

**THE
ANDHRA PETROCHEMICALS
LIMITED**

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**17th Annual Report
2000-01**

The Andhra Petrochemicals Limited**NOTICE**

NOTICE is hereby given that the Seventeenth 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 Saturday, the 29th September, 2001 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, 2001 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 Dr B B Ramaiah who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri Justice G Ramanujam (Retd.) who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri M Gopalakrishna, IAS(Rtd.) 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 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 and are hereby altered as follows:

The following Article No.68A be inserted after the existing Article No.68 in the Articles of Association of the Company:

RESOLUTIONS BY POSTAL BALLOT

68A. Notwithstanding anything contained in these Articles, pursuant to Section 192A of the Companies Act, 1956, the Company may, and in the case of resolution relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot (including voting by electronic mode), shall, get any resolution passed by means of a postal ballot (including voting by electronic mode), instead of/in addition to transacting the business in the General Meeting of

the Company. Where the Company decides to pass any resolution by postal ballot, it shall send a notice by post, or by any other method as may be prescribed by the Central Government in this behalf to all the shareholders, along with draft resolution explaining reasons therefor, and requesting them to send their assent or dissent in writing on a postal ballot, in postage pre-paid envelope to be provided by the Company, within a period of 30 days or within such period as may be prescribed by the Central Government from the date of posting of the notice.

If a resolution is assented to by a requisite majority of the shareholders by means of postal ballot (including voting by electronic mode), it shall be deemed to have been duly passed at a General Meeting in that behalf."

By Order of the Board

Hyderabad Dr MULLAPUDI HARISCHANDRA PRASAD
16.07.2001 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 14th September, 2001 to 29th September, 2001 (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 DPID numbers on the attendance slip for easy identification of attendance at the Meeting.

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

Article 68A is proposed to be inserted, being consequential alteration to the Articles of Association of the Company, in view of recent amendments of the Companies Act, 1956, by insertion of Section 192A for passing of certain resolutions by postal ballot, by the Companies (Amendment) Act, 2000.

According to Section 31 of the Companies Act, 1956, it is necessary to pass a Special Resolution to amend any of the provisions of Articles of Association. Therefore, the Board recommends the resolution for the approval of the members.

None of the Directors of the Company is deemed to be concerned or interested in the resolution.

By Order of the Board

Hyderabad Dr MULLAPUDI HARISCHANDRA PRASAD
16.7.2001 Managing Director

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Seventeenth Annual Report and Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	2000-2001	1999-2000
Net Sales (Excl. of excise duty)	12454.61	7574.57
Gross Profit before Interest & Depreciation	1853.58	1199.94
Less: Interest	1421.44	1898.87
Depreciation	1164.32	1158.85
Profit/(Loss) for the year	(732.18)	(1857.78)
Add: Excess provision of interest in earlier years credited back (Resulting from Financial Restructuring Package)	61.66	--
Add: Balance brought forward from the Previous year	(4035.76)	(2177.98)
Balance carried to Balance Sheet	(4706.28)	(4035.76)

OPERATIONS:

The Company achieved significant level of production of 34,437 MTs, in 10 months operation and sales of 34,943 MTs during the year. This high level of operations was possible on account of innovative measures implemented by the plant team in-house, leading to improved onstream factors and at the same time realising considerable savings in raw-material and energy consumption factors.

The plant operations were suspended from January 22, 2001 till 4th July, 2001 due to operational constraints and uneconomic market pricing. Sales and other income for the year under review was Rs.14,829.01 lakhs as compared to Rs.8,982.11 lakhs in the previous year. Company ended with a cash profit of Rs.432.14 lakhs, as against loss of Rs.698.93 lakhs in the previous year. However, profit margin has come down mainly due to Propylene price remaining continuously high throughout the year.

FINANCIAL RESTRUCTURING:

As mentioned in the last year's report, the consortium of Term Lenders have sanctioned a Financial Restructuring Package to improve viability of operations of the Company. The concessions relate to waiver of liquidated damages payable for the period 1st April, 1998 to 31st March, 2000, reduction in rate of interest, conversion of half of unpaid interest dues into Equity Shares, balance half of unpaid interest to carry zero percent interest till repayment and extension of repayment period for the outstanding principal of Term Loans.

OUTLOOK:

Financial Restructuring Package as approved by Financial Institutions and Banks would bring about more than one-third saving in interest in the current year. Company also expects that the discount offered by HPCL, would continue. On its own, as stated above, Company has made substantial improvements in the performance parameters which are expected to reduce cost of production and improve margins. All in all, with the levy of Anti-Dumping Duty and barring any unforeseen factors, Company may be expected to do better in the current year.

DEPOSITS:

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

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 continues 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 on reinstatement value basis.

The Andhra Petrochemicals Limited**DIRECTORS:**

Dr B B Ramaiah, Sri Justice G Ramanujam (Rtd.) and Sri M Gopalakrishna, IAS(Rtd.) retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS:

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

COST AUDITORS:

The Company Law Board (CLB) ordered Audit of the Cost Accounts records of the Company under Section 233(b) of the Companies Act, 1956. Accordingly, the Board has with the approval of CLB, appointed M/s Narasimha Murthy & Co., as Cost Auditors for the year ended 31st March, 2001.

LISTING OF THE COMPANY'S EQUITY SHARES:

The Equity Shares of your Company continue to be listed during the year under review at the Hyderabad Stock Exchange, Madras Stock Exchange and Mumbai Stock Exchange. The Company has paid the Annual Listing Fees to each of these Stock Exchanges for the Financial Year 2001-2002.

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.

PARTICULARS OF EMPLOYEES:

The provisions of Section 217(2A) of the Companies Act, 1956 are not applicable as the Company does not have any employee on its roll whose particulars are required to be disclosed under the said provisions.

DEMATERIALISATION OF SHARES:

As directed by SEBI, Company's shares are traded compulsorily in dematerialised form from September 25, 2000. The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose. As on 31.3.2001, 1,25,66,207 shares of the Company stands dematerialised.

CORPORATE GOVERNANCE:

As per Listing Agreement provisions, Corporate Governance provisions are applicable to your Company during the financial year 2001-2002. An Audit Committee as prescribed, with Sri Justice G Ramanujam (Rtd.) as Chairman has already been in existence since 20th September, 1989. Another Committee as required, viz. Shareholders/Investors Grievance Committee has been constituted with Dr B B Ramaiah as Chairman. Other necessary steps will be taken during the year.

AUDIT COMMITTEE:

Audit Committee consists of the following directors:

1. Sri Justice G Ramanujam (Rtd.) - Chairman
2. Sri P C Parakh, I.A.S.,
3. Sri N Biswas

DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

- i) that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- ii) that accounting policies have been selected and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) that proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors had prepared the annual accounts on a going concern basis.

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, Kvaerner Process Technology, Shareholders, Dealers, Customers and Suppliers.

Hyderabad
16-07-2001

On behalf of the Board
M R B Punja
Chairman