



**THE ANDHRA  
PETROCHEMICALS LIMITED**

Regd. Office :  
VENKATARAYAPURAM  
(Tanuku) - 534 215  
West Godavari Dist. (A.P.)  
Tel : 08819-224075, 224755, 224911 (7 Lines)  
Fax : 08819-224168  
E-mail : info.tnk@andhrapetrochemicals.com  
CIN : L23209AP1984PLC004635  
Website : www.andhrapetrochemicals.com

NO. APL/SEC/QR/12

25 May 2019

The Relationship Manager,  
Corporate Relationship Department  
**The Bombay Stock Exchange Ltd.,**  
1<sup>st</sup> Floor, New Trading Ring  
Rotunda Building  
Phiroze Jeejeebhoy Towers  
Dalal Street, FORT,  
**MUMBAI 400 001**

Dear Sir,

SUB: Audited Financial Results for the Year ended 31.3.2019 along with Independent Auditors Report and Declaration with regard to Audit Report with Unmodified Opinion.

REF: Company's Scrip code: 500012

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With reference to above, we enclose herewith the following:

1. Audited Financial Results for the Year ended 31.3.2019
2. Declaration with regard to Auditors' Report with Unmodified Opinion
3. Auditors' Report on the Financial Statements for the year ended 31.3.2019

This is for your kind information and record.

Thanking you,

Yours faithfully,  
for **THE ANDHRA PETROCHEMICALS LIMITED,**

  
(P. Narendranath Chowdary)  
Managing Director

Encls: As above



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## AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2019

(Rs. in lakhs)					
Particulars	3 months ended 31.03.2019	Preceding 3 months ended 31.12.2018	Corresponding 3 months ended in the previous year 31.03.2018	Year to date figures for current period ended 31.03.2019	previous year ended 31.03.2018
	Refer Note 2	Unaudited	Refer Note 2	Audited	Audited
<b>I Revenue from operations</b>	15896.30	17109.36	11375.47	66586.22	53275.26
<b>II Other Income</b>	77.83	73.98	39.99	271.95	242.77
<b>III Total income (I+II)</b>	15974.13	17183.34	11415.46	66858.17	53518.03
<b>IV Expenses</b>					
a) Cost of materials consumed	10553.97	13111.17	7984.45	46395.00	35838.77
b) Changes in inventories of finished goods, work-in-progress	332.30	(197.89)	63.21	(41.17)	1269.51
c) Employee benefits expense	473.00	569.80	436.64	1926.70	1812.87
d) Finance costs	100.17	144.54	222.00	591.81	1186.54
e) Depreciation and amortization expense	267.63	262.91	269.31	1049.48	949.27
f) Power and Fuel	1042.84	1172.56	971.97	4779.40	4237.12
g) Excise duty	-	-	-	-	1455.28
h) Other expenses	1010.25	585.75	817.04	2657.85	2042.71
<b>Total expenses (IV)</b>	13780.16	15648.84	10764.62	57359.07	48792.05
<b>V Profit/(Loss) before exceptional items and tax (III-IV)</b>	2193.97	1534.50	650.84	9499.10	4725.98
<b>VI Exceptional items</b>	-	-	-	-	-
<b>VII Profit/(Loss) before tax (V+VI)</b>	2193.97	1534.50	650.84	9499.10	4725.98
<b>VIII Tax expense (including deferred tax)</b>	809.58	535.44	86.72	2515.74	75.91
<b>IX Profit/(Loss) for the period from continuing operations(VII-VIII)</b>	1384.39	999.06	564.12	6983.36	4650.07
<b>X Profit/ (Loss) from discontinued operations</b>	-	-	-	-	-
<b>XI Tax expense of discontinued operations</b>	-	-	-	-	-
<b>XII Profit/ (Loss) from discontinued operations(after tax) (X-XI)</b>	-	-	-	-	-
<b>XIII Profit/ (Loss) for the period(IX+XII)</b>	1384.39	999.06	564.12	6983.36	4650.07
<b>XIV Other Comprehensive Income (net of tax)</b>	(101.27)	-	(231.42)	(101.27)	(231.42)
<b>XV Total Comprehensive Income for the period (XIII+XIV)</b> (Comprising Profit/(Loss) and other comprehensive income for the period)	1283.12	999.06	332.70	6882.09	4418.65
<b>XVI Earnings per equity share (for continuing operations)</b>					
Basic	1.63	1.18	0.66	8.22	5.47
Diluted	1.63	1.18	0.66	8.22	5.47
<b>XVII Earnings per equity share (for discontinued operations)</b>					
Basic	-	-	-	-	-
Diluted	-	-	-	-	-
<b>XVIII Earnings per equity share (for discontinued &amp; continuing operations)</b>					
Basic	1.63	1.18	0.66	8.22	5.47
Diluted	1.63	1.18	0.66	8.22	5.47

Contd...2.

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## Statement of Assets and Liabilities

(Rs. in lakhs)

Particulars	As at	As at
	31.03.2019	31.03.2018
	Audited	Audited
<b>1 ASSETS</b>		
<b>Non-current assets</b>		
(a) Property, Plant and Equipment	17214.89	18110.04
(b) Capital Work-in-progress	-	93.37
(c) Other Intangible assets	31.20	-
(d) Financial assets		
Investments	446.28	536.91
Other Financial Assets	440.62	363.46
(e) Deferred Tax Assets (Net)	-	48.73
(f) Other non-current assets	5.52	5.52
Sub-Total - Non-current assets	18138.51	19158.03
<b>2 Current assets</b>		
(a) Inventories	1907.14	1610.21
(b) Financial assets		
Investments	1628.08	-
Trade receivables	3561.04	3418.10
Cash and cash equivalents	295.41	228.41
Bank balances other than above	-	-
Other Financial Assets	24.83	21.04
(c) Other current assets	514.41	241.61
Sub-Total - Current assets	7930.91	5519.37
<b>Total - Assets</b>	<b>26069.42</b>	<b>24677.40</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity Share Capital	8497.16	8497.16
(b) Other Equity	14150.92	7266.83
Sub-Total - Equity	22648.08	15765.99
<b>LIABILITIES</b>		
<b>1 Non-Current Liabilities</b>		
(a) Financial Liabilities		
Borrowings	558.50	1360.19
(b) Deferred tax liabilities (Net)	362.99	-
(c) Provisions	219.61	203.49
(d) Other non-current liabilities	5.00	5.00
Sub-Total - Non-current Liabilities	1146.10	1568.68
<b>2 Current Liabilities</b>		
(a) Financial Liabilities		
Borrowings	64.48	1424.59
Trade payables	486.82	569.48
Other Financial liabilities	817.31	4401.88
(b) Provisions	294.87	289.31
(c) Current Tax Liabilities (Net)	117.26	16.69
(d) Other Current liabilities	494.50	640.78
Sub-Total - Current Liabilities	2275.24	7342.73
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>26069.42</b>	<b>24677.40</b>

## Notes:

- The above results, reviewed by the Audit Committee, were approved by the Board of Directors at its Meeting held on 25th May, 2019.
- Directors recommended a total Dividend of Rs.1.50/- (Normal Dividend Re.1/- and Special Dividend Paise 50) per Share for the Financial Year 2018-19.
- The figures for the quarters ended 31.03.2019 and 31.03.2018 are the balancing figures between the audited figures of the full financial years ended 31.03.2019 and 31.03.2018 respectively, and the published year-to-date figures upto the nine months ended 31.12.2018 and 31.12.2017 respectively.
- Segmental reporting as per Ind AS-108 issued by the ICAI is not applicable, as the Company is engaged in manufacture of a single line of product.
- Figures for the previous periods have been regrouped, wherever necessary, to conform to the current period's classification.

Place: Hyderabad  
Date: 25th May, 2019

  
**P. NARENDRANATH CHOWDARY**  
Managing Director



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NO. APL/SEC/QR/12

25 May 2019

The Relationship Manager,  
Corporate Relationship Department  
**The Bombay Stock Exchange Ltd.,**  
1<sup>st</sup> Floor, New Trading Ring  
Rotunda Building  
Phiroze Jeejeebhoy Towers  
Dalal Street, FORT,  
**MUMBAI 400 001**

Dear Sir,

Sub: Declaration with regard to Audit Report with Unmodified Opinion.  
Ref: BSE Scrip Code: 500012

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Pursuant to Regulation 33 (3)(d) of SEBI (LODR) Regulations, 2015 and SEBI Circular No.CIR/CFD/CMD/56/2016 dt. 27.5.2016, we hereby confirm that M/s C V Ramana Rao & Co., Chartered Accountants, Statutory Auditors of the Company have issued Auditors' Report, on the Audited Financial Results of the Company for the Financial Year 2018-19, with Unmodified Opinion.

This is for your kind information and record.

Thanking you,

Yours faithfully,  
for **THE ANDHRA PETROCHEMICALS LIMITED,**

  
(P Narendranath Chowdary)  
Managing Director





INDEPENDENT AUDITOR'S REPORT

TO  
THE MEMBERS OF THE ANDHRA PETROCHEMICALS LIMITED,  
TANUKU

**Report on the Audit of the Financial Statements**  
**Opinion**

We have audited the accompanying financial statements of **THE ANDHRA PETROCHEMICALS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



SL. No.	Key Audit Matter	How our audit addressed the Key Audit Matter
1	<p data-bbox="398 348 794 378">Adoption of Ind AS 115 "Revenue from Contracts with Customers"</p> <p data-bbox="398 385 794 634">Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)</p> <p data-bbox="398 668 794 1306">The application of the above new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations in the contract, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p data-bbox="398 1342 794 1406">Refer Note 2.24 to the Financial Statements</p>	<p data-bbox="819 385 1344 506">We assessed the various Company's process, contracts entered with various customers to identify the impact of adoption of the new revenue accounting standard.</p> <p data-bbox="819 540 1344 661">Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul data-bbox="819 695 1361 1506" style="list-style-type: none"> <li>• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.</li> <li>• Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal controls relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.</li> <li>• Compared these performance obligations with that identified and recorded by the Company.</li> <li>• Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> <li>• Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.</li> </ul> <p data-bbox="819 1540 1361 1725">We reviewed the collation of information and the logic of the report generated from the budgeting system used to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date</p>
2	<p data-bbox="398 1738 794 1796">Valuation of Investments in Unquoted Equity Shares of Andhra Pradesh Gas Power company Ltd(APGPCL)</p>	
	<p data-bbox="398 1802 794 1830">The valuation of the investments</p>	<p data-bbox="819 1802 1361 1830">We assessed the managements' approach to</p>





	<p>involves judgement and continues to be an area of inherent risk because quoted prices are not readily available. As per the MOU between the APGPCL and its shareholders, each shareholder is entitled to receive power generated in proportion to its shareholding at cost of generation plus 20% of its overheads which is substantially lower than the price charged by DISCOMs.</p> <p>In the absence of any transfer of shares of APGPCL during the year under audit the fair value of the shares has been determined by using "discounted cash flow" method in respect of savings in cost of power in future years.</p> <p>Refer Note 3.2 to the Financial Statements</p>	<p>valuation for these investments by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We have verified data inputs used in the valuation models based on historical trends.</li> <li>• We evaluated the methodology and assumptions used by management, including reasonableness of the discounted cash flows, growth rate and discount rate applied by comparing it with the Indian Government Bond rate for a similar period.</li> <li>• We tested the calculation of the fair value based on the assumptions applied.</li> <li>• We found the disclosures in the financial statements to be appropriate.</li> </ul> <p><i>Conclusion:</i> Based on the work performed and the evidence obtained, we consider the methodology and assumptions used by management to be appropriate.</p>
3	<p>Estimation of decommissioning and restoration provisions</p> <p>The determination and valuation of provision is highly judgmental by its nature, as they are calculated based on assumptions that are impacted by future activities and the legislative environment in which the company operates.</p> <p>Refer Note 2.34 to the Financial Statements</p>	<p>Our audit procedures to assess the decommissioning provision included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the valuation methodology</li> <li>• We evaluated the reasonableness of key assumptions applied by the management to calculate new and existing provisions.</li> <li>• We tested the calculation of the provisions.</li> <li>• We checked the accuracy and relevance of the input data used.</li> <li>• We found the disclosures in the financial statements to be appropriate.</li> </ul> <p><i>Conclusion:</i> Based on the work performed, we found management's assessment to be reasonable based on available evidence.</p>
4	<p>Uncertainty regarding the extension of land lease period.</p> <p>The uncertainty of extension of lease period of the Land may have an effect on the going concern status of the Company.</p> <p>The company has initiated the process of renewal of the lease of the land on which the plant is</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We have gone through the terms and conditions of the VPT's Land renewal lease policy "e-Tender cum e-Auction" for the allotment of the Land on long term lease.</li> <li>• We evaluated the reasonableness of the managements' judgment that the lease period will be extended for further period of 30 years</li> </ul>



<p>located with Visakhapatnam Port Trust (VPT), which will expire on 26.06.2019.</p> <p>There is a possibility of existence of a competitor to the company as per the procedure to be adopted by VPT as per its "land lease extension policy."</p> <p>As the company expects that the lease will be extended for at least 30 year in its favour, the unexpired period of lease for computing the provision for dismantling costs, resultant depreciation &amp; amortization of various fixed assets has been considered as 30 years.</p>	<p>based on the facts that the company has absolute right to take over the land provided they have to match the highest bid. Further, the chances of bidding by the competitor are very insignificant due to the fact that the successful bidder has to remit the value of the structures to the company in addition to the lease rentals and security deposit.</p> <p><i>Conclusion:</i> We found management's judgment to be reasonable based on available evidence.</p>
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#### Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this "other information", we are required to report that fact. We have nothing to report in this regard.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of





the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure- A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.





e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

The company has neither paid nor provided any remuneration to any of the Directors of the company. Accordingly the question of reporting under the provisions of section 197(16) of the Act does not arise.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. The company has obtained a demand draft favoring "Investor Education and Protection Fund" for Rs.41.87 Lakhs on 20.11.2018 towards unpaid dividends for the year 2010-11, which were to be remitted to the fund on that date and remitted the same on 13th May 2019.

For C V RAMANA RAO & CO.,  
Chartered Accountants  
Firm Reg. No. 002917S

  
(KATYAYANI K)

Partner

Membership No.225030



Place: Visakhapatnam

Date: 25<sup>th</sup> May, 2019

## ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure A referred to in our Independent Auditor's report of even date, to the members of THE ANDHRA PETROCHEMICALS LIMITED, TANUKU, for the year ended 31 March 2019. We report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c) The title deeds in respect of all immovable properties are held in the name of the company.
- ii) Physical verification of inventory has been conducted during the year by the management at reasonable intervals. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii) The Company has not granted any loans, secured or unsecured, to Companies, Firms, Limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Consequently, clauses 3 (iii) (a), (b) and (c) of the Order are not applicable.
- iv) The company has neither given any loans to the directors or any other persons in whom the director(s) is interested nor given/provided any guarantee/security in connection with any loan taken by directors or such other persons as per the provisions of section 185 of the Companies Act, 2013. The investment made by the company in an earlier year does not exceed the limits prescribed under section 186 of the Companies Act, 2013.
- v) The Company has not accepted any deposits from the public. Consequently, the clause 3(v) of the order is not applicable to the Company.
- vi) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- vii) a) According to the information and explanations given to us and on the basis of examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.





According to the information and explanations given to us, no undisputed amounts are payable in respect of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess and other material statutory dues which were in arrears as at 31<sup>st</sup> March 2019 for a period of more than six months from the date they became payable.

b) As at 31<sup>st</sup> March 2019, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income tax, Service tax, duty of customs, duty of excise, value added tax and Cess, except the following:

Sr. No.	Name of the Statute	Nature of the Dues	Amount* (Rs. In Lakhs)	Period to which the amount relates	Forum where dispute is pending
1.	The Income Tax Act, 1961.	Income Tax	3.80	Assessment Year 2008-09	Commissioner of Income Tax (Appeals), Rajahmundry.
2.	The Income Tax Act, 1961	Income Tax	2.21	Assessment Year 2009-10	Commissioner of Income Tax (Appeals), Rajahmundry.

\*Net of Pre deposits made.

- viii) The Company has not defaulted in repayment of any loan installments in respect of term loans from financial institutions and banks.
- ix) In our opinion, the Term Loans obtained in earlier years have been applied for the purposes for which they were raised.
- x) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- xi) The company has neither paid nor provided for any managerial remuneration during the financial year under report. Consequently the clause 3(xi) of the order is not applicable.
- xii) In our opinion, the company is not a Nidhi Company. Consequently the clause 3(xii) of the order is not applicable.
- xiii) According to the information and explanations given to us and on overall examination of the records of the Company, we report that all transactions with related parties are in compliance with the provisions of sections 177 and 188 of the Companies Act, 2013 and the related party disclosures as required by relevant Indian Accounting Standards are disclosed in the financial statements.
- xiv) The Company has not made any preferential allotment or private placement of shares or fully/partly convertible debentures during the year under review. Consequently the clause 3(xiv) of the order is not applicable.



- xv) The Company has not entered into any non cash transactions with the directors or persons connected with them during the year under report. Consequently the clause 3(xv) of the order is not applicable.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Consequently the clause 3(xvi) of the order is not applicable.

For C V RAMANA RAO & CO.,  
Chartered Accountants  
Firm Regn No. 002917S

  
(KATYAYANI K)  
Partner  
Membership No.225030



Place: Visakhapatnam  
Date: 25<sup>th</sup> May, 2019



## Annexure "B" to the Independent Auditors' Report

### **Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of THE ANDHRA PETROCHEMICALS LIMITED ("the Company") as of 31<sup>st</sup> March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Board of directors of the company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For C V RAMANA RAO & CO.,  
Chartered Accountants  
Firm Regn No. 002917S

  
(KATYAYANI K)  
Partner  
Membership No.225030



Place: Visakhapatnam  
Date: 25<sup>th</sup> May, 2019