	N.A
<b>2. Coal:</b>		
Quantity (Tonnes)	N.A	N.A
Total Amount (Rs.)	N.A	N.A
Average Rate	N.A	N.A
<b>3. a) Furnace Oil:</b>		
Quantity (KL)	782.430	184.380
Total Amount (Rs.)	1,27,66,013	29,43,942
Average Rate	16,315.85	15,966.71
<b>b) LSHS:</b>		
Quantity (MT)	2,879.840	3,365.135
Total Amount (Rs.)	4,95,57,792	5,07,26,946
Average Rate	17,208.52	15,074.27
<b>4. Others/Internal generation</b>		
Oxo-Alcohol Residue:		
Quantity (MT)	2,762.792	2,786.000
Total Amount (Rs.)	NIL	NIL
Average Rate / MT	NIL	NIL

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

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	643	2.31	675	2.27
N-Butanol	529	1.94	566	1.95
I-Butanol	553	2.03	571	1.97

**B. Technology Absorption :**

**FORM B**

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

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

As the Naphtha Reforming section is highly sensitive to voltage dips, a 2400 KVA Uninterrupted Power Supply (UPS) system was installed. This is one of the largest installations in the country. With the commissioning of this unit in end September, 2006, DG set (which earlier used to run continuously) has been stopped thereby saving around Rs.4 crores in 2006-07 and Rs.8 crores on annualised basis. As a result, atmospheric emissions have also reduced considerably.

For the above arrangement, the electrical system was suitably modified through in-house engineering.

The Energy Conservation Cell implemented several measures that resulted in around Rs.93 lakhs savings per annum.

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

Improved onstream factor of the plant on account of uninterrupted and quality power. Also lower emissions to the Atmosphere. The Company has earned additional profit of Rs.4.2 crores.

**3. Future Plan of Action:**

The Company has plans to implement process modernisation schemes, employing latest process technologies currently available, i.e., Liquid Recycle Process in Oxo-synthesis and Liquid Phase Hydrogenation in Alcohols section.

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

The Company has incurred an expenditure of Rs.4.5 crores in R & D during the year.

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

**1. Efforts made:**

Technology has been fully absorbed. Several innovative steps have been implemented in both operative and maintenance of the plant.

**2. Benefits:**

The Company has benefited by way of higher onstream factor, improved process efficiencies and energy conservation.

**III. Imported Technology:**

There is no imported technology during the year.

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

	(Rs.in Lakhs)	
	For the Year ended 31-03-2007	For the Year ended 31-03-2006
i. Earnings	NIL	NIL
ii. Outgo	318.73	192.07

Hyderabad  
25-06-2007

On behalf of the Board  
M R B Punja  
Chairman

**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 31.3.2007 the Board consisted of 10 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Director	Promoters and Non-executive Directors
Sri M R B Punja Chairman Sri Justice G Ramanujam (Retd) Sri A A Krishnan Sri Salil Kumar Dutta (Nominee of IDBI as lender)	Dr. Mullapudi Harischandra Prasad Managing Director	Dr. B B Ramaiah Sri M Gopalakrishna, I.A.S. (Retd) Sri Indrajit Pal, I.A.S. Sri Pendyala Narendranath Chowdary Sri M Thimmaraja

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

c) During the Financial Year 2006-07 five Board Meetings were held.

Dates on which they were held:

(i) 24.4.2006, (ii) 20.7.2006, (iii) 23.10.2006, (iv) 20.1.2007 and (v) 7.3.2007.

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

Name of the Director	Attendance Particulars		Directorship, Committee Membership and Chairmanship in other Companies			
	Board Meetings	Last AGM	Directorship	Chairmanship	Committee Membership	Committee Chairmanship
Sri M R B Punja	4	No	7	2	3	3
Dr. Mullapudi Harischandra Prasad	5	Yes	1	7	None	6
Dr. B B Ramaiah	4	Yes	2	None	None	None
Sri M Gopalakrishna, I.A.S. (Retd)	5	No	4	2	1	3
Sri Indrajit Pal, I.A.S.	4	No	2	4	None	1
Sri Salil Kumar Dutta	4	No	None	None	None	None
Sri Justice G Ramanujam (Retd)	4	No	5	None	1	4
Sri A A Krishnan	4	Yes	2	None	3	None
Sri P Narendranath Chowdary	4	No	6	None	3	None
Sri M Thimmaraja	5	Yes	2	None	4	None

Sri Justice G Ramanujam (Retd), Chairman of the Audit Committee, could not attend the Annual General Meeting due to unavoidable circumstances and Sri A A Krishnan, Member of the Committee, as authorised by the Board, 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.

The Audit Committee presently consists of four Non-executive Directors –

(i) Sri Justice G Ramanujam (Retd) – Chairman, (Non-executive Independent), (ii) Sri M Gopalakrishna, I.A.S. (Retd.) (Non-executive, Promoter), (iii) Sri A A Krishnan (Non-executive Independent) and (iv) Sri Salil Kumar Dutta (Non-executive Independent). Members of the Audit Committee have considerable experience and expertise in the field of Industrial, Financial and Corporate Business Management.

Sri K. Raghu Ram, Asst. Company Secretary, acts as the Secretary to the Audit Committee.

During the Financial Year 2006-07, three Audit Committee Meetings were held.

Dates on which they were held:

(i) 24.4.2006, (ii) 23.10.2006 and (iii) 20.1.2007.

Meeting convened to be held on 20.7.2006 could not be held due to lack of quorum.

Attendance of Directors at the Audit Committee Meetings:

Name of the Director	No. of Meetings attended
Sri Justice G Ramanujam (Retd.)	3
Sri M Gopalakrishna, I.A.S. (Retd.)	2
Sri Salil Kumar Dutta	2
Sri A A Krishnan	3

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

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 weakness 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 company.

### 6. Remuneration:

Managing Director does not draw any remuneration from the Company.

Details of sitting fees paid to the Directors during the year 2006-07:

Sri M R B Punja – Rs.12,000/-; Sri M Gopalakrishna, I.A.S.(Retd) – Rs.23,000/-; Sri Indrajit Pal, I.A.S. – Rs. 12,000/-; Sri Salil Kumar Dutta – Rs.18,000/-; Sri Justice G Ramanujam (Retd) – Rs.27,000/- and Sri A A Krishnan – Rs.27,000/-.

### 7. Details of Equity Shares of the Company held by Non-executive Directors as on 31st March, 2007:

Name of the Non-executive Director	No. of shares of Rs.10/- each	Total value Rs.
Sri M R B Punja	1400	14,000
Dr. B B Ramaiah	10975	1,09,750
Sri Justice G Ramanujam (Retd.)	200	2,000
Sri P Narendranath Chowdary	4216	42,160
Sri M Thimmaraja	1580	15,800

**8. MANAGEMENT**

Management Discussion & Analysis forms part of the Annual Report

**9. CEO / CFO CERTIFICATION**

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

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

- a) The Board has constituted Shareholders / Investors Grievance Committee comprising Dr. B B Ramaiah (Chairman of the Committee – Non-executive Promoter Director), Sri P Narendranath Chowdary and Sri M Thimmaraja as Members of the Committee. The Committee looks into the redressal of the shareholders' complaints like transfer of shares, non-receipt of Annual Report and other matters.
- b) The Board has designated Sri K. Raghu Ram, Asst. Company Secretary, as the Compliance Officer.
- c) Investor Complaints received during the year ended 31.3.2007 :

No. of shareholders complaints received	:	37
No. of complaints not resolved to the satisfaction of the shareholders	:	NIL
No. of pending complaints (as at 31.3.2007)	:	NIL
No. of pending share transfers (as at 31.3.2007)	:	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
2004	30 <sup>th</sup> September, 2004, 3.00 p.m.
2005	23 <sup>rd</sup> September, 2005, 3.00 p.m.
2006	21 <sup>st</sup> September, 2006, 3.00 p.m.

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

Year	Subject matter
2004	Reappointment of M/s Brahmayya & Co., Chartered Accountants as Statutory Auditors of the Company
2005	Reappointment of Dr. Mullapudi Harischandra Prasad as Managing Director of the Company
2006	Nil

- iii) No Special Resolution was required to be put through the Postal Ballot at the above meetings.

**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.
- 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 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, which are published in "The Hindu Business Line", "The Economic Times" and "Andhra Bhoomi" are forwarded to listed Stock Exchange. They are also displayed on the Website of the Company, i.e., www.andhrapetrochemicals.com as well as on the SEBI's Website www.sebidifar.nic.in.
- 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 : 6<sup>th</sup> Sept., 2007 at 3 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) Date of Book Closure: Saturday 1<sup>st</sup> Sept., 2007 to Thursday 6<sup>th</sup> Sept., 2007. (both days inclusive)

### The Andhra Petrochemicals Limited

- 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 2006-2007.

Month	High Rs. Ps.	Low Rs. Ps.
April, 2006	12.84	9.51
May, 2006	16.00	9.99
June, 2006	10.36	7.27
July, 2006	9.78	7.88
August, 2006	12.09	7.80
September, 2006	14.47	11.07
October, 2006	15.68	12.27
November, 2006	14.40	12.41
December, 2006	14.47	11.07
January, 2007	18.52	13.40
February, 2007	17.90	13.95
March, 2007	17.50	13.53

- vi) Performance in comparison to BSE sensex:



- vii) Share Transfer System :

Shares in physical mode are transferred within the statutory time limit from the date of receipt. Share transfers are approved weekly. Transfer of shares in the physical mode is attended 'IN-HOUSE'. Dematerialisation of shares is attended by M/s XL Sotitech Systems Ltd., Hyderabad.

- viii) a) Shareholding pattern as on 31<sup>st</sup> March, 2007:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	33283454	39.17
2	Financial Institutions	1896780	2.23
3	Mutual Funds	13200	0.02
4	Banks	1837	—
5	Foreign Institutional Investors	12600	0.02
6	Non-Resident Indians	194543	0.23
7	Bodies Corporate	5559708	6.54
8	Public	44009478	51.79
	Total:	84971600	100.00

- b) Distribution of shareholding as on 31<sup>st</sup> March, 2007:

Shareholding of Nominal value of Rs.	No. of Share-holders	% of Share-holders	No. of Shares	% of Shares
Up to 5000	84087	87.89	12861543	15.14
5001 to 10000	6264	6.55	5454836	6.42
10001 to 20000	2598	2.71	4213216	4.96
20001 to 30000	898	0.94	2389500	2.81
30001 to 40000	356	0.37	1317569	1.55
40001 to 50000	486	0.51	2358855	2.78
50001 to 100000	543	0.57	4268697	5.02
100001 onwards	438	0.46	52107384	61.32
Total :	95670	100	84971600	100

- ix) As of 31st March, 2007, 5,35,60,204 shares are dematerialised

National Securities  
Depository Ltd., : 4,56,75,962 shares  
Central Depository  
Services Ltd., : 78,84,242 shares

- x) Plant location : Opp: Naval Dockyard  
Post Box No. 1401  
VISAKHAPATNAM - 530014  
Andhra Pradesh

- xi) Address for correspondence :  
Asst. Company Secretary  
The Andhra Petrochemicals Ltd.,  
Venkatarayapuram  
TANUKU - 534215  
West Godavari District  
Andhra Pradesh

Phone Nos. 08819 - 224075, 224755  
08819 - 220975 (Shares Dept.)

E-mail : info.tnk@andhrapetrochemicals.com  
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, 2007.

Place : Hyderabad  
Date : 25-06-2007

Dr. MULLAPUDI HARISCHANDRA PRASAD  
Managing Director

**AUDITORS' CERTIFICATE**

To  
The Members of  
The Andhra Petrochemicals Limited,  
TANUKU.

We have examined the compliance of conditions of Corporate Governance by The Andhra Petrochemicals Limited, Tanuku for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

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

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

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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  
C V RAMANA RAO  
Partner  
Membership No.018545

Camp: Hyderabad  
Date : 25-06-2007

**AUDITORS' REPORT**

To  
The Members of  
The Andhra Petrochemicals Limited,  
Tanuku.

1. We have audited the attached Balance Sheet of The Andhra Petrochemicals Limited, Tanuku as at 31<sup>st</sup> March 2007, the Profit and Loss Account for the year ended on that date annexed thereto and cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and

explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3c) of Section 211 of the Companies Act, 1956.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2007.
  - ii) in the case of the Profit and Loss account, of the Profit for the year ended on that date.
  - iii) in case of the cash flow statement, of the cash flows for the year ended on that date.
- f) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

for BRAHMAYYA & CO.,  
Chartered Accountants  
C V Ramana Rao  
Partner  
Membership No.018545

Camp : Hyderabad  
Date : 25-06-2007

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

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c) The Fixed Assets disposed off by the Company during the year do not form a substantial part thereof.
- ii) a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii) a) The Company has during the year granted an unsecured inter-corporate loan of Rs. 10 crores to one company, which is covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted by the Company is not, prima facie, prejudicial to the interest of the Company.
- c) The Company has received refund of the full principle amount of the inter-corporate loan together with the interest accrued thereon. Accordingly, clause 4(iii)(d) of the Order is not applicable.
- d) The Company has not taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii)(f)&(g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the contracts and arrangements made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from public. Accordingly the clause 4(vi) of the order is not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it were in arrears as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.
- c) As at 31<sup>st</sup> March, 2007 there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income tax, Sales tax, Wealth-tax, Service tax, Customs duty, Excise Duty and Cess.

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

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

**Camp : Hyderabad**  
**Date : 25-06-2007**

## **Accounting Policies**

### **1. General:**

The accounts are prepared on accrual basis under the historical cost convention and in accordance with the accounting standards specified under sub section (3c) of section 211 of the Companies Act, 1956.

### **2. Fixed Assets:**

Fixed Assets are stated at cost net of MODVAT / CENVAT / VAT and less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of all expenses incurred to bring them to usable condition.

### **3. Investments:**

Investments are stated at cost, inclusive of all expenses relating to acquisition. Provision for diminution in the market value of long-term investments is made, if in the opinion of the Management such diminution is permanent in nature.

### **4. Inventories:**

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

### **5. Sales:**

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

### **6. Retirement Benefits:**

- a) Periodical contributions made to Statutory Provident Fund and Premium paid under Group Gratuity Policy to LIC of India are charged to revenue.
- b) Liability for Leave Encashment is determined and provided for, based on the leave entitlement as per the Company's Rules as on the Balance Sheet date.

### **7. 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.

### **8. Foreign Currency Transactions:**

Transactions on account of foreign currency are accounted for at the rates prevailing on the date of the transaction. Foreign Currency assets and liabilities are restated at the rates prevailing as on the date of Balance Sheet. Exchange rate differences are dealt with in the Profit and Loss Account. Premium or discount on forward exchange contracts are amortised and recognised in the Profit & Loss Account over the period of the contract.

**Balance Sheet as at 31<sup>st</sup> March, 2007**

(Rs. in lakhs)

	Schedule No	As at 31-03-2007	As at 31-03-2006
<b>I. SOURCES OF FUNDS:</b>			
<b>1. Shareholders' Funds:</b>			
a) Share Capital	1	<b>8497.16</b>	8497.16
b) Reserves and Surplus	2	<b>2988.41</b>	436.00
		<b>11485.57</b>	8933.16
<b>2. Loan Funds:</b>			
a) Secured Loans	3	<b>2326.04</b>	2996.38
b) Unsecured Loans	4	<b>500.00</b>	500.00
		<b>2826.04</b>	3496.38
<b>3. Deferred Tax Liability</b>			
TOTAL		<b>16494.20</b>	12745.04
<b>II. APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets:</b>			
a) Gross Block	5	<b>23160.49</b>	22529.71
b) Less: Depreciation		<b>15095.11</b>	13939.76
c) Net Block		<b>8065.38</b>	8589.95
d) Capital Work-in-progress		<b>6.75</b>	110.83
		<b>8072.13</b>	8700.78
<b>2. Investments</b>			
	6	<b>526.31</b>	526.31
<b>3. Current Assets, Loans and Advances:</b>			
a) Inventories	7	<b>2157.83</b>	2055.13
b) Sundry Debtors	8	<b>2952.69</b>	271.81
c) Cash and Bank Balances	9	<b>3273.72</b>	578.58
d) Interest Receivable		<b>10.80</b>	3.72
e) Loans and Advances	10	<b>1185.79</b>	941.41
		<b>9580.83</b>	3850.65
Less:			
a) Current Liabilities	11	<b>617.09</b>	377.50
b) Provisions	12	<b>1067.98</b>	44.79
Net Current Assets		<b>7895.76</b>	3428.36
<b>4. Debit balance in Profit and Loss Account</b>			
		<b>--</b>	89.59
TOTAL		<b>16494.20</b>	12745.04
Significant Accounting Policies and Notes on Accounts	18		

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. Mullapudi Harischandra Prasad M Gopalakrishna, I.A.S. (Retd.)  K Raghu Ram	Chairman Managing Director Director  Asst. Company Secretary
Camp: HYDERABAD Date : 25-06-2007	HYDERABAD 25-06-2007	

**Profit and Loss Account for the Year ended 31<sup>st</sup> March, 2007**

(Rs. in lakhs)

	Schedule No	This Year	Previous Year
<b>Income:</b>			
Sales		<b>30983.08</b>	22579.33
Less: Excise Duty collected		<b>4384.50</b>	3227.08
		<b>26598.58</b>	19352.25
Accretion to/(decretion in) stocks	13	<b>(162.66)</b>	111.92
Other Income	14	<b>258.19</b>	178.70
		<b>26694.11</b>	19642.87
<b>Expenditure:</b>			
Raw Materials consumed		<b>15459.57</b>	13973.69
Payments and Benefits to Employees	15	<b>636.81</b>	553.95
Other Expenses	16	<b>3413.04</b>	2976.43
Interest	17	<b>518.62</b>	590.24
Depreciation	5	<b>1182.22</b>	1151.82
		<b>21210.26</b>	19246.13
Profit before Taxation		<b>5483.85</b>	396.74
Provision for:			
Current Tax (MAT)		<b>626.00</b>	34.00
Deferred Tax		<b>1867.09</b>	133.54
MAT credit available for set off		<b>(647.99)</b>	--
Fringe Benefit Tax		<b>3.17</b>	3.77
Profit after Taxation		<b>3635.58</b>	225.43
Loss Brought forward from previous year		<b>(89.59)</b>	(315.94)
Fringe Benefit Tax paid for earlier years		<b>(0.08)</b>	--
Excess provision for Income Tax in earlier years		<b>0.63</b>	0.92
Profit Available for Appropriations		<b>3546.54</b>	(89.59)
<b>APPROPRIATIONS:</b>			
General Reserve		<b>1000.00</b>	--
Proposed Dividend (See Directors' Report)		<b>849.72</b>	--
Tax on Proposed Dividend		<b>144.41</b>	--
Balance of Profit carried forward to next year		<b>1552.41</b>	--
		<b>3546.54</b>	--
Earnings per Equity Share of			
Rs.10/- each (Basic & Diluted)		<b>4.28</b>	0.27
Significant Accounting Policies and			
Notes on Accounts	18		

<b>Per our report of even date</b>	<b>For and on behalf of the Board</b>	
<b>For Brahmayya &amp; Co.,</b>	<b>M R B Punja</b>	<b>Chairman</b>
<b>Chartered Accountants</b>	<b>Dr. Mullapudi Harischandra Prasad</b>	<b>Managing Director</b>
<b>C V Ramana Rao</b>	<b>M Gopalakrishna, I.A.S. (Retd.)</b>	<b>Director</b>
<b>Partner</b>		
<b>Membership No.018545</b>	<b>K Raghu Ram</b>	<b>Asst. Company Secretary</b>
<b>Camp : HYDERABAD</b>	<b>HYDERABAD</b>	
<b>Date : 25-06-2007</b>	<b>25-06-2007</b>	

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

(Rs. in lakhs)

**As at 31-03-2007** As at 31-03-2006

**Share Capital:**

**SCHEDULE – 1**

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

As at 31-03-2006 Additions Deductions **As at 31-03-2007**

**Reserves and Surplus:**

**SCHEDULE – 2**

Share Premium	412.63	--	--	<b>412.63</b>
Capital Reserve *	23.37	--	--	<b>23.37</b>
General Reserve	--	1000.00	--	<b>1000.00</b>
Surplus in Profit & Loss A/c.	--	--	--	<b>1552.41</b>
Total	436.00	1000.00	--	<b>2988.41</b>

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

**As at 31-03-2007** As at 31-03-2006

**Secured Loans:**

**SCHEDULE – 3**

A) Rupee Term Loans from:					
IDBI				<b>1226.65</b>	1672.68
IFCI				<b>561.08</b>	765.11
LIC				<b>76.85</b>	104.79
Sub-Total (A)				<b>1864.58</b>	2542.58
B) Working Capital Loans from Banks :					
in Foreign Currency				<b>350.16</b>	358.88
in Indian Currency				<b>111.30</b>	94.92
Sub-Total (B)				<b>461.46</b>	453.80
Total (A + B)				<b>2326.04</b>	2996.38

**Unsecured Loans:**

**SCHEDULE – 4**

Short-term Loan from a Bank				<b>500.00</b>	500.00
Total				<b>500.00</b>	500.00

**Fixed Assets:****SCHEDULE – 5**

(Rs.in lakhs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.3.2006	Additions	Deductions	Cost as at 31.3.2007	Upto 31.3.2006	For the year	On deductions	Upto 31.3.2007	As at 31.3.2007	As at 31.3.2006
1.	Land	9.07	--	--	<b>9.07</b>	--	--	--	--	<b>9.07</b>	9.07
2.	Buildings *	1169.03	--	--	<b>1169.03</b>	320.67	<b>26.75</b>	--	<b>347.42</b>	<b>821.61</b>	848.35
3.	Plant & Machinery	21212.72	<b>660.55#</b>	<b>40.38</b>	<b>21832.89</b>	13520.27	<b>1145.15</b>	26.15	<b>14639.27</b>	<b>7193.62</b>	7692.45
4.	Furniture & Office Equipment	120.66	<b>8.58</b>	<b>0.76</b>	<b>128.48</b>	81.49	<b>9.93</b>	0.72	<b>90.70</b>	<b>37.78</b>	39.18
5.	Vehicles	18.23	<b>2.79</b>	--	<b>21.02</b>	17.33	<b>0.39</b>	--	<b>17.72</b>	<b>3.30</b>	0.90
	<b>Total</b>	<b>22529.71</b>	<b>671.92</b>	<b>41.14</b>	<b>23160.49</b>	13939.76	<b>1182.22</b>	26.87	<b>15095.11</b>	<b>8065.38</b>	8589.95
	Previous year total	22496.66	33.66	0.61	22529.71	12788.48	1151.82	0.54	13939.76	8589.95	9708.18

\* Constructed on Lease-hold Land.

# Includes Rs.115.87 lakhs being the Income Tax demand against the supplier of Plant &amp; Machinery capitalised to Fixed Assets as per the contractual terms.

(Rs. in lakhs)

**As at 31-03-2007** As at 31-03-2006**Investments:****SCHEDULE – 6**

Investment at Cost:

Long-term Non -Trade:

4,02,000 Equity Shares of Rs.10/- each fully paid-up in Andhra Pradesh Gas Power Corporation Ltd.

**526.31** 526.31

Total

**526.31** 526.31**Inventories (as certified by the Management):****SCHEDULE – 7**

Stores and Spares

**1241.80** 1094.67

Stores-in-transit

-- 1.31

Raw Materials

**289.20** 157.85

Work-in-process

**167.12** 191.64

Finished Goods

**459.71** 609.66

Total

**2157.83** 2055.13**Sundry Debtors (unsecured):****SCHEDULE – 8**

Outstanding for a period exceeding six months and considered doubtful

**5.25** 5.25

Other debts, considered good

**2952.69** 271.81**2957.94** 277.06

Less: Provision for doubtful debts

**5.25** 5.25

Total

**2952.69** 271.81

*The Andhra Petrochemicals Limited*

(Rs. in lakhs)  
As at 31-03-2007      As at 31-03-2006

**Cash and Bank Balances:**

**SCHEDULE – 9**

Cash on hand	1.23	1.52
Cheques on hand	225.25	184.11
At Scheduled Banks:		
In Current Accounts	390.05	387.76
In Margin Money Deposits	153.18	5.19
In Term Deposits	2504.01	--
Total	3273.72	578.58

**Loans and Advances:**

**SCHEDULE – 10**

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

Advances recoverable	329.90	253.18
Pre-paid Expenses	32.54	65.02
Claims Recoverable	--	504.16
Deposit with Excise Authorities	59.72	20.03
Other Deposits Recoverable	106.72	76.70
Income Tax refund receivable	8.92	3.22
Income Tax paid under protest	--	11.12
Advance Income Tax paid including Tax Deducted at Source (net of provision)	--	7.98
MAT Credit Entitlement	647.99	--
Total	1185.79	941.41

**Current Liabilities:**

**SCHEDULE – 11**

Sundry Creditors	411.14	265.50
Other Liabilities	91.69	6.61
Advances received against Sales	102.67	91.69
Trade Deposits	5.00	5.00
Interest accrued but not due on term loans	6.59	8.70
Total	617.09	377.50

Amount due and withheld to be credited to Investor Education and Protection Fund is Rs. Nil.

**Provisions:**

**SCHEDULE – 12**

Provision for		
Fringe Benefit Tax (Net of prepaid taxes)	0.17	--
Income Tax (Net of prepaid taxes)	25.33	--
Proposed Dividend	849.72	--
Tax on Proposed Dividend	144.41	--
Leave Enchashment	48.35	44.79
Total	1067.98	44.79

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

(Rs. in lakhs)

**This Year**      Previous Year

**Accretion to / (Decretion in) Stocks:**

**SCHEDULE – 13**

**A) Closing Stock:**

Finished Goods	<b>459.71</b>	609.66
Work-in-process	<b>167.12</b>	191.64
Total (A)	<b>626.83</b>	801.30

**B) Opening Stock:**

Finished Goods	<b>609.66</b>	449.02
Work-in-process	<b>191.64</b>	229.84
Less: Input Tax Credit claimed on Inputs:		
In Finished Goods	--	(11.87)
In Work-in-process	--	(8.71)
Total (B)	<b>801.30</b>	658.28

Accretion to / (Decretion in) stocks (A-B)

**(174.47)**      143.02

Add: (Increase) / Decrease in Excise Duty on Stocks (C)

**11.81**      (31.10)

Total

**(162.66)**      111.92

**Other Income:**

**SCHEDULE – 14**

Interest received (TDS Rs.52.67 lakhs, Previous Year Rs.14.98 lakhs)	<b>240.48</b>	164.69
Miscellaneous Receipts	<b>14.55</b>	13.59
Provisions no longer required	<b>3.16</b>	0.42
Total	<b>258.19</b>	178.70

**Payments and Benefits to Employees:**

**SCHEDULE – 15**

Salaries, Allowances and Bonus	<b>536.49</b>	465.98
Contribution to Provident and other funds	<b>45.73</b>	39.56
Staff welfare expenses	<b>54.59</b>	48.41
Total	<b>636.81</b>	553.95

*The Andhra Petrochemicals Limited*

(Rs.in lakhs)

**This Year**      Previous Year

**Other Expenses:**

**SCHEDULE – 16**

Stores & Spares and Packing Materials consumed	<b>499.47</b>	361.67
Power and Fuel	<b>1770.75</b>	1984.05
Insurance	<b>52.21</b>	44.54
Taxes and Licences	<b>3.90</b>	4.29
Repairs to Buildings	<b>14.68</b>	13.81
Repairs to Machinery	<b>315.52</b>	294.68
Repairs to Other Assets	<b>3.42</b>	3.14
Commission on sales	<b>2.39</b>	1.98
Cash discount on sales	<b>73.21</b>	155.76
Rent paid	<b>17.62</b>	16.18
Directors' Fee and expenses	<b>6.18</b>	3.93
Payments to Auditors (Vide Note No.20 of Schedule - 18)	<b>1.83</b>	1.67
Miscellaneous Expenses	<b>135.15</b>	90.71
Loss on Sale of Assets	<b>0.02</b>	0.01
Assets written off	<b>12.53</b>	0.01
Claims written off	<b>504.16</b>	--
<b>Total</b>	<b><u>3413.04</u></b>	<b><u>2976.43</u></b>

**Interest:**

**SCHEDULE – 17**

On Fixed Loans	<b>295.59</b>	394.96
To Banks and Others	<b>217.53</b>	189.21
Exchange Rate Variation	<b>5.50</b>	6.07
<b>Total</b>	<b><u>518.62</u></b>	<b><u>590.24</u></b>

**Notes forming part of the Accounts**

**SCHEDULE - 18**

(Rs. in lakhs)

	This Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances & letters of credits opened)	--	260.65
<b>2. Contingent Liabilities not provided for:</b>		
i. Bills discounted	<b>337.68</b>	2922.22
ii. Grid support charges claimed by A.P.Transco - disputed by the Company	<b>115.97</b>	98.20
iii. Demand by EPDC of A.P Ltd., towards differential electrical charges - contested by the Company	<b>573.84</b>	573.84
v. Disputed Income Tax demands	--	143.05
vi. Claims against the company by suppliers and contractors not acknowledged as debts	<b>28.22</b>	27.77
<b>3. Secured Loans:</b>		
<b>A. Term Loans:</b>		
All are secured by pari passu charge, by mortgage of the Company's immovable properties and hypothecation of movable assets including movable machinery, present and future. The loans are further secured by a floating charge on all the remaining movable assets, subject to charge in favour of Company's bankers on specified movables towards working capital facilities.		
<b>B. Working Capital Loans from Banks:</b>		
Secured by the hypothecation of raw materials, semi-finished goods, finished goods, stores and spares and book debts and also collaterally secured by second charge on the fixed assets, both present and future, of the Company.		
4. There are no dues to Small Scale Industrial Undertakings to the extent such parties have been identified from the information available with the Company.		
5. As stated in Note No. 3 of schedule 18, for the year ended 31.3.2006, the writ petition filed by the Company in Hon'ble High Court of Andhra Pradesh, seeking suspension of G.O. issued under section 78(1) of A.P. Value Added Tax Act, withdrawing with retrospective effect from 1.4.2005, the Input Tax Credit on Naphtha, which is used as raw material by the Company, has not so far been listed in the Hon'ble High Court. Based on professional opinion obtained by the Company, the Company has decided to postpone the recognition of its claim, on favourable disposal of its Writ Petition by Hon'ble High Court of Andhra Pradesh. Accordingly the amount of Rs. 504.16 lakhs relating to the year ended 31.3.2006 which has not been charged to profit and loss account of that year has been charged to the profit and loss account. Further the Company has not recognised in the books of account, the said claim on Naphtha for the year.		
6. Provision for Income Tax has been made in accordance with Section 115JB of the Income Tax Act, 1961. However, Management is confident that it would be in a position to pay normal tax within the period specified under the Income Tax Act, 1961 and hence MAT Credit has been recognised.		
7. The Company operates only in one business segment being the manufacture of Oxo-Alcohols and there is no geographical segments to be reported.		
8. Details of related party transactions as per AS-18 issued by the Institute of Chartered Accountants of India:		
I. List of related parties:		
A. Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate: The Andhra Sugars Limited		
B. Key Management Personnel: Dr.Mullapudi Harisandra Prasad, Managing Director		
C. Enterprises on which Key Management Personnel exercise significant influence:		
1. Sree Akkamba Textiles Ltd.,		
2. The Andhra Farm Chemicals Corporation Ltd.,		
3. Royal Printing Works		

II. Transactions with the Related Parties:

(Rs. in lakhs)

Particulars	Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate	Key Management Personnel	Enterprises on which Key Management Personnel exercise significant influence
Purchase of goods from	<b>24.95</b> (23.76)	<b>NIL</b> (NIL)	<b>1.16</b> (1.81)
Purchase of Capital Asset from	<b>0.03</b> (NIL)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)
Services rendered by	<b>0.33</b> (0.34)	<b>NIL</b> (NIL)	<b>2.65</b> (2.60)
Interest received on ICD of Rs.10 crores which is repaid during the year itself	<b>17.26</b> (NIL)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)

Figures in brackets are in respect of previous year.

<b>9. Earnings Per Share (EPS):</b>	<b>This Year</b>	Previous Year
a) Net Profit available to Shareholders (Rs.)	<b>363613669</b>	22634489
b) Weighted average No. of Equity Shares used as denominator for calculating EPS	<b>84971600</b>	84971600
c) Basic and diluted earnings per Equity Share of Rs.10/- each (Rs.)	<b>4.28</b>	0.27
<b>10. Major components of deferred tax liabilities and assets arising on account of timing difference are:</b>	<b>This Year</b>	Previous Year
	Rs. in lakhs	
Liabilities:		
Difference between tax and book depreciation	<b>2284.16</b>	2561.15
Assets:		
Unabsorbed depreciation under Income Tax Act	<b>85.44</b>	2231.37
Items covered under Section 43B of Income Tax Act	<b>14.35</b>	12.51
Provision for doubtful debts	<b>1.78</b>	1.77
	<b>101.57</b>	2245.65
Deferred Tax Liability	<b>2182.59</b>	315.50
<b>11. According to a technical assessment carried out by the Company, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard – 28 (AS – 28), issued by the Institute of Chartered Accountants of India.</b>		
<b>12. Particulars of capacity and production:</b>	<b>This Year</b>	Previous Year
	<b>M.T.</b>	<b>M.T.</b>
a) Licenced and installed capacity:		
Oxo-Alcohols		
Licenced	<b>30000 P.A.</b>	30000 P.A.
Installed	<b>39000 P.A.</b>	39000 P.A.
(As certified by the management)		
b) Production:		
Oxo-Alcohols	<b>42408</b>	42714
	<b>This Year</b>	Previous Year
	<b>Quantity in</b>	<b>Quantity in</b>
	<b>M.Ts</b>	<b>M.Ts</b>
	<b>Value</b>	<b>Value</b>
	<b>Rs. in lakhs</b>	<b>Rs. in lakhs</b>
<b>13. Sales:</b>		
Oxo-Alcohols	<b>42808</b>	42436
Sale Value includes Excise Duty recovered	<b>4384.50</b>	3227.08
<b>14. Opening &amp; Closing Stock of Finished Goods:</b>		
a) Opening Stock		
Oxo-Alcohols	<b>1186</b>	908
b) Closing Stock		
Oxo-Alcohols	<b>786</b>	1186
<b>15. Raw Materials consumed:</b>		
Propylene (M.T.)	<b>33054</b>	32075
Naphtha (M.T.)	<b>13826</b>	14119
	<b>4469.32</b>	3469.16
	<b>15459.57</b>	13973.69



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

I. Registration Details:	
Registration No.	4635
State Code	01
Balance Sheet Date	31 <sup>st</sup> March, 2007
<b>(Rs. in thousands)</b>	
II. Capital Raised during the year:	
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private placement	Nil
III. Position of Mobilisation and Deployment of Funds:	
Total Liabilities	1649420
Total Assets	1649420
Source of Funds:	
Paid-up Capital	849716
Reserves & Surplus	298841
Secured Loans	232604
Unsecured Loans	50000
Deferred Tax Liability	218259
<b>Total</b>	<b>1649420</b>
Application of Funds:	
Net Fixed Assets	807213
Investments	52631
Deferred Tax Asset	--
Net Current Assets	789576
Miscellaneous Expenditure	--
Accumulated Losses	--
<b>Total</b>	<b>1649420</b>
IV. Performance of Company:	
Turnover	2659858
Accretion/(Decretion) to stocks	(16266)
Other Income	25819
Total Expenditure	2121026
Profit before Tax	548385
Profit after Tax	363613
Earning/(Loss) per share in Rs.	4.28
Dividend rate %	10
V. Generic names of three principal products/services of Company (As per monetary terms)	
<b>Item Code No.(ITC Code)</b>	<b>Product Description</b>
	(Oxo-Alcohols)
1. 29051600	2-Ethyl Hexanol
2. 29051300	Normal Butanol
3. 29051409	Iso Butanol

**CASH FLOW STATEMENT FOR  
THE YEAR 2006 - 2007**

(Rs. in lakhs)

**This Year** Previous Year

**A) Cash Flow from Operating  
Activities:**

Profit / (Loss) for the year before extraordinary items:	<b>5483.85</b>	396.74
Adjustments for:		
Depreciation	<b>1182.22</b>	1151.82
Interest paid	<b>518.62</b>	590.24
Interest received	<b>(240.48)</b>	(164.69)
Loss on sale of assets	<b>0.02</b>	0.01
Assets written off	<b>12.53</b>	0.01
Claims Written off	<b>504.16</b>	--
Provision for leave encashment	<b>3.56</b>	(1.62)
Operating profit before Working Capital changes	<b>7464.48</b>	1972.51
Inventories	<b>(102.70)</b>	(86.33)
Trade and other receivables	<b>(2801.91)</b>	581.85
Trade payables	<b>239.59</b>	(80.87)
Cash generated from operations	<b>4799.46</b>	2387.16
Interest paid	<b>(518.62)</b>	(590.24)
Income Tax (paid)/refund received	<b>(589.72)</b>	(51.54)
Net Cash generated in operations	<b>3691.12</b>	1745.38

**B) Cash Flow from Investing  
Activities:**

Additions to Fixed Assets including Capital Work In Progress	<b>(567.84)</b>	(144.50)
Sale of Fixed Assets	<b>1.72</b>	0.06
Interest received	<b>240.48</b>	164.69
Net Cash used in investing activities	<b>(325.64)</b>	20.25

**C) Cash Flow from Financing  
Activities:**

(Decrease)/Increase in borrowings (net)	<b>(670.34)</b>	(1691.85)
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	<b>2695.14</b>	73.78
Opening balance of Cash & Cash equivalents	<b>578.58</b>	504.80
Closing balance of Cash & Cash equivalents	<b>3273.72</b>	578.58

Per our report of even date

**For Brahmayya & Co.,  
Chartered Accountants  
C V Ramana Rao  
Partner**

Membership No.018545

Camp : HYDERABAD

Date : 25-06-2007

For and on behalf of the Board

**M R B Punja  
Dr. Mullapudi Harischandra Prasad  
M Gopalakrishna, I.A.S. (Retd.)**

**Chairman  
Managing Director  
Director**

**K Raghu Ram**

**Asst. Company Secretary**

**HYDERABAD**

**25-06-2007**

**IMPORTANT**

**FOR SHAREHOLDERS IN PHYSICAL MODE ONLY**

**THE ANDHRA PETROCHEMICALS LIMITED  
CONSOLIDATION OF MULTIPLE FOLIOS**

As a measure of economy and convenience all the shareholders who are having multiple folios are requested to apply for consolidation of folios.

Date :

**REGD. POST WITH ACK. DUE**

To  
The Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram  
TANUKU - 534 215

Dear Sir,

Folio Nos. : .....

Kindly consolidate the above Folios into a single Folio. I am sending herewith relevant share certificates for doing the needful.

Signature(s) of shareholder(s).....

**THE ANDHRA PETROCHEMICALS LIMITED  
CHANGE OF ADDRESS**

To  
The Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram  
TANUKU - 534 215

Date :

Dear Sir,

Folio No(s) : .....

Kindly take on record my new address for your future communications.

Name : .....

New Address : .....

.....PIN..... Signature(s) of shareholder(s).....

**THE ANDHRA PETROCHEMICALS LIMITED  
ELECTRONIC CLEARING SERVICE**

Date : 19-07-2007

Dear Shareholder,

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

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

Format (Page No. 27) duly filled and signed may please be returned to the Company on or before 20-08-2007.

Thanking you,

Yours faithfully,  
for **THE ANDHRA PETROCHEMICALS LIMITED**  
**K Raghuram**  
Asst. Company Secretary

The Andhra Petrochemicals Limited

To  
The Asst. Company Secretary  
The Andhra Petrochemicals Limited  
Venkatarayapuram  
TANUKU - 534 215

Date :

<b>FOR OFFICE USE ONLY</b>
<b>Ref. No. :</b>
<b>Date :</b>

Dear Sir,

**Sub : Payment of Dividend (Year 2006-2007) (Electronic Clearing Service / Bank Particulars)**

**ECS Mandate**

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

1. Name of the First Holder : \_\_\_\_\_  
(in Block Letters)
2. Regd. Folio No. :
3. Bank & Branch Name & Address : \_\_\_\_\_  
\_\_\_\_\_
4. Account Number : \_\_\_\_\_  
(as appearing on your Cheque Book)
5. Ledger Folio Number : \_\_\_\_\_  
(as appearing on your Cheque Book)
6. Account Type : \_\_\_\_\_  
(Saving Bank / Current / Cash Credit A/c.)
7. 9 Digit Code number of the Bank & Branch :           
appearing on the MICR Cheque issued by the Bank. **(Please attach a photocopy of cheque for verifying the accuracy of the MICR Code Number)**

**Bank Mandate**

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

- Bank Name : \_\_\_\_\_  
Branch Name & Address : \_\_\_\_\_  
\_\_\_\_\_
- A/c Type (SB / Current / Cash Credit) : \_\_\_\_\_  
A/c Number (as mentioned in Cheque Book) : \_\_\_\_\_

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

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

**Signature of the first named shareholder** : \_\_\_\_\_

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

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

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

**THE ANDHRA PETROCHEMICALS LIMITED**

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

**23<sup>rd</sup> Annual General Meeting**

**PROXY FORM**

Client ID\* .....

Folio No.....

DP. ID\* .....

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

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

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

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

as my/our proxy to attend and vote for me/us and on my/our behalf at the 23<sup>rd</sup> Annual General Meeting of the Company to be held on Thursday, the 6<sup>th</sup> September, 2007 and at the adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

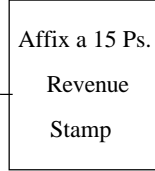
For office use

Proxy No.:

Date of Receipt:

No. of Shares:

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



\* Applicable for investors holding shares in electronic form.

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

**THE ANDHRA PETROCHEMICALS LIMITED**

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

Client ID\* .....

**ATTENDANCE SLIP \*\***

DP. ID\* .....

Folio No.....

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

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

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

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

I hereby register my presence at the 23<sup>rd</sup> ANNUAL GENERAL MEETING being held on Thursday, the 6<sup>th</sup> September, 2007.

.....  
Signature of Member/Proxy

\* Applicable for investors holding shares in electronic form.

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

Permitted to Post "Postage pre-paid in cash"  
Permit No.PMG/VJ/PWPP/CO./1/1.8.2007 to 30.11.2007  
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Andhra Pradesh.