

**THE
ANDHRA PETROCHEMICALS
LIMITED**

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**16th Annual Report
1999-2000**

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M.R.B. Punja (Chairman)
Dr. Mullapudi Harischandra Prasad
(Managing Director)
Dr.B.B. Ramaiah
Sri N. Biswas(Nominee of IDBI)
Sri P.C. Parakh, I.A.S.
Sri M. Gopalakrishna, I.A.S.(Rtd.)
Sri Justice G. Ramanujam (Rtd.)
Sri A.A. Krishnan
Sri P. Narendranath Chowdary
Sri M. Thimmaraja

Company's Equity Shares are listed on the following Stock Exchanges:

The Hyderabad Stock Exchange Ltd.
(Regional Stock Exchange)
3-6-275, Himayatnagar
Hyderabad - 500 029

Madras Stock Exchange Ltd.
Exchange Building
11, Second Line Beach
P.B.No.183
Chennai - 600 001

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

General Manager(Finance) & Secretary

Sri K.A. Prasad

Auditors

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

Cost Auditors

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

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 Sixteenth 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 Friday, the 29th September, 2000 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, 2000 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 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 Narendrarath 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 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."

SPECIAL BUSINESS:

6. To consider and if deemed fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any of the Companies Act, 1956 Dr. Mullapudi Harischandra Prasad be and is hereby reappointed as Managing Director of the Company not liable to retire by rotation for a period of 5 years with effect from 1st October, 2000 without any remuneration.
RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to accept any variation in the terms and conditions of the said appointment as may be stipulated by the IDBI, Lead Financial Institution."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

- A. The following new Articles 51(3) & 51(4) be inserted after the existing Article 51(2).

51(3) Nomination

1. Every shareholder or debentureholder of the Company, may at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.

2. Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debentureholder or, as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.
4. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.

51(4) Transmission of Securities by nominee

A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-

- (i) to be registered himself as holder of the share or debenture, as the case may be; or
- (ii) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debentureholder, could have made;
- (iii) if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be;
- (iv) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.
 Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.

The Andhra Petrochemicals Limited

B. The following new Article 60(A) be inserted after the existing Article 60.

DEMATERIALISATION OF SECURITIES**a. Definitions**

For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository; 'SEBI' means the Securities & Exchange Board of India.

'Depository' means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992 and

'Security' means such security as may be specified by SEBI from time to time.

b. Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the provisions of the Depositories Act, 1996 or any amendments thereof.

c. Issue of Securities and option for investors

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities under the Depositories Act and offer and issue its securities in the dematerialised form and the Company shall intimate the details of allotment to the depository immediately on allotment of such securities. Investors in a new issue and the beneficial owners shall have the option to rematerialise the shares subsequent to the allotment or dematerialisation, as the case may be, in which event the Company shall issue to the investor/beneficiary the required certificates of securities subject to the provisions of applicable laws, rules, regulations or guidelines.

d. Securities in depository mode to be in fungible form

All securities held in the depository mode with a depository shall be dematerialised and be in fungible form. To such securities held by a depository on behalf of the beneficial owner, nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply.

e. Rights of depositories and Beneficial Owners

i. Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

ii. Save as otherwise provided in (i) above, the depository as the registered owner of securities shall not have any voting or other rights in respect of the securities held by it.

iii. Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all liabilities in respect of the securities held by the depository.

f. Service of documents

Notwithstanding anything to the contrary in the Companies Act, 1956 or these Articles, where securities are held in a depository mode, the records of the beneficial owner may be served by a depository on the Company by means of electronic mode or by delivery of floppies or discs.

g. Transfer of securities

Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered in the Register maintained under the Depositories Act by a depository as beneficial owners.

h. Distinctive numbers of securities held in the depository mode

Nothing contained in the Companies Act, 1956 or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the depository mode.

i. Register and Index of Beneficial Owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be Register and Index of Members and holders of securities for the purpose of these Articles and the Act."

By Order of the Board

Hyderabad
20.7.2000

Dr. 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, 2000 to 29th September, 2000 (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.

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

Tenure of Dr.Mullapudi Harischandra Prasad as Managing Director without remuneration expires on 30th September, 2000. He has been closely associated in project implementation since inception of the Company. At present the Company is in the process of locating a strategic partner to improve its profitability of operations. Further, Company has been initiating steps for laying a pipeline from Visakhapatnam Port to plant for importation of Propylene as a standby arrangement to meet feed stock requirement for achieving higher level of output on a consistent basis. In view of the above, Board opines that knowledge, exposure and wide contacts of Dr.Mullapudi Harischandra Prasad will prove to be immensely beneficial to the Company in implementation of aforesaid plans of action and it is considered desirable to continue his tenure as Managing Director for a further period of 5 years without remuneration. Sri M Thimmaraja, Director of the Company is related to Dr.Mullapudi Harischandra Prasad and hence they may be deemed to be concerned or interested in the said resolution. Save as aforesaid, none of the Directors is interested in the resolution. This alongwith relevant resolution may be treated as an extract pursuant to Section 362 of the Companies Act, 1956.

ITEM NO.7:

The Companies Act, 1956 has been amended from time to time and in order to incorporate the latest amendments of the Act it is proposed to alter the Articles of Association in respect of nomination for shares and Dematerialisation of shares. Special Resolution at item No.7 of the notice is required to be passed to amend the existing Articles of Association and accordingly said resolution commend your approval. No Director of the Company is concerned or interested in the proposed resolution except to the extent of his shareholding.

Hyderabad
20.7.2000

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

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Sixteenth Annual Report and Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	1999-2000	1998-99
Net Sales (Excl. of excise duty)	7574.57	5080.77
Gross Profit before Interest & Depreciation	1199.94	353.58
Less: Interest	1898.87	1701.78
Depreciation	1158.85	1153.74
Profit/(Loss) for the year	(1857.78)	(2501.94)
Add: Balance brought forward from the Previous year	(2177.98)	323.96
Balance carried to Balance Sheet	(4035.76)	(2177.98)

OPERATIONS:

The sales and other income for the year under review was Rs.8,982.11 lakhs as compared to Rs.6,196.87 lakhs in the previous year. The fire accident that took place at HPCL Refinery-Visakha in September, 1997, affected operations during the present year also. The inadequate Propylene supplies from HPCL continued upto August, 1999. Again HPCL was shut-down for maintenance for a prolonged period of 100 days between October 1999 and January 2000; consequently your Company's plant has to be closed down during the period for lack of Propylene supply from HPCL. Added to this, during the second half of the year, Propylene price was consistently maintained at higher level and progressively increased to Rs.22,225/MT as on 31.3.2000 (Rs.23,256/MT net of MODVAT). Further, other Petroleum products viz. Naphtha, LSHS, Furnace Oil and LDO witnessed steep escalation. On the other hand the sale prices realised were not commensurate with increase in input cost thereby eroding profit margins. Your Company, therefore did not have a good year mainly because of high feedstock prices, low selling prices for finished products, which could not be raised commensurate with escalation in material prices, inconsistent production operations due to low Propylene supply and non-supply of Propylene for 92 days following HPCL plant shut-down for 100 days for maintenance. Further, dumping of Oxo-Alcohols products at cheaper prices from abroad has caused depression in domestic sale prices. Left with no alternative, the domestic oxo-alcohol manufacturing units requested the Government of India for levy of anti-dumping duty on cheaper imports. The Designated Authority after preliminary findings imposed anti-dumping duty applicable for imports into the country. This notification is effective upto 26th day of July, 2000 and will be reviewed for extension thereafter. Your Company contributed Rs.775.71 lakhs to National Exchequer in terms of Indirect taxes.

CURRENT OUTLOOK:

Propylene supplies remained stable during the first three months of the current year and your Company achieved production of 10,283 MT of Oxo-Alcohols. Production for the full year is expected to be around 40,000 TPA of Oxo-Alcohols. Hence current year's performance appears to be encouraging and barring unforeseen circumstances your Company expects to do better in the coming years.

FINANCIAL RESTRUCTURING:

Your Company has approached IDBI, Lead Financial Institution for financial restructuring by way of extension of loan closing date and conversion of debt into equity to facilitate debt service. The proposal is under consideration of consortium of Term Lenders.

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 (as amended) 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.