

**THE
ANDHRA PETROCHEMICALS
LIMITED**



**32nd Annual Report
2015 - 16**

THE ANDHRA PETROCHEMICALS LIMITED

Board of Directors

Sri M R B Punja (Chairman)
Dr. B B Ramaiah (Managing Director)
Sri P Narendranath Chowdary
Sri A A Krishnan
Sri Surinder Kumar Kapoor
Sri Mullapudi Thimmaraja
Dr. (Smt.) D Manjulatha
Sri Shamsher Singh Rawat, I.A.S.,
(Nominee of APIDC upto 30.5.2016)
Sri B Sreedhar, I.A.S.,
(Nominee of APIDC from 11.8.2016)
Smt. Y V Anuradha, I.A.S.,
(Nominee of APIDC)
Sri Animesh Kumar Sinha
(Nominee of IDBI Bank Ltd., from 5.4.2016)
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
(upto 2.1.2016)

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

Secretarial Auditors

M/s. D Hanumanta Raju & Co.,
Company Secretaries
B-13, F-2, P S Nagar
Vijayanagar Colony
Hyderabad - 500 057

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
investors@andhrapetrochemicals.com
Website: www.andhrapetrochemicals.com

Factory

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

Registrar & Share Transfer Agent

M/s. XL Softech Systems Ltd.,
#3, Sagar Society, Road No. 2,
Banjara Hills, Hyderabad - 500034
Telangana
Tel : 040-23545913/914/915
E-mail : xlfield@gmail.com
xlfield@rediffmail.com

Contents	Page No.
Notice	2
Directors' Report	6
Management Discussion & Analysis	6
Report on Corporate Governance	23
Independent Auditors' Report	29
Accounting Policies	32
Balance Sheet	33
Statement of Profit & Loss	34
Notes	35
Cash Flow Statement	45
Proxy Form & Attendance Slip	



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 Thirty Second Annual General Meeting of THE ANDHRA PETROCHEMICALS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku - 534215, West Godavari District, Andhra Pradesh on Thursday, the 29th day of September, 2016 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 31st March, 2016 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri Ravi Pendyala (DIN 03375555) who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Smt. Y V Anuradha, I.A.S., (DIN 07097311) who retires by rotation and being eligible offers herself for reappointment.
4. To ratify the appointment of M/s Brahmayya & Co., (Regn. No.000513S) Chartered Accountants, Vijayawada, as Statutory Auditors for the year 2016-17 and fix their remuneration.

SPECIAL BUSINESS:

5. 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 203 and other applicable provisions of the Companies Act, 2013 ("Act") or any statutory modification thereof or any re-enactment of the said Act, consent of the Members be and is hereby accorded to the re-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, 2016, without any remuneration."

6. 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.1,10,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2016-17 to be paid to M/s Narasimha Murthy & Co., (Regn. No. 000042), Cost Accountants, Hyderabad, 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."

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

"RESOLVED THAT Sri B. Sreedhar, I.A.S., (DIN 02591298) who was appointed by the Board of Directors as Additional Director of the Company with effect

from 11th August, 2016 pursuant to Article 97 of the Articles of Association of the Company, holds office upto the date of the 32nd Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 ("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."

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

"RESOLVED THAT pursuant to the provisions of Sections 73 and 76 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Companies (Acceptance of Deposits) Rules, 2014, the consent of the Members be and is hereby accorded to the Board of Directors of the Company to invite and accept Fixed Deposits from the Public and Members, within limits prescribed in the Act and the overall borrowing limits of the Company, as approved by the Members, for the time being in force or any amendments made from time to time."

RESOLVED FURTHER THAT the Board of Directors or any person authorised thereof be and is hereby authorised to finalise the scheme for invitation and acceptance of Fixed Deposits from the Members and the Public and to sign and execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such other acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution."

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 Section 61(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and Article 56 of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from the existing Rs.85 crores (Rupees eighty five crores only) divided into 8,50,00,000 Equity Shares of Rs.10/- each to Rs. 125 crores (Rupees one hundred twenty five crores only) divided into 12,50,00,000 Equity Shares of Rs. 10/- each ranking *pari passu* in all respects with the existing Equity Shares."

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

"RESOLVED THAT in lieu of the first two lines of the existing Clause V of the Memorandum of Association of the Company, the following two lines be substituted:

The Authorised Share Capital of the Company is Rs. 125 crores (Rupees one hundred twenty five crores only) divided into 12,50,00,000 (Twelve crores fifty lakhs only) Equity Shares of Rs.10/- each with power to ____"

"RESOLVED FURTHER THAT the existing Article 4 of the Articles of Association of the Company be and is hereby deleted and substituted with the following Article:

The Authorised Share Capital of the Company is Rs. 125 crores (Rupees one hundred twenty five crores only) divided into 12,50,00,000 (Twelve crores fifty lakhs only) Equity Shares of Rs.10/- each."

**Hyderabad
11.8.2016**

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 and 10 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. Your Company provides Electronic Voting facility and its particulars and instructions are enclosed and form part of this Notice.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 20th September, 2016 to Thursday, the 29th September, 2016 (both days inclusive).

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. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company from 9 a.m. and 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.

7. 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.

8. Shareholders holding shares in Physical Mode are requested to intimate their change of address, if any, to

the RTA viz., XL Softech Systems Ltd., Hyderabad. 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 / RTA) with whom they have Demat Account.

9. Any person who acquires shares of the Company and become member of the Company after the dispatch of the Notice of AGM and holding shares as of the cut-off date, i.e., 22nd September, 2016 can vote by entering the particulars as specified in instructions for e-voting. If they are already registered with CDSL for remote e-voting then they can use their existing user ID and password / PIN for casting their vote. If they forgot their password they can reset their password by using "Forgot User Details / Password" option available on www.evoting.cdslindia.com.

10. 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. Accordingly, the unclaimed dividend for the Financial Year 2006-07 amounting to Rs.36,81,588/- has been transferred to IEPF on 22 October, 2014. 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	2010-11	21 October, 2018
2	2011-12	27 October, 2019

Shareholders who have not encashed their Dividend Warrants issued in respect of dividend declared for the years 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 RTA., i.e., XL Softech Systems Ltd.

Electronic /

Demat Mode: E-mail ID be furnished to the DP with whom demat account has been opened and not to the Company/RTA. The Company/RTA 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 Regulation 36 (3) of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

Sri Ravi Pendyala has been the Director of the Company since 12.11.2011. He is a Graduate in Commerce

The Andhra Petrochemicals Limited

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.

Smt. Y V Anuradha, I.A.S., is a Post Graduate in Science (Botany). Presently she is Commissioner (Endowments). Earlier she worked as Commissioner (Director level) at Department of Public Health and Family Welfare, Andhra Pradesh. Also, earlier, she rendered services in various prestigious positions like Joint Collector- West Godavari District, Deputy Commissioner - Commercial Taxes, Collector - Anantapur District, Director - Administrative Dept. & Training Dept., Director - Ministry of Home Affairs etc.

Other Directorships held:

Director - Andhra Pradesh Brahmin Welfare Corporation Ltd.

Other Committeeships held: NIL

Annexure to Notice

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

ITEM NO.5:

The Board of Directors re-appointed Dr. B B Ramaiah as Managing Director of the Company for a period of five years with effect from 12.11.2016 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 re-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, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

ITEM NO.6:

On the recommendation of Audit Committee at its meeting held on 20.5.2016, 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.1,10,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2016-17.

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.6 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year 2016-17. 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.7:

Sri B. Sreedhar, I.A.S., is an M.Tech. Presently he is Vice Chairman & Managing Director (FAC) of Andhra Pradesh Industrial Development Corporation Ltd., (APIDC). Earlier he worked as Commissioner (Deputy Secretary level), Municipal Corporation, Greater Visakhapatnam; Vice Chairman (Deputy Secretary level), Visakhapatnam Urban Development Authority (VUDA); Secretary (Joint Secretary level) Electronics Department.

Other Directorships held:

Vice Chairman & Managing Director - Andhra Pradesh Industrial Infrastructure Corporation Ltd., Director - L & T Hitech City Ltd., Bhartiya International SEZ Ltd., Visakhapatnam Industrial Water Supply Company Ltd., Ramky Pharma City (India) Ltd., Andhra Pradesh Gas Distribution Corporation Ltd., Prakasam National Investment & Manufacturing Zone Ltd., and Andhra Pradesh Meditech Zone Ltd.

Other Committeeships held: NIL

Board of Directors appointed him as Additional Director from 11.8.2016. He holds office as such upto the date of 32nd AGM. 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 B Sreedhar, I.A.S., 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 Sreedhar, I.A.S., no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

ITEM NO.8:

As per the provisions of the Companies Act, 2013, and Fixed Deposit Rules made thereunder Company can accept/invite Fixed Deposits from Members & Public only with the approval of the Shareholders. As such your Board of Directors considers it advisable to commence acceptance of Fixed Deposits from Members & Public which would enable the Company to augment its financial resources for various requirements.

Your Directors therefore recommend the Resolution for your approval.

Directors and Key Managerial Personnel may be deemed to be interested in the Resolution in the event they place Fixed Deposits with the Company.

ITEM NO.9:

Having regard to the future financial requirements, a need may arise to mobilise funds through Equity. This may entail increase in paid-up equity capital beyond the present authorised capital of Rs.85 crores. As such, it is necessary to increase the authorized capital from existing Rs.85 crores to Rs.125 crores (Rupees one hundred twenty five crores only). For this purpose Memorandum & Articles of Association needs to be amended which requires the approval of the shareholders.

Your Board recommends Resolution for your approval. None of the Directors, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

ITEM NO.10:

In order to enable the Company to increase the Authorised Share Capital from the existing Rs.85 crores to Rs.125 crores (Rupees one hundred twenty five crores only). the provisions of Memorandum and Articles of Association of the Company are required to be amended.

Your Board recommends necessary Resolution for your approval.

None of the Directors, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

**Hyderabad
11.8.2016**

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

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

ENCLOSURE TO NOTICE:

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with the Companies Act (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically as an alternative to participation at the Annual General Meeting ("AGM") to be held on Thursday, the 29th September, 2016 at 3:00 p.m. at the Regd. Office of the Company. The Company has engaged the services of Central Depository Services (India) Limited ("CDSL") to provide e-voting facility.

Sri Nekkanti S R V V S Narayana, Practising Company Secretary (CP No.7839) of M/s Nekkanti S R V V S Narayana & Co., Company Secretaries, Hyderabad, has been appointed as Scrutinizer for conducting the e-voting process in a fair and transparent manner.

The e-voting facility is available at the link <https://www.evotingindia.com>.

Please read the instructions which are printed hereunder before exercising the vote. The AGM Notice is also available for download at our website www.andhrapetrochemicals.com.

The instructions for shareholders voting electronically are as under:

- (i) **The voting period begins on 26th September, 2016 from 9 a.m. and ends on 28th September, 2016 at 5.00 p.m.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd September, 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

E-voting Particulars are given in the Proxy Form.

- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the Resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <The Andhra Petrochemicals Ltd.,> on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

The Andhra Petrochemicals Limited

- (xiv) After selecting the Resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the Resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non - Individual Shareholders and Custodians
- Non-Individual shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Thirty Second Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2016.

CORPORATE OVERVIEW:

Your Company is the sole manufacturer of Oxo-Alcohols in India. The Oxo-Alcohols consist of the products viz., 2 Ethyl Hexanol, Normal Butanol and Iso Butanol. Your Company is an associate of The Andhra Sugars Ltd., and has its Regd. Office at Tanuku.

FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31st March, 2016 is summarised below:

(Rs. in Lakhs)

	2015-16	2014-15
Net Sales (excl. Excise Duty)	33565.83	14026.17
Profit / (Loss) before Interest & Depreciation	(1039.48)	(2879.45)
Less : Interest	1365.73	969.65
Depreciation	982.91	899.95
Profit / (Loss) after Interest and Depreciation before Extra-ordinary item	(3388.12)	(4749.05)
Extra-ordinary items - Insurance Claim received	694.75	---
Profit / (Loss) before Tax	(2693.37)	(4749.05)
Provision for:		
Current Tax for earlier years	2.15	---
Deferred Tax	(287.67)	(297.14)
Profit / (Loss) after Taxation	(2407.85)	(4451.91)
Balance brought forward from previous year	2919.46	7582.76
Adjustment of carrying amount of the assets whose remaining useful life is nil as per Schedule II to the Companies Act, 2013 (net of deferred tax of Rs.101.53 lakhs)	---	(211.39)
Profit carried forward to next year	511.61	2919.46

OPERATIONAL AND FINANCIAL PERFORMANCE :

During the Financial Year 2015-16, the Plant produced 57,348 MTs (previous year 18,766 MTs), total Alcohols which works out to 79% (approx.) capacity utilization. Sales during the year were 57,245 MTs (previous year 19,101 MTs). Company had incurred a Net Loss of Rs.24.08 crores during the current Financial Year 2015-16 as compared to Rs.44.52 crores Net Loss incurred during the previous year. Details are given in Audited, unqualified Financial Statements forming part of this Report.

DIVIDEND:

Due to loss incurred during the year under report, your Directors are unable to recommend any dividend for the Financial Year 2015-16.

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 31.3.2016 stood at Rs.34.48 crores against Rs. 58.55 crores in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The year 2015-16 was somewhat unfavourable to the Company. The economic slowdown globally and particularly in China has adversely impacted Company's performance. In the light of supply-demand gap for Oxo-Alcohols internationally, product prices were subdued and un-remunerative for the Company. The Company also suffered on account of surge in imports of Oxo-Alcohols at very low prices.

The Company's operations were restricted to minimize losses but at the same time continued to be in the market. Towards the end of the year Company succeeded in getting Govt. of India to impose Anti Dumping Duty on 2-Ethyl Hexanol from certain countries. Anti Dumping Duty on Normal Butanol was levied subsequently in the following year in April, 2016. Further, the Company has taken up with Govt. of India for

levying Anti Dumping Duty on imports from certain other countries that were not covered during the earlier investigation period. Also efforts are on, if possible, to get Anti Dumping Duty on the end product DOP manufactured out of Company's main product 2-Ethyl Hexanol. The existing Anti Dumping Duties together with those proposed are expected to improve product prices.

During the year under review the Company has received a Loss of Profit Insurance Claim of Rs.694.75 lakhs. Further efforts are on with the Insurance company for settlement of additional amount. For the year the Company has posted a net loss of Rs.2407.84 lakhs, mainly on account of external factors, beyond the control of the Company.

OPPORTUNITIES AND THREATS:

Estimated demand of Oxo-Alcohols at 2,00,000 MTPA, with healthy growth rate of 8 to 10% per annum in general is a good opportunity for the Company with existing capacity of 80,000 MTPA, considering the huge demand-supply gap in the country. As such there are no constraints in the Company's production capability with Hindustan Petroleum Corporation Limited's (HPCL) ability to meet full Propylene requirement. Sales realization is also expected to improve over time, firstly on account of Anti Dumping Duties imposed by Govt. of India on imports from certain countries and secondly fructifying Company's efforts of bringing certain other countries and products in this fold, though it may take some time. With these, some positive developments are likely for the Company.

However, downturn in product price scenario internationally and dumping of the products and currency fluctuations may impact the Company's performance and recovery process to some extent.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

As required by the provisions of Companies Act, 2013, Internal Control Systems Report has been appended to Independent Auditor's Report given by Statutory Auditors regarding Financial Year 2015-16. The Company has internal control systems commensurate with the size of the business operations. A Chartered Accountancy firm is engaged to carry out internal audit covering the entire operations. The audit firm submits internal audit report periodically with their suggestions and /or corrections. Audit Committee critically deliberates and reviews such internal audit reports and ensures effectiveness of the control systems through necessary recommendations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS :

As far as the Human Resources is concerned, the employees are being trained to meet the Plant requirements from time to time by motivating them in a positive way and the industrial relations continue to be cordial throughout the year.

The total number of employees employed as on 31.3.2016 is 286.

FUTURE OUTLOOK:

Company's performance capability is expected to be good as the Propylene supply constraint from HPCL has since been sorted out. However, the Company's performance to a large extent is dependent on international supply and demand for these products and their prices which are influenced by crude prices, exchange fluctuations and dumping by sources other than that covered by Anti Dumping Duty.

RISKS AND CONCERNS:

The Company is depending for its major raw material i.e.,

Propylene from a single source, HPCL refinery. However, the risk is built in the project evaluation. Crude prices, Exchange rate fluctuations and political instability in the gulf area are of major concern.

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 did not accept any deposits within the meaning of provisions of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

SAFETY, HEALTH AND ENVIRONMENT:

Safety:

Company has achieved 10 million accident free Man hours in last 7 years.

Company has received the following Safety Awards during the year:

Silver Trophy (2nd Level) in National Safety Awards (NSA) - 2013 for lowest Average Frequency Rate (2011, 2012, 2013) awarded by Directorate General Factory Advice Services and Labour Institute (DGFASLI), Govt of India, Mumbai.

Certificate of Appreciation (5th level) in National Safety Awards - 2015 for the assessment years 2012, 2013, 2014 by National Safety Council of India (NSCI), Mumbai.

8,500 training man-hours have been organized for employees including contract workman for induction as well as refresher training. Safety of human and Plant assets are of top priority of the Company. Continuous training of personnel at various levels on safety and strict compliance of regulations is ensured which resulted in another accident-free year.

Health:

Health monitoring of all employees including contract labour and canteen workers is done on regular basis.

Environment:

Installation of online effluent quality monitoring station at a cost of Rs.15 lakhs has been done. The data is transmitted to CPCB and APPCB for monitoring. The Company has installed the necessary monitoring equipment for stacks and ambient air.

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

The Andhra Petrochemicals Limited

Stock Exchange. Listing fees has been paid.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in Form MGT-9, as required under Section 92 of the Companies Act, 2013, is included in this Report as **Annexure - "A"** and forms an integral part of this report.

DIRECTORS:

Board of Directors at their Meeting held on 11.8.2016, appointed Dr. B B Ramaiah as Managing Director for a period of 5 years i.e., from 12.11.2016 to 11.11.2021. His appointment is being placed for the approval of the shareholders at the ensuing 32nd Annual General Meeting.

APIDC withdrew the nomination of Sri Shamsher Singh Rawat, I.A.S., as its Nominee Director from the Board of the Company w.e.f., 30.5.2016. Further it has nominated Sri B Sreedhar, I.A.S., on the Board of the Company and he has been co-opted as Additional Director on the Board of the Company w.e.f., 11.8.2016 on the recommendation of Nomination and Remuneration Committee at its meeting held on 11.8.2016.

Sri B Sreedhar, I.A.S., holds office upto the date of the ensuing 32nd Annual General Meeting (AGM). Resolution seeking his appointment as Director is being placed for the approval of the shareholders at the ensuing 32nd AGM.

Your Directors place on record their warm appreciation for the valuable guidance rendered by Sri Shamsher Singh Rawat, I.A.S., during his tenure as Director of the Company.

IDBI Bank Ltd., nominated Sri Animesh Kumar Sinha as its Nominee Director on the Board of the Company from 5.4.2016.

All Independent Directors, viz., Sri M R B Punja, Sri A A Krishnan, Sri Surinder Kumar Kapoor and Smt. D Manjulatha have given declarations at the first meeting of the Board of Directors held during the Financial Year 2016-17 (i.e., on 20.5.2016) that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Directors Sri Ravi Pendyala and Smt. Y V Anuradha, I.A.S., retire by rotation at the ensuing 32nd AGM and being eligible offer themselves for reappointment.

KEY MANAGERIAL PERSONNEL:

Details of Key Managerial Personnel of the Company are as under:

Sl No.	Name of the person	Designation
1.	Dr. V N Rao	Chief Executive & Chief Operating Officer
2.	Sri P Ratna Rao	General Manager (Finance)
3.	Sri K Raghu Ram (Upto 2.1.2016)	Manager (Finance) & Asst. Secretary

AUDIT COMMITTEE:

Audit Committee consists of three Non-Executive Independent Directors Sri A A Krishnan (Chairman) with Sri M R B

Punja and Sri Surinder Kumar Kapoor as its members. Sri Ravi Pendyala, Non-Executive Non-Independent Director was inducted as a Member of the Committee from 6.11.2015.

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company has appointed D Hanumanta Raju & Co., Practising Company Secretaries (CP No.7824), Hyderabad, to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is included as **Annexure-"B"** and forms an integral part of this report.

BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and Securities & Exchange of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Board has carried out a formal process of evaluation of the Board, its Committees and the individual Directors.

The performance was evaluated based on the parameters such as effectiveness of Board / Committee process and functioning, contribution of Board / Committee members to overall effectiveness of the Board / Committee, avoiding conflict with Company's interest, bonafide discharge of responsibilities in the interest of the Company and upholding ethical standards, integrity and probity etc.

The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The evaluation process reflected valuable contribution of members of the Board / Committee thereof.

NUMBER OF MEETINGS OF THE BOARD:

The details of the Number of Meetings of the Board held during the Financial Year 2015-16 are given in the Corporate Governance Report which forms part of this report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY:

Your Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013. Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to financial statements.

WHISTLE BLOWER POLICY:

As per the provisions of the Companies Act, 2013 and Securities & Exchange of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has established a Vigil Mechanism / Whistle Blower Policy for Directors and employees to report genuine concerns (unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct) in prescribed manner.

The Policy provides adequate safeguards against victimisation of the complainant and direct access to the Chairman of the Audit Committee. The protected disclosures, if any, reported under this Policy will be appropriately and expeditiously investigated.

The Whistle Blower Policy may be accessed on the Company's website at the link: [http://www.andhrapetrochemicals.com/Whistle Blower Policy.pdf](http://www.andhrapetrochemicals.com/Whistle%20Blower%20Policy.pdf).

RISK MANAGEMENT:

Your Board of Directors at its Meeting held on 27.3.2015 framed and adopted a Risk Management Policy of the Company to identify and mitigate the risks. The risk management framework defines the risk management approach of the Company and includes periodic review of such risks and also risk mitigation measures and reporting mechanism of such risks. Risk Management Policy of your Company can be viewed by entering the url <http://www.andhrapetrochemicals.com/POLICY ON CORPORATE RISK MANAGEMENT.pdf> in the web browser.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

For details of CSR Committee composition, please refer Corporate Governance section of this report.

As per the provisions of Schedule VII of the Companies Act, 2013 and Company's CSR Policy, as there is no average net profit for the three immediately preceding Financial Years, the Company is not required to incur CSR expenditure for the Financial Year 2015-16. The report on CSR activities as required under the Companies (CSR Policy) Rules, 2014 is set out as **Annexure-"C"** forming part of this report.

NOMINATION AND REMUNERATION COMMITTEE:

Nomination and Remuneration Committee consists of Sri Surinder Kumar Kapoor as Chairman and Sri M R B Punja and Sri P Narendranath Chowdary as its members.

NOMINATION AND REMUNERATION POLICY:

The Board of Directors of your Company has, on recommendation of the Nomination & Remuneration Committee, adopted a Nomination & Remuneration Policy which lays down the framework in relation to the criteria for selection and appointment of Board members and remuneration of Directors / Key Managerial Personnel and Senior Management of the Company. This Policy can be accessed on the Company's website at the link: <http://www.andhrapetrochemicals.com/NOMINATION REMUNERATION POLICY.pdf>.

AUDITORS:

M/s Brahmayya & Co., Chartered Accountants, Vijayawada, have been appointed as Statutory Auditors of the Company for the Financial Years 2014-15, 2015-16 and 2016-17 by the shareholders at the 30th Annual General Meeting held on 12th September, 2014. Now approval of shareholders is sought for ratification of appointment and fixation of remuneration for the Financial Year 2016-17.

COST AUDITORS:

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad, were appointed as Cost Auditors of the Company for the year ended 31st March, 2016. Cost Auditors' Report in respect of Financial Year 2014-15 has been filed with the Ministry of Corporate Affairs on 28th September, 2015 i.e., within the stipulated time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars prescribed under Section 134 (3) (m) of the Companies Act, 2013 read with the Rule 8 (3) of Companies (Ac-

counts) Rules, 2014 are given below:

I) CONSERVATION OF ENERGY

1. Steps taken or impact on conservation of energy:

- Provision of UPS control supply for certain critical motors to prevent spurious trips due to power dips
- Interconnection of Naphtha pre-heater and start-up heater of the two reforming units. Earlier, production had to be stopped for decoking of the Naphtha pre-heater. Now production continues at 40% level and quick come-back is achieved thus saving considerable amount of Naphtha. The cost of the modification is recovered in two decoking operations and has prevented loss of production.

2. Steps taken by the Company for utilising alternative sources of energy: Company could not take-up any steps in this regard due to poor financial position.

3. Capital Investment on energy conservation equipments: Rs.15.3 lakhs

II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

- Efforts made & Benefits:** Technology has been fully absorbed and various innovative ideas enable the Company to operate the Plant even above 100% load.
- Imported Technology:** NIL
- Expenditure incurred on R & D:** NIL

III) Foreign Exchange earning and outgo : (On cash basis) (Rs. in lakhs)

	For the year ended 31.3.2016	For the year ended 31.3.2015
i. Earnings	--	--
ii. Outgo	541.02	225.85

PARTICULARS OF EMPLOYEES:

Statement of particulars of employees of the Company as required under Section 197 (12) of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forming part of this report is annexed hereto (**Annexure-"D"**).

Employee mentioned in the said Annexure is not a relative of any Director of the Company. None of the employees holds (by himself or along with his spouse and dependent children) more than 2% of the Equity Shares of the Company.

DEMATERIALISATION OF SHARES:

As on 31st March, 2016, out of the total number of 8,49,71,600 Equity Shares, 7,70,38,241 Equity Shares constituting 90.66% stand dematerialised.

RELATED PARTY TRANSACTIONS:

As per the provisions of Regulation 23 of Securities & Exchange of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has established a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

The Policy on Related Party Transactions as approved by the Board of Directors is available on the website of the Company. The weblink of the same is <http://>