

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**27<sup>th</sup> Annual Report  
2010 - 11**

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)  
Dr. Mullapudi Harischandra Prasad  
(Managing Director)

Dr. B B Ramaiah  
Sri Justice G Ramanujam (Retd.)  
Sri A A Krishnan  
Dr. Anumolu Ramakrishna  
Sri Surinder Kumar Kapoor  
Sri Vinod Kumar Agrawal, I.A.S.,  
(Nominee of APIDC upto 19.8.2010)  
Sri V Nagi Reddy, I.A.S.,  
(Nominee of APIDC from 27.9.2010  
to 20.5.2011)

Smt. Nilam Sawhney, I.A.S.,  
(Nominee of APIDC from 1.8.2011)

Sri Pradeep Kumar Keshari  
(Nominee of IDBI Bank Ltd., upto 28.4.2011)

Sri P Narendranath Chowdary  
Sri M Thimmaraja  
Sri M Venkateswara Rao  
(Nominee of APIDC)

Sri Anirudha Behera  
(Nominee of IDBI Bank Ltd., from 20.5.2011)

**Manager (Finance) &  
Asst. Company Secretary**  
Sri K Raghu Ram

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

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

## Bankers

State Bank of India  
State Bank of Hyderabad  
Andhra Bank  
IDBI Bank Ltd.

## Registered Office

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

## Factory

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

Contents	Page No.
Notice	2
Addendum to Notice	3
Directors' Report	4
Management Discussion & Analysis	5
Report on Corporate Governance	7
Auditors' Report	11
Balance Sheet	14
Profit & Loss Account	15
Schedules	16
Balance Sheet Abstract	25
Cash Flow Statement	25
E-mail Registration Form	26
NECS/ECS/Bank Mandate	27
Proxy & Attendance Slip	

## NOTICE

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of THE ANDHRA PETROCHEMICALS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku - 534215, West Godavari District, Andhra Pradesh on Thursday, the 22<sup>nd</sup> September, 2011 at 3:00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011 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 2010-11.
3. To appoint a Director in place of Sri Justice G Ramanujam (Retd) who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri A A Krishnan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. B B Ramaiah who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2011-12 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

### SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Special Resolution:  
"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any, of the Companies Act, 1956, Dr. Mullapudi Harischandra Prasad be and is hereby re-appointed as Managing Director of the Company not liable to retire by rotation for a period of 5 years with effect from 1<sup>st</sup> October, 2010 without any remuneration."

**Visakhapatnam By Order of the Board**  
**23-5-2011 Dr. MULLAPUDI HARISCHANDRA PRASAD**  
Registered Office: **Managing Director**  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

### NOTES:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item 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 10<sup>th</sup> September, 2011 to Thursday, the 22<sup>nd</sup> September, 2011 (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 22<sup>nd</sup> September, 2011. **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 9<sup>th</sup> September, 2011 as per the details furnished by the Depositories for this purpose.**
5. Shareholders seeking any further information on the accounts and operations of the Company at the Annual

General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of the Meeting.

6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers on the Attendance Slip for easy identification of attendance at the Meeting.
7. Shareholders holding shares in Physical Mode are requested to intimate their change of address, if any, to the Company and the **shareholders holding shares in Demat Mode are requested to notify their change of address, if any, to the DP (and not to the Company) with whom they have Demat Account.**
8. **Shareholders who have not encashed their Dividend Warrants issued in respect of Dividend declared for the year 2006-07 are requested to write to the Regd. Office of the Company in order to enable the Company to proceed with their requests in case the Dividend Warrants remain unencashed.**

### SPECIFIC ATTENTION OF SHAREHOLDERS

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

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

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

2. Sub: **Furnishing of e-mail ID**

Members are requested to provide their e-mail IDs so as to enable the Company to send documents like notice calling general meetings, audited financial statements, Directors' report, Auditors' report etc., by way of e-mail. **Shareholders in Physical Mode:** e-mail ID be furnished to the Company in the format enclosed (**Page No.26**).

**Electronic / Demat Mode:** E-mail ID be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on e-mail IDs received directly from the Members holding shares in Demat Mode for registration of e-mail IDs.

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

**Sri Justice G Ramanujam (Retd)** joined the Board w.e.f., 1.7.1989 as an 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:

Director – The Andhra Sugars Ltd., and Lakshmi Machine Works Ltd.

Other Committeeships held:

Chairman – Investors Grievances Committee, The Andhra Sugars Ltd.

## **The Andhra Petrochemicals Limited**

**Sri A A Krishnan** joined the Board w.e.f., 19.10.1992 as an 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 advisor for several chemical companies. He does not hold any Equity Shares in the Company.

Other Directorships held:

Director – Vinati Organics Ltd.

Other Committeeships held: Nil

**Dr. B B Ramaiah** is a B.Sc., (Honours) in Sugar Technology; M.Sc., (Chemical Technology); M.Sc., (Chemical Engineering – Wisconsin University, U.S.A.) A.M.P (Harvard University) and Doctorate in Public Administration (World University). He has over fifty years of rich experience in industry, trade and finance. He has served on various Industry Associations, Government Bodies and Committees. He led delegations from India to International Society of Sugarcane Technologists (XVI Congress in Brazil and XVII Congress in Manila). He was a Minister of State for Commerce (with independent charge) in the Union Cabinet between June, 1996 to March, 1998. He has been the Director of the Company since inception in 1984. He holds 1,02,047 Equity Shares in the Company.

Other Directorships held:

Managing Director (Technical) – The Andhra Sugars Ltd.

Director – Jayalakshmi Estates Ltd., and Sri Sarvaraya Sugars Ltd.

Other Committeeships held: Nil

Dr. B B Ramaiah is related to Sri P Narendranath Chowdary, Director.

### **Annexure to Notice**

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

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

Consequent upon the expiry of his earlier tenure, the Board of Directors appointed Dr. Mullapudi Harischandra Prasad as Managing Director of the Company for a period of 5 years without remuneration till 30.9.2015. As Managing Director since inception he was instrumental in successfully implementing the original as well as Expansion Project. In view of his long involvement with day to day affairs of the Company, your Board of Directors considers it advisable to continue to avail the benefit of his vast experience and as such appointed him as Managing Director for a further period of 5 years with effect from 1.10.2010 without remuneration. Your Board therefore recommends necessary Resolution for your approval. Except Dr. Mullapudi Harischandra Prasad and Sri M Thimmaraja, no other Director is deemed to be interested or concerned in the Resolution. This along with relevant Resolution may be treated as an extract pursuant to Section 302 of the Companies Act, 1956.

**Visakhapatnam**

**By Order of the Board**

**23-5-2011 Dr. MULLAPUDI HARISCHANDRA PRASAD**  
**Managing Director**

Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

## **Addendum to the Notice dated 23.5.2011 convening 27<sup>th</sup> Annual General Meeting to be held on 22<sup>nd</sup> September, 2011**

### **SPECIAL BUSINESS**

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

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

“RESOLVED THAT Smt.Nilam Sawhney, I.A.S., who was appointed by the Board of Directors as an Additional Director of the Company with effect from 1.8.2011 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 27<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Act proposing her Candidature for the office of Director of the Company, be and is hereby appointed Director of the Company liable to retire by rotation.”

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

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

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and all other applicable provisions, if any, the Articles of Association of the Company be and is hereby altered in the following manner:

After existing Article No.3, the following new Article be inserted as Article No.3A:-

*3A. Notwithstanding anything contained in these Articles, the Company shall have power, subject to and in accordance with Sections 77A, 77AA, 77B and other applicable provisions of the Act or the corresponding provisions, rules, regulations and guidelines, including any amendments, modifications or re-enactments thereof, prescribed by the Government of India, the Securities and Exchange Board of India or any other authority in this behalf, to purchase any of its own fully paid-up shares or other specified securities whether or not they are redeemable and may make a payment out of its free reserves or securities premium account of the Company or proceeds of any shares or other specified securities, provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of any earlier issue of the same kind of shares or same kind of other specified securities or from such other sources as may be permitted by law on such terms, conditions and in such manner as may be prescribed by the law from time to time in respect of such purchase.*

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorised to take such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard.”

**Annexure to Addendum to Notice**

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

**ITEM NO.8:**

Smt. Nilam Sawhney, I.A.S., is a post graduate in physics. She worked as Collector & District Magistrate of Nalgonda district of Andhra Pradesh. She was Commissioner of Health & Family Welfare department and Secretary of Transport, Roads & Buildings department. She is presently Vice Chairman & Managing Director of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC). APIDC vide its letter dated 30.6.2011 nominated Smt. Nilam Sawhney, I.A.S., as a Director on the Board of the Company. As such Board of Directors at its meeting held on 1.8.2011 co-opted her as an Additional Director. Her appointment ceases at the 27<sup>th</sup> Annual General Meeting to be held on 22.9.2011. She does not hold any Equity Shares in the Company.

Other Directorships held: APIDC Venture Capital (P) Ltd., Hyderabad Information Technology Venture Enterprises Ltd., Cyberabad Trustee Company Pvt. Ltd., Steel Exchange India Ltd., and Lanco Industries Ltd.

Other Committeeships held: NIL.

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

Except Smt. Nilam Sawhney, I.A.S., no other Director is deemed to be interested or concerned in the Resolution .

**ITEM NO.9:**

The Companies (Amendment) Act, 1999, permits a company to buy back its own shares or other specified securities subject to a condition that Articles of Association (AoA) of the company authorises the buy back. AoA of your Company does not contain any provision with regard to buy back of shares. As such it is proposed to alter the AoA of your Company by inserting a new Article 3A after existing Article 3 in order to enable the Company to buy back its own shares or securities as per the provisions of Sections 77A, 77AA, 77B and other applicable provisions of the Companies Act, 1956.

As per Section 31 of the Companies Act, 1956, for alteration of Articles of Association a Special Resolution is required to be passed by the Company in General Meeting.

Your Board therefore recommends the necessary Resolution for your approval.

A copy of Memorandum and Articles of Association of the Company together with the proposed alteration and other documents referred to, will be open for inspection by Members at the Registered office of the Company between 2 p.m. to 4 p.m. on any working day till the date of the Annual General Meeting.

None of the Directors of the Company is in anyway concerned or interested in the Resolution except to the extent of their shareholding in the Company.

**Visakhapatnam** **By Order of the Board**  
**1-8-2011** **Dr. MULLAPUDI HARISCHANDRA PRASAD**  
**Managing Director**

Registered Office:  
 Venkatarayapuram  
 TANUKU - 534 215  
 Andhra Pradesh

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2011.

**FINANCIAL RESULTS:**

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2011 is summarised below:

(Rs. in lakhs)

	2010-11	2009-10
Net Sales (excl. Excise Duty)	<b>45659.29</b>	13714.27
Profit before Interest & Depreciation	<b>9159.27</b>	486.74
Less: Interest	<b>1689.54</b>	134.93
Depreciation	<b>2287.75</b>	1202.81
Profit / (Loss) after Interest and Depreciation	<b>5181.98</b>	(851.00)
Provision for:		
Current Tax (MAT)	<b>1054.00</b>	76.00
Deferred Tax	<b>1597.72</b>	(386.77)
MAT credit entitlement	<b>(1032.79)</b>	—
Excess provision for Direct Taxes written back	<b>(0.47)</b>	(2.18)
Profit / (Loss) after Taxation	<b>3563.52</b>	(538.05)
Balance brought forward from previous year	<b>6254.09</b>	6792.14
Profit available for appropriation	<b>9817.61</b>	6254.09
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	<b>1000.00</b>	—
Proposed Dividend on		
Equity Shares @ Re.1/- per share	<b>849.72</b>	—
Tax on Distributable Profits	<b>137.84</b>	—
Balance carried forward to next year	<b>7830.05</b>	6254.09
	<b>9817.61</b>	6254.09

**OPERATIONAL AND FINANCIAL PERFORMANCE:**

Your Directors are glad to report that the Modernisation-cum-Optimisation of the Expanded Oxo-Alcohols Plant at an actual cost of Rs.255 crores was completed within the time schedule.

Production of Oxo-Alcohols for the 11 months from 1<sup>st</sup> May, 2010 was a record 57,726 MTs and sale was 57,472 MTs during the year. Even in the first year of operation after Expansion your Company has achieved Gross Sales of Rs.504.20 crores and Profit Before Tax of Rs.51.82 crores. Overall improvement in operational and marketing performance resulted in the record performance.

**DIVIDEND:**

In view of the good performance your Directors are pleased

## **The Andhra Petrochemicals Limited**

to recommend a Dividend of Re.1/- per share (@10% Dividend on 8,49,71,600 Equity Shares) for the year 2010-11. The outflow towards the payment of Dividend would amount to Rs.9,87,56,118 inclusive of Tax thereon. Dividend, if approved by the shareholders, will be paid to all the eligible shareholders.

### **CAPITAL & RESERVES:**

#### **Authorised and Paid-up Capital:**

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

### **RESERVES:**

With the transfer of Rs.10 crores to General Reserve during the year 2010-11 the total Reserves position as on 31.3.2011 stood at Rs.102.66 crores.

## **MANAGEMENT DISCUSSION AND ANALYSIS:**

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

The Expanded Plant, on completion of trial runs during the month of April, 2010, commenced commercial production from 1<sup>st</sup> May, 2010. The Unit has demonstrated stabilised operations at designed capacity. The market for Oxo-Alcohols business is continuing to grow at around 8-10% per annum. The price trends of raw-materials and finished goods during the year were favourable that resulted in good earnings for the Company. Barring unforeseen circumstances, like increase in raw material prices and volatility in selling prices, the present trends, together with enhanced capacity and improved market share, are expected to result in improved performance of the Company in future.

### **OPPORTUNITIES AND THREATS:**

Your Company's market share has increased in view of the enhanced capacity. Customers' dependence on Imports has comparatively reduced.

Lower production cost of South East Asia and Middle East companies from where bulk of the Imports are witnessed is an area of concern to your Company.

### **INTERNAL CONTROL SYSTEMS:**

Your Company has an established effective Internal Control Systems with regard to various business areas. Internal Audit on a quarterly basis, by an external audit firm, covers detailed audit of all the activities and also the effectiveness of Internal Control Systems. Detailed audit is also carried out covering one specific area in each quarter. The Audit committee of the Board reviews the Internal Audit reports and monitors the implementation of the recommendations.

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

Your Company continues to lay emphasis on good HR practices to motivate employees at all levels for retention and better performance. Necessary training is imparted periodically to keep the employees abreast with the latest technological developments in their area of operations. Industrial relations continued to be cordial throughout the year. As on 31<sup>st</sup> March, 2011 the Company has 292 employees on its rolls.

### **FUTURE OUTLOOK:**

The enhanced production capacity and consequent increase in market share of the Company, combined with efficient and economic operation puts the Company in a better position to compete with imports, in spite of it being a small unit in comparison with the world scale capacities.

### **CAUTIONARY STATEMENT:**

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

to meet the potential threats and to gain from any possible opportunities.

### **DEPOSITS:**

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

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

Your Company continues to accord top priority to Safety, Occupational Health and Environment. Pollution control systems are functioning satisfactorily and are being closely monitored to ensure that gaseous emissions and effluents discharged are within the prescribed norms. It may be noted that the year 2010-11 was accident free.

### **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, APIDC withdrew Sri Vinod Kumar Agrawal, I.A.S., as its Nominee Director from the Board of the Company from 20.8.2010. In his place Sri V Nagi Reddy, Nominee Director of APIDC, was co-opted as an Additional Director on the Board of the Company with effect from 27.9.2010. Subsequently he was withdrawn from the Board from 21.5.2011.

IDBI Bank Ltd., withdrew Sri Pradeep Kumar Keshari as its Nominee Director from the Board of the Company from 29.4.2011 and in his place Sri Anirudha Behera has been appointed as its Nominee Director from 20.5.2011.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri Justice G Ramanujam (Retd), Sri A A Krishnan and Dr. B B Ramaiah retire by rotation at the ensuing 27<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment.

The term of office of Dr. Mullanpudi Harischandra Prasad as Managing Director expired on 30.9.2010. The Board of Directors re-appointed him as Managing Director for a period of 5 years i.e., from 1.10.2010 to 30.9.2015.

### **AUDIT COMMITTEE:**

Audit Committee consists of four Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna and Sri Pradeep Kumar Keshari (upto 28.4.2011). Sri Justice G.Ramanujam (Retd.) is the Chairman of the Committee.

### **AUDITORS:**

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

### **COST AUDITORS:**

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad, were appointed as Cost Auditors of the Company for the year ended 31<sup>st</sup> March, 2011. Cost Auditors' Report in respect of the Financial Year 2009-10 has been filed with Ministry of Corporate Affairs on 13.9.2010 i.e., within the stipulated date of 30.9.2010.

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

Particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of

Particulars in the Report of Board of Directors) Rules, 1988 are given in **Annexure 'A'** to this Report.

**PARTICULARS OF EMPLOYEES:**

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

**DEMATERIALISATION OF SHARES:**

As on 31<sup>st</sup> March, 2011 out of the total number of 8,49,71,600 Equity Shares, 5,54,86,611 Equity Shares constituting 65.30% 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 Directors' Report (**Annexure 'B'**).

**ACKNOWLEDGEMENTS:**

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

Visakhapatnam  
23-5-2011

On behalf of the Board  
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, 2011.

**A. Conservation of Energy:**

Two Nos. of Energy Conservation Projects have been executed during the year which resulted in a saving of 16,229 KWH electric energy.

- 22 watt CFL lamps in place of 125 w MV lamps street lighting.
- Replacement of motor pulley of Hydrozen compressor by a smaller diameter pulley to obtain power savings.

**FORM A**

**A. Power and Fuel Consumption:**

Year	Current Year		Previous Year	
	Power	Fuel	Power	Fuel
<b>1. Electricity:</b>				
<b>a. Purchased</b>				
Units	<b>3,88,29,239</b>		1,63,54,300	
Total Amount (Rs.)	<b>13,11,40,807</b>		5,52,59,991	
Rate/Unit (Rs.)	<b>3.38</b>		3.38	
<b>b. Own generation</b>				
i) Through diesel generator				
Units	<b>4,38,503</b>		12,57,640	
Units per litre of Diesel Oil	<b>3.45</b>		3.56	
Rate/Unit (Rs.)	<b>11.10</b>		13.96	
ii) Through Steam				
Turbines/Generator	<b>N.A.</b>		N.A.	
<b>2. Coal:</b>				
Quantity (Tonnes)	<b>N.A</b>		N.A	
Total Amount (Rs.)	<b>N.A</b>		N.A	
Average Rate	<b>N.A</b>		N.A	
<b>3. a. Furnace Oil:</b>				
Quantity (MTs/KLs)	<b>2,133.805</b>		953.620	
Total Amount (Rs.)	<b>6,76,95,062</b>		2,45,42,799	
Average Rate	<b>31,725.05</b>		25,736.46	
<b>b. LSHS:</b>				
Quantity (MTs)	<b>3,193.195</b>		1,515.380	
Total Amount (Rs.)	<b>11,10,61,057</b>		3,86,49,991	
Average Rate	<b>34,780.54</b>		25,505.15	
<b>4. Others/Internal Generation</b>				
Oxo-Alcohol Residue:				
Quantity (MTs)	<b>2,783.500</b>		1,402.500	
Total Amount (Rs.)	<b>Nil</b>		Nil	
Average Rate	<b>Nil</b>		Nil	
<b>B. Consumption per tonne of production:</b>				

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	<b>732</b>	<b>2.24</b>	774	2.40
Butanols	<b>564</b>	<b>1.97</b>	--	--
N-Butanol	--	--	672	2.09
I-Butanol	--	--	711	2.21

**The Andhra Petrochemicals Limited**

**B. Technology Absorption :**

**FORM B**

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

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

- Installation of higher capacity pump & piping to feed Methanol to Reformer as additional feed stock.
- Installed facilities for Propylene back pushing / Propylene beds regeneration / utilising Propylene in fuel gas steam thereby reducing Propylene wastage during drying of catalyst.
- Installation of piping to utilise excess CO Rich Gas in fuel system thereby reducing flaring and fuel.
- Created facilities for recovery of organics by utilising ETP primary sedimentation tank.
- Replaced old AVR (Automatic Voltage Regulator) Panel (Skoda) with latest Microprocessor based AVR Panel (Baselor) for DG-3 for reliability.
- Electro Magnetic relays replaced with microprocessor based relays for all HT motor feeders for better reliability.

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

Reduction in specific power consumption, reliability of operation, reduction in wastage of CO Rich Gas are some of the benefits which have been obtained by the improvements carried out as a part of R&D. Based on the encouraging results obtained Company has plans for further improving the Energy Conservation measures in other areas also.

**3. Plan of Action:**

Based on the experience gained by the modifications already carried out, plans have been drawn up to reduce steam consumption by replacing steam ejectors with motor driven vacuum pumps in the refining area of the Alcohols Plant.

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

The Company has incurred an expenditure of Rs. 23.65 Lakhs on R&D during the year.

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

**1. Efforts made:**

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

**2. Benefits:**

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

**3. Imported Technology: Nil**

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

(Rs.in lakhs)

	For the Year ended 31-03-2011	For the Year ended 31-03-2010
i. Earnings	Nil	Nil
ii. Outgo	1361.10	1449.20

Visakhapatnam  
23-5-2011

On behalf of the Board  
M R B PUNJA  
Chairman

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

**REPORT ON CORPORATE GOVERNANCE**

**A. MANDATORY REQUIREMENTS:**

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

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

**2. Board of Directors:**

a) As on 31.3.2011 the Board consisted of 12 Directors.



Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Director	Promoters, Non-Executive & Non-Independent Directors
<p>Sri M R B Punja Chairman</p> <p>Sri Justice G Ramanujam (Retd)</p> <p>Sri A A Krishnan</p> <p>Dr. Anumolu Ramakrishna</p> <p>Sri Pradeep Kumar Keshari (Nominee of IDBI Bank Ltd., as lender) (upto 28.4.2011)</p> <p>Sri Surinder Kumar Kapoor (from 13.5.2010)</p>	<p>Dr. Mullapudi Harischandra Prasad Managing Director (Father of Sri M Thimmaraja)*</p>	<p>Dr. B B Ramaiah (Sri Pendyala Narendranath Chowdary sister's husband) *</p> <p>Sri Vinod Kumar Agrawal, I.A.S. (upto 19.8.2010)</p> <p>Sri V Nagi Reddy, I.A.S. (from 27.9.2010 to 20.5.2011)</p> <p>Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) *</p> <p>Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) *</p> <p>Sri M Venkateswara Rao</p>

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

Note: Sri Anirudha Behera has been appointed as Nominee Director of IDBI Bank Ltd., (as lender) on the Board of the Company from 20.5.2011.

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

c) During the Financial Year 2010-11, Six Board Meetings were held.

Dates on which they were held:

(i) 13.5.2010, (ii) 24.7.2010, (iii) 5.8.2010, (iv) 27.9.2010, (v) 13.11.2010 and (vi) 9.2.2011.

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	6	No	6	1	4	3
Dr. Mullapudi Harischandra Prasad	4	No	8	7	2	2
Dr. B B Ramaiah	6	Yes	3	None	None	None
Sri Vinod Kumar Agrawal, I.A.S. (upto 19.8.2010)	1	No	4	1	None	None
Sri V Nagi Reddy, I.A.S. (from 20.8.2010 to 20.5.2011)	No	No	1	None	None	None
Sri Justice G Ramanujam (Retd)	No	No	3	None	1	1
Sri A A Krishnan	3	No	1	None	None	None
Dr. Anumolu Ramakrishna	4	Yes	11	None	9	1
Sri Pradeep Kumar Keshari (upto 28.4.2011)	3	No	1	None	1	None
Sri P Narendranath Chowdary	6	Yes	6	None	2	None
Sri M Thimmaraja	4	Yes	2	None	3	None
Sri M Venkateswara Rao	5	No	5	None	1	None
Sri Surinder Kumar Kapoor (from 13.5.2010)	5	No	None	None	None	None

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

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

## The Andhra Petrochemicals Limited

### 3. Code of Conduct:

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

### 4. Audit Committee:

The Audit Committee consists of four Non-Executive Independent Directors - (i) Sri Justice G Ramanujam (Retd) - Chairman, (ii) Sri A A Krishnan, (iii) Dr. Anumolu Ramakrishna and (iv) Sri Pradeep Kumar Keshari. Members of the Audit Committee have considerable experience and expertise in the field of Industrial, Financial and Corporate Business Management. Sri Pradeep Kumar Keshari ceased to be the member of the Audit Committee consequent upon his withdrawal as Nominee Director by IDBI Bank Ltd., with effect from 29.4.2011.

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

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

During the Financial Year 2010-11, five Audit Committee Meetings were convened on: (i) 13.5.2010, (ii) 24.7.2010, (iii) 5.8.2010, (iv) 13.11.2010 and (v) 9.2.2011.

Audit Committee Meetings convened on 24.7.2010 and 9.2.2011 could not be held for want of quorum. As such the Board itself reviewed and approved the unaudited financial results pertaining to the relevant quarters. The other three Meetings were held.

### 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	2
Dr. Anumolu Ramakrishna	2
Sri Pradeep Kumar Keshari	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 Auditors and fixation of Audit Fees.
- Approval of payment to the Statutory Auditors for any service rendered by them.
- Review with the Management, the quarterly and yearly financial statements before submission to the Board for approval.
- The Audit Committee also reviews the following information as and when required:
  - Management Discussion & Analysis of financial condition and results of operations
  - Statement of significant Related Party Transactions (as defined by the Audit Committee)
  - Management letters / letters of internal control

- weaknesses issued by the Statutory Auditors
- Internal Audit Reports relating to internal control weaknesses
- The appointment, removal and terms of remuneration of the Chief Internal Auditor
- Ensuring compliance with regulatory guidelines.

### 5. Subsidiaries:

The Company does not have any subsidiary.

### 6. Remuneration:

Managing Director does not draw any remuneration from the Company.

Details of sitting fees paid to the Directors during the year 2010-11:

Sri M R B Punja - Rs.45,000/-; Sri A A Krishnan - Rs.40,000/-; Dr. A. Ramakrishna - Rs.45,000/-; Sri Pradeep Kumar Keshari - Rs.30,000/- (being the nominee of IDBI Bank Ltd., sitting fees payable to him was paid to IDBI Bank Ltd.); Sri Vinod Kumar Agrawal, I.A.S. - Rs.5,000/-; Sri M. Venkateswara Rao - Rs.40,000/- (being the nominees of APIDC Ltd., sitting fees payable to them was paid to APIDC Ltd.); Sri Surinder Kumar Kapoor - Rs. 40,000/-.

### 7. Details of Equity Shares of the Company held by Non-Executive Directors as on 31<sup>st</sup> March, 2011:

Name of the	No. of shares of Rs.10/- each
Non-Executive Director	
Sri M R B Punja	1400
Dr. B B Ramaiah	102047
Sri P Narendranath Chowdary	4216
Sri M Thimmaraja	1580

### 8. Management:

Management Discussion & Analysis forms part of the Annual Report.

### 9. CEO / CFO Certification:

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

### 10. Shareholders / Investors Grievance Committee:

- a) The Board has constituted Shareholders / Investors Grievance Committee comprising Dr. B B Ramaiah (Chairman of the Committee - Non-Executive Director), Sri P Narendranath Chowdary and Sri M Thimmaraja as Members of the Committee. The Committee looks into the redressal of the shareholders' complaints like transfer of shares, non-receipt of Annual Report and Dividend and other matters.
- b) The Board has designated Sri K Raghu Ram, Manager (Finance) & Asst. Company Secretary as the Compliance Officer.
- c) Investor complaints received during the year ended 31.3.2011:

No. of shareholders' complaints received :	21
No. of complaints not resolved to the satisfaction of the shareholders :	Nil
No. of pending complaints (as at 31.3.2011) :	Nil
No. of pending share transfers (as at 31.3.2011) :	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
2008	27 <sup>th</sup> September, 2008, 3:00 p.m.
2009	31 <sup>st</sup> August, 2009, 3:00 p.m.
2010	30 <sup>th</sup> September, 2010, 3:00 p.m.

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

**12. Disclosures:**

- i) No transaction of material nature has been entered into by the Company with Directors or Management and their relatives etc., that may have potential conflict with the interest of the Company at large. Wherever required necessary approvals have been obtained from the Central Government under Section 297 of the Companies Act, 1956 with regard to specific contracts requiring the approval of the Central Government. The Register of Contracts containing transactions in which Directors are interested, is placed before every meeting of the Board and signed by the Directors present.
- ii) No penalties or strictures were imposed on the Company for non-compliance by Stock Exchange / SEBI or any authority on any matter related to capital markets during the last 3 years.
- 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 : Thursday, 22<sup>nd</sup> September, 2011 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, 10<sup>th</sup> September, 2011 to Thursday, 22<sup>nd</sup> September, 2011 (both days inclusive)
- iv) Dividend Payment date: 28.9.2011

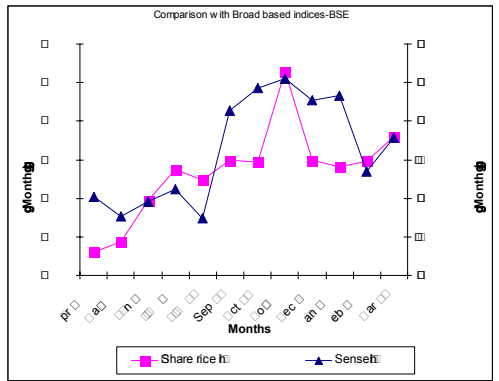
v) Listing on Stock Exchange and Stock Code:

The Bombay Stock Exchange Ltd., Physical Stock Code: 12  
 Demat Stock Code: 500012  
 ISIN: INE714B01016

vi) Market price data: High / low price of Company's Equity Shares quoted on The Bombay Stock Exchange Ltd., Mumbai during each month of the Financial Year 2010-11.

Month	High		Low	
	Rs.	Ps.	Rs.	Ps.
April, 2010	16.43		14.00	
May, 2010	17.45		14.55	
June, 2010	21.75		16.20	
July, 2010	25.00		18.60	
August, 2010	23.90		18.50	
September, 2010	26.00		21.00	
October, 2010	25.80		23.10	
November, 2010	35.15		21.00	
December, 2010	26.00		23.05	
January, 2011	25.25		22.80	
February, 2011	25.90		23.60	
March, 2011	28.35		22.00	

vii) Performance in comparison to BSE sensex:



viii) Share Transfer System:

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

**The Andhra Petrochemicals Limited**

ix) a) Shareholding pattern as on 31<sup>st</sup> March, 2011:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	36595528	43.07
2	Financial Institutions	21600	0.03
3	Mutual Funds	13100	0.02
4	Banks	837	0.00
5	Foreign Institutional Investors	214218	0.25
6	Non-Resident Indians	1006666	1.18
7	Bodies corporate	6003469	7.06
8	Indian Public	41116182	48.39
Total		84971600	100.00

b) Distribution of shareholding as on 31<sup>st</sup> March, 2011:

Shareholding of Nominal value of Rs.	No. of Share-holders	% of Share-holders	No. of Shares	% of Shares
Upto 5000	78120	89.60	11525588	13.56
5001 to 10000	4870	5.58	4162853	4.90
10001 to 20000	2046	2.35	3238289	3.81
20001 to 30000	669	0.77	1757476	2.07
30001 to 40000	292	0.33	1068333	1.26
40001 to 50000	328	0.38	1577989	1.86
50001 to 100000	459	0.53	3543143	4.17
100001 onwards	405	0.46	58097929	68.37
Total	87189	100.00	84971600	100.00

x) As of 31<sup>st</sup> March, 2011, 5,54,86,611 shares constituting 65.30% of paid-up capital have been dematerialised.

	No. of Shares	% of paid-up capital
National Securities Depository Ltd., Central Depository Services (India) Ltd.,	4,20,64,682	49.50
Total	5,54,86,611	65.30

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

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

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

**B. NON-MANDATORY REQUIREMENTS:**

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

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

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and Senior Management Personnel have affirmed the compliance of the Company's Code of Conduct for the Board Members and Senior Management Personnel, as applicable, for the year ended 31<sup>st</sup> March, 2011.

Place : Visakhapatnam

Date : 23-5-2011

By Order of the Board

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

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

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

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

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

Place : Visakhapatnam

Date : 23-5-2011

**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, 2011, together with 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, 2011.
- ii) in the case of the Profit and Loss account, of the profit for the year ended on that date.
- iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.
- f) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2011 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, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

**Place : Visakhapatnam  
Date : 23-5-2011**

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

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c) The Fixed Assets disposed off by the Company during the year do not form a substantial part thereof.

- ii) a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii) a) The Company has not granted any loans, secured, unsecured to companies, firms or other parties to whom the provisions of section 301 of the Companies Act, 1956 apply. Accordingly clauses 4(iii) b, c and d of the order are not applicable.
- b) The Company has not taken any loans, secured or unsecured from companies, firms, other parties covered in the register maintained under section 301 of the Companies Act, 1956. 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

## The Andhra Petrochemicals Limited

material statutory dues applicable to it were in arrears as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they became payable.

- c) As at 31<sup>st</sup> March, 2011, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess.
- x) The Company has no accumulated losses and has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
- xi) The Company has not defaulted in payment of any loan installment or interest in respect of term loans from financial institutions and banks.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the clause 4(xii) of the order is not applicable.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the clause 4(xiii) of the order is not applicable.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other instruments. Accordingly the clause 4(xiv) of the order is not applicable.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the clause 4(xv) of the order is not applicable.
- xvi) In our opinion, the Term Loans have been applied for the purposes for which they were raised.
- xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xviii) During the year, the Company has not made any preferential allotment of shares. Accordingly the clause 4(xviii) of the order is not applicable.
- xix) The Company has not issued any debentures so far. Accordingly clause 4(xix) of the order is not applicable.
- xx) During the year, the Company has not raised money by Public issue. Accordingly the clause 4(xx) of the order is not applicable.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

**Place : Visakhapatnam  
Date : 23-5-2011**

### Accounting Policies

#### 1. General:

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

#### 2. Fixed Assets:

- a. Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is net of CENVAT / Input VAT Credit and inclusive

of freight, duties, taxes, incidental expenses including interest on specific borrowings as allotted.

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

#### 3. Investments:

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

#### 4. Inventories:

Inventories are valued at the lower of the cost (net of CENVAT / Input VAT Credit) or net realisable value (except scrap / waste which are valued at estimated realisable value). Cost is computed on monthly weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 5. Borrowing Costs:

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

#### 6. Sales:

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

#### 7. Employee Benefits:

##### (i) Defined Contribution Plans

Employee Benefits in the form of Employee Provident Pension Funds are considered as Defined Contribution plans and the contributions are charged to the Profit & Loss Account of the year when the contributions to the said fund are due.

##### (ii) Defined Benefit Plans

Retirement Benefit in the form of Gratuity is considered as Defined Benefit Obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method as at the date of Balance Sheet.

##### (iii) Other Long Term Benefits

Long-Term Compensated Absences are provided on the basis of an actuarial valuation using the Projected Unit Credit Method as at the date of Balance Sheet.

Actuarial gains / losses, if any, are immediately recognised in the Profit & Loss Account.

#### 8. Depreciation:

Depreciation on buildings and plant and machinery is charged under straight-line method and on the remaining assets under written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.

#### 9. Foreign Currency Transactions:

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

Balance Sheet as at 31<sup>st</sup> March, 2011

(Rs. in lakhs)

	Schedule No.	As at 31-03-2011	As at 31-03-2010
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
a) Share Capital	1	8497.16	8497.16
b) Reserves and Surplus	2	10266.05	7690.09
		<u>18763.21</u>	<u>16187.25</u>
<b>2. Loan Funds:</b>			
Secured Loans	3	14588.04	14352.29
		<u>14588.04</u>	<u>14352.29</u>
<b>3. Deferred Tax Liability</b>			
		2783.57	1185.85
Total		<u>36134.82</u>	<u>31725.39</u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>			
a) Gross Block	4	46117.39	23176.27
b) Less: Depreciation		20547.60	18638.43
c) Net Block		25569.79	4537.84
d) Capital Work-in-progress	5	169.37	21674.85
		<u>25739.16</u>	<u>26212.69</u>
<b>2. Investments</b>			
	6	526.31	526.31
<b>3. Current Assets, Loans and Advances:</b>			
a) Inventories	7	2737.96	2925.17
b) Sundry Debtors	8	2063.75	139.69
c) Cash and Bank Balances	9	5717.30	999.73
d) Interest Receivable		75.14	7.09
e) Loans and Advances	10	1640.30	2061.66
		<u>12234.45</u>	<u>6133.34</u>
Less: Current Liabilities & Provisions:			
a) Current Liabilities	11	1051.94	1005.68
b) Provisions	12	1313.16	141.27
		<u>9869.35</u>	<u>4986.39</u>
Net Current Assets		<u>36134.82</u>	<u>31725.39</u>
Total		<u>36134.82</u>	<u>31725.39</u>
Significant Accounting Policies & Notes on Accounts	18		

Per our report of even date  
for Brahmayya & Co.,  
Chartered Accountants  
C V Ramana Rao  
Partner  
Membership No.018545

M R B Punja  
Dr. Mullapudi Harischandra Prasad  
Dr. Anumolu Ramakrishna

K. Raghu Ram

for and on behalf of the Board

Chairman  
Managing Director  
Director

Manager (Finance) & Asst. Company Secretary

Place : Visakhapatnam  
Date : 23-5-2011

Visakhapatnam  
23-5-2011

**Profit and Loss Account for the Year ended 31<sup>st</sup> March, 2011**

(Rs. in lakhs)

	Schedule No.	This Year	Previous Year
<b>INCOME :</b>			
Gross Sales		<b>55104.83</b>	16354.56
Less: Excise Duty collected		<b>5202.92</b>	1293.00
		<b>49901.91</b>	15061.56
Less: Sales out of Trial Run Production upto 30.04.2010		<b>4242.62</b>	1347.29
		<b>45659.29</b>	13714.27
Cost of products used for testing of new Plant under installation		--	513.95
Increase / (decrease) of stocks	13	<b>902.79</b>	(1606.52)
Other Income	14	<b>289.65</b>	147.65
		<b>46851.73</b>	12769.35
<b>EXPENDITURE :</b>			
Value of Inventory out of Trail Run Production		<b>863.63</b>	--
Raw materials consumed		<b>31001.13</b>	9485.15
Staff Cost	15	<b>1144.14</b>	795.87
Other Expenses	16	<b>4683.56</b>	2001.59
Interest	17	<b>1689.54</b>	134.93
Depreciation	4	<b>2287.75</b>	1202.81
		<b>41669.75</b>	13620.35
Profit / (Loss) before Taxation		<b>5181.98</b>	(851.00)
Provision for:			
Current Tax (MAT)		<b>1054.00</b>	76.00
Deferred Tax		<b>1597.72</b>	(386.77)
Excess Provision for Direct Taxes written back		<b>(0.47)</b>	(2.18)
MAT Credit Entitlement		<b>(1032.79)</b>	--
Profit / (Loss) after Taxation		<b>3563.52</b>	(538.05)
Balance of surplus brought forward from previous year		<b>6254.09</b>	6792.14
Profit available for Appropriations		<b>9817.61</b>	6254.09
<b>APPROPRIATIONS:</b>			
General Reserve		<b>1000.00</b>	--
Proposed Dividend (See Directors' Report)		<b>849.72</b>	--
Tax on Proposed Dividend		<b>137.84</b>	--
Balance of Profit carried forward to next year		<b>7830.05</b>	6254.09
		<b>9817.61</b>	6254.09
Earning per Equity Share of Rs.10/- each (Basic & Diluted)		<b>4.19</b>	(0.63)
Significant Accounting Policies & Notes on Accounts	18		

**Per our report of even date  
for Brahmayya & Co.,  
Chartered Accountants  
C V Ramana Rao  
Partner  
Membership No.018545**

**M R B Punja  
Dr. Mullapudi Harischandra Prasad  
Dr. Anumolu Ramakrishna**

**K. Raghu Ram**

**for and on behalf of the Board**

**Chairman  
Managing Director  
Director**

**Manager (Finance) & Asst. Company Secretary**

**Place : Visakhapatnam  
Date : 23-5-2011**

**Visakhapatnam  
23-5-2011**



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

(Rs. in lakhs)

**As at 31-03-2011** As at 31-03-2010

**SCHEDULE – 1 - Share Capital:**

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

**SCHEDULE – 2 - Reserves and Surplus:**

	As at 31-03-2010	Additions	Deductions	As at 31-03-2011
Share Premium	412.63	--	--	<b>412.63</b>
Capital Reserve *	23.37	--	--	<b>23.37</b>
General Reserve	1000.00	<b>1000.00</b>	--	<b>2000.00</b>
Surplus in Profit & Loss A/c	6254.09	<b>1575.96</b>	--	<b>7830.05</b>
Total	7690.09	<b>2575.96</b>	--	<b>10266.05</b>

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

**As at 31-03-2011** As at 31-03-2010

**SCHEDULE – 3 - Secured Loans:**

A) Rupee Term Loans for Optimisation & Modernisation Project from:		
IDBI Bank Ltd.	<b>4110.63</b>	3959.58
State Bank of India	<b>3488.43</b>	3372.88
State Bank of Hyderabad	<b>3500.52</b>	3371.94
Andhra Bank	<b>3476.99</b>	3372.87
Sub-Total (A)	<b>14576.57</b>	14077.27
B) Working Capital Loans from Scheduled Banks		
in Indian Currency	<b>11.47</b>	275.02
Sub-Total (B)	<b>11.47</b>	275.02
Total (A+B)	<b>14588.04</b>	14352.29

**The Andhra Petrochemicals Limited**

**SCHEDULE – 4 - Fixed Assets:**

(Rs.in lakhs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.3.2010	Additions	Deductions	Cost as at 31.3.2011	Upto 31.3.2010	For the year	On deductions	Upto 31.3.2011	As at 31.3.2011	As at 31.3.2010
1	Land	9.07	-	-	9.07	-	-	-	-	9.07	9.07
2	Buildings*	1169.03	516.71	-	1685.74	427.67	38.37	-	466.04	1219.70	741.36
3	Plant & Machinery	21776.16	22865.69	454.84	44187.01	18070.58	2226.85	372.64	19924.79	24262.22	3705.58
4	Furniture & Office Equipment	162.28	21.93	8.38	175.83	116.03	13.48	5.92	123.59	52.24	46.25
5	Vehicles	59.73	0.03	0.02	59.74	24.15	9.05	0.02	33.18	26.56	35.58
	<b>Total</b>	<b>23176.27</b>	<b>23404.36</b>	<b>463.24</b>	<b>46117.39</b>	<b>18638.43</b>	<b>2287.75</b>	<b>378.58</b>	<b>20547.60</b>	<b>25569.79</b>	<b>4537.84</b>
	Previous year	23224.40	41.06	89.19	23176.27	17486.85	1202.81	51.23	18638.43	4537.84	5737.55

\* Buildings of the value of Rs. 1675.53 lakhs constructed on Lease hold Land.

(Rs. in lakhs)

**As at 31-03-2011**      **As at 31-03-2010**

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

Capital Works-in-Progress	<b>169.37</b>	13729.47
Capital Advances	--	5819.07
Expenditure incurred during construction period awaiting allocation to Fixed Assets (Schedule - 5 A)	--	2126.31
<b>Total</b>	<b>169.37</b>	<b>21674.85</b>

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

(Pending capitalisation to Fixed Assets)			
Balance at the beginning of the year	(A)	<b>2126.31</b>	363.58
Expenditure incurred during the year:			
a) Stock out of trial run at the beginning of the year		<b>1416.05</b>	--
b) Raw Materials Consumed		<b>2617.03</b>	2597.43
c) Cost of Production used for testing of new Plant under installation		--	513.95
d) For Plant tie-up works		<b>142.94</b>	--
e) Process charges on closing stock of WIP Items		<b>3.97</b>	--
f) Staff Cost		<b>41.51</b>	102.93
g) Stores & Spares consumed		<b>34.36</b>	63.42
h) Power & Fuel		<b>223.93</b>	412.66
i) Rent		--	2.10
j) Taxes & Licences		--	0.59
k) Other Expenses		<b>6.91</b>	181.30
l) Interest and Finance Expenses		<b>138.40</b>	651.69
Less: Value of Trial Production by way of:			
i) Sales of Trial Run Production [excluding Excise Duty collected Rs.442.58 lakhs (previous year Rs.138.61 lakhs)]		<b>(4242.62)</b>	(1347.29)
ii) Closing Stock of Trial Run Production taken to Profit and Loss Account		<b>(863.63)</b>	(1416.05)
<b>Total for the year</b>	<b>(B)</b>	<b>(481.15)</b>	<b>1762.73</b>
Total expenditure awaiting allocation to Fixed Assets (A+B)		<b>1645.16</b>	2126.31
Allocated to Fixed Assets capitalised during the year		<b>1645.16</b>	--
Expenditure during construction period pending allocation to Fixed Assets		--	2126.31

**SCHEDULE – 6 - Investments:**

Investments at cost:

Long Term - Non-Trade - unquoted:

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

Power Corporation Ltd.

Total

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

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

Stores and Spares

Stores-in-transit

Raw Materials

Work-in-process

Finished Goods

Total

<b>989.00</b>	1,018.17
<b>162.92</b>	46.05
<b>565.15</b>	348.61
<b>151.37</b>	626.62
<b>869.52</b>	885.72
<b><u>2737.96</u></b>	<u>2925.17</u>

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

Outstanding for a period exceeding six months  
and considered doubtful

Outstanding for less than six months and  
considered good

Less: Provision for doubtful debts  
Total

<b>5.25</b>	5.25
<b>2063.75</b>	139.69
<b><u>2069.00</u></b>	<u>144.94</u>
<b>5.25</b>	5.25
<b><u>2063.75</u></b>	<u>139.69</u>

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

Cash on hand

Cheques on hand

With Scheduled Banks :

In Current Accounts\*

In Margin Money Deposits

In Term Deposits

Total

<b>3.91</b>	1.08
<b>701.49</b>	234.96
<b>1163.90</b>	562.80
<b>925.00</b>	--
<b>2923.00</b>	200.89
<b><u>5717.30</u></b>	<u>999.73</u>

\* Includes Rs.37.87 lakhs on account of unclaimed dividends. Previous year Rs.38.06 lakhs.

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

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

Advances Recoverable

Pre-paid Expenses

Deposits with Excise Authorities

Other Deposits Recoverable

Advance Income Tax Paid (net of provision)

Income Tax Refund Receivable

MAT Credit Entitlement

Total

<b>267.18</b>	620.94
<b>22.67</b>	8.86
<b>170.25</b>	1257.77
<b>125.24</b>	152.43
<b>--</b>	21.66
<b>22.17</b>	--
<b><u>1032.79</u></b>	<u>--</u>
<b><u>1640.30</u></b>	<u>2061.66</u>

(Rs. in lakhs)  
**As at 31-03-2011**    As at 31-03-2010

**SCHEDULE – 11 - Current Liabilities:**

Creditors for Capital Works	<b>187.86</b>	451.31
Sundry Creditors *	<b>586.29</b>	332.17
Other Liabilities	<b>35.85</b>	14.57
Advances received against Sales	<b>97.49</b>	80.87
Trade Deposits	<b>5.00</b>	5.00
Interest Accrued but not due on term loans	<b>101.58</b>	83.70
Unclaimed Dividends #	<b>37.87</b>	38.06
Total	<b>1051.94</b>	1005.68

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

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

**SCHEDULE – 12 - Provisions:**

Provision for:		
Gratuity	<b>121.60</b>	59.56
Compensated absences	<b>121.49</b>	81.71
Income Tax (Net of prepaid taxes)	<b>82.51</b>	--
Proposed Dividend	<b>849.72</b>	--
Tax on Proposed Dividend	<b>137.84</b>	--
Total	<b>1313.16</b>	141.27

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

(Rs. in lakhs)

**SCHEDULE – 13 - Increase / (Decrease) of Stocks:**

	This Year	Previous Year
<b>A) Closing Stock:</b>		
Finished goods	<b>869.52</b>	0.60
Work-in-process	<b>151.37</b>	14.38
Total (A)	<b>1020.89</b>	14.98
<b>B) Opening Stock:</b>		
Finished goods	<b>0.60</b>	1,016.41
Work-in-process	<b>14.38</b>	685.80
Total (B)	<b>14.98</b>	1702.21
Increase / (decrease) of stocks (A-B)	<b>1005.91</b>	(1687.23)
Adjustment of Excise Duty on Stocks	<b>(103.12)</b>	80.71
Total	<b>902.79</b>	(1606.52)

**The Andhra Petrochemicals Limited**

(Rs. in lakhs)

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

Interest received (TDS Rs.12.48 lakhs previous year Rs.17.02 lakhs)	<b>207.06</b>	136.45
Miscellaneous Receipts	<b>80.28</b>	8.32
Unclaimed Credit Balances Written Back	<b>2.31</b>	2.88
<b>Total</b>	<b>289.65</b>	<b>147.65</b>

**SCHEDULE – 15 - Staff Cost:**

Salaries, Allowances and Bonus	<b>959.35</b>	744.61
Contributions to Provident, Pension, Gratuity and other funds	<b>126.31</b>	60.33
Staff welfare expenses	<b>99.99</b>	93.86
<b>Total</b>	<b>1185.65</b>	<b>898.80</b>
Less: Transfer to expenditure during construction / Trial Run period	<b>41.51</b>	102.93
<b>Taken to Profit &amp; Loss account</b>	<b>1144.14</b>	<b>795.87</b>

**SCHEDULE – 16 - Other Expenses:**

Stores & spares and packing materials consumed	<b>772.32</b>	240.57
Power and Fuel	<b>3400.28</b>	1718.91
Insurance	<b>26.72</b>	11.82
Rent paid	<b>28.48</b>	27.97
Taxes and Licences	<b>11.81</b>	5.79
Repairs to Buildings	<b>84.83</b>	16.85
Repairs to Machinery	<b>447.93</b>	292.26
Repairs to Other Assets	<b>5.54</b>	4.71
Commission on sales	<b>2.22</b>	0.25
Directors' Fee and expenses	<b>8.44</b>	6.53
Payments to Auditors (vide Note No.15 of Schedule -18)	<b>3.62</b>	4.34
Miscellaneous expenses	<b>140.79</b>	315.35
Loss on Sale of Assets	<b>15.78</b>	16.31
<b>Total</b>	<b>4948.76</b>	<b>2661.66</b>
Less: Transfer to expenditure during construction / Trial Run period	<b>265.20</b>	660.07
<b>Taken to Profit &amp; Loss account</b>	<b>4683.56</b>	<b>2001.59</b>

**SCHEDULE – 17 - Interest:**

On Fixed Loans	<b>1775.94</b>	672.79
To Banks and others	<b>52.00</b>	113.83
<b>Total</b>	<b>1827.94</b>	<b>786.62</b>
Less: Transfer to expenditure during construction / Trial Run period	<b>138.40</b>	651.69
<b>Taken to Profit &amp; Loss account</b>	<b>1689.54</b>	<b>134.93</b>

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

		(Rs. in lakhs)	
		This Year	Previous Year
1.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances & Letters of Credit opened)	4.78	229.76
2.	<b>Contingent liabilities not provided for:</b>		
i.	Outstanding Guarantees to Banks including Letters of Credit opened with Banks for capital payments	--	962.89
ii.	Various Claims made by EPDC of A.P. Ltd., which are contested by Company :		
	a) Grid Support charges	115.97	115.97
	b) Electricity duty demand on captive power generation	110.00	--
	c) Disputed demand charges against APGPCL Demand allocation	7.78	--
	d) Fuel Surcharge adjustment charges	78.94	--
iii.	Claims against the Company by contractors not acknowledged as debts	12.00	12.00
3.	<b>Secured Loans:</b>		
	<b>A. Term Loans for Optimisation and Modernisation Project:</b>		
	All the term loans are secured by pari passu charge, by mortgage of the Company's immovable properties and hypothecation of movable assets including movable machinery, present and future. The loans are further secured by a Second Charge on all the remaining movable assets, subject to Charge in favour of Company's bankers on specified movables, towards working capital facilities.		
	<b>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 collaterally secured by Second Charge on the fixed assets, both present and future, of the Company.		
4.	As per Accounting Standard-15 "Employees Benefits" the disclosure of Employee Benefits as defined in the Accounting Standard are given hereunder:		
	Defined Contributions Plans		
	Contributions to Defined Contribution Plan, recognised as expense for the year, are as under:		

		(Rs. in lakhs)	
		2010-11	2009-10
Employer's Contributions to Provident and Pension Funds		52.20	33.83
(excluding Rs. 2.56 lakhs capitalised during the year) (previous year Rs. 6.53 lakhs)			

Defined Benefit Plans:

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

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

		(Rs. in lakhs)			
		Gratuity (Funded)		Compensated absences (Unfunded)	
		This year	Previous year	This year	Previous year
Defined Benefit obligation at beginning of the year		141.65	131.30	81.71	85.14
Interest Cost		11.33	10.59	6.15	6.03
Current Service Cost		9.85	9.80	40.20	3.68
Benefits paid		(10.11)	(15.42)	(9.69)	(19.59)
Actuarial loss / (gain) on obligation		55.85	5.38	3.12	6.45
Defined Benefit obligation at year end		208.57	141.65	121.49	81.71

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

		(Rs. in lakhs)	
		Gratuity (Funded)	
		This Year	Previous Year
Fair value of plan assets at beginning of the year		82.09	77.41
Expected return on plan assets		7.19	6.38
Contributions		7.80	13.72
Benefits paid		(10.11)	(15.42)
Actuarial loss / (gain) on obligation		—	—
Fair value of plan assets as at the end of the year		86.97	82.09

**The Andhra Petrochemicals Limited**

III. Reconciliation of fair value of assets and obligations as at 31.3.2011:

	(Rs. in lakhs)			
	Gratuity (Funded)		Compensated absences (Unfunded)	
	<b>This year</b>	Previous year	<b>This year</b>	Previous year
Fair value of plan assets	<b>86.97</b>	82.09	—	—
Present value of obligation	<b>208.57</b>	141.65	<b>121.49</b>	81.71
Amount recognised as liability in Balance sheet	<b>121.60</b>	59.56	<b>121.49</b>	81.71

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

	(Rs. in lakhs)			
	Gratuity (Funded)		Compensated absences (Unfunded)	
	<b>This year</b>	Previous year	<b>This year</b>	Previous year
Current Service Cost	<b>9.85</b>	9.80	<b>49.47</b>	16.15
Interest Cost	<b>11.33</b>	10.59	<b>6.15</b>	6.03
Expected return on plan assets	<b>(7.19)</b>	(6.38)	—	—
Actuarial (gain)/ loss	<b>55.85</b>	5.38	<b>(6.15)</b>	(6.03)
Expenses recognised in the statement of Profit & Loss Account	<b>69.84</b>	19.39	<b>49.47</b>	16.15

V. Principals Actuarial Assumptions:

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

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

The above information is certified by the Actuary.

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

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

I. List of Related Parties:

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

B. Key Management Personnel:  
Dr. Mullapudi Harischandra Prasad, Managing Director

C. Enterprises on which Key Management Personnel exercise significant influence:  
1. Sree Akkamamba Textiles Ltd.,  
2. The Andhra Farm Chemicals Corporation Ltd.,  
3. Royal Printing Works

II. Transactions with the Related Parties:

(Rs. in lakhs)

Particulars	Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate		Key Management Personnel		Enterprises on which Key Management Personnel exercise significant influence	
	50.28	(23.39)	NIL	(NIL)	NIL	(NIL)
Purchase of goods from	<b>3.10</b>	(0.50)	NIL	(NIL)	<b>4.32</b>	(3.82)
Services received from	<b>NIL</b>	(0.13)	NIL	(NIL)	<b>NIL</b>	(NIL)
Sale of goods to						

Figures in brackets are in respect of previous year.

7. Earnings Per Share (EPS):

	<b>This Year</b>	Previous Year
a) Net Profit attributable to Shareholders (Rs.)	<b>356352428</b>	(53805002)
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>22</b>	(0.63)

**The Andhra Petrochemicals Limited**

		( Rs. in lakhs)	
8. Major components of deferred tax liabilities and assets arising on account of timing difference are:		<b>This Year</b>	Previous Year
Liabilities:			
Difference between tax and book depreciation		<b>3042.06</b>	1198.72
Assets:			
Items covered under Section 43B of Income Tax Act		<b>82.25</b>	11.13
Provision for doubtful debts		<b>1.70</b>	1.74
Unabsorbed depreciation under Income Tax Act		<b>174.54</b>	--
		<b>258.49</b>	12.87
Deferred Tax Liability		<b>2783.57</b>	1185.85

9. According to an internal technical assessment carried out by the Company, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard – 28 (AS – 28) issued by the Institute of Chartered Accountants of India.

10. Particulars of capacity and production:		<b>This Year M.T</b>	Previous Year M.T
a) Licenced and installed capacity:			
Oxo-Alcohols			
Licenced		<b>73000 P.A</b>	30000 P.A
Installed			
(As certified by the management)		<b>73000 P.A</b>	39000 P.A
b) Production:			
After successful completion of Trial Run, Commercial Production commenced from 01.05.2010.			
Oxo-Alcohols (excluding Production out of Trial Run upto 30.04.2010 of 5382 MT, previous year 2619 MT)			
		<b>57726</b>	24192

Furnishing of information under paragraph 3(i)(a) and 3(ii)(a) of Part II of Schedule VI of the Companies Act, 1956 is exempted vide Notification No. 301(e) dated 8.2.2011 issued by Ministry of Corporate Affairs, Govt. of India. Accordingly the said information has not been furnished.

		(Rs. in lakhs)	
11. Value of imports during the year calculated on CIF basis:		<b>This Year</b>	Previous Year
Capital goods		---	912.11
Components and spare parts		<b>57.18</b>	469.43

		This Year		Previous Year	
		Rs. in lakhs	%	Rs. in lakhs	%
12. a) Consumption of raw materials: (including consumption during trial runs)					
Imported		Nil	Nil	Nil	Nil
Indigenous		<b>33622.61</b>	<b>100</b>	12082.58	100
b) Consumption of stores during the year (charged to appropriate heads of account):					
Imported		<b>250.62</b>	<b>8</b>	61.42	4
Indigenous		<b>2856.27</b>	<b>92</b>	1561.15	96
		<b>3106.89</b>	<b>100</b>	1622.57	100



**The Andhra Petrochemicals Limited**

(Rs. in lakhs)

	<b>This Year</b>	Previous Year
<b>13. Expenditure in Foreign Currency on account of:</b>		
Technical Services Fee	<b>1132.97</b>	95.46
Bank charges, Subscriptions and cost of services etc.	<b>1.46</b>	3.32
Travelling expenditure (excluding tickets purchased in Indian currency)	<b>5.79</b>	30.46
<b>14. Earnings in Foreign Currency:</b>	<b>Nil</b>	Nil
<b>15. Payments made to Auditors towards:</b>		
Statutory Audit Fees	<b>1.50</b>	1.20
Taxation matters incl. Tax Audit	<b>0.21</b>	1.21
Consultancy and certification	<b>1.28</b>	0.98
Out-of-pocket expenses	<b>0.10</b>	0.23
	<b>3.09</b>	3.62
Cost Audit fees	<b>0.45</b>	0.35
Out-of-pocket expenses	<b>0.08</b>	0.37
	<b>3.62</b>	4.34

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

<b>Per our report of even date</b>	<b>for and on behalf of the Board</b>	
<b>for Brahmayya &amp; Co., Chartered Accountants C V Ramana Rao Partner Membership No.018545</b>	<b>M R B Punja Dr. Mullapudi Harischandra Prasad Dr. Anumolu Ramakrishna  K. Raghu Ram</b>	<b>Chairman Managing Director Director  Manager (Finance) &amp; Asst. Company Secretary</b>
<b>Place : Visakhapatnam Date : 23-5-2011</b>	<b>Visakhapatnam 23-5-2011</b>	

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

I. Registration Details:			
Registration No.	4635		(Rs. in lakhs)
State Code	01		<b>This Year</b> Previous
Balance Sheet Date	31 <sup>st</sup> March, 2011		Year
	(Rs. Thousands)		
II. Capital Raised during the year:			
Public Issue	Nil		
Rights Issue	Nil		
Bonus Issue	Nil		
Private placement	Nil		
III. Position of Mobilisation and Deployment of Funds:			
Total Liabilities	3613482		
Total Assets	3613482		
Source of Funds:			
Paid-up Capital	849716		
Reserves & Surplus	1026605		
Secured Loans	1458804		
Unsecured Loans	Nil		
Deferred Tax Liability	278357		
<b>Total</b>	<b>3613482</b>		
Application of Funds:			
Net Fixed Assets	2573916		
Investments	52631		
Net Current Assets	986935		
Miscellaneous Expenditure	Nil		
Accumulated Losses	Nil		
<b>Total</b>	<b>3613482</b>		
IV. Performance of Company:			
Turnover	4565929		
Increase /(Decrease) of stocks	90279		
Other Income	28965		
Total Expenditure	4166975		
Profit before Tax	518198		
Profit after Tax	356352		
Earning per share in Rs.	4.19		
Dividend rate %	10		

V. Generic names of three principal products/services of Company (As per monetary terms)

Item Code No. (ITC Code)	Product Description
1. 29051600	(Oxo-Alcohols) 2-Ethyl Hexanol
2. 29051300	Normal Butanol
3. 29051409	Iso Butanol

**CASH FLOW STATEMENT FOR  
THE YEAR 2010-2011**

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

Profit/(Loss) for the year		
before extraordinary items:	<b>5181.98</b>	(851.00)
Adjustments for:		
Depreciation	<b>2287.75</b>	1202.81
Interest paid	<b>1689.54</b>	134.93
Interest received	<b>(207.06)</b>	(136.45)
Loss on sale of assets	<b>15.78</b>	16.31
Provision for compensated absences	<b>39.78</b>	(3.43)
Provision for Gratuity	<b>62.04</b>	5.68
Operating Profit before		
Working Capital changes	<b>9069.81</b>	368.85
Inventories	<b>240.34</b>	(106.56)
Trade and other receivables	<b>(537.45)</b>	(19.44)
Trade payables	<b>46.26</b>	178.26
Cash generated from operations	<b>8818.96</b>	421.11
Interest paid	<b>(1689.54)</b>	(134.93)
Income Tax (paid)/refund received	<b>(971.53)</b>	(113.77)
Net Cash generated in operations	<b>6157.89</b>	172.41

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

Additions to Fixed Assets including		
Capital Work In Progress	<b>(1898.88)</b>	(13953.22)
Sale of Fixed Assets	<b>15.75</b>	21.65
Interest received	<b>207.06</b>	136.45
Net Cash used in investing activities	<b>(1676.07)</b>	(13795.12)

**C) Cash Flow from Financing Activities**

Increase in borrowings (net)	<b>235.75</b>	12947.73
Net increase/(decrease) in Cash &		
Cash equivalents (A+B+C)	<b>4717.57</b>	(674.98)
Opening balance of Cash &		
Cash equivalents	<b>999.73</b>	1674.71
Closing balance of Cash &		
Cash equivalents	<b>5717.30</b>	999.73

Per our report of even date  
for Brahmayya & Co.,  
Chartered Accountants  
C V Ramana Rao  
Partner  
Membership No.018545

Place : Visakhapatnam  
Date : 23-5-2011

M R B Punja  
Dr. Mullapudi Harischandra Prasad  
Dr. Anumolu Ramakrishna

K. Raghu Ram

Visakhapatnam  
23-5-2011

for and on behalf of the Board

Chairman  
Managing Director  
Director

Manager (Finance) & Asst. Company Secretary

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

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

Dear Sir,

Sub: **Registration of E-mail**

Regd. Folio No. :

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

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

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

Date:

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

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

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

date: 11.7.2011

Dear Shareholder,

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

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

Format (**Page No.27**) duly filled and signed may please be returned to the Company on or before 5.9.2011.

Thanking you,

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

**The Andhra Petrochemicals Limited**

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

Date:

FOR OFFICE USE ONLY

Ref. No. :

Date :

Dear Sir,

Sub: Payment of Dividend (year 2010-11) [National Electronic Clearing Service (NECS) / Electronic Clearing Service (ECS)]

**NECS / ECS Mandate**

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

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

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

**BANK MANDATE**

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

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

Bank Account Type (Saving Bank / Current / Cash Credit A/c) : \_\_\_\_\_  
Bank Account Number (as mentioned in Cheque Book) : \_\_\_\_\_

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

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

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

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



**THE ANDHRA PETROCHEMICALS LIMITED**

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

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

**PROXY FORM**

Client ID\* .....

DP. ID\* .....

Folio No.....

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

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

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

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

as my/our proxy to attend and vote for me/us and on my/our behalf at the 27<sup>th</sup> ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 22<sup>nd</sup> September, 2011 and at the adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

For office use

Proxy No.:

Date of Receipt:

No. of Shares:

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

Affix 15 Ps.  
Revenue  
Stamp

\* Applicable for investors holding shares in electronic form.

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



**THE ANDHRA PETROCHEMICALS LIMITED**

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

Client ID\* .....

DP. ID\* .....

**ATTENDANCE SLIP \*\***

Folio No.....

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

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

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

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

I hereby register my presence at the 27<sup>th</sup> ANNUAL GENERAL MEETING being held on Thursday, the 22<sup>nd</sup> September, 2011.

.....  
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/ dt. 24.06.2011 / 01.08.2011 to 27.08.2011  
Permitted to post at TANUKU H.P.O.

To

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