

# **THE ANDHRA PETROCHEMICALS LIMITED**



**30<sup>th</sup> Annual Report  
2013 - 14**

# 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  
(upto 20.8.2013)  
Sri Surinder Kumar Kapoor  
Sri P Narendranath Chowdary  
Sri Mullapudi Thimmaraja  
Smt. Anita Rajendra, I.A.S.,  
(Nominee of APIDC from 25.5.2013)  
Sri S V Kanaka Seshu  
(Nominee of APIDC upto 12.8.2013)  
Sri K Rajendra Prasad  
(Nominee of APIDC from 6.11.2013)  
Sri Anirudha Behera  
(Nominee of IDBI Bank Ltd.)  
Sri Ravi Pendyala

## Key Managerial Personnel

Dr. V N Rao  
Chief Executive & Chief Operating Officer  
Sri P Ratna Rao  
General Manager (Finance)  
Sri K Raghu Ram  
Manager (Finance) & Asst. Company Secretary

## 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  
Fax : 08819-224168  
CIN : L23209AP1984PLC004635  
E-mail: [info.tnk@andhrapetrochemicals.com](mailto:info.tnk@andhrapetrochemicals.com)  
[investors@andhrapetrochemicals.com](mailto:investors@andhrapetrochemicals.com)  
Website: [www.andhrapetrochemicals.com](http://www.andhrapetrochemicals.com)

## Factory

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

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## THE ANDHRA PETROCHEMICALS LIMITED

CIN : L23209AP1984PLC004635

Regd. Office: Venkatarayapuram, Tanuku - 534215

W.G.District, Andhra Pradesh

Phone Nos.: 08819-224075 & 220975, Fax: 08819-224168

E-mail: info.tnk@andhrapetrochemicals.com, Website: www.andhrapetrochemicals.com

### NOTICE

**NOTICE** is hereby given that the Thirtieth 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 12<sup>th</sup> September, 2014 at 3:00 p.m. to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2014 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri P Narendranath Chowdary (DIN 00015764) who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri Ravi Pendyala (DIN 03375555) who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory Auditors for the years 2014-15, 2015-16 and 2016-17 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., (Regn. No. 000513S) Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for reappointment.

#### SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014, the remuneration of Rs.1,00,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2014-15 to be paid to M/s Narasimha Murthy & Co., (Regn. No. 000042) Cost Accountants, for the conduct of the cost audit of the Company as approved by the Board of Directors of the Company, be and is hereby ratified and confirmed."
6. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Sri K Rajendra Prasad (DIN 00143653) who was appointed by the Board of Directors as Additional Director of the Company with effect from 6<sup>th</sup> November, 2013 pursuant to Article 97 of the Articles of Association of the Company, holds office upto the date of the 30<sup>th</sup> Annual General Meeting of the Company in terms of Section 260 of the erstwhile 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 160 of the Companies Act, 2013 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 pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any,

of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri M R B Punja (DIN 00007228) who retires by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."

8. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri Justice G Ramanujam (Retd.) (DIN 00015173) who retires by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not 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 pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri A A Krishnan (DIN 00086374) whose period of office is subject to retirement by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."
10. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149 & 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Sri Surinder Kumar Kapoor (DIN 03058069) whose period of office is subject to retirement by rotation under the erstwhile Companies Act, 1956 and who offers himself for appointment, be and is hereby appointed as Independent Director of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014, not liable to retire by rotation."
11. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:  
"RESOLVED THAT in supersession of Resolution passed at the Twenty Third Annual General Meeting of the Company held on 6<sup>th</sup> September, 2007, consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, to borrow any sum or sums of monies from time to time which together with the monies already borrowed by the

## The Andhra Petrochemicals Limited

Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves; that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed shall not at any time exceed the limit of Rs.500 crores (Rupees five hundred crores only)."

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

"RESOLVED THAT in supersession of Resolution passed at the Extraordinary General Meeting of the Company held on 5<sup>th</sup> April, 2008, consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, for mortgaging and/or charging on First Charge basis by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of Banks (collectively referred to as "Lenders") (on *pari passu* with the Charges already created in favour of existing Lenders and the Lenders *inter se* and subject to prior Second Charge created in favour of Company's Bankers in respect of working capital sanctioned by them) for financing Optimisation and Modernisation of Company's existing Oxo-Alcohols Plant of 39,000 tonnes per annum capacity at Visakhapatnam, Andhra Pradesh so as to raise its capacity to 73,000 tonnes per annum at an estimated cost of Rs.320 crores (Rupees three hundred twenty crores only) to secure Rupee Term Loan not exceeding Rs.192 crores (Rupees one hundred ninety two crores only) availed from the following Lenders to the Company:

*Rs. in crores*

a. IDBI Bank Ltd. (IDBI)	54.00
b. State Bank of India (SBI)	46.00
c. State Bank of Hyderabad (SBH)	46.00
d. Andhra Bank (AB)	46.00
<b>Total</b>	<b>192.00</b>

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to the Lenders under their Loan Agreements entered into by the Company in respect of the said Term Loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above Resolution."

**Hyderabad  
21-7-2014**

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 102(1) of the Companies Act, 2013, in respect of Item Nos.5,6,7,8,9,10,11 and 12 are annexed hereto.

2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. A person can act as Proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A Member holding more than ten percent of the total share capital of the Company may appoint a single person as Proxy and such person cannot act as a Proxy for any other person or shareholder.

The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution / authority, as applicable. A Proxy Form is sent herewith.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 6<sup>th</sup> September, 2014 to Friday, the 12<sup>th</sup> September, 2014 (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. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day prior to the date of the Annual General 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. Pursuant to provisions of Section 124 (5) of the Companies Act, 2013, 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

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 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.

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

He holds 4,216 Equity Shares in the Company.

**Sri Ravi Pendyala** has been the Director of the Company since 12.11.2011. He is a Graduate in Commerce and an M.B.A., from Central Queensland University, Australia.

Other Directorships held :

Managing Director – Vibhaas Polymers Pvt. Ltd.

Other Committeeships held: Nil

He holds 1,020 Equity Shares in the Company.

**Annexure to Notice**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013:**

**ITEM NO.5:**

On the recommendation of Audit Committee at its meeting held on 21.7.2014, the Board has considered and approved appointment of M/s Narasimha Murthy & Co., Cost Accountants, for the conduct of the cost audit of the Company at a remuneration of Rs.1,00,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2014-15.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out in Item No.5 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year 2014-15. Your Board recommends necessary Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

**ITEM NO.6:**

**Sri K Rajendra Prasad** is a Post Graduate in Commerce and Graduate in Law. Presently he is Deputy General Manager (Equity Portfolio Management) & I/c Secretarial Division of Andhra Pradesh Industrial Development Corporation (APIDC). Earlier he worked as an Accountant in Neyveli Lignite Corporation Ltd., (a Govt. of India Enterprise), Tamilnadu.

Other Directorships held:

Director – Andhra Pradesh Heavy Machinery & Engineering Ltd., Krebs Biochemicals Ltd., Raasi Refractories Ltd., Restile Ceramics Ltd., Sagar Cements Ltd., Sibar Autoparts Ltd., and Vista Pharmaceuticals Ltd.

Other Committeeships held:

Chairman – Share Transfer & Investors Grievance Committee, Sagar Cements Ltd. Member – Audit Committee, Sagar Cements Ltd.

Company has received a notice in writing from a Member by complying with the provisions of Section 160 of the Companies Act, 2013 signifying its intention to propose Sri K Rajendra Prasad, 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 K Rajendra Prasad, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

**ITEM NO.7:**

**Sri M R B Punja** is a 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., nominated him as Chairman from 26.11.1993.

## **The Andhra Petrochemicals Limited**

He has wide and varied experience in the areas of Financial Management, Information Systems, Business Restructuring, Commercial, Industrial and General Administration. He holds 1,400 Equity Shares in the Company.

Other Directorships held:

Chairman – Delite Engineering Pvt. Ltd.

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

Other Committeeships held:

Member - Audit Committee, Mac Charles (India) Ltd.

He will retire by rotation at the ensuing Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri M R B Punja is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri M R B Punja, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

### **ITEM NO.8:**

**Sri Justice G Ramanujam (Retd)** has been on the Board since 1.7.1989 as 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: Nil

He will retire by rotation at the ensuing Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri Justice G Ramanujam (Retd) is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

His appointment would be beneficial to the Company in view of his vast experience. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Justice G Ramanujam (Retd), no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

### **ITEM NO.9:**

**Sri A A Krishnan** has been on the Board since 28.4.1993 as 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 de Petrole 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 an Advisor for several chemical companies.

Other Directorships held:

Director – Vinati Organics Ltd.

Other Committeeships held:

Member - Remuneration Committee, Vinati Organics Ltd.

His period of office is liable to retire by rotation at the Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri A A Krishnan is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri A A Krishnan, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

### **ITEM NO.10:**

**Sri Surinder Kumar Kapoor** has been on the Board since 13.5.2010 as Independent Director. 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

His period of office is liable to retire by rotation at the Annual General Meeting as per the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement to be applicable w.e.f., 1.10.2014, Sri Surinder Kumar Kapoor is proposed to be appointed as Independent Director on the Board of the Company for a term upto five consecutive years commencing from 12<sup>th</sup> September, 2014.

In view of his vast experience his appointment as Independent Director would immensely benefit the Company. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder for this appointment and that he is independent of the management. A copy of the draft letter of appointment, setting out the terms and conditions of his appointment, is available for inspection at the Regd. Office of the Company from 9 a.m. to 11 a.m. and from 3 p.m. to 5 p.m. on any working day. Your Board therefore recommends necessary Resolution for your approval.

Except Sri Surinder Kumar Kapoor, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

#### ITEM NO.11:

At the 23<sup>rd</sup> Annual General Meeting of the Company held on 6.9.2007, shareholders authorised the Board of Directors to borrow monies not exceeding Rs.500 crores (Rupees five hundred crores only) (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) by way of Ordinary Resolution under Section 293 (1)(d) of the erstwhile Companies Act, 1956. Now, Section 180 (1)(c) of the Companies Act, 2013 requires the same authorisation by way of Special Resolution.

Hence, your Directors recommend the Special Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

#### ITEM NO.12:

At the Extraordinary General Meeting of the Company held on 5.4.2008, shareholders authorised the Board of Directors to create mortgage or Charge on its movable or immovable properties for an amount not exceeding Rs.192 crores (Rupees one hundred and ninety two crores only) by way of Ordinary Resolution under Section 293 (1)(a) of the erstwhile Companies Act, 1956. Now, Section 180 (1)(a) of the Companies Act, 2013 requires the same authorisation by way of Special Resolution.

Hence, your Directors recommend the Special Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are interested in the said Resolution.

**Hyderabad**  
**21-7-2014**

**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 Thirtieth Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2014.

### FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2014 is summarised below:

(Rs. in Lakhs)

	2013-14	2012-13
Net Sales (excl. Excise Duty)	<b>25929.25</b>	56276.00
Profit / (Loss) before Interest & Depreciation	<b>(1039.30)</b>	3148.89
Less: Interest	<b>650.16</b>	860.16
Depreciation	<b>1334.53</b>	1371.63
Profit / (Loss) after Interest and Depreciation before Extraordinary Items	<b>(3023.99)</b>	917.10
Less: Extraordinary Items (FSA charges relating to earlier years)	--	453.93
Profit / (Loss) after Extraordinary Items	<b>(3023.99)</b>	463.17
Provision for:		
Current Tax	--	93.40
Deferred Tax	<b>(457.14)</b>	151.64
MAT credit entitlement	--	(93.40)
Excess provision for Direct Taxes of earlier years written back	--	(0.34)
Profit / (Loss) after Taxation	<b>(2566.85)</b>	311.87
Balance brought forward from previous year	<b>10149.61</b>	9837.74
Profit carried forward to next year	<b>7582.76</b>	10149.61

### OPERATIONAL AND FINANCIAL PERFORMANCE:

During the Financial Year 2013-14, the Plant produced 26,460 MTs (previous year 66,564 MTs), which works out to 36% (approx.) capacity utilisation. Sales during the year were 29,157 MTs (previous year 64,407 MTs). Lower production was due to non-supply of Propylene by HPCL for revamp of Propylene Recovery Unit (PRU) in the 1<sup>st</sup> quarter to enhance Propylene production capacity that resulted in shutdown of our Plant for 58 days and a fire accident on 23<sup>rd</sup> August, 2013 in HPCL's cooling tower that resulted in shutdown of PRU during most part of the remaining period in this year. Company had incurred a net loss of Rs.25.67 crores during the current Financial Year 2013-14 against profit after tax of Rs.3.12 crores made during the previous year. This is mainly due to non-availability of Propylene for a long period resulting in 212 days production loss.

### DIVIDEND:

In view of the loss incurred during the year under report, your Directors are unable to recommend any dividend for the Financial Year 2013-14.

### 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 31.3.2014 stood at Rs.105.19 crores against Rs.130.86 crores in the previous year.

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

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

#### **INDUSTRY STRUCTURE AND DEVELOPMENTS:**

Plant operations were limited throughout the year based on availability of Propylene, the major raw material from M/s Hindustan Petroleum Corporation Limited (HPCL). During the year HPCL have implemented their Propylene Recovery Unit (PRU) expansion in May-June, 2013 with a long shut-down which was expected to remove supply constraint to your Company ever since post Modernisation and Expansion. In fact, the Company operated at 110% of designed capacity for a period of 1 ½ months covering July-August, 2013 after HPCL's PRU commissioning post Expansion. Further Propylene supply position had a major setback due to a major fire accident in HPCL which affected PRU and partially continuing till date. As a result Company's Plant operations and marketing suffered to a great extent that resulted in poor performance for the year under review.

Propylene prices also shot up considerably during certain months with the steepest ever increase in the month of January, 2014. This together with lower market selling prices for the products resulted in under-recoveries that affected Company's performance. HPCL achieving full potential of the PRU is likely to take another 6 to 7 months, after which the Company's performance is expected to improve, subject to products' selling prices.

#### **OPPORTUNITIES AND THREATS:**

HPCL realising full potential of PRU and the Company operations at its full capacity and resultant improved efficiencies and lower cost of production is expected to be favourable for the Company's performance in future. The new capacities that have come up and further capacities coming up in the international scenario, likely strengthening of Rupee against dollar are areas of concern likely to impact, to some extent, Company's performance in the months to come.

#### **INTERNAL CONTROL SYSTEMS:**

Your Company has time-tested, exhaustive internal control systems for all major departments covering entire business. Internal audit by an external reputed audit firm scrutinises internal control systems in all the areas for their effectiveness and comes out with suggestions for improvement. Further Audit Committee of the Board reviews such internal audit reports and ensures effectiveness of the internal control systems.

#### **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 31<sup>st</sup> March, 2014 the Company has 296 employees on its rolls.

#### **FUTURE OUTLOOK:**

The Company's performance, to a large extent, is influenced by national and international demand and supply position of products and raw materials and to a large extent their prices. Overall operations are expected to improve further in the years to come.

#### **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 3<sup>rd</sup> Level of Award SURAKSHA PURASKAR, Bronze Trophy for 2013 (Manufacturing sector) Group-A by the National Safety Council of India. There is no 1<sup>st</sup> 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 S V Kanaka Seshu as its Nominee Director from the Board of the Company from 13.8.2013 and in his place Sri K Rajendra Prasad has been co-opted as Additional Director on the Board of the Company with effect from 6.11.2013. Dr. Anumolu Ramakrishna ceased to be the Director of your Company w.e.f., 20.8.2013 consequent upon his sad demise. Your Directors place on record their warm appreciation for the valuable guidance rendered by Sri S V Kanaka Seshu and Dr. Anumolu Ramakrishna during their tenure as Directors of the Company.

Sri K Rajendra Prasad holds office upto the date of the ensuing 30<sup>th</sup> Annual General Meeting (AGM). Resolution seeking his appointment as Director is being placed for the approval of the shareholders at the ensuing 30<sup>th</sup> AGM.

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Directors Sri P Narendranath Chowdary and Sri Ravi Pendyala retire by rotation at the ensuing 30<sup>th</sup> AGM and being eligible offer themselves for reappointment.

Individual Independent Directors appointment is placed before Shareholders for approval at the ensuing 30<sup>th</sup> AGM.

#### **AUDIT COMMITTEE:**

Audit Committee consists of four Non-Executive Independent Directors Sri A A Krishnan, Sri M R B Punja, Sri Surinder Kumar Kapoor and Sri Justice G Ramanujam (Retd.) (Chairman upto 5.11.2013). Sri A A Krishnan is the Chairman of the Committee from 6.11.2013.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:**

As required by the provisions of the Companies Act, 2013, Board of Directors at its Meeting held on 24.5.2014 constituted Corporate Social Responsibility (CSR) Committee comprising Directors viz., Dr. B B Ramaiah, Smt. Anita Rajendra, I.A.S., and Sri A A Krishnan as its Members.

#### **NOMINATION AND REMUNERATION COMMITTEE:**

As required by the provisions of the Companies Act, 2013, Board of Directors at its Meeting held on 24.5.2014 constituted Nomination and Remuneration Committee comprising



Directors viz., Sri M R B Punja, Sri Surinder Kumar Kapoor and Sri P Narendranath Chowdary as its Members.

**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 31<sup>st</sup> March, 2014. Cost Auditors' Report in respect of Financial Year 2012-13 has been filed with the Ministry of Corporate Affairs on 19.8.2013 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:**

Statement of particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011 forming part of this Report is annexed hereto (Annexure 'B').

**DEMATERIALISATION OF SHARES:**

As on 31<sup>st</sup> March, 2014 out of the total number of 8,49,71,600 Equity Shares, 7,67,79,293 Equity Shares constituting 90.36% stand 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 loss 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 'C').

**ACKNOWLEDGEMENTS:**

Your Directors acknowledge the co-operation and continued valuable support received from Central and State Government authorities, the Promoters - The Andhra Sugars Limited and APIDC, Financial Institutions, Banks, 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.

**On behalf of the Board**

**Hyderabad  
21.7.2014**

**M R B Punja  
Chairman**

**Annexure 'A' to the Directors' Report:**

Additional information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March, 2014.

**A. CONSERVATION OF ENERGY:**

Plant operations were further optimised realising better efficiencies. Some of the energy saving measures undertaken have resulted in reduction of electrical energy consumption, at full load operation.

**FORM - A**

**A) Power & Fuel Consumption:**

1) Electricity:	Current Year	Previous Year
<b>a) Purchased</b>		
Units	2,20,76,500	4,04,63,500
Total Amount (Rs.)	12,20,60,585	23,98,67,392
Rate/Unit (Rs.)	5.53	5.93
<b>b) Own Generation</b>		
i) Through diesel generator		
Units	56,842	10,49,085
Units per litre of Diesel Oil	3.23	3.55
Rate/Unit (Rs.)	18.31	12.38
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 (Rs.)	N.A.	N.A.
3) <b>a) Furnace Oil:</b>		
Quantity (MTs/KLs)	225.610	791.110
Total Amount (Rs.)	1,11,60,416	3,85,31,732
Average Rate (Rs.)	49,467.73	48,705.91
<b>b) L.S.H.S:</b>		
Quantity (MTs)	2,205.390	4,731.890
Total Amount (Rs.)	11,30,92,912	23,71,84,027
Average Rate (Rs.)	51,280.23	50,124.59
4) <b>Others/Internal Generation:</b>		
Oxo-Alcohol Residue		
Quantity (MT)	1,691.000	3,838.000
Total Amount (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil

**B) Consumption per Tonne of Production:**

Product	Current Year		Previous Year	
	Power KWH	Steam MT	Power KWH	Steam MT
2-Ethyl Hexanol	841	2.21	639	1.88
Butanols	811	2.78	567	2.10

**B. Technology Absorption:**

**FORM - B**

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

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

- Installation of two blowers to compress additional Carbon Dioxide (which would otherwise go to the atmosphere) to

## The Andhra Petrochemicals Limited

be recycled back into the process thereby reducing Naphtha consumption. The two blowers were installed at a cost of Rs.40.74 lakhs.

- b. Installation of Variable Frequency Drive (VFD) for Old MP boiler blower motor at a cost of Rs.1.7 lakhs.
- c. Installation of VFD for Sea water makeup pump at a cost of Rs.0.7 lakhs.
- d. Installation of Digital Temperature controller for DCS air conditioning at a cost of Rs.1,500.
- e. Separation of lighting circuits of mechanical workshop and Bulk stores at a cost of Rs.2,000.

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

- a. There is a reduction of 40 kg/hr for Naphtha per stream. The blowers have paid back the investment in just two months time.
- b. There is an annual saving potential of Rs.6 lakhs. Due to reduced speed, maintenance on the blower has also reduced resulting in intangible benefit of reduction in maintenance costs.
- c. Due to installation of the VFD, the pump can be run at a lower speed thereby reducing the number starts and stops and annual potential savings of Rs.2 lakhs in power consumption.
- d. A more uniform temperature in the control room and annual potential savings of Rs.1.7 lakhs has been achieved.
- e. Annual potential savings of Rs.0.4 lakhs has been achieved.

### 3. Plan of Action:

More R & D activities in energy conservation and environmental improvement area are planned.

### 4. Expenditure on R & D:

The Company has incurred an expenditure of Rs.42.45 lakhs on R & D during the year.

## II. Technology Absorption, Adaptation and Innovation:

### 1. Efforts made:

The new technology in Oxo and Synthesis and in Butanols Plant has been fully absorbed and the Company is now able to operate the Plant at high loads.

### 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 31.3.2014	For the year ended 31.3.2013
i. Earnings	--	220.22
ii. Outgo	471.33	327.00

On behalf of the Board

Hyderabad  
21.7.2014

M R B Punja  
Chairman

## Annexure 'B' to the Directors' Report:

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2014.

Name of Employee, Designation, Qualification, Experience, Date of commencement of employment in the Company, Gross Remuneration, Age, Previous Employment:

1. Dr. V N Rao, Chief Executive & Chief Operating Officer, B.Tech. (Chemical Engineering), M.Tech. (Chemical Engineering), IIT - Chennai; Ph.D.(Chemical Engineering), IIT - Chennai, 45 years, 4.10.1995, Rs.70,56,243\*, 72 years, Consultant.

2. Sri M K Viswanadham, Senior Executive President (Marketing), B.Sc. (Hons), M.Sc. (Ag), 40 years, 30.10.1992, Rs.60,42,983\*\*, 64 years, M/s. Raasi Cement Ltd., Hyderabad, Chief General Manager (Marketing) - 31/2 years.

\* Gross Remuneration includes salary, rent free accommodation, reimbursement of medical expenses, performance evaluation payment, leave encashment, car with driver and group personal accident insurance premium.

\*\* Gross Remuneration includes salary, house rent allowance, reimbursement of medical expenses, performance evaluation payment, leave encashment, car and group personal accident insurance premium.

## Annexure 'C' to the Directors' Report:

## REPORT ON CORPORATE GOVERNANCE

### A) MANDATORY REQUIREMENTS:

#### 1. Company's philosophy on Corporate Governance:

Your Company affirms that adoption of the good Corporate Governance practices in all its dealings, operations and actions is *sine qua non* for enhancement of overall shareholder value and protection of interests of all its stakeholders including customers, employees, lenders, suppliers, government and the community in which it operates.

#### 2. Board of Directors:

- a) As on 31.3.2014 the Board consisted of 11 Directors.