

**THE
ANDHRA PETROCHEMICALS
LIMITED**



**27th Annual Report
2010 - 11**

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
Sri Vinod Kumar Agrawal, I.A.S.,
(Nominee of APIDC upto 19.8.2010)
Sri V Nagi Reddy, I.A.S.,
(Nominee of APIDC from 27.9.2010
to 20.5.2011)

Smt. Nilam Sawhney, I.A.S.,
(Nominee of APIDC from 1.8.2011)
Sri Pradeep Kumar Keshari
(Nominee of IDBI Bank Ltd., upto 28.4.2011)
Sri P Narendranath Chowdary
Sri M Thimmaraja
Sri M Venkateswara Rao
(Nominee of APIDC)
Sri Anirudha Behera
(Nominee of IDBI Bank Ltd., from 20.5.2011)

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
IDBI Bank Ltd.

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

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NOTICE

NOTICE is hereby given that the Twenty Seventh 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 22nd September, 2011 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, 2011 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the year 2010-11.
3. To appoint a Director in place of Sri Justice G Ramanujam (Retd) who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri A A Krishnan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. B B Ramaiah who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2011-12 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 re-appointment.

SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as 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 re-appointed as Managing Director of the Company not liable to retire by rotation for a period of 5 years with effect from 1st October, 2010 without any remuneration."

Visakhapatnam By Order of the Board
23-5-2011 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.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 Saturday, the 10th September, 2011 to Thursday, the 22nd September, 2011 (both days inclusive).
4. The Dividend recommended by Directors, if approved at the Meeting, will be paid to the Shareholders whose names are on the Register of Members as on 22nd September, 2011. **In respect of the shares held in Demat Mode, the above Dividend will be paid on the basis of beneficial ownership as at the end of business hours of 9th September, 2011 as per the details furnished by the Depositories for this purpose.**
5. 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.

6. 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.
7. 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.**
8. **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.**

SPECIFIC ATTENTION OF SHAREHOLDERS

1. Sub: **Furnishing of Bank Account details for printing on Dividend Warrants.**

Shareholders in Physical Mode: Bank Account details be furnished to the Company at the earliest in the format enclosed (**Page No.27**)

Electronic / Demat Mode: Bank Account details be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on any request received directly from the Members holding shares in Demat Mode for Bank Account Mandates.

2. Sub: **Furnishing of e-mail ID**

Members are requested to provide their e-mail IDs so as to enable the Company to send documents like notice calling general meetings, audited financial statements, Directors' report, Auditors' report etc., by way of e-mail.

Shareholders in Physical Mode: e-mail ID be furnished to the Company in the format enclosed (**Page No.26**).

Electronic / Demat Mode: E-mail ID be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on e-mail IDs received directly from the Members holding shares in Demat Mode for registration of e-mail IDs.

Particulars of Directors proposed to be re-appointed at this Meeting as required under Clause 49 of the Listing Agreement:

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 does not hold any Equity Shares in the Company.

Other Directorships held:

Director – The Andhra Sugars Ltd., and Lakshmi Machine Works Ltd.

Other Committeeships held:

Chairman – Investors Grievances Committee, The Andhra Sugars Ltd.

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Sri A A Krishnan joined the Board w.e.f., 19.10.1992 as an Independent Director. He is a graduate in Science (Chemistry) from Madras University and also a graduate in Chemical Engineering from Indian Institute of Science, Bangalore. He holds Dip. Ing (Refinery & Petrochemistry) from Ecole Nationale Supérieure du Pétrole at Les Carburants, Paris. He has vast experience of more than 38 years with proven industrial expertise in Petrochemicals. He worked with Indian Oil Corporation, Petrochemical Division of the Department of Petroleum and Chemicals of the Government of India and Indian Petrochemicals Corporation Ltd. He was associated with the development of refineries built at Gauhati, Barauni and Baroda; Development of pre-project activities concerning the aromatics and olefins projects; IPCL projects related to aromatics, olefins, polyethylene, polybutadiene rubber, LAB and ethylene glycol. He was head of the Task Force created by the Government of India to undertake pre-project activities for a new grassroot petrochemicals complex at Nagothane, Maharashtra. At present he acts as advisor for several chemical companies. He does not hold any Equity Shares in the Company.

Other Directorships held:

Director – Vinati Organics Ltd.

Other Commitments held: Nil

Dr. B B Ramaiah is a B.Sc., (Honours) in Sugar Technology; M.Sc., (Chemical Technology); M.Sc., (Chemical Engineering – Wisconsin University, U.S.A.) A.M.P (Harvard University) and Doctorate in Public Administration (World University). He has over fifty years of rich experience in industry, trade and finance. He has served on various Industry Associations, Government Bodies and Committees. He led delegations from India to International Society of Sugarcane Technologists (XVI Congress in Brazil and XVII Congress in Manila). He was a Minister of State for Commerce (with independent charge) in the Union Cabinet between June, 1996 to March, 1998. He has been the Director of the Company since inception in 1984. He holds 1,02,047 Equity Shares in the Company.

Other Directorships held:

Managing Director (Technical) – The Andhra Sugars Ltd.

Director – Jayalakshmi Estates Ltd., and Sri Sarvaraya Sugars Ltd.

Other Commitments held: Nil

Dr. B B Ramaiah is related to Sri P Narendranath Chowdary, Director.

Annexure to Notice

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

ITEM NO.7:

Consequent upon the expiry of his earlier tenure, the Board of Directors appointed Dr. Mullapudi Harischandra Prasad as Managing Director of the Company for a period of 5 years without remuneration till 30.9.2015. As Managing Director since inception he was instrumental in successfully implementing the original as well as Expansion Project. In view of his long involvement with day to day affairs of the Company, your Board of Directors considers it advisable to continue to avail the benefit of his vast experience and as such appointed him as Managing Director for a further period of 5 years with effect from 1.10.2010 without remuneration. Your Board therefore recommends necessary Resolution for your approval. Except Dr. Mullapudi Harischandra Prasad and Sri M Thimmaraja, no other Director is deemed to be interested or concerned in the Resolution. This along with relevant Resolution may be treated as an extract pursuant to Section 302 of the Companies Act, 1956.

Visakhapatnam By Order of the Board
23-5-2011 Dr. MULLAPUDI HARISCHANDRA PRASAD
Managing Director

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

Addendum to the Notice dated 23.5.2011 convening 27th Annual General Meeting to be held on 22nd September, 2011

SPECIAL BUSINESS

ITEM NO.8:

To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Smt.Nilam Sawhney, I.A.S., who was appointed by the Board of Directors as an Additional Director of the Company with effect from 1.8.2011 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 27th 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 her Candidature for the office of Director of the Company, be and is hereby appointed Director of the Company liable to retire by rotation.”

ITEM NO.9:

To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and all other applicable provisions, if any, the Articles of Association of the Company be and is hereby altered in the following manner:

After existing Article No.3, the following new Article be inserted as Article No.3A:-

3A. Notwithstanding anything contained in these Articles, the Company shall have power, subject to and in accordance with Sections 77A, 77AA, 77B and other applicable provisions of the Act or the corresponding provisions, rules, regulations and guidelines, including any amendments, modifications or re-enactments thereof, prescribed by the Government of India, the Securities and Exchange Board of India or any other authority in this behalf, to purchase any of its own fully paid-up shares or other specified securities whether or not they are redeemable and may make a payment out of its free reserves or securities premium account of the Company or proceeds of any shares or other specified securities, provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of any earlier issue of the same kind of shares or same kind of other specified securities or from such other sources as may be permitted by law on such terms, conditions and in such manner as may be prescribed by the law from time to time in respect of such purchase.

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RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorised to take such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard.”

Annexure to Addendum to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956: ITEM NO.8:

Smt. Nilam Sawhney, I.A.S., is a post graduate in physics. She worked as Collector & District Magistrate of Nalgonda district of Andhra Pradesh. She was Commissioner of Health & Family Welfare department and Secretary of Transport, Roads & Buildings department. She is presently Vice Chairman & Managing Director of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC). APIDC vide its letter dated 30.6.2011 nominated Smt. Nilam Sawhney, I.A.S., as a Director on the Board of the Company. As such Board of Directors at its meeting held on 1.8.2011 co-opted her as an Additional Director. Her appointment ceases at the 27th Annual General Meeting to be held on 22.9.2011. She does not hold any Equity Shares in the Company.

Other Directorships held: APIDC Venture Capital (P) Ltd., Hyderabad Information Technology Venture Enterprises Ltd., Cyberabad Trustee Company Pvt. Ltd., Steel Exchange India Ltd., and Lanco Industries Ltd.

Other Committeeships held: NIL.

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 Smt. Nilam Sawhney, I.A.S., a candidate for the office of Director. Her appointment would be beneficial to the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Smt. Nilam Sawhney, I.A.S., no other Director is deemed to be interested or concerned in the Resolution .

ITEM NO.9:

The Companies (Amendment) Act, 1999, permits a company to buy back its own shares or other specified securities subject to a condition that Articles of Association (AoA) of the company authorises the buy back. AoA of your Company does not contain any provision with regard to buy back of shares. As such it is proposed to alter the AoA of your Company by inserting a new Article 3A after existing Article 3 in order to enable the Company to buy back its own shares or securities as per the provisions of Sections 77A, 77AA, 77B and other applicable provisions of the Companies Act, 1956.

As per Section 31 of the Companies Act, 1956, for alteration of Articles of Association a Special Resolution is required to be passed by the Company in General Meeting.

Your Board therefore recommends the necessary Resolution for your approval.

A copy of Memorandum and Articles of Association of the Company together with the proposed alteration and other documents referred to, will be open for inspection by Members at the Registered office of the Company between 2 p.m. to 4 p.m. on any working day till the date of the Annual General Meeting.

None of the Directors of the Company is in anyway concerned or interested in the Resolution except to the extent of their shareholding in the Company.

**Visakhapatnam
1-8-2011**

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

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31st March, 2011 is summarised below:

(Rs. in lakhs)

	2010-11	2009-10
Net Sales (excl. Excise Duty)	45659.29	13714.27
Profit before Interest & Depreciation	9159.27	486.74
Less: Interest	1689.54	134.93
Depreciation	2287.75	1202.81
Profit / (Loss) after Interest and Depreciation	5181.98	(851.00)
Provision for:		
Current Tax (MAT)	1054.00	76.00
Deferred Tax	1597.72	(386.77)
MAT credit entitlement	(1032.79)	—
Excess provision for Direct Taxes written back	(0.47)	(2.18)
Profit / (Loss) after Taxation	3563.52	(538.05)
Balance brought forward from previous year	6254.09	6792.14
Profit available for appropriation	9817.61	6254.09
APPROPRIATIONS:		
Transfer to General Reserve	1000.00	—
Proposed Dividend on Equity Shares @Re.1/- per share	849.72	—
Tax on Distributable Profits	137.84	—
Balance carried forward to next year	7830.05	6254.09
	9817.61	6254.09

OPERATIONAL AND FINANCIAL PERFORMANCE:

Your Directors are glad to report that the Modernisation-cum-Optimisation of the Expanded Oxo-Alcohols Plant at an actual cost of Rs.255 crores was completed within the time schedule.

Production of Oxo-Alcohols for the 11 months from 1st May, 2010 was a record 57,726 MTs and sale was 57,472 MTs during the year. Even in the first year of operation after Expansion your Company has achieved Gross Sales of Rs.504.20 crores and Profit Before Tax of Rs.51.82 crores. Overall improvement in operational and marketing performance resulted in the record performance.

DIVIDEND:

In view of the good performance your Directors are pleased

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to recommend a Dividend of Re.1/- per share (@10% Dividend on 8,49,71,600 Equity Shares) for the year 2010-11. The outflow towards the payment of Dividend would amount to Rs.9,87,56,118 inclusive of Tax thereon. Dividend, if approved by the shareholders, will be paid to all the eligible shareholders.

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:

With the transfer of Rs.10 crores to General Reserve during the year 2010-11 the total Reserves position as on 31.3.2011 stood at Rs.102.66 crores.

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Expanded Plant, on completion of trial runs during the month of April, 2010, commenced commercial production from 1st May, 2010. The Unit has demonstrated stabilised operations at designed capacity. The market for Oxo-Alcohols business is continuing to grow at around 8-10% per annum. The price trends of raw-materials and finished goods during the year were favourable that resulted in good earnings for the Company. Barring unforeseen circumstances, like increase in raw material prices and volatility in selling prices, the present trends, together with enhanced capacity and improved market share, are expected to result in improved performance of the Company in future.

OPPORTUNITIES AND THREATS:

Your Company's market share has increased in view of the enhanced capacity. Customers' dependence on Imports has comparatively reduced.

Lower production cost of South East Asia and Middle East companies from where bulk of the Imports are witnessed is an area of concern to your Company.

INTERNAL CONTROL SYSTEMS:

Your Company has an established effective Internal Control Systems with regard to various business areas. Internal Audit on a quarterly basis, by an external audit firm, covers detailed audit of all the activities and also the effectiveness of Internal Control Systems. Detailed audit is also carried out covering one specific area in each quarter. The Audit committee of the Board reviews the Internal Audit reports and monitors the implementation of the recommendations.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your Company continues to lay 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 developments in their area of operations. Industrial relations continued to be cordial throughout the year. As on 31st March, 2011 the Company has 292 employees on its rolls.

FUTURE OUTLOOK:

The enhanced production capacity and consequent increase in market share of the Company, combined with efficient and economic operation puts the Company in a better position to compete with imports, in spite of it being a small unit in comparison with the world scale capacities.

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. It may be noted that the year 2010-11 was accident free.

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, APIDC withdrew Sri Vinod Kumar Agrawal, I.A.S., as its Nominee Director from the Board of the Company from 20.8.2010. In his place Sri V Nagi Reddy, Nominee Director of APIDC, was co-opted as an Additional Director on the Board of the Company with effect from 27.9.2010. Subsequently he was withdrawn from the Board from 21.5.2011.

IDBI Bank Ltd., withdrew Sri Pradeep Kumar Keshari as its Nominee Director from the Board of the Company from 29.4.2011 and in his place Sri Anirudha Behera has been appointed as its Nominee Director from 20.5.2011.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri Justice G Ramanujam (Retd), Sri A A Krishnan and Dr. B B Ramaiah retire by rotation at the ensuing 27th Annual General Meeting and, being eligible, offer themselves for re-appointment.

The term of office of Dr. Mullanpudi Harischandra Prasad as Managing Director expired on 30.9.2010. The Board of Directors re-appointed him as Managing Director for a period of 5 years i.e., from 1.10.2010 to 30.9.2015.

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 (upto 28.4.2011). 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 31st March, 2011. Cost Auditors' Report in respect of the Financial Year 2009-10 has been filed with Ministry of Corporate Affairs on 13.9.2010 i.e., within the stipulated date of 30.9.2010.

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:

No employee is drawing a remuneration requiring disclosure under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011.

DEMATERIALISATION OF SHARES:

As on 31st March, 2011 out of the total number of 8,49,71,600 Equity Shares, 5,54,86,611 Equity Shares constituting 65.30% 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 Directors' Report (**Annexure 'B'**).

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.

Visakhapatnam
23-5-2011

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, 2011.

A. Conservation of Energy:

Two Nos. of Energy Conservation Projects have been executed during the year which resulted in a saving of 16,229 KWH electric energy.

- 22 watt CFL lamps in place of 125 w MV lamps street lighting.
- Replacement of motor pulley of Hydrozen compressor by a smaller diameter pulley to obtain power savings.

FORM A

A. Power and Fuel Consumption:

	Current Year	Previous Year
Year		
1. Electricity:		
a. Purchased		
Units	3,88,29,239	1,63,54,300
Total Amount (Rs.)	13,11,40,807	5,52,59,991
Rate/Unit (Rs.)	3.38	3.38
b. Own generation		
i) Through diesel generator		
Units	4,38,503	12,57,640
Units per litre of Diesel Oil	3.45	3.56
Rate/Unit (Rs.)	11.10	13.96
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 (MTs/KLs)	2,133.805	953.620
Total Amount (Rs.)	6,76,95,062	2,45,42,799
Average Rate	31,725.05	25,736.46
b. LSHS:		
Quantity (MTs)	3,193.195	1,515.380
Total Amount (Rs.)	11,10,61,057	3,86,49,991
Average Rate	34,780.54	25,505.15
4. Others/Internal Generation		
Oxo-Alcohol Residue:		
Quantity (MTs)	2,783.500	1,402.500
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	732	2.24	774	2.40
Butanols	564	1.97	--	--
N-Butanol	--	--	672	2.09
I-Butanol	--	--	711	2.21

B. Technology Absorption :

FORM B

I. Research & Development (R & D)

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

- Installation of higher capacity pump & piping to feed Methanol to Reformer as additional feed stock.
- Installed facilities for Propylene back pushing / Propylene beds regeneration / utilising Propylene in fuel gas steam thereby reducing Propylene wastage during drying of catalyst.
- Installation of piping to utilise excess CO Rich Gas in fuel system thereby reducing flaring and fuel.
- Created facilities for recovery of organics by utilising ETP primary sedimentation tank.
- Replaced old AVR (Automatic Voltage Regulator) Panel (Skoda) with latest Microprocessor based AVR Panel (Baselor) for DG-3 for reliability.
- Electro Magnetic relays replaced with microprocessor based relays for all HT motor feeders for better reliability.

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

Reduction in specific power consumption, reliability of operation, reduction in wastage of CO Rich Gas are some of the benefits which have been obtained by the improvements carried out as a part of R&D. Based on the encouraging results obtained Company has plans for further improving the Energy Conservation measures in other areas also.

3. Plan of Action:

Based on the experience gained by the modifications already carried out, plans have been drawn up to reduce steam consumption by replacing steam ejectors with motor driven vacuum pumps in the refining area of the Alcohols Plant.

4. Expenditure on R & D:

The Company has incurred an expenditure of Rs. 23.65 Lakhs on R&D during the year.

II. Technology Absorption, Adaptation and Innovation:

1. Efforts made:

The New Technology in Oxo & Synthesis and in the Butanol Plants have been fully absorbed and the Company is now able to operate Plant at high loads on a continuous basis.

2. Benefits:

The Company has realised the benefits after Modernisation-cum-Optimisation by way of improved process efficiencies and also reduction in specific power consumption.

3. Imported Technology: Nil

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

(Rs.in lakhs)

	For the Year ended 31-03-2011	For the Year ended 31-03-2010
i. Earnings	Nil	Nil
ii. Outgo	1361.10	1449.20

**Visakhapatnam
23-5-2011**

**On behalf of the Board
M R B PUNJA
Chairman**

Annexure 'B' 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 31.3.2011 the Board consisted of 12 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Director	Promoters, Non-Executive & Non-Independent Directors
<p>Sri M R B Punja Chairman</p> <p>Sri Justice G Ramanujam (Retd)</p> <p>Sri A A Krishnan Dr. Anumolu Ramakrishna Sri Pradeep Kumar Keshari (Nominee of IDBI Bank Ltd., as lender) (upto 28.4.2011) Sri Surinder Kumar Kapoor (from 13.5.2010)</p>	<p>Dr. Mullapudi Harischandra Prasad Managing Director (Father of Sri M Thimmaraja) *</p>	<p>Dr. B B Ramaiah (Sri Pendyala Narendranath Chowdary sister's husband) *</p> <p>Sri Vinod Kumar Agrawal, I.A.S. (upto 19.8.2010) Sri V Nagi Reddy, I.A.S. (from 27.9.2010 to 20.5.2011) Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) * Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) * Sri M Venkateswara Rao</p>

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

Note: Sri Anirudha Behera has been appointed as Nominee Director of IDBI Bank Ltd., (as lender) on the Board of the Company from 20.5.2011.

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

c) During the Financial Year 2010-11, Six Board Meetings were held.

Dates on which they were held:

(i) 13.5.2010, (ii) 24.7.2010, (iii) 5.8.2010, (iv) 27.9.2010, (v) 13.11.2010 and (vi) 9.2.2011.

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	6	No	6	1	4	3
Dr. Mullapudi Harischandra Prasad	4	No	8	7	2	2
Dr. B B Ramaiah	6	Yes	3	None	None	None
Sri Vinod Kumar Agrawal, I.A.S. (upto 19.8.2010)	1	No	4	1	None	None
Sri V Nagi Reddy, I.A.S. (from 20.8.2010 to 20.5.2011)	No	No	1	None	None	None
Sri Justice G Ramanujam (Retd)	No	No	3	None	1	1
Sri A A Krishnan	3	No	1	None	None	None
Dr. Anumolu Ramakrishna	4	Yes	11	None	9	1
Sri Pradeep Kumar Keshari (upto 28.4.2011)	3	No	1	None	1	None
Sri P Narendranath Chowdary	6	Yes	6	None	2	None
Sri M Thimmaraja	4	Yes	2	None	3	None
Sri M Venkateswara Rao	5	No	5	None	1	None
Sri Surinder Kumar Kapoor (from 13.5.2010)	5	No	None	None	None	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.