

# THE ANDHRA PETROCHEMICALS LIMITED

## Board of Directors

Sri M R B Punja (Chairman)

Dr. Mullapudi Harischandra Prasad  
(Managing Director)

Dr. B B Ramaiah

Sri M Gopalakrishna, I.A.S.,(Retd.)

Sri Indrajit Pal, I.A.S., (from 20.7.2005)

Sri P Nageswara Rao, I.R.S.,(upto 6.6.2005)

Sri Salil Kumar Dutta (Nominee of IDBI)

Sri Justice G Ramanujam (Retd.)

Sri A A Krishnan

Sri P Narendranath Chowdary

Sri M Thimmaraja

## Company's Equity Shares are listed on:

**The Bombay Stock Exchange Ltd.,**

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai - 400 001

Annual Listing Fee for the period 2006-07

has been paid to the Stock Exchange.

## Finance Manager & Asst. Secretary

Sri P V S Viswanadha Kumar

## Auditors

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

## Cost Auditors

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

## Bankers

State Bank of India  
State Bank of Hyderabad  
Andhra Bank

## Registered Office

Venkatarayapuram  
Tanuku - 534 215  
West Godavari Dist.  
Andhra Pradesh  
Tel : 08819 - 224075  
email : andpetrotnk@dataone.in  
info.tnk@theandhrasugars.com  
website: www.andhrapetrochemicals.com

## Factory

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

## R & T Agents

(for electronic connectivity)

M/s. XL Softech Systems Ltd.,  
3, Sagar Society, Road No.2, Banjara Hills  
Hyderabad - 500 034

## Physical Segment

In-house

## NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of THE ANDHRA PETROCHEMICALS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku, West Godavari Dist., A.P., on Thursday, the 21<sup>st</sup> September, 2006 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 31st March, 2006 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M R B Punja who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. B B Ramaiah who retires by rotation and being eligible offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s Brahmayya & Co., Chartered Accountants, Vijayawada, be and are hereby reappointed as Auditors of the Company to hold office till the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors.”

**By Order of the Board**

**Hyderabad Dr. MULLAPUDI HARISCHANDRA PRASAD  
20-07-2006 Managing Director**

Registered Office:  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

### NOTES:

1. 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.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16<sup>th</sup> September, 2006 to 21<sup>st</sup> September, 2006 (both days inclusive).
3. 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.
4. Members who hold shares in dematerialised form are requested to write their client ID and DPID numbers on the Attendance Slip for easy identification of attendance at the Meeting.
5. Particulars of Directors who are proposed to be reappointed at this Meeting as required under Clause 49 of the Listing Agreement:

### Item Nos.2 & 3 of the Notice

2. **Sri M R B Punja**, a Graduate in Faculty of Arts, is former Chairman of IDBI. He has joined the Company Board as Director and Chairman on 21.3.1987. He has wide and varied experience in the areas of Financial Management, Information Systems, Business Restructuring, Commercial, Industrial and General Administration. He is on the Boards of Suprajit Engineering Ltd., and Suprajit Chemicals Pvt. Ltd., as Chairman and on the Boards of Hindoostan Spg., & Wvg., Mills Ltd.; Apollo Tyres Ltd.; Deepak Nitrite Ltd.; Seshasayee Paper & Boards Ltd.; Chowgule Steamships Ltd.; Sushruta Medical Aid & Research Hospital Ltd., and Delite Engineering Pvt. Ltd., as Director. He is also Chairman/Member on the following Committees:

Name of the Company	Name of the Committee	Chairman/Member
Suprajit Engineering Ltd.	Share Transfer Committee	Member
..	Audit Committee	Chairman
Deepak Nitrite Ltd.	Audit Committee	Chairman
Hindoostan Spg., & Wvg., Mills Ltd.	..	Member
Apollo Tyres Ltd.	..	Chairman
..	Remuneration Committee	Member
Seshasayee Paper & Boards Ltd.	Audit Committee	Chairman
..	Remuneration Committee	Member

3. **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 Pub., Admn., (World University). He has over fifty years 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 a Director of The Andhra Petrochemicals Ltd., (APL) since its inception in 1984 except during his ministerial tenure. He is Managing Director (Technical) of The Andhra Sugars Limited and presently Director of Sri Sarvaraya Sugars Ltd.

He is Chairman of the Shareholders/Investors Grievance Committee and Committee of the Board of Directors to issue Duplicate Share Certificates and Member of the Sub-Committee to approve Un-audited Quarterly Financial Results of the Company. Dr. B B Ramaiah is related to Sri P Narendranath Chowdary, Director.

**Hyderabad By Order of the Board  
20-07-2006 Dr. MULLAPUDI HARISCHANDRA PRASAD  
Registered Office: Managing Director  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh**

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting the Twenty Second Annual Report and Statement of Accounts of the Company for the year ended 31st March, 2006.

**FINANCIAL RESULTS: (Rs. in lakhs)**

	2005-2006	2004-2005
Net Sales (excl. of Excise Duty)	19352.25	19712.17
Gross Profit before Interest & Depreciation	2138.80	4141.54
Less: Interest	590.24	866.87
Depreciation	1151.82	1243.66
Net Profit for the year	396.74	2031.01
Provision for:		
Current Tax (MAT)	34.00	162.00
Deferred Tax	133.54	742.22
Fringe Benefit Tax	3.77	0.00
Net Profit after Taxation	225.43	1126.79
Balance of loss brought forward from previous year	(315.94)	(1442.62)
Income Tax refund of / (paid for) earlier years	0.92	(0.11)
Balance of loss carried to Balance Sheet	(89.59)	(315.94)

**MANAGEMENT DISCUSSION AND ANALYSIS:**

**Industry structure and developments:**

The Company's main business is manufacture and sale of Oxo-Alcohols. Your Company is producing around 42,000 MTs per annum. The balance demand is being met by imports. The demand supply gap and the estimated demand growth of 7% to 8% per annum indicates potential to increase plant capacity to better face the competition from increasing imports.

**Operational and Financial Performance:**

Your Company achieved an all time record production of 42,714 MTs and sale of 42,436 MTs of Oxo-Alcohols during the year. Gross income for the year was Rs.22,758.03 lakhs as compared to Rs.23,154.22 lakhs in the previous year.

The Company further improved plant efficiencies through Research and Development.

The financial performance was under severe pressure on account of:

Continuous upward trend in petroleum crude prices resulting in steep increase in the cost of raw-materials and captive power generation cost, without commensurate increase in the end product prices;

The Input Tax Credit on Naphtha, one of the main raw-materials, which was earlier available to the Company, was withdrawn retrospectively by the Government of Andhra Pradesh with effect from 1.4.2005. As Naphtha is used as a raw-material and not as fuel, the Company has filed a Writ Petition in A.P. High Court.

The Company has also initiated steps to instal Uninterrupted Power Supply (UPS) system to feed all essential equipment drives. This will enable the captive D.G sets to be normally shut down and operated only as emergency generators in case of power failure, thereby leading to substantial savings in power cost. These savings are expected from 3<sup>rd</sup> quarter of 2006-07.

**Internal Control System:**

Internal control systems in the Company are continuously reviewed though existing systems are considered adequate. The systems and internal controls are also scrutinised continuously by Internal Audit. The Board Audit Committee meets regularly and reviews Internal Audit Reports and ensures that corrective measures are taken as well as compliance with all regulatory guidelines.

**Human Resources and Industrial Relations:**

The Company has ongoing training programmes to develop Human Resources. The employees are well-motivated due to Company's HR practices. The industrial relations continued to be cordial throughout the year. The Company had 299 employees as on March 31, 2006.

**FUTURE OUTLOOK:**

The entire feedstocks and fuels used by the Company are petroleum products, prices of which are very volatile. The Company also faces increased competition from cheaper imports. The prospects of the industry are dependent on the Government's policies concerning VAT and petroleum prices. However, the Company is endeavouring to reduce costs, including bringing down cost of power and restoration of Input Tax Credit on Naphtha.

**DEPOSITS:**

The Company has not accepted any fixed deposits from Public during the year.

**SAFETY, HEALTH AND ENVIRONMENT:**

Safety, Occupational Health and Environment Protection continue to be accorded high priority and the year was accident-free. Pollution Control systems have been functioning satisfactorily.

**INSURANCE:**

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

**DIRECTORS:**

Sri P Nageswara Rao, I.R.S., APIDC Nominee Director, resigned from 6th June, 2005. The Board places on record its sincere appreciation of the services rendered by him during his tenure as Director.

With effect from 20.7.2005, Sri Indrajit Pal, I.A.S., was inducted as APIDC Nominee Director in the place of Sri P Nageswara Rao on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sri M R B Punja and Dr. B B Ramaiah, Directors of the Company, retire by rotation at the conclusion of 22nd Annual General Meeting and being eligible, offer themselves for reappointment.

**AUDITORS:**

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

**COST AUDITORS:**

The Board with the approval of the Govt. of India, Ministry of Company Affairs, Cost Audit Branch, has appointed M/s Narasimha Murthy & Co., as Cost Auditors for the year ended 31st March, 2006.

**PARTICULARS OF EMPLOYEES:**

There is no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

**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.

**DEMATERIALIZATION OF SHARES:**

As directed by SEBI, Company's shares are traded compulsorily in dematerialised form from September 25, 2000. Up to 31st March, 2006, 5,25,27,429 shares of the Company constituting 61.81% of the total number of shares stand dematerialised.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

It is hereby confirmed:

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

**REPORT ON CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a separate report on Corporate Governance together with a certificate from the Company Auditors on compliance is included as part of the Annual Report.

**ACKNOWLEDGEMENT:**

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, the Promoters - The Andhra Sugars Limited and APIDC, Financial Institutions, Banks, HPCL, Davy Process Technology, Shareholders, Customers and Suppliers. The Directors wish to place on record their appreciation of the dedicated services of the executives and employees at all levels.

Hyderabad  
20-07-2006

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 31st March, 2006.

**A. Conservation of Energy:**

The plant was operated at higher loads and operations were optimised thereby economising on the use of electric power.

**FORM A**

**A. Power and Fuel Consumption:**

	Current Year	Previous Year
<b>1. Electricity:</b>		
<b>a. Purchased</b>		
Units	1,34,27,100	1,33,79,810
Total Amount (Rs.)	3,39,32,890	4,54,84,089
Rate / Unit (Rs.)	2.53	3.40
<b>b. Own generation</b>		
<b>i. Through diesel generator</b>		
Units	1,36,96,690	1,39,31,610
Units per litre of diesel oil	3.77	3.79
Cost / Unit (Rs.)	8.72	6.84
<b>ii. Through steam turbines / generator</b>	N.A	N.A
<b>2. Coal:</b>		
Quantity (Tonnes)	N.A	N.A
Total Amount (Rs.)	N.A	N.A
Average Rate	N.A	N.A
<b>3. a) Furnace Oil:</b>		
Quantity (KL)	184.380	236.467
Total Amount (Rs.)	29,43,942	26,43,224
Average Rate	15,966.71	11,177.98
<b>b) LSHS:</b>		
Quantity (MT)	3,365.135	3,719.625
Total Amount (Rs.)	5,07,26,946	4,47,11,213
Average Rate	15,074.27	12,020.36
<b>4. Others/Internal generation</b>		
Oxo-Alcohol Residue:		
Quantity (MT)	2,786.000	2,201.000
Total Amount (Rs.)	NIL	NIL
Average Rate / MT	NIL	NIL

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

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	675	2.27	684	2.18
N-Butanol	566	1.95	565	1.84
I-Butanol	571	1.97	582	1.89

**B. Technology Absorption :**

**FORM B**

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

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

Implemented improved analytical methods for analysis of minor components in products for better process control and improved efficiencies. Sorted out odour problem in Effluent Treatment Plant. Further improved reliability of plant front end in case of grid power problems.

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

Realised better plant efficiencies and improved environment around the Effluent Treatment Plant.

**3. Future Plan of Action:**

Develop plans to reduce captive power requirement thereby economising on total power cost.

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

The Company has incurred an expenditure of Rs.11.87 lakhs on Research and Development.

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

**1. Efforts made:**

The technology has been fully absorbed and several improvements have been implemented in operating practices.

**2. Benefits:**

The Company has derived benefits through improved productivity and energy conservation.

**III. Imported Technology:**

There is no outgo on this account during the year.

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

(Rs.in Lakhs)

	For the Year ended <b>31-03-2006</b>	For the Year ended 31-03-2005
i. Earnings	<b>NIL</b>	NIL
ii. Outgo	<b>192.07</b>	602.07

**Hyderabad  
20-07-2006**

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

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

I hereby certify that the Company has obtained from all the Members of the Board and Senior Management Personnel affirmations that they have complied with the "Company's Code of Conduct for the Board Members and Senior Management Personnel" for the year 2005-06.

**Dr. MULLAPUDI HARISCHANDRA PRASAD  
Managing Director**

**REPORT ON CORPORATE GOVERNANCE**

**A. MANDATORY REQUIREMENTS:**

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

Your Company firmly believes that observance of the best Corporate Governance practices in all its dealings, operations and actions, ensures enhancement of overall shareholder value and protection of interests of all its stakeholders including government and the community in which it operates.

**2) Board of Directors:**

Board comprises 10 Directors, of whom 9 are Non-executive Directors. 4 of the Non-executive Directors, including Non-executive Chairman, who have wide and varied experience in different disciplines of corporate working, are independent, having no material / pecuniary relationship with the Company.

The composition of the Board is given below:

Name of Director	Promoter, Executive, Non-executive Independent, Non-executive Nominee	No. of other Companies* in which		No. of other Board Committees in which	
		Director / Chairman	Director & Chairman	Member / Member & Chairman	Member & Chairman
Shri M R B Punja, Chairman	Non-executive, Independent	7	2	4	4
Dr. Mullapudi Harischandra Prasad Managing Director	Executive, Promoter Group	1	7	1	5
Dr. B B Ramaiah	Non-executive, Promoter Group	2	—	—	—
Shri M Gopalakrishna I.A.S.(Retd.)	Non-executive, Promoter Group	4	2	—	—
Shri Indrajit Pal, I.A.S. (from 20.7.2005)	Non-executive, Promoter Group	3	3	—	—
Shri P Nageswara Rao, I.R.S. (up to 6.6.2005)	Non-executive, Promoter Group	3	—	—	—
Shri Salil Kumar Dutta (Nominee of IDBI as Lender)	Non-executive, Independent	—	—	—	—
Shri Justice G Ramanujam (Retd.)	Non-executive, Independent	6	—	2	3
Shri A A Krishnan	Non-executive, Independent	2	—	—	—
Shri P Narendranath Chowdary	Non-executive, Promoter Group	6	—	3	—
Shri M Thimmaraja	Non-executive, Promoter Group	2	—	4	—

\* including private limited companies

**Attendance of Directors at Board Meetings and Annual General Meeting:**

The meetings of the Board of Directors are generally held at Hyderabad. The notice of the meeting along with the detailed agenda is sent in advance to all the Directors and Senior Managers of the Company who are invited to attend the meetings, to make presentations and provide clarifications as may be required.

4 Board Meetings were held in the last Financial Year 2005-06 on the following dates:

22.4.2005, 20.7.2005, 22.10.2005 and 20.1.2006.

Last Annual General Meeting (AGM) was held on 23.9.2005.

**Attendance of each Director at the Board Meetings and last AGM:**

Name of Director	Attendance at	
	Board Meetings	A.G.M
Shri M R B Punja	4	—
Dr. Mullapudi Harischandra Prasad	4	√
Dr. B B Ramaiah	3	√
Shri M Gopalakrishna, I.A.S.(Retd.)	4	√
Shri P Nageswara Rao, I.R.S. (up to 6.6.2005)	1	—
Shri Indrajit Pal, I.A.S. (from 20.7.2005)	3	—
Shri Salil Kumar Dutta	4	—
Shri Justice G Ramanujam (Retd.)	3	—
Shri A A Krishnan	4	—
Shri P Narendranath Chowdary	3	√
Shri M Thimmaraja	4	√

In the absence of Shri Justice G Ramanujam (Retd.), Chairman of the Audit Committee, Shri M Gopalakrishna, I.A.S.(Retd.), a member of the Committee, was authorised to be present at the Annual General Meeting to answer queries of the shareholders.

**3) Board Audit Committee:**

The Board has constituted an Audit Committee to comply with the requirements of applicable provisions of listing agreement and the Companies Act, 1956.

The Board Audit Committee comprises Shri Justice G Ramanujam (Retd.) as Chairman and Shri M Gopalakrishna, I.A.S. (Retd.), Shri A A Krishnan and Shri Salil Kumar Dutta as Members.

Shri Justice G Ramanujam (Retd.), Shri A A Krishnan and Shri Salil Kumar Dutta are Non-executive and Independent Directors with legal, securities, marketing, corporate management and petrochemical expertise. Shri M Gopalakrishna, I.A.S (Retd.) belonging to promoter group, APIDC, is a Non-executive Director with corporate financial and administrative experience.

4 Audit Committee Meetings were held in the year 2005-06 on 22.4.2005, 20.7.2005, 22.10.2005 and 20.1.2006.

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

Name of the Member Director	No.of Meetings attended
Shri Justice G Ramanujam (Retd.)	3
Shri M Gopalakrishna I.A.S.(Retd.)	4
Shri Salil Kumar Dutta	4
Shri A A Krishnan	4

Statutory, Internal and Cost Auditors and Senior Managers are invited to attend the meetings.

Broad terms of reference of the Audit Committee:

- Approving and implementing the audit procedures and techniques.
- Reviewing audit reports of statutory, internal and cost auditors with auditors, management and Senior Managers.

- Reviewing financial reporting systems, internal control systems and procedures.
- Ensuring compliance with regulatory guidelines.

**4) Details of sitting fees paid to the Directors during the year 2005-06:**

Shri M R B Punja - Rs.4,000; Shri M Gopalakrishna, I.A.S (Retd.) - Rs.8,000; Shri P Nageswara Rao, I.R.S - Rs.1,000 (Upto 6.6.2005); Shri Indrajit Pal, I.A.S - Rs.3,000; Shri Salil Kumar Dutta - Rs.8,000; Shri Justice G Ramanujam (Retd.) - Rs.6,000 and Shri A A Krishnan - Rs.8,000.

**5) Details of Equity Shares of the Company held by Non-executive Directors as on 31<sup>st</sup> March, 2006:**

Sl.No	Name of the Non-executive Director	No.of shares
1.	Shri M R B Punja	1400
2.	Dr. B B Ramaiah	10975
3.	Shri Justice G Ramanujam (Retd.)	160
4.	Shri P Narendranath Chowdary	4216
5.	Shri M Thimmaraja	1580

**6) Shareholders / Investors Grievance Committee:**

It comprises Dr. B B Ramaiah as Chairman and Shri P Narendranath Chowdary and Shri M Thimmaraja as Members. Shri P V S Viswanadha Kumar, Finance Manager & Asst. Secretary is the Compliance Officer.

**Investor Complaints received during the year ended 31.3.2006:**

No. of shareholders complaints received	:	78
No. of complaints not resolved to the satisfaction of the shareholders	:	Nil
No. of pending share transfers (as at 31.3.2006)	:	Nil

**7) Details of General Body Meetings:**

- i. The last three Annual General Meetings were held at the Regd. Office, Venkatarayapuram, Tanuku.

Year	Date & Time
2003	30 <sup>th</sup> September, 2003, 3.00 p.m.
2004	30 <sup>th</sup> September, 2004, 3.00 p.m.
2005	23 <sup>rd</sup> September, 2005, 3.00 p.m.

- ii. No special resolution was required to be put through Postal Ballot at the above meetings.

**8) Disclosures:**

- i. Transaction of material nature has not been carried out by the Company with Directors or Managers and their relatives etc., that may have potential conflict with the interest of the Company at large. The Register of Contracts containing transactions in which Directors are interested, is placed before the Board regularly.
- ii. No penalties or strictures were imposed on the Company for non-compliance by Stock Exchange / SEBI or any authority on any matter related to capital markets during last 3 years.
- iii. Insider Trading Regulations:

In accordance with SEBI (Prohibition of Insider Trading) Regulations, as amended on 20th February, 2002, the Company has formulated "The Andhra Petrochemicals Ltd., Code of Conduct for Prohibition of Insider Trading".

**9) Means of Communication:**

- i. Quarterly financial results, which are published in two Newspapers, i.e., Business Line (English) and Andhra Bhoomi (Telugu), are forwarded to listed stock exchange. They are also displayed on the Website of the Company, i.e., www.andhrapetrochemicals.com as well as on the SEBI's Website www.sebidifan.nic.in.

**The Andhra Petrochemicals Limited**

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.

**10) General Shareholder information:**

i) Annual General Meeting:

— Date and Time : September 21, 2006 at 3.00 p.m  
 — Venue : Regd. Office:  
 Venkatarayapuram  
 TANUKU - 534215  
 W.G.District  
 Andhra Pradesh

ii) Financial Year : 1.4.2005 to 31.3.2006

iii) Date of Book Closure : 16.09.2006 to 21.09.2006  
 (both days inclusive)

iv) Listing on Stock Exchange and Stock Code:

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

v) Market price data : High / low price of Company  
 Equity Shares on The Bombay  
 Stock Exchange Ltd., Mumbai  
 during each month of the  
 financial year 2005-2006.

Month	High Rs. Ps.	Low Rs. Ps.
April, 2005	17.35	14.95
May, 2005	16.36	14.74
June, 2005	16.35	14.15
July, 2005	17.56	14.17
August, 2005	19.15	15.85
September, 2005	20.50	15.45
October, 2005	16.00	12.45
November, 2005	16.05	12.60
December, 2005	14.53	12.86
January, 2006	15.30	13.61
February, 2006	13.28	11.61
March, 2006	11.72	9.01

vi) Share Transfer System :

Shares in physical mode are transferred and returned within the statutory time limit from the date of receipt if the documents are in order. Share transfers are approved

weekly. Transfer of shares in physical mode is attended 'IN-HOUSE'. Dematerialisation of shares is attended by M/s XL Softech Systems Ltd., Hyderabad.

vii) Distribution of shareholding as at 31<sup>st</sup> March, 2006:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	30676181	36.10
2	Financial Institutions	2219679	2.61
3	Mutual Funds	13500	0.02
4	Banks	1737	—
5	Foreign Institutional Investors	310625	0.37
6	Non-Resident Indians	159630	0.19
7	Bodies Corporate	6095347	7.17
8	Public	45494901	53.54
	Total:	84971600	100.00

viii) 5,25,27,429 shares are dematerialised as of 31<sup>st</sup> March, 2006:

National Securities Depository Ltd., : 4,39,94,006 shares  
 Central Depository Services Ltd., : 85,33,423 shares

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

x) Address for correspondence :  
 Finance Manager & Asst. Secretary  
 The Andhra Petrochemicals Ltd.,  
 Venkatarayapuram  
 TANUKU - 534215  
 West Godavari District  
 Andhra Pradesh  
 Phone No. 08819 - 224075  
 e-mail : andpetrotnk@dataone.in  
 info.tnk@theandhrasugars.com

**B. Non-mandatory Requirements:**

The Company has not adopted any of the non-mandatory requirements mentioned in Clause 49 of the Listing Agreement.

**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, 2006, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

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

**for BRAHMAYYA & CO.,  
 Chartered Accountants  
 C V RAMANA RAO  
 Partner  
 Membership No.018545**

**Camp : Hyderabad  
 Date : 20-07-2006**

**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 31st March, 2006, 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 31st March, 2006.
    - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
    - iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.
  - f) On the basis of written representations received from the Directors as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

**Camp : Hyderabad**  
**Date : 20-07-2006**

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

- i.
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
  - b) The Fixed Assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
  - c) The Fixed Assets disposed off by the Company during the year do not form a substantial part thereof.
- ii.
  - a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
  - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii.
  - a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties 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, or other parties to whom the provisions of Section 301 of the Companies Act apply. Accordingly, clauses 4(iii), f, g and h 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.

## *The Andhra Petrochemicals Limited*

- 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, Customs 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, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it were in arrears as at 31st March 2006 for a period of more than six months from the date they became payable.
- c) As at 31<sup>st</sup> March 2006, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income Tax, Wealth Tax, Service Tax, Excise Duty and Cess, except disputed Income Tax under Income Tax Act of Rs.131.93 lakhs pending before the Income Tax Appellate Tribunal.
- x. The accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. The Company has not defaulted in payment of any loan instalment or interest in respect of term loans from Financial Institutions and Banks.
- xii. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the Clause 4(xii) of the order is not applicable.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly the clause 4 (xiii) of the order is not applicable.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other instruments. Accordingly the Clause 4(xiv) of the order is not applicable.
- xv. The Company has not given any guarantee for loans taken by others from Banks or Financial Institutions. Accordingly the Clause 4(xv) of the order is not applicable.
- xvi. In our opinion, the Term Loans have been applied for the purposes for which they were raised.
- xvii. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. During the year, the Company has not made any allotment of shares. Accordingly the Clause 4(xviii) of the order is not applicable.
- xix. The Company has not issued any debentures so far. Accordingly the Clause 4(xix) of the order is not applicable.
- xx. During the year, the Company has not raised money by Public Issue. Accordingly the Clause 4(xx) of the order is not applicable.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

**Camp : Hyderabad  
Date : 20-07-2006**

## **Accounting Policies**

### **1. General:**

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

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

Fixed assets are stated at cost net of Modvat / Cenvat / Vat and less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of all expenses incurred to bring them to usable condition.

### **3. Inventories:**

Inventories are valued at the lower of the cost (net of Cenvat / Vat Credit) or net realisable value (except scrap / waste which are valued at net realisable value). Cost is computed on 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.

### **4. Sales:**

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

### **5. Retirement Benefits:**

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

### **6. 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.

### **7. 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 31st March, 2006

(Rs. in lakhs)

	Schedule No	As at 31-03-2006	As at 31-03-2005
<b>I. SOURCES OF FUNDS:</b>			
<b>1. Shareholders' Funds:</b>			
a) Share Capital	1	8497.16	8497.16
b) Reserves and Surplus	2	436.00	436.00
		<u>8933.16</u>	<u>8933.16</u>
<b>2. Deferred Tax</b>		315.50	181.96
<b>3. Loan Funds:</b>			
a) Secured Loans	3	2996.38	4288.23
b) Unsecured Loans	4	500.00	900.00
		<u>3496.38</u>	<u>5188.23</u>
TOTAL		<u>12745.04</u>	<u>14303.35</u>
<b>II. APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets:</b>			
a) Gross Block	5	22529.71	22496.66
b) Less: Depreciation		13939.76	12788.48
c) Net Block		8589.95	9708.18
d) Capital Work-in-progress		110.83	0.00
		<u>8700.78</u>	<u>9708.18</u>
<b>2. Investments</b>	6	526.31	526.31
<b>3. Current Assets, Loans and Advances:</b>			
a) Inventories	7	2055.13	1968.80
b) Sundry Debtors	8	271.81	1420.38
c) Cash and Bank Balances	9	578.58	504.80
d) Interest Receivable		3.72	3.82
e) Loans and Advances	10	941.41	359.90
		<u>3850.65</u>	<u>4257.70</u>
Less:			
a) Current Liabilities	11	377.50	458.37
b) Provisions	12	44.79	46.41
Net Current Assets		<u>3428.36</u>	<u>3752.92</u>
<b>4. Profit and Loss Account</b>		89.59	315.94
TOTAL		<u>12745.04</u>	<u>14303.35</u>
Significant Accounting Policies and Notes on Accounts	18		

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

Camp: HYDERABAD  
Date : 20-07-2006

For and on behalf of the Board  
M R B Punja  
Dr. Mullapudi Harischandra Prasad  
M Gopalakrishna, I.A.S. (Retd.)  
P V S Viswanadha Kumar  
Chairman  
Managing Director  
Director  
Finance Manager & Asst. Secretary

HYDERABAD  
20-07-2006

**Profit and Loss Account for the Year ended 31st March, 2006**

(Rs. in lakhs)

	Schedule No	This Year	Previous Year
<b>Income:</b>			
Sales		<b>22579.33</b>	22958.13
Less: Excise Duty collected		<b>3227.08</b>	3245.96
		<b>19352.25</b>	19712.17
Accretion to/(decretion in) stocks	13	<b>111.92</b>	(564.50)
Other Income	14	<b>178.70</b>	196.09
		<b>19642.87</b>	19343.76
<b>Expenditure:</b>			
Raw Materials consumed		<b>13973.69</b>	11931.69
Payments and Benefits to Employees	15	<b>553.95</b>	471.88
Other Expenses	16	<b>2976.43</b>	2798.65
Interest	17	<b>590.24</b>	866.87
Depreciation	5	<b>1151.82</b>	1243.66
		<b>19246.13</b>	17312.75
Profit before Taxation		<b>396.74</b>	2031.01
Less : Provision for:			
Current Tax (MAT)		<b>34.00</b>	162.00
Deferred Tax		<b>133.54</b>	742.22
Fringe Benefit Tax		<b>3.77</b>	0.00
Profit after Taxation		<b>225.43</b>	1126.79
Loss Brought forward from previous year		<b>(315.94)</b>	(1442.62)
Income Tax paid for earlier years		<b>0.00</b>	0.11
Excess provision for Income Tax written back		<b>0.92</b>	0.00
Balance of Loss carried forward to next year		<b>(89.59)</b>	(315.94)
Earnings per Equity Share of Rs.10/- each (Basic & Diluted)		<b>0.27</b>	1.33

Significant Accounting Policies and

Notes on Accounts 18

<b>Per our report of even date</b>	<b>For and on behalf of the Board</b>	
<b>For Brahmayya &amp; Co.,</b>	<b>M R B Punja</b>	<b>Chairman</b>
<b>Chartered Accountants</b>	<b>Dr. Mullapudi Harischandra Prasad</b>	<b>Managing Director</b>
<b>C V Ramana Rao</b>	<b>M Gopalakrishna, I.A.S. (Retd.)</b>	<b>Director</b>
<b>Partner</b>		
<b>Membership No.018545</b>	<b>P V S Viswanadha Kumar</b>	<b>Finance Manager &amp; Asst. Secretary</b>
<b>Camp : HYDERABAD</b>	<b>HYDERABAD</b>	
<b>Date : 20-07-2006</b>	<b>20-07-2006</b>	

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

	(Rs. in lakhs)	
	As at 31-03-2006	As at 31-03-2005
<b>Share Capital:</b>		<b>SCHEDULE – 1</b>
Authorised:		
8,50,00,000 Equity Shares of Rs.10/- each	<u>8500.00</u>	<u>8500.00</u>
Issued, Subscribed and Paid-up:		
8,49,71,600 Equity Shares of Rs.10/- each fully paid-up	<u>8497.16</u>	<u>8497.16</u>
Total	<u>8497.16</u>	<u>8497.16</u>
<b>Reserves and Surplus:</b>		<b>SCHEDULE – 2</b>
Share Premium	412.63	412.63
Capital Reserve *	23.37	23.37
Total	<u>436.00</u>	<u>436.00</u>
* Represents the cessation of liability on one time settlement of Term Loans.		
<b>Secured Loans:</b>		<b>SCHEDULE – 3</b>
A) Rupee Term Loans from:		
IDBI	1672.68	2118.71
IFCI	765.11	969.14
LIC	104.79	132.74
Sub-Total (A)	<u>2542.58</u>	<u>3220.59</u>
B) Working Capital Loans from Banks		
in Foreign Currency	358.88	351.84
in Rupees	94.92	715.80
Sub-Total (B)	<u>453.80</u>	<u>1067.64</u>
Total (A + B )	<u>2996.38</u>	<u>4288.23</u>
<b>Unsecured Loans:</b>		<b>SCHEDULE – 4</b>
Short-term Loan from a Bank	500.00	900.00
Total	<u>500.00</u>	<u>900.00</u>

**Fixed Assets:**

**SCHEDULE – 5**

(Rs.in lakhs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.3.2005	Additions	Deductions	Cost as at 31.3.2006	Upto 31.3.2005	For the year	On deductions	Upto 31.3.2006	As at 31.3.2006	As at 31.3.2005
1.	Land	9.07	0.00	0.00	9.07	0.00	0.00	0.00	0.00	9.07	9.07
2.	Buildings *	1169.03	0.00	0.00	1169.03	293.93	26.75	0.00	320.68	848.35	875.10
3.	Plant & Machinery	21204.03	8.69	0.00	21212.72	12402.88	1117.39	0.00	13520.27	7692.45	8801.15
4.	Furniture & Office Equipment	96.30	24.97	0.61	120.66	74.34	7.68	0.54	81.48	39.18	21.96
5.	Vehicles	18.23	0.00	0.00	18.23	17.33	0.00	0.00	17.33	0.90	0.90
	<b>Total</b>	<b>22496.66</b>	<b>33.66</b>	<b>0.61</b>	<b>22529.71</b>	<b>12788.48</b>	<b>1151.82</b>	<b>0.54</b>	<b>13939.76</b>	<b>8589.95</b>	<b>9708.18</b>
	Previous year total	22482.82	15.92	2.08	22496.66	11546.46	1243.66	1.64	12788.48	9708.18	10936.36

\* Constructed on Lease-hold Land.

(Rs. in lakhs)

**As at 31-03-2006** As at 31-03-2005

**Investments:**

**SCHEDULE – 6**

Investment at Cost:

Long-term Non -Trade:

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

**526.31** 526.31

Total

**526.31** 526.31

**Inventories (as certified by the Management):**

**SCHEDULE – 7**

Stores and Spares

**1094.67** 1052.24

Stores-in-transit

**1.31** 0.02

Raw Materials

**157.85** 237.68

Work-in-process

**191.64** 229.84

Finished Goods

**609.66** 449.02

Total

**2055.13** 1968.80

*The Andhra Petrochemicals Limited*

(Rs. in lakhs)

As at 31-03-2006 As at 31-03-2005

**Sundry Debtors (unsecured):**

**SCHEDULE – 8**

Outstanding for a period exceeding six months and considered doubtful	5.25	5.25
Other debts, considered good	271.81	1420.38
	<u>277.06</u>	<u>1425.63</u>
Less: Provision for doubtful debts	5.25	5.25
Total	<u>271.81</u>	<u>1420.38</u>

**Cash and Bank Balances:**

**SCHEDULE – 9**

Cash on hand	1.52	1.42
Cheques on hand	184.11	106.74
At Scheduled Banks:		
In Current Accounts	387.76	381.45
In Margin Money Deposits	5.19	15.19
Total	<u>578.58</u>	<u>504.80</u>

**Loans and Advances:**

**SCHEDULE – 10**

(Unsecured, considered good and recoverable in cash or kind or for value to be received)		
Advances recoverable	253.18	166.86
Pre-paid Expenses	65.02	32.21
Claims Recoverable	504.16	0.00
Deposit with Excise Authorities	20.03	54.36
Other Deposits Recoverable	76.70	98.84
Income Tax refund receivable	3.22	7.43
Income Tax paid under protest	11.12	0.00
Advance Income Tax paid including Tax Deducted at Source (net of provision)	7.98	0.20
Total	<u>941.41</u>	<u>359.90</u>

**Current Liabilities:**

**SCHEDULE – 11**

Sundry Creditors	265.50	268.44
Other Liabilities	6.61	84.76
Advances received against Sales	91.69	89.36
Trade Deposits	5.00	5.00
Interest accrued but not due on term loans	8.70	10.81
Total	<u>377.50</u>	<u>458.37</u>

Amount due and withheld to be credited to Investor Education and Protection Fund is Rs. nil (Previous Year - Rs. Nil).

**Provisions:**

**SCHEDULE – 12**

Provision for Leave Encashment	44.79	46.41
Total	<u>44.79</u>	<u>46.41</u>

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

(Rs. in lakhs)

	This Year	Previous Year
<b>Accretion to / (Decretion in) Stocks: SCHEDULE – 13</b>		
<b>A) Closing Stock:</b>		
Finished Goods	609.66	449.02
Work-in-process	191.64	229.84
Total (A)	801.30	678.86
<b>B) Opening Stock:</b>		
Finished Goods	449.02	1118.62
Work-in-process	229.84	225.96
Less: Input Tax Credit claimed on Inputs:		
In Finished Goods	(11.87)	0.00
In Work-in-process	(8.71)	0.00
Total (B)	658.28	1344.58
Add: (Increase) / Decrease in Excise Duty on Stocks (C)	(31.10)	101.22
Accretion to/(Decretion in) Stocks (A+B+C)	111.92	(564.50)
<b>Other Income: SCHEDULE – 14</b>		
Interest received (TDS Rs.14.98 lakhs, Previous Year – Rs.11.20 lakhs)	164.69	172.59
Miscellaneous Receipts	13.59	15.30
Provisions no longer required	0.42	7.95
Deposits forfeited	0.00	0.25
Total	178.70	196.09
<b>Payments and Benefits to Employees: SCHEDULE – 15</b>		
Salaries, Allowances and Bonus	465.98	393.78
Contribution to Provident and other funds	39.56	36.96
Staff welfare expenses	48.41	41.14
Total	553.95	471.88

*The Andhra Petrochemicals Limited*

(Rs.in lakhs)

**This Year**      Previous Year

**Other Expenses:**

**SCHEDULE – 16**

Stores & Spares and Packing Materials consumed	<b>361.67</b>	399.77
Power and Fuel	<b>1984.05</b>	1804.09
Insurance	<b>44.54</b>	46.78
Taxes and Licences	<b>4.29</b>	3.96
Repairs to Buildings	<b>13.81</b>	7.20
Repairs to Machinery	<b>294.68</b>	237.71
Repairs to Other Assets	<b>3.14</b>	2.62
Commission on sales	<b>1.98</b>	2.96
Cash discount on sales	<b>155.76</b>	185.46
Rent paid	<b>16.18</b>	12.19
Directors' Fee and expenses	<b>3.93</b>	3.14
Payments to Auditors (Vide Note No.19 of Schedule-18)	<b>1.67</b>	1.63
Miscellaneous Expenses	<b>90.71</b>	91.08
Loss on Sale of Assets	<b>0.01</b>	0.06
Assets written off	<b>0.01</b>	0.00
Total	<b>2976.43</b>	2798.65

**Interest:**

**SCHEDULE – 17**

On Fixed Loans	<b>394.96</b>	639.46
To Banks and Others	<b>195.28</b>	227.41
Total	<b>590.24</b>	866.87

Notes forming part of the Accounts

SCHEDULE - 18

	(Rs. in lakhs)	
	This Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances & letters of credits opened)	260.65	100.52
<b>2. Contingent Liabilities not provided for:</b>		
i. Bills discounted	2922.22	1571.30
ii. Disputed Excise Demands	--	4.15
iii. Grid support charges claimed by A.P.Transco - disputed by the Company	98.20	68.05
iv. Demand by EPDC of A.P Ltd., towards differential electricity charges - contested by the Company	573.84	0.00
v. Disputed Income Tax demands (Rs.11.12 lakhs paid under protest has been grouped under Loans & Advances)	143.05	0.00
vi. Claims against the company by suppliers and contractors not acknowledged as debts	27.77	26.87
3. Claims recoverable includes Rs.504.16 lakhs being the Input Tax Credit on Naphtha, which was earlier available to the Company withdrawn retrospectively by the State Government of Andhra Pradesh w.e.f. 1.4.2005 vide its Notification G.O.Ms.No.2201 Revenue (CT-II) Department dated 29.12.2005. As Naphtha is used as Raw Material and not as fuel, the company filed a writ petition in Hon'ble High Court of Andhra Pradesh seeking suspension of the G.O. under Section 78(1) of A.P. Value Added Tax Act. Pending the decision in the writ petition, the claim is considered as recoverable.		
<b>4. Secured Loans:</b>		
<b>A. Term Loans:</b>		
All are secured by pari passu charge, by mortgage of the Company's immovable properties and hypothecation of movable assets including movable machinery, present and future. The loans are further secured by a floating charge on all the remaining movable assets, subject to charge in favour of Company's bankers on specified movables towards working capital facilities.		
In respect of the foreign currency term loans taken from Indian financial institutions, each of the lending institutions shall have the right to convert, at their option, 20% of rupee equivalent of the defaulted amount of instalment or interest thereon or any combination thereof into fully paid up equity shares of the company, at par in manner specified in a notice in writing to be given by the "Lead Institution".		
In respect of rupee term loans taken from financial institutions, each of the lending institutions shall have the right to convert, at their option, upto an aggregate amount of Rs.165.14 lakhs or outstanding amount whichever is lower, into fully paid up equity shares of the Company, at par, at any time during the currency of the loan.		
<b>B. Working Capital Loans from Banks:</b>		
Secured by the hypothecation of raw materials, semi-finished goods, finished goods, stores and spares and book debts and also collaterally secured by second charge on the fixed assets, both present and future, of the Company.		
5. There are no dues to Small Scale Industrial Undertakings to the extent such parties have been identified from the information available with the Company.		
6. The Company operates only in one business segment being the manufacture of Oxo-Alcohols and there is no geographical segments to be reported.		
7. Details of related party transactions as per AS-18 issued by the Institute of Chartered Accountants of India:		
I. List of related parties:		
A. Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate: The Andhra Sugars Limited		
B. Key Management Personnel: Dr.Mullapudi Harischandra Prasad, Managing Director		
C. Enterprises on which Key Management Personnel exercise significant influence:		
1. Sree Akkamamba Textiles Ltd.,		
2. The Andhra Farm Chemicals Corporation Ltd.,		
3. Royal Printing Works		

II. Transactions with the related parties:

(Rs. in lakhs)

Particulars	Investing party in respect of which The Andhra Petrochemicals Ltd., is an associate	Key Management Personnel	Enterprises on which Key Management Personnel exercise significant influence
Purchase of goods from	<b>23.76</b> (22.13)	<b>NIL</b> (NIL)	<b>1.81</b> (1.81)
Purchase of Capital Asset from	<b>NIL</b> (5.18)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)
Services rendered by	<b>0.34</b> (0.41)	<b>NIL</b> (NIL)	<b>2.60</b> (2.70)

Figures in brackets are in respect of previous year.

<b>8. Earnings per Share (EPS):</b>		<b>This Year</b>	Previous Year
a) Net Profit available to Shareholders (Rs.)		<b>22634489</b>	112668370
b) Weighted average No. of Equity Shares used as denominator for calculating EPS		<b>84971600</b>	84971600
c) Basic and diluted earnings per Equity Share of Rs.10/- each (Rs.)		<b>0.27</b>	1.33
<b>9. Major components of deferred tax assets and liabilities arising on account of timing difference are:</b>		<b>This Year</b>	Previous Year
			Rs. in lakhs
Liabilities:			
Difference between tax and book depreciation		<b>2561.15</b>	<u>2896.85</u>
Assets:			
Unabsorbed depreciation under Income Tax Act		<b>2231.37</b>	2704.59
Items covered under Section 43B of Income Tax Act		<b>12.51</b>	8.53
Provision for doubtful debts		<b>1.77</b>	<u>1.77</u>
		<b>2245.65</b>	<u>2714.89</u>
Deferred Tax Liability		<b>315.50</b>	<u>181.96</u>
<b>10. According to a technical assessment carried out by the Company, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard – 28 (AS – 28), issued by the Institute of Chartered Accountants of India.</b>			
<b>11. Particulars of capacity and production:</b>		<b>This Year</b>	Previous Year
		<b>MT</b>	<b>MT</b>
a) Licenced and installed capacity:			
Oxo-Alcohols			
Licenced		<b>30000 P.A</b>	30000 P.A
Installed			
(As certified by the management)		<b>39000 P.A</b>	39000 P.A
b) Production:			
Oxo-Alcohols		<b>42714</b>	42606
		<b>This Year</b>	Previous Year
	<b>Quantity in</b>	<b>Value</b>	<b>Quantity in</b>
	<b>MTs</b>	<b>Rs. in lakhs</b>	<b>MTs</b>
<b>12. Sales:</b>			
Oxo-Alcohols	<b>42436</b>	<b>22579.33</b>	44525
Sale Value includes Excise Duty recovered		<b>3227.08</b>	3245.96
<b>13. Opening &amp; Closing Stock of Finished Goods:</b>			
a) Opening Stock			
Oxo-Alcohols	<b>908</b>	<b>437.15</b>	2827
b) Closing Stock			
Oxo-Alcohols	<b>1186</b>	<b>609.66</b>	908
<b>14. Raw Materials consumed:</b>			
Propylene (MT)	<b>32075</b>	<b>10504.53</b>	32593
Naphtha (KL)	<b>19623</b>	<b>3469.16</b>	20621
		<b>13973.69</b>	<u>11931.69</u>

		Rs. in lakhs			
		This Year		Previous Year	
<b>15. Value of imports during the year calculated on CIF basis:</b>					
Capital goods		NIL		NIL	
Components and spare parts		191.58		171.39	
		This Year		Previous Year	
		Rs. in lakhs	%	Rs. in lakhs	%
<b>16.</b>	a) Consumption of raw materials:				
	Imported	NIL	NIL	NIL	NIL
	Indigenous	13973.69	100	11931.69	100
	b) Consumption of stores during the year (charged to appropriate heads of account):				
	Imported	82.57	4	205.64	11
	Indigenous	2026.55	96	1611.25	89
		<u>2109.12</u>	<u>100</u>	<u>1816.89</u>	<u>100</u>
		(Rs. in lakhs)			
		This Year	Previous Year		
<b>17. Expenditure in foreign currency on account of:</b>					
Interest				24.61	35.11
Bank charges, Subscriptions and cost of services etc.				1.11	1.06
<b>18. Earnings in Foreign Currency:</b>					
				NIL	NIL
<b>19. Payments made to Auditors towards:</b>					
Statutory Audit Fees				0.60	0.60
Taxation matters incl. Tax Audit				0.09	0.09
Consultancy and certification				0.64	0.63
Out-of-pocket expenses and Service Tax				0.05	0.05
				<u>1.38</u>	<u>1.37</u>
Cost Audit fees				0.20	0.15
Certification				0.04	0.06
Out-of-pocket expenses and Service Tax				0.05	0.05
				<u>1.67</u>	<u>1.63</u>
<b>20. Figures have been rounded off to the nearest thousand. Previous year's figures have been regrouped wherever necessary.</b>					

<b>Per our report of even date</b>	<b>For and on behalf of the Board</b>		
<b>For Brahmayya &amp; Co.,</b>	<b>M R B Punja</b>	<b>Chairman</b>	
<b>Chartered Accountants</b>	<b>Dr. Mullapudi Harischandra Prasad</b>	<b>Managing Director</b>	
<b>C V Ramana Rao</b>	<b>M Gopalakrishna, I.A.S. (Retd.)</b>	<b>Director</b>	
<b>Partner</b>			
<b>Membership No.018545</b>	<b>P V S Viswanadha Kumar</b>	<b>Finance Manager &amp; Asst. Secretary</b>	
<b>Camp : HYDERABAD</b>	<b>HYDERABAD</b>		
<b>Date : 20-07-2006</b>	<b>20-07-2006</b>		

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

**CASH FLOW STATEMENT FOR  
THE YEAR 2005-2006**

I. Registration Details:	
Registration No.	4635
State Code	01
Balance Sheet Date	31st March, 2006

(Rs. in lakhs)  
**This Year** Previous Year

(Rs. in 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	1274504
Total Assets	1274504

Source of Funds:	
Paid-up Capital	849716
Reserves & Surplus	43600
Deferred Tax Liability	31550
Secured Loans	299638
Unsecured Loans	50000
<b>Total</b>	<b>1274504</b>

Application of Funds:	
Net Fixed Assets	870078
Investments	52631
Deferred Tax Asset	--
Net Current Assets	342836
Miscellaneous Expenditure	--
Accumulated Losses	8959
<b>Total</b>	<b>1274504</b>

IV. Performance of Company:	
Turnover	1935225
Accretion/(Decretion) to stocks	11192
Other Income	17870
Total Expenditure	1924613
Profit before Tax	39674
Profit after Tax	22635
Earning/(Loss) per share in Rs.	0.27
Dividend rate %	Nil

V. Generic names of three principal products/services of Company (As per monetary terms)		
<b>Item Code No.(ITC Code)</b>	<b>Product Description</b>	
	(Oxo-Alcohols)	
1. 29051600	2-Ethyl Hexanol	
2. 29051300	Normal Butanol	
3. 29051409	Iso Butanol	

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

Profit / (Loss) for the year before extraordinary items:	<b>396.74</b>	2031.01
Adjustment for:		
Depreciation	<b>1151.82</b>	1243.66
Interest paid	<b>590.24</b>	866.87
Interest received	<b>(164.69)</b>	(172.59)
Loss on sale of assets	<b>0.01</b>	0.06
Assets written off	<b>0.01</b>	0.00
Provision for leave encashment	<b>(1.62)</b>	6.23
Operating profit before Working Capital changes	<b>1972.51</b>	3975.24
Inventories	<b>(86.33)</b>	562.79
Trade and other receivables	<b>581.85</b>	(1358.98)
Trade payables	<b>(80.87)</b>	(20.81)
Cash generated from operations	<b>2387.16</b>	3158.24
Interest paid	<b>(590.24)</b>	(866.87)
Income Tax (paid)/refund received	<b>(51.54)</b>	(104.68)
Net Cash generated in operations	<b>1745.38</b>	2186.69

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

Purchase of Fixed Assets	<b>(144.50)</b>	(15.92)
Sale of Fixed Assets	<b>0.06</b>	0.38
Purchase of Investments	--	(526.31)
Interest received	<b>164.69</b>	172.59
Net Cash used in investing activities	<b>20.25</b>	(369.26)

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

(Decrease)/Increase in borrowings (net)	<b>(1691.85)</b>	(2070.22)
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	<b>73.78</b>	(252.79)
Opening balance of Cash & Cash equivalents	<b>504.80</b>	757.59
Closing balance of Cash & Cash equivalents	<b>578.58</b>	504.80

Per our report of even date

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

For and on behalf of the Board

**M R B Punja** Chairman  
**Dr. Mullapudi Harischandra Prasad** Managing Director  
**M Gopalakrishna, I.A.S.(Retd.)** Director  
**P V S Viswanadha Kumar** Finance Manager & Asst. Secretary

Camp : HYDERABAD  
Date : 20-07-2006

HYDERABAD  
20-07-2006

**THE ANDHRA PETROCHEMICALS LIMITED**

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

**22<sup>nd</sup> Annual General Meeting**

**PROXY FORM**

Client ID\* .....

Folio No.....

DP. ID\* .....

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

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

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

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

as my/our proxy to attend and vote for me/us and on my/our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company

to be held on Thursday, the 21<sup>st</sup> September, 2006 and at the adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

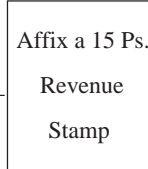
For office use

Proxy No.:

Date of Receipt:

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

No. of Shares:



\* Applicable for investors holding shares in electronic form.

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

**THE ANDHRA PETROCHEMICALS LIMITED**

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

Client ID\* .....

**ATTENDANCE SLIP \*\***

DP. ID\* .....

Folio No.....

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

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

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

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

I hereby register my presence at the 22<sup>nd</sup> ANNUAL GENERAL MEETING being held on Thursday, the 21<sup>st</sup> September, 2006

.....  
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.

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**22<sup>nd</sup> Annual Report  
2005 - 06**

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Venkatarayapuram,  
Tanuku - 534 215,  
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