

**THE  
ANDHRA PETROCHEMICALS  
LIMITED**



**26<sup>th</sup> Annual Report  
2009 - 10**

# 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

Dr. Anumolu Ramakrishna

Sri Surinder Kumar Kapoor

(from 13.5.2010)

Sri Vinod Kumar Agrawal, I.A.S.,

(Nominee of APIDC)

Sri Pradeep Kumar Keshari

(Nominee of IDBI Bank Ltd.,)

Sri P Narendranath Chowdary

Sri M Thimmaraja

Sri M. Venkateswara Rao (Nominee of APIDC)

(from 22.10.2009)

## Manager (Finance) &

### Asst. Company Secretary

Sri K. Raghu Ram

## Statutory Auditors

M/s. Brahmayya & Co.,

Chartered Accountants

D.No. 33-25-33-B,

Govindarajulu Naidu Street,

Suryarao Peta,

Vijayawada - 520 002

## 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

E-mail: info.tnk@andhrapetrochemicals.com

investors@andhrapetrochemicals.com

Website: www.andhrapetrochemicals.com

## Factory

Opp. Naval Dockyard

Post Box No. 1401

Visakhapatnam - 530 014

Andhra Pradesh

Contents	Page No.
Notice	2
Directors' Report	4
Management Discussion & Analysis	4
Report on Corporate Governance	8
Auditors' Report	12
Balance Sheet	15
Profit & Loss Account	16
Schedules	17
Balance Sheet Abstract	27
Cash Flow Statement	27
Proxy & Attendance Slip	

## NOTICE

NOTICE is hereby given that the Twenty Sixth 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 Thursday, the 30<sup>th</sup> September, 2010 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 31<sup>st</sup> March, 2010 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. Anumolu Ramakrishna who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri P. 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 appoint Auditors for the year 2010-11 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for reappointment.

### 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 M. Venkateswara Rao who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22.10.2009 pursuant to Article 97 of the Articles of Association of the Company and who holds office upto the date of the 26<sup>th</sup> 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 a Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Sri Surinder Kumar Kapoor who was appointed by the Board of Directors as an Additional Director of the Company with effect from 13.5.2010 pursuant to Article 97 of the Articles of Association of the Company and who holds office upto the date of the 26<sup>th</sup> 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 a Director of the Company liable to retire by rotation."

**Visakhapatnam**                      **By Order of the Board**  
**5-8-2010**                      **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 Nos.6 and 7 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 Monday, the 20<sup>th</sup> September, 2010 to Thursday, the 30<sup>th</sup> September, 2010 (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.**
7. Shareholders who have not encashed their Dividend Warrants issued in respect of dividend declared for the year 2006-07 are requested to write to the Regd. Office of the Company in order to enable the Company to proceed with their requests in case the Dividend Warrants remain unencashed.

### **Particulars of Directors who are proposed to be reappointed at this Meeting as required under Clause 49 of the Listing Agreement:**

**Dr. Anumolu Ramakrishna** has been the Director of the Company since 30.7.2008. He 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 Ltd., (L&T). 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.

## ***The Andhra Petrochemicals Limited***

Other Directorships held:

Director – The Andhra Sugars Ltd., GVK Jaipur Expressway Pvt. Ltd., The KCP Ltd., Madras Cements Ltd., Ramco Industries Ltd., Taj GVK Hotels and Resorts Ltd., GVK Industries Ltd., GVK Gautami Power Ltd., International Infrastructure Consultants Pvt. Ltd., GVK Power & Infrastructure Ltd., SPEL Semiconductor Ltd., Teesta Urja Ltd., Brigade Enterprises Ltd., and Mumbai International Airport Pvt. Ltd.

Other Committeeships held:

Member – Audit & Compensation Committee, Madras Cements Ltd; Audit Committee, Ramco Industries Ltd., The KCP Ltd., SPEL Semiconductor Ltd., GVK Power & Infrastructure Ltd., GVK Gautami Power Ltd., Teesta Urja Ltd., and Brigade Enterprises Ltd.; Chairman – Audit Committee, Taj GVK Hotels & Resorts Ltd., and GVK Jaipur Expressway Pvt. Ltd.

He does not hold any Equity Shares in the Company.

**Sri Pendyala Narendranath Chowdary** has been the Director of the Company since 8.8.1996. He is a Graduate in Faculty of Science. He joined The Andhra Sugars Limited (Promoter of the Company) as a Director in the year 1968 and subsequently elevated as Whole-time Director in 1976 and Joint Managing Director in 1983. He looks after day-to-day affairs of chemical complexes at Kovvur and Saggonda. Under his dynamic leadership, The Andhra Sugars Limited received an award for Best Energy Conservation in the Chloro-Alkali Industry instituted by Department of Power, Government of India. He is the Managing Trustee of Sree Pendyala Venkata Krishna Rangaraya Memorial Trust, Dommeru, which has been engaging in laudable service of spreading education among the rural population in West Godavari District.

Other Directorships held:

Joint Managing Director – The Andhra Sugars Ltd; Director – Sree Akkamamba Textiles Ltd., JOCIL Ltd., The Andhra Farm Chemicals Corpn. Ltd., Sree Satyanarayana Spinning Mills Ltd., and Hindustan Allied Chemicals Ltd.

Other Committeeships held:

Member – Shareholders Grievance Committee and Share Transfer Committee, The Andhra Sugars Ltd.; Member – Share Transfer and Shareholders / Investors Grievance Committee, JOCIL Ltd.

He holds 4,216 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 Postgraduation 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 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 – Audit Committee and Shareholders / Investors Grievances Committee, JOCIL Ltd.; Shareholders / Investors Grievance Committee, The Andhra Sugars Ltd.

He holds 1,580 Equity Shares in the Company.

Particulars of Directors Sri M Venkateswara Rao and Sri Surinder Kumar Kapoor who are being appointed at the 26<sup>th</sup> Annual General Meeting are 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:**

**Sri M. Venkateswara Rao** is a Graduate in Commerce and Law and Postgraduate in Business Administration. He is also a Fellow Member of The Institute of Company Secretaries of India and Associate Member of The Institute of Cost and Works Accountants of India. He is presently Secretary & Assistant General Manager (Accounts) of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) in which he has 20 years of experience as Company Secretary. In terms of the Investment Agreement entered into with APIDC, he has been nominated as its Director on the Board.

Sri M. Venkateswara Rao was co-opted as an Additional Director on the Board of the Company with effect from 22.10.2009. Pursuant to Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company, Sri M. Venkateswara Rao holds office only upto the date of the 26<sup>th</sup> 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 Sri M. Venkateswara Rao as a candidate for the office of Director.

Other Directorships held:

Director - Avanti Industries Ltd., Krebs Bio Chemicals Ltd., Vybra Automac Ltd., CMH Tools Ltd., Vamsadhara Paper Mills Ltd.,

Other Committeeships held:

Member – Audit Committee, Krebs Bio Chemicals Ltd.

He does not hold any Equity Shares in the Company.

Keeping in view his rich experience and qualifications, your Board of Directors recommend the necessary Resolution for your approval.

Except Sri M. Venkateswara Rao no other Director is deemed to be interested or concerned in the Resolution.

#### **ITEM NO.7 :**

**Sri Surinder Kumar Kapoor** was co-opted as an Additional Director on the Board of the Company with effect from 13.5.2010. Pursuant to Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company, Sri Surinder Kumar Kapoor holds office only upto the date of the 26<sup>th</sup> 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 Sri Surinder Kumar Kapoor as a candidate for the office of Director.

Sri Surinder Kumar Kapoor, is a Mechanical Engineer [B.E. Hons]. He served Hindustan Petroleum Corporation Ltd., (HPCL) for 37 years handling different assignments in various management positions. He retired from HPCL as Director (Marketing). He was Director on the Boards of Mangalore Refineries & Petrochemicals Ltd., Petronet India Ltd., (Pipelines), Hindustan Colas (a joint venture with Colas SA of France, world leaders for Bitumen Emulsions) and South Asia LPG (a joint venture with Totalfina Elf of France for mega scaled LPG infrastructure). He served as an Advisor to Sun Group (Moscow) and Reliance Industries Ltd., (President Level) petroleum business.

Other Directorships held: Nil

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 Sri Surinder Kumar Kapoor no other Director is deemed to be interested or concerned in the Resolution.

**Visakhapatnam By Order of the Board**  
**5-8-2010 Dr. MULLAPUDI HARISCHANDRA PRASAD**  
Registered Office: **Managing Director**  
Venkatarayapuram  
TANUKU - 534 215  
Andhra Pradesh

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2010 is summarised below:

(Rs. in lakhs)

	2009-10	2008-09
Net Sales (excl. Excise Duty)	<b>13714.27</b>	24493.84
Profit before Interest & Depreciation	<b>486.74</b>	4008.52
Less: Interest	<b>134.93</b>	303.34
Depreciation	<b>1202.81</b>	1206.16
Profit /(Loss) after Interest and Depreciation	<b>(851.00)</b>	2499.02
Provision for:		
Current Tax	<b>76.00</b>	1223.00
Deferred Tax	<b>(386.77)</b>	(343.34)
Fringe Benefit Tax	—	4.12
Excess provision for Direct Taxes written back	<b>(2.18)</b>	(2.97)
Profit / (Loss) After Taxation	<b>(538.05)</b>	1618.21
Balance brought forward from previous year	<b>6792.14</b>	5173.93
Balance of Profit carried forward to next year	<b>6254.09</b>	6792.14

### OPERATIONAL AND FINANCIAL PERFORMANCE:

During the Financial Year 2009-10, the Plant was shut down for 141 days in connection with the Modernisation-cum-Optimisation of the Oxo-Alcohols Plant and for trial runs. This resulted in lower turnover compared to 2008-09. The recessionary trends of 2008-09, which continued in first half of 2009-10, resulted in lower sales realisations.

Operating the Plant for part of the Financial Year and disproportionate fall in selling prices without corresponding reduction in raw material prices resulted in lower financial performance. However, the Company has implemented the Modernisation-cum-Optimisation programme well within the time frame and cost as envisaged originally. This indicates the financial leverage of your Company in the future.

### DIVIDEND:

In view of loss incurred by the Company during the year under report and requirement of funds to meet the post Expansion needs (payment of installments to the Banks during the Financial Year 2010-11) your Directors considered it prudent not to recommend any dividend for the Financial Year 2009-10.

### 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 31.3.2010 stood at Rs.76.90 crores against Rs.82.28 crores in the previous year.

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### Industry Structure and Developments:

The Oxo-Alcohols business in the country, which is the main activity of your Company, continues to grow at a healthy rate of 8% - 10% per annum. The industry has come out of the recessionary trends that prevailed during part of 2008-09 and 2009-10 and currently recording better margins. The present trends are encouraging and your Company is hopeful of better prospects in future.

Modernisation-cum-Optimisation of the Expanded Oxo-Alcohols Plant commenced commercial production with effect from 1<sup>st</sup> May, 2010. After Expansion the installed capacity of the Plant has increased to 73,000 MTPA from the existing capacity of 39,000 MTPA. Your company can now meet around 55% of country's total demand of Oxo-Alcohols as against earlier 27%. The enhanced capacity coupled with efficiencies associated with the latest technology is expected to improve the bottom line.

#### Opportunities and Threats:

After capacity enhancement, your Company is now in a better position to compete with imports due to scale of economies. Due to increased market share, the domestic end-users are better placed for reasonably assured quantities domestically thereby lesser dependent on imports. However, cheaper imports from South-East Asia and Middle East countries is an area of concern.

#### Internal Control Systems:

External professional accounting firm is entrusted with the responsibility of internal audit of the Company. Internal audit is carried out for each quarter. The effectiveness of internal control systems are thoroughly checked, reviewed and reported through internal audit reports. The internal audit reports, their findings, recommendations / suggestions with regard to internal control systems are periodically reviewed and monitored by the Audit Committee which ensures strict implementation of the recommendations.

#### Human Resources and Industrial Relations:

Your Company continues to lay its emphasis on good HR practices to motivate employees at all levels for retention and better performance. Necessary training is imparted periodically to keep the employees abreast with the latest technological development in their area of operations. Industrial relations continued to be cordial throughout the year. As on 31<sup>st</sup> March, 2010 the Company has 312 employees on its rolls.

**Future Outlook:**

Consequent upon enhancement of production capacity from 39,000 MTPA to 73,000 MTPA w.e.f., 1<sup>st</sup> May, 2010, your Company's market share is expected to be doubled compared to earlier periods. The scale of economies though still well below current world scale levels, place the Company in a better position to compete with imports with an assured and improved supplies to the customers.

**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 expressed 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. Pollution control systems are functioning satisfactorily and are being 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:**

During the year under report, Sri M. Venkateswara Rao, Nominee Director of APIDC, was co-opted as an Additional Director on the Board of the Company with effect from 22.10.2009. He holds office upto the date of the ensuing 26<sup>th</sup> Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 26<sup>th</sup> Annual General Meeting.

Sri Surinder Kumar Kapoor was co-opted as an Additional Director on the Board of the Company with effect from 13.5.2010. He holds office upto the date of the ensuing 26<sup>th</sup> Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 26<sup>th</sup> Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Dr. Anumolu Ramakrishna, Sri P Narendranath Chowdary and Sri M. Thimmaraja retire by rotation at the ensuing 26<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment.

**AUDIT COMMITTEE:**

Audit Committee consists of four Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna and Sri Pradeep Kumar Keshari. Sri Justice G Ramanujam (Retd.) is the Chairman of the Committee.

**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 31<sup>st</sup> March, 2010.

**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.

**DEMATERIALISATION OF SHARES:**

As on 31<sup>st</sup> March, 2010 out of the total number of 8,49,71,600 Equity Shares, 5,50,89,486 Equity Shares constituting 64.83% stand dematerialised.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

It is hereby confirmed:

- i) that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any.

- ii) 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.
- iii) 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.
- iv) 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 Directors' 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 Limited and APIDC, Financial Institutions, Banks, HPCL, Davy Process Technology Ltd., London, Aker Solutions Pvt. Ltd., Shareholders, Customers and Suppliers. Your Directors also wish to place on record their deep sense of appreciation of 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

Visakhapatnam  
5-8-2010

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 31<sup>st</sup> March, 2010.

#### The Andhra Petrochemicals Limited

#### A. Conservation of Energy:

Five Nos. of Energy Conservation Projects have been executed during the year which resulted in a saving of 52,226 KWH electric energy.

#### FORM A

#### A. Power and Fuel Consumption:

	Current Year	Previous Year
<b>1. Electricity:</b>		
<b>a. Purchased</b>		
Units	1,63,54,300	2,43,97,272
Total Amount (Rs.)	5,52,59,991	6,84,55,406
Rate / Unit (Rs.)	3.38	2.81
<b>b. Own generation</b>		
<b>i. Through diesel generator</b>		
Units	12,57,640	11,68,183
Units per litre of Diesel Oil	3.56	3.15
Cost / Unit (Rs.)	13.96	18.33
<b>ii. Through steam</b>		
Turbines / Generator	N.A	N.A
<b>2. Coal:</b>		
Quantity (Tonnes)	N.A	N.A
Total Amount (Rs.)	N.A	N.A
Average Rate	N.A	N.A
<b>3. a. Furnace Oil:</b>		
Quantity (MTs/KLs)	953.620	1,561.840
Total Amount (Rs.)	2,45,42,799	3,87,16,921
Average Rate	25,736.46	24,789.30
<b>b. LSHS:</b>		
Quantity (MTs)	1,515.380	1,956.160
Total Amount (Rs.)	3,86,49,991	5,21,87,320
Average Rate	25,505.15	26,678.45
<b>4. Others/Internal Generation</b>		
Oxo-Alcohol Residue:		
Quantity (MTs)	1,402.500	2,071.000
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	774	2.40	701	2.22
N-Butanol	672	2.09	608	1.91
I-Butanol	711	2.21	643	2.02

**B. Technology Absorption :**

**FORM B**

**I. Research & Development (R & D)**

**1. Specific areas in which R&D carried out by the Company:**

The Company has developed schemes for Modernisation-cum-Optimisation of the existing Oxo-Alcohols Plant thereby enhancing Plant capacity from 39,000 MTPA to 73,000 MTPA. Even though the Technology as such has been provided by M/s Davy Process Technology Ltd., (DPT), UK, the schemes of Optimisation using the existing process equipments and utilities to the maximum extent to result in minimum capital expenditure for Expansion has been worked out jointly by Plant personnel and DPT. Major schemes were as below:

- Conversion of the existing Gas Recycle process in Oxo Synthesis to the latest Liquid Recycle process resulting in improved process efficiencies and reduced power consumption.
- Modifications to the existing Isomer Column with certain changes to fit into the Modernisation scheme and meet the duty of the Expanded Plant.
- Use of Liquid phase hydrogenation in the new Butanols Plant.
- De-bottlenecking the Pressure Swing Absorption, Hydrogen Unit at minimum cost for virtually doubling the capacity.
- Employing latest SIL certified Instrumentation in the emergency shutdown system for increased safety of the Plant.
- Installed Sea Water Desalination Plant to meet the increased requirement of raw-water.

**2. Benefits derived as a result of above R&D:**

Realisation of additional capacity at lower project cost. Employed the latest and energy efficient process in Oxo as well as Alcohols Plant. Better safety in the operation of the Plant. Highly integrated and economical utility systems. Expected to realise longer catalyst lives.

**3. Plan of Action:**

Optimum operation of the Modernised and Expanded Plant to realise benefits of improved process and energy efficiencies.

**4. Expenditure on R & D:**

The Company has incurred an expenditure of Rs.104.80 lakhs on R & D during the year.

**II. Technology Absorption, Adaptation and Innovation:**

**1. Efforts Made:**

The new technology in the Oxo Synthesis and Butanols Plant has been well understood resulting in smooth start up and operation of the Plant at rated capacity, in a short span of time.

**2. Benefits:**

The Company has started realising the benefits of Modernisation-cum-Optimisation by way of improved process efficiencies and also reduced power consumption.

**3. Imported Technology:**

The process Licence and Basic Engineering Package for the new Oxo Synthesis and Butanols Plant has been supplied by M/s Davy Process Technology Ltd., UK, the Licensor for the earlier Plant.

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

(Rs.in lakhs)

	<b>For the Year ended 31-03-2010</b>	<b>For the Year ended 31-03-2009</b>
i. Earnings	<b>Nil</b>	Nil
ii. Outgo	<b>1449.20</b>	2049.16

**Visakhapatnam  
5-8-2010**

**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 31<sup>st</sup> March, 2010.

Name of Employee, Designation, Qualification, Experience, Date of commencement of employment in the Company, Gross Remuneration, 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, 41 years, 4.10.1995, Rs.35,16,845\*, 68 years, Consultant.
  2. Sri M K Viswanadham, Senior Executive President (Marketing), B.Sc.(Hons) Agr & A.H., M.Sc. Agriculture (Agronomy), 36 years, 30.10.1992, Rs. 65,47,858\*\*, 60 years, M/s Raasi Cement Ltd., Hyderabad, Chief General Manager (Marketing) – 3½ years.
- \* Gross remuneration includes salary, rent free accommodation, reimbursement of medical expenses, performance evaluation payment, leave encashment, car with driver and group personal accident insurance premium.
- \*\* Gross remuneration includes salary, house rent allowance, reimbursement of medical expenses, performance evaluation payment, leave encashment, car, provident fund contribution, group personal accident insurance premium and gratuity.



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 31.3.2010 the Board consisted of 11 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  Dr. Anumolu Ramakrishna  Sri Pradeep Kumar Keshari (Nominee of IDBI Bank Ltd., 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 Vinod Kumar Agrawal, I.A.S. Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) * Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) * Sri M. Venkateswara Rao (from 22.10.2009)

\* Indicates *inter se* relationship between the Directors as per Section 6 of the Companies Act, 1956.

Note: Sri Surinder Kumar Kapoor has been appointed as an Additional Director from 13.5.2010.

b) Non-Executive Directors' Remuneration: Please refer to Point No.6.

c) During the Financial Year 2009-10, four Board Meetings were held.

Dates on which they were held:

(i) 25.5.2009, (ii) 25.7.2009, (iii) 22.10.2009 and (iv) 28.1.2010.

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	4	No	6	1	4	3
Dr. Mullapudi Harischandra Prasad	4	Yes	8	7	2	2
Dr. B B Ramaiah	4	Yes	3	None	None	None
Sri Vinod Kumar Agrawal, I.A.S.	2	No	4	1	None	None
Sri Justice G Ramanujam (Retd)	1	No	3	None	1	1
Sri A A Krishnan	2	No	1	None	None	None
Dr. Anumolu Ramakrishna	2	Yes	11	None	9	1
Sri Pradeep Kumar Keshari	4	No	1	None	1	None
Sri P Narendranath Chowdary	3	No	6	None	2	None
Sri M Thimmaraja	3	No	2	None	3	None
Sri M. Venkateswara Rao (from 22.10.2009)	2	NA	5	None	1	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. Dr. Anumolu Ramakrishna, Member of the Committee, as authorised by the Audit Committee attended the Annual General Meeting to answer the queries of the shareholders.