



# THE ANDHRA SUGARS LIMITED

## 58th ANNUAL REPORT

### 2004 - 2005

#### BOARD OF DIRECTORS :

**Dr. Mullapudi Harischandra Prasad**  
Chairman & Managing Director

**Dr. B. B. Ramaiah**  
Managing Director (Tech.)

**Shri T. Ramesh U. Pai (upto 26-1-2005)**

**Shri Justice G. Ramanujam**

**Shri A. Ranga Rao**

**Shri P. Narendranath Chowdary, B.Sc.**  
Joint Managing Director

**Shri M. Narendranath, B.Sc.(Ag.)**  
Joint Managing Director

**Shri M. Thimmaraja, B.Tech., M.B.A.(Florida)**  
Joint Managing Director

**Shri P. Achuta Ramayya, B.Com., M.B.A.(New York)**  
Executive Director

**Dr. A.V. Rama Rao**

**Dr. P. Kotaiah**

**Shri V. S. Raju**

**Dr. Alapaty Appa Rao**

**Dr. Anumolu Ramakrishna (from 21-2-2005)**

**Shri P.S.R.V.K. Ranga Rao, B.Com.,**  
Executive Director

#### SECRETARY :

**Shri M. Bulli Abbayi, B.Sc., B.L., F.C.S.**

#### VICE PRESIDENT (Finance) :

**Shri T. Krishnaiah, B.A., F.I.C.W.A., F.C.S.**

#### BANKERS :

Andhra Bank  
State Bank of India  
State Bank of Hyderabad  
Bank of Baroda  
Indian Bank

#### STATUTORY AUDITORS :

M/s. Brahmayya & Co.,  
Chartered Accountants  
Vijayawada.

#### COST AUDITORS :

M/s. Narasimha Murthy & Co.,  
Cost Accountants  
Hyderabad.

#### REGISTERED OFFICE :

Venkatarayapuram,  
Tanuku - 534 215,  
West Godavari District,  
Andhra Pradesh.

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## THE ANDHRA SUGARS LIMITED

Registered Office: Venkatarayapuram, TANUKU - 534 215  
West Godavari District, Andhra Pradesh.

### NOTICE TO SHAREHOLDERS

Notice is hereby given that the FIFTY EIGHTH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Saturday, the 24<sup>th</sup> day of September, 2005 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2005 and the Balance Sheet as at that date together with the Reports of Board of Directors and Auditors thereon.
2. To declare Dividend for the year 2004-2005.
3. To appoint a Director in place of Sri M. Narendranath who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri P. Achuta Ramayya who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Sri P.S.R.V.K. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2005-2006 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

#### SPECIAL BUSINESS :

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

“RESOLVED THAT Dr. Anumolu Ramakrishna who was appointed as Additional Director of the Company with effect from 21-02-2005 pursuant to Article 116 of the Articles of Association and who holds office upto the date of the 58<sup>th</sup> Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company.”

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

“RESOLVED THAT in partial modification of Special Resolution dated 27<sup>th</sup> September, 2002 passed at the 55<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Dr. Mullapudi Harischandra Prasad, Managing Director from 1-4-2005 to 31-12-2007 i.e. for the balance period of current tenure of his office.”

#### Perquisites:

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as

## The Andhra Sugars Limited

laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Dr. Mullapudi Harischandra Prasad, Managing Director and the Board.”

9. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

“RESOLVED THAT in partial modification of Special Resolution dated 27<sup>th</sup> September, 2002 passed at the 55<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Dr. B.B. Ramaiah, Managing Director(Tech.) from 01-04-2005 to 31-03-2008 i.e. for the balance period of current tenure of his office.”

### **Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Dr. B.B. Ramaiah, Managing Director (Tech.) and the Board.”

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

“RESOLVED THAT in partial modification of Special Resolution dt. 23<sup>rd</sup> September, 2000 passed at the 53<sup>rd</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Shri P. Narendranath Chowdary, Joint Managing Director from 01-04-2005 to 11-1-2006 i.e. for the balance period of current tenure of his office.”

**Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Shri P. Narendranath Chowdary, Joint Managing Director and the Board.”

11. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

“RESOLVED THAT in partial modification of Special Resolution dated 27<sup>th</sup> September, 2002 passed at the 55<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Shri M. Narendranath, Joint Managing Director from 01-04-2005 to 31-12-2007 i.e. for the balance period of current tenure of his office.”

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### Perquisites:

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Shri M. Narendranath, Joint Managing Director and the Board.”

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

“RESOLVED THAT in partial modification of Special Resolution dated 27<sup>th</sup> September, 2002 passed at the 55<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Shri M. Thimmaraja, Joint Managing Director from 01-04-2005 to 31-12-2007 i.e. for the balance period of current tenure of his office.”

### Perquisites:

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for

the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Shri M. Thimmaraja, Joint Managing Director and the Board.”

13. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

“RESOLVED THAT in partial modification of Special Resolution dated 27<sup>th</sup> September, 2002 passed at the 55<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Shri P. Achuta Ramayya, Executive Director from 01-04-2005 to 31-12-2007 i.e. for the balance period of current tenure of his office.”

**Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Shri P. Achuta Ramayya, Executive Director and the Board.”

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14. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

“RESOLVED THAT in partial modification of Special Resolution dated 24<sup>th</sup> September, 2003 passed at the 56<sup>th</sup> Annual General Meeting of the Company and in accordance with Sections 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as may be required, consent of the Company be and is hereby accorded for the payment of following perquisites to Shri P. S. R. V. K. Ranga Rao, Executive Director from 01-04-2005 to 30-04-2009 i.e. for the balance period of current tenure of his office.”

### **Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (viii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms & conditions of the above perquisites in such manner as may be agreed to between Shri P.S.R.V.K. Ranga Rao, Executive Director and the Board.”

15. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such other approvals as may be required, Shri P. Narendranath Chowdary be and is hereby re-appointed as Joint Managing Director of the Company for a period of 5 years with effect from 12.1.2006 on such salary, commission and perquisites as set out hereunder:-

Shri P. Narendranath Chowdary is not subject to retirement by rotation during the tenure of his office as Joint Managing Director from 12.01.2006 to 11.01.2011.

1. **Salary:**  
Rs. 40,000/- per month.
2. **Commission:**  
Upto 1% of the net profits of the Company.



3. **Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund, - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol. (Provision of Car one or more for use of Company's business and one or more telephone at residence will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

“FURTHER RESOLVED that, in the event of loss or inadequacy of profit in any financial year of the Company during the term of his Office as Joint Managing Director, the remuneration and perquisites set out above be paid or granted to Shri P. Narendranath Chowdary as minimum remuneration stipulated in Section II of Part II of Schedule XIII of the said Act or such other amount and perquisites as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

“FURTHER RESOLVED that the Board of Directors be and is hereby authorised to alter, vary such salary, commission and perquisites as may be permitted by any applicable law from time to time during the said period of office and as may be agreed to by the Board of Directors of the Company and Shri P. Narendranath Chowdary.”

(BY ORDER OF THE BOARD)

Venkatarayapuram  
TANUKU  
30-07-2005

For THE ANDHRA SUGARS LIMITED  
Dr. MULLAPUDI HARISCHANDRA PRASAD  
Chairman & Managing Director

**NOTES:**

1. A Member entitled to attend and vote may appoint a proxy to attend and vote instead of himself on poll and that a proxy need not be a member.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 16<sup>th</sup> September, 2005 to Saturday the 24<sup>th</sup> September, 2005 (both days inclusive).
3. The dividend recommended by Directors, if approved at the meeting will be paid to the Shareholders whose names are on the Register of Members as on 24<sup>th</sup> September, 2005. **In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as at end of business hours of 15<sup>th</sup> September, 2005 as per the details furnished by the Depositories for this purpose.**
4. Shareholders are requested to notify their change of address if any to the Company.
5. Shareholders are requested to furnish their Bank Account No. in order to enable the Company to print their Bank Account on the Dividend Warrants.
6. As per the provisions of Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the un-claimed Dividend in respect of Dividend for the year 1996-97 have been transferred to Investors Education and Protection Fund as envisaged in Section 205C of the Companies Act, 1956.
7. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached.
8. **Information about the Directors seeking re-appointment/ appointment at the 58<sup>th</sup> Annual General Meeting as required under Corporate Governance.**

The information or details to be provided in respect of Directors seeking appointment / re-appointment at the 58<sup>th</sup> Annual General Meeting as required by Corporate Governance are given hereunder:-

Shri M. Narendranath has been associated with your company as a Director since 3.2.1983 and as Joint Managing Director from 1.1.1998. Shri M. Narendranath is B.Sc. (Ag.) and has rich expertise background in Sugar Technology and Sugar development. He has travelled extensively to Sugar producing Nations and participated in many National and International Seminars conducted in connection with the development of Sugar Industry and Sugar Technology. He was executive Committee Member of the Sugar Processing Research Institute (USA), Sugar Technologists Inc (USA) and on the Co-products Commission of the International Society of Sugarcane Technologists. As Joint Managing Director he is incharge of three Sugar Units, Tanuku, Taduvai and Bhimadole. He holds Directorship in Sree Akkamamba Textiles Ltd., Sree Satyanarayana Spinning Mills Ltd. and Hindustan Allied Chemicals Ltd.

Shri P. Achuta Ramayya is M.B.A. from New York University and has been the Executive Director of the Company since 1.8.1983. As Executive Director he is incharge of entire marketing functions of the Company and also looks after the day to day affairs of Cotton & Oil Products Division at Guntur. He was past President of Alkali Manufacturers' Association of India.

Shri P.S.R.V.K. Ranga Rao is a Graduate in Commerce. He has been Executive Director of the Company since 1.5.1999. As Executive Director he assists Chairman & Managing Director in looking after day to day affairs of Chemical Complex at Saggonda. He holds Directorship in Sugar Field Constructions Private Limited.

Information regarding Director, Dr. Anumolu Ramakrishna whose appointment is placed at the 58<sup>th</sup> Annual General Meeting is given in the Explanatory Statement to the notice.

## ANNEXURE TO NOTICE

### Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

#### ITEM NO. 7

Dr. Anumolu Ramakrishna was co-opted as Additional Director on the Board of the Company with effect from 21<sup>st</sup> February, 2005. Pursuant to Section 260 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company, Dr. Anumolu Ramakrishna will hold office only upto the date of the 58<sup>th</sup> Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. Anumolu Ramakrishna as a candidate for the office of Director.

Dr. Anumolu Ramakrishna holds Bachelor Degree in Civil Engineering and M.Sc. in Structural Engineering. He started his career in 1962 with Engineering Construction Corporation Limited which was subsequently amalgamated with Larsen & Tubro (L&T) Limited. He was inducted on the Board of L & T in the year 1992 and was elevated to the position of Deputy Managing Director in 2000. He was associated with many prestigious and huge construction projects in India and abroad which were completed in record time. He has been conferred Degree of Doctorate of Science by Andhra University and Degree of Doctorate of Philosophy by Jawaharlal Nehru Technological University. He holds Directorship in G.V.K. Jaipur Kishangarh Express Way Limited, KCP Limited, Madras Cements Limited, G.V.K. Industries Limited, Bangalore International Airport Limited.

With a view to avail the benefit of his long standing industrial experience and valuable guidance, his appointment as a Director on the Board is considered desirable in the best interests of the company.

Your Board of Directors recommend the necessary Resolution for your approval.

Except Dr. Anumolu Ramakrishna no other Director is deemed to be interested or concerned in the Resolution.

#### ITEM NO. 8

Shareholders at the 55<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> September, 2002 approved the re-appointment Dr. Mullapudi Harischandra Prasad as Managing Director for a period of five years with effect from 1.1.2003 on the terms of remuneration comprising of a) Salary Rs. 50,000/- per month b) Commission upto 2% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Dr. Mullapudi Harischandra Prasad, Managing Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 31-12-2007 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Dr. Mullapudi Harischandra Prasad, Directors Shri M. Narendranath, and Shri M. Thimmaraja being related to Dr. Mullapudi Harischandra Prasad shall be deemed to be interested or concerned in the said Resolution.

## **The Andhra Sugars Limited**

### **ITEM NO. 9**

Shareholders at the 55<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> September, 2002 approved the re-appointment Dr. B. B. Ramaiah as Managing Director(Tech.) for a period of five years with effect from 01.04.2003 on the terms of remuneration comprising of a) Salary Rs. 50,000/- per month b) Commission upto 2% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Dr. B.B. Ramaiah, Managing Director(Tech.) to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 31-3-2008 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Dr. B.B. Ramaiah, Director Shri P. Narendranath Chowdary being related to Dr. B.B. Ramaiah shall be deemed to be interested or concerned in the said Resolution.

### **ITEM NO. 10**

Shareholders at the 53<sup>rd</sup> Annual General Meeting of the Company held on 23<sup>rd</sup> September, 2000 approved the re-appointment of Shri P. Narendranath Chowdary as Joint Managing Director for a period of five years with effect from 12.1.2001 on the terms of remuneration comprising of a) Salary Rs. 40,000/- per month b) Commission upto 1% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Shri P. Narendranath Chowdary, Joint Managing Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 11-1-2006 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri P. Narendranath Chowdary, Directors Dr. B. B. Ramaiah and Shri P. Achuta Ramayya being related to Shri P. Narendranath Chowdary shall be deemed to be interested or concerned in the said Resolution.

### **ITEM NO. 11**

Shareholders at the 55<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> September, 2002 approved the re-appointment of Shri M. Narendranath as Joint Managing Director for a period of five years with effect from 1.1.2003 on the terms of remuneration comprising of a) Salary Rs. 40,000/- per month b) Commission upto 1% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Shri M. Narendranath, Joint Managing Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 31-12-2007 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri M. Narendranath, Directors Dr. Mullapudi Harischandra Prasad and Shri M. Thimmaraja being related to Shri M. Narendranath shall be deemed to be interested or concerned in the said Resolution.

#### **ITEM NO. 12**

Shareholders at the 55<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> September, 2002 approved the re-appointment of Shri M. Thimmaraja as Joint Managing Director for a period of five years with effect from 1.1.2003 on the terms of remuneration comprising of a) Salary Rs. 40,000/- per month b) Commission upto 1% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Shri M. Thimmaraja, Joint Managing Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 31-12-2007 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri M. Thimmaraja, Directors Dr. Mullapudi Harischandra Prasad and Shri M. Narendranath being related to Shri M. Thimmaraja shall be deemed to be interested or concerned in the said Resolution.

#### **ITEM NO. 13**

Shareholders at the 55<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> September, 2002 approved the re-appointment of Shri P. Achuta Ramayya as Executive Director for a period of five years with effect from 1.1.2003 on the terms of remuneration comprising of a) Salary Rs. 40,000/- per month b) Commission upto 1% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Shri P. Achuta Ramayya, Executive Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 31-12-2007 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri P. Achuta Ramayya, Directors Dr. B. B. Ramaiah and Shri P. Narendranath Chowdary being related to Shri P. Achuta Ramayya shall be deemed to be interested or concerned in the said Resolution.

**The Andhra Sugars Limited**

**ITEM NO. 14**

Shareholders at the 56<sup>th</sup> Annual General Meeting of the Company held on 24<sup>th</sup> September, 2003 approved the re-appointment of Shri P.S.R.V.K. Ranga Rao as Executive Director for a period of five years with effect from 1.5.2004 on the terms of remuneration comprising of a) Salary Rs. 30,000/- per month b) Commission upto 0.5% of the net Profits of the Company c) Perquisites upto a limit of Rs. 4,50,000/-.

Part II of Schedule XIII to the Companies Act, 1956 permits the Company to pay remuneration including perquisites to Whole-time Directors upto a ceiling not exceeding 10% of the net profits of the Company.

Accordingly it is proposed to permit Shri P.S.R.V.K. Ranga Rao, Executive Director to avail perquisites for the balance period of his current tenure of office i.e. from 1-4-2005 to 30-04-2009 without any limit. However perquisites along with salary and commission shall be subject to an overall ceiling of 10% of the net profits as prescribed in Schedule XIII to the Companies Act, 1956.

The terms and conditions of appointment regarding Salary and Commission remain unchanged.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri P.S.R.V.K. Ranaga Rao, no other Director shall be deemed to be interested or concerned in the said Resolution.

**ITEM NO. 15**

Shareholders at the 53<sup>rd</sup> Annual General Meeting of the Company held on 23<sup>rd</sup> September, 2000 approved the re-appointment of Shri P. Narendranath Chowdary as Joint Managing Director for a period of five years with effect from 12<sup>th</sup> January, 2001. The said term of re-appointment will be expiring on 11<sup>th</sup> January, 2006.

Shri P. Narendranath Chowdary has been the Whole-time Director of your Company since 12<sup>th</sup> January, 1976 looking after day to day activities of Chemical Complex at Kovvur. During his tenure he initiated and successfully completed various expansion / diversification programmes. He is instrumental in setting up new Chemical Complex at Saggonda and expansion of its activities. He also looks after its day to day affairs. It is therefore considered desirable in the best interests of the Company to extend his term of appointment as Joint Managing Director for a further period of five years with effect from 12<sup>th</sup> January, 2006.

Your Board of Directors recommends the necessary Resolution for your approval.

Apart from Shri P. Narendranath Chowdary, Directors Dr. B. B. Ramaiah and Shri P. Achuta Ramayya being related to Shri P. Narendranath Chowdary shall be deemed to be interested or concerned in the said Resolution.

(BY ORDER OF THE BOARD)

Venkatarayapuram  
TANUKU  
30-07-2005

For THE ANDHRA SUGARS LIMITED  
Dr. MULLAPUDI HARISCHANDRA PRASAD  
Chairman & Managing Director

**DIRECTORS' REPORT**

To  
The Shareholders

Your Directors have pleasure in presenting this FIFTY EIGHTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31<sup>st</sup> March, 2005.

**FINANCIAL RESULTS :**

(Rupees in lakhs)

	<b>This Year</b>	Previous Year
Sales	<b>45778.88</b>	39717.87
Other Income	<b>2589.26</b>	2154.92
	<b>48368.14</b>	41872.79
Profit for the year	<b>8523.17</b>	6181.84
Depreciation	<b>2058.83</b>	1792.03
Profit after depreciation	<b>6464.34</b>	4389.81
Add : Income Tax refund received	<b>2.83</b>	----
Excess provision of Income-tax credited back	----	29.23
	<b>6467.17</b>	4419.04
Less :Short Provision for Income-tax	<b>1.95</b>	----
	<b>6465.22</b>	4419.04
Less: Provision for current Tax	<b>1200.00</b>	1400.00
Provision for deferred Tax	<b>900.28</b>	198.64
Provision for Wealth Tax	<b>2.00</b>	1.50
Profit after Tax	<b>4362.94</b>	2818.90
Add: Transfer from Debenture Redemption Reserve	----	480.00
Balance brought forward from last year	<b>2050.37</b>	2477.45
Profit available for appropriation	<b>6413.31</b>	5776.35
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	<b>3125.05</b>	2500.00
Proposed Dividend on Equity Shares @ 60%	<b>1626.43</b>	1084.28
Tax on Distributable Profits	<b>228.11</b>	141.70
Balance carried forward to next year	<b>1433.72</b>	2050.37
	<b>6413.31</b>	5776.35

## **The Andhra Sugars Limited**

### **PERFORMANCE:**

Your Directors are glad to report that your Company has put up an impressive performance for the year 2004-05. Sales increased from Rs. 397.18 Crores to Rs. 457.79 Crores reflecting a growth of around 15%. Gross profit increased from Rs. 43.90 Crores to Rs. 64.64 Crores. Profit after tax was Rs. 43.63 Crores as compared to profit of Rs. 28.19 Crores achieved last year, reflecting a growth of 54.7%. Increase in Profit was primarily due to improvement in average sales realisation of Sugar, Caustic Soda and other products, reduction in interest burden, emphasis placed on technological upgradation with a view to help the farming community in developing good quality of cane leading to better Sugar recovery, and the efforts of the Management to identify the opportunities and adopt appropriate business strategies to create a long term value.

### **DIMINUTION IN THE VALUE OF EQUITY INVESTMENT:**

In order to comply with the mandatory provisions of Accounting Standards, a provision was made in the Books of Accounts relating to the financial year 2001-02 towards diminution in the value of investment made by the Company in the Equity capital of The Andhra Petrochemicals Ltd., (APL) as the market price of Share of APL was quoted below the purchase price of the Shares. It is open for the Company to reverse the provision made earlier towards the diminution based on the market price of the share. However, your Directors are of the opinion that it would be prudent to take a suitable decision at an appropriate time with regard to reversing the provision made in the Book of Accounts.

### **DIVIDENDS:**

In view of another year of good performance and the commitment of your Company to reward its Shareholders, your Directors are glad to recommend the payment of dividend @ 60% on Equity Shares for the year under report against 40% paid in the Financial Year 2003-04. The out-flow towards Dividend payment including tax on distributable profits would amount to Rs. 18.54 Crores.

### **CAPITAL & RESERVES:**

#### **Authorised Capital**

The Authorised Capital of the Company is Rs.30 Crores.

#### **Paid-up Capital**

The paid up capital of the Company is Rs. 27.11 Crores.

#### **Reserves**

After adjustment of Rs. 6.25 Crores (net deferred tax) towards impairment of asset, as required by Accounting Standard 28 issued by Institute of Chartered Accountants of India, and with the transfer of Rs. 31.25 Crores during the year under report, the total Reserves position as on 31.3.2005 is Rs. 166.08 Crores against Rs. 147.25 Crores as on 31.3.2004.

### **REVIEW OF OPERATIONS:**

#### **SUGAR UNIT – I, TANUKU:**

Cane crushed during the 2004-05 season was 4,33,112 M.Ts and Sugar produced was 49,534 M.Ts against 4,93,963 M.Ts of cane crushed and 61,494 M.Ts of Sugar produced during the previous season. Crushing operations were carried on for 104 days against 110 days during the previous season. Even though the quantity of cane crushed declined compared to the previous season, the recovery of sugar increased from 11.11% to 11.46%.



**SUGAR UNIT – II, TADUVAI:**

The cane crushed during the 2004-05 season was 4,22,517 M.Ts and the Sugar produced was 50,911 M.Ts against 3,23,550 M.Ts of cane crushed and 40,840 MTs of Sugar produced during the previous season. The crushing operations were carried on for 128 days against 114 days during the previous season.

An all time high recovery of 12.05% was achieved against 11.62% in the previous season. Your Directors are glad to report that for the Fourth consecutive season this Unit achieved the highest recovery in the State of Andhra Pradesh.

**SUGAR UNIT – III, BHIMADOLE:**

In last year's Directors' Report, Shareholders were informed of the acquisition of the assets of The West Godavari Co-operative Sugar Factory Ltd., Bhimadole (WGCSL) having a crushing capacity of 1600 TCD. Your Directors are glad to report that with effect from 1.1.2005, the crushing operations commenced at Sugar Unit III, Bhimadole. This Plant has the locational advantage of having a 220 KV Electricity Sub Station in the proximity, which would be most ideal for the power generation at this Unit to be fed into the grid. The upgradation of this unit from 1600 TCD to 2000 TCD has been completed. With the gradual increase in the area of cane planted in the area, within the next two years cane production could be raised to 7.00 lakhs tonnes per season, enabling expansion of this unit to 6000 TCD plant.

During the first season of operation, Sugar Unit III operated for 58 days. The total cane crushed was 62,958 M.Ts from an area of 8000 acres and Sugar produced was 7,037 M.Ts at a Recovery of 10.97%.

Due to the efforts of your Company's Cane Development Programme an area of 11,500 acres of cane has been planted which is expected to yield 2.50 lakhs tonnes of cane.

**POWER GENERATION :**

During the year under report the Power Generation Unit at Taduvai generated 1,97,40,340 Units against 2,71,29,410 Units generated in the previous year.

**CANE PRICE:**

**SUGAR UNIT - I, TANUKU :**

In respect of Sugar Unit-I, Tanuku, for the 2004-05 season your Company paid a Cane Price of Rs. 1,000/- per MT and Purchase Tax Incentive of Rs. 60/- per M.T. against Rs. 993.50 per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. paid during the previous season.

**SUGAR UNIT - II, TADUVAI :**

In respect of Sugar Unit-II, Taduvai, for the 2004-05 season your Company paid a Cane price of Rs. 1,034/- per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. against Rs. 1,019/- per M.T. and Purchase Tax of Rs. 60/- per M.T. paid during the previous season.

**SUGAR UNIT – III, BHIMADOLE:**

Your Company paid a Cane price of Rs. 1,000/- per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. for the season 2004-05 which is the first year of operation as Sugar Unit-III.

**PERFORMANCE OF CHEMICAL DIVISIONS:**

Performance of Chemical Divisions continues to be impressive. Capacity utilisation achieved has been satisfactory. The Caustic Soda Unit at Kovvur made a profit of Rs. 1025.84 lakhs after depreciation against Rs. 1834.18 lakhs after depreciation achieved last year. Production of Caustic Soda at the Kovvur Unit was curtailed to be in line with the directions of APPCB. Caustic Soda Unit at Saggonda has performed well, achieving a profit of Rs. 2217.02 lakhs after depreciation against Rs. 1566.73 lakhs after depreciation achieved in the previous year.

**WIND POWER UNIT:**

The Power generated at this Unit during the year is 26,01,702 Units against 26,64,863 Units generated in the previous year.

**PROJECTS:**

Your Directors are glad to report that the expansion of Caustic Soda Plant at Saggonda from 200 TPD to 350 TPD was completed during the year under report. The expanded capacity of the Plant was commissioned on 17<sup>th</sup> March, 2005 within the time schedule. This would enable the Company to cater to the increased demand for Caustic Soda.

Keeping in view the upward trend in demand, a Sulphuric Acid Plant of 300 TPD capacity has been commissioned at Saggonda during the current financial year.

The Aspirin Plant has been upgraded to International Standards to enable entry into the International market. Your Directors are glad to report that the US Food & Drug Administration (USFDA) has certified that your Aspirin Plant meets the USFDA requirements and has issued a Certificate to this effect. The USFDA approval enables your Company to export Aspirin to the US market, in addition to the European market, for which necessary approval has already been received. With the Shipment of Aspirin to Mexico and USA, a beginning has been made in this regard. Efforts are on to enter the Global market to take advantage of the business opportunities and better price realisation.

The UH-25 Plant was commissioned on 19<sup>th</sup> March, 2005. Production and supply of UH-25 and MMH are being continued as per the requirement of ISRO. The Liquid Hydrogen Plant is expected to be commissioned during the current financial year.

Presently your company has a facility at Kovvur to produce 20 TPD of Caustic Potash using Mercury Cells. Steps are being taken to use the more energy efficient and environmental friendly Membrane Cells at this unit. In view of the existing demand this plant is being expanded to 50 TPD.

In view of the need for your company to expand Sugar Unit-III, Bhimadole to an economic capacity of 6000 TCD at the earliest, work is in progress to come up with a Plant and Process design that will enable producing Direct Consumption White Sugar of less than 35 IU Colour at 30% steam on cane, without taking in water for the process from an outside source and bringing down the effluent generated by using better equipment and operating procedures.

Besides generating revenue, implementation of these Projects are expected to accelerate further growth and consolidation of your Company.

## **CURRENT YEAR OUTLOOK**

Performance during the first quarter of the current year indicates that your company will continue to do well. As per the Un-audited Financial Results for the quarter ended 30<sup>th</sup> June, 2005, your company has made a net profit (after tax) of Rs.14.19 Crores against Rs. 8.47 Crores achieved in the corresponding period of last year. End-users of Caustic Soda, Paper and Pulp, Drugs and Pharmaceutical have put up better performance, which resulted in enhanced demand for your company's Chlor-Alkali Products. With an expected continued up-ward trend in Sugar and Caustic Soda prices and commissioning of projects under implementation, the prospects for the current year augurs well for your Company.

## **CONTRIBUTION TO TSUNAMI RELIEF FUND:**

With a view to mitigate the sorrows of the affected victims, your Company contributed Rs.15.00 lakhs towards Tsunami Relief Fund.

## **DEMATERIALISATION OF EQUITY SHARES**

As of 31<sup>st</sup> March, 2005, Equity Shares representing 34.31% of the share capital have been dematerialised.

## **DIRECTORS' RESPONSIBILITY STATEMENT:**

Your Directors confirm:

- i. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed, in the opinion of the Board of Directors.
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31<sup>st</sup> March, 2005 and of the profit of the Company for that year;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the Annual Accounts on a going concern basis.

## **CORPORATE GOVERNANCE:**

As per the amended provisions of the Listing Agreement, a Report on Corporate Governance along with Management Discussion and Analysis forming part of the Directors' Report is annexed.

## **COMPLIANCE CERTIFICATE OF THE AUDITORS:**

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges and the same is annexed to the Report of Directors.

## **The Andhra Sugars Limited**

### **DIRECTORS:**

In terms of Article 123 of the Articles of Association of the Company, Directors Shri M. Narendranath, Shri P. Achuta Ramayya and Shri P.S.V.R.K. Ranga Rao retire by rotation at the ensuing 58th Annual General Meeting, and being eligible, they offer themselves for re-appointment.

The present term of office of Shri P. Narendranath Chowdary as Joint Managing Director will be expiring by 11<sup>th</sup> January, 2006. His re-appointment for a further period of five years with effect from 12<sup>th</sup> January, 2006 is being placed at the 58<sup>th</sup> Annual General Meeting for the approval of the Shareholders.

Your Directors express profound grief over the sad passing away of our revered Director, Shri T. Ramesh U. Pai on 26<sup>th</sup> January, 2005. Your Directors place on record a warm sense of appreciation of the valuable guidance rendered by him during the tenure of his office as Director of your Company for more than a decade.

Dr. Anumolu Ramakrishna was co-opted as Additional Director on the Board. His appointment is being placed for the approval of the Shareholders at the ensuing 58<sup>th</sup> Annual General Meeting.

### **AUDIT COMMITTEE:**

The Audit Committee comprises of 3 non Whole-time Independent Directors viz., Shri A. Ranga Rao, Dr. P. Kotaiah and Shri V.S. Raju. Shri A. Ranga Rao is the Chairman of the Committee.

### **INDUSTRIAL RELATIONS:**

The relations with the employees continued to be cordial and harmonious during the year.

### **PARTICULARS OF EMPLOYEES:**

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure "A" forming part of this Report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in Annexure "B" forming part of this Report.

### **FIXED DEPOSITS:**

Fixed Deposits aggregating to Rs. 36.75 lakhs held by 96 depositors had fallen due for payment but remained unclaimed as on 31.3.2005. Unclaimed deposits aggregating to Rs. 26.66 lakhs held by 60 depositors have since been renewed/repaid. Still, deposits aggregating to Rs. 10.09 lakhs held by 36 depositors remained unclaimed as on date.

### **CONSOLIDATED ACCOUNTS:**

In accordance with the Accounting standards, consolidated financial statements of the Company and its Subsidiaries forms part of the Report and Accounts. These consolidated statements have been prepared on the basis of audited results received from Subsidiary Companies as approved by their respective Boards.

Your Company has been exempted from the provisions of Section 212(8) of the Companies Act, 1956 relating to attachment of the Accounts of its Subsidiaries to its Accounts. Shareholders desirous of obtaining the Annual Accounts of your Subsidiaries may obtain the same upon request. The Annual Report and Accounts of the Subsidiary Companies will be kept for inspection at your Company's Registered Office and that of your Subsidiary Companies.

**SUBSIDIARY COMPANIES:**

**JOCIL LIMITED:**

For the Financial Year ending 31.3.2005, your subsidiary Company, JOCIL Ltd., recorded a profit of Rs. 1470.67 lakhs (before taxation) against Rs. 1326.49 lakhs (before taxation) during the previous year, an increase of 10.87%. Directors have recommended a Dividend of 60% on equity shares for the year 2004-05. In the previous year this subsidiary company paid a total dividend of 75% inclusive of 25% Golden Jubilee dividend.

**THE ANDHRA FARM CHEMICALS CORPORATION LIMITED:**

Your Directors are glad to report that this Subsidiary Company has put up a good performance. During the year 282 M.Ts. of Hydrazine Hydrate was produced against 86 M.Ts in the previous year. The Company achieved a sales of Rs. 670.96 lakhs against Rs. 127.32 lakhs in the previous year. The Company has posted a profit of Rs. 132.76 lakhs against a profit of Rs. 3.72 lakhs in the previous year. In view of the encouraging market scenario for Hydrazine Hydrate, this subsidiary Company proposes expand the capacity of this plant. Directors have recommended a dividend of 80% on equity shares.

**HINDUSTAN ALLIED CHEMICALS LIMITED**

The Directors are on the look out for a suitable project to be taken up by the Company.

**AUDITORS:**

M/s Brahmaya & Co., Chartered Accountants, Vijayawada, the present Auditors, retire at the ensuing 58th Annual General Meeting and are eligible for re-appointment.

**COST AUDITORS:**

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad are appointed as Cost Auditors of the Company for the products, which are subject to Cost Audit, for the year ended 31.3.2005.

**ACKNOWLEDGEMENT:**

Your Directors wish to place on record their appreciation of the co-operation extended by the State and Central Government authorities, Financial Institutions and Banks. They also express their appreciation to the employees at all levels for the successful working of the Company.

Venkatarayapuram  
TANUKU  
30-07-2005

For THE ANDHRA SUGARS LIMITED  
Dr. MULLAPUDI HARISCHANDRA PRASAD  
Chairman & Managing Director

**ANNEXURE "A" TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31-03-2005**

Statement showing particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 as amended and forming part of report of the Board of Directors for the period from 01-04-2004 to 31-03-2005.

Sl. No.	Name	Designation	Qualification	Experience (Years)	Date of commencement of employment in the Company	Gross Remuneration Rs.	Age (Years)	Particulars of Last Employment (Name of the Concern, Designation and period)
1)	Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director		58	01-08-1968	15442909	84	Partner, Ex-Managing Agency Firm The Andhra Sugars Ltd., 21 Years
2)	Dr. B. B. Ramaiah	Managing Director (Tech.)	B.Sc., (Hons), Sugar Technology M.Sc., (Chemical Technology) M.Sc., (Wisconsin), A.M.P. (Harvard)	51	01-04-1998	15117614	79	Managing Director (Tech.) The Andhra Sugars Ltd., 28 Years
3)	Shri P. Narendranath Chowdary	Joint Managing Director	B.Sc.,	38	12-01-1976	8006230	57	Director, The Andhra Sugars Ltd., 8 Years
4)	Shri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	31	01-01-1998	8012237	56	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku, 24 Years
5)	Shri M. Thimmaraja	Joint Managing Director	B. Tech., M.B.A. (Florida)	30	01-08-1978	8001172	54	Director, The Andhra Sugars Ltd., 2 1/2 Years
6)	Shri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	22	01-08-1983	7785366	50	First Appointment
7)	Shri P.S.R.V.K. Ranga Rao	Executive Director	B.Com.,	6	01-05-1999	4210193	35	Director, The Andhra Sugars Ltd., 1 1/2 Years

1) Gross remuneration includes Salary, Commission on profits, House rent allowance, Company's contribution to Provident Fund, Superannuation Fund, Gratuity Fund, Reimbursement of Medical Expenses, Personal Accident Insurance, Membership Fees to Clubs as may be applicable.

2) The Appointments are governed by the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956.

## ANNEXURE 'B' TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2005

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

### A. Conservation of Energy:

- a) Energy Conservation Measures taken:

#### SUGAR UNIT-I, TANUKU

During the year 2004-05 your Company installed a condenser automation system for all the condensers resulting in saving of 200 HP Power during winter period and 100 HP during the later part of the season besides reducing water consumption by the condensers. Due to this automation on an average 150 HP has been saved during the season which is equivalent to 2.5 lakhs KWH power.

#### UH-25 AND HTPB PLANT

Conservation measures at UH-25 and HTPB plants were undertaken by introduction of Vapour Absorption Refrigeration (VAR) system for cooling purpose in the process instead of Chilling Compressor System. This resulted in net saving of 80 HP.

#### SUGAR UNIT-II, TADUVAI

Conventional worm, worm wheel and 15 HP electric drive of a 65 MT crystalliser was replaced by energy efficient planetary gear of 5.5 HP saving energy to the tune of 6 KWH.

#### ADDITIONAL PROPOSALS FOR 2005-06 SEASON

- a. The conventional drive of 15 HP of one more crystalliser is proposed to be replaced by planetary gear of 5.5 HP saving 6 KWH of energy.
- b. Implementation of steam saving measures is being taken up during this off-season to reduce steam % cane by about 4 percentage points. Necessary equipment is being installed.

#### CHEMICAL COMPLEX, KOVVUR

The existing Caustic Soda plant is proposed to be converted into a Caustic potash plant using energy efficient Membrane Cells, which will result in 10% less of energy consumption.

#### CHEMICAL COMPLEX, SAGGONDA

The Caustic Soda Plant was modernised to increase its capacity from 200 TPD to 350 TPD by using energy efficient and eco-friendly Membrane Cells, which are giving good results. Reduction in Energy consumption will be around 400 Units per tonne of Caustic Soda resulting in reduction of production cost.

#### TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION

Form A annexed

### B. TECHNOLOGY ABSORPTION:

Details of technology absorption given in Form B annexed.

### C. Foreign Exchange Earnings and outgo:

	Current Year	Previous Year
a) Used (Rs. in lakhs)		
i) Revenue Account	53.49	38.56
ii) Know-how fee and Service Charges of Engineers	NIL	NIL
b) Earned (Rs. in lakhs)	2.57	NIL

**ANNEXURE  
FORM A**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		GUNTUR UNIT		TADUVAI UNIT		SAGGONDA UNIT		BHIMADOLE UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>A) Power and Fuel Consumption</b>													
<b>1. Electricity</b>													
a) Purchased													
Units	KWH	7707017	8056700	105359330	113586073	----	1252723	33600	33600	170269204	131806789	220826	----
Total Amount	Rs.	19053540	17268637	240870603	218815697	----	4048815	263522	263522	413048656	252516076	1421854	----
Rate / Unit	Rs.	2.47	2.14	2.29	1.93	----	3.23	7.84	7.84	2.43	1.92	6.44	----
<b>b) Own Generation</b>													
I) Through Diesel Generator													
Units	KWH	345762	358590	----	----	----	41104	113012	125808	1995860	7088695	427580	----
Units per Ltr. of Diesel Oil	KWH	3.36	3.33	----	----	----	2.33	2.11	2.15	4.46	4.41	3.30	----
Cost / Unit	Rs.	11.47	11.42	----	----	----	25.74	19.16	15.38	10.75	4.77	5.05	----
II) Through Steam Turbine Generator													
Units	KWH	10040330	12312010	----	----	----	----	19740340	27129410	----	----	2440650	----
KWH per Tonne of Begasse		----	----	----	----	----	----	----	----	----	----	----	----
Cost / Unit	Rs.	1.32	1.02	----	----	----	----	0.92	1.39	----	----	2.90	----
<b>2. Coal (Specify Quality and where used)</b>													
Quantity	MT	----	----	----	----	----	250.430	----	----	----	----	----	----
Total Cost	Rs.	----	----	----	----	----	583581	----	----	----	----	----	----
Average	Rs.	----	----	----	----	----	2330.32	----	----	----	----	----	----



## ANNEXURE FORM A

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		GUNTUR UNIT		TADUVAI UNIT		SAGGONDA UNIT		BHIMADOLE UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>3. Furnace Oil</b>													
Quantity	KL	0.81	---	1225.57	612.01	---	---	---	---	1085.069	2287.896	---	---
Total Amount	Rs.	11095	---	15177258	7297523	---	---	---	---	14142155	29440955	---	---
Average Rate	Rs.	13700	---	12383.87	11923.81	---	---	---	---	13033.42	12868.14	---	---
<b>4. ONGC Natural Gas</b>													
Quantity	M <sup>3</sup>	3882416	3992628	---	---	---	---	---	---	---	---	---	---
Total Amount	Rs.	16225284	16055156	---	---	---	---	---	---	---	---	---	---
Rate / Unit (M <sup>3</sup> )	Rs.	4.18	4.02	---	---	---	---	---	---	---	---	---	---
<b>5. Husk and Fire Wood</b>													
Quantity	MT	81.050	76.590	---	---	---	---	---	---	10826.168	9832.239	---	---
Total Cost	Rs.	76192	66015	---	---	---	---	---	---	12548041	13572648	---	---
Average Rate	Rs.	940.06	861.93	---	---	---	---	---	---	1159.05	1380.62	---	---
<b>6. Other Internal Generation</b>													
<b>a) Bagasse</b>													
Quantity	MT	130587	154543	---	---	---	---	---	---	---	---	---	---
Total Amount	Rs.	---	---	---	---	---	---	---	---	---	---	---	---
Rate / Unit	Rs.	---	---	---	---	---	---	---	---	---	---	---	---
<b>b) Biogas :</b>													
Quantity	M <sup>3</sup>	5108578	4322271	---	---	---	---	---	---	---	---	---	---
Total Amount	Rs.	---	---	---	---	---	---	---	---	---	---	---	---
Rate / Unit	Rs.	---	---	---	---	---	---	---	---	---	---	---	---
<b>c) Hydrogen</b>													
Quantity	MT	---	---	669.00	761.74	---	---	---	---	690.31	633.58	---	---
Total Amount	Rs.	---	---	---	---	---	---	---	---	---	---	---	---
Rate / Unit	Rs.	---	---	Own Generation in Caustic Soda Plant	Own Generation in Caustic Soda Plant	---	---	---	---	Own Generation in Caustic Soda Plant	Own Generation in Caustic Soda Plant	---	---

**B. CONSUMPTION PER UNIT OF PRODUCTION**

PRODUCTION	UM	CURRENT YEAR		PREVIOUS YEAR	
		POWER (K.W.H.)	STEAM (M.T.)	POWER (K.W.H.)	STEAM (M.T.)
1. Sugar (Tanuku)	QTL.	16	0.46	16	0.47
2. Alcohol	KL.	196	2.73	181	2.62
3. Ethanol	KL.	17	0.67	75	0.66
4. Acetic Acid / Anhydride Mix	MT.	721	9.06	569	7.72
5. Ethyl Acetate	MT.	394	7.76	282	6.21
6. Aspirin	MT.	3961	13.89	3092	14.08
7. U.D.M.H.	MT.	----	----	12538	199.71
8. M.M.H.	MT.	19041	421.99	24596	404.90
9. U.H - 25	MT.	5947	120.23	----	----
10. Caustic Soda Lye at Kovvur	MT.	3104	----	2991	----
11. Caustic Soda Lye at Saggonda	MT.	2485	0.99	2362	1.07
12. Liquid Chlorine at Kovvur	MT.	274	----	259	----
13. Liquid Chlorine at Saggonda	MT.	117	----	147	----
14. Hydrochloric Acid at Kovvur	MT.	25	----	31	----
15. Hydrochloric Acid at Saggonda	MT.	3	----	3	----
16. Caustic Potash Lye	MT.	2196	----	2216	----
17. Sulphuric Acid	MT.	82	0.32	80	0.31
18. Superphosphate	MT.	25	----	28	----
19. Chlorosulphonic Acid	MT.	68	0.48	67	0.48
20. Neem Seed	MT.	----	----	----	----
21. Vanaspathi	MT.	----	----	148	1.39
22. Sunflower Refined Oil	MT.	----	----	114	0.50
23. Sugar (Taduvai)	MT.	18	0.43	18	0.41
24. Sugar (Bhimadole)	MT.	45	0.57	----	----

**FORM B****Form for Disclosure of particulars with respect to Technology absorption****RESEARCH & DEVELOPMENT (R&D)****1. Specific areas in which R&D is carried out by the Company.**

Your company is actively involved in the development of indigenous technology for new products and processes, development of process controls for better quality and higher yield, absorption and adaptation of latest technology, innovation of technology over the existing ones for commercial exploitation, up-gradation of process for conformity to various international standards, development of methods and control to minimise waste to reduce environmental pollution and introduction of modern methods in sugarcane management.

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

The continuous R&D activities of your company have facilitated in optimising production and process efficiency, exploring new markets for the existing products, increased capacity utilisation of plants and improved sugar recovery.

**3. Future plan of action :**

Your Company will continue to utilise the existing R&D capabilities for the development of new products and technologies and improving existing products / processes.

**4. Expenditure on R&D****(Rupees in lakhs)**

a) Capital	:	<b>6.81</b>
b) Recurring	:	<b>77.91</b>
c) Total	:	<b>84.72</b>
d) Total R&D expenditure as percentage of total Turnover	:	<b>0.175%</b>

**TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION :****1. Efforts, in brief, made towards technology absorption, adaptation and innovation.**

- Standardisation of process technology for the manufacture of Hydroxyl Terminated Poly Butadiene (HTPB).
- Implementation of innovative technology over the existing ones at the second UH-25 Project.
- Plant scale implementation of technology for the combined treatment of effluents from UH-25, MMH, Acetic Acid, HTPB and Sugar Plants.

**2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, production development, import substitution etc. :**

- The standardisation of process will help in improving efficiency, reduction of operating costs.
- Implementation of novel methods will help in better control, optimisation, safety and reliability of the process.
- The combined effluents treatment system based on USAB technology will help in minimizing pollution and improving the cost effectiveness of the treatment system. Out of the three Sugar Plants in the Country that adopted the USAB System, two belong to your company.

**3 In case of imported technology (Imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.**

- Technology imported
- Year of import
- Has technology been fully absorbed - NIL-
- If not fully absorbed, areas where this Has not been taken place, reasons thereof.

## Information Pursuant to Listing Agreement with Stock Exchanges

Equity Shares of the Company are listed on the Stock Exchanges as stated below and the annual listing fees has been paid to each of the Exchanges.

Name of the Stock Exchange	Address
1. The Hyderabad Stock Exchange Limited	3-6-275, Himayat Nagar, Hyderabad - 500 029.
2. Madras Stock Exchange Limited	Exchange Building, Post Box No. 183, 11, Second Line Beach, Chennai - 600 001.
3. National Stock Exchange of India Limited	Exchange Plaza, 5th Floor, Plot No. C/1 G. Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

### Annexure to Directors' Report

#### Corporate Governance

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

The Management Discussion and Analysis Report set out hereunder supplement the Directors' Report and the audited financial statements forming part of this Annual Report.

Your Company is engaged in the manufacture and Sale of Sugar, Organic and Inorganic Chemicals, Non-Conventional Power, at the Plants located at Tanuku, Kovvur, Taduvai, Saggonda, Bhimadole and Ramagiri in the State of Andhra Pradesh. Of these Sugar and Caustic Soda form the major segments with Power Generation being focussed.

##### **SUGAR:**

Sugar is manufactured at a 5000 TCD capacity plant at Sugar Unit-I, Tanuku, a 2500 TCD capacity plant at Sugar Unit-II, Taduvai and a 2000 TCD capacity plant at Sugar Unit-III, Bhimadole. Molasses is a bye-product from Sugar, which is the raw material for your Company's Alcohol plant located at Tanuku which produces Industrial Alcohol. The Distillery runs on the more economical continuous process, which produces 30 KL per day of Industrial Alcohol. This Industrial Alcohol is the raw material for the Ethanol (absolute alcohol), Acetic Acid, Acetic Anhydride and Ethyl Acetate.

Bagasse which is the residue at the Sugar Plants after extraction of juice in the production of Sugar is being used for Co-generation.

The Sugar Industry has been the nucleus to the development of agriculture and rural economy. In spite of this industry playing a significant role in the development of the National economy, it has been a matter of concern that the fortunes of Sugar Industry and sugarcane farmers are exposed to cyclical risks and variations. Such variations are partly due to variations in natural factors and partly due to lack of long term policies encompassing the vital aspect of this sector. The Industry is still to be fully liberalized. The Government regulates the cane price and despatches of sugar. For the growth and survival of the Sugar Industry, certain issues are required to be addressed by the Government, more particularly, (a) norms of minimum distance for the location of a new Sugar Factory; (b) evolving a long term policy to facilitate blending of Ethanol with Petrol which will result in long term viability of the Distillery; (c) encouraging co-generation of power by announcing a much needed, appropriate policies which would result in long term sustainability of the Industry.

With the prospects for Sugar Industry turning out to be encouraging, your Company has initiated steps to crush greater quantity of cane in the coming season. In this regard, your Company is providing necessary assistance to the farmers by granting incentives and subsidies for encouraging them to grow better quality of cane in large quantities. Process improvements have been carried out at the Sugar Plants at Tanuku, Taduvai and Bhimadole to improve the quality of Sugar, bring it close to refined grade Sugar.

At present your company produces Ethanol on a limited scale. In the coming years Ethanol production in the country will receive impetus as the Government of India proposes to come out with a policy to make mandatory the blending of Ethanol with Petrol. This will provide an opportunity to your company to look into the possibility of expanding the production of Ethanol.

As mentioned in the Directors' Report, the crushing capacity at Sugar Unit - III, Bhimadole has been enhanced to 2000 TCD. This Unit enjoys excellent potential in view of its locational advantage of being amidst rich irrigated cane growing region. This Plant will in the near future be equipped to go in for co-generation of power due to its proximity to a 220 KVA Electrical Substation.

#### **CAUSTIC SODA:**

Your Company has an integrated Inorganic Chemical Complex at Kovvur and Saggonda, manufacturing wide range of Chlor-Alkali products such as Caustic Soda, Chlorine, Sulphuric Acid and other allied Chemicals. These products are extensively used in paper, aluminum, soaps and detergents, paints and host of other industries.

Caustic Soda is manufactured at Plants located at Kovvur and Saggonda. Hydrogen and Chlorine are bye-products at the Caustic Soda Plants. Part of the Chlorine is utilized in combination with Hydrogen to produce Hydro Chloric Acid. Sulphur Trioxide from Sulphuric Acid Plant along with Hydrochloric Acid is used for the production of Chlorosulphonic Acid.

The Caustic Soda Industry is classified as a power intensive Industry. The high cost of power prevailing in the Country has been adversely affecting the competitive character of Indian Caustic Soda Industry.

An area of concern for Caustic Soda Industry has been the dumping of Caustic Soda from all destinations. To retain the competitiveness of the domestic Industry, it is imperative for the Government to focus more attention on imposition of anti dumping duty to make it more effective. This will provide the much needed relief to the Industry.

Your Company's Caustic Soda Plant at Saggonda uses the energy efficient and environmental friendly Membrane Cells.

Your Company's management with an optimistic vision took a strategic decision to go in for expansion of the Caustic Soda Plant at Saggonda from 200 TPD to 350 TPD. The decision fructified as the demand for Caustic Soda showed an upward trend in view of the encouraging performance of end user industries, which also expanded their activities. Thus the Company could reap the benefit of improved sales and price realization. Caustic Soda movement is generally by road, which in the present scenario is proving to be uneconomical, specially where large quantities are required to be delivered, in view of the rising cost of fuel. In order to mitigate this problem and facilitate easy deliveries to the major customers at economical rates, your Company purchased 34 Rail tanker wagons, which at present are being used for supply of Caustic Soda to major customers of your company.

#### **POWER:**

Power is one of the critical inputs for the manufacture of Caustic Soda. As a measure of getting more Power at an economical rate and to meet the Power requirements of the two Caustic Soda Plants at Kovvur and Saggonda, your Company invested in the Equity Capital of Andhra Pradesh Gas Power Corporation Ltd. (APGPCL), a gas based power generation Company. Major Power requirement for the production of Caustic Soda is met out of this source. To supplement and to ensure adequate and continuous availability of Power for production purposes, your Company, apart from installing Diesel generating Sets, has also set up a 2.025 MW Wind Power at Ramagiri, Ananthapur District.

## **The Andhra Sugars Limited**

Having regard to expansion activities, the thrust will be laid on to explore access to power from all sources including co-generation in the coming years. To ensure that co-generation is encouraged in a big way, it is essential for the Government to pay reasonable tariff for the power supplied by the Sugar Mills which would serve as an incentive for the Sugar Mills to lay more emphasis on co-generation, which is a renewable resource based source. It would be welcoming if a policy is devised for the purchase of power from non-conventional energy sources, which would facilitate in creating more business opportunities to Sugar Mills and augmenting their revenue generation.

### **INTERNAL CONTROL SYSTEM**

Your Company conducts a review of the financial and operating controls of various Units. Internal Control System of your Company is commensurate with its size and nature of business.

### **SEGMENT-WISE PERFORMANCE**

Segment-wise performance has been given separately vide Annexure – II of Group Consolidated Accounts.

### **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Your Company has earned a Gross Profit of Rs. 104.47 Crores (before interest and depreciation) and achieved an operating margin of 21.60% against Gross Profit of Rs. 84.70 Crores (before interest and depreciation) and operating margin of 20.23% in the previous year.

The working capital limits were enhanced from Rs. 121 Crores to Rs. 130 Crores by the Consortium of Banks to meet the increased funds requirement for Sugar Units.

Reduction in the interest rates in the country contained the interest costs during the year 2004-05. The interest cost this year is further reduced due to effective working capital management. Your Company continues its endeavour to bring down these costs further.

Your Company's strategy, based on healthy profit generation has been to reduce the high cost long term debt and bring down the overall debt level.

During the year your company invested in 12,06,000 equity shares of Andhra Pradesh Gas Power Corporation Limited (APGPCL) at the cost of Rs. 1578.94 lakhs to get entitlement of 4.5 MW of power. With this fresh investment, your company's entitlement for the power from APGPCL has gone up to 36.06 MW.

The gross Fixed Assets of your Company as on 31.3.2005 is Rs. 493.85 Crores as compared to Rs. 380.16 Crores during the previous year 2003-04. Your Company has net worth of Rs. 193.19 Crores.

### **HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS**

Your Company continuously reviews and monitors its manpower requirements to ensure that it has human skills commensurate with its needs. Industrial relations continued to be cordial. As on 31.3.2005 your Company has 2,119 employees.

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Andhra Sugars Ltd. (ASL) always believes that good Corporate Governance ensures proper and adequate protection of the interests of all the stake-holders in the Company. ASL affirm that healthy Corporate Governance leads to operations and actions which serve the underlying goal of continuously enhancing the value that the Company can create for the stake-holders including Shareholders, Employees, Customers, Suppliers, Lenders, Government and other parties having association with ASL.

### 2. BOARD OF DIRECTORS

a) As on 31.3.2005, the Board of Directors consisted of 14 Directors.

#### COMPOSITION AND CATEGORY OF DIRECTORS IS AS FOLLOWS:

CATEGORY	NAME OF THE DIRECTOR
<b>Promoter/Executive Directors</b>	Dr. MULLAPUDI HARISCHANDRA PRASAD Chairman & Managing Director
	Dr. B.B. RAMAIAH Managing Director (Tech.)
	Shri P. NARENDRANATH CHOWDARY Joint Managing Director
	Shri M. NARENDRANATH Joint Managing Director
	Shri M. THIMMARAJA Joint Managing Director
	Shri P. ACHUTA RAMAYYA Executive Director
	Shri P.S.R.V.K. RANGA RAO Executive Director
<b>Non-Executive and Independent Directors</b>	Shri T. RAMESH U PAI (upto 26-01-2005)
	Shri A. RANGA RAO
	Shri Justice G. RAMANUJAM
	Dr. A.V. RAMA RAO
	Dr. P. KOTAIAH
	Shri V.S. RAJU
	Dr. ALAPATY APPA RAO Dr. ANUMOLU RAMAKRISHNA (from 21-02-2005)

**The Andhra Sugars Limited**

- b) Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorship and Chairmanship / Membership of Committee of each Director in various Companies:

Name of the Director	Attendance Particulars		Directorship, Committee Membership and Chairmanship in other Companies		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Dr. M. Harischandra Prasad	4	Yes	8	6	4
Dr. B. B. Ramaiah	4	Yes	2	3	2
Shri P. Narendranath Chowdary	3	No	6	4	None
Shri M. Narendranath	1	No	4	None	None
Shri M. Thimmaraja	3	No	2	5	None
Shri P. Achuta Ramayya	3	Yes	None	None	None
Shri P.S.R.V.K. Ranga Rao	4	Yes	1	None	None
Shri T. Ramesh U Pai *	3	No	----	----	----
Shri A. Ranga Rao	3	No	1	None	None
Shri Justice G. Ramanujam	----	No	7	7	4
Dr. A.V. Rama Rao	2	No	1	None	None
Dr. P. Kotaiah	3	No	5	2	2
Shri V. S. Raju	3	Yes	3	4	3
Dr. Alapaty Appa Rao	3	No	2	3	1
Dr. Anumolu Ramakrishna**	----	----	5	----	----

\* Ceased to be Director from 26-01-2005

\*\* Appointed as Director from 21-02-2005

In the absence of Shri A. Ranga Rao, Chairman of the Audit Committee, Shri V. S. Raju Member of the Committee was present at the meeting to answer the queries of the shareholders on the Audited Accounts for the year 2003-2004.

**c) NUMBER OF BOARD MEETINGS HELD DURING THE YEAR 2004-05 AND THE DATES ON WHICH HELD**

Sl. No.	Date of Board Meeting
1	30.04.2004
2	31.07.2004
3	30.10.2004
4	24.01.2005

**1. AUDIT COMMITTEE**

- a) The Audit Committee consists of 3 non-Executive independent Directors viz., Shri A. Ranga Rao, Dr. P. Kotaiah and Shri V.S. Raju. Shri A. Ranga Rao is Chairman of the Committee. This Committee also meets the requirement of Section 292A of the Companies Act, 1956.
- b) The terms of reference stipulated by the Board to the Audit Committee are in terms of Clause 49 of the Listing Agreement are as follows:-
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - Recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.



- iii) Review with management the annual financial statements before submission to the Board, focusing primarily on;
    - a) Any changes in accounting policies and practices.
    - b) Major accounting entries based on exercise of judgement by management.
    - c) Qualifications in draft audit report.
    - d) Significant adjustments arising out of audit.
    - e) The going concern assumption
    - f) Compliance with Accounting Standards.
    - g) Compliance with stock exchange and legal requirements concerning financial statements.
    - h) Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of company at large.
  - iv) Review with the management, external and internal auditors, the adequacy of internal control systems.
  - v) Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - vi) Discussion with internal auditors any significant findings and follow up thereon.
  - vii) Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - viii) Discussions with external auditors before the audit commences, nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
  - ix) Review the Company's financial and risk management policies.
  - x) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- c) NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE YEAR 2004-05 AND THE DATES ON WHICH HELD

Sl. No.	Date of Audit Committee Meeting
1	30-04-2004
2	31-07-2004
3	30-10-2004
4	24-01-2005

**The Andhra Sugars Limited**

d) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2004-05

Name of the Director	No. of Meetings attended
Shri T. Ramesh U Pai *	3
Shri A. Ranga Rao	3
Dr. P. Kotaiah	3
Shri V.S. Raju	3

\* Ceased to be Audit Committee Member from 26-01-2005

Executive Director, Vice President (Finance), Chief Internal Auditor and statutory Auditors also attend the Audit Committee Meetings to answer the queries raised by the Committee Members. Company Secretary acts as a Secretary to the Committee.

**4. REMUNERATION COMMITTEE, POLICY, DETAILS**

- .. The Company is not required to and does not have a Remuneration Committee.
- .. The Company does not remunerate the non-Executive Directors except for the payment of sitting fees for attending each Meeting of the Board or Committee thereof.
- .. Remuneration is fixed and paid to the Managing / Whole-time Directors as approved by Shareholders of the Company and is in accordance with and subject to the limits prescribed by the Companies Act, 1956.

**Details of the remuneration paid to the Directors during the year 2004-05 are as hereunder:-**

Name of Director	Remuneration paid to the Directors			
	Sitting Fees	Salaries & Perquisites	Commission	Total
	Rs.	Rs.	Rs.	Rs.
Dr. M. Harischandra Prasad	Nil	11,80,540	1,42,62,369	1,54,42,909
Dr. B. B. Ramaiah	Nil	8,55,245	1,42,62,369	1,51,17,614
Shri P. Narendranath Chowdary	Nil	8,75,046	71,31,184	80,06,230
Shri M. Narendranath	Nil	8,81,053	71,31,184	80,12,237
Shri M. Thimmaraja	Nil	8,69,988	71,31,184	80,01,172
Shri P. Achuta Ramayya	Nil	6,54,182	71,31,184	77,85,366
Shri P.S.R.V.K. Ranga Rao	Nil	6,44,601	35,65,592	42,10,193
Shri T. Ramesh U Pai	24,000	Nil	Nil	24,000
Shri A. Ranga Rao	18,000	Nil	Nil	18,000
Shri Justice G. Ramanujam	Nil	Nil	Nil	Nil
Dr. A.V. Rama Rao	7,000	Nil	Nil	7,000
Dr. P. Kotaiah	24,000	Nil	Nil	24,000
Shri V.S. Raju	24,000	Nil	Nil	24,000
Dr. Alapaty Appa Rao	12,000	Nil	Nil	12,000

**5. SHAREHOLDERS' GRIEVANCES COMMITTEE**

- a) The Board has constituted Shareholders' / Investors' Grievances Committee comprising Shri Justice G. Ramanujam (Chairman of the Committee – non-Executive independent Director), Shri P. Narendranath Chowdary and Shri M. Thimmaraja as Members of the Committee. The Committee looks into redressal of Shareholders' complaints like Transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared Dividend and other matters.
- b) The Board has designated Shri M. Bulli Abbayi, Company Secretary and Shri M. Palachandra, Deputy Company Secretary as Compliance Officers.
- c) During the year 2004-05, Committee Meetings were held on 31.07.2004 and 24.01.2005. The Company received a total number of 242 letters in respect of various matters viz., non-receipt/ revalidation of dividend warrants, change of address, change of Bank account etc. and all of them were attended to and replied to the satisfaction of the Shareholders. As on 31.3.2005 no Share Transfers were pending.
- d) ATTENDANCE OF DIRECTORS AT THE SHAREHOLDERS GRIEVANCE COMMITTEE MEETING HELD DURING FINANCIAL YEAR 2004-05

Name of the Director	No. of Meetings attended
Shri Justice G. Ramanujam	----
Shri P. Narendranath Chowdary	2
Shri M. Thimmaraja	2

**6. ANNUAL GENERAL BODY MEETINGS**

Financial Year – 1st April to 31st March			
Financial Year	Venue	Date	Time
2001-2002	Registered Office VENKATARAYAPURAM, TANUKU - 534 215 (A.P.)	27-9-2002	3.00 p.m.
2002-2003	-- do --	24-9-2003	3.00 p.m.
2003-2004	-- do --	27-9-2004	3.00 p.m.

At the last Annual General Meeting, there were no Special Resolutions that were required to be put through postal ballot.

**7. OTHER DISCLOSURES**

- i. There is no materially significant pecuniary or business transaction of the Company with its promoters, Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

The Company enters into contracts from time to time with its Directors, Companies, Firms in which the Directors are interested. These contracts are in the ordinary course of Company's business and the concerned Directors regularly make full disclosures to the Board of Directors regarding the nature of their interest. Full particulars of contracts entered into with the parties

## The Andhra Sugars Limited

in which Directors are directly or indirectly concerned or interested are entered in the Register of Contracts maintained under Section 301 of the Companies Act, 1956 and the same is placed at every Board Meeting for the information of the Directors. Further, necessary approvals have also been obtained from the Central Government under Section 297 of the Companies Act with regard to specific contracts requiring the approval of the Central Government.

- ii. There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authorities, on any matter related to Capital markets during the last three years.

## 8. MEANS OF COMMUNICATION

- i. Half Yearly Reports are not sent to each household of shareholders.
- ii. Half Yearly Results and Quarterly Results are published in "The Hindu Business Line" and "Andhra Bhoomi".
- iii. The Company does not by itself display its periodic results in any Web Site except on EDIFAR Web Site as required by Listing Agreement.
- iv. The Company has not issued any press release or made any presentations to the investors or to analysts about its financial results during the year.
- v. Management Discussion and Analysis (MD&A) forms the part of Annual Report.

## 9. GENERAL SHAREHOLDER INFORMATION

- (i) Annual General Meeting:
  - Date & Time : 24-09-2005, 3.00 P.M.
  - Venue : Registered Office  
Venkatarayapuram, Tanuku – 534 215  
West Godavari Dist. (A.P.)
- (ii) Financial Calendar : The Company follows April to March as its financial year. The results of every quarter beginning from April are declared in the first month following each quarter as per the provisions of Listing Agreement.
- (iii) Date of book closure : 16-09-2005 to 24-09-2005  
(both days inclusive)
- (iv) Dividend payment date : 28-09-2005
- (v) Listing on Stock Exchanges at : Hyderabad Stock Exchange  
Madras Stock Exchange  
National Stock Exchange
- (vi) Stock code : HSE-CODE-ANDSUG\$, ID No. 158  
MSE-CODE-ASR  
NSE-CODE-ANDHRSUGAR

(vii) Stock Market Data : National Stock Exchange

Month	High Rs.	Low Rs.
April, 2004	71.95	49.70
May, 2004	71.90	42.50
June, 2004	55.00	47.50
July, 2004	59.00	49.00
August, 2004	79.00	57.50
September 2004	87.50	74.00
October, 2004	118.00	76.00
November, 2004	126.80	97.60
December, 2004	146.50	109.00
January, 2005	157.65	125.00
February, 2005	155.00	125.05
March, 2005	141.90	102.60

(viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL etc.:  
Company's Equity Shares are not quoted on Bombay Stock Exchange. Volume of trading on other Stock Exchanges is low to depict performance comparison to broad-base indices such as BSE, Sensex, CRISIL etc.

(ix) Registrars & Share Transfer Agents :

Company has not appointed any Share Transfer Agents. The share transfer work is carried out in-house at the Company's Registered Office, Venkatarayapuram, Tanuku – 534 215, West Godavari Dist. (A.P.)

Telephone Nos. 224911 (8 lines)

Fax No. 224168

Email: asltkn@vsnl.com

info.tnk@theandhrasugars.com

(x) Share Transfer System :

Shareholders have an option to hold Shares in physical form or in demat form. In case of physical form, Company is taking care to ensure that the Share Transfer work gets completed within the stipulated time of one month period. The Board of Directors have delegated the power of approving transfer of Shares severally to Chairman & Managing Director and two Joint Managing Directors. The Board has also constituted a Share Transfer Committee which has been assigned the task of approving splitting of Shares, Issue of duplicate Share Certificates, consolidation of Share Certificates, change of status of a shareholder and other allied matters. With regard to Shares in demat mode, the procedure is adopted as per the provisions of Depository Act, 1996.

**The Andhra Sugars Limited**

(xi) (a) Shareholding pattern as on 31<sup>st</sup> March, 2005

Category	No. of Shares Held	% of Shareholding
Promoters	1,47,96,908	54.58
Institutions and Banks	7,21,156	2.66
FII's	10,000	0.04
NRI's	2,28,220	0.84
Bodies Corporate	23,65,893	8.73
Public	89,84,901	33.15
<b>Total</b>	<b>2,71,07,078</b>	<b>100.00</b>

(b) Distribution of Shareholding as on 31<sup>st</sup> March, 2005

Shareholding of Nominal value of Rs.	No. of Shareholders	% to total	Share amount in Rs.	% to Total
Upto 5000	11,449	83.630	2,86,08,650	10.554
5001 to 10000	972	7.100	1,32,55,910	4.890
10001 to 20000	529	3.864	1,28,03,710	4.723
20001 to 30000	226	1.651	90,18,570	3.327
30001 to 40000	94	.687	53,85,070	1.987
40001 to 50000	102	.745	1,00,28,370	3.700
50001 to 100000	154	1.125	1,94,80,340	7.186
100001 onwards	164	1.198	17,24,90,160	63.633
<b>Total</b>	<b>13,690</b>	<b>100.00</b>	<b>27,10,70,780</b>	<b>100.00</b>

(xii) Dematerialisation of Equity Shares and liquidity:

Company's Equity Shares are listed on Hyderabad, Madras and National Stock Exchanges with a view to provide liquidity to the Shareholders. As per the SEBI notification, the Company's Equity Shares have been compulsorily dematerialised with effect from 25<sup>th</sup> October, 2000. The Company has appointed XL Softech Systems, 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034 to establish Electronic connectivity with the Depositories viz., NSDL and CDSL. The ISIN No. is INE715B01013. As on 31.3.2005 34.31% of Equity Shares have been dematerialised.

(xiii) Outstanding DGRs / ADRs / Warrants of any other Convertible Instruments, Conversion date and likely impact on equity. : Nil

(xiv) Plant Locations : 1. VENKATARAYAPURAM, Tanuku, West Godavari Dist., Andhra Pradesh.  
2. KOVVUR, West Godavari Dist., Andhra Pradesh.  
3. SAGGONDA, Gopalapuram Mandal, West Godavari Dist. Andhra Pradesh.

**The Andhra Sugars Limited**

4. TADUVAI, Jangareddygudem Mandal,  
West Godavari Dist., Andhra Pradesh.
5. PERECHERLA, GUNTUR, Andhra Pradesh.
6. RAMGIRI, Ananthapur Dist.,  
Andhra Pradesh.
7. BHIMADOLE, W.G.Dist., Andhra Pradesh.

(xv) Address for correspondence for all  
matters including Shares. :

Registered Office:  
VENKATARAYAPURAM  
Tanuku – 534 215  
West Godavari Dist.,  
Andhra Pradesh.

**CERTIFICATE**

To  
The Shareholders of  
The Andhra Sugars Limited  
Tanuku.

We have examined the compliance of conditions of Corporate Governance by The Andhra Sugars Limited for the year ended on 31st March, 2005 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2005, no investor grievances were pending against the company as per the records maintained by the company and presented to the investor Grievances Committee.

We further state that such compliance is not an assurance either to the future viability of the company or the efficiency or effectiveness with which the management has conducted the affairs of the company.

CAMP : TANUKU  
DATE : 30-07-2005

For BRAHMAYYA & CO.,  
Chartered Accountants  
C. MURALI KRISHNA  
(ICAI Membership No. 20884)  
Partner

## AUDITORS' REPORT

**TO  
THE SHAREHOLDERS OF  
THE ANDHRA SUGARS LIMITED  
TANUKU**

We have audited the attached Balance Sheet of THE ANDHRA SUGARS LIMITED, as at 31 March 2005, its Profit and Loss Account for the year ended on that date annexed thereto, and its Cash-flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India, which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have 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 appears from our examination of such books;
- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss account and Cash-flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - I. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005;
  - II. in the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
  - III. in the case of the Cash-flow Statement of the cash-flows of the company for the year ended on that date.

Camp: TANUKU  
Date: 30<sup>TH</sup> July 2005

For BRAHMAYYA & CO.,  
Chartered Accountants  
C. MURALI KRISHNA  
(ICAI Membership No. 20884)  
Partner



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- 1.2 According to the information and explanations furnished to us, the company has not physically verified its fixed assets during the year. The company has informed us that it has adopted a phased programme of verification of its fixed assets other than furniture and fixtures which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has physically verified only its inventories of stores and spares at its Saggonda and Kovvuru locations. In our opinion, the frequency of such verification to the extent carried out is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories, as followed by the management in respect of such verification carried out during the year are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 According to the information furnished to us, the company is maintaining proper records of its inventory. The discrepancies if any noticed on verification of Stores and Spares between the physical stocks to the extent verified during the year and the book records were not material, and have been properly dealt with in the books of account.
- 3.1 According to the information and explanations furnished to us, the company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956, at the beginning of the year or during the year, and consequently reporting under sub-clauses b, c and d of clause 4(iii) of the Order does not arise during the year.
- 3.2 According to the information and explanations furnished to us, the company has taken Fixed deposits/ inter-corporate loans aggregating at the date of the Balance Sheet to Rs.20.30 crores from forty four parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 3.3 In our opinion, the rate of interest and other terms and conditions on which loans/deposits have been taken by the company from parties covered in the register maintained under Section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- 3.4 According to the information and explanations furnished to us, the company has been regular in repaying the principal and interest amounts as stipulated on the loans taken by it from the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control system that in our opinion, require correction but have so continued without correction.

## The Andhra Sugars Limited

- 5.1 Based on the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements that have been entered in the Register referred to in Section 301 of the Companies Act have been made at prices which are reasonable having regard to prevailing market prices and other terms of business with such parties, at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Act and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no Order has been passed on the company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non-compliance with the provisions of Sections 58A, 58AA of the Companies Act, 1956.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the company pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956, wherever prescribed, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out a detailed audit of the same.
- 9.1 According to the information furnished to us, the company has been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it; and the following undisputed statutory dues were outstanding, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.

Sl.No.	Name of the statute	Period	Amount Rs.	Remarks
1	Andhra Pradesh State Excise Act	Upto Aug 1976	3,58,290 (establishment charges)	Pending receipt of demand by the company
2	Andhra Pradesh State Excise Act	Aug 1976 to March 2005	12,30,759 (Interest on above)	Pending receipt of demand by the company

- 9.2 According to the information furnished to us, at the date of the Balance Sheet, there were no amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax and Service Tax that were disputed by the company and hence were not remitted to the concerned authorities, except the following:

Sl.No.	Name of the statute	Nature of the dues	Amount Rs.	Forum where dispute is pending
1	Water (Prevention and control of Pollution) Cess Act of 1997	Cess	48703	Appellate Committee of the Govt. of A.P.
2	Standing orders of the Govt. of A.P.	Water Charges	906714	Govt. of A.P.
3	Andhra Pradesh Sales Tax Act, 1957	Sales Tax	30508502	Different appellate authorities
4	Central Excise Act, 1944	Excise Duty	2761184	CESTAT
			872573	Different departmental appellate authorities
5	Customs Act	Customs Duty	822227	CESTAT

10. According to the information and explanations furnished to us the company had no accumulated losses at the end of the year under report and it did not incur cash losses during the said year or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of its dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
12. According to the information furnished to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information furnished to us, the company has not given any guarantees for loans taken by others from any banks or financial institutions, except in respect of repayment, out of its cane price dues to its sugarcane suppliers, the agricultural loans taken by them from banks, the terms and conditions of which, in our opinion are not prima facie prejudicial to the company.
16. In our opinion, and according to the information and explanations furnished to us, the term loans obtained by the company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we are of the opinion that considering the internal accruals of the company during the year under report, funds raised by the company on short-term basis have prima facie not been used for long term investment.
18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.

**The Andhra Sugars Limited**

19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any moneys through public issue of its securities during the year, and the question of end use of such moneys does not arise during the year.
21. During the course of our examination of the accounts of the company in accordance with generally accepted auditing practices, we have not come across any instances of fraud on or by the company, nor have we been informed by the management, of any such instance being noticed or reported during the year.

Camp: TANUKU  
Date: 30<sup>th</sup> July 2005

For BRAHMAYYA & CO.,  
Chartered Accountants  
C. MURALI KRISHNA  
(ICAI Membership No. 20884)  
Partner

## ACCOUNTING POLICIES

### 1. GENERAL

The Accounts are prepared under the historical cost convention and in accordance with generally accepted accounting practices.

### 2. FIXED ASSETS:

Fixed Assets are capitalised at acquisition cost, net of Cenvat, less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of directly attributable cost of bringing the assets to their working condition for the intended use. Financing costs incurred up to the date of commissioning of assets are capitalised. Revenue expenses incidental to new projects are capitalised.

### 3. BORROWING COSTS:

Borrowing costs incurred in connection with the funds borrowed for acquisition/ erection of assets that necessarily take substantial period of time to get ready for intended use, are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

### 4. INVESTMENTS:

Long term Investments are stated at cost and income thereon is accounted for on accrual. Provision towards decline in the value of long-term investments is made only when such decline is other than temporary.

### 5. INVENTORIES:

- Finished goods are valued at lower of cost or net realisable value.
- Cost of Raw materials, stores and spares is determined using FIFO and weighted average method respectively.
- Cost of Work-in-process and finished goods includes appropriate portion of overheads etc., and excise duty wherever applicable.
- By-products and scrap are valued at net realisable value.
- Machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are amortised over the life of the principal assets.

### 6. SALES:

Sales are inclusive of Excise Duty and packing charges and net of rebates and Sales Tax.

### 7. INTER UNIT TRANSFERS:

The product of one unit used as raw materials, stores and spares and energy in another unit of the company is adjusted at market value.

### 8. RETIREMENT BENEFITS:

- Contributions to Provident Fund are accounted on accrual and remitted to the Provident Fund authorities.
- Contributions to Gratuity and Superannuation funds are made to schemes under arrangements with Life Insurance Corporation of India and, accounted for based on the annual demands received each year. Differential gratuity, if any, payable on retirement of employees is accounted for in the year of retirement.
- Liability for leave encashment at the time of cessation of service is estimated as if all the employees retire at the Balance Sheet date and reviewed and stated in the accounts each year accordingly.

### 9. RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure is charged to Profit & Loss Account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

## **The Andhra Sugars Limited**

### **10. DEPRECIATION:**

Depreciation is provided in the Accounts, in accordance with Schedule XIV of the Companies Act on the following basis:

- a) On part of Buildings, Main Plant and Machinery and Electrical Installations of Caustic Soda, Chlorosulphonic Acid, Alum, Aspirin, Wind Power and Sugar Unit at Taduvai and all Buildings, Plant and machinery, Electrical Installations, Weigh Bridges and Scales and Workshop Equipment of Cotton and Oil Products Unit, under Straight Line Method.
- b) On the remaining assets of the above Units and all assets of the other units, under Written Down Value Method.
- c) In respect of Inter Unit transfer of assets, depreciation is computed on the same basis as in the transferor unit.

### **11. FOREIGN EXCHANGE TRANSACTION:**

- a) Export sales are initially accounted at the exchange rate prevailing on the date of documentation/ invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.
- b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- c) Imports of materials/capital equipment are accounted at the rates at which the actual payments are effected.
- d) Assets and Liabilities arising out of foreign exchange transactions, as mentioned above, are translated at the rates of exchange ruling on the date of Balance Sheet, and are suitably adjusted to the appropriate Revenue/Capital account.

### **12. TAXATION:**

- a) Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income Tax Act, 1961.
- b) The net deferred tax liability arising on account of timing differences at 1-4-2001 has been adjusted against the General Reserve as at 1-4-2001.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

### **13. DIVIDENDS:**

Provision is made in the Accounts for the Dividends payable by the Company as recommended by the Board of Directors, pending approval of the Shareholders at the Annual General Meeting. Tax on distributable Profits is provided for in the year to which such distributable Profits relate.

### **14. MISCELLANEOUS EXPENDITURE:**

Debentures / Shares issue expenditure is amortised as per Sec.35D of the Income Tax Act.

**Additional Information as required under part - IV of Schedule VI  
to the Companies Act,1956.**

I. Registration Details		(Amounts in Rs. Thousands)
a) Registration No.		01-00326
b) State Code		01
c) Balance Sheet date		31-03-2005
II. Capital Raised during the Year		
a) Public Issue		NIL
b) Rights Issue		NIL
c) Bonus Issue		NIL
d) Private Placement		NIL
III. Position of Mobilisation & Deployment of Funds		
a) Total Assets		7163940
b) Total Liabilities		7163940
Sources of Funds:		
a) Paid-up Capital		271101
b) Reserves & Surplus		1660842
c) Deferred Tax (Net)		441116
d) Secured Loans		2102665
e) Unsecured Loans		1082975
	<b>TOTAL:</b>	5558699
Application of Funds:		
a) Net Fixed assets		3554737
b) Investments		476938
c) Net Current Assets		1525912
d) Miscellaneous Expenses		1112
	<b>TOTAL:</b>	5558699
IV. Performance of Company:		
a) Turnover		4577888
b) Other Income		258926
c) Total Expenditure		4190380
d) Profit Before Tax		646434
e) Profit After Tax		436294
f) Earnings per Share in Rs.		16.10
g) Dividend Rate %		60
V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)		
1. Item Code No. (ITC Code)		170111.09
Product Description		Sugar
2. Item Code No. (ITC Code)		281512.00
Product Description		Caustic Soda
3. Item Code No. (ITC Code)		280110.00
Product Description		Chlorine

**BALANCE SHEET AS AT 31st MARCH, 2005**

		(Rupees in lakhs)	
		31-3-2005	31-3-2004
<b>I SOURCES OF FUNDS</b>			
<b>1) Shareholders' Funds</b>			
a) Capital	1	2711.01	2711.01
b) Reserves & Surplus	2	16608.42	14725.07
		<u>19319.43</u>	<u>17436.08</u>
<b>2) Loan Funds</b>			
a) Secured Loans	3	21026.65	12496.79
b) Unsecured Loans	4	10829.75	10848.36
		<u>31856.40</u>	<u>23345.15</u>
<b>3) Deferred Tax</b>			
a) Liability		4628.00	4297.14
b) Asset		216.84	469.10
		<u>4411.16</u>	<u>3828.04</u>
TOTAL		<u>55586.99</u>	<u>44609.27</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1) Fixed Assets</b>			
a) Gross Block		49384.78	38015.57
b) Less: Depreciation		16600.55	14064.53
c) Net Block	5	32784.23	23951.04
d) Capital work-in-progress		2763.14	845.05
		<u>35547.37</u>	<u>24796.09</u>
<b>2) Investments</b>			
	6	4769.38	3170.38
<b>3) Current Assets, Loans &amp; Advances</b>			
a) Inventories	7	18496.12	19842.71
b) Sundry Debtors	8	4088.95	3976.25
c) Cash and Bank Balances	9	1003.63	1218.54
d) Other Current Assets	10	16.66	16.53
e) Loans and Advances	11	7706.17	6204.86
		<u>31311.53</u>	<u>31258.89</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	10288.56	9719.14
b) Provisions	13	5763.85	4914.85
		<u>16052.41</u>	<u>14633.99</u>
Net Current Assets		15259.12	16624.90
<b>4) Miscellaneous Expenditure</b>			
	14	11.12	17.90
TOTAL		<u>55586.99</u>	<u>44609.27</u>

NOTE: The schedules, notes and Statement on Accounting Policies form an integral part of the Balance Sheet.

Per our report of even date:  
For Brahmayya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD  
Dr. Mullapudi Harischandra Prasad  
A. Ranga Rao  
M. Bulli Abbayi

Chairman & Managing Director  
Director  
Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005.**

		(Rupees in lakhs)		
		Schedule	This Year	Previous Year
<b>INCOME</b>				
	Sales (including Excise Duty recovered Rs. 4206.65 lakhs) (Pr. Year Rs. 3836.93 lakhs)		<b>45778.88</b>	39717.87
	Other Income	15	<b>2589.26</b>	2154.92
			<b>48368.14</b>	41872.79
<b>EXPENDITURE</b>				
	Opening Stocks	16	<b>16878.71</b>	18261.09
	Raw Materials consumed		<b>14532.47</b>	13478.73
	Payments & Benefits to Employees	17	<b>2899.66</b>	2765.79
	Expenses	18	<b>13501.89</b>	11361.88
	Excise Duty and Taxes	19	<b>4866.31</b>	4413.92
	Interest	20	<b>1923.53</b>	2288.25
	Depreciation		<b>2058.83</b>	1792.03
			<b>56661.40</b>	54361.69
	Less: Closing Stocks	16	<b>14757.60</b>	16878.71
			<b>41903.80</b>	37482.98
	Profit for the year		<b>6464.34</b>	4389.81
	Add: Income Tax refund received		<b>2.83</b>	----
	Excess provision of Income Tax (Net)		----	29.23
			<b>6467.17</b>	4419.04
	Less: Short provision of Income Tax		<b>1.95</b>	----
			<b>6465.22</b>	4419.04
<b>Less: Provisions for:</b>				
	Current Tax		<b>1200.00</b>	1400.00
	Deferred Tax		<b>900.28</b>	198.64
	Wealth Tax		<b>2.00</b>	1.50
			<b>4362.94</b>	2818.90
	Profit after tax		<b>4362.94</b>	2818.90
	Add: Transfer from Debenture redemption reserve		----	480.00
	Balance brought forward from last year		<b>2050.37</b>	2477.45
			<b>6413.31</b>	5776.35
<b>APPROPRIATIONS</b>				
	General Reserve		<b>3125.05</b>	2500.00
	Dividends (See Directors' Report)	21	<b>1854.54</b>	1225.98
	Balance taken to Balance Sheet		<b>1433.72</b>	2050.37
			<b>6413.31</b>	5776.35
<b>Basic Earnings per Share:</b>				
(Profit after tax/No. of equity shares)				
	Profit after tax		<b>4362.94</b>	2818.90
	No. of equity shares of Rs. 10/- each		<b>27107078</b>	27107078
	Basic Earnings per share (Rs.)		<b>16.10</b>	10.40
	Notes forming part of the accounts.	22		

NOTE : The schedules, notes and Statement on Accounting Policies form an integral part of the Profit & Loss Account.

Per our report of even date:  
For Brahmayya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD  
Dr. Mullapudi Harischandra Prasad  
A. Ranga Rao  
M. Bulli Abbayi

Chairman & Managing Director  
Director  
Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005

**SCHEDULES TO BALANCE SHEET****SHARE CAPITAL****SCHEDULE - 1**

(Rupees in lakhs)

	As at 31-3-2005	As at 31-3-2004
<b>AUTHORISED CAPITAL</b>		
28750000 Equity shares of Rs.10/- each	<b>2875.00</b>	2875.00
30000 9.5% First Cumulative Redeemable Preference Shares of Rs.100/- each	<b>30.00</b>	30.00
95000 9.5% Second Cumulative Redeemable Preference Shares of Rs.100/- each	<b>95.00</b>	95.00
	<b>3000.00</b>	3000.00
<b>ISSUED CAPITAL</b>		
27113091 Equity Shares of Rs.10/- each	<b>2711.31</b>	2711.31
	<b>2711.31</b>	2711.31
<b>SUBSCRIBED AND PAID UP CAPITAL</b>		
27107078 Equity Shares of Rs.10/- each	<b>2710.71</b>	2710.71
6010 Add: Forfeited shares	<b>0.30</b>	0.30
	<b>2711.01</b>	2711.01

NOTES: The above includes:

- i) 2,08,24,431 shares allotted as fully paid up by way of Bonus shares.
- ii) 2,52,000 Shares allotted at par to the shareholders of amalgamating company pursuant to the scheme of amalgamation (without payment being received in cash)
- iii) An amount of Rs.30,065/- originally paid up on Forfeited Shares.

**RESERVES AND SURPLUS****SCHEDULE - 2**

<b>1) GENERAL RESERVE</b>			
As per last Balance Sheet	<b>11500.00</b>		
Less: Adjustment of Impairment loss as at 1.4.2004 (Net of deferred tax Rs. 317.15)	<b>625.05</b>		
	<b>10874.95</b>		
Add: Transferred from Profit & Loss A/c during the year	<b>3125.05</b>		
	<b>14000.00</b>	11500.00	
<b>2) SECURITIES PREMIUM</b>	<b>1129.40</b>	1129.40	
<b>3) CAPITAL RESERVE</b>			
Capital investment subsidy	<b>45.00</b>	45.00	
Forfeited Debentures *	<b>0.30</b>	0.30	
<b>4) SURPLUS IN PROFIT &amp; LOSS ACCOUNT</b>	<b>1433.72</b>	2050.37	
	<b>16608.42</b>	14725.07	

Note:\* Forfeited Debentures have been transferred to Capital Reserve on total redemption of the remaining debentures in the same series.

**SCHEDULE - 3**

(Rupees in lakhs)

	As at 31-3-2005	As at 31-3-2004
--	--------------------	--------------------

**SECURED LOANS****FROM BANKS:****i) Term Loans**

a) From Andhra Bank (against paripassu first charge on present and future fixed assets of the company)	<b>1125.00</b>		
b) From Andhra Bank (against exclusive first charge on assets created out of the loan)	<b>9000.00</b>		
c) From State Bank of India (against first charge on assets acquired out of the loan and hypothecation of stocks, receivables and other movable assets at Bhimadole Unit)	<b>1261.15</b>	-----	4461.67
		<b>11386.15</b>	

**ii) Cash Credit (from Banks)**

(Secured by hypothecation of inventories and receivables and shall rank pari passu among the members of the consortium of working capital lending banks)	<b>9640.50</b>		8035.12
--	----------------	--	---------

	-----	-----
	<b>21026.65</b>	12496.79
	-----	-----

**UNSECURED LOANS****SCHEDULE - 4**

## Fixed Deposits:

From Shareholders	<b>854.76</b>	777.86
From Public	<b>3897.08</b>	3551.63
From Directors	<b>706.30</b>	595.95

## Loans :

From Other Companies *	<b>1604.00</b>	1401.50
From Banks - Short term	<b>2005.31</b>	3007.43
From Sugarcane Development Fund	<b>15.08</b>	30.17

(Covered by bank guarantee in trun counter guaranteed by the Company)

Sales Tax Deferment Loan	<b>1747.22</b>	1483.82
--------------------------	----------------	---------

(Repayable at the end of 14th Year from the year of receipt. First repayment falls due during the accounting year 2012-2013)

	-----	-----
	<b>10829.75</b>	10848.36
	-----	-----

\* Include amounts due to subsidiary companies :

JOCIL Ltd.,	<b>1600.00</b>	1400.00
Hindustan Allied Chemicals Ltd.,	<b>4.00</b>	1.50

Note : Fixed deposits matured and remaining unclaimed aggregating to Rs. 36.75 lakhs are not included above but shown in Schedule 12.

**FIXED ASSETS**

**SCHEDULE - 5**  
(Rupees in lakhs)

	GROSS BLOCK			DEPRECIATION BLOCK			IMPAIRMENT BLOCK			NET BLOCK				
	Cost as at 31-3-04	Additions during the year	Deductions during the year	Cost as at 31-3-05	Dep. upto 31-3-04	Dep. for 04-05	Dep. on Dedn	Dep. Upto 31-03-05	Impairment Upto 31-03-04	Additions during the year	Deductions during the year	Impairment Upto 31-03-05	WDV AS AT 31-3-05	WDV AS AT 31-3-04
1) Land *	711.61	27.73	4.26	735.08	---	---	---	---	---	---	---	---	735.08	711.61
2) Buildings**	3848.64	564.38	12.90	4400.12	996.02	113.28	5.46	1103.84	---	---	---	---	3296.28	2852.62
3) Plant and Machinery	30930.01	11054.74	325.76	41658.99	11611.60	1702.21	319.49	12994.32	---	942.20	36.58	905.62	27759.05	19318.41
4) Renewable Energy Plant : Wind Farm	706.08	---	---	706.08	354.22	37.28	---	391.50	---	---	---	---	314.58	351.86
5) Tramways and Railway Sidings	156.23	---	---	156.23	113.67	6.43	---	120.10	---	---	---	---	36.13	42.56
6) Furniture & Fittings	629.69	29.68	60.13	599.24	451.28	51.49	56.65	446.12	---	---	---	---	153.12	178.41
7) Vehicle and Materials Handling Equipment	1033.31	154.66	58.93	1129.04	537.74	148.65	47.34	639.05	---	---	---	---	489.99	495.57
<b>TOTAL</b>	38015.57	11831.19	461.98	49384.78	14064.53	2059.34	428.94	15694.93	---	942.20	36.58	905.62	32784.23	23951.04
Previous Year	33137.84	5131.65	253.92	38015.57	12515.29	1792.22	242.99	14064.52	---	---	---	---	23951.04	20622.55

\* Registration of transfer of title in the name of the Company is pending for Ac. 4.19 of land of the cost of Rs. 3.53 lakhs included in above.

\*\* Including Buildings of the Gross value of Rs. 42.50 lakhs constructed on leasehold land.

**SCHEDULE - 6**

(Rupees in lakhs)

**INVESTMENTS**

	As at 31-3-2005	As at 31-3-2004
<b>A) TRADE INVESTMENTS</b>		
<b>1) IN SUBSIDIARY COMPANIES</b>		
a) 3,28,760 partly paid Equity shares of Rs.10/- each (Rs.2.50 per share paid up) in Hindustan Allied Chemicals Ltd.,(Unquoted)	2.74	2.74
b) 3,45,700 fully paid Equity shares of Rs.10/- each in The Andhra Farm Chemicals Corpn.Ltd.,(Quoted)	34.57	34.57
c) 24,43,250 fully paid Equity shares of Rs.10/- each in JOCIL LTD.,(Quoted)	441.79	441.79
<b>2) IN OTHER COMPANIES</b>		
a) 1,40,000 fully paid Equity Shares of Rs.10/- each in Sree Akkamamba Textiles Ltd., (Quoted)	1.75	1.75
b) 2,06,82,025 fully paid Equity shares of Rs.10/- each in The Andhra Petrochemicals Ltd., (a company under the same management) (Quoted) Less : Provision for diminution in value	2479.21 2055.22 -----	423.99
c) 96,64,080 fully paid Equity Shares of Rs.10/- each in Andhra Pradesh Gas Power Corporation Ltd., (Unquoted) (1206000 shares purchased during the year)	3656.74	2077.80
d) 22,800 fully paid equity shares Rs. 10/- each in Andhra Bank (Quoted)	2.28	2.28
<b>B) NON-TRADE INVESTMENTS</b>		
a) In Government Securities: National Plan Saving Certificates (Lodged with Govt.Departments towards security)	0.20	0.26
b) 1000000 Equity Shares of Rs.10/-each in Agri Business Finance (AP) Ltd., (Unquoted) Less: Calls due	100.00 50.00 -----	50.00
c) 90, 11.60% fully paid Redeemable Non Convertible Bonds of Rs. One lakh each in Andhra Pradesh Power Finance Corpn. Ltd., (Unquoted)	90.00	90.00
d) 45200, 6.75% Tax free U.S. 64 bonds of Rs. 100/- each in Unit Trust of India.	45.20	45.20
e) 187829 units of UTI G-SEC investment Plan (Quoted) (In addition to above 16,79,961 units were purchased and sold during the year)	20.12	----
	----- 4769.38 -----	----- 3170.38 -----
All the above investments, unless otherwise specified, are long term investments.		
Cost of unquoted investments	3844.88	2266.00
Cost of investments which are listed but whose quotations are not available	478.10	478.10
Cost of quoted investments	2501.62	2481.49
	----- 6824.60 -----	----- 5225.59 -----
Market value of quoted investments	3145.75	1454.78

**The Andhra Sugars Limited**

**INVENTORIES**

(As certified by the Managing Director)

**SCHEDULE - 7**

(Rupees in lakhs)

	As at 31-3-2005	As at 31-3-2004
Stores and Spares	1899.96	1822.03
Raw Materials	1837.80	1129.44
Work-in-process	158.79	125.20
Finished Goods - at Cost	12671.17	16412.98
- at Market value	1927.64	340.53
Goods in Transit	---	12.53
Crops under cultivation	0.76	---
	18496.12	19842.71

**SUNDRY DEBTORS**

**SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	244.25	446.99
Unsecured-considered doubtful	30.69	3.18
	274.94	450.17
Less: Provision for Doubtful Debts	30.69	3.18
	244.25	446.99
b) Other Debts: Unsecured-considered good	3844.70	3529.26
	4088.95	3976.25

**CASH AND BANK BALANCES**

**SCHEDULE - 9**

Cash and Cheques on hand	7.89	14.63
Balances with Scheduled Banks in		
Current Accounts	547.45	487.71
Fixed Deposit Accounts	448.29	716.20
	1003.63	1218.54

Balances with Scheduled Banks, include inter-alia, the following:

a) In "Unclaimed Dividend Accounts" u/s 205A of the Companies Act, 1956	51.05	40.62
b) Towards unencashed interest/redemption warrants on 16.5% Non Convertible Debentures	0.95	1.36
c) Towards staff security deposit	----	5.38

**OTHER CURRENT ASSETS**

**SCHEDULE - 10**

Interest accrued on Investments and Deposits	16.66	16.53
	16.66	16.53

The Andhra Sugars Limited

**LOANS AND ADVANCES**

**SCHEDULE - 11**

(Rupees in lakhs)

	As at 31-3-2005	As at 31-3-2004
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	2591.94	2540.77
Unsecured considered doubtful	0.03	0.03
	<u>2591.97</u>	<u>2540.80</u>
Less: Provision for doubtful Advances	0.03	0.03
	<u>2591.94</u>	<u>2540.77</u>
Prepaid Expenses	63.29	80.58
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	1046.77	231.60
Advance payment of Income Tax	3284.53	2860.11
Income Tax deducted at source	62.87	58.18
Deposits recoverable	319.14	216.41
Claims recoverable	331.04	206.24
Balance with Customs, Port Trust, etc.,	6.59	10.97
	<u>7706.17</u>	<u>6204.86</u>
Due from a Subsidiary Company (included in the above)	0.46	1.39

**LIABILITIES**

**SCHEDULE - 12**

Sundry Creditors		
Due to Small Scale Industrial undertakings (See Note No. 11)	---	
Due to Others	<u>9740.38</u>	9369.10
(incl. Rs. 608.33 lakhs (Rs. 416.91 lakhs) due to Directors)		
Due to Subsidiaries	60.52	---
Advances received against sales	192.48	81.13
Trade Deposits	58.40	54.78
Staff security deposit	5.72	5.34
Interest accrued but not due on Loans & Fixed Deposits (Includes Rs. 17.26 lakhs due to directors)	139.12	136.34
Dividends pending encashment	51.05	40.61
Unclaimed matured Fixed Deposits *	36.75	26.17
Unclaimed matured Debentures *	---	0.97
Unclaimed interest on matured Deposits * and debentures	4.14	4.70
	<u>10288.56</u>	<u>9719.14</u>

\* These amounts have not fallen due for remittance to Investor Education and Protection Fund in accordance with Sec. 205 C of the Companies Act, 1956, as at the date of the Balance Sheet.

**PROVISIONS**

**SCHEDULE - 13**

For Income Tax	3750.00	3550.00
For Wealth Tax	4.50	3.25
For Proposed Dividend	1626.43	1084.28
For Tax on Distributable Profits	228.11	141.70
For Leave Encashment on Retirement	154.81	135.62
	<u>5763.85</u>	<u>4914.85</u>

**MISCELLANEOUS EXPENDITURE**

**SCHEDULE - 14**

(to the extent not written off or adjusted)

Issue expenses of Debentures / Shares on Rights basis	17.90	24.68
Less: Written off during the year	6.78	6.78
	<u>11.12</u>	<u>17.90</u>

**SCHEDULES TO PROFIT & LOSS ACCOUNT**

**OTHER INCOME**

**SCHEDULE - 15**

(Rupees in lakhs)

	<b>This Year</b>	<b>Previous Year</b>
Processing and Job Work Income	<b>28.31</b>	54.70
Freight and other sales expenses recovered	<b>1202.89</b>	1157.40
Subsidy on Superphosphate sales	<b>301.36</b>	232.65
Rents received	<b>12.42</b>	11.55
Dividend received	<b>126.53</b>	185.79
Interest from Banks and Others	<b>68.68</b>	60.43
Interest on Investments	<b>13.49</b>	12.98
Miscellaneous Receipts	<b>51.63</b>	62.81
Profit on Sale of Assets	<b>7.81</b>	45.19
Sales tax refund received	<b>46.60</b>	2.04
Provisions / Credit balances written back	<b>434.87</b>	45.72
Claims received	<b>163.37</b>	248.86
Income from agriculture (Net)	<b>0.72</b>	3.32
Income of earlier years	----	3.08
Provision for diminution in value of investments credited back	----	21.42
Impairment provision reversed	<b>36.58</b>	----
Tariff reduction recovered from APGPCL	<b>94.00</b>	----
Difference in exchange	----	6.98
	<b>2589.26</b>	2154.92

1) Dividend income includes:

i) from Trade Investments - in subsidiaries	<b>122.16</b>	183.24
- in others	<b>3.46</b>	2.55
ii) from Non-Trade investments	<b>0.91</b>	----

2) Tax deducted at source :

-- on Interest income	<b>10.10</b>	12.09
-- On Processing charges received	<b>0.71</b>	4.21
-- On Rents received	<b>3.29</b>	3.08

**OPENING AND CLOSING STOCKS**

**SCHEDULE - 16**

Opening Stock:		
Work-in-process	<b>125.20</b>	339.51
Finished goods	<b>16753.51</b>	17921.58
	<b>16878.71</b>	18261.09
Closing Stock:		
Work-in-process	<b>158.79</b>	125.20
Finished goods	<b>14598.81</b>	16753.51
	<b>14757.60</b>	16878.71

**PAYMENTS AND BENEFITS TO EMPLOYEES**

**SCHEDULE - 17**

Salaries, Wages and Bonus	<b>2393.14</b>	2263.68
Contribution to Provident, Gratuity and other funds	<b>354.18</b>	371.94
Workmen and Staff Welfare Expenses	<b>152.34</b>	130.17
	<b>2899.66</b>	2765.79



## The Andhra Sugars Limited

**MANUFACTURING AND OTHER EXPENSES****SCHEDULE - 18**

(Rupees in lakhs)

	<b>This Year</b>	<b>Previous Year</b>
Stores & Spares consumed (including packing materials)	<b>1150.13</b>	1035.97
Power and Fuel	<b>6762.38</b>	5120.78
Insurance	<b>139.85</b>	136.62
Sugarcane Development Expenses	<b>38.56</b>	79.65
Royalty	----	0.01
Repairs to Buildings	<b>137.45</b>	150.86
Repairs to Machinery	<b>2003.24</b>	2113.36
Repairs to Other Assets	<b>237.29</b>	227.93
Advertisement and Sales Promotion	<b>11.81</b>	13.53
Handling, Transport & Expenses at Sales Depots	<b>1324.09</b>	1261.08
Commission on Sales	<b>62.91</b>	61.99
Rent	<b>11.54</b>	13.97
Equipment lease rentals	<b>28.42</b>	48.72
Directors' Sitting Fee	<b>1.09</b>	0.48
Managerial Remuneration (Note No.27)	<b>665.76</b>	473.16
Payments to Auditors (Note No.24)	<b>8.85</b>	7.99
Miscellaneous Expenses	<b>472.13</b>	533.96
Donations	<b>75.20</b>	24.00
Loss on sale of Assets	<b>8.12</b>	0.15
Issue expenses of Shares/Debentures written off	<b>6.78</b>	6.78
Bad debts	<b>260.44</b>	3.81
Tools written off	<b>19.89</b>	19.41
Assets written off	<b>14.00</b>	3.37
Claims written off	<b>4.17</b>	----
Stores & Spares written off	<b>19.92</b>	2.98
Loss on sale / conversion of Investments	<b>7.89</b>	21.32
Provision for Doubtful Debts	<b>27.51</b>	----
Difference in exchange	<b>2.47</b>	----
	<b>13501.89</b>	11361.88

**EXCISE DUTY AND TAXES****SCHEDULE - 19**

Excise Duty	<b>4108.44</b>	3690.41
Purchase Tax on Sugarcane	<b>550.52</b>	535.39
Rates and Taxes	<b>207.35</b>	188.12
	<b>4866.31</b>	4413.92

**INTEREST****SCHEDULE - 20**

On Fixed period loans from banks	<b>1045.49</b>	1139.19
On Fixed deposits from whole-time Directors	<b>75.03</b>	65.27
On other Accounts	<b>803.01</b>	1083.79
	<b>1923.53</b>	2288.25

**DIVIDENDS****SCHEDULE - 21**

Proposed dividend	<b>1626.43</b>	1084.28
Tax on above	<b>228.11</b>	141.70
	<b>1854.54</b>	1225.98

## NOTES FORMING PART OF THE ACCOUNTS

## SCHEDULE - 22

(Rupees in lakhs)

As at 31-3-2005	As at 31-3-2004
--------------------	--------------------

## 1. CONTINGENT LIABILITIES NOT PROVIDED FOR:

a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>1035.36</b>	3951.11
b) On letter of credit opened with Bankers for purchase of material	<b>1274.74</b>	3058.84
c) Uncalled liability on partly paid shares held as Investments	<b>24.66</b>	24.66
d) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	<b>0.01</b>	0.01
e) Claims not acknowledged by the company relating to the following areas:		
i) Excise	<b>54.10</b>	61.86
ii) Customs	<b>15.61</b>	12.23
iii) Sales Tax	<b>33.42</b>	33.42
iv) State Levies	<b>122.08</b>	111.73
v) Suppliers and Service contract	<b>82.82</b>	82.82
vi) Labour related	<b>14.21</b>	14.21

2. Under the provisions of "The Levy Sugar Price Equalisation Fund Act, 1976" the excess amount collected over the notified levy sale price pursuant to the interim stay granted by the Courts vests in the fund. In a writ petition No: 1534/76 filed by the Company against these provisions, the High Court of Andhra Pradesh has held that provisions of the said Act are not applicable to the excess collections made prior to 15-6-1972, against which the Union Government filed a civil appeal No: 274/79 before the Supreme Court, which is pending.

While admitting the appeal, the Supreme Court granted stay of operation of Judgement of A.P. High Court in W.P.No: 1534/76 and directed the Company to furnish a Bank Guarantee for Rs.9.60 lakhs being the difference in levy Sugar price for the Sugar Season 1969-70. The Bank Guarantee was furnished on 7-12-1979 in favour of Registrar, High Court of Andhra Pradesh. Interest, if any, payable under the said Act, estimated at Rs.52.28 lakhs (Rs. 50.55 lakhs) has not been provided for in the accounts pending final legal decision in the matter.

3. No provision has been made in the accounts towards additional cane price for the years 1974-75 to 1979-80, if any, payable to the cane growers, arising out of the orders of Supreme Court in C.A. No: 274/79 which is estimated by the company at Rs.46.07 lakhs. The company has along with other sugar companies claimed on the Govt. that additional levy price of sugar for the said years should also be revised consequent on revision of cane price referred to above. The net impact of the above is not determinable.

4. No provision has been made towards the liability, if any, that may arise towards the sales tax portion of the cost of Rock Phosphate purchased on high seas basis from Minerals and Metal Trading Corporation of India (MMTC) for the years 1977-78 to 1988-89 estimated at Rs.23.22 lakhs. The Company has furnished an indemnity to MMTC for the amount.

5. "Sundry Creditors" includes Rs.7.53 lakhs received from State Trading Corporation (STC) towards damages for breach of Contract pursuant to the orders of the Appellate Authorities/ Arbitrators. Since further Appeals preferred by the S.T.C. before the higher appellate authorities are pending, the said amount is not recognised as revenue in the year of receipt, pending disposal of final appeal.

6. The Company has given undertakings / assurance to APIDC, IDBI, ICICI and other Institutions not to dispose of its share holdings in The Andhra Petrochemicals Limited, and Andhra Pradesh Gas Power Corporation Limited without the prior consent of the institutions until the loans payable by the said companies to the said institutions are fully repaid.
7. In the opinion of the management, all the amounts stated under sundry debtors and loans and advances are recoverable at the values at which they are stated.
8. Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.
9. Based on the information available with the company regarding the state of its creditors, there are no dues payable to Small Scale Industrial Undertakings as on the date of the balance sheet. The Auditors have relied upon the said information.
10. Donations include an amount of Rs. 10 lacs contributed to Bharatiya Janatha Party during the year.
11. In accordance with the provision of Accounting Standard AS-28 "Impairment of Assets", issued by the Institute of Chartered Accountants of India, effective from 1st April, 2004, the company has provided an amount Rs. 942.20 lacs towards impairment of its fixed assets held at its Bhimadole Sugar Unit. Accordingly, an amount of Rs. 625.05 lacs (Gross impairment of Rs. 942.20 lacs less deferred tax asset of Rs. 317.15 lacs) has been adjusted against the General Reserves as at 1st April, 2004.
12. During the year the company has treated its Alum unit as a discontinuing operation. The said unit was being reported under others in the segment information. The carrying amount of the total assets of the unit were written off during the year, pending disposal, and constituted the only expense attributable to the said discontinuing operation. There were no liabilities attributable to the said operation. There were no other activities in the said unit during the year.
13. Loans and Advances in the nature of loans given to subsidiary Hindustan Allied Chemicals Limited as per clause 32 of the listing agreement is Rs. 0.46 lakhs as on 31.03.2005 (Maximum balance outstanding during the year is same). The investment in the Equity shares of the company is Nos. 328760.

**The Andhra Sugars Limited**

**14. SALES**

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugar	M.T	132427	20933.02	122204	16330.61
Molasses	M.T	70	1.89	8501	146.14
Industrial Alcohols & Ethanol	K.L	2433	563.93	3458	498.19
Acetic Acid	M.T	1300	462.91	1450	365.98
Acetic Anhydride	M.T	1314	752.72	1335	574.96
Ethyl Acetate	M.T	21	9.17	12	4.81
Aspirin	M.T	297	436.54	488	650.71
Caustic Soda	M.T	82166	11609.17	76158	10113.57
Caustic Potash	M.T	7306	2158.35	7071	2032.72
Chlorine	M.T	48385	3292.33	45292	3129.04
Hydrochloric Acid	M.T	78436	1565.97	69873	1277.32
Sodium Hypochlorite	M.T	9917	194.02	4604	137.59
Hydrogen gas	CU.MT	2229091	292.91	2127105	291.45
Chlorosulphonic Acid	M.T	8687	463.90	8629	443.63
Sulphuric Acid	M.T	17802	483.88	21212	553.15
Superphosphate	M.T	46363	1201.40	35793	890.03
UDMH / UH 25	M.T	124	676.02	92	534.71
Mono Methyl Hydrazine	M.T	8	133.37	8	143.44
Sunflower Oil	M.T	51	10.90	1123	585.18
Vanaspati	M.T	----	----	1226	554.96
Rice Bran & Other Extractions	M.T	49	2.21	268	4.77
Cattle Feed	M.T	1832	104.27	1653	93.62
Others		----	430.00	----	361.29
			<b>45778.88</b>		<b>39717.87</b>

NOTE: The above figures include Excise Duty recovered: **4206.65** **3836.93**

**15. Stores and Spares consumed and the value of 'Sales' are after excluding the value of the Products internally produced and consumed at the market value.**

**69.79** **48.14**

**16. RAW MATERIALS CONSUMED:**

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugarcane	M.T.	918587	9368.44	892631	8884.63
Phenol	M.T.	374	250.93	554	273.21
Sulphur	M.T.	15007	702.02	15679	623.50
Rockphosphate	M.T.	27463	815.71	19046	497.09
Salt	M.T.	140310	1939.58	129638	1418.83
Potassium Chloride	M.T.	9562	1008.60	9688	765.80
Sunflower Crude Oil	M.T.	----	----	907	380.39
Vanaspati Oils	M.T.	----	----	1016	353.20
Extractions for Cattle feed	M.T.	1954	63.09	1714	66.07
Other raw materials		----	384.10	----	216.01
			<b>14532.47</b>		<b>13478.73</b>

Note: Where one class of goods is used in the manufacture of another, consumption of raw materials and sales have been arrived at after deducting inter unit transfers. Excise duty, if any, is adjusted in Schedule No. 19.

## 17. OPENING AND CLOSING STOCKS OF FINISHED GOODS:

(Rupees in lakhs)

PRODUCTS	UNIT	OPENING STOCKS		CLOSING STOCKS	
		THIS YEAR QUANTITY	PREVIOUS YEAR QUANTITY	THIS YEAR QUANTITY	PREVIOUS YEAR QUANTITY
SUGAR	MT	130090	149991	105085	130090
MOLASSES	MT	21898	27631	28582	21898
SULPHURIC ACID	MT	1310	831	1645	1310
OLEUM	MT	24	37	2	24
SUPERPHOSPHATE	MT	2	1166	3572	2
CAUSTIC SODA	MT	781	1272	462	781
CAUSTIC POTASH	MT	408	177	404	408
CHLORINE	MT	256	327	174	256
SODIUM HYPOCHLORITE	MT	6	11	23	6
HYDROCHLORIC ACID	MT	123	494	159	123
INDUSTRIAL ALCOHOL	KL	32	611	331	32
FUSEL OIL	KL	1	---	2	1
ACETIC ACID	MT	31	30	26	31
ACETIC ANHYDRIDE	MT	53	164	78	53
ETHYL ACETATE	MT	18	16	4	18
CHLOROSULPHONIC ACID	MT	294	329	238	294
ASPIRIN	MT	74	28	71	74
ORGANIC DIERIVATIVES OF HYDRAZINE OR FOR HYDROXYL					
AMINE	MT	4	9	8	4
H.T.P.B.	MT	---	---	4	---
SUNFLOWER OIL	MT	---	271	---	---
RICE BRAN AND OTHER EXTRACTIONS	MT	---	1	---	---
VANASPATI	MT	---	196	---	---
HYDROGEN	CU.MTR	5506	5226	4680	5506
BARIUM SULPHATE	MT	40	8	8	40
WIND POWER (BANKED WITH POWER GRID OF APSEB)	UNITS	2026976	1139323	91326	2008142
ELECTRICITY	UNITS	9923011	9349108	1555115	9923011
OTHERS					
<b>TOTAL</b>					

18. PARTICULARS REGARDING CAPACITY AND PRODUCTION:

CLASS OF GOODS	C A P A C I T Y		A C T U A L P R O D U C T I O N	
	LICENCED	INSTALLED	Year ended March, 2005	Year ended March, 2004
1 Sugar				
a. Tanuku	5,000 MT Cane/Day	5,000 MT Cane/Day	49534 MT	61494 MT
Molasses (By-product of Sugar)			50911 MT	24182 MT
Taduvai	2,500 MT Cane/Day	2,500 MT Cane/Day	19066 MT	40840 MT
Molasses (By-product of Sugar)			7037 MT	15593 MT
Bhimadole	1,600 MT Cane/Day	1,600 MT Cane/Day	2993 MT	----
Molasses (By-product of Sugar)			1343 MT	1506 MT
Acetic Acid	1,080 MT/annum	1,080 MT/annum	1575 MT	1671 MT
Acetic Anhydride	720 MT/annum	720 MT/annum	66 MT	73 MT
Ethyl Acetate	1,268 MT/annum	1,268 MT/annum	----	----
Butyl Acetate	1,268 MT/annum	1,268 MT/annum	7094 KL	7386 KL
Industrial Alcohol	9,900 KL/annum	9,900 KL/annum	244 MT	387 MT
Carbon Dioxide	5,000 MT/annum	5,000 MT/annum	298 MT	537 MT
Aspirin	1,000 MT/annum	1,000 MT/annum	5 Kg.	330 Kg.
H.T.P.B.	180 MT/annum	180 MT/annum	----	----
Caustic Soda (Kovvur)			22115 MT	27769 MT
a. Caustic Soda	46,200 MT/annum	46,200 MT/annum	38972 MT	34896 MT
b. Hydrochloric Acid	28,710 MT/annum	28,710 MT/annum	10145 MT	16900 MT
	(100% basis)	(100% basis)	7011 MT	7093 MT
Chlorine	29,730 MT/annum	29,730 MT/annum	8558 MT	2626 MT
d. Caustic Potash	2,500 MT/annum	2,500 MT/annum	43933 MT	41915 MT
e. Sodium Hypochlorite	1,650 MT/annum	1,650 MT/annum	49932 MT	34629 MT
Sulphuric Acid	45,000 MT/annum	45,000 MT/annum	8631 MT	8594 MT
Superphosphate	66,000 MT/annum	66,000 MT/annum	----	----
Chlorosulphonic Acid	20,000 MT/annum	20,000 MT/annum	63762 MT	50926 MT
Alum	3,000 MT/annum	3,000 MT/annum	54548 MT	49037 MT
Caustic Soda (Saggonda)			38848 MT	29029 MT
a. Caustic Soda	132,000 MT/annum	132,000 MT/annum	1376 MT	1973 MT
b. Hydrochloric Acid	40,000 MT/annum	40,000 MT/annum	2228265 CUMTR	2148289 CUMTR
	(100% basis)	(100% basis)	52 MT	57 MT
Chlorine	76,000 MT/annum	76,000 MT/annum	----	----
d. Sodium Hypochlorite	6,600 MT/annum	6,600 MT/annum	----	----
e. Hydrogen gas	1,000 MT/annum	1,000 MT/annum	----	----
Barium Sulphate	1,330 MT/annum	1,330 MT/annum	741 MT	522 MT
f. Sulphuric Acid	99,000 MT/annum	99,000 MT/annum	----	----
Liquid Hydrogen	330 MT/annum	330 MT/annum	----	----
Chlorosulphonic Acid (Saggonda)	33,000 MT/annum	33,000 MT/annum	138 MT	132 MT
Oleum	6,600 MT/annum	6,600 MT/annum	----	----
Diffusers	4 Nos	4 Nos	15	15
Chemical Equipment	392 MT/annum	392 MT/annum	741 MT	522 MT
Sugar Factory Boiling House Equipment	1,000 MT/annum	1,000 MT/annum	----	----
Organic Derivatives of Hydrazine			138 MT	132 MT
or of Hydroxyl Amine	250 MT/annum	250 MT/annum	----	----
Crushing and processing of seeds and oil bearing vegetable produce	63,000 MT/annum	63,000 MT/annum	138 MT	132 MT
Vegetable oil refining	18,000 MT/annum	18,000 MT/annum	267	267
Hydrogenation of Oils	12,600 MT/annum	12,600 MT/annum	1773	1773
Cattle and Poultry Feed	15,000 MT/annum	15,000 MT/annum	1036	1036
Wind Power	2.025 MW	2.025 MW	1656	1656
Electricity	7 MW	7 MW	2601702 Units	2664863 Units
Bagasse	7 MW	7 MW	19740340 Units	27129410 Units
			278077 MT	247643 MT

- The above licenced capacities are as registered with the concerned authorities, wherever necessary, consequent to delicensing of the respective products.
- Production of Electrical energy is Net after deductions towards wheeling and banking charges.
- The installed capacities are as certified by the Managing Director.

**19. Comparison between consumption of Imported and Indigenous Raw Materials during the year :**

	(Rupees in lakhs)			
	This year		Previous year	
	Value	Percentage	Value	Percentage
Imported	2526.34	17	1120.59	8
Indigenous	12006.13	83	12358.14	92
	<u>14532.47</u>		<u>13478.73</u>	

**20. Comparison between Consumption of Imported and Indigenous spare parts and components during the year (charged to appropriate heads):**

Imported	629.55	12	602.95	17
Indigenous	4610.46	88	3017.24	83
	<u>5240.01</u>		<u>3620.19</u>	

**21. Value of Imports made by the company during the year calculated on C.I.F. basis:**

Capital Goods	135.67	----
Components and Spare Parts	624.34	579.47
Raw - materials	2411.00	784.75
	<u>3171.01</u>	<u>1364.22</u>

	This Year	Previous Year
<b>22. Earnings in foreign exchange on FOB basis:</b>	2.57	NIL

**23. Expenditure incurred in foreign currency:**

Books and Periodicals	0.61	7.19
Foreign travel (excluding tickets purchased in India)	9.95	16.19
Delegation fee	0.15	5.28
Sales expenses	----	0.72
Professional charges	42.78	9.18

**24. Payments made to Auditors:**

As Auditors	3.00	2.97
As Tax Auditors and for other Tax matters	2.10	1.08
Fee for Certification including limited review etc.,	2.17	2.25
Reimbursement of out of pocket expenses	0.59	0.53
	<u>7.86</u>	<u>6.83</u>
As Cost Auditors	0.80	0.86
Fee for Certification	0.09	0.18
Reimbursement of out of pocket expenses	0.10	0.12
	<u>8.85</u>	<u>7.99</u>

(Rs. in lakhs)

This Year Previous Year

**25. During the year the company has incurred the following expenditure on Research and Development which was included under respective heads in the Profit and Loss Account:**

Salaries, Wages and Bonus	37.54	32.41
Contribution to Provident, Gratuity and other funds	6.55	5.65
Workmen and Staff Welfare Expenses	3.79	1.65
Materials consumed	13.23	12.06
Power and Fuel	1.28	1.17
Repairs to Assets	1.45	2.44
Miscellaneous Expenses	5.97	6.59
Depreciation	8.10	8.37
	<u>77.91</u>	<u>70.34</u>

**26. (A) Revenue expenditure does not include the following, which formed part of the cost of capital equipment internally manufactured for captive usage.**

Salaries, Wages and Bonus	41.18	9.68
Contribution to Provident, Gratuity and other funds	3.50	0.89
Workmen and Staff Welfare Expenses	2.42	0.46
Power and Fuel	5.47	0.57
Insurance	0.16	---
Repairs to Assets	10.00	0.46
Miscellaneous Expenses	0.42	0.01
Tools written off	0.47	---
Depreciation	0.52	0.19
	<u>64.14</u>	<u>12.26</u>

**(B) Revenue expenditure capitalised during the year includes among others:**

Salaries, Wages and Bonus	21.95	---
Contribution to P.F. & other funds	1.23	---
Workmen & Staff welfare expenses	0.32	---
Stores and spares consumed	2.26	---
Insurance	22.32	0.08
Power & Fuel	19.59	---
Taxes & Licences	4.62	1.30
Repairs & Maintainance - Plant & Machinery	6.98	---
Consultancy charges	181.50	16.80
Miscellaneous expenses	19.35	0.72
Tools Written off	0.24	---
Borrowing Costs as per AS16		
-- Term Loan Processing & Upfront fee	---	14.00
-- Interest Paid to Banks on fixed period loans	312.86	4.05
	<u>593.22</u>	<u>36.95</u>
Less: Interest received	1.71	---
	<u>591.51</u>	<u>36.95</u>



**27. Computation of Net Profits in accordance with Sec.349 of the Companies Act.**

		(Rs. in lakhs)
Net Profit as per Profit & Loss account		<b>6464.34</b>
Add: Sitting fees	<b>1.09</b>	
Remuneration provided	<b>665.76</b>	
Profit on sale of assets in accordance with Section 349	<b>7.81</b>	
Depreciation provided	<b>2058.83</b>	<b>2733.49</b>
	-----	-----
		<b>9197.83</b>
Less: Depreciation in accordance with Sec.350	<b>2058.83</b>	
Profit on sale of assets	<b>7.81</b>	
	-----	-----
		<b>2066.64</b>
		-----
Net Profit in accordance with Sec.349		<b>7131.19</b>
		-----

Details of the remuneration to the Whole-time Directors (including Managing Director)

	This Year	Previous Year
Salary	<b>34.80</b>	34.80
Contribution to Provident, Gratuity and other Funds	<b>10.07</b>	10.07
Other perquisites	<b>14.74</b>	16.72
Commission at 8.5% on net profit computed above	<b>606.15</b>	411.57
	-----	-----
	<b>665.76</b>	473.16
	-----	-----

**28. Major components of deferred tax assets and liabilities arising on account of timing differences are:**

Particulars	Assets	Liabilities
1. Depreciation	---	<b>4628.00</b>
2. Amounts disallowed u/s 43B of Income Tax Act, 1961	<b>165.30</b>	---
3. Unabsorbed losses under the Income Tax Act, 1961	<b>10.68</b>	---
4. Provision for doubtful debts	<b>10.33</b>	---
5. Payments under VRS	<b>21.15</b>	---
6. Disallowance u/s 40 (a) of Income Tax Act, 1961	<b>9.38</b>	---
	-----	-----
	<b>216.84</b>	<b>4628.00</b>
	-----	-----
Deferred Tax (Net)		<b>4411.16</b>

**29. GENERAL:**

Figures have been rounded off to the nearest thousand.  
 Previous year figures have been regrouped wherever necessary.  
 Figures in brackets are for previous year.

Per our report of even date:  
 For Brahmayya & Company  
 Chartered Accountants  
 C. Murali Krishna  
 Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad    Chairman & Managing Director  
 A. Ranga Rao    Director  
 M. Bulli Abbayi    Secretary

Camp : TANUKU  
 Date : 30-07-2005

TANUKU  
 30-07-2005

**CASH FLOW STATEMENT FOR THE YEAR**

	(Rupees in lakhs)	
	2004-2005	2003-2004
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before Tax and extra-ordinary items	6464.34	4389.81
ADJUSTMENTS FOR:		
Depreciation	2058.83	1792.03
Assets written off	14.00	3.37
Interest (Net)	1841.36	2217.56
Provision for diminution in value of investments credited back	----	-21.42
Impairment provision reversed credited to P&L a/c	-36.58	----
Profit/Loss on sale of assets (Net)	0.31	-45.04
Dividends received	-126.53	-185.79
Issue expenses of shares/debentures written off	6.78	6.78
Investments written off	----	0.13
Loss on conversion / sale of investments	7.89	21.32
	-----	-----
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	10230.40	8178.75
Trade and other receivables	-1185.02	-2474.48
Inventories	1346.59	802.42
Trade payables	588.58	960.61
	-----	-----
CASH GENERATED FROM OPERATIONS	10980.55	7467.30
Direct taxes paid	-1570.02	-1208.49
Refund of taxes	2.83	9.11
	-----	-----
NET CASH FROM OPERATING ACTIVITIES.....A	9413.36	6267.92
	-----	-----
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	-13749.22	-5623.92
Sale of Investments	172.12	----
Sale of Fixed Assets	15.74	52.60
Purchase of Investments	-1779.06	-1094.39
Interest received	82.17	70.69
Dividends received	126.53	185.79
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES.....B	-15131.72	-6409.23
	-----	-----
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Share Capital in arrears received	----	0.40
Share premium in arrears received	----	0.80
Redemption of Debentures (including premium)	----	-267.33
Proceeds from borrowings/loans	8511.26	3556.89
Dividends paid	-1084.28	-677.83
Interest paid	-1923.53	-2288.25
	-----	-----
NET CASH FROM FINANCING ACTIVITIES.....C	5503.45	324.68
	-----	-----
<b>INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>-214.91</b>	<b>183.37</b>
	-----	-----
Cash and Cash equivalents as on 01.4.2004	1218.54	1035.17
Cash and Cash equivalents as on 31.3.2005	1003.63	1218.54
	-----	-----
	<b>-214.91</b>	<b>183.37</b>
	-----	-----

Per our report of even date:  
For Brahmayya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad      Chairman & Managing Director  
A. Ranga Rao      Director  
M. Bulli Abbayi      Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005

**Statement Pursuant to Section 212 of the Companies Act, 1956.**

**JOCIL LIMITED**

1. The Andhra Sugars Limited held 24,43,250 Equity Shares of Rs.10/- each fully paid-up out of the total paid-up shares of 44,40,575 amounting to Rs.4,44,05,750/-.
2. The Subsidiary Company earned a profit of Rs. 14,70,66,853/- for the year ended 31st March, 2005 and no part of this dealt with in the Holding Company's Accounts.

**THE ANDHRA FARM CHEMICALS CORPORATION LIMITED**

1. The Andhra Sugars Limited held 3,45,700 Equity Shares of Rs.10/- each fully paid-up out of the total subscribed shares of 4,50,000.
2. The Subsidiary Company earned a Profit of Rs. 1,32,76,318/- for the year ended 31st March, 2005 and no part of this dealt with in the Holding Company's Accounts.

**HINDUSTAN ALLIED CHEMICALS LIMITED**

1. The Andhra Sugars Limited held 3,28,760 Equity Shares of Rs.2.50 ps. per share called and paid-up out of the total subscribed shares of 4,25,012 of Rs.10/- each.
2. The Subsidiary Company earned a profit of Rs.20,472/- for the year ended 31st March, 2005 and no part of this dealt with in the Holding Company's Accounts.

Since the accounting year of the Subsidiary Companies, coincide with that of the Holding Company, furnishing of information relating to material changes of Subsidiary Companies, does not arise.

FOR AND ON BEHALF OF THE BOARD

TANUKU  
30-07-2005

Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
A. Ranga Rao	Director
M. Bulli Abbayi	Secretary

**PARTICULARS DISCLOSED PURSUANT TO “ACCOUNTING STANDARD -18  
RELATED PARTY DISCLOSURES”**

**(A) LIST OF RELATED PARTIES:**

**1) Subsidiary Companies:**

- (a) JOCIL LIMITED
- (b) The Andhra Farm Chemicals Corpn. Ltd.,
- (c) Hindustan Allied Chemicals Ltd.,

**2) Key Management Personnel (KMP):**

**Wholetime Directors**

Dr. Mullapudi Harischandra Prasad  
Dr. B.B. Ramaiah  
Sri P. Narendranath Chowdary  
Sri M. Narendranath  
Sri M. Thimmaraja  
Sri P. Achuta Ramayya  
Sri P.S.R.V.K. Ranga Rao

**3) Relatives of Key Management Personnel:**

Sri B.V.V.S. Ramesh Kumar	Son of Dr. B.B.Ramaiah
Smt. J. Anantha Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. K. Rama Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. N.V. Ramanamma	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. Y. Narayanamma	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. CH. Ravanamba	Sister of Dr.Mullapudi Harischandra Prasad
Smt. J. Gangabhavani Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. Y. Rajeshwari Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. M. Chandramathi Devi	Wife of Dr.Mullapudi Harischandra Prasad
Smt. G. Anuradha	Daughter of Sri M.Narendranath
Kum. M. Jayashree	Daughter of Sri M. Narendranath
Sri M. Vikram Prasad	Son of Sri M. Narendranath
Smt. M. Narayanamma	Wife of Sri M. Narendranath
Kum. M. Devi	Daughter of Sri M.Thimmaraja
Smt. M. Renuka	Wife of Sri M. Thimmaraja
Sri M. Mrutyumjaya Prasad	Son of Sri M. Thimmaraja
Kum. P. Divya Atchmamba	Daughter of Sri P. Achuta Ramayya
Kum. P. Sruthi Rajeswari	Daughter of Sri P. Achuta Ramayya
Smt. P. Sesa Shailaja	Wife of Sri P. Achuta Ramayya
Sri P. V. Krishna Rao	Brother of Sri P. Narendranath Chowdary
Smt. E. Rama Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. J. Akkamamba	Sister of Sri P.Narendranath Chowdary
Smt. J. Usha Rani	Sister of Sri P.Narendranath Chowdary
Smt. N. Anantha Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. M. Kamala Devi	Sister of Sri P. Narendranath Chowdary
Smt. S.B. Ranganayaki	Sister of Sri P. Narendranath Chowdary
Kum. P.A.L. Satyavathi Devi	Daughter of Sri P. Narendranath Chowdary
Smt. P. Jhansi Jayalakshmi	Wife of Sri P. Narendranath Chowdary
Kum. P. Meghana Srisai Sujatha	Daughter of Sri P.S.R.V.K. Ranga Rao
Smt. P. Sujatha	Mother of Sri P.S.R.V.K. Ranga Rao
Smt. P. Usha Lakshmi	Wife of Sri P.S.R.V.K. Ranga Rao
Chy. P.P. Sri Narendrarayudu	Son of Sri P.S.R.V.K. Ranga Rao

**4) Enterprises in which Key Management Personnel and/or their relatives have significant influence :**

Jaya Industries  
 Jayalakshmi Fertilisers  
 Jayalakshmi Chemical Enterprises Private Limited  
 S P V K R M Trust, Dommeru  
 Sree Akkamamba Textiles Limited  
 Sree Mullapudi Venkataramanamma Memorial Hospital  
 Mullapudi Venkatarayudu Eye Centre  
 Mullapudi Kamala Devi Cardio Vascular Centre

**5) Associate Company:**

The Andhra Petrochemicals Limited

**(B) TRANSACTIONS WITH THE RELATED PARTIES:**

(Rupees in lakhs)

PARTICULARS	Subsidiary Companies	Entities in which KMP or their relatives have significant influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
Purchase of Goods from	107.06 (39.78)	389.72 (195.99)	0.00 (0.00)	28.23 (17.23)	25.79 (23.75)
Purchase of Fixed Assets from	156.00 (0.00)	0.00 (2.60)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered by	28.42 (48.72)	0.00 (6.30)	0.00 (0.00)	9.64 (1.69)	0.80 (0.70)
Sale of Goods to	299.10 (265.32)	759.77 (630.30)	22.13 (14.98)	0.00 (0.00)	0.00 (0.00)
Sale of Fixed Assets to	0.00 (0.00)	0.16 (0.00)	5.18 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	14.11 (17.85)	2.00 (0.20)	0.41 (0.55)	1.56 (1.43)	1.09 (0.73)
Interest Paid to	153.13 (168.45)	0.00 (0.00)	0.00 (0.00)	75.03 (65.27)	106.11 (67.15)
Remunerations (incl. Comm. ) paid to	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	665.76 (473.16)	0.00 (0.00)
Donations paid to	0.00 (0.00)	50.00 (5.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	0.00 (0.00)	12.08 (29.81)	0.00 (0.00)	150.21 (93.90)	267.22 (176.15)
Dividend Received from	122.16 (183.24)	2.80 (1.68)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Balances as at 31-03-2005:</b>					
a) Share Capital held by the company, in	479.10 (479.10)	1.75 (1.75)	423.98 (423.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	0.46 (1.39)	62.99 (31.76)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the the company held by	0.00 (0.00)	119.33 (119.33)	0.00 (0.00)	376.17 (375.61)	668.13 (704.61)
d) Loans / Intercorporate loans received from	1600.00 (1400.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
e) Fixed Deposits Received from	4.00 (1.50)	0.00 (0.00)	0.00 (0.00)	706.30 (595.95)	1187.10 (617.12)
f) Payable - Trade dues	60.52 (0.00)	6.05 (14.09)	0.00 (0.00)	0.00 (3.59)	0.00 (4.46)
- Dues on Current a/c	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
- Interest on F.D's.	0.10 (0.04)	0.00 (0.00)	0.00 (0.00)	17.26 (17.12)	28.24 (2.13)
- Remuneration (incl. Comm.)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	608.33 (413.32)	0.00 (0.00)

**The Andhra Sugars Limited - Group Consolidated Financial Statements**

**AUDITORS' REPORT**

To  
The Board of Directors  
THE ANDHRA SUGARS LIMITED  
TANUKU

We have examined the attached Consolidated Balance Sheet of THE ANDHRA SUGARS LIMITED and its subsidiaries as at March 31, 2005, and the Consolidated Profit and Loss Account and the Cash flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of THE ANDHRA SUGARS LIMITED and its subsidiaries included in the consolidated financial statements and in accordance with the requirements of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India with regard to the investment of The Andhra Sugars Limited in its Associate company.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of THE ANDHRA SUGARS LIMITED and its aforesaid subsidiaries, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of THE ANDHRA SUGARS LIMITED and its subsidiaries as at March 31, 2005.
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of THE ANDHRA SUGARS LIMITED and its subsidiaries for the year then ended, and
- c) the Consolidated Cash flow statement is in agreement with the aforesaid consolidated Profit and Loss Account and Balance Sheet and gives a true and fair view of the consolidated cash flows of the company for the year ended on that date.

CAMP : TANUKU  
Date : 30-07-2005

For BRAHMAYYA & CO.,  
Chartered Accountants  
C. MURALI KRISHNA  
(ICAI Membership No.20884)  
Partner

**BALANCE SHEET AS AT 31st MARCH, 2005**

		(Rupees in lakhs)	
		As at 31-3-2005	As at 31-3-2004
I SOURCES OF FUNDS	Schedule		
<b>1) Shareholders' Funds</b>			
a) Capital	1	<b>2711.01</b>	2711.01
b) Reserves & Surplus	2	<b>20682.30</b>	18329.80
		<b>23393.31</b>	21040.81
<b>2) Minority Interest</b>		<b>3478.66</b>	3107.84
<b>3) Loan Funds</b>			
a) Secured Loans	3	<b>21047.38</b>	13154.48
b) Unsecured Loans	4	<b>9373.92</b>	9580.50
		<b>30421.30</b>	22734.98
<b>4) Deferred Tax Net</b>			
a) Liability		<b>5175.71</b>	4918.33
b) Asset		<b>217.25</b>	469.32
		<b>4958.46</b>	4449.01
TOTAL		<b>62251.73</b>	51332.64
<b>II APPLICATION OF FUNDS</b>			
<b>1) Fixed Assets</b>			
a) Gross Block	5	<b>57297.47</b>	45703.55
b) Less: Depreciation and impairment		<b>20794.81</b>	17934.78
c) Net Block		<b>36502.66</b>	27768.77
d) Capital work-in-progress at cost		<b>2844.14</b>	1013.76
e) Good Will		<b>191.98</b>	191.98
		<b>39538.78</b>	28974.51
<b>2) Investments</b>	6	<b>4311.66</b>	2712.66
<b>3) Current Assets, Loans &amp; Advances</b>			
a) Inventories	7	<b>19869.55</b>	21842.41
b) Sundry Debtors	8	<b>5493.75</b>	5153.59
c) Cash and Bank Balances	9	<b>1630.38</b>	1312.22
d) Other Current Assets	10	<b>19.93</b>	17.74
e) Loans and Advances	11	<b>9296.00</b>	8098.70
		<b>36309.61</b>	36424.66
Less: Current Liabilities & Provisions:			
a) Liabilities	12	<b>10877.40</b>	10133.94
b) Provisions	13	<b>7042.98</b>	6664.09
		<b>17920.38</b>	16798.03
Net Current Assets		<b>18389.23</b>	19626.63
<b>4) Miscellaneous Expenditure</b>	14	<b>12.06</b>	18.84
TOTAL		<b>62251.73</b>	51332.64

NOTE: The schedules, notes and Statement on Accounting Policies form an integral part of the Balance Sheet.

Per our report of even date:  
For Brahmayya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD  
Dr. Mullapudi Harischandra Prasad  
A. Ranga Rao  
M. Bulli Abbayi

Chairman & Managing Director  
Director  
Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005

The Andhra Sugars Limited - Group Consolidated Financial Statements

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005**

		(Rupees in lakhs)	
INCOME	Schedule	This Year	Previous Year
Sales		54563.77	48736.76
Transport charges		185.35	213.09
Other Income	15	2863.44	2158.28
		<u>57612.56</u>	<u>51108.13</u>
<b>EXPENDITURE</b>			
Opening Stocks	16	17736.37	19064.88
Raw Materials consumed		18183.93	17697.59
Payments & Benefits to Employees	17	3487.54	3300.79
Expenses	18	15304.11	13253.46
Excise Duty and Taxes	19	5739.65	5322.35
Interest	20	1788.86	2174.76
Depreciation		2638.50	2371.14
		<u>64878.96</u>	<u>63184.97</u>
Less: Closing Stocks	16	15332.49	17736.37
		<u>49546.47</u>	<u>45448.60</u>
Profit for the year		8066.09	5659.53
Add: Excess provision of depreciation of earlier years		----	5.41
Excess prov. of Deferred Tax made in earlier years withdrawn		73.67	----
Income Tax refund received		2.83	----
Excess provision of Income Tax		0.03	69.28
		<u>8142.62</u>	<u>5734.22</u>
<b>Less: Provisions for:</b>			
Current Tax		1686.08	1803.25
Deferred Tax (Net)		900.28	196.96
Wealth Tax		2.00	1.50
Short provision of Income tax made in earlier years		6.50	----
Profit after Tax		<u>5547.76</u>	<u>3732.51</u>
Add: Withdrawal from Investment Allowance reserve		----	3.85
Withdrawal from Debenture redemption reserve		----	480.00
		<u>5547.76</u>	<u>4216.36</u>
Less: Minority Interest		516.95	438.74
Profit after Taxes and Minority Interest		5030.81	3777.62
Add: Balance brought forward from last year		2321.72	2962.67
		<u>7352.53</u>	<u>6740.29</u>
Balance available for appropriation		<u>7352.53</u>	<u>6740.29</u>
<b>APPROPRIATIONS</b>			
General Reserve		3539.19	3100.00
Interim Dividend Paid		----	49.92
Provision for final dividend		1800.70	1084.28
Provision for Tax on distributable profits		252.55	184.37
Balance taken to Balance Sheet		1760.09	2321.72
		<u>7352.53</u>	<u>6740.29</u>
<b>Basic Earnings per Share:</b>			
(Profit after tax/No. of equity shares)			
Profit after tax		5030.81	3777.62
No. of equity shares		27107078	27107078
Basic Earnings per share			
(Face value of Rs. 10/- each) Rs.		18.56	13.94
Notes forming part of the accounts.	21		

NOTE : The schedules, notes and Statement on Accounting Policies form an integral part of the Profit & Loss Account.

Per our report of even date:  
For Brahmaya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD  
Dr. Mullapudi Harischandra Prasad  
A. Ranga Rao  
M. Bulli Abbayi

Chairman & Managing Director  
Director  
Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005



## SCHEDULES TO BALANCE SHEET

### SHARE CAPITAL

#### SCHEDULE - 1

(Rupees in lakhs)

As at  
31-3-2005                      As at  
31-3-2004

#### AUTHORISED CAPITAL

28750000	Equity shares of Rs.10/- each	<b>2875.00</b>	2875.00
30000	9.5% First Cumulative Redeemable Preference Shares of Rs.100/- each	<b>30.00</b>	30.00
95000	9.5% Second Cumulative Redeemable Preference Shares of Rs.100/- each	<b>95.00</b>	95.00
		<b>3000.00</b>	3000.00

#### ISSUED CAPITAL

27113091	Equity Shares of Rs.10/- each	<b>2711.31</b>	2711.31
----------	-------------------------------	----------------	---------

#### SUBSCRIBED AND PAID UP CAPITAL

27107078	Equity Shares of Rs.10/- each	<b>2710.71</b>	2710.71
	Add: Forfeited shares	<b>0.30</b>	0.30
		<b>2711.01</b>	2711.01

### RESERVES AND SURPLUS

#### SCHEDULE - 2

General Reserve	<b>17290.54</b>	14376.42
Securities Premium	<b>1560.70</b>	1560.70
Capital Reserve	<b>70.67</b>	70.67
Forfeited Debentures	<b>0.30</b>	0.30
Surplus in Profit & Loss A/c	<b>1760.09</b>	2321.71
	<b>20682.30</b>	18329.80

The Andhra Sugars Limited - Group Consolidated Financial Statements

**SECURED LOANS**

**SCHEDULE - 3**

(Rupees in lakhs)

<b>As at</b>	<b>As at</b>
<b>31-3-2005</b>	<b>31-3-2004</b>

**FROM BANKS:**

i) Term Loans	<b>11386.15</b>	4882.00
ii) Cash Credit	<b>9661.23</b>	8272.48
	-----	-----
TOTAL	<b>21047.38</b>	13154.48
	-----	-----

**UNSECURED LOANS**

**SCHEDULE - 4**

Fixed Deposits from Shareholders	<b>1575.73</b>	1385.15
Fixed Deposits from Others	<b>3920.40</b>	3563.76
Short term loan from banks	<b>2005.31</b>	3007.43
Sugarcane Development Fund (Covered under Bank guarantee)	<b>15.09</b>	30.17
Sales Tax Deferment Loan	<b>1857.39</b>	1593.99
	-----	-----
	<b>9373.92</b>	9580.50
	-----	-----

**FIXED ASSETS**

**SCHEDULE - 5**  
(Rupees in lakhs)

	GROSS BLOCK				DEPRECIATION BLOCK	NET BLOCK
	Cost as at 31-3-04	Additions during the year	Deductions during the year	Cost as at 31-3-05	Dep. Upto 31-3-05	WDV as at 31-3-05
1) Land	760.34	29.19	4.26	785.27	--	785.27
2) Buildings	4559.57	626.15	12.90	5172.82	1370.34	3802.48
3) Plant and Machinery	37641.75	11449.61	599.83	48491.52	17659.52	30832.00
4) Renewable Energy Plant : Wind Farm	706.08	----	----	706.08	391.50	314.58
5) Tramways and Railway Sidings	156.23	----	----	156.23	120.10	36.13
6) Furniture & Fittings	747.91	46.73	63.40	731.24	537.35	193.89
7) Vehicles and Materials Handling Equipment	1131.67	181.57	58.93	1254.31	716.00	538.31
<b>TOTAL</b>	45703.55	12333.25	739.32	57297.47	20794.81	36502.66
Previous Year	39733.43	6265.59	295.47	45703.55	17934.78	27768.77

The Andhra Sugars Limited - Group Consolidated Financial Statements

**INVESTMENTS**

**SCHEDULE - 6**  
(Rupees in lakhs)

	<b>As at 31-3-2005</b>	As at 31-3-2004
<b>A) TRADE INVESTMENTS:</b>		
- Equity Shares - in associates (quoted)	<b>432.19</b>	432.19
- in others (quoted)	<b>5.17</b>	5.17
- Equity Shares - (un-quoted)	<b>3656.74</b>	2077.80
<b>B) NON-TRADE INVESTMENTS:</b>		
- Equity Shares (Quoted)	<b>1.88</b>	1.88
- Equity Shares (Unquoted)	<b>60.00</b>	60.00
- In Govt. Securities	<b>0.26</b>	0.32
- In Mutual Funds	<b>65.42</b>	45.30
- Redeemable Non-Convertible Bonds	<b>90.00</b>	90.00
	<b>4311.66</b>	2712.66

**INVENTORIES**

(As certified by the respective Managing Directors)

Stores and Spares & Tools and Implements

Raw Materials

Work-in-process

Finished Goods

Goods in Transit

Crops under cultivation

**SCHEDULE - 7**

<b>2430.70</b>	2379.77
<b>2101.47</b>	1710.01
<b>387.50</b>	400.48
<b>14944.98</b>	17335.90
----	12.53
<b>4.90</b>	3.72
<b>19869.55</b>	21842.41

**SUNDRY DEBTORS**

**SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months

Unsecured-considered good

Unsecured-considered doubtful

<b>470.08</b>	490.20
<b>30.69</b>	3.18

<b>500.77</b>	493.38
---------------	--------

Less: Provision for Doubtful Debts

<b>30.69</b>	3.18
--------------	------

<b>470.08</b>	490.20
---------------	--------

b) Other Debts: Unsecured-considered good

<b>5023.67</b>	4663.39
----------------	---------

<b>5493.75</b>	5153.59
----------------	---------

**CASH AND BANK BALANCES**

**SCHEDULE - 9**

Cash and Cheques on hand

Balances with Scheduled Banks in

Current Accounts

Fixed Deposit Accounts

<b>20.18</b>	20.80
--------------	-------

<b>803.08</b>	539.53
---------------	--------

<b>807.12</b>	751.89
---------------	--------

<b>1630.38</b>	1312.22
----------------	---------

**OTHER CURRENT ASSETS**

**SCHEDULE - 10**

Interest accrued on Investments and Deposits

<b>19.93</b>	17.74
--------------	-------

<b>19.93</b>	17.74
--------------	-------

The Andhra Sugars Limited - Group Consolidated Financial Statements

**LOANS AND ADVANCES**

**SCHEDULE - 11**

(Rupees in lakhs)

	As at 31-3-2005	As at 31-3-2004
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	2684.22	2646.90
Unsecured considered doubtful	0.03	0.03
	<u>2684.25</u>	<u>2646.93</u>
Less: Provision for doubtful Advances	0.03	0.03
	<u>2684.22</u>	<u>2646.90</u>
Prepaid Expenses	110.29	125.50
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	1232.79	393.00
Advance payment of Income Tax	4013.34	4088.23
Income Tax deducted at source	187.77	344.77
Income Tax refund receivable	17.98	17.03
Deposits recoverable	361.98	260.38
Claims recoverable	331.04	211.92
Balance with Customs, Port Trust etc.	6.59	10.97
Intercorporate Loans	350.00	----
	<u>9296.00</u>	<u>8098.70</u>

**LIABILITIES**

**SCHEDULE - 12**

Sundry Creditors		
Due to Small Scale Industrial undertakings	36.52	0.63
Due to Others	10135.97	9690.38
(incl. Rs. 608.33 lakhs (424.22 lakhs) due to directors of Group Companies)		
Advances received against sales	388.67	143.43
Trade Deposits	73.82	71.44
Staff security deposit	5.72	5.34
Interest accrued but not due on Loans	140.91	137.49
Dividends declared pending payment / encashment	54.50	45.55
Advance interest subsidy received	----	7.84
Unclaimed matured fixed deposits	37.15	26.17
Unclaimed interest on matured deposits and debentures	4.14	4.70
Unclaimed matured debentures	----	0.97
	<u>10877.40</u>	<u>10133.94</u>

**PROVISIONS**

**SCHEDULE - 13**

For Income Tax	4647.05	5016.65
For Wealth Tax	4.50	3.25
For Proposed Dividend (by subsidiary company)	302.43	222.03
For Proposed Dividend (by parent company)	1626.42	1084.28
For Tax on Distributable Profits	270.53	170.15
For Leave Encashment on Retirement	192.05	167.73
	<u>7042.98</u>	<u>6664.09</u>

**MISCELLANEOUS EXPENDITURE**

**SCHEDULE - 14**

(to the extent not written off or adjusted)

Preliminary Expenses		
Issue expenses of Debentures / Shares on Rights basis	18.84	25.62
Less: Written off during the year	6.78	6.78
	<u>12.06</u>	<u>18.84</u>

The Andhra Sugars Limited - Group Consolidated Financial Statements

**SCHEDULES TO PROFIT & LOSS ACCOUNT**

**OTHER INCOME**

**SCHEDULE - 15**

(Rupees in lakhs)

	<b>This Year</b>	<b>Previous Year</b>
Income from Job Works	<b>28.31</b>	54.70
Freight and other sales expenses recovered	<b>1202.89</b>	1147.00
Subsidy on Superphosphate sales	<b>301.36</b>	232.65
Rents received	<b>10.31</b>	7.94
Dividend income (Gross)	<b>127.03</b>	125.30
Interest income from Banks and Others (Gross)	<b>132.43</b>	103.58
Miscellaneous Receipts	<b>69.76</b>	57.98
Profit on Sale of Assets	<b>138.13</b>	60.93
Provisions no longer required and Credit balances written back	<b>436.30</b>	47.92
Sales Tax refund received	<b>46.60</b>	2.04
Claims received	<b>225.53</b>	269.50
Income from agriculture	<b>0.72</b>	3.32
Bad debts recovered	----	0.96
Excess provision of doubtful debts and advances credited back	----	3.08
Difference in exchange	----	6.98
Interest income on investment	<b>13.49</b>	12.98
Provision for dimuntion in value of investments credited back	----	21.42
Impairment Provision reversed	<b>36.58</b>	----
Tariff reduction recovered from APGPCL	<b>94.00</b>	----
	<b>2863.44</b>	2158.28

**OPENING AND CLOSING STOCKS**

**SCHEDULE - 16**

Opening Stock:		
Work-in-process	<b>400.48</b>	632.31
Finished goods	<b>17335.89</b>	18432.57
	<b>17736.37</b>	19064.88
Closing Stock:		
Work-in-process	<b>387.50</b>	400.48
Finished goods	<b>14944.99</b>	17335.89
	<b>15332.49</b>	17736.37

**PAYMENTS AND BENEFITS TO EMPLOYEES**

**SCHEDULE - 17**

Salaries, Wages and Bonus	<b>2867.22</b>	2692.62
Contribution to Provident, Gratuity and other funds	<b>452.10</b>	455.88
Workmen and Staff Welfare Expenses	<b>168.22</b>	152.29
	<b>3487.54</b>	3300.79

The Andhra Sugars Limited - Group Consolidated Financial Statements

**MANUFACTURING AND OTHER EXPENSES**

**SCHEDULE - 18**

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1518.83	1539.09
Power and Fuel	7130.78	5434.79
Insurance	195.03	192.67
Sugarcane Development Expenses	38.56	79.65
Royalty	----	0.01
Repairs to Buildings	197.53	209.06
Repairs to Machinery	2345.86	2403.60
Repairs to Other Assets	244.75	230.49
Advertisement and Sales Promotion	19.77	20.19
Handling, Transport & Expenses at Sales Depots	1445.70	1376.67
Commission on Sales	156.17	158.50
Rent	16.21	18.90
Equipment lease rentals	----	0.02
Directors' Sitting Fee	2.43	2.03
Managerial Remuneration	698.99	499.86
Payments to Auditors	11.44	9.94
Miscellaneous Expenses	550.12	629.26
Donations	111.40	74.23
Loss on sale of Assets	9.11	0.22
Issue expenses of Shares/Debentures written off	6.78	6.78
Bad debts written off	263.96	3.81
Debit balances written off	0.18	5.30
Tools written off	23.50	24.55
Assets written off	14.13	3.68
Processing charges paid	50.16	92.77
Freight on materials	190.76	213.09
Stores & Spares written off	19.92	2.98
Loss on sale/conversion of investments	7.89	21.32
Claims written off	4.17	----
Provision for doubtful debts	27.51	----
Difference in exchange	2.47	----
	-----	-----
	<b>15304.11</b>	<b>13253.46</b>
	-----	-----

**EXCISE DUTY AND TAXES**

**SCHEDULE - 19**

Excise Duty	4968.63	4589.95
Purchase Tax on Sugarcane	550.52	535.39
Rates and Taxes	220.50	197.01
	-----	-----
	<b>5739.65</b>	<b>5322.35</b>
	-----	-----

**INTEREST**

**SCHEDULE - 20**

On Debentures and fixed period loans	1063.30	1041.69
On Fixed Deposits/Loans from whole time Directors	75.24	65.27
To Banks and on other Accounts	650.32	1067.80
	-----	-----
	<b>1788.86</b>	<b>2174.76</b>
	-----	-----

## NOTES FORMING PART OF THE ACCOUNTS

### SCHEDULE – 21

#### 1. Basis of preparation

The Andhra Sugars Limited (ASL), the parent company has prepared the group consolidated financial statements by consolidating its accounts and those of its subsidiaries viz., JOCIL Limited, The Andhra Farm Chemical Corporation Limited and Hindustan Allied Chemicals Limited in accordance with Accounting Standard-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Financial Statements of the Subsidiaries used in the consolidation are drawn upto the same reporting date as that of the parent company i.e., year ended 31<sup>st</sup> March,2005.

#### 2. Principles of Consolidation:

The consolidated financial statements of the group are prepared according to the accounting policies as stated in the "Statements on Accounting Policies" in the respective group companies and published separately. The accounting policies of the group companies are uniform except for the method of charging depreciation in respect of some of the items of like assets. It is not practicable to use uniform accounting policies in preparing the consolidated financial statements, and in the opinion of the management, the effect of such differences in the accounting policies is not material.

#### 3. Minority Interest:

Subsidiary companies	% Voting power held as at 31st March, 2005
a. JOCIL Limited	44.97
b. The Andhra Farm Chemical Corporation Limited	23.17
c. Hindustan Allied Chemicals Limited	22.64

#### 4. Associates:

The Andhra Sugars Limited and its other group companies hold 24.81% of the share capital of The Andhra Petrochemicals Limited (APL) as on 31.3.2005. Therefore APL is treated as an associate, and investment in it is recognized in the accounts using the equity method in accordance with the Accounting Standard – 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The accounting policies of APL are broadly comparable to those of ASL.

The gross cost of the investments of the Group companies in the shares of the said Associate company, at the date of this Balance Sheet was Rs.2519.21 lakhs. After making a provision of Rs.2087.02 lakhs for diminution in value in accordance with AS – 13 "Accounting for Investments", their net carrying value stood at Rs.432.19 lakhs. The carrying cost of the said investments after applying the equity method to their gross cost in accordance with AS – 23 "Accounting for investments in Associates in Consolidated financial statements" works out to Rs.2137.93 lakhs, including capital reserve arising on the said acquisition. As a prudent practice the said investments are reflected in the consolidated financial statements at the lower of the two values. There was no income from the associate during the year.



**The Andhra Sugars Limited - Group Consolidated Financial Statements**

**5. Major components of deferred tax assets and liabilities arising on account of timing differences are:**

Particulars	(Rs. in lakhs)	
	Assets	Liabilities
1. Depreciation	----	<b>5182.85</b>
2. Amounts disallowed u/s 43 B of Income Tax Act, 1961.	<b>172.85</b>	----
3. Unabsorbed losses under the Income Tax Act, 1961	<b>10.68</b>	----
4. Provision for doubtful debts	<b>10.33</b>	----
5. Payment under VRS	<b>21.15</b>	----
6. Disallowance u/s 40(a) of Income Tax Act, 1961	<b>9.38</b>	----
	-----	-----
	<b>224.39</b>	<b>5182.85</b>
	-----	-----
Net deferred tax liability		<b>4958.46</b>

(Rupees in lakhs)

As at 31-3-2005                      As at 31-3-2004

**6 CONTINGENT LIABILITIES NOT PROVIDED FOR:**

a) Estimated amount of contracts remaining to be executed on Capital Account	<b>1040.49</b>	3985.49
b) On letters of credit opened with Bankers	<b>1274.74</b>	3058.84
c) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	<b>0.01</b>	0.01
d) Uncalled liability on partly paid shares held as investments	<b>24.66</b>	24.66
e) Claims not acknowledged by the company relating to the following areas.		
i) Excise	<b>232.45</b>	205.88
ii) Customs	<b>15.61</b>	12.23
iii) Sales Tax	<b>33.42</b>	33.42
iv) State Levies	<b>176.84</b>	111.73
v) Suppliers and Service contract	<b>85.47</b>	85.35
vi) Labour related	<b>14.21</b>	14.21

7. In the case of The Andhra Sugars Limited, under the provisions of "The Levy Sugar Price Equalisation Fund Act, 1976" the excess amount collected over the notified levy sale price pursuant to the interim stay granted by the Courts vests in the fund. In a writ petition No:1534/76 filed by the Company against these provisions, the High Court of Andhra Pradesh has held that provisions of said Act are not applicable to the excess collections made prior to 15-6-1972, against which the Union Government filed a civil appeal No:274/79 before the Supreme Court, which is pending.

While admitting the appeal, the Supreme Court granted stay of operation of Judgement of A.P. High Court in W.P.No: 1534/76 and directed the Company to furnish a Bank Guarantee for Rs.9.60 lakhs being the difference in levy Sugar price for the Sugar Season 1969-70. The Bank Guarantee was furnished on 7-12-1979 in favour of Registrar, High Court of Andhra Pradesh. Interest, if any, payable under the said Act, estimated at Rs.50.55 lakhs has not been provided for in the accounts pending final legal decision in the matter.

8. In the case of The Andhra Sugars Limited, no provision is made in the accounts towards additional cane price for the years 1974-75 to 1979-80, if any, payable to the cane growers, arising out of the orders of Supreme Court in C.A. No: 274/79 which is estimated by the company at Rs.46.07 lakhs. The company has along with other sugar companies claimed on the Govt. that additional levy price of sugar for the said years should also be revised consequent on revision of cane price referred to above. The net impact of the above is not determinable.

## The Andhra Sugars Limited - Group Consolidated Financial Statements

9. In the case of The Andhra Sugars Limited, no provision has been made in the accounts towards the liability if any, that may arise towards sales tax portion of the cost of rock phosphate purchased on high seas from MMTC for the years 1977-78 to 1988-89, estimated at Rs.23.22 lakhs. The company has furnished an indemnity to MMTC for the said amount.
10. In the case of The Andhra Sugars Limited, "Sundry Creditors" includes Rs.7.53 lakhs received from S.T.C. towards damages for breach of Contract pursuant to the orders of the Appellate Authorities/ Arbitrators. Since, further Appeals preferred by the S.T.C. before the higher appellate authorities are pending, the said amount is not recognised as revenue in the year of receipt, pending disposal of final appeal.
11. In the case of The Andhra Sugars Limited, the Company has given undertakings / assurance to APIDC, IDBI, ICICI and other Institutions not to dispose of its share holdings in The Andhra Petrochemicals Limited, and Andhra Pradesh Gas Power Corporation Limited without the prior consent of the institutions until the loans payable by the said companies to the said institutions are fully repaid.
12. In the case of The Andhra Sugars Limited, Donations include an amount of Rs. 10 lakhs contributed to Bharatiya Janata party during the year.
13. In the case of The Andhra Sugars Limited, in accordance with the provisions of Accounting Standard AS-28 "Impairment of Assets", issued by the Institute of Chartered Accountants of India, effective from 1st April, 2004, the company has provided an amount of Rs. 942.20 lakhs towards impairment of its fixed assets held at its Bhimadole Sugar Unit. Accordingly, an amount of Rs. 625.05 lakhs (Gross impairment of Rs. 942.20 lakhs less deferred tax asset of Rs. 317.15 lakhs) has been adjusted against the General Reserves as at 1st April, 2004.
14. In the case of Jocil Limited, the power supplied by the Company was billed at the old rate Rs. 3.48 per kwh, applicable for the year 2003-04, as the Company is of the opinion that the revised tariff rate effective from 1-10-2001 fixed by Andhra Pradesh Electricity Regulatory Commission (the Commission) is very low and the Biomass Energy Developers Association, Hyderabad which the company is a member filed a petition before the Hon'ble High Court for review of the revised tariff. The Hon'ble High Court by its interim orders on 20-08-2004 directed A.P. Transco to pay at the revised tariff rate plus 50% of the rate difference between the old rate and the revised tariff rate (sum of which is referred to as new rate herein below) until the final decision on the issue. Accordingly amount payable by AP Transco as per the directions of the Hon'ble A.P. High Court at the new rate has been recognized as income and the balance of Rs. 77.22 lakhs has not been considered.

The Company has been supplying the entire surplus power to A.P. Transco in accordance with the Policy of the Commission. However, AP Transco has restricted its payment since May 2003 to 2.4 MW only, the capacity indicated in the Power Purchase Agreement. The petition filed by the Company for purchase of entire surplus power and payment thereof is before the Commission. Based on legal advice, the company has recognized the amount due on this account from AP Transco aggregating to Rs. 223.88 lakhs till 31st March, 2005 including Rs, 156.23 lakhs during the year, in the respective accounting years.

15. Disclosure as required by Accounting Standard-18 (AS-18) 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India are given in Annexure - I.

16. Segment information:

Particulars disclosed pursuant to Accounting Standard -17 "Segment Reporting" are given in Annexure – II

17. General:

Figures have been rounded off to the nearest thousand.  
Previous year figures have been regrouped wherever necessary.

Per our report of even date:	FOR AND ON BEHALF OF THE BOARD	
For Brahmayya & Company	Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
Chartered Accountants	A. Ranga Rao	Director
C. Murali Krishna	M. Bulli Abbayi	Secretary
Partner		

Camp : TANUKU	TANUKU
Date : 30-07-2005	30-07-2005

**GROUP CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2004 - 2005**

(Rupees in lakhs)

	2004-2005	2003-2004
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before Tax and extra-ordinary items	8066.09	5659.53
ADJUSTMENTS FOR:		
Depreciation	2638.50	2371.14
Assets written off	14.13	3.68
Impairment provision credited back	-36.58	----
Provision for diminution in value of investments credited back	----	-21.42
Interest (Net)	1642.94	2058.20
Profit/Loss on sale of assets (Net)	-129.02	-60.71
Dividends received	-127.03	-125.30
Issue expenses of shares/debentures written off	6.78	6.78
Loss on conversion of investments	7.89	21.45
	-----	-----
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12083.70	9913.35
Trade and other receivables	-1235.04	-2550.94
Inventories	1972.70	435.79
Trade payables	783.50	812.34
	-----	-----
CASH GENERATED FROM OPERATIONS	13604.86	8610.54
Direct taxes paid	-1998.66	-1582.97
Refund of taxes	2.83	9.37
	-----	-----
NET CASH FROM OPERATING ACTIVITIES.....A	11609.03	7036.94
	-----	-----
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	-14163.57	-6492.40
Sale of Fixed Assets	166.63	88.49
Sale of Investments	172.12	----
Purchase of Investments	-2329.06	-1094.49
Interest received	145.92	116.56
Dividends received	127.03	125.30
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES.....B	-15880.93	-7256.54
	-----	-----
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Share capital in arrears received	----	0.40
Share premium in arrears received	----	0.80
Redemption of Debentures (including premium)	----	-267.33
Proceeds from borrowings/loans	7686.72	3713.52
Dividends paid	-1307.80	-950.08
Interest paid	-1788.86	-2174.76
	-----	-----
NET CASH FROM FINANCING ACTIVITIES.....C	4590.06	322.55
	-----	-----
<b>INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>318.16</b>	<b>102.95</b>
	-----	-----
Cash and Cash equivalents as on 01.4.2004	1312.22	1209.27
Cash and Cash equivalents as on 31.3.2005	1630.38	1312.22
	-----	-----
	<b>318.16</b>	<b>102.95</b>
	-----	-----

Per our report of even date:  
For Brahmayya & Company  
Chartered Accountants  
C. Murali Krishna  
Partner

FOR AND ON BEHALF OF THE BOARD  
Dr. Mullapudi Harischandra Prasad  
A. Ranga Rao  
M. Bulli Abbayi

Chairman & Managing Director  
Director  
Secretary

Camp : TANUKU  
Date : 30-07-2005

TANUKU  
30-07-2005

**The Andhra Sugars Limited - Group Consolidated Financial Statements**

**ANNEXURE – I**

Particulars disclosed pursuant to “Accounting Standard -18 Related Party Disclosures”

**(A) LIST OF RELATED PARTIES:**

**1) Key Management Personnel: ( Viz: Wholetime Directors )**

**The Andhra Sugars Limited**

Dr. Mullapudi Harischandra Prasad  
Dr. B.B. Ramaiah  
Sri P. Narendranath Chowdary  
Sri M. Narendranath  
Sri M. Thimmaraja  
Sri P. Achuta Ramayya  
Sri P.S.R.V.K. Ranga Rao

**JOCIL Limited**

Sri J. Murali Mohan

**The Andhra Farm Chemicals Corporation Limited**

Sri P.V. Krishna Rao

**2) Relatives of Key Management Personnel:**

Sri B.V.V.S. Ramesh Kumar	Son of Dr. B.B.Ramaiah
Smt. M. Chandramathi Devi	Wife of Dr.Mullapudi Harischandra Prasad
Smt. CH. Ravanamba	Sister of Dr.Mullapudi Harischandra Prasad
Smt. J. Gangabhavani Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. Y. Rajeshwari Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. J. Anantha Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. N.V. Ramanamma	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. Y. Narayanammama	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. M. Narayanamma	Wife of Sri M. Narendranath
Kum. M. Jayashree	Daughter of Sri M. Narendranath
Smt. G. Anuradha	Daughter of Sri M.Narendranath
Sri M. Vikram Prasad	Son of Sri M. Narendranath
Smt. M. Renuka	Wife of Sri M. Thimmaraja
Kum. M. Devi	Daughter of Sri M.Thimmaraja
Sri M. Mrutyumjaya Prasad	Son of Sri M. Thimmaraja
Smt. P. Jhansi Jayalakshmi	Wife of Sri P. Narendranath Chowdary
Kum. P.A.L. Satyavathi Devi	Daughter of Sri P. Narendranath Chowdary
Smt. S.B. Ranganayaki	Sister of Sri P. Narendranath Chowdary
Smt. E. Rama Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. J. Akkamamba	Sister of Sri P.Narendranath Chowdary

## The Andhra Sugars Limited - Group Consolidated Financial Statements

Smt. J. Usha Rani	Sister of Sri P.Narendranath Chowdary
Smt. N. Anantha Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. M. Kamala Devi	Sister of Sri P. Narendranath Chowdary
Chy. P.V. Rayudu	Son of Sri P.V. Krishna Rao
Chy. P. Ravi	Son of Sri P.V. Krishna Rao
Smt. P. Sesha Shailaja	Wife of Sri P. Achuta Ramayya
Kum. P. Divya Atchmamba	Daughter of Sri P. Achuta Ramayya
Kum. P. Sruthi Rajeswari	Daughter of Sri P. Achuta Ramayya
Smt. P. Sujatha	Mother of Sri P.S.R.V.K. Ranga Rao
Smt. P. Usha Lakshmi	Wife of Sri P.S.R.V.K. Ranga Rao
Kum. P. Meghana Srisai Sujatha	Daughter of Sri P.S.R.V.K. Ranga Rao
Chy. P. P. Sri Narendrarayudu	Son of Sri P.S.R.V.K. Ranga Rao
Smt. J. Ganga Bhavani	Mother of Sri J.Murali Mohan
Smt. J.Sunitha Mohan	Wife of Sri J.Murali Mohan
Kum. J. Namrata	Daughter of Sri J.Murali Mohan
Smt. V. Indira	Sister of Sri J.Murali Mohan

### 3. Entities in which Key Management Personnel and/or their relatives have significant influence :

Jaya Industries  
Jayalakshmi Fertilisers  
Jayalakshmi Chemical Enterprises Private Limited  
S P V K R M Trust, Dommeru  
Sree Akkamamba Textiles Limited  
Sree Mullapudi Venkataramanamma Memorial Hospital  
Mullapudi Venkatarayudu Eye Centre  
Mullapudi Kamala Devi Cardio Vascular Centre

### 4) Associates:

The Andhra Petrochemicals Limited

The Andhra Sugars Limited - Group Consolidated Financial Statements

**(B) TRANSACTIONS WITH THE RELATED PARTIES:**

(Rupees in Lakhs)

PARTICULARS	Entities in which KMP or their relatives have significant influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
Purchase of Goods from	389.72 (195.99)	0.00 (0.00)	28.23 (17.23)	25.79 (23.75)
Purchase of Fixed Assets from	0.00 (2.60)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered by	0.00 (6.30)	0.00 (0.00)	9.64 (0.00)	1.37 (0.57)
Sale of Goods to	759.77 (630.30)	22.13 (14.98)	0.00 (0.00)	0.00 (0.00)
Sale of Fixed Assets to	0.16 (0.00)	5.18 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	2.00 (0.20)	0.41 (0.55)	1.56 (0.35)	1.09 (0.73)
Interest Paid to	0.00 (0.00)	0.00 (0.00)	75.24 (65.48)	106.29 (67.32)
Interest Received from	0.00 (0.00)	14.58 (0.00)	0.00 (0.00)	0.00 (0.00)
Remuneration (incl. Commission ) paid to	0.00 (0.00)	0.00 (0.00)	698.99 (499.87)	0.00 (0.00)
Donations paid to	50.00 (5.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	12.08 (29.81)	0.00 (0.00)	150.65 (94.56)	267.84 (177.09)
Dividend Received from	2.80 (1.68)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Balances as at 31-03-2005:</b>				
a) Share Capital held by the company, in	1.75 (1.75)	463.98 (463.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	62.99 (31.76)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the the company held by	119.33 (119.33)	0.00 (0.00)	377.45 (376.89)	671.41 (707.89)
d) Fixed Deposits Received from	0.00 (0.00)	0.00 (0.00)	708.59 (598.26)	1189.20 (619.04)
e) Loans/Intercorporate loans given to	0.00 (0.00)	350.00 (0.00)	0.00 (0.00)	0.00 (0.00)
f) Payable - Trade dues	6.05 (14.09)	0.00 (0.00)	0.00 (3.59)	0.00 (4.46)
- Interest on F.D's.	0.00 (0.00)	0.00 (0.00)	17.26 (17.12)	28.24 (2.13)
- Remuneration (including Commission)	0.00 (0.00)	0.00 (0.00)	608.33 (420.63)	0.00 (0.00)

ANNEXURE – II

(Rs. in Lakhs)

STATEMENT SHOWING SEGMENT WISE ANALYSIS AS ON 31-03-2005

Description	SUGARS		CAUSTIC SODA		POWER GENERATION		INDUSTRIAL CHEMICALS		SOAP		OTHERS		ELIMINATIONS		CONSOLIDATED		
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
<b>REVENUE :</b>																	
External Sales	20934.91	16476.73	19142.21	16743.50	681.12	764.00	8924.64	8359.50	2725.04	3275.23	2341.19	3330.89	---	---	54749.12	48949.85	---
Inter-segment sales	1334.66	1123.62	316.00	324.60	1945.43	1836.34	3077.40	2954.55	---	---	44.15	47.07	6717.64	6286.18	---	---	---
Total Revenue	22269.57	17600.35	19458.21	17068.11	2626.55	2600.34	12002.04	11314.05	2725.04	3275.23	2385.34	3377.96	6717.64	6286.18	54749.12	48949.85	---
<b>RESULT :</b>																	
Segment result before Interest, extraordinary items	4522.81	2116.35	4054.45	4301.98	656.98	805.47	1772.53	1749.36	642.65	427.52	688.10	607.72	---	---	12337.52	10008.40	---
Unallocated corporate expenses less Income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Operating Profit	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Interest expenses	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Provision for Diminution in the value of Investments credited back	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Interest income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Profit before tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Excess Provision of Depreciation Credited back	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Provision for current and deferred tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Net Profit after tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Investment allowance reserve withdrawn	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
<b>OTHER INFORMATION :</b>																	
Segment Assets (Net After Provision made towards impairment)	26001.69	26244.61	27236.68	18390.77	5721.68	3700.17	5068.81	5390.19	1279.08	1167.37	3266.45	3531.36	---	---	68574.39	58424.47	---
Unallocated Corporate Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Total Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Segment Liabilities	3753.02	5005.24	4701.14	3254.11	1278.46	77.58	455.87	544.84	119.04	63.69	1348.35	1843.44	---	---	11655.88	9305.08	---
Unallocated Corporate Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Total Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Capital Expenditure	2597.58	519.31	9087.30	1425.62	55.70	36.83	2064.92	667.38	254.35	516.63	191.49	250.17	---	---	53300.26	42619.33	---
Depreciation	579.09	430.22	1085.71	965.61	353.40	385.59	262.27	233.45	97.76	85.30	260.26	270.97	---	---	14251.35	3415.94	---
Non-cash Expenditure other than Depreciation	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---	---	---	6.78	6.78	---	---	6.78	6.78	---

NOTES :

- The company and its subsidiaries have disclosed Business Segment as the primary Segments. Segments have been identified taking into account the nature of Products, the different risks and returns, the organization structure and internal reporting system.
- The operations of the Parent Company and its subsidiaries predominantly relate to manufacture of Sugar, Caustic Soda, Soaps, Industrial Chemicals comprising mainly fatty acids Industrial alcohol, Acetic acid and its related products and Liquid propellants.
- The business segments that are disclosed under "Others" comprise Fertilizers, Bulk Drugs, Edible oils and Transportation receipts etc.,
- All the Group companies operate predominantly in the Indian markets and have no production facilities outside India. Hence, there are no separately reportable Geographical Segments.
- Inter Segment transfers are priced at market rates.

STATEMENT REGARDING SUBSIDIARY COMPANIES AS ON 31-03-2005

(Rupees in Lakhs)

Name of the Subsidiary Company	JOCIL Ltd.	The Andhra Farm Chemicals Corporation Limited	Hindustan Allied Chemicals Limited
1. Capital	444.11	45.00	10.63
2. Reserves	7178.63	163.84	-0.68
3. Total Assets	10018.96	435.94	10.50
4. Total Liabilities	2417.56	227.14	0.55
5. Details of Investments	21.34	0.04	----
6. Total Income	8981.87	862.25	0.27
7. Profit before taxation	1470.67	132.76	0.23
8. Provision for current Taxation	430.00	56.00	0.07
9. Profit after Taxation	1040.67	76.50	0.16
10. Proposed dividend	266.43	36.00	----