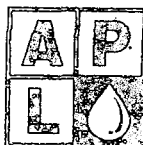


MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

THE ANDHRA PETROCHEMICALS LIMITED

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14th Annual Report 1997-98

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M.R.B. Punja (Chairman)

Sri Mullapudi Harischandra Prasad
(Managing Director)

Sri N.Biswas (Nominee of IDBI)

Sri P.C.Parakh, I.A.S.

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

Mr. Robert Mitchell
(Nominee of CDC)

Sri Justice G. Ramanujam

Sri K.S. Purohit

Sri A.A. Krishnan

Sri P.Narendranath Chowdary

Sri M. Thimmaraja

General Manager (Finance) & Secretary

Sri K.A. Prasad

Auditors

M/s. Brahmayya & Co.,
Chartered Accountants
Vijayawada

Bankers

State Bank of India
State Bank of Hyderabad
Andhra Bank
Bank of Baroda
State Bank of Travancore

Registered Office

Venkatarayapuram
Tanuku - 534 215
West Godavari Dist.
Andhra Pradesh

Factory

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

*The Andhra Petrochemicals Limited***NOTICE**

NOTICE is hereby given that the Fourteenth 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 Monday, the 28th September, 1998 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, 1998 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 who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri A.A.Krishnan who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri P.Narendranath Chowdary who retires by rotation and being eligible offers himself for reappointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s Brahmaya & 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, plus reimbursement of out of pocket expenses."

SPECIAL BUSINESS:

6. To consider and, if deemed fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Sri M Gopalakrishna, I.A.S.(Retd.) be and is hereby appointed as a Director of the Company."

Hyderabad
25.7.1998

By Order of the Board
MULLAPUDI HARISCHANDRA PRASAD
Managing Director

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

NOTES:

1. An Explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto and the documents referred to therein are open for inspection at the Registered Office of the Company during business hours on any working day.
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 16th September, 1998 to 28th September, 1998 (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.

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

Sri M Gopalakrishna, I.A.S.(Retd.) was appointed as an Additional Director on 30.9.1997 in terms of Section 260 of the Companies Act, 1956 and holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice along with deposit from a member under Section 257 of the Companies Act, 1956, proposing appointment of Sri M Gopalakrishna, I.A.S.(Retd.) as a Director. None of the Directors of the Company other than Sri M Gopalakrishna, I.A.S.(Retd.) is interested in the resolution.

The Andhra Petrochemicals Limited

Directors' Report to the Members

Your Directors present the Fourteenth Annual Report and Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	1997-98	1996-97
Net Sales	6607.12	8971.66
Gross Profit before Interest & Depreciation	959.19	2376.49
Less: Interest	1533.07	1629.14
Depreciation	1148.02	1140.92
Profit/(Loss) for the year	(1721.90)	(393.57)
Less: Excess provision of interest made in earlier years credited back	--	37.21
Less: Excess provision of depreciation in earlier years credited back	--	0.52
Add: Short provision for Income Tax in earlier years	0.01	--
Add: Balance brought forward from the Previous year	2045.87	2401.71
Balance carried to Balance Sheet	323.96	2045.87

OPERATIONS:

The year 1997-98 started on a promising note but the major fire accident that took place at HPCL refinery (with whom Company has entered into long term agreement for supply of Propylene) has brought production operations to a standstill effective from 14th September, 1997 for want of Propylene. During the year the Company produced 19,548 MT and sold 19,843 MT of Oxo-Alcohols. The operations were resumed on a continuous basis from 21st May, 1998 with renewed Propylene supplies from HPCL refinery. During interim period Company obtained limited quantities of Propylene from IOCL, Mathura and continued operations intermittently. This force majeure situation has adversely affected Company's profitability for the year. Further, reduction in Customs Duty coupled with a downslide in international prices of Oxo-alcohols has put pressure on the margins of domestic producers. Your Company contributed nearly Rs.840 lakhs to the National Exchequer in terms of indirect taxes.

CURRENT OUTLOOK:

Due to slump in prices of Oxo-Alcohols world wide, the prices in domestic market are affected. However the performance of the Company is expected to improve during the current year on account of increased availability of feedstock.

DEPOSITS:

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

EMPLOYEES :

Information required under Section 217(2A) of the Companies Act., 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of this report is annexed hereto.

INDUSTRIAL RELATIONS:

Industrial relations continued to be cordial throughout the year. The Directors record their appreciation of the dedication of the employees at all levels.

SAFETY, HEALTH AND ENVIRONMENT:

Safety, Occupational health and Environment protection continue to be accorded priority and Safety standards are constantly reviewed. Pollution control devices have been installed to control effluents generated.

INSURANCE:

All the insurable assets of the Company including Plant and Machinery, Buildings and Inventories are adequately insured.

DIRECTORS:

Sri M Gopalakrishna, IAS (Retd.), nominated by APIDC in terms of Promotional Agreement was appointed as a Director of the Company with effect from 30.9.1997 pursuant to Article 97 of the Articles of Association of the Company. He holds office upto the date of the Annual General Meeting. Pursuant to Section 257 of the Companies Act, 1956, the Company has received notice alongwith deposit from a member proposing the candidature of Sri M Gopalakrishna for the office of Director of the Company. Sri Justice G Ramanujam, Sri A A Krishnan and Sri P Narendranath Chowdary, Directors retire by rotation and are eligible for reappointment.

AUDITORS:

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

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 Annexed and form part of this Report.

ACKNOWLEDGEMENT:

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, The Andhra Sugars Limited, APIDC, Financial Institutions, Banks, HPCL, IOCL, Kvaerner Process Technology, Shareholders, Dealers, Customers and Suppliers.

Hyderabad
25-07-1998

On behalf of the Board
M R B PUNJA
Chairman

*The Andhra Petrochemicals Limited***Annexure 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, 1998.

A. Conservation of Energy:

The plant was operated at high loads and various unit operations optimised realising lower specific consumption of both electric power and steam resulting in considerable energy savings. These benefits could be realised only during the first half of the year (operative period), when the plant achieved good capacity utilisation.

FORM A**A. Power and Fuel Consumption:**

	Current Year	Previous Year
--	--------------	---------------

1. Electricity:**a. Purchased**

Units	82,34,340	1,01,26,693
Total Amount(Rs.)	2,80,20,005	3,46,20,238
Rate/Unit(Rs.)	3.40	3.42

b. Own generation**i. Through diesel generator**

Units	78,39,790	1,10,43,923
Units per litre of diesel oil	3.62	3.70
Cost/Unit(Rs.)	2.68	2.32

ii. Through steam turbines/generator

	N.A	N.A
--	-----	-----

2. Coal:

Quantity(Tonnes)	N.A	N.A
Total Amount(Rs.)	N.A	N.A
Average Rate	N.A	N.A

3. a) Furnace Oil:

Quantity(KL)	652,997	N.A
Total Amount(Rs.)	38,56,384	N.A
Average Rate	5,905.67	N.A

b) LSHS:

Quantity(KL)	2,111,005	4,348,651
Total Amount(Rs.)	1,46,11,399	2,80,35,752
Average Rate	6,921.54	6,447.00

4. Others/Internal generation**Oxo Alcohol Residue:**

Quantity(MT)	1,073,000	1,912,372
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	848	2.99	827	3.06
N-Butanol	785	2.80	756	3.36
1-Butanol	794	2.82	707	3.66

B. Technology Absorption :**FORM B****I. 1. Research and Development:**

The Company has changed one out of the two packing beds in the carbondioxide Absorber and regenerator from pall rings to structured packing, thereby debottlenecking the section.

The power distribution system has been modified to enable operation of the synthesis gas and oxo sections on diesel generator power and insulate them from the vagaries of APSEB power.

2. Benefits derived:

Removed the bottleneck of Carbondioxide removal section. Higher on stream factor of the plant due to reduced number of plant trippings/interruptions.

3. Plan of Action:

The Company is planning to use a new Catalyst developed by British Gas and manufactured by ICI-Katalco, indigenously, in place of imported Catalyst used hitherto, in view of anticipated Techno-Commercial advantages.

4. Expenditure on Research & Development (R & D):

The Company has incurred Rs.8.89 Lakhs on R&D.

II. Technology Absorption, Adaptation and Innovation:**1. Efforts made:**

During the year, the Company could successfully regenerate and recycle the spent Rhodium Catalyst of the LP Oxo Process, as per the Kvaerner Technology Process.

2. Benefits:

The Company could achieve consistently higher levels of operation and high quality products.

III. Imported Technology: During the year 1997-98, there is no import in technology.

The Andhra Petrochemicals Limited**C. Foreign Exchange Earning and Outgo (on cash basis):**

(Rs. in Lakhs)

	For the Year Ended 31-03-1998	For the Year Ended 31-03-1997
i.Earnings	6.29	--
ii.Outgo	478.31	526.88

Hyderabad
25-07-1998On behalf of the Board
M.R.B.Punja
Chairman**Annexure to the Directors' Report**

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 and forming part of the Report of the Board of Directors for the year ended 31-03-1998

Sl. No.	Name	Designation	Gross Remuneration (Rs.)	Qualification	Age (Years)	Experience (Years)	Date of Commencement of employment in the Company	Particulars of last employment (Name of the concern, Designation and period)
1.	Sri Mohana Krishna M.	Addl. G.M. (Eng.&Mat.)	3,16,250	B.E., M.B.A., A.M.I.E	47	26	25-08-1989	Visakhapatnam Steel Project, Visakhapatnam; Manager(Projects) - 9 years
2.	Sri Prasad K.A.	General Manager(Finance) & Secretary	3,28,110	M.Com., F.I.C.W.A., F.C.S.,	56	34	22-10-1990	Sree Rayalaseema Alkalies and Allied Chemicals Ltd. Kurnool; General Manager (Finance) & Secretary - 4 ¼ years
3.	Sri Ramesh G S	DGM(Mktg)	3,10,130	B.Sc., M.B.A(Mktg)	36	14	08-02-1993	Raasi Cement Ltd., Hyderabad; Manager(Marketing) 3 years
4.	Dr. Rao V.N.	Vice President (Tech)	6,07,660	M.Tech., Ph.D. (Chem. Engg.)	56	29	04-10-1995	Consultant
5.	Sri Satyanarayana Rao K.	Addl. G.M. (Ope & Tech. Sers.)	3,19,550	M.Tech. (Chem.Engg)	43	19	06-10-1993	Manali Petrochemicals Ltd, Madras; Senior Manager (Production) - 4 years.
6.	Sri Viswanadham M.K.	Vice President (Mktg)	5,95,632	B.Sc.(Hons.) Agr. & A.H., M.Sc.(Agronomy)	48	24	30-10-1992	Raasi Cement Ltd, Hyderabad; Chief General Manager (Marketing) 3 ½ years

1. Employment is contractual for Sl.No.4.
2. Gross remuneration includes Salary, monetary value of perquisites, GPAI, Company contribution to Provident Fund, Leave Travel Assistance, reimbursement of Medical Expenses.
3. Employees are not related to any Director of the Company.

Hyderabad
25-07-1998On behalf of the Board
M.R.B. Punja
Chairman