

THE ANDHRA PETROCHEMICALS LIMITED

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21st Annual Report
2004 - 05

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M.R.B. Punja (Chairman)

Dr. Mullapudi Harischandra Prasad
(Managing Director)

Dr. B.B. Ramaiah

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

Sri Indrajit Pal, I.A.S., (w.e.f., 20.7.2005)

Sri P. Nageswara Rao, I.R.S.,
(From 29.10.2004 to 6.6.2005)

Sri P.C. Parakh, I.A.S., (upto 23.4.2004)

Sri S.M. Balasubramanyam, I.A.S.,
(From 23.04.2004 to 27.8.2004)

Sri Salil Kumar Dutta (Nominee of IDBI)

Sri Davendra Mittal (Nominee of ADB)
(upto 27.09.2004)

Sri Justice G. Ramanujam (Retd.)

Sri A.A. Krishnan

Sri P. Narendranath Chowdary

Sri M. Thimmaraja

Company's Equity Shares are listed on:

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

Annual Listing Fee for the period 2005-06
has been paid to the Stock Exchange.

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

Registered Office

Venkatarayapuram
Tanuku - 534 215
West Godavari Dist.
Andhra Pradesh
Tel : 08819 - 224075
email: info.tnk@theandhrasugars.com

Factory

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

Transfer Agents

(for electronic connectivity)

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

Physical Segment

In-house

*The Andhra Petrochemicals Limited***NOTICE**

NOTICE is hereby given that the Twenty First 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 23rd September, 2005 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, 2005 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 reappointment.
3. To appoint a Director in place of Sri Pendyala Narendranath Chowdary who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri M Thimmaraja 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 an Ordinary Resolution:

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

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 Sri Indrajit Pal, I.A.S., be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

7. 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, 2005 without any remuneration, subject to approval of IDBI Ltd., Lead Financial Institution.

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 Ltd., Lead Financial Institution."

Hyderabad By Order of the Board
20-07-2005 Dr. MULLAPUDI HARISCHANDRA PRASAD
 Registered Office: Managing Director
 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, 2005 to 23rd September, 2005 (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.
6. Particulars of Directors who are proposed to be reappointed/appointed at this Meeting as required under Clause 49 of the Listing Agreement:

Item Nos.2, 3, 4, 6 & 7

Sri Justice G Ramanujam (Retd) joined the Board w.e.f. 1.7.1989 as an Independent Director. He holds Degrees in Law and Maths (Hons), was elevated as Madras High Court Judge, dealt with all branches of law viz., Taxation, Labour, Company and Constitution law. He was Vice-Chairman, Central Administrative Tribunal, Madras Bench and Chairman, Tamilnadu Fifth Pay Commission.

He is also Director on the Boards of The Andhra Sugars Ltd., Lakshmi Machine Works Ltd., The Lakshmi Mills Company Ltd., Tamilnadu Jai Bharath Mills Ltd., Viswapriya Financial Services & Securities Ltd., Viswapriya Gold Hire Purchase Ltd., and Madras Stock Exchange Ltd. He is the Chairman of Audit Committee of the Company.

He is Chairman / Member on the following Board Committees:

Name of the Company	Name of the Committee	Chairman/Member
The Andhra Sugars Ltd.	Shareholders	Chairman
	Grievance Committee	
Lakshmi Machine Works Ltd.	Audit Committee	Chairman
	Shareholders/Investor Grievances Committee	Member
The Lakshmi Mills Company Ltd.	Audit Committee	Chairman
	Shareholders/Investor Grievances Committee	Member
Tamilnadu Jai Bharath Mills Ltd.	Audit Committee	Chairman
	Shareholders/Investor Grievances Committee	Member

Sri Pendyala Narendranath Chowdary joined as Director on the Board of the Company as nominee of The Andhra Sugars Ltd., Co-promoter company w.e.f., 8.8.1996. He is a Graduate in Faculty of Science. He joined The Andhra Sugars Ltd., as a Director in the year 1968 and subsequently elevated as whole-time Director in 1976 and Joint Managing Director in 1983 looking after day-to-day affairs of chemical complexes at Kovvur and Saggonda. As Joint Managing Director, he was instrumental in setting-up new complex at Saggonda with installation of energy saving and environmental friendly chemical plant. He is a Member of 'Shareholders / Investors Grievance Committee', 'Committee for issue of Duplicate Share Certificates' and

The Andhra Petrochemicals Limited

'Sub-Committee of the Board of Directors' of the Company to approve Un-audited Quarterly Financial Results of the Company.

He is also Director on the Boards of JOCIL Ltd., Sree Akkamamba Textiles Ltd., Sree Satyanarayana Spinning Mills Ltd., Hindustan Allied Chemicals Ltd., and The Andhra Farm Chemicals Corporation Ltd. He is Member of the following Board Committees:

Name of the Company	Name of the Committee
The Andhra Sugars Ltd.	Shareholders Grievance Committee
	Share Transfer Committee
JOCIL Ltd.	Share Transfer and Shareholders / Investors Grievances Committee

Sri Pendyala Narendranath Chowdary is related to Dr B B Ramaiah, Director of the Company.

Sri M Thimmaraja joined as Director on the Board on 7.11.1992. He is a graduate in Chemical Engineering and Post-graduate in Business Management from the University of Florida, U.S.A. He has experience in Project Management and Marketing of Sugar, Organic and Inorganic Chemicals. He is a member of the 'Shareholders / Investors Grievance Committee', 'Committee for Issue of Duplicate Share Certificates' and 'Sub-Committee of the Board of Directors' of the Company to approve Un-audited Quarterly Financial Results of the Company. Presently he is a Joint Managing Director of The Andhra Sugars Ltd., Co-promoter company. He is also a Director on the Board of JOCIL Ltd. He is Member of the following Board Committees:

Name of the Company	Name of the Committee
The Andhra Sugars Ltd.	Shareholders Grievance Committee
	Share Transfer Committee
JOCIL Ltd.	Share Transfer and Shareholders / Investors Grievances Committee
	Audit Committee

Sri Indrajit Pal, I.A.S., 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. Presently he is Vice-Chairman & Managing Director, Andhra Pradesh Industrial Development Corporation Ltd. He is a Director on the Boards of A.P Industrial Infrastructure Corp., Ltd., APIDC Venture Capital Ltd., and Lord's Security Mint Ltd., and also Chairman of Hyderabad Information Technology Venture Enterprise Ltd., and Cyberabad Trustee Co. Pvt. Ltd. He is a member of the Board Sub-Committee to approve Un-audited Quarterly Financial Results of the Company.

Dr. Mullapudi Harischandra Prasad at a young age of 24 years founded The Andhra Sugars Ltd., Co-promoter of the Company and developed the small sugar manufacturing company into a producer of hi-tech chemical products, and extended its industrial activities from Tanuku to Kovvur, Saggonda, Taduvai, Bhimadole, Guntur and Anantapur in Andhra Pradesh. He is the Chairman & Managing Director of The Andhra Sugars Ltd.

He was instrumental in setting-up of The Andhra Petrochemicals Ltd., at Visakhapatnam for manufacture of Oxo-Alcohols - an import substitute product, in technical collaboration with world renowned Davy Process Technology.

At present he is Chairman on the Boards of Sree Akkamamba Textiles Ltd., JOCIL Ltd., Sree Satyanarayana Spinning Mills Ltd., Agri Business Finance (A.P) Ltd., Hindustan Allied Chemicals Ltd., and The Andhra Farm Chemicals Corporation Ltd., and Director on the Board of The Andhra Pradesh Gas Power Corporation Ltd., and Proprietor, Royal Printing Works. He is a Member of the 'Sub-Committee of the Board of Directors' of the Company to approve Un-audited Quarterly Financial Results of the Company.

At present he is Chairman / Member of the following Board Committees:

Name of the Company	Name of the Committee	Chairman/Member
The Andhra Sugars Ltd.	Share Transfer Committee	Chairman
Sree Akkamamba Textiles Ltd.	Share Transfer Committee	Chairman
JOCIL Ltd.	Share Transfer and Shareholders/Investors Grievances Committee	Chairman
Agri Business Finance (A.P) Ltd.	Audit Committee	Chairman
Andhra Pradesh Gas Power Corp., Ltd.	Finance Committee	Chairman
	Purchase Committee	Member

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO.6:

Sri Indrajit Pal, I.A.S., is appointed as Additional Director of the Company with effect from 20.7.2005 by the Board of Directors. Pursuant to the Companies Act, 1956 Sri Indrajit Pal, I.A.S., holds office upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with a deposit of Rs.500/- pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Sri Indrajit Pal, I.A.S., as a candidate for the office of Director liable to retire by rotation.

Keeping in view his rich experience and knowledge, the Directors commend the Resolution for members' approval. None of the other Directors of the Company is in any way concerned or interested in this Resolution.

ITEM NO.7:

Tenure of Dr. Mullapudi Harischandra Prasad as Managing Director without remuneration, expires on 30th September, 2005. He has been closely associated in project implementation since inception of the Company. At present the Company is required to improve its profitability of operations and exploring avenues for expansion. 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 along with relevant resolution may be treated as an extract pursuant to Section 302 of the Companies Act, 1956.

Hyderabad

By Order of the Board

20-07-2005 Dr. MULLAPUDI HARISCHANDRA PRASAD

Managing Director

Registered Office:

Venkatarayapuram

TANUKU - 534 215

Andhra Pradesh

The Andhra Petrochemicals Limited

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Twenty First Annual Report and Statement of Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS: (Rs. in lakhs)

	2004-2005	2003-2004
Net Sales (excl. of Excise Duty)	19712.17	15203.10
Gross Profit before Interest & Depreciation	4141.54	3133.79
Less: Interest	866.87	1025.00
Depreciation	1243.66	1167.82
Net Profit for the year	2031.01	940.97
Provision for:		
Current Tax (MAT)	162.00	74.00
Deferred Tax	742.22	337.59
Net Profit after Taxation	1126.79	529.38
Balance of loss brought forward from previous year	(1442.62)	(2864.73)
Income Tax paid for earlier years	(0.11)	(5.12)
Deferred Tax Asset as on 31.03.2003 recognised	--	897.85
Balance of loss carried to Balance Sheet	(315.94)	(1442.62)

MANAGEMENT DISCUSSION AND ANALYSIS:

Industry structure and development:

The Company's principal business consists of manufacture and sale of Oxo-Alcohols mainly used in PVC, Adhesives, Emulsion Paints, Lube and Fuel Additives, Surfactants, Dyes, Pharmaceuticals, Pesticides, Rubber Chemicals etc. The domestic demand is around 1,00,000 MTs per annum. Domestic production accounts for 45,000 - 50,000 MTs per annum while the rest of the demand is met by imports.

The annual demand of Oxo-Alcohols is growing at about 7%. There is a continuing gap between domestic demand and installed capacity in the country, which is met by imports. These imports create instability and volatility in domestic prices due to dumping by external suppliers and adversely affect the company's competitiveness in the domestic market. In the liberalised economic environment, growing competition from cheaper imports and anticipated reduction in import duties due to WTO stipulations pose a major threat to domestic industry.

The manufacturing cost is dependent on domestic petroleum input prices, power rates and interest charges prevailing in the country. As your Company's pricing has to be in alignment with imported prices and competitive as well, there is uncertainty about predicting the prospects of the industry. A redeeming feature is the fact that per capita consumption of Oxo-Alcohols in India is very low when compared to other countries, indicating the scope & potential for Oxo-Alcohol products and uses.

Operational and Financial Performance:

Company recorded satisfactory operational and financial performance during the period under review i.e., financial year 2004-05. During the year, Company registered increased production and sales and also value of sales as compared to the last financial year, due to higher international sale prices following an increase in oil prices and the anti-dumping measures restricting cheaper imports.

The increased cost of petroleum inputs and increase in power charges, despite securing cheaper gas based power supply from APGPCL acquired during the year, have resulted in reduced margins.

The Company improved efficiencies in production, purchasing and marketing while laying continued emphasis on Research and Development for improved process efficiencies. Optimal management of long-term and working capital funds has substantially reduced the finance costs.

Internal Control System:

Due to automated production process and effective software support, Internal Control Systems in the Company are considered adequate as assessed by the management. Transactions are authorised, reported and recorded correctly. Internal Controls are supplemented by external audit on a continuous basis covering the entire gamut of operations. The Board Audit Committee meets periodically and reviews the Internal Control Systems as reflected in the Internal Audit Reports. Suitable corrective actions are initiated in time wherever necessary. Company ensures adherence with all regulatory guidelines.

Human Resources and Industrial Relations:

The Company continuously strives to upgrade the skills and motivation levels of its human resources. The industrial relations have been cordial throughout the year. The Company had 283 employees as on March 31, 2005.

Cautionary Statement:

The reports are forward-looking and affirmative statements. The actual performance in the coming year(s) may not always correspond to the projections as any change in the external business environment may impact the performance and warrant adopting appropriate operating strategies.

OPERATIONS:

Your Company achieved a production of 42,606 MTs and sale of 44,525 MTs Oxo-Alcohols during the year. Gross sales and other income for the year under review was Rs.23,154.22 lakhs as compared to Rs.18,443.33 lakhs in the previous year. The significant increase in price of major raw-materials like Propylene, Naphtha and other petroleum inputs in the wake of the steep hike in international oil prices and increase in power cost have affected margins during the year despite saving in financial charges.

FUTURE OUTLOOK:

International product prices, crude oil prices in international market, imports and Government policy will impact the Company earnings.

A major portion of inputs is petroleum based and is obtained from adjacent HPCL refinery. With the introduction of VAT in the state, the inputs of the Company are subject to 12.50% VAT. However, almost all the finished products of the Company comprise interstate sales, which attracts Central Sales Tax at 4%. As per the present guidelines, the refund of excess Input Tax Credit (ITC) will be made initially after a two-year period and thereafter yearly. This is likely to hold up a substantial amount of Company's funds. Company has made a representation to the Government of Andhra Pradesh to streamline the refund mechanism.

DEPOSITS:

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

SAFETY, HEALTH AND ENVIRONMENT:

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

INSURANCE:

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

FINANCE:

During the year, Company repaid some high interest bearing Term Loans resulting in reduction in the interest burden.

DIRECTORS:

Sri P C Parakh, I.A.S., Sri S M Balasubramanyam, I.A.S., Sri Davendra Mittal and Sri P Nageswara Rao, I.R.S., resigned as Directors w.e.f., 23rd April, 2004, 27th August, 2004, 27th September, 2004 and 6th June, 2005 respectively.

The Andhra Petrochemicals Limited

The Board places on record its sincere appreciation of the services rendered by them during their respective tenures as Directors.

With effect from 20.7.2005, Sri Indrajit Pal, I.A.S., was inducted as APIDC Nominee Director on the Board of the Company, liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sri Justice G Ramanujam (Retd), Sri P Narendranath Chowdary and Sri M Thimmaraja, Directors of the Company, retire by rotation at the conclusion of 21st Annual General Meeting and being eligible, offer themselves for reappointment. A brief profile of these Directors is given in the notice of the 21st Annual General Meeting.

The term of office of Dr. Mullapudi Harishchandra Prasad as Managing Director expires on 30th September, 2005. The Board of Directors at its Meeting held on 20th July, 2005 reappointed him as Managing Director subject to approval of IDBI Ltd., Lead Financial Institution and Members in General Meeting for a period of five years i.e., from 1st October, 2005 to 30th September, 2010. The necessary resolution is appended to the notice convening Annual General Meeting for your approval.

AUDITORS:

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

COST AUDITORS:

The Board with the Approval of the Department of Company Affairs, Ministry of Finance, has appointed M/s Narasimha Murthy & Co., as Cost Auditors for the year ended 31st March, 2005.

PARTICULARS OF EMPLOYEES:

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

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

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

DEMATERIALISATION OF SHARES:

As directed by SEBI, Company's shares are traded compulsorily in dematerialised form from September 25, 2000. As on 31st March, 2005, 5,01,37,101 shares of the Company stand dematerialised.

DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

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

REPORT ON CORPORATE GOVERNANCE:

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

ACKNOWLEDGEMENT:

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

On behalf of the Board
M R B Punja
Chairman

Annexure 'A' to the Directors' Report:

Additional information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2005.

A. Conservation of Energy:

The plant was operated at higher loads and operations were optimised thereby economising on the use of Energy, both in terms of electric power and steam.

FORM A

A. Power and Fuel Consumption:

	Current Year	Previous Year
1. Electricity:		
a. Purchased		
Units	1,33,79,810	1,22,07,730
Total Amount (Rs.)	4,54,84,089	4,20,52,793
Rate / Unit (Rs.)	3.40	3.44
b. Own generation		
i. Through diesel generator		
Units	1,39,31,610	1,42,77,640
Units per litre of diesel oil	3.79	3.76
Cost / Unit (Rs.)	6.84	5.88
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)	236.467	128.000
Total Amount (Rs.)	26,43,224	13,57,699
Average Rate	11,177.98	10,606.95
b) LSHS:		
Quantity (KL)	3,999.597	3,757.427
Total Amount (Rs.)	4,47,11,213	4,03,36,715
Average Rate	11,178.93	10,735.20
4. Others/Internal generation		
Oxo Alcohol Residue:		
Quantity (MT)	2,201.000	2,314.000
Total Amount (Rs.)	NIL	NIL
Average Rate / MT	NIL	NIL

*The Andhra Petrochemicals Limited***B. Consumption per tonne of production:**

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	684	2.18	686	2.18
N-Butanol	565	1.84	568	1.84
I-Butanol	582	1.89	576	1.87

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

Successfully implemented the use of fuel additive in the fuel system, used in the boiler thereby conserving fuel;

Developed indigenous programmable logic control for Hydrogen Pressure Swing Adsorption system.

2. Benefits derived:

Achieved fuel conservation in boilers and import substitution of PLC for Hydrogen system.

3. Plan of Action:

Developed electrical/process system for insulating plant against vagaries of external power supply.

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

The Company has incurred an expenditure of Rs.14.02 lakhs on Research and Development.

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

The technology has been fully absorbed.

2. Benefits:

The Company benefited by way of energy conservation and improved throughput.

III. Imported Technology:

There is no import of technology during the year.

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

	For the Year ended 31-03-2005	For the Year ended 31-03-2004
i. Earnings	NIL	NIL
ii. Outgo	602.07	201.35

Hyderabad
20-07-2005

On behalf of the Board
M R B Punja
Chairman

Annexure 'B' to the Directors' Report:**REPORT ON CORPORATE GOVERNANCE****A. MANDATORY REQUIREMENTS:****a) Company's philosophy on Corporate Governance:**

Your Company firmly believes that adhering to good corporate Governance practices in all its dealings, operations and actions, ensures enhancement of overall shareholder value and protection of interests of all its stakeholders including shareholders, customers, employees, lenders, government and the community in which it operates.

b) Board of Directors:

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

The composition of the Board is given below:

Name of Director	Promoter, Executive, Non-executive Independent, Non-executive Nominee	No. of other Companies* in which		No. of other Board Committees in which	
		Director	Chairman	Chairman	Member
Shri M R B Punja, Chairman	Non-executive, Independent	10	5	5	5
Dr Mullapudi Harischandra Prasad Managing Director	Executive, Promoter Group	1	7	5	1
Dr B B Ramaiah	Non-executive, Promoter Group	2	—	—	—
Shri M Gopalakrishna I.A.S.(Retd.)	Non-executive, Promoter Group	3	3	—	—
Shri Indrajit Pal, I.A.S. (w.e.f. 20.7.2005)	Non-executive, Promoter Group	4	2	—	—
Shri P Nageswara Rao, I.R.S. (From 29.10.2004 to 6.6.2005)	Non-executive, Promoter Group	3	—	—	—
Shri P C Parakh, I.A.S. (upto 23.4.2004)	Non-executive, Promoter Group	—	—	—	—
Shri S M Balasubramanyam I.A.S (From. 23.4.2004 to 27.8.2004)	Non-executive, Promoter Group	—	3	—	—
Shri Salil Kumar Dutta (Nominee of IDBI as Lender)	Non-executive, Independent	—	—	—	—
Shri Davendra Mittal (Nominee of ADB as Lender) (upto 27.9.2004)	Non-executive, Independent	3	—	—	—
Shri Justice G Ramanujam (Retd.)	Non-executive, Independent	7	—	4	3
Shri A A Krishnan	Non-executive, Independent	3	—	—	—
Shri P Narendranath Chowdary	Non-executive, Promoter Group	6	—	—	3
Shri M Thimmaraja	Non-executive, Promoter Group	2	—	—	4

* including private limited companies