

**THE
ANDHRA PETROCHEMICALS
LIMITED**



**28th Annual Report
2011 - 12**

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M R B Punja (Chairman)
Dr. Mullapudi Harischandra Prasad
(Managing Director) (upto 3.9.2011)
Dr. B B Ramaiah (Managing Director)
Sri Justice G Ramanujam (Retd.)
Sri A A Krishnan
Dr. Anumolu Ramakrishna
Sri Surinder Kumar Kapoor
Sri V Nagi Reddy, I.A.S.,
(Nominee of APIDC upto 20.5.2011)
Smt. Nilam Sawhney, I.A.S.,
(Nominee of APIDC from 1.8.2011 to 20.4.2012)
Sri B R Meena, I.A.S.,
(Nominee of APIDC from 19.5.2012)
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)
Sri Ravi Pendyala
(from 12.11.2011)

**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

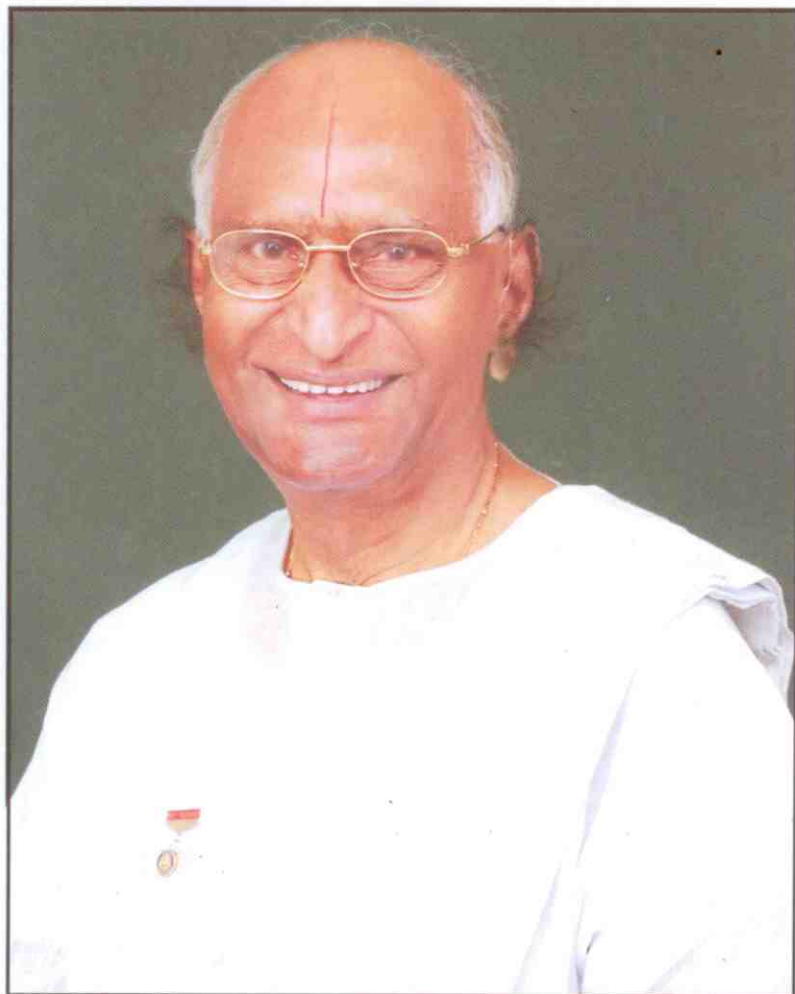
Venkatarayapuram
Tanuku - 534 215
West Godavari District
Andhra Pradesh
Tel : 08819 - 224075 / 224755 / 220975
E-mail: info.tnk@andhrapetrochemicals.com
investors@andhrapetrochemicals.com
Website: www.andhrapetrochemicals.com

Factory

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

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HOMAGE



28-07-1921

03-09-2011

OUR FOUNDING FATHER

Dr. MULLAPUDI HARISCHANDRA PRASAD GARU

Managing Director (01.10.1989 to 03.09.2011)

NOTICE

NOTICE is hereby given that the Twenty Eighth 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 Friday, the 28th September, 2012 at 3:00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March, 2012 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 2011-12.
3. To appoint a Director in place of Sri M R B Punja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri Surinder Kumar Kapoor who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Dr. Anumolu Ramakrishna who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors for the year 2012-13 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:

7. 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 269 and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification thereof or any re-enactment of the said Act, consent of the Members be and is hereby accorded to the appointment of Dr. B B Ramaiah as Managing Director of the Company, not liable to retire by rotation, for a period of 5 years with effect from 12th November, 2011 without any remuneration.”

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

“RESOLVED THAT Sri Ravi Pendyala who was appointed by the Board of Directors as an Additional Director of the Company with effect from 12th November, 2011 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 28th Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) or any statutory modification thereof or any re-enactment of the said 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 Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT Sri B R Meena, I.A.S., who was appointed by the Board of Directors as an Additional Director of the Company with effect from 19th May, 2012 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 28th Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) or any statutory modification thereof or any re-enactment of the said Act, and in respect of whom the Company has

The Andhra Petrochemicals Limited

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 Director of the Company liable to retire by rotation.”

Hyderabad

21-7-2012

Registered Office:
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.7, 8 and 9 are 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 15th September, 2012 to Friday, the 28th September, 2012 (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 28th September, 2012. 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 14th September, 2012 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 years 2006-07 and 2010-11 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.

The Andhra Petrochemicals Limited

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

Sri M R B Punja is Graduate in Faculty of Arts and former Chairman of IDBI. He was appointed as Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) Nominee Director & Chairman of the Board from 21.3.1987. APIDC withdrew its nomination in August, 1993. He was co-opted as Additional Director on the Board and elected as Chairman from 16.8.1993. In terms of Article 116 of the Articles of Association of the Company, The Andhra Sugars Ltd., has nominated him as Chairman from 26.11.1993. He has wide and varied experience in the areas of Financial Management, Information Systems, Business Restructuring, Commercial, Industrial and General Administration.

Other Directorships held:

Chairman – Delite Engineering Pvt Ltd.

Director – Apollo Tyres Ltd., Deepak Nitrite Ltd., Mac Charles (India) Ltd., and Sushruta Medical Aid & Research Hospital Ltd.

Other Committeeships held:

Chairman – Audit Committee, Deepak Nitrite Ltd., and Apollo Tyres Ltd.; Member – Remuneration Committee, Apollo Tyres Ltd.

He holds 1,400 Equity Shares in the Company.

Sri Surinder Kumar Kapoor has been on the Board since 13.5.2010. He 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.

Dr. Anumolu Ramakrishna has been the Director of the Company since 30.7.2008. He holds Bachelors 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 the year 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., GVK Gautami Power Ltd., Taj GVK Hotels & Resorts Ltd., GVK Power & Infrastructure Ltd., GVK Energy Ltd., Madras Cements Ltd., Ramco Industries Ltd., The KCP Ltd., Brigade Enterprises Ltd., GVK Jaipur Expressway Pvt. Ltd., International Infrastructure Consultants Pvt. Ltd., Mumbai International Airport Pvt. Ltd., Christiani & Nielsen (Thai) Public Co. Ltd., Thailand and Bangalore International Airport Ltd.

Other Committeeships held:

Chairman - Audit Committee, GVK Jaipur Expressway Pvt. Ltd., Taj GVK Hotels & Resorts Ltd., Ramco Industries Ltd., The KCP Ltd., Brigade Enterprises Ltd., and Christiani & Nielsen (Thai) Public Co. Ltd.; Remuneration Committee, GVK Power & Infrastructure Ltd.

Member - Audit Committee, GVK Gautami Power Ltd., GVK Power & Infrastructure Ltd., GVK Energy Ltd., Mumbai International Airport Pvt. Ltd., and Madras Cements Ltd.; Remuneration Committee and Project Management Committee, Madras Cements Ltd.

He does not hold any Equity Shares in the Company.

Annexure to Notice

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

ITEM NO.7:

The Board of Directors appointed Dr. B B Ramaiah as Managing Director of the Company for a period of five years with effect from 12.11.2011 without any remuneration. He is a B.Sc., (Hons) in Sugar Technology, an 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 its inception in 1984 except during his ministerial tenure.

In view of his vast industrial experience and expertise, the appointment of Dr. B B Ramaiah as Managing Director, would immensely benefit the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Dr. B B Ramaiah and Sri P Narendranath Chowdary, 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.

ITEM NO.8:

Sri Ravi Pendyala is a Graduate in Commerce and an M.B.A., from Central Queensland University, Australia.

Other Directorships held:

Director: Vibhaas Polymers Pvt. Ltd.

Other Committeeships held: Nil

He holds 1,020 Equity Shares in the Company.

Company has received a notice in writing along with a deposit of ₹ 500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri Ravi Pendyala as a candidate for the office of Director. His appointment would be beneficial to the Company. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Ravi Pendyala no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO.9:

Sri B R Meena, I.A.S., is a Post Graduate in History. Earlier, he worked as Asst. Collector, Joint Collector, District Collector & Magistrate, Commissioner - Prohibition & Excise, Vice Chairman - AP State Housing Board, Housing Commissioner - AP State Housing Board, Vice Chairman & Managing Director - Infrastructure Corpn. of AP (INCAP).

Presently he is the Vice Chairman & Managing Director of AP Industrial Infrastructure Corpn. Ltd., (APIIC) and Vice Chairman & Managing Director (FAC) of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC).

Other Directorships held:
Vice Chairman & Managing Director of APIIC and Vice Chairman & Managing Director (FAC) of APIDC.

Other Committeeships held: Nil

Company has received a notice in writing along with a deposit of ₹ 500/- from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Sri B R Meena, I.A.S., as a candidate for the office of Director. His appointment would be beneficial to the Company. Your Board therefore recommends necessary Resolution for your approval.
Except Sri B R Meena, I.A.S., no other Director is deemed to be interested or concerned in the Resolution.

Hyderabad
21-7-2012

By Order of the Board
Dr. B.B.Ramaiah
Managing Director

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

DIRECTORS’ REPORT

Dear Shareholders,
Your Directors have pleasure in presenting the Twenty Eighth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31st March, 2012 is summarised below:

(₹ in lakhs)

	2011-12	2010-11
Net Sales (excl. Excise Duty)	59715.57	45659.29
Profit before Interest & Depreciation	7968.88	9159.27
Less: Interest	1254.72	1710.45
Depreciation	2265.06	2287.75
Profit / (Loss) after Interest and Depreciation	4449.10	5161.07
Provision for:		
Current Tax	1206.00	1033.09
Deferred Tax	242.00	1597.72
MAT credit entitlement	---	(1032.79)
Excess provision for Direct Taxes of earlier years written back	(0.37)	(0.47)
Profit / (Loss) after Taxation	3001.47	3563.52
Balance brought forward from previous year	7830.05	6254.09
Profit available for appropriation	10831.52	9817.61
APPROPRIATIONS:		
Transfer to General Reserve	500.00	1000.00
Proposed Dividend on Equity Shares @5%	424.86	849.72
Tax on Distributable Profits	68.92	137.84
Balance carried forward to next year	9837.74	7830.05
	10831.52	9817.61

OPERATIONAL AND FINANCIAL PERFORMANCE:

Your Directors are happy to report that during the year the Plant has operated well achieving 100% capacity utilisation by achieving a production of 73,593 MTs (previous year 57,726 MTs). Sales during the year were 73,436 MTs (previous year 57,472 MTs). This performance of higher production and sales in terms of volume and value is as a result of implementing effective measures, change in product mix and marketing strategies. Inspite of higher Gross Sales of Rs.659.75 crores, profit for the year before tax is lower at Rs.44.49 crores. The contribution on sales was lower on account of raw materials and energy price hikes, higher crude prices, depreciation of rupee, general inflation and lower international product prices consequent upon the creation of additional capacities for the product in international market during the year, which may be absorbed by growth in the sector.

DIVIDEND:

Your Directors have recommended a Dividend of 50 paise per share (@5% Dividend on 8,49,71,600 Equity Shares) for the year 2011-12 commensurate with the profit earned. The outflow towards the payment of Dividend would amount to ₹ 4,93,78,059 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 ₹ 85 crores and the Paid-up Capital is ₹ 84.97 crores.

Reserves:

With the transfer of ₹ 5.00 crores to Reserves during the current year the total Reserves position as on 31.3.2012 stood at ₹ 127.74 crores.

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Expanded Plant has demonstrated improved operations at 100% of designed capacity. There was also considerable improvement in the Plant performance efficiencies resulting in considerable cost savings. Indigenous market for Oxo-alcohols growth is continuing at around 8-10% per annum. Towards the end of the year price movements for both raw-materials and products are somewhat unfavourable. The Company is continuously committed in its efforts in further improving the performance for better results in future.

OPPORTUNITIES AND THREATS:

Your Company's market share has increased considerably serving the customer requirements to a larger extent.

Inflationary trends in prices of feedstocks, fuel and energy and depreciation of rupee and no corresponding increase in product prices are some of the concerns regarding future performance of the Company.

INTERNAL CONTROL SYSTEMS:

Your Company has robust internal control framework for all major business areas. Internal Audit by an external audit firm ensures effectiveness of internal control system in all the areas. The Audit Committee of the Board reviews audit reports and monitors adequacy and effectiveness of the internal control systems.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your Company is committed in its continuous efforts motivating employees at all levels in its continual performance improvement

The Andhra Petrochemicals Limited

programme. Refresher training programmes tailor-made for different levels of employees keep them abreast with latest developments in their areas. Industrial relations were highly cordial throughout the year. As on 31st March, 2012 the Company has 278 employees on its rolls.

FUTURE OUTLOOK:

The Company's performance is greatly influenced by the global and domestic demand-supply conditions, raw-materials and selling prices. Inspite of your Company being a sub world scale capacity as of now, it is able to compete well with imports mainly on account of its efficient and economic operations.

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:

Safety of Human and Physical assets is the top priority of the Company. Continuous training of personnel at various levels on safety and strict compliance of regulations is ensured which resulted one more accident free year. Your Company has established several process measures and a number of Environmental control systems to contain Environmental impact and ensures their close monitoring. It may be noted that your Company is always in the forefront and proactive in implementing environment protection measures.

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:

Your Directors express profound grief over the sad demise of Managing Director, Dr. Mullanpudi Harischandra Prasad on 3rd September, 2011, who was instrumental in bringing the Company to the position of what it is today and place on record their warm appreciation of his commendable contribution to the growth and developement of the Company.

Board of Directors at its Meeting held on 12th November, 2011, appointed Dr. B B Ramaiah as Managing Director for a period of 5 years i.e., from 12.11.2011 to 11.11.2016. His appointment is being placed for the approval of the shareholders at the ensuing 28th Annual General Meeting.

During the year under report, APIDC withdrew Smt. Nilam Sawhney, I.A.S., as its Nominee Director from the Board of the Company from 21.4.2012. Your Directors palce on record their warm appreciation of her valuable guidance rendered during her tenure as Director of the Company. In her place Sri B R Meena, I.A.S., Nominee Director of APIDC was co-opted as an Additional Director on the Board of the Company with effect from 19.5.2012. He holds office upto the date of the ensuing 28th Annual General Meeting. Resolution seeking his appointment as Director is being placed for the approval of Shareholders at the ensuing 28th Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri M R B

Punja, Sri Surinder Kumar Kapoor and Dr. Anumolu Ramakrishna retire by rotation at the ensuing 28th Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE:

With effect from 12.11.2011 Sri Surinder Kumar Kapoor, Director, has been inducted as Member of the Audit Committee. Consequent upon his induction, the Audit Committee consists of four Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna and Sri Surinder Kumar Kapoor. 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, 2012. Cost Auditors' report in respect of Financial Year 2010-11 has been filed with the Ministry of Corporate Affairs on 19.8.2011, i.e., within the stipulated date of 30.9.2011.

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:

There is no employee of your Company 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, 2012 out of the total number of 8,49,71,600 Equity Shares, 7,65,39,159 Equity Shares constituting 90.08% stands 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 '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.

On behalf of the Board
Hyderabad
21-7-2012
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, 2012.

A. Conservation of Energy:

Plant operations were optimised realising better efficiencies of Energy in terms of both electricity and steam realising major savings of 8–10%.

Considerable energy savings were also realised by replacing steam jet ejectors with vacuum pumps for vacuum system in the distillation columns. Other conservation steps include installation of additional LT capacitors improving the power factor, replacement of HPMV lamps with CFL lamps.

FORM A

Current Year Previous Year

A. Power and Fuel Consumption:

1. Electricity:

a. Purchased

Units	4,42,92,101	3,88,29,239
Total Amount (₹)	15,84,71,856	13,11,40,807
Rate/Unit (₹)	3.58	3.38

b. Own generation

i) Through diesel generator

Units	13,32,389	4,38,503
Units per litre of Diesel Oil	4.02	3.45
Rate/Unit (₹)	10.72	11.10

ii) Through Steam

Turbines/Generator	N.A.	N.A
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2. Coal:

Quantity (Tonnes)	N.A	N.A
Total Amount (₹)	N.A	N.A
Average Rate (₹)	N.A	N.A

3. a. Furnace Oil:

Quantity (MTs/KLs)	908.650	2,133.805
Total Amount (₹)	4,09,49,267	6,76,95,062
Average Rate (₹)	45,066.05	31,725.05

b. LSHS:

Quantity (MTs)	5,481.350	3,193.195
Total Amount (₹)	24,69,00,570	11,10,61,057
Average Rate (₹)	45,043.75	34,780.54

4. Others/Internal Generation:

Oxo-Alcohol Residue:

Quantity (MTs)	3,660.000	2,783.500
Total Amount (₹)	Nil	Nil
Average Rate(₹) / MT	Nil	Nil

B. Consumption per tonne of production:

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	642	1.95	732	2.24
Butanols	539	1.88	564	1.97

B. Technology Absorption :

FORM B

I. Research & Development (R & D)

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

a) Installation of Vacuum pumps for all Vacuum applications, viz., 2-EH refining section, batchstill & Oxo buffer system in place of steam ejector system. The investment of ₹ 60 lakhs has been recovered in 3 months. Annual savings is expected to be ₹ 230 lakhs.

b) Import substitution of buffer solution by developing alternate source and system using indigenous chemicals resulting in savings of ₹100 lakhs per annum.

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

a) Realised considerable reduction in Steam consumption & Effluent generation. Based on the encouraging results obtained Company has plans for further improving the Energy Conservation measures in other areas also.

b) Considerable cost savings in Buffer solution.

3. Plan of Action:

The vacuum pumps have already been installed and commissioned.

The Andhra Petrochemicals Limited

4. Expenditure on R & D:

The Company has incurred an expenditure of ₹ 60 Lakhs on R&D during the year.

3. Imported Technology: Nil

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

	For the Year ended 31-3-2012	For the Year ended 31-3-2011
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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 the Plant at high loads on a continuous basis.

i. Earnings	Nil	Nil
ii. Outgo	622.82	1361.10

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.

Hyderabad 21-7-2012	On behalf of the Board M R B PUNJA Chairman
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**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 31.3.2012 the Board consisted of 12 Directors.

Composition and category of Directors is as follows :

Non-Executive and Independent Directors	Promoter and Executive Directors	Promoters, Non-Executive & Non-Independent Directors
Sri M R B Punja Chairman	Dr. Mullapudi Harischandra Prasad Managing Director (upto 3.9.2011) (Father of Sri M Thimmaraja)*	Smt. Nilam Sawhney, I.A.S. (from 1.8.2011)
Sri Justice G Ramanujam (Retd)		Sri Pendyala Narendranath Chowdary (Dr. B B Ramaiah daughter's husband) *
Sri A A Krishnan	Dr. B.B. Ramaiah Managing Director (from 12.11.2011) (Sri Pendyala Narendranath Chowdary sister's husband)*	Sri M Thimmaraja (Son of Dr. Mullapudi Harischandra Prasad) *
Dr. Anumolu Ramakrishna		Sri M Venkateswara Rao
Sri Anirudha Behera (Nominee of IDBI Bank Ltd., as lender) (from 20.5.2011)		Sri Ravi Pendyala (from 12.11.2011)
Sri Surinder Kumar Kapoor		

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