

**THE
ANDHRA PETROCHEMICALS
LIMITED**



**29th Annual Report
2012 - 13**

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M R B Punja (Chairman)
Dr. B B Ramaiah (Managing Director)
Sri Justice G Ramanujam (Retd.)
Sri A A Krishnan
Dr. Anumolu Ramakrishna
Sri Surinder Kumar Kapoor
Smt. Nilam Sawhney, I.A.S.,
 (Nominee of APIDC upto 20.4.2012)
Sri B R Meena, I.A.S.,
 (Nominee of APIDC from 19.5.2012 to 12.10.2012)
Sri P Narendranath Chowdary
Sri M Thimmaraja
Sri M Venkateswara Rao
 (Nominee of APIDC upto 16.8.2012)
Smt. Shalini Misra, I.A.S.,
 (Nominee of APIDC from 7.11.2012 to 11.4.2013)
Smt. Anita Rajendra, I.A.S.,
 (Nominee of APIDC from 25.5.2013)
Sri S V Kanaka Seshu
 (Nominee of APIDC from 7.11.2012)
Sri Anirudha Behera
 (Nominee of IDBI Bank Ltd.)
Sri Ravi Pendyala

**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 / 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 Ninth Annual General Meeting of **THE ANDHRA PETROCHEMICALS LIMITED** will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku - 534215, West Godavari District, Andhra Pradesh on Saturday, the 28th September, 2013 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, 2013 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri P Narendranath Chowdary who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri M Thimmaraja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri A A Krishnan who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors for the year 2013-14 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 S V Kanaka Seshu who was appointed by the Board of Directors as an Additional Director of the Company with effect from 7th November, 2012 pursuant to Article 97 of the Articles of Association of the Company holds office upto the date of the 29th 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.”

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

“RESOLVED THAT Smt. Anita Rajendra, I.A.S., who was appointed by the Board of Directors as an Additional Director of the Company with effect from 25th May, 2013 pursuant to Article 97 of the Articles of Association of the Company who holds office upto the date of the 29th 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 her 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
20-7-2013
Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

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

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 Saturday, the 21st September, 2013 to Saturday, the 28th September, 2013 (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. Pursuant to provisions of Sections 205A(5) and 205C, any dividend which remains unpaid or unclaimed for a period of seven years is required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government and after such transfer no claims shall lie against the Fund or the Company. Details of unclaimed dividend and due dates for transfer to the Fund are as follows:

Sl. No.	Dividend for the Financial Year	Due date for transfer to IEPF
1	2006-07	5 October, 2014
2	2010-11	21 October, 2018
3	2011-12	27 October, 2019

Hence, shareholders who have not encashed their Dividend Warrants issued in respect of Dividend declared for the years 2006-07, 2010-11 and 2011-12 are

The Andhra Petrochemicals Limited

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

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. 27**)

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 reappointed at this Meeting as required under Clause 49 of the Listing Agreement:

Sri P. 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, Joint Managing Director in 1983 and Managing Director in 2012. 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:

Managing Director – The Andhra Sugars Ltd.; Chairman – Sree Akkamamba Textiles Ltd., JOCIL Ltd., The Andhra Farm Chemicals Corpn. Ltd., and Hindustan Allied Chemicals Ltd.; Director – Sree Satyanarayana Spinning Mills Ltd., and A.P. Gas Power Corpn. Ltd.

Other Committeeships held:

Member – Shareholders / Investors Grievances Committee and Share Transfer Committee, The Andhra Sugars Ltd. ; Share Transfer & Shareholders / Investors Grievance Committee, JOCIL Ltd.; Managerial Remuneration Committee, Sree Satyanarayana Spinning Mills Ltd.; Chairman – Share Transfer Committee, Sree Akkamamba Textiles 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 Grievances Committee, The Andhra Sugars Ltd.

He holds 1,630 Equity Shares in the Company.

Sri A A Krishnan 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 des Petroles 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.

Other Directorships held:

Director – Vinati Organics Ltd.

Other Committeeships held: Nil

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.6:

Sri S V Kanaka Seshu is a Graduate in Commerce and Post Graduate in Business Administration. He served Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) in various capacities for over 30 years. Presently he is Chief General Manager (Equity Portfolio Management) of APIDC.

Other Directorships held:

Director – APITCO Ltd., Galada Power and Telecommunication Ltd., Vensa Biotech Ltd., Torus India Ltd., Kireeti Soft Technologies Ltd., Hindustan Fluorocarbons Ltd., GSAL (India) Ltd., Hyderabad Information Technology Venture Enterprises Ltd., and Cyberabad Trustee Company Pvt. Ltd.

Other Committeeships held:

Chairman – Remuneration Committee, Hindustan Fluorocarbons Ltd.

Member – Audit Committee, Share Transfer Committee and Receivable Committee, Hindustan Fluorocarbons Ltd.

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 its intention to propose Sri S V Kanaka Seshu, 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 S. V. Kanaka Seshu, no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO.7:

Smt. Anita Rajendra, I.A.S., is a Post Graduate in Arts & Law. Earlier she worked as Joint Collector of Anantapur District, Collector of Prakasam District, Director – Dept. for Welfare of Disabled and Senior Citizens, Women & Child Welfare Dept., CEO – Zilla Parishad, Visakhapatnam, Vice Chairman & Managing Director – AP Foods. Presently she is the Vice Chairman & Managing Director of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC).

Other Directorships held:
Vice Chairman & Managing Director – APIDC Ltd.
Director – APIDC Venture Capital (P) Ltd., Hyderabad Information Technology Venture Enterprises Ltd., Cyberabad Trustee Company (P) Ltd., Steel Exchange India Ltd., A.P. Heavy Machinery & Engg. Ltd., APITCO Ltd., Avanti Feeds Ltd., INCAP Ltd., and Lanco Industries Ltd.

Other Committeeships held:

Member – Investment Committee, Advisory Committee, Venture East Life Fund – III of APIDC VCL; Investment Committee, Supervisory Committee and Conflict Resolution Committee, APIDC VCL's Biotechnology Venture Fund.

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 its intention to propose Smt. Anita Rajendra, 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. Anita Rajendra, I.A.S., no other Director is deemed to be interested or concerned in the Resolution.

Hyderabad
20-7-2013

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Ninth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31st March, 2013 is summarised below:

(Rs. in Lakhs)

	2012-13	2011-12
Net Sales (excl. Excise Duty)	56276.00	59715.57
Profit before Interest & Depreciation	3148.89	7968.88
Less: Interest	860.16	1254.72
Depreciation	1371.63	2265.06
Profit / (Loss) after Interest and Depreciation before Extraordinary Items	917.10	4449.10
Less: Extraordinary Items (FSA charges relating to earlier years)	453.93	—
Profit / (Loss) after Extraordinary Items	463.17	4449.10
Provision for:		
Current Tax	93.40	1206.00
Deferred Tax	151.64	242.00
MAT credit entitlement	(93.40)	—
Excess provision for Direct Taxes of earlier years written back	(0.34)	(0.37)
Profit / (Loss) after Taxation	311.87	3001.47
Balance brought forward from previous year	9837.74	7830.05
Profit available for appropriation	10149.61	10831.52
APPROPRIATIONS:		
Transfer to General Reserve	—	500.00
Proposed Dividend on Equity Shares @ 5%	—	424.86
Tax on Distributable Profits	—	68.92
Balance carried forward to next year	10149.61	9837.74
	10149.61	10831.52

OPERATIONAL AND FINANCIAL PERFORMANCE:

During the Financial Year 2012-13, the Plant achieved 91% capacity utilisation with a production of 66,564 MTs (previous year 73,593 MTs). Sales during the year were 64,407 MTs (previous year 73,436 MTs). Lower production is due to non-remunerative prices for some time and shortage of Propylene. Profit after tax during the current Financial Year 2012-13 is lower at Rs.3.12 crores (previous year Rs.30.01 crores) due to increase in the prices of raw materials with no corresponding increase in sale prices of products, increased power cost due to 30% to 50% power cuts imposed by the APEPDCL (met from alternate sources at higher costs), charging of Fuel Surcharge Adjustment (FSA) of the Financial Years 2010-11 (from 2nd Quarter) and 2011-12 as Extraordinary Item.

DIVIDEND:

In view of the steep fall in profit during the year under report, your Directors are unable to recommend any dividend for the Financial Year 2012-13.

The Andhra Petrochemicals Limited

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 31.3.2013 stood at Rs. 130.86 crores against Rs.127.74 crores in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Plant has operated over the first 3 Quarters of the year at sub-optimum levels based on availability of the major raw material Propylene. Operations during fourth Quarter were steady at over 110% of design capacity at good efficiencies.

Hindustan Petroleum Corporation Ltd., (HPCL) have successfully implemented their Propylene Capacity Expansion Project during May-June, 2013, which is expected to bridge the demand-supply gap of our Company's post Modernisation-cum-Expansion. This is expected to result in improved capacity utilisation of the Company. The capacity utilisation of over 110% of design, coupled with good efficiencies achieved during the 4th Quarter of 2012-13 is likely to be benchmark for future performance of the Plant.

New capacities of Oxo-Alcohols commissioned in China and other countries during the year, narrowed the gap between the prices of products and raw-materials. This together with higher power cost on account of severe power cut imposed by power distribution company and other depressed global conditions have affected the Company's performance for the year. Continued growth at around 8-10% per annum for Oxo-Alcohols in the country and improved availability of feedstock are expected to improve the performance of your Company in future.

OPPORTUNITIES AND THREATS:

Continued healthy growth in indigenous market demand for Oxo-Alcohols and resultant increase in market share due to increased availability of feedstock are expected to further enhance the market share of your Company in future. Depreciation of rupee and continuous increase in prices of raw material, fuel and power with no corresponding increase in product prices, continue to be major concerns for your Company.

INTERNAL CONTROL SYSTEMS:

Your Company has systems based internal control framework for all major areas of Plant operations and business. External internal audit by a reputed firm ensures adequacy and effectiveness of all the internal control systems in all the areas. The Audit Committee of the Board reviews such internal audit reports, monitors and ensures effectiveness of the internal control measures.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your Company has excellent track record on Industrial Relations front. The Management is committed to motivating employees at all levels by way of continuous performance improvement programmes. Training programmes are conducted for different levels of employees for upgrading their

skills in their respective areas. As on 31st March, 2013 the Company has 300 employees on its rolls.

FUTURE OUTLOOK:

The Company's performance is greatly influenced by global and domestic demand-supply of products and raw materials. The Company is able to optimise its operations to a level comparable to the best in this area to be able to compete with imports. Higher production and marketing levels are expected in future as compared to the present level.

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 has been awarded the 2nd Level of Award **SHRESHTHA SURAKSHA PURASKAR** Silver Trophy for 2012 (Manufacturing sector) Group-A by the National Safety Council of India. There is no 1st Level Award in this category.

Safety of Human and Plant 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 in 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:

During the year under report, Andhra Pradesh Industrial Development Corporation Ltd., (APIDC) withdrew Sri M Venkateswara Rao and Smt. Shalini Misra, I.A.S., as its Nominee Directors from the Board of the Company from 17.8.2012 and 12.4.2013 respectively and in their place Sri S V Kanaka Seshu and Smt. Anita Rajendra, I.A.S., have been co-opted as Additional Directors on the Board of the Company with effect from 7.11.2012 and 25.5.2013 respectively. Your Directors place on record their warm appreciation for the valuable guidance rendered by Smt. Shalini Misra, I.A.S., and Sri M Venkateswara Rao during their tenure as Directors of the Company.

Smt. Anita Rajendra, I.A.S., and Sri S V Kanaka Seshu hold office upto the date of the ensuing 29th Annual General Meeting (AGM). Resolutions seeking their appointment as Directors are being placed for the approval of the shareholders at the ensuing 29th AGM.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Directors Sri P Narendranath Chowdary, Sri M Thimmaraja and Sri A A Krishnan retire by rotation at the ensuing 29th AGM and being eligible offer themselves for reappointment.

AUDIT COMMITTEE:

As on the date of this report, the Audit Committee consists of five Non-Executive Independent Directors Sri Justice G Ramanujam (Retd.), Sri A A Krishnan, Dr. Anumolu Ramakrishna, Sri Surinder Kumar Kapoor and Sri M R B Punja. Sri Justice G Ramanujam (Retd.) is the Chairman of the Committee. Sri M R B Punja has been inducted as member with effect from 20.7.2013.

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 reappointment.

COST AUDITORS:

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad, were appointed as Cost Auditors of the Company for the year ended 31st March, 2013. Cost Auditors' Report in respect of Financial Year 2011-12 has been filed with the Ministry of Corporate Affairs on 24.12.2012 i.e., within the stipulated date.

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, 2013 out of the total number of 8,49,71,600 Equity Shares, 7,66,85,741 Equity Shares constituting 90.25% stand dematerialised.

DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

- i) that in the preparation of Annual Accounts, the appli-

cable 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, Shareholders, Customers, HPCL, GAIL, and other 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
20.7.2013**

**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, 2013.

A. Conservation of Energy:

Plant operations were further optimised realising better efficiencies mainly in terms of energy in the 4th Quarter realising considerable savings. Considerable energy conservation by reducing fuel consumption during every start-up of the Plant. Adoption of electrical energy management system also resulted in certain energy savings.

FORM A			
		Current Year	Previous Year
A) Power & Fuel Consumption:			
1) Electricity:			
a) Purchased			
Units	4,04,63,500	4,42,92,101	
Total Amount (Rs.)	23,98,67,392	15,84,71,856	
Rate/Unit (Rs.)	5.93	3.58	
b) Own Generation			
i) Through diesel generator			
Units	10,49,085	13,32,389	
Units per litre of Diesel Oil	3.55	4.02	
Rate/Unit (Rs.)	12.38	10.72	
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)	791.110	908.650	
Total Amount (Rs.)	3,85,31,732	4,09,49,267	
Average Rate	48,705.91	45,066.05	
b) L.S.H.S:			
Quantity (MTs.)	4,731.890	5,481.350	
Total Amount (Rs.)	23,71,84,027	24,69,00,570	
Average Rate	50,124.59	45,043.75	
4) Others/Internal Generation:			
Oxo-Alcohol Residue			
Quantity (MT)	3,838.000	3,660.000	
Total Amount (Rs.)	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	639	1.88	642	1.95
Butanols	567	2.10	539	1.88

B. Technology Absorption

FORM – B

I. Research & Development (R & D)

1. Specific areas in which R&D carried out by the Company:
- a) Interconnection of start-up heaters of both Synthesis Gas sections for reducing start-up and shutdown time by 1 day every time which will improve uptime and also results in saving of Fuel Naphtha, power and steam .
 - b) Redundant stabiliser was converted to Water Stripper to treat separately Extractor effluent and recover organics and to reduce load on ETP.
 - c) Thermal Imaging camera: Thermal images lead to early recognition of defective components in HT, LT switch gear, HT transformers and 132KV Transmission lines, so that requisite preventive steps can be taken. This minimises the risk of fire that avoids costly production downtimes.
 - d) Energy management system helps to know Instant Power

data, exact power requirement and minimise the losses by knowing power factor of all the feeders at all volatge levels.

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

- a) Reduction in start-up/shutdown times of Synthesis Gas section resulting in reduction in Naphtha consumption. Expected savings, Rs.6.5 lakhs per start-up/shutdown.
- b) Considerable reduction in COD load on the Effluent Treatment Plant with resultant positive environmental impact.
- c) Timely detection and prevention of breakdown by predictive means.
- d) Energy Management System gives an instantaneous picture of the power consumption pattern to minimise power purchase costs. Detects areas for improvement.

3. Plan of Action:

Planned more R & D activities in Energy conservation and Environmental improvement areas.

A Project for installing blowers to recycle more Carbon Dioxide into the reforming section to reduce Naphtha consumption is under implementation.

4. Expenditure on R & D:

The Company has incurred an expenditure of Rs. 21 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 Butanols Plants has been fully absorbed and the Company is now able to operate the 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	For the year ended
	31.3.2013	31.3.2012
i. Earnings	220.22	Nil
ii. Outgo	327.00	622.82

Hyderabad
20.7.2013

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 31.3.2013 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 Sri Justice G Ramanujam (Retd) Sri AA Krishnan Dr. Anumolu Ramakrishna Sri Anirudha Behera (Nominee of IDBI Bank Ltd) Sri Surinder Kumar Kapoor	Dr. B B Ramaiah Managing Director (<i>Sri Pendyala Narendranath Chowdary sister's husband</i>) *	Sri B R Meena, I.A.S. (upto 12.10.2012) Smt Shalini Misra, I.A.S., (from 7.11.2012) Sri Pendyala Narendranath Chowdary (<i>Dr. B B Ramaiah daughter's husband</i>) * Sri M Thimmaraja Sri M Venkateswara Rao (upto 16.8.2012) Sri S V Kanaka Seshu (from 7.11.2012) Sri Ravi Pendyala

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

- b) Non-Executive Directors’ Remuneration: Please refer to Point No.6.
c) During the Financial Year 2012-13, four Board Meetings were held.
Dates on which they were held:
(i) 19.5.2012, (ii) 21.7.2012, (iii) 7.11.2012 and (iv) 9.2.2013