

**THE
ANDHRA PETROCHEMICALS
LIMITED**



**24th Annual Report
2007 - 08**

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
Sri M Gopalakrishna, I.A.S.,(Retd.)
(Nominee of APIDC)
(up to 30.8.2007)
Sri Indrajit Pal, I.A.S., (Nominee of APIDC)
Sri Salil Kumar Dutta (Nominee of IDBI)
Dr. Anumolu Ramakrishna
(w.e.f., 30.7.2008)
Sri P Narendranath Chowdary
Sri M Thimmaraja

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

Statutory Auditors

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

Cost Auditors

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

Bankers

State Bank of India
State Bank of Hyderabad
Andhra Bank

Registered Office

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

Factory

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

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NOTICE

NOTICE is hereby given that the Twenty Fourth 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 Saturday, the 27th September, 2008 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, 2008 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 Justice G Ramanujam (Retd) who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri Indrajit Pal, I.A.S., who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri M. Thimmaraja who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors for the year 2008-09 and fix their remuneration. The present Auditors of the Company, M/s Brahmaya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Dr. Anumolu Ramakrishna, who has been appointed by the Board of Directors as an Additional Director of the Company with effect from 30.7.2008 pursuant to Article 97 of the Articles of Association of the Company and who holds office up to the date of the 24th 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 his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

Hyderabad
30-07-2008
Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

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

NOTES:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.6 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 20th September, 2008 to Saturday, the 27th September, 2008 (both days inclusive).
4. Shareholders seeking any further information on the accounts and operations of the Company at the Annual General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of the Meeting.
5. 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.
6. 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.**

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

Sri Justice G Ramanujam (Retd) has been the Director on the Board since 1.7.1989. He holds Degrees in Law and Maths (Hons). He retired as Madras High Court Judge. He has considerable experience in dealing with various branches of law such as Taxation, Labour Law, Company Law and Constitutional law. He was Vice-Chairman, Central Administrative Tribunal, Madras Bench and Chairman, Tamilnadu Fifth Pay Commission.

Other Directorships held:

Director - The Andhra Sugars Ltd., The Lakshmi Machine Works Ltd., The Lakshmi Mills Company Ltd., Viswapriya Financial Services & Securities Ltd., and Viswapriya Gold Hire Purchase Ltd.

Other Committeeships held:

Member - Shareholders/Investors Grievance Committee, The Lakshmi Machine Works Ltd.
Chairman - Audit Committee, The Lakshmi Mills Ltd.,

The Andhra Petrochemicals Limited

The Lakshmi Machine Works Ltd.; Shareholders/ Investors Grievance Committee, The Andhra Sugars Ltd., The Lakshmi Mills Ltd.

He holds 200 Equity Shares in the Company.

Sri Indrajit Pal, I.A.S., has been on the Board as Nominee Director, promoter company, Andhra Pradesh Industrial Development Corporation Ltd., (APIDC), since 20.7.2005. He is a Post-graduate in faculty of Science, holds a Master's Diploma in Public Administration and an M.Phil., in Social Sciences. He was Director (Personnel, Administration & Welfare) in The Singareni Collieries Company Ltd. He served as Joint Secretary and Commissioner of Industries in Industries Department and Secretary, Panchayat Raj, Government of Andhra Pradesh. He was Deputy Secretary, Ministry of Welfare and Director (Policy), Ministry of Health and Family Welfare, Government of India. He was Programme Advisor, European Commission (EC) Technical Assistance Team, New Delhi.

Other Directorships held:

Director - APIDC Venture Capital (P) Ltd., and Lord's Mint Securities Ltd.

Chairman - Hyderabad Information Technology Venture Enterprises Ltd., Cyberabad Trustee Company (P) Ltd., Chairman & Managing Director - Andhra Pradesh Industrial Development Corporation Ltd.

He does not hold any Equity Shares in the Company.

Sri M Thimmaraja has been the Director on the Board since 7.11.1992. He is a graduate in Chemical Engineering. He did his Post-graduation in Business Administration from the University of Florida, U.S.A. For more than two decades he has been the Whole-time Director of the co-promoter company The Andhra Sugars Ltd., a multi product and multi division company manufacturing Sugar and wide range of Organic and Inorganic Chemicals.

Other Directorships held:

Joint Managing Director - The Andhra Sugars Ltd.

Director - JOCIL Ltd.

Other Committeeships held:

Member - Shareholders/Investors Grievances Committee, The Andhra Sugars Ltd.; Audit Committee, JOCIL Ltd.

He holds 1,580 Equity Shares in the Company.

Particulars of Director Dr. Anumolu Ramakrishna who is being appointed at the 24th Annual General Meeting is given in the Explanatory Statement attached to Notice.

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956: ITEM NO.6:

Dr. Anumolu Ramakrishna was co-opted as Additional Director on the Board of the Company with effect from

30.7.2008. Pursuant to Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company, Dr. Anumolu Ramakrishna will hold office only up to the date of the 24th Annual General Meeting of the Company.

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 Dr. Anumolu Ramakrishna as a candidate for the office of Director.

Dr. Anumolu Ramakrishna holds Bachelor Degree in Civil Engineering and M.Sc., in Structural Engineering. He started his career in 1962 with Engineering Construction Corporation Ltd., which was subsequently amalgamated with Larsen & Toubro (L & T) Ltd. He was inducted on the Board of L & T in the year 1992 and was elevated to the position of Deputy Managing Director in 2000. He was associated with many prestigious and huge construction projects in India and abroad which were completed in record time. He has been conferred Degree of Doctorate of Science by Andhra University and Degree of Doctorate of Philosophy by Jawaharlal Nehru Technological University.

Other Directorships held:

Director - The Andhra Sugars Ltd., G V K Jaipur Kishangarh Expressway Ltd., KCP Ltd., Madras Cements Ltd., Ramco Industries Ltd., Taj GVK Hotel and Resorts Ltd., G V K Industries Ltd., Gautami Power Ltd., International Infrastructure Consultants Pvt. Ltd., GVK Power & Infrastructure Ltd., SPEL Semiconductor Ltd., Teesta Urja Ltd., and Mumbai International Airport Ltd.

Other Committeeships held:

Member – Audit & Compensation Committee, Madras Cements Ltd; Audit Committee, Ramco Industries Ltd., GVK Jaipur Kishangarh Expressway Pvt. Ltd., KCP Ltd., Taj GVK Hotels & Resorts Ltd., SPEL Semiconductor Ltd., GVK Power & Infrastructure Ltd., Gautami Power Ltd., and Teesta Urja Ltd.

He does not hold any Equity Shares in the Company. With a view to avail the benefit of his long standing industrial experience and valuable guidance, his appointment as a Director on the Board is considered desirable in the best interests of the Company.

Your Board of Directors recommend the necessary Resolution for your approval.

Except Dr. Anumolu Ramakrishna no other Director is deemed to be interested or concerned in the Resolution.

Hyderabad

30-07-2008

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

By Order of the Board

Dr. MULLAPUDI HARISCHANDRA PRASAD

Managing Director

DIRECTORS' REPORT

Dear Shareholders,
Your Directors have pleasure in presenting the Twenty Fourth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS:

The performance of the Company for the Financial Year ended 31st March, 2008 is summarised below:

	(Rs. in lakhs)	
	2007-2008	2006-2007
Net Sales (excl. of Excise Duty)	28148.58	26598.58
Profit before Interest & Depreciation	7053.59	7184.69
Less: Interest	293.30	518.62
Depreciation	1201.07	1182.22
Profit after Interest and Depreciation	5559.22	5483.85
Provision for:		
Current Tax	2200.00	626.00
Deferred Tax	(266.63)	1867.09
MAT Credit entitlement	—	(647.99)
Fringe Benefit Tax	4.10	3.17
Profit after Taxation	3621.75	3635.58
Balance brought forward from previous year	1552.41	(89.59)
Direct Taxes for earlier years	(0.23)	0.55
Profit available for appropriations	5173.93	3546.54
APPROPRIATIONS :		
Transfer to General Reserve	—	1000.00
Proposed Dividend on Equity Shares (last year)	—	849.72
Dividend on Equity Shares@ 10%)	—	144.41
Tax on Distributable Profits	—	144.41
Balance carried forward to next year	5173.93	1552.41
	5173.93	3546.54

OPERATIONAL AND FINANCIAL PERFORMANCE:

Your Company registered all round improved performance in 2007-08. Production of Oxo-Alcohols was a record 43,047 MTs and sale was 42,927 MTs during the year. Gross income and Profit before tax for the year achieved were all time high at Rs.334.30 crores and Rs.55.59 crores as compared to the previous year's figures of Rs.312.41 crores and Rs.54.84 crores, respectively. Overall improvement in Operational and Marketing performance resulted in the record performance.

From the Results you will be glad to know that in spite of fluctuations in market price of the products, your Company could put up a stable performance during year under report.

DIVIDEND:

In view of the liquidity position and operational requirements and the need to conserve the resources for the Expansion Project in progress, no Dividend has been recommended for the Financial Year ended 31st March, 2008.

CAPITAL & RESERVES:

Authorised and Paid-up Capital:

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

Reserves:

The total Reserves position as on 31.3.2008 stood at Rs.66.10 crores against Rs.29.88 crores in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure and Developments:

Your Company's main business is manufacture and sale of Oxo-Alcohols. The Plant with an installed capacity of 39,000 MTPA has achieved production and sales levels of over 42,000 MTPA. Your Company's market share is around 27% and the balance is met through imports. The market growth continues to be healthy at 8% to 10% per annum.

To gain from the opportunity of increasing demand-supply gap in the country, your Company has undertaken the Expansion of existing facilities from 39,000 MTPA to 73,000 MTPA through Optimisation cum Modernisation programme at an estimated cost of Rs.320 crores. The expanded capacity will have the benefit of latest Technology of M/s Davy Process Technology Ltd., London, UK, a company renowned for its expertise in the field of Oxo-Alcohol process in the world. The expanded Plant will have the advantage of producing all the three products, viz., 2-Ethyl Hexanol, N-Butanol and I-Butanol simultaneously, which under present facilities are being produced sequentially, which would enhance the Plant efficiency.

Financial Closure was achieved on 11.6.2008. Expanded capacity is expected to be commissioned during the last quarter of fiscal 2009-10.

To oversee the Expansion Project activities, a Project Management Committee of Directors has been constituted by the Board. Dr. Mullapudi Harischandra Prasad is Chairman of the Committee and Dr. B.B. Ramaiah, Sri A.A. Krishnan and Sri M. Thimmaraja are the members of the Committee.

The Andhra Petrochemicals Limited

Opportunities and Threats:

Healthy Growth in demand is an encouraging sign, particularly in the context of your Company's Expansion. However an area of concern has been steep increase in international crude prices which would have the effect of increasing input cost. If the product prices move, more or less in line with input prices, the impact is expected to be minimal. It is essential for your Company to monitor these movements and respond with an appropriate action.

Internal Control Systems:

Internal control system is a major thrust area for your Company. Continuous monitoring, review and updation of systems is being carried on to ensure adequacy and strict compliance of operational and regulatory guidelines. Internal Auditors regularly check the systems and their compliance. The Audit Committee of the Board ensures adequacy and implementation of the systems.

Human Resources and Industrial Relations:

Of late management of Human Resources (HR), specially with reference to technical personnel, has posed a serious threat in view of the large turnover. In this regard your Company's focus is on recruitment of trainees and creating a work environment for their career development. Employees at all levels are sponsored to various training programmes to upgrade their skill and to keep abreast with the latest technology in their area of operation. Your Company follows good HR practices to motivate the employees to put up improved performance. As on 31st March, 2008 the Company had 284 employees.

Future Outlook:

Increase in crude and related product prices are likely to impact Company's performance. As per the agreement with HPCL, conversion cost of Propylene price has been frozen up to March, 2009. The Expansion Programme under implementation is mainly intended to result in economies due to enhanced scale of operations with improved efficiencies.

Cautionary Statement:

The statements describing the Company's outlook, estimates or predictions may be forward-looking statements based on certain assumptions of future events. Actual results may differ materially from those express or implied, since the Company's operations are influenced by external or internal factors. Your Company 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. A creditable feature is that there has been no reportable accident over the past 8 years. Pollution Control systems are functioning

satisfactorily and closely monitored to ensure that gaseous emissions and effluents discharged are within the prescribed norms.

INSURANCE:

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

LISTING:

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

DIRECTORS:

Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) withdrew Sri M Gopalakrishna, I.A.S.(Retd.), its Nominee Director from the Company's Board with effect from 30.8.2007. The Board places on record its warm appreciation for the valuable guidance rendered by him during his tenure as Director.

Dr. Anumolu Ramakrishna was co-opted as Additional Director on the Board of the Company with effect from 30.7.2008. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 24th Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri Justice G Ramanujam (Retd), Sri Indrajit Pal, I.A.S., and Sri M Thimmaraja, retire by rotation at the ensuing 24th Annual General Meeting and, being eligible, offer themselves for re-appointment.

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 31st March, 2008.

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

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

PARTICULARS OF EMPLOYEES:

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

B. Technology Absorption :

FORM B

I. Research & Development (R & D)

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

Company is in the process of setting up an R&D centre at Mindi, Visakhapatnam where it is proposed to conduct various research activities with a view to support the process requirements.

The Company has received environmental clearances from the Ministry of Environment & Forests, Govt. of India, for the Modernisation cum Optimisation of the existing Plant.

Diffused Aerators with a new set of blowers were successfully commissioned in the ETP to further enhance the performance.

A careful study of the EPA decanter led to increasing the size of the inlet line from 50 mm to 100 mm. This has improved the liquid separation capacity of the decanter.

A committee of engineers has been formed to suggest and implement energy conservation measures. This team has implemented several measures to reduce power consumption.

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

Diffused aerators have substantially improved the performance of the aeration tank with reduction in power consumption as the new blowers consume less power. Reduction in power consumption due to the efforts of the Energy Conservation team are visible. The team is being encouraged to take up more projects.

3. Future Plan of Action:

Company is looking at the possibility of using alternative feed stock and process gases for reduction of cost of production. It is examining the feasibility of using Natural Gas in the Reformer. Techno-economic feasibility study will be undertaken shortly after identifying a suitable Engineering Company.

4. Expenditure on R & D:

The Company has incurred an expenditure of Rs.9.40 lakhs in R & D during the year.

II. Technology Absorption, Adaptation and Innovation:

1. Efforts Made:

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

2. Benefits:

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

3. Imported Technology:

No technology has been imported during the year under report.

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

(Rs.in lakhs)

	For the Year ended 31-03-2008	For the Year ended 31-03-2007
i. Earnings	NIL	NIL
ii. Outgo	1291.11	318.73

**Hyderabad
30-07-2008**

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

Annexure 'B' to the Directors' Report:

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2008.

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

1. Dr. V N Rao, Chief Executive & Chief Operating Officer, B.Tech.(Chemical Engineering), M.Tech.(Chemical Engineering), IIT- Chennai, Ph.D.(Chemical Engineering), IIT- Chennai, 39 years, 04.10.1995, 30,62,495*, 66 years, Consultant.
2. Sri M K Viswanadham, Senior Executive President (Marketing), B.Sc.(Hons) Agr & A.H., M.Sc.(Agronomy), 34 years, 30.10.1992, 31,12,372**, 58 years, M/s Raasi Cement Ltd., Hyderabad, Chief General Manager (Marketing) – 3 ½ years.

* Gross remuneration includes salary, reimbursement of medical expenses, performance evaluation payment, leave salary and group personal accident insurance premium.

** Gross remuneration includes salary, reimbursement of medical expenses, performance evaluation payment, leave salary, leave travel assistance, provident fund contribution and group personal accident insurance premium.

Annexure 'C' to the Directors' Report:

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS:

1. Company's philosophy on Corporate Governance:

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

2. Board of Directors:

a) As on 31.3.2008 the Board consisted of 9 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Director	Promoters, Non-Executive & Non-Independent Directors
Sri M R B Punja Chairman Sri Justice G Ramanujam (Retd) Sri A A Krishnan Sri Salil Kumar Dutta (Nominee of IDBI as lender)	Dr. Mullapudi Harischandra Prasad Managing Director (<i>Father of Sri M. Thimmaraja</i>)*	Dr. B B Ramaiah (<i>Sri Pendyala Narendranath Chowdary sister's husband</i>) * Sri M Gopalakrishna I.A.S. (Retd) (Up to 30.8.2007) Sri Indrajit Pal, I.A.S. Sri Pendyala Narendranath Chowdary (<i>Dr. B B Ramaiah daughter's husband</i>) * Sri M Thimmaraja (<i>Son of Dr. Mullapudi Harischandra Prasad</i>) *

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

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

c) During the Financial Year 2007-08 four Board Meetings were held.

Dates on which they were held:

(i) 25.6.2007, (ii) 24.7.2007, (iii) 22.10.2007 and (iv) 28.1.2008.

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	3	Yes	7	1	4	3
Dr. Mullapudi Harischandra Prasad	4	Yes	8	7	2	2
Dr. B B Ramaiah	4	Yes	2	None	None	None
Sri M Gopalakrishna, I.A.S.(Retd) (up to 30-8-2007)	2	N.A.	6	2	2	2
Sri Indrajit Pal, I.A.S.	3	No	5	3	None	None
Sri Salil Kumar Dutta	4	No	None	None	None	None
Sri Justice G Ramanujam (Retd)	1	No	5	None	5	4
Sri A A Krishnan	4	Yes	1	None	1	None
Sri P Narendranath Chowdary	3	No	6	None	2	None
Sri M Thimmaraja	3	No	2	None	3	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. Sri A A Krishnan, Member of the Committee, as authorised by the Audit Committee, attended the Annual General Meeting to answer the queries of the shareholders.

3. Code of Conduct:

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

4. Audit Committee:

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

The Audit Committee presently consists of three Non-Executive Directors - (i) Sri Justice G Ramanujam (Retd) - Chairman, (Non-Executive Independent), (ii) Sri A A Krishnan (Non-Executive Independent) and (iii) Sri Salil Kumar Dutta (Non-Executive Independent). Members of the Audit Committee have considerable experience and expertise in the field of Industrial, Financial and Corporate Business Management.

Sri K. Raghu Ram, Dy. 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 2007-08, five Audit Committee Meetings were held:

- (i) 9.5.2007, (ii) 25.6.2007, (iii) 24.7.2007, (iv) 22.10.2007 and (v) 28.1.2008

Attendance of Directors at the Audit Committee Meetings:

Name of the Director	No. of Meetings attended
Sri Justice G Ramanujam (Retd.)	2
Sri M Gopalakrishna, I.A.S (Retd.)	3
Sri Salil Kumar Dutta	5
Sri A A Krishnan	5

Broad terms of reference of the Audit Committee are as under:

- Approving and implementing the audit procedures and techniques.
- Reviewing audit reports of Statutory, Internal and Cost Auditors with Auditors, Management and Senior Executives.

- Reviewing financial reporting systems, internal control systems and procedures.
- Recommending to the Board the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and fixation of Audit Fees.
- Approval of payment to the Statutory Auditors for any service rendered by them.
- Review with the Management, the quarterly and yearly financial statements before submission to the Board for approval.
- The Audit Committee also reviews the following information as and when required:
 - Management Discussion & Analysis of financial condition and results of operations
 - Statement of significant related party transactions (as defined by the Audit Committee)
 - Management letters / letters of internal control weakness issued by the Statutory Auditors
 - Internal Audit Reports relating to internal control weaknesses
 - The appointment, removal and terms of remuneration of the Chief Internal Auditor
- Ensuring compliance with regulatory guidelines.

5. Subsidiaries:

The Company does not have any subsidiary company.

6. Remuneration:

Managing Director does not draw any remuneration from the Company.

Details of sitting fees paid to the Directors during the year 2007-08:

Sri M R B Punja – Rs.15,000/-; Sri M Gopalakrishna, I.A.S.(Retd) – Rs.30,000/-* (up to 30.8.2007); Sri Indrajit Pal, I.A.S. – Rs.15,000/-; Sri Salil Kumar Dutta – Rs.45,000/-; Sri Justice G Ramanujam (Retd) – Rs.15,000/- and Sri A A Krishnan – Rs.55,000/-*.

* Includes the sitting fees paid for attending the Project Management Committee meeting.

7. Details of Equity Shares of the Company held by Non-Executive Directors as on 31st March, 2008:

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

8. Management:

Management Discussion & Analysis forms part of the Annual Report

9. CEO / CFO Certification:

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

10. Shareholders/Investors Grievance Committee:

- a) The Board has constituted Shareholders / Investors Grievance Committee comprising Dr. B B Ramaiah (Chairman of the Committee – Non-Executive 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, Dy.Manager (Finance) & Asst. Company Secretary as the Compliance Officer.
- c) Investor Complaints received during the year ended 31.3.2008:

No. of shareholders complaints received	:	34
No. of complaints not resolved to the satisfaction of the shareholders	:	NIL
No. of pending complaints (as at 31.3.2008)	:	NIL
No. of pending share transfers (as at 31.3.2008)	:	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
2005	23 rd September, 2005, 3:00 p.m.
2006	21 st September, 2006, 3:00 p.m.
2007	6 th September, 2007, 3:00 p.m.

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

Year	Subject matter
2005	Reappointment of Dr. Mullapudi Harischandra Prasad as Managing Director
2006	Nil
2007	Nil

- iii. No Special Resolution requiring Postal Ballot was passed in the last year 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.
- ii) No penalties or strictures were imposed on the Company for non-compliance by Stock Exchange/ SEBI or any authority on any matter related to capital markets during last 3 years.
- iii) The Company does not have any Whistle Blower Policy system.
- iv) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

13. Means of Communication:

- i) Quarterly financial results are published in “The Hindu Business Line”, “Andhra Bhoomi” and selected editions of “Economic Times” and “Times of India”. Copies of the Results published are forwarded to Stock Exchange and they are displayed on the Website of the Company, i.e., www.andhrapetrochemicals.com as well as on the SEBI’s Website www.sebidifar.nic.in.
- ii) The Company has not issued any press release or made any presentations to the institutional investors or analysts about its financial results during the year.

14. General Shareholder Information:

- i) Annual General Meeting
 - Date and Time : Saturday, 27th Sept., 2008 at 3:00 p.m.
 - Venue : Regd. Office: Venkatarayapuram, TANUKU –534215 West Godavari Dist., Andhra Pradesh
- ii) Financial Year : 1st April to 31st March
- iii) Dates of Book Closure : Saturday, 20th Sept., 2008 to Saturday, 27th Sept., 2008 (both days inclusive)

The Andhra Petrochemicals Limited

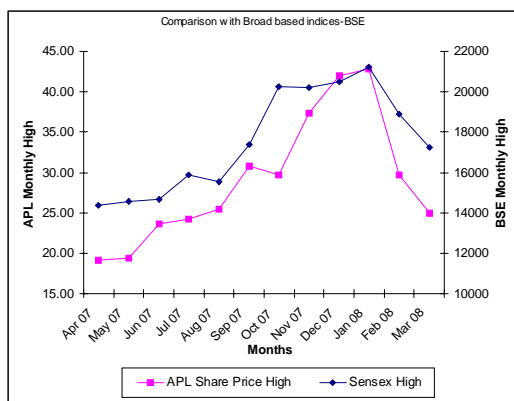
iv) Listing on Stock Exchange and Stock Code:

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

v) Market price data: High / low price of Company's Equity Shares on The Bombay Stock Exchange Ltd., Mumbai during each month of the Financial Year 2007-2008.

Month	High Rs. Ps.	Low Rs. Ps.
April, 2007	19.15	15.50
May, 2007	19.35	17.25
June, 2007	23.65	17.30
July, 2007	24.20	20.30
August, 2007	25.40	19.50
September, 2007	30.75	23.00
October, 2007	29.75	22.25
November, 2007	37.40	21.60
December, 2007	42.00	29.40
January, 2008	42.80	23.80
February, 2008	29.70	22.80
March, 2008	24.90	16.75

vi) Performance in comparison to BSE sensex:



vii) Share Transfer System:

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

viii) a) Shareholding pattern as on 31st March, 2008:

Sl No.	Category	No. of shares	% of holding
1	Promoters, Directors, Relatives and Associated Companies	33994240	40.01
2	Financial Institutions	921600	1.08
3	Mutual Funds	13200	0.02
4	Banks	911	0.00
5	Foreign Institutional Investors	599268	0.71
6	Non-Resident Indians	401103	0.47
7	Bodies Corporate	7849420	9.24
8	Indian Public	41191858	48.47
	Total:	84971600	100.00

b) Distribution of shareholding as on 31st March, 2008:

Shareholding of Nominal value of Rs.	No. of Share-holders	% of Share-holders	No. of Shares	% of Shares
Up to 5000	87140	88.37	13428429	15.80
5001 to 10000	6262	6.35	5402709	6.36
10001 to 20000	2651	2.69	4214197	4.96
20001 to 30000	870	0.88	2300779	2.71
30001 to 40000	368	0.37	1352726	1.59
40001 to 50000	413	0.42	2000911	2.36
50001 to 100000	490	0.50	3783223	4.45
100001 onwards	413	0.42	52488626	61.77
Total:	98607	100.00	84971600	100.00

ix) As of 31st March, 2008, 5,44,88,518 shares are dematerialised.

National Securities Depository Ltd., : 4,46,31,828 shares
Central Depository Services Ltd., : 98,56,690 shares

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

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

xi) Address for correspondence :
Dy. Manager (Finance) &
Asst. Company Secretary
The Andhra Petrochemicals Ltd.,
Venkatarayapuram
TANUKU - 534215
West Godavari District, Andhra Pradesh
Phone Nos. 08819 - 224755
08819 - 220975 (Shares Dept.)
E-mail : info.tnk@andhrapetrochemicals.com
investors@andhrapetrochemicals.com

B. Non-mandatory Requirements:

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

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

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and Senior Management Personnel have affirmed the compliance of the Company's Code of Conduct for the Board Members and Senior Management Personnel, as applicable, for the year ended 31st March, 2008.

Place: Hyderabad
Date: 30-7-2008

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, 2008, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

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

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

We state that generally no investor grievance is 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 : 30-7-2008

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 2008, 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, 2008.
 - 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 March 31st, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31st, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Camp : Hyderabad
Date : 30-07-2008

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

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c) The Fixed Assets disposed off by the Company during the year do not form a substantial part thereof.
- ii) a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii) a) The Company has during the year granted an unsecured inter-corporate loan of Rs.20 crores to one company, which is covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In our opinion, the rate of interest and other terms and conditions on which the said loan has been granted by the Company is not, prima facie, prejudicial to the interest of the Company.
- c) The Company has received refund of the full principle amount of the inter-corporate loan together with the interest accrued thereon. Accordingly, clause 4(iii)(d) of the Order is not applicable.
- d) The Company has not taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii)(f)&(g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the contracts and arrangements made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from public. Accordingly the clause 4(vi) of the order is not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it were in arrears as at 31st March 2008 for a period of more than six months from the date they became payable.
- c) As at 31st March 2008, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income tax, Sales tax, Wealth-tax, Service tax, Customs duty, Excise Duty and Cess.

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

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

Camp : Hyderabad
Date : 30-07-2008

Accounting Policies

1. General:

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

2. Fixed Assets:

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

3. Investments:

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

4. Inventories:

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

5. Sales:

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

6. 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 gain / losses, if any, are immediately recognised in the Profit & Loss Account.

7. Depreciation:

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

8. Foreign Currency Transactions:

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

Balance Sheet as at 31st March, 2008

(Rs. in lakhs)

	Schedule No	As at 31-03-2008	As at 31-03-2007
I. SOURCES OF FUNDS:			
1. Shareholders' Funds:			
a) Share Capital	1	8,497.16	8,497.16
b) Reserves and Surplus	2	6,609.93	2,988.41
		15,107.09	11,485.57
2. Loan Funds:			
a) Secured Loans	3	1,196.54	2,326.04
b) Unsecured Loans	4	--	500.00
		1,196.54	2,826.04
3. Deferred Tax Liability			
		1,915.96	2,182.59
TOTAL		18,219.59	16,494.20
II. APPLICATION OF FUNDS:			
1. Fixed Assets:			
a) Gross Block	5	23,202.38	23,160.49
b) Less: Depreciation		16,296.16	15,095.11
c) Net Block		6,906.22	8,065.38
d) Capital Work-in-progress	5A	1,723.01	6.75
		8,629.23	8,072.13
2. Investments			
	6	526.31	526.31
3. Current Assets, Loans and Advances:			
a) Inventories	7	2,545.42	2,157.83
b) Sundry Debtors	8	1,888.02	2,952.69
c) Cash and Bank Balances	9	4,671.86	3,273.72
d) Interest Receivable		101.65	10.80
e) Loans and Advances	10	585.80	1,185.79
		9,792.75	9,580.83
Less:			
a) Current Liabilities	11	553.76	617.09
b) Provisions	12	174.94	1,067.98
Net Current Assets		9,064.05	7,895.76
TOTAL		18,219.59	16,494.20
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	For and on behalf of the Board		
	M R B Punja Dr. Mullapudi Harischandra Prasad A A Krishnan		Chairman Managing Director Director
Camp : HYDERABAD Date : 30-07-2008	K. Raghu Ram HYDERABAD 30-07-2008	Dy. Manager (Finance) & Asst. Company Secretary	

Profit and Loss Account for the Year ended 31st March, 2008

(Rs. in lakhs)

	Schedule No	This Year	Previous Year
INCOME :			
Sales		32788.02	30983.08
Less: Excise Duty collected		4639.44	4384.50
		28148.58	26598.58
Accretion to / (decretion in) stocks	13	470.77	(162.66)
Other Income	14	642.38	258.19
		29261.73	26694.11
EXPENDITURE :			
Raw materials consumed		18864.92	15459.57
Payments and benefits to Employees	15	836.71	636.81
Other Expenses	16	2506.51	3413.04
Interest	17	293.30	518.62
Depreciation	5	1201.07	1182.22
		23702.51	21210.26
Profit before Taxation		5559.22	5483.85
Provision for:			
Current Tax		2200.00	626.00
Deferred Tax		(266.63)	1867.09
MAT Credit available for Set off		--	(647.99)
Fringe Benefit Tax		4.10	3.17
Profit after Taxation		3621.75	3635.58
Balance brought forward from previous year		1552.41	(89.59)
Direct Taxes for earlier years		(0.23)	0.55
Profit available for Appropriations		5173.93	3546.54
APPROPRIATIONS:			
General Reserve		--	1,000.00
Proposed Dividend (See Directors' Report)		--	849.72
Tax on Proposed Dividend		--	144.41
Balance of Profit carried forward to next year		5,173.93	1,552.41
		5,173.93	3,546.54
Earning per Equity Share of Rs.10/- each (Basic & Diluted)		4.26	4.28

Significant Accounting Policies and Notes on Accounts 18

Per our report of even date	For and on behalf of the Board		
For Brahmayya & Co.,	M R B Punja		Chairman
Chartered Accountants	Dr. Mullapudi Harischandra Prasad		Managing Director
C V Ramana Rao	A A Krishnan		Director
Partner			
Membership No.018545	K. Raghu Ram	Dy. Manager (Finance) & Asst. Company Secretary	
Camp: HYDERABAD	HYDERABAD		
Date : 30-07-2008	30-07-2008		

Schedules attached to and forming part of the Balance Sheet

(Rs. in lakhs)

As at 31-03-2008 As at 31-03-2007

Share Capital:

SCHEDULE – 1

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

As at 31-03-2007 Additions Deductions **As at 31-03-2008**

Reserves and Surplus:

SCHEDULE – 2

Share Premium	412.63	--	--	412.63
Capital Reserve *	23.37	--	--	23.37
General Reserve	1000.00	--	--	1000.00
Surplus in Profit & Loss A/c.	1552.41	3621.52	--	5173.93
Total	2988.41	3621.52	--	6609.93

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

As at 31-03-2008 As at 31-03-2007

Secured Loans:

SCHEDULE – 3

A) Rupee Term Loans from:					
IDBI				780.62	1226.65
IFCI				357.05	561.08
LIC				48.91	76.85
Sub-Total (A)				1186.58	1864.58
B) Working Capital Loans from Banks					
in Foreign Currency				--	350.16
in Indian Currency				9.96	111.30
Sub-Total (B)				9.96	461.46
Total (A + B)				1196.54	2326.04

Unsecured Loans:

SCHEDULE – 4

Short-term Loan from a Bank				--	500.00
Total				--	500.00

Fixed Assets:

SCHEDULE – 5
(Rs.in lakhs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.3.2007	Additions	Deductions	Cost as at 31.3.2008	Upto 31.3.2007	For the year	On deductions	Upto 31.3.2008	As at 31.3.2008	As at 31.3.2007
1.	Land	9.07	--	--	9.07	--	--	--	--	9.07	9.07
2.	Buildings *	1169.03	--	--	1169.03	347.42	26.75	--	374.17	794.86	821.61
3.	Plant & Machinery	21832.89	16.20	--	21849.09	14639.27	1162.79	--	15802.06	6047.03	7193.62
4.	Furniture & Office Equipment	128.48	25.29	--	153.77	90.70	10.71	--	101.41	52.36	37.78
5.	Vehicles	21.02	0.42	0.02	21.42	17.72	0.82	0.02	18.52	2.90	3.30
	Total	23160.49	41.91	0.02	23202.38	15095.11	1201.07	0.02	16296.16	6906.22	8065.38
	Previous year total	22529.71	671.92	41.14	23160.49	13939.76	1182.22	26.87	15095.11	8065.38	8589.95

* Constructed on Lease-hold Land.

Capital Works-in-Progress

SCHEDULE - 5A
(Rs. in lakhs)

	As at 31-03-2008	As at 31-03-2007
Capital works-in-progress	4.28	6.75
Capital Advances	1,542.50	-
Expenditure incurred during construction period awaiting allocation to Fixed Assets (Schedule - 5 B)	176.23	-
Total	<u>1,723.01</u>	<u>6.75</u>

Expenditure Incurred During Construction Period:

SCHEDULE - 5 B

Balance at the beginning of the year (A)	-	-
Expenditure incurred during the year:		
a) Professional charges	26.17	-
b) Travelling charges	2.00	-
c) Loan processing and other charges	143.24	-
d) Taxes & Licences	3.43	-
e) Other expenses	1.39	-
Total for the year (B)	<u>176.23</u>	<u>-</u>
Total Expenditure (A+B)	176.23	-
Less: Amount allocated to Fixed Assets, capitalised during the year	-	-
Balance of expenditure awaiting allocation to Fixed Assets	<u>176.23</u>	<u>-</u>

The Andhra Petrochemicals Limited

(Rs. in lakhs)
As at 31-03-2008 As at 31-03-2007

Investments:

SCHEDULE – 6

Investment 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.

526.31 526.31

Total

526.31 526.31

Inventories (as certified by the Management):

SCHEDULE – 7

Stores and Spares

1,035.49 1,241.80

Stores-in-transit

8.66 -

Raw Materials

401.20 289.20

Work-in-process

528.08 167.12

Finished Goods

571.99 459.71

Total

2,545.42 2,157.83

Sundry Debtors (unsecured):

SCHEDULE – 8

Outstanding for a period exceeding six months
and considered doubtful

5.25 5.25

Other debts, considered good

1,888.02 2,952.69

1,893.27 2,957.94

Less: Provision for doubtful debts

5.25 5.25

Total

1,888.02 2,952.69

Cash and Bank Balances:

SCHEDULE – 9

Cash on hand

1.54 1.23

Cheques on hand

123.56 225.25

At Scheduled Banks :

In Current Accounts*

1,925.25 390.05

In Margin Money Deposits

2,621.51 153.18

In Term Deposits

- 2,504.01

Total

4,671.86 3,273.72

* Includes Rs.39.55 lakhs on account of unclaimed dividend. Previous year Rs. Nil

Loans and Advances:

SCHEDULE – 10

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

Advances Recoverable

317.13 329.90

Pre-paid Expenses

32.68 32.54

Deposit with Excise Authorities

119.09 59.72

Other Deposits Recoverable

107.28 106.72

Income Tax refund receivable

9.62 8.92

MAT Credit Entitlement

- 647.99

Total

585.80 1,185.79

The Andhra Petrochemicals Limited

(Rs. in lakhs)

As at 31-03-2008 As at 31-03-2007

Current Liabilities:

SCHEDULE – 11

Sundry Creditors *	380.52	411.14
Other Liabilities	23.85	91.69
Advances received against Sales	100.34	102.67
Trade Deposits	5.00	5.00
Interest Accrued but not due on term loans	4.50	6.59
Unclaimed Dividends #	39.55	-
Total	553.76	617.09

* 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. Due to SSI Units Rs.Nil.

There are no dues to Small Scale Industrial Undertakings to the extent such parties have been identified from the information available with the Company.

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

Provisions:

SCHEDULE – 12

Provision for:		
Gratuity	51.67	-
Compensated absences	54.82	48.35
Income Tax (Net of prepaid taxes)	68.44	25.33
Fringe Benefit Tax (Net of prepaid taxes)	0.01	0.17
Proposed Dividend	-	849.72
Tax on Proposed Dividend	-	144.41
Total	174.94	1,067.98

Schedules attached to and forming part of Profit and Loss Account

(Rs. in lakhs)

This Year Previous Year

Accretion to / (Decretion in) Stocks:

SCHEDULE – 13

A) Closing Stock:

Finished goods	571.99	459.71
Work-in-process	528.08	167.12
Total (A)	1,100.07	626.83

B) Opening Stock:

Finished goods	459.71	609.66
Work-in-process	167.12	191.64
Total (B)	626.83	801.30
Accretion to / (decretion in) stocks (A-B)	473.24	(174.47)
Adjustment of Excise Duty on Stocks	(2.47)	11.81
Total	470.77	(162.66)

The Andhra Petrochemicals Limited

	(Rs. in lakhs)	
	This Year	Previous Year
Other Income:		SCHEDULE – 14
Interest received (TDS Rs.133.61 lakhs previous year Rs.52.67 lakhs)	615.60	240.48
Miscellaneous Receipts	15.79	14.55
Provisions no longer required	4.56	3.16
Profit on sale of Assets *	-	-
Exchange Variation Gain	6.43	-
Total	642.38	258.19
* This year Rs.192/- (Previous year Rs. Nil)		
Payments and Benefits to Employees:		SCHEDULE – 15
Salaries, Allowances and Bonus	679.43	536.49
Contributions to Provident and other funds	104.50	45.73
Staff welfare expenses	52.78	54.59
Total	836.71	636.81
Other Expenses:		SCHEDULE – 16
Stores & spares and packing materials consumed	530.54	499.47
Power and Fuel	1,478.41	1,770.75
Insurance	35.39	52.21
Rent paid	21.04	17.62
Taxes and Licences	13.94	3.90
Repairs to Buildings	13.93	14.68
Repairs to Machinery	287.28	315.52
Repairs to Other Assets	4.60	3.42
Commission on sales	2.52	2.39
Cash discount on Sales	-	73.21
Directors' Fee and expenses	6.11	6.18
Payments to Auditors (vide Note No.18 of Schedule-18)	2.48	1.83
Miscellaneous expenses	110.27	135.15
Loss on Sale of Assets	-	0.02
Assets Written Off	-	12.53
Claims Written Off	-	504.16
Total	2,506.51	3,413.04
Interest:		SCHEDULE – 17
On Fixed Loans	190.28	295.59
To Banks and others	103.02	217.53
Exchange Rate Variation	-	5.50
Total	293.30	518.62

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)	1003.99	—
2. Contingent liabilities not provided for:		
i. Outstanding Guarantees to Banks including Letter of Credit opened with Banks for capital payments	2530.51	—
ii. Bills discounted	2516.19	337.68
iii. Grid support charges claimed by A.P.Transco – disputed by the Company	115.97	115.97
iv. Demand by EPDC of A.P Ltd., towards differential electrical charges – contested by the Company	573.84	573.84
v. Claims against the company by suppliers and contractors not acknowledged as debts	26.88	28.22
3. Secured Loans:		
A. Term Loans:		
All are secured by pari passu charge, by mortgage of the company’s immovable properties and hypothecation of movable assets including movable machinery, present and future. The loans are further secured by a floating charge on all the remaining movable assets, subject to charge in favour of company’s bankers on specified movables towards working capital facilities.		
B. Working Capital Loans from Banks:		
Secured by the hypothecation of raw materials, semi-finished goods, finished goods, stores and spares and book debts and also collaterally secured by second charge on the fixed assets, both present and future, of the company.		
4. The Company operates only in one business segment being the manufacture of Oxo-Alcohols and there is no geographical segments to be reported.		
5. As per Accounting Standard 15 “Employees Benefits” the disclosure of Employee Benefits as defined in the Accounting Standard are given hereunder:		

a) Defined Contributions Plans

Contributions to Defined Contribution plan, recognized as expense for the year, are as under:

(Rs. in lakhs)

	2007-08	2006-07
Employer’s contributions to Provident and Pension Funds	37.18	31.61

Defined Benefit Plans

A. 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 recognizes 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 recognized in the same manner as gratuity.

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

	(Rs. in lakhs)	
	Gratuity (Funded)	Compensated absences (Unfunded)
Defined Benefit obligation at beginning of the year (As at 1 st April, 2007)	105.21	45.38
Interest Cost	7.89	2.41
Current Service Cost	9.77	6.47
Benefits paid	(7.39)	(7.72)
Actuarial loss / (gain) on obligation	2.62	8.28
Defined Benefit obligation at year end (As at 31 st March, 2008)	118.10	54.82

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

	(Rs. in lakhs)	
	Gratuity (Funded)	
Fair value of plan assets at beginning of the year (As at 1 st April, 2007)		50.50
Expected return on plan assets		4.67
Contributions		18.64
Benefits paid		(7.39)
Actuarial loss / (gain) on obligation		—
Fair value of plan assets as at the end of the year (As at 31 st March, 2008)		66.42

III. Reconciliation of fair value of assets and obligations as at 31.3.2008.

	(Rs. in lakhs)	
	As at 31 st March, 2008	
	Gratuity	Compensated absences (Unfunded)
Fair value of plan assets	66.42	—
Present value of obligation	118.10	54.82
Amount recognized as liability in Balance sheet	51.67	54.82

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

	(Rs. in lakhs)	
	Gratuity (Funded)	Compensated absences (Unfunded)
Current Service Cost (includes prior period amount of Rs.51.67 lakhs in respect of obligation towards Gratuity)	60.83	9.44
Interest Cost	7.89	2.41
Expected return on plan assets	(4.67)	—
Actuarial (gain)/ loss	2.62	(2.41)
Expenses recognized in the statement of Profit & Loss Account	66.67	9.44

V. Principals Actuarial Assumptions

	Gratuity (Funded)	Compensated absences (Unfunded)
Discount Rate	8.00%	8.00%
Salary Escalation Rate	7.00%	4.50%
Attrition Rate	—	—
Expected Rate of return on Plan assets:	—	—

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

The above information is certified by the Actuary.

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	
Purchase of goods from	26.27	(24.95)	NIL	(NIL)	NIL	(1.16)
Purchase of Capital Asset from	NIL	(0.03)	NIL	(NIL)	NIL	(NIL)
Services rendered by	0.35	(0.33)	NIL	(NIL)	3.89	(2.65)
Interest received on ICD of Rs. 20 crores which is repaid during the year itself	185.38	(17.26)	NIL	(NIL)	NIL	(NIL)
Dividend Paid	239.45	(NIL)	0.02	(NIL)	0.09	(NIL)

Figures in brackets are in respect of previous year.

7. Earnings per Share (EPS):

	This Year	Previous Year
a) Net Profit available to Shareholders (Rs.)	362151116	363613669
b) Weighted average No. of Equity Shares used as denominator for calculating EPS	84971600	84971600
c) Basic and diluted earnings per Equity Share of Rs.10/- each (Rs.)	4.26	4.28

	This Year		Previous Year	
	Rs. in lakhs	%	Rs. in lakhs	%
15. a) Consumption of raw materials:				
Imported	NIL	NIL	NIL	NIL
Indigenous	18864.92	100	15459.57	100
b) Consumption of stores during the year (charged to appropriate heads of account):				
Imported	167.20	12	219.87	12
Indigenous	1235.24	88	1683.82	88
	1402.44	100	1903.69	100

	(Rs. in lakhs)	
	This Year	Previous Year
16. Expenditure in Foreign Currency on account of:		
Licence & Basic Engineering Fee	1191.60	Nil
Interest	0.17	30.67
Bank charges, Subscriptions and cost of services etc.	2.00	1.13
Travelling expenditure (excluding tickets purchased in rupees)	0.52	Nil
17. Earnings in Foreign Currency:	NIL	NIL
18. Payments made to Auditors towards:		
Statutory Audit Fees	1.00	0.75
Taxation matters incl. Tax Audit	0.09	0.09
Consultancy and certification	0.82	0.70
Out-of-pocket expenses	0.09	0.07
	<u>2.00</u>	<u>1.61</u>
Cost Audit fees	0.25	0.20
Certification	—	—
Out-of-pocket expenses	0.23	0.02
	<u>2.48</u>	<u>1.83</u>

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

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 A A Krishnan K. Raghu Ram	For and on behalf of the Board Dy. Manager (Finance) & Asst. Company Secretary	Chairman Managing Director Director
Camp: HYDERABAD Date : 30-07-2008	HYDERABAD 30-07-2008		

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

I. Registration Details:	
Registration No.	4635
State Code	01
CIN	L23209AP1984PLC004635
Balance Sheet Date	31 st March, 2008 (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	1821959
Total Assets	1821959
Source of Funds:	
Paid-up Capital	849716
Reserves & Surplus	660993
Secured Loans	119654
Unsecured Loans	Nil
Deferred Tax Liability	191596
Total	1821959
Application of Funds:	
Net Fixed Assets	862923
Investments	52631
Net Current Assets	906405
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil
Total	1821959
IV. Performance of Company:	
Turnover	2814858
Accretion/(Decretion) to stocks	47077
Other Income	64238
Total Expenditure	2370251
Profit before Tax	555922
Profit after Tax	362152
Earning per share Rs.	4.26
Dividend rate %	Nil
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. 29051300	2-Ethyl Hexanol
3. 29051409	Normal Butanol Iso Butanol

**CASH FLOW STATEMENT FOR
THE YEAR 2007-2008**

	(Rs. in lakhs)	
	This Year	Previous Year
A) Cash Flow from Operating Activities:		
Profit/(Loss) for the year before extraordinary items:	5559.22	5483.85
Adjustments for:		
Depreciation	1201.07	1182.22
Interest paid	293.30	518.62
Interest received	(615.60)	(240.48)
Loss on sale of assets	--	0.02
Assets written off	--	12.53
Claims written off	--	504.16
Provision for compensated absences	6.47	3.56
Provision for Gratuity	51.67	--
Operating Profit before Working Capital changes	6496.13	7464.48
Inventories	(387.59)	(102.70)
Trade and other receivables	926.52	(2801.91)
Trade payables	(63.33)	239.59
Cash generated from operations	6971.73	4799.46
Interest paid	(293.30)	(518.62)
Income Tax (paid)/refund received	(1658.50)	(589.72)
Net Cash generated in operations	5019.93	3691.12
B) Cash Flow from Investing Activities:		
Additions to Fixed Assets including Capital Work-In-Progress	(1758.17)	(567.84)
Sale of Fixed Assets	--	1.72
Interest received	615.60	240.48
Net Cash used in investing activities	(1142.57)	(325.64)
C) Cash Flow from Financing Activities		
(Decrease)/Increase in borrowings (net)	(1629.50)	(670.34)
Dividend Paid	(849.72)	--
	(2479.22)	(670.34)
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	1398.14	2695.14
Opening balance of Cash & Cash equivalents	3273.72	578.58
Closing balance of Cash & Cash equivalents	4671.86	3273.72

Per our report of even date

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

Membership No.018545

Camp: HYDERABAD

Date : 30-07-2008

M R B Punja
Dr. Mullapudi Harischandra Prasad
A A Krishnan

K. Raghu Ram

HYDERABAD

30-07-2008

For and on behalf of the Board

Chairman
Managing Director
Director

Dy. Manager (Finance) & Asst. Company Secretary



THE ANDHRA PETROCHEMICALS LIMITED

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

24th 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 24th ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 27th September, 2008 and at the adjournment thereof.

Signed this _____ day of _____ 2008

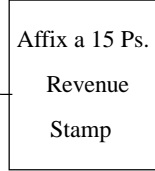
For office use

Proxy No.:

Date of Receipt:

No. of Shares:

Signature of the Shareholder(s) _____



* Applicable for investors holding shares in electronic form.

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



THE ANDHRA PETROCHEMICALS LIMITED

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

Client ID*

ATTENDANCE SLIP **

DP. ID*

Folio No.....

Name of Member _____

No. of Shares held _____

Name of Proxy _____

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

I hereby register my presence at the 24th ANNUAL GENERAL MEETING being held on Saturday, the 27th September, 2008.

.....
Signature of Member/Proxy

* Applicable for investors holding shares in electronic form.

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

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