

THE ANDHRA PETROCHEMICALS LIMITED

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**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 **By Order of the Board**
30-07-2008 Dr. MULLAPUDI HARISCHANDRA PRASAD
Registered Office: **Managing Director**
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

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 re-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	—	—
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.

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').

DEMATERIALIZATION OF SHARES:

As directed by SEBI, Company's Equity Shares are traded compulsorily in dematerialised form from September 25, 2000. Up to 31st March, 2008, out of the total number of 8,49,71,600 Equity Shares, 5,44,88,518 Equity Shares constituting 64.13% stands 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 a going concern basis.

REPORT ON CORPORATE GOVERNANCE:

As required under Clause 49 of the Listing Agreement with the Stock Exchange, the report on Corporate Governance and the Auditors' Certificate on the compliance of Corporate Governance are annexed and form part of the Annual Report (Annexure 'C').

ACKNOWLEDGEMENTS:

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, the Promoters - The Andhra Sugars Ltd., and APIDC, Financial Institutions, Banks, HPCL, Davy Process Technology Ltd., London, Aker Powergas Pvt. Ltd., Shareholders, Customers and Suppliers. Your Directors also wish to place on record their deep sense of appreciation for the valuable contribution made by the employees at all levels, which enabled the Company to achieve a sustained growth in the operational performance during the year under review.

On behalf of the Board

Hyderabad
30-07-2008

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, 2008.

A. Conservation of Energy:

Energy conservation steps taken during this year have resulted in considerable reduction in steam consumption as well as electrical power consumption. However, the comparative power consumption figures reported for previous year and this year do not reflect this in view of the additional energy consumption in the UPS system. The savings are reflected in terms of the unit cost of power.

FORMA

A. Power and Fuel Consumption:

Current Year Previous Year

1. Electricity:

a. Purchased

Units	2,82,28,700	2,09,45,300
Total Amount (Rs.)	7,23,02,478	5,61,89,217
Rate / Unit (Rs.)	2.56	2.68

b. Own generation

i. Through diesel generator

Units	2,90,637	64,51,308
Units per litre of diesel oil	3.41	3.73
Cost / Unit (Rs.)	61.40	11.31

ii. Through steam

Turbines / Generator	N.A	N.A
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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 (MTs/Kls)	1,235.200	782.430
Total Amount (Rs.)	2,41,42,060	1,27,66,013
Average Rate	19,545.06	16,315.85

b) LSHS:

Quantity (MTs)	2,277.800	2,879.840
Total Amount (Rs.)	4,70,79,266	4,95,57,792
Average Rate	20,668.74	17,208.52

4. Others/Internal Generation

Oxo-Alcohol Residue:

Quantity (MTs)	2,537.500	2,762.792
Total Amount (Rs.)	NIL	NIL
Average Rate	NIL	NIL

B. Consumption per tonne of production:

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	646	2.08	643	2.31
N-Butanol	551	1.82	529	1.94
I-Butanol	560	1.84	553	2.03

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 (Father of Sri M. Thimmaraja)*	Dr. B B Ramaiah (Sri Pendyala Narendranath Chowdary sister's husband) * Sri M Gopalakrishna I.A.S. (Retd) (Up to 30.8.2007) Sri Indrajit Pal, I.A.S. Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) * Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) *

* 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.