

THE ANDHRA PETROCHEMICALS LIMITED



**33rd Annual Report
2016 - 17**

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 to 18.10.2016)
Sri Karthikeya Misra, I.A.S.,
(Nominee of APIDC from 26.10.2016 to 5.7.2017)
Sri Siddharth Jain, I.A.S.,
(Nominee of APIDC from 5.8.2017)
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
Dr. V N Rao
(from 26.10.2016)

Key Managerial Personnel

Dr. V N Rao
Chief Executive & Chief Operating Officer (upto 25.10.2016)
Sri K Narasappa
President (from 23.5.2017)
Sri P Ratna Rao
General Manager (Finance)

Statutory Auditors

M/s. Brahmayya & Co.,
Chartered Accountants
D.No. 33-25-33-B
Govindarajulu Naidu Street
Suryarao Pet
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 - 500 034
Telangana
Tel : 040-23545913 / 914 / 915
E-mail: xlfield@gmail.com
xlfield@rediffmail.com

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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 Thirty Third 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 Wednesday, the 27th day of September, 2017 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, 2017 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 Mullapudi Thimmaraja (DIN 00016711) who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s C.V.Ramana Rao & Co., (Firm Regn. No. 002917S), Chartered Accountants, Visakhapatnam, as Statutory Auditors for a period of 5 years, i.e., for the years 2017-18 to 2021-22 and fix their remuneration for the year 2017-18.

In compliance with the provisions of the Companies Act, 2013 M/s C.V. Ramana Rao & Co., is proposed to be appointed as new Statutory Auditors, to hold office from the conclusion of the 33rd Annual General Meeting (AGM) till the conclusion of the 38th AGM, in place of the present Auditors M/s Brahmayya & Co., (Firm Regn. No. 000513S), Chartered Accountants, Vijayawada, whose 3 year term will be expiring at the conclusion of the ensuing 33rd AGM.

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.1,10,000/- plus service tax as applicable and reimbursement of actual travel and out-of-pocket expenses for the Financial Year 2017-18 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."
6. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Sri Siddharth Jain, I.A.S., (DIN 07868198) who was appointed by the Board of Directors as Additional Director of the Company with effect from 5th August, 2017 pursuant to Article 97 of the Articles of Association of the Company, holds office upto the date of the 33rd 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."
7. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Dr. V N Rao (DIN 00861884) who was appointed by the Board of Directors as Additional Director of the Company with effect from 26th October, 2016 pursuant to Article 97 of the Articles of Association of the Company, holds office upto the date of the 33rd 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."

Vijayawada
5.8.2017

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

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

NOTES:

1. The relative Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of Item Nos. 5, 6 and 7 is 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.

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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 Monday, the 18th September, 2017 to Wednesday, the 27th September, 2017 (both days inclusive).
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 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.
8. Any person who acquires shares of the Company and become member of the Company after the despatch of the Notice of AGM and holding shares as of the cut-off date, i.e., 20th September, 2017 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.
9. 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. 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 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 / Investors 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 Mullapudi Thimmaraja has been the Director on the Board since 7.11.1992. He is a Graduate in Chemical Engineering. He did his Post Graduation in Business Administration from the University of Florida, U.S.A. For more than two decades he has been the Whole-time Director of the Promoter Company The Andhra Sugars Ltd., a multi-product and multi-division company manufacturing Sugar and wide range of Organic and Inorganic Chemicals.

The Andhra Petrochemicals Limited

Other Directorships held:

Joint Managing Director - The Andhra Sugars Ltd.; Director - JOCIL Ltd.

Other Committeeships held:

Member - Audit Committee and Shareholders / Investors Grievances Committee, JOCIL Ltd.; Shareholders / Investors Grievances Committee, The Andhra Sugars Ltd.

He holds 1,630 Equity Shares in the Company.

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 23.5.2017, 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 2017-18.

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 2017-18. 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 Siddharth Jain, I.A.S., did his Graduation in Geology. Earlier he worked as Project Director, Outer Ring Road, Hyderabad; Collector and District Magistrate, Khammam and West Godavari Districts.

Other Directorships held:

Vice Chairman & Managing Director - Andhra Pradesh Industrial Development Corporation Ltd.

Other Committeeships held: NIL

Board of Directors appointed him as Additional Director from 5.8.2017. He holds office upto the date of 33rd 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 Siddharth Jain, 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 Siddharth Jain, 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.7:

Dr. V N Rao holds M.Tech (Chemical Engineering) and Ph.D. (Chemical Engineering) both from IIT, Chennai. Earlier he worked in Coromandel Fertilisers Ltd., Visakhapatnam; Zuari Agrochemicals Ltd., Goa and Tata Chemicals Ltd., Mithapur. He also worked as Consultant and carried out various consultancy assignments both technical and managerial in the fields of chemicals, petrochemicals, cement and refractories etc.

Other Directorships held:

Director - Andhra Pradesh Gas Power Corporation Ltd., (APGPCL)

Other Committeeships held:

Member - Audit Committee of APGPCL

He joined the Company in the year 1995 as Vice-President (Technical). He was later elevated as Chief Executive. He retired on 25.10.2016 as Chief Executive & Chief Operating Officer of the Company

Board of Directors appointed him as Additional Director from 26.10.2016. He holds office upto the date of 33rd 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 his intention to propose Dr. V N Rao 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 Dr. V N Rao, no other Director, Key Managerial Personnel and their relatives is or are deemed to be interested or concerned in the Resolution.

**Vijayawada
5.8.2017**

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

Registered Office:
Venkatarayapuram
TANUKU - 534 215
Andhra Pradesh

ENCLOSURE TO NOTICE:

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, 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 Wednesday, the 27th September, 2017 at 3 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 24th September, 2017 from 9 a.m. and ends on 26th September, 2017 at 5 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 20th September, 2017 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
- For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - 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.
Dividend Bank Details or Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> If both 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.
- (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 a print of the votes cast by clicking on "Click here to print" option on the Voting page.

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- (xvii) If a demat account holder has forgotten the changed 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) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) 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 linked in the login 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.
- xx) 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 Third Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2017.

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 Venkatarayapuram, Tanuku.

FINANCIAL RESULTS:

Performance of the Company for the Financial Year ended 31st March, 2017 is summarised below:

(Rs. in Lakhs)

	2016-17	2015-16
Net Sales (excl. Excise Duty)	32889.89	33408.75
Profit / (Loss) before Interest & Depreciation	1486.90	(1001.73)
Less: Interest	1558.07	1337.70
Depreciation	903.61	985.75
Profit / (Loss) after Interest and Depreciation before Extra-ordinary item	(974.78)	(3325.18)
Exceptional items	(115.69)	694.75
Profit / (Loss) before Tax	(1090.47)	(2630.43)
Provision for:		
Current Tax for earlier years	--	2.15
Deferred Tax	(354.39)	(264.66)
Profit / (Loss) after Taxation	(736.08)	(2367.92)
Other Comprehensive Income	350.44	(618.15)
Total Comprehensive Income for the period (Net Loss)	(385.59)	(2986.07)
Balance brought forward from previous year	299.77	3285.84
Profit carried forward to next year	(85.82)	299.97

OPERATIONAL AND FINANCIAL PERFORMANCE:

During the Financial Year 2016-17, the Plant produced 60,021 MTs (previous year 57,348 MTs), total Alcohols which works out to 83% (approx.) capacity utilization. Sales during the year were 58,254 MTs (previous year 57,245 MTs). Company had incurred a Net Loss of Rs.3.86 crores during the current Financial Year 2016-17 as compared to Rs.29.86 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 2016-17.

CAPITAL & RESERVES:

Authorised and Paid-up Capital:

The Authorised Capital of the Company is Rs.125 crores and the Paid-up Capital is Rs.84.97 crores.

Reserves:

The total Reserves position as on 31.3.2017 stood at Rs.28.50 crores against Rs. 32.36 crores in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The year 2016-17 was difficult for your company, in view of the supply exceeding demand, in international market, resulting in dumping of Oxo-Alcohols into India in high quantities and at low prices. Dumping at low prices impacted the Plant operations. To address this injury, Company filed petition for Anti-Dumping Duty on Normal Butanol and Acyclic Alcohols.

For the year company posted net loss of Rs. 3.86 crores mainly on account of external factors beyond the control of the company.

OPPORTUNITIES AND THREATS:

Estimated demand of Oxo-Alcohols at 2,20,000 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 (HPCL) able 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. This appears to be some positive development 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 2016-17. 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. Industrial relations continue to be cordial throughout the year.

The total number of employees employed as on 31.3.2017 is 291.

FUTURE OUTLOOK:

Company's performance capability is expected to be good as the Propylene supply from HPCL got normalised. 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 from the 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 concerns.

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 11 million accident-free man hours in the last 8 years.
- Company has received the following Safety Awards:
Silver Trophy (Runners up) in achieving accident-free year - 2014 in National Safety Awards (NSA) presented by Directorate General Factory Advice Services & Labour Institute (DGFASLI), Govt. of India on 17.09.2016
- Factory department conducted Safety Audit in May, 2016 at the Company's Plant and certified "A" - Grade Safety Systems (Securing 95% points) in the Plant
- 6,500 training man hours have been organised for employees including contract workmen for induction as well as refresher training
- Safety of Human and Plant Assets are of priority to 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.

The Andhra Petrochemicals Limited

Environment:

On line emission, ambient air and effluent monitoring systems are in place. Data is being transmitted to CPCB and APPCB for monitoring.

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.

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:

During the year under report APIDC withdrew the nomination of Sri Shamsher Singh Rawat, I.A.S., Sri B Sreedhar, I.A.S., and Sri Kartikeya Misra, I.A.S., as its Nominee Directors. Your Directors place on record their warm appreciation for the valuable guidance rendered by them during their tenure as Directors of the Company.

Sri Siddharth Jain, I.A.S., Nominee of APIDC, has been co-opted by the Board at the Board Meeting held on 5.8.2017 as Additional Director. His appointment is being placed for the approval of the Shareholders at the ensuing 33rd AGM.

The appointment of Dr. V N Rao, as Director of the Company, who was co-opted by the Board Meeting held on 26.10.2016. His appointment is being placed for the approval of the shareholders at the ensuing 33rd AGM.

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

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 2017-18 (i.e., on 23.5.2017) 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 P Narendranath Chowdary and Sri Mullapudi Thimmaraja retire by rotation at the ensuing 33rd 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 (upto 25.10.2016)	Chief Executive & Chief Operating Officer
2.	Sri K Narasappa (w.e.f., 23.5.2017)	President
3.	Sri P Ratna Rao	General Manager (Finance)

AUDIT COMMITTEE:

Audit Committee comprises of Sri A A Krishnan, Non-Executive Independent Director, as Chairman and Sri M R B Punja, Sri Surinder Kumar Kapoor, Non-Executive Independent Directors, and Sri Ravi Pendyala, Non-Executive Non-Independent Director, as its members.

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. With regard to the observations in the Secretarial Audit Report, steps have been taken to appoint Company Secretary for which advertisement was issued twice. In the absence of the Company Secretary, who is Compliance Officer, certification of the required Certificate could not be made. No material events occurred since the date of finalisation of Financial Statements to the date of Report. Clerical errors have been rectified.

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 2016-17 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](http://www.andhrapetrochemicals.com/POLICY%20ON%20CORPORATE%20RISK%20MANAGEMENT.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 2016-17. The report on CSR activities as required under Companies (CSR Policy) Rules, 2014 is set out as **Annexure - "C"** forming part of this report.

NOMINATION AND REMUNERATION COMMITTEE:

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

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](http://www.andhrapetrochemicals.com/NOMINATION%20REMUNERATION%20POLICY.pdf).

AUDITORS:

M/s C V Ramana Rao & Co., Chartered Accountants, Visakhapatnam, have been appointed as new Statutory Auditors of the Company for the five Financial Years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22. Their appointment and fixation of remuneration is being placed at the ensuing 33rd AGM for the approval of members.

COST AUDITORS:

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad, were appointed as Cost Auditors of the Company for the year ended 31st March, 2017. Cost Auditors' Report in respect of Financial Year 2015-16 has been filed with the Ministry of Corporate Affairs on 26th August, 2016 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 (Accounts) Rules, 2014 are given below:

I) CONSERVATION OF ENERGY

1. Steps taken or impact on conservation of energy:

BAL column redundant overhead shell and tube condenser (E 142) was modified and connected to 2-EH Plant aldol system as stand by to existing EPA PHE coolers to improve on-stream factor and productivity, whenever EPA PHE cooler gets fouled or taken for cleaning/maintenance.

Earlier 2-EH Plant load had to be reduced to clean EPA PHE. Now with this modification, Plant can be operated on normal load, without reducing load.

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.50,000/-.

II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

a) Efforts made & Benefits: Technology has been fully absorbed and various innovative ideas enable the Company to operate the Plant even above 100% load.

b) Imported Technology: NIL

c) Expenditure incurred on R & D: NIL

III) Foreign Exchange earning and outgo: (On cash basis)

(Rs. in lakhs)

	For the year ended 31.3.2017	For the year ended 31.3.2016
i. Earnings	--	--
ii. Outgo	425.51	541.02

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"**).