



# THE ANDHRA SUGARS LIMITED

## 59th ANNUAL REPORT

### 2005 - 2006

#### BOARD OF DIRECTORS :

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

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

**Justice G. Ramanujam**

**Sri A. Ranga Rao**

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

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

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

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

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

**Dr. P. Kotaiah**

**Sri V. S. Raju**

**Dr. Alapaty Appa Rao**

**Dr. Anumolu Ramakrishna**

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

#### COMPANY SECRETARY :

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

#### VICE PRESIDENT (Finance) :

**Sri 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.

<b>CONTENTS</b>	<b>PAGE NOS.</b>
Management	1
Contents	2
Notice	3
Directors' Report	5
Auditors' Report	39
Accounting Policies	44
General Business Profile	47
Balance Sheet	48
Profit & Loss Account	49
Schedules to Balance Sheet	50
Schedules to Profit & Loss Account	56
Notes to Accounts	58
Cash Flow Statement	67
Statement pursuant to Section 212 of the Companies Act, 1956	68
<b>CONSOLIDATED FINANCIAL STATEMENTS :</b>	
Auditors' Report	72
Consolidated Balance Sheet	73
Consolidated Profit & Loss Account	74
Schedules to Consolidated Balance Sheet	76
Schedules to Consolidated Profit & Loss Account	80
Notes to Consolidated Financial Statements	82
Consolidated Cash Flow Statement	86
Statement regarding Subsidiary Companies	91

# 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 NINTH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Wednesday the 20<sup>th</sup> day of September, 2006 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, 2006 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 2005-2006.
3. To appoint a Director in place of Justice G. Ramanujam who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri V. S. Raju who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. Alapaty Appa Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2006-07 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 Resolution as a Special Resolution.

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Article 120 of the Articles of Association of the Company be altered by substituting the figure 10,000/- in place of figure 5,000/- appearing in the 1<sup>st</sup> line thereof.

(BY ORDER OF THE BOARD)

For THE ANDHRA SUGARS LIMITED

Venkatarayapuram  
TANUKU  
22-07-2006

(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 Saturday the 16<sup>th</sup> September, 2006 to Wednesday the 20<sup>th</sup> September, 2006 (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 20<sup>th</sup> September, 2006. **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, 2006 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 Number in order to enable the Company to print their Bank Account on the Dividend Warrants.

## **The Andhra Sugars Limited**

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 1997-98 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 at the 59<sup>th</sup> Annual General Meeting as required under Corporate Governance.**

The information or details to be provided in respect of Directors seeking re-appointment at the 59<sup>th</sup> Annual General Meeting as required by Corporate Governance are given as under:

Justice G. Ramanujam joined as a Director on the Board on 30-01-2002.

Justice G. Ramanujam is the retired Chief Justice, Madras High Court. He has considerable experience in industrial and legal field. He is a Director on the Board of the Companies viz., Lakshmi Machine Works Ltd., Lakshmi Mills Co. Ltd., The Andhra Petrochemicals Ltd., Viswapriya Financial Services and Securities Ltd., Viswapriya Gold Hire Purchase Ltd., and Madras Stock Exchange Ltd. He is the Chairman of the Audit Committee constituted by the Board of Lakshmi Machine Works Ltd., Lakshmi Mills Co. Ltd. and The Andhra Petrochemicals Ltd. He is also a Member of Shareholders/Investors Grievance Committee constituted by the Board of Lakshmi Machine Works Ltd., & Lakshmi Mills Co. Ltd. Justice G. Ramanujam does not hold any equity shares in the company.

Sri V.S. Raju joined as a Director on the Board on 29-10-2003.

Sri V.S. Raju is former Registrar of Companies, Andhra Pradesh, Hyderabad and Karnataka, Bangalore. He also held the position of Secretary and Deputy Secretary in the Department of Company Affairs, New Delhi. He is practicing as an Advocate at Hyderabad and is eminent in Company Law matters. He is a Director on the Board of the Companies viz., JOCIL Ltd., Intensive Air Systems Ltd., Visual Soft Technologies Ltd., and Vishnu Chemicals Ltd. He is the Chairman of the Audit Committee constituted by the Board of JOCIL Ltd., Intensive Air Systems Ltd., Visual Soft Technologies Ltd., and Vishnu Chemicals Ltd. Sri V.S. Raju does not hold any equity shares in the company.

Dr. Alapaty Appa Rao joined as a Director on the Board on 30-04-2004.

Dr. Alapaty Appa Rao holds Ph.D. from Madras University and has long standing experience in the field of Agricultural Sciences. He served as Vice Chancellor of Andhra Pradesh Agricultural University. He is a Director on the Board of Usha Kiran Movies Ltd., Heritage Foods (India) Ltd. He is a Chairman of Audit Committee constituted by the Board of Usha Kiran Movies Ltd. and Member of Audit Committee constituted by the Board of Heritage Foods (India) Ltd. He is also a Member of Remuneration Committee constituted by the Board of Heritage Foods (India) Ltd. Dr. Alapaty Appa Rao does not hold any equity shares in the company.

### **ANNEXURE TO NOTICE**

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

##### **ITEM NO. 7**

As permitted by Article 120 of the Articles of Association of the Company, your company is presently paying a sitting fee of Rs. 5,000/- to each Director for attending each Meeting of the Board or Committee thereof. Your Board of Directors consider it advisable to increase the Sitting Fee payable from Rs. 5,000/- to Rs. 10,000/- for which purpose it is necessary to alter Article 120 of the Articles of Association of the Company.

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

Non-whole-time Directors shall be deemed to be interested or concerned in the Resolution.

(BY ORDER OF THE BOARD)

For THE ANDHRA SUGARS LIMITED

Venkatarayapuram  
TANUKU  
22-07-2006

(Dr. MULLAPUDI HARISCHANDRA PRASAD)  
Chairman & Managing Director

**DIRECTORS' REPORT**

To  
The Shareholders

Your Directors have pleasure in presenting this FIFTY NINTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS :**

(Rupees in lakhs)

	<b>This Year</b>	Previous Year
Sales	<b>54177.80</b>	45778.88
Other Income	<b>2980.63</b>	2552.68
	<b>57158.43</b>	48331.56
Profit for the year	<b>10984.55</b>	8486.59
Depreciation	<b>2505.33</b>	2022.25
Profit after depreciation	<b>8479.22</b>	6464.34
Add: Income Tax refund received	<b>4.25</b>	2.83
Excess provision of Income-tax credited back	<b>224.89</b>	----
	<b>8708.36</b>	6467.17
Less: Short provision for Income-tax	----	1.95
	<b>8708.36</b>	6465.22
Less: Provision for Current Tax	<b>1500.00</b>	1200.00
Provision for Fringe Benefit Tax	<b>50.00</b>	----
Provision for Deferred Tax	<b>1124.99</b>	900.28
Provision for Wealth Tax	<b>2.00</b>	2.00
Profit after Tax	<b>6031.37</b>	4362.94
Add: Balance brought forward from last year	<b>1433.72</b>	2050.37
Profit available for appropriation	<b>7465.09</b>	6413.31
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	<b>2400.00</b>	3125.05
Proposed Dividend on Equity Shares @ 75% (Last Year Dividend on Equity Shares @ 60%)	<b>2033.04</b>	1626.43
Tax on distributable profits	<b>285.13</b>	228.11
Balance carried forward to next year	<b>2746.92</b>	1433.72
	<b>7465.09</b>	6413.31

## The Andhra Sugars Limited

### PERFORMANCE:

Your Directors are glad to report that 2005-06 was another year of impressive performance. Sales increased by 18% at Rs. 541.78 Crores from Rs. 457.79 Crores. Gross profit increased to Rs.84.79 Crores from Rs. 64.64 Crores. Profit after tax increased by 38% at Rs. 60.31 Crores as compared to profit of Rs. 43.63 Crores achieved last year. Higher operating efficiency coupled with increased volume and price of the major products like Sugar and Caustic Soda, contributed to the increased profits. Your Company continues to focus its strategy on expansion to avail the benefit of emerging business opportunities and building a strong business around its core sectors, Sugar and Caustic Soda.

### DIVIDENDS:

For the year 2004-05 a Dividend of 60% on Equity Shares was paid. Based on the commendable performance of the Company, your Directors are pleased to recommend a Dividend of 75% on Equity Shares for the year 2005-06. The out-flow towards Dividend payment including tax on distributable profits would amount to Rs. 23.18 Crores. The Dividend if approved by the Shareholders will be paid to all the eligible Shareholders.

### CAPITAL & RESERVES:

#### Authorised and Paid Up Capital

The Authorised Capital of the Company is Rs.30 Crores and the Paid-up Capital is Rs. 27.11 Crores.

#### Reserves

With the transfer of Rs. 24.00 Crores during the year under report, the total Reserves as on 31.3.2006 stand at Rs. 203.22 Crores against Rs. 166.08 Crores as on 31.3.2005.

### REVIEW OF OPERATIONS:

#### SUGAR UNITS:

Your Directors are glad to report that the three Sugar Units in aggregate crushed 12,25,565 M.T. of cane during the 2005-06 season against 9,18,586 M.T. crushed during the previous season. The crushing operations and cane price paid to the cane suppliers for the 2005-06 season are :-

	SUGAR UNIT – I TANUKU		SUGAR UNIT – II TADUVAI		SUGAR UNIT-III BHIMADOLE	
	Season 2005-06	Season 2004-05	Season 2005-06	Season 2004-05	Season 2005-06	Season 2004-05
<b>(A) Crushing details:</b>						
Total cane crushed (MT)	<b>4,73,869</b>	4,33,111	<b>5,41,118</b>	4,22,517	<b>2,10,578</b>	62,958
Total No. of days crushed	<b>114</b>	104	<b>163</b>	128	<b>123</b>	58
Total Sugar produced(MT)	<b>51,354</b>	49,534	<b>61,960*</b>	51,314	<b>22,195</b>	7,037
Average Recovery	<b>10.84%</b>	11.46%	<b>11.41%</b>	12.05%	<b>10.54%</b>	10.97%
<b>(B) Cane price:</b>						
Statutory Minimum						
Cane price (per M.T.)	<b>1015.00</b>	973.80	<b>1067.80</b>	1017.80	<b>971.00</b>	—
Cane price paid (per M.T)**	<b>1160.00</b>	1060.00	<b>1184.00</b>	1094.00	<b>1160.00</b>	1060.00

\* operations carried on beyond 31.3.2006. Sugar produced upto 31.3.2006 is 57067 MT.

\*\* inclusive of Purchase Tax of Rs.60/- per M.T.

- Cane crushed by each Unit was higher than during the previous season.
- Each Unit has crushed more number of days as compared to previous season.
- Keeping in view the need to give the farmers a better income and a more remunerative price compared to that from other crops for the 2005-06 season your Company opted to pay a cane price higher than the statutory minimum price fixed by the Government.
- Sugar Unit – II, Taduvai achieved the highest recovery in the state.
- Sugar produced was also higher as compared to the previous season.
- Overall performance of the three Units was better than the previous season.

#### **POWER GENERATION :**

During the year under report the Power Generation Unit at Taduvai generated 2,30,03,940 Units against 1,97,40,340 Units generated in the previous year.

#### **PERFORMANCE OF CHEMICAL DIVISIONS:**

Performance of the Chemical Divisions continues to be impressive with satisfactory capacity utilisation being achieved. Production of Caustic Soda at Kovvur was discontinued in line with the directions of the APPCB. With the expanded capacity coming into operation and with higher capacity utilisation, the Caustic Soda Unit at Saggonda, which is one of the major contributor to the profit, performed well, achieving a profit of Rs.5,142.79 lakhs after depreciation against Rs.2449.49 lakhs after depreciation achieved in the previous year.

#### **WIND POWER UNITS:**

The Power generated at Ramagiri during the year is 23,51,600 Units against 26,01,702 Units generated in the previous year.

Your Directors are glad to report that your Company has set up four Wind Generators of 1.65 MW each, supplied by NEG Micon, totalling to 6.60 MW at the Wind Farm located at Veeranam in Tirunelveli District of Tamil Nadu at an investment of Rs.38.60 Crores. This region is endowed with natural advantage of having high velocity wind during most of the year that enables higher Power generation. All the four Wind Generators were commissioned as per the schedule during the year under report. Completion Certificate has been received from Tamil Nadu Electricity Board (TNEB). The Power generated is sold to TNEB as per the agreement entered into with them. The annual maintenance Contract has been awarded to NEG Micon. Upto 31<sup>st</sup> March, 2006, Power generated was 41,147 Units. In view of the encouragement given by the Central & State Governments for green energy, wind energy is expected to have a promising future being renewable and a clean source of energy. The Pay Back Period is long due to low Plant Load Factor (PLF) and high capital intensity. However, considering the revenues expected from the sale of Certified Emission Reductions (CERs), the project would be financially viable.

#### **PROJECTS:**

Your Directors are glad to report that the various projects undertaken by your Company were completed within the time schedule.

The 350 TPD expanded capacity of the Caustic Soda Plant at Saggonda enabled your Company to increase production of Caustic Soda to cater to the increased market demand.

A 300 TPD Sulphuric Acid Plant was installed at Saggonda during the year under report to meet the current market requirements and the future demand potential.

### **The Andhra Sugars Limited**

Having received the USFDA and EDQM (European Directorate for Quality Medicines) approval, your Company exported Aspirin to US and other European Countries. Your Directors are glad to report that the quality of Aspirin meets the overseas customers' requirement. This enabled your Company to export to U.S., Mexico, Taiwan and Australia. Your Company is in the process of firming up further export orders. As the International market is expected to provide better opportunity for Aspirin, the capacity of the Plant is proposed to be increased from 1000 TPA to 2500 TPA on obtaining the required statutory approvals.

Liquid Propellant System Centre (ISRO) awarded a contract to your Company for the establishment of a Plant for the production and supply of Liquid Hydrogen. Your Directors are glad to report that this Plant has been successfully commissioned. The product meets the requirement of ISRO. In respect of supply of UH-25 and MMH, your Company continues to meet the requirement of ISRO.

Conversion of the Mercury Cell based Caustic Potash plant to a Membrane Cell Plant at Kovvur is in progress. It is expected to be commissioned in the current year. With the commissioning of this conversion project, the old Mercury Cell Technology will be replaced by Environmental Friendly, Energy Efficient Technology for the manufacture of Chloro-Alkali products.

The present 2500 TCD capacity Sugar Plant at Taduvai is proposed to be expanded to 5,500 TCD capacity. Applications have been made to the relevant statutory authorities for approvals. Orders have been placed for the machinery and steps are being initiated for civil and erection works. The expanded capacity plant is expected to be come into operation from the 2006-07 season.

In view of the encouraging sugarcane plantation trend, it is proposed to go in for immediate expansion of Sugar Unit-III at Bhimadole with an addition of one Boiler, a Turbine Generator Set and additional equipment to enable this plant to handle 3500 TCD in the 2006-07 Sugar season. All the related activities required for this expansion are in progress to ensure that the plant is ready for the 2006-07 season. Since this Unit is located in an area with excellent potential for cane plantation, the capacity of this Sugar Plant is proposed to be increased to 6000 TCD in a phased manner in line with the expansion in cane area.

These projects are expected to accelerate further growth besides generating revenue.

### **CURRENT YEAR OUT LOOK**

Performance during the first quarter of the current year indicates that your Company will continue to do well. Keeping in view the favourable trend in the growth of Sugarcane plantation, the plant capacity at Sugar Unit – II and III are being increased. Alluminium, Paper, Pulp, Drugs and Pharmaceuticals which are the end users of Caustic Soda, have continued to perform well enhancing the demand for your Company's Chloro-Alkali Products. Your Company is constantly devising new measures to operate all its Plants fully and optimally. With an expected continued up-ward trend in Sugar and Caustic Soda prices and the prospects of International market for Aspirin indicating considerable business opportunity, the prospect for the current year augurs well for your Company.

### **DEMATERIALIZATION OF EQUITY SHARES**

As of 31<sup>st</sup> March, 2006, Equity Shares representing 37.17% 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, 2006 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.

**DIRECTORS:**

In terms of Article 123 of the Articles of Association of the Company, Directors Justice G. Ramanujam, Sri V. S. Raju and Dr. Alapaty Appa Rao retire by rotation at the ensuing 59th Annual General Meeting, and being eligible, they offer themselves for re-appointment.

**AUDIT COMMITTEE:**

Audit Committee comprises of three non Whole-time Independent Directors, Sri A. Ranga Rao, Dr. P. Kotaiah and Sri V.S. Raju. Sri 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 under report.

**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.

## **The Andhra Sugars Limited**

### **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.22.51 lakhs held by 67 depositors had fallen due for payment but remained unclaimed as on 31.3.2006. Unclaimed deposits aggregating to Rs.14.83 lakhs held by 34 depositors have since been renewed/repaid. Still, deposits aggregating to Rs.7.68 lakhs held by 33 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 the Subsidiary Companies as approved by their respective Boards.

Your Company has been exempted from the provisions under 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 the 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 as well as at the Offices of your Subsidiary Companies.

### **SUBSIDIARY COMPANIES:**

#### **JOCIL LIMITED**

For the Financial Year ending 31.3.2006, your subsidiary Company, JOCIL Ltd., recorded a profit of Rs.475.22 lakhs (before taxation) against Rs.1470.67 lakhs (before taxation) during the previous year. In view of the decline in profits, the Directors have recommended a Dividend of 50% for the year 2005-06 against 60% paid last year.

#### **THE ANDHRA FARM CHEMICALS CORPORATION LIMITED**

Your Directors are glad to report that this Subsidiary Company has performed well. During the year under report 554 M.Ts of Hydrazine Hydrate was produced against 352 M.Ts in the previous year. The Company achieved a sales of Rs. 1253.30 lakhs against Rs.670.96 lakhs and posted a profit of Rs.443.81 lakhs against a profit of Rs.132.76 lakhs in the previous year. The Directors have recommended a Dividend of 100% on Equity Shares for the year 2005-06 against 80% declared previous year.

#### **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 Brahmayya & Co., Chartered Accountants, Vijayawada, the present Auditors, retire at the ensuing 59<sup>th</sup> 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 31-3-2006.

**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  
22.7.2006

For and on behalf of the Board

(Dr. MULLAPUDI HARISCHANDRA PRASAD)  
Chairman & Managing Director

**ANNEXURE "A" TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31-03-2006**

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 01-04-2005 to 31-03-2006.

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		59	01-08-1968	22478656	85	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)	52	01-04-1998	18813325	80	Managing Director (Tech.) The Andhra Sugars Ltd., 28 Years
3)	Sri P. Narendranath Chowdary	Joint Managing Director	B.Sc.,	39	12-01-1976	9877604	58	Director, The Andhra Sugars Ltd., 8 Years
4)	Sri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	32	01-01-1998	9916347	57	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku, 24 Years
5)	Sri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	31	01-08-1978	9890353	55	Director, The Andhra Sugars Ltd., 2 1/2 Years
6)	Sri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	23	01-08-1983	9670246	51	First Appointment
7)	Sri P. S. R. V. K. Ranga Rao	Executive Director	B.Com.,	7	01-05-1999	5153842	36	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 31-03-2006**

**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 2005-06 season, a Direct Contact Heater for heating Scalding Juice with 3<sup>rd</sup> Body Vapour from the Evaporator to raise the temperature from 70<sup>o</sup>C / 72<sup>o</sup>C to 82<sup>o</sup>C / 84<sup>o</sup>C was installed. This enabled the bleeding from the 3<sup>rd</sup> effect resulting a rise in Syrup Brix and a reduction of steam consumption by 0.5% on cane.

The above measures taken have resulted in -

- i. Improvement in Syrup Brix
- ii. Reduction in Steam % Cane by 0.5%
- iii. Elimination of Bagacillo jamming of the Juice Heater.

**SUGAR UNIT II, TADUVAI**

Direct Contact Heaters, Melters and Molasses Conditioners were installed to reduce the steam consumption.

The installation of the above equipment has resulted in reduction of steam consumption by 1.87% as compared to the previous season.

**SUGAR UNIT III, BHIMADOLE**

- a) Press juice heating was done using Direct contact heater with heating media as 3<sup>rd</sup> vapour in place of 1<sup>st</sup> vapour.
- b) Evaporator set has been re-configured to have effective utilisation of heating surface, as such, extensive bleeding was done to increase the steam economy.
- c) The installation of FFE has also contributed, to use the vapours of low pressure, for continuous vacuum Pan and for Batch Pan with 2<sup>nd</sup> vapour.

On account of above measures, the steam on cane has come down by 5%.

**ADDITIONS FOR THE SEASON 2006-07:**

It is proposed to install Direct Contact Heaters for various juice-heating applications by using low pressure vapours.

It is planned to recover the flash heat in step wise from the condensates of different evaporator bodies.

The above proposals are expected to result in a reduction of steam on cane by 2% to 3%.

## The Andhra Sugars Limited

With a view to improve the efficiency of proposed used Boiler, a bagasse drier is proposed to be installed which would reduce the moisture level considerably from 50% to 42% thereby improving the thermal efficiency of the Boiler by 4%.

### CHEMICAL COMPLEX, KOVVUR

Existing Caustic Potash Plant with Mercury technology is being converted into Energy Efficient Membrane Cell technology and Energy Efficient Motors and lighting equipment would result in 10% to 12% less energy consumption thereby reducing the production cost.

### CHEMICAL COMPLEX, SAGGONDA

350 TPD Caustic Soda Plant with Energy Efficient Membrane Cells and 300 TPD Sulphuric Acid Plant with Energy Efficient and high conversion efficient process DCDA technology and Energy Efficient Motors and lighting equipment are giving good results. This has resulted in reduction of energy consumption around 10% to 12% per Tonne of Caustic Soda and Sulphuric Acid, thereby reducing the production cost.

## B. TECHNOLOGY ABSORPTION:

1. A new Generation Short Retention Time Juice Clarifier **SRI (Australia)** design was installed.
2. The retention time in this clarifier is only 30 – 35 minutes against 90 minutes in the old clarifier and the juice clarity has been very much improved.
3. a) Sugar Research International of Australia provided all the fabrication drawings for a New Generation Short Retention Time Clarifier. Based on these drawings the Juice Clarifier was built and erected during the 2005-06 season.  

b) Year of import:	2004-2005
c) Has technology been fully absorbed:	Yes
d) If not fully absorbed, areas where this has not been taken place, reason thereof.	Not applicable

Other 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	<b>50.99</b>	53.49
ii) Know-how fee and Service Charges of Engineers	—	—
b) Earned (Rs. in lakhs) On FOB basis	<b>257.59</b>	2.57

## ANNEXURE FORM A

The Andhra Sugars Limited

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

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		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
<b>A) Power and Fuel Consumption</b>											
<b>1. Electricity</b>											
<b>a) Purchased</b>											
Units	KWH	9211500	7707017	61650628	105359330	33600	33600	242223514	170269204	400931	220826
Total Amount	Rs.	31725481	19053540	124784916	240870603	253033	298122	564547356	413048656	2002522	1421854
Rate / Unit	Rs.	3.44	2.47	2.02	2.29	7.53	8.87	2.33	2.43	4.99	6.44
<b>b) Own Generation</b>											
<b>i) Through Diesel Generator</b>											
Units	KWH	163768	345762	---	---	86956	113012	---	1995860	76552	427580
Units per Ltr. of Diesel Oil	KWH	3.31	3.36	---	---	2.23	2.11	---	4.46	2.86	3.30
Cost / Unit	Rs.	19.39	11.47	---	---	26.97	19.16	---	10.75	19.22	5.05
<b>ii) Through Steam Turbine Generator</b>											
Units	KWH	10742800	10040330	---	---	19250131	19740340	---	---	8023920	2440650
KWH per Tonne of Begasse											
Cost / Unit	Rs.	1.25	1.32	---	---	1.14	0.92	---	---	1.53	2.90
<b>2. Coal (Specify Quality and where used)</b>											
Quantity	MT	---	---	---	---	---	---	---	---	---	---
Total Cost	Rs.	---	---	---	---	---	---	---	---	---	---
Average	Rs.	---	---	---	---	---	---	---	---	---	---

**ANNEXURE  
FORM A**

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

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		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
<b>3. Furnace Oil</b>											
Quantity	KL	---	0.81	1733.37	1225.57	---	---	688.685	1085.069	---	---
Total Amount	Rs.	---	11095	26635060	15177258	---	---	10653349	14142155	---	---
Average Rate	Rs.	---	13700	15366.09	12383.87	---	---	15469.12	13033.42	---	---
<b>4. ONGC Natural Gas</b>											
Quantity	M <sup>3</sup>	3685195	3882416	---	---	---	---	---	---	---	---
Total Amount	Rs.	15638689	16225284	---	---	---	---	---	---	---	---
Rate / Unit (M <sup>3</sup> )	Rs.	4.24	4.18	---	---	---	---	---	---	---	---
<b>5. Husk and Fire Wood</b>											
Quantity	MT	103.122	81.050	---	---	14.000	51.330	4573.346	10826.168	---	215.810
Total Cost	Rs.	120435	76192	---	---	13467	51788	6751649	12548041	---	245314
Average Rate	Rs.	1167.89	940.06	---	---	961.93	1008.92	1476.30	1159.05	---	1136.71
<b>6. Other Internal Generation</b>											
<b>a) Bagasse</b>											
Quantity	MT	140845	130587	---	---	133186	111815	---	---	69501	23593
Total Amount	Rs.	---	---	---	---	---	---	---	---	---	---
Rate / Unit	Rs.	---	---	---	---	---	---	---	---	---	---
<b>b) Biogas :</b>											
Quantity	M <sup>3</sup>	5029909	5108578	---	---	---	---	---	---	---	---
Total Amount	Rs.	---	---	---	---	---	---	---	---	---	---
Rate / Unit	Rs.	---	---	---	---	---	---	---	---	---	---
<b>c) Hydrogen</b>											
Quantity	MT	---	---	276.19	669.00	---	---	1188.41	690.31	---	---
Total Amount	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	---	---
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.	18	0.48	16	0.46
2. Alcohol	KL.	178	2.54	196	2.73
3. Ethanol	KL.	71	0.60	70	0.67
4. Acetic Acid / Anhydride Mix	MT.	737	8.89	721	9.06
5. Ethyl Acetate	MT.	409	7.48	394	7.76
6. Aspirin	MT.	3070	12.59	3961	13.89
7. U.H - 25	MT.	7210	158.00	5947	120.23
8. M.M.H.	MT.	16666	428.45	19041	421.99
9. H.T.P.B.	MT.	1473	11.61	---	---
10. Caustic Soda Lye at Kovvur	MT.	3146	---	3104	---
11. Caustic Soda Lye at Saggonda	MT.	2433	0.82	2485	0.99
12. Liquid Chlorine at Kovvur	MT.	255	---	274	---
13. Liquid Chlorine at Saggonda	MT.	199	---	117	---
14. Hydrochloric Acid at Kovvur	MT.	62	---	25	---
15. Hydrochloric Acid at Saggonda	MT.	22	---	3	---
16. Caustic Potash Lye	MT.	2397	---	2196	---
17. Sulphuric Acid at Kovvur	MT.	91	0.31	82	0.32
18. Sulphuric Acid at Saggonda	MT.	87	0.38	---	---
19. Superphosphate	MT.	26	---	25	---
20. Chlorosulphonic Acid	MT.	69	0.48	68	0.48
21. Sugar (Taduvai)	MT.	16	0.41	18	0.43
24. Sugar (Bhimadole)	MT.	32	0.48	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 cost effective technologies for new products and processes, assimilation and adaptation of technology from external sources, technical support for the commercialisation of new products / processes, process standardisation, improvisation, optimisation and cost balancing, import substitutions, measures 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 adaptation of technology, optimising process efficiency, increased capacity utilisation 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	:	4.65
b) Recurring	:	84.92
c) Total	:	89.57
d) Total R&D expenditure as a percentage of total Turnover	:	0.16%

**TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION :**

**1. Efforts, in brief, made towards technology absorption, adaptation and innovation.**

- a) Optimisation of process and improved recovery of solvents in the manufacture of Hydroxyl Terminated Poly Butadiene (HTPB).
- b) Studies on improving Aspirin yield in association with Indian Institute of Chemical Technology (IICT).
- c) Pilot trials for recovery of excess reactants in Mono Methyl Hydrazine (MMH) process.

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

- a) Optimisation of process resulted in improved yield, consistency in quality of product and recovery of solvents resulted in the reduction of operating cost as well as minimising the effluent generation.

- b) The studies will facilitate in better control, reliability and cost reduction of manufacture of Aspirin.
- c) The trials will facilitate in developing a suitable method for recovering excess reactants and will minimise environmental pollution. The study is also proposed to be extended for the recovery of excess reactants in UH-25 process.

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.

- a) Technology imported
- b) Year of import
- c) Has technology been fully absorbed
- d) If not fully absorbed, areas where this has not been taken place, reasons thereof.

- NIL-

## 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	6-3-654, Adjacent to Erramanjil Bus Stop, Somajiguda, Hyderabad - 500 082.
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, at the Plants located at Tanuku, Kovvur, Taduvai, Saggonda, and Bhimadole in the State of Andhra Pradesh. Non-conventional Wind Power is generated at Ramagiri in Andhra Pradesh and at Veeranam in Tirunelveli District of Tamil Nadu. Of these Sugar and Caustic Soda form the major segments.

##### SUGAR:

Sugar is manufactured at a 5000 TCD capacity plant at Sugar Unit-I at Tanuku, a 2500 TCD capacity plant at Sugar Unit-II at Taduvai and a 1600 TCD capacity plant at Sugar Unit-III at Bhimadole. Molasses is a by-product from Sugar, which is the raw material for your Company's Alcohol plant located at Tanuku which produces Industrial Alcohol and Ethanol. The Distillery uses the continuous process producing 30 KL per day of Industrial Alcohol. Industrial Alcohol is the raw material for the Ethanol (absolute alcohol), Acetic Acid, Acetic Anhydride and Ethyl Acetate manufactured at our chemical complex at Tanuku.

Bagasse which is the residue at the Sugar Plants after extraction of juice in the production of Sugar is being used to fuel the Co-generation operation. Carbondioxide which is a bye product of fermentation at the Alcohol is purified and used as one of the raw materials to produce Salicylic Acid which goes into the manufacture of Aspirin.

The Sugar Industry has been playing a pivotal role in the development of agriculture and rural economy. After a difficult period the Indian Sugar Industry is currently in a resurgent phase thus gearing up to achieve the global standards of size and efficiency and is poised for faster growth. This Industry has always been exposed to cyclical risks and variations which affect the fortunes of the Industry and the sugarcane farmers. Such variations are partly inherent due to natural factors and partly due to lack of consistent long term policies of the Governments. Restoration of the distance norm of 40 KM between the two factories, due to the need to expand to global sizes, total de-control of Sugar, withdrawal of release mechanism, conducive policy to encourage co-generation and concessional funding of Sugarcane Research & Development activities at a lower rate of interest are some of the vital issues which are required to be addressed in the long term perspective by the Government of India so as put the Indian Sugar Industry in par with other Industries and contribute consistently to the growth of our farming community.

As the upward trend is expected to continue, the Sugar Industry is on the threshold of reaching a new level. Keeping this perspective in mind, your Company has programmed to crush larger quantity of cane in the coming season. Your Company has been constantly giving thrust to Sugarcane Research & Development activities to help the farmers to improve yield per acre through identification of disease resistance, draught tolerant, low water intensive and high sucrose content cane variety in collaboration with the Sugarcane Breeding Institute of Coimbatore. Apart from this, process improvements are being carried out on a continuous basis at the Sugar Plants at Tanuku, Taduvai and Bhimadole to improve the quality of Sugar and efficiency of the process.

Co-generation of Power and production of Ethanol, which are under focus, have given a new dimension for bettering the prospects of the Sugar Industry. Co-generation, using bagasse which is a renewable resource as a source of energy, has become an integral part of the Sugar Industry and has been recognised as a value added product. Power suppliers are obligated to buy certain percentage of Power from renewable energy source. This would give a firm footing to the Co-generation Units. However the policies of State Governments in respect of purchase and payment of a reasonable tariff for the Power supplied through this source requires better government support in terms of policy to stabilise the co-generation operations at a sugar plant.

Your Company's Co-generation plant at Sugar Unit – II at Taduvai generates 7 M.W. of electricity per day. In the coming season with more quantity of cane available for crushing more bagasse will be available for power generation.

Ethanol is another area which presents a value added business opportunity to the Sugar Industry. Ethanol has been recognised as an efficient environmentally friendly fuel whose use is encouraged World over and in our Country too. The Government of India has evolved a programme for making it mandatory to blend Ethanol with Petrol for use as fuel for the automobile sector widening the operational parameters of the Sugar Industry in India. Keeping this business opportunity in view, your Company plans to scale up the production of Ethanol, which at present is produced on a limited scale.

#### **CAUSTIC SODA:**

Your Company has integrated Inorganic Chemical Complexes at Kovvur and Saggonda, manufacturing a wide range of Chlor-Alkali products such as Caustic Soda, Caustic Potash, Chlorine, Hydrogen, Sulphuric Acid and other allied Chemicals. These products are extensively used in the Paper, Aluminum, Soap, Detergents, Paints and a host of other industries.

## **The Andhra Sugars Limited**

Caustic Soda is being manufactured at Plants located at Kovvur and Saggonda. Production of Caustic Soda, based on Mercury Cell Technology, at Kovvur has been discontinued. Hydrogen and Chlorine are bye-products of Caustic Soda manufacture. Part of Chlorine is utilised in combination of Hydrogen to produce Hydro Chloric Acid. Sulphur Trioxide from the 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 with Power constituting more than 60% of the input cost. Most of the Caustic Soda Units have their own captive Power generation to meet their Power requirements. The unrelenting increase in the price of oil has put the Caustic Soda Industry under the pressure of high power cost, adversely affecting its competitiveness thus becoming an area of concern for the Industry. The Industry would derive much needed relief if a policy is devised by State Electricity Boards to grant concession in the payment of Electricity duty on captive power generation. Other areas of concern have been the availability of quality Salt, a major input in Caustic Soda manufacture, reduction of import duty and non-abatement of dumping of Caustic Soda from abroad. Though the Government has been taking adequate measures to impose the anti dumping duty, measures to be taken in this direction requires to be intensified to ensure that the domestic industry remains competitive.

The end user industries continue to indicate a healthy growth. This provides your Company an optimism to perform better in the Caustic Soda operations. The capacity of your Company's Caustic Soda Plant at Saggonda has been expanded to 350 TPD to meet the market demand and to reap the benefit of improved sales and better price realization. Your Company's Caustic Soda Plant at Saggonda uses the energy efficient and environmental friendly Membrane Cells. Valuing the needs of the major customers, requiring larger quantities and to have the delivery of Caustic Soda at economical rates, your Company delivers the consignments through its own rail tanker wagons as an alternative to the road transport which is becoming uneconomical in view of the raising fuel costs.

### **OTHER OPPORTUNITIES:**

Domestic market for Aspirin has been stagnant leading to low price realization thus affecting the profitability of Aspirin. In this backdrop your Company identified the opportunities available in the International market for Aspirin in terms of demand and better price realization. With the receiving of USFDA and EDQM approvals your Company could successfully make a beginning in the export operations, where there is a scope to broaden exports to more regions of the world in the coming years.

Your Company proposes to upgrade the Boilers at Sugar Unit – I by installing High pressure Boilers and a suitable Power Turbine to improve the efficiency of the boilers and generate more power. This would facilitate in reducing the net carbon emissions, thus being eligible for Carbon Emission Trading benefits.

### **POWER:**

As one of your Company's major segment is the Chlor-Alkali division, which is power intensive, it is essential for your Company to tap power from other sources in the coming years to ensure the availability of economical priced power to this division. In addition, power generated from bagasse and from Wind energy has been classified as clean Power eligible for Carbon Emission Trading benefits under Clean Development Mechanism (CDM).

As a measure of getting more Power at an economical rate and to meet the Power requirements of the Chemical Plants at Kovvur and Saggonda, your Company invested in the Equity Capital of Andhra Pradesh Gas Power Corporation Ltd. (APGPCL), which is a gas based power generation Company in West Godavari District. Major part of the power requirement for the production of Caustic Soda is met from this source providing a competitive edge to your Company in the Caustic Soda market. To supplement and to ensure adequate and continuous availability of power, your Company, apart from installing Diesel Generating Sets, has also set up a 2.025 MW Wind Power at Ramagiri, Ananthapur District. Your Company's endeavour will be to explore access to power from other sources including co-generation in the coming years to achieve self sufficiency in power to keep this major revenue contributor of your company competitive in the market.

## **INTERNAL CONTROL SYSTEM**

Your Company conducts a review of the financial and operating controls of the various Units. The 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. 133.37 Crores (before interest and depreciation) and achieved an operating margin of 24.61% against Gross Profit of Rs. 104.47 Crores (before interest and depreciation) and operating margin of 22.82% in the previous year.

The working capital limits were enhanced from Rs. 130.00 Crores to Rs. 140.00 Crores by the Consortium of Banks to meet the increased funds requirement for Sugar Units.

Your Company's strategy, based on healthy profit generation has been to reduce the high cost of long term debt and bringing down the overall debt level. As a strategic measure of financial planning your Company as and when necessary resorts to short term borrowings at a lower rate of interest with a view to reduce the interest cost.

The gross Fixed Assets of your Company as on 31.3.2006 is Rs. 561.88 Crores compared to Rs. 493.85 Crores during the previous year 2004-05. Your Company has a net worth of Rs. 230.33 Crores.

Your Company is eligible for interest free Sales Tax Deferment Loan of Rs. 82.07 Crores upto the financial year 2012-2013. During the year 2005-06, the Company availed a deferment loan of Rs. 9.38 Crores and the aggregate deferment loan availed as at 31<sup>st</sup> March, 2006 was Rs. 26.84 Crores leaving a balance of Rs. 55.23 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 31.3.2006 your Company's employees strength stood at 2,138.

**CAUTIONARY STATEMENT**

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from these expressed or implied. The Company assumes no responsibility in respect of these forward looking statements that may be amended or modified later, on the basis of subsequent developments, information or events and in view of the changes brought by the Government Rules and Regulations.



## 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 the 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 31.3.2006, 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.)
	Sri P. NARENDRANATH CHOWDARY Joint Managing Director
	Sri M. NARENDRANATH Joint Managing Director
	Sri M. THIMMARAJA Joint Managing Director
	Sri P. ACHUTA RAMAYYA Executive Director
	Sri P.S.R.V.K. RANGA RAO Executive Director
<b>Non-Executive and Independent Directors</b>	Sri A. RANGA RAO
	Justice G. RAMANUJAM
	Dr. A.V. RAMA RAO
	Dr. P. KOTAIAH
	Sri V.S. RAJU
	Dr. ALAPATY APPA RAO
	Dr. ANUMOLU RAMAKRISHNA
b) Non-executive Director remuneration :	Please refer Point No. 6

**The Andhra Sugars Limited**

- c) 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
Sri P. Narendranath Chowdary	3	Yes	6	4	None
Sri M. Narendranath	4	No	4	None	None
Sri M. Thimmaraja	4	Yes	2	5	None
Sri P. Achuta Ramayya	3	Yes	None	None	None
Sri P.S.R.V.K. Ranga Rao	4	Yes	1	None	None
Sri A. Ranga Rao	4	No	1	None	None
Justice G. Ramanujam	1	No	6	5	3
Dr. A.V. Rama Rao	4	No	1	None	None
Dr. P. Kotaiah	4	No	7	3	2
Sri V. S. Raju	4	No	4	4	4
Dr. Alapaty Appa Rao	4	No	2	3	1
Dr. Anumolu Ramakrishna	2	No	10	9	2

Sri A. Ranga Rao, Chairman of the Audit Committee could not attend the Annual General Meeting due to circumstances beyond the control as cyclonic storms and floods affected the State of Andhra Pradesh disrupting the rail and road traffic movement. Sri P. Achuta Ramayya, Executive Director who attends the Audit Committee Meeting was present at the meeting to answer the queries of the shareholders on the Audited Accounts for the year 2004-2005.

**D) NUMBER OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2005-06 AND THE DATES ON WHICH HELD**

Sl.No.	Date of Board Meeting
1	30.04.2005
2	30.07.2005
3	29.10.2005
4	28.01.2006

**3. CODE OF CONDUCT :**

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Managers of the Company. The said Code has been communicated to the Directors and the Senior Managers from whom the necessary affirmation has been received with regard to the compliance of the Code. A declaration in this regard by the Managing Director is furnished at the end of the report. The Code has been posted on the Company's website – theandhrasugars.com.

#### 4. AUDIT COMMITTEE

- a) A qualified Audit Committee meeting the requirements as stipulated in the Clause 49 of the Listing Agreement has been constituted. The Audit Committee consists of 3 non-Executive Independent Directors Sri A. Ranga Rao, Dr. P. Kotaiah and Sri V.S. Raju. Sri 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 of the Audit Committee as detailed hereunder are in terms of Clause 49 of the Listing Agreement :

- i) 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.
- ii) Recommending to the Board the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and fixation of audit fees.
- iii) Approval of payment to the Statutory Auditors for any service rendered by them.
- iv) Review with the management the annual financial statements before submission to the Board for approval with particular reference to :
  - a) Matters required to be included in the Directors responsibility statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in the accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on exercise of judgement by the management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transaction.
  - g) Qualification in the draft Audit Report.
- v) Review with the management, the quarterly financial statements before submission to the Board for approval.
- vi) Review with the management performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems.
- vii) Review the adequacy of internal audit function if any, 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.
- viii) Discussions with the Internal Auditors on any significant findings and follow up thereon.

## The Andhra Sugars Limited

- ix) 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.
- x) Discussions with the Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xi) 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.
- xii) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- xiii) Carrying any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also reviews the following information as and when required.

- a. Management discussion and analysis of financial condition and results of operations;
  - b. Statement of Significant Related Party Transactions (as defined by the Audit Committee)
  - c. Management letters / letters of internal control weakness issued by the statutory auditors;
  - d. Internal Audit Reports relating to internal control weaknesses
  - e. The appointment, removal and terms of remuneration of the Chief Internal Auditor.
- c) NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2005-06 AND THE DATES ON WHICH HELD

Sl. No.	Dates of Audit Committee Meeting
1	29.04.2005
2	30.07.2005
3	29.10.2005
4	28.01.2006

- d) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2005-06

Name of the Director	No. of Meetings attended
Sri A. Ranga Rao	4
Dr. P. Kotaiah	4
Sri V.S. Raju	3

Executive Director, Vice President (Finance), Chief Internal Auditor, Statutory Auditors and Cost 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.

- e) The Audit Committee considers periodically statement of related party transactions at its meeting.

## 5. SUBSIDIARIES :

- a) The Company does not have any material non-listed Indian subsidiary as defined in Clause 49 of the Listing Agreement.
- b) Company has one un-listed subsidiary Company, Hindustan Allied Chemicals Ltd.
- c) Minutes of the Board Meeting of the unlisted Company are placed before the Board Meeting of the Company, the holding Company.

## 6. REMUNERATION COMMITTEE, POLICY, DETAILS

... The Company is not required to and does not have a Remuneration Committee.

... The Company does not remunerate nor the Company has any pecuniary relationship with the non-Executive Directors except for the payment of sitting fees for attending each Meeting of the Board or Committee thereof.

**Details of the remuneration paid / payable to the Directors during the year 2005-06 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	44,73,759	1,80,04,897	2,24,78,656
Dr. B. B. Ramaiah	Nil	8,08,428	1,80,04,897	1,88,13,325
Sri P. Narendranath Chowdary	Nil	8,75,155	90,02,449	98,77,604
Sri M. Narendranath	Nil	9,13,898	90,02,449	99,16,347
Sri M. Thimmaraja	Nil	8,87,904	90,02,449	98,90,353
Sri P. Achuta Ramayya	Nil	6,67,798	90,02,448	96,70,246
Sri P.S.R.V.K. Ranga Rao	Nil	6,52,618	45,01,224	51,53,842
Sri A. Ranga Rao	40,000	Nil	Nil	40,000
Justice G. Ramanujam	10,000	Nil	Nil	10,000
Dr. A.V. Rama Rao	20,000	Nil	Nil	20,000
Dr. P. Kotaiah	40,000	Nil	Nil	40,000
Sri V.S. Raju	35,000	Nil	Nil	35,000
Dr. Alapaty Appa Rao	20,000	Nil	Nil	20,000
Dr. Anumolu Ramakrishna	10,000	Nil	Nil	10,000

## **The Andhra Sugars Limited**

- Remuneration is fixed and paid to the Managing Director / Whole-time Directors as approved by the Shareholders of the Company and is in accordance with and subject to the limits prescribed by the Companies Act, 1956. The Company enters into an agreement with the Managing Director / Whole-time Directors relating to their appointment / re-appointment.

### **7. SHAREHOLDING OF NON-EXECUTIVE DIRECTORS IN THE COMPANY :**

As on 31-03-2006 Sri A. Ranga Rao holds 200 equity shares in the Company. No other Non-executive Director holds any equity shares in the Company. During the year 2005-2006 the Company has not issued any convertible instruments.

### **8. MANAGEMENT**

- a) Management Discussion and Analysis forms the part of Annual Report.
- b) Disclosure by the Management to the Board : Please refer point No. 12

### **9. CEO / CFO CERTIFICATION**

In accordance with the requirements of Clause 49(V) of the Listing Agreement the Board of Directors of the Company, the Audit Committee and the Auditors have been furnished with the requisite certificate from the Managing Director.

### **10. SHAREHOLDERS' GRIEVANCES COMMITTEE**

- a) The Board has constituted Shareholders' / Investors' Grievances Committee comprising Justice G. Ramanujam (Chairman of the Committee – non-Executive Independent Director), Sri P. Narendranath Chowdary and Sri M. Thimmaraja as Members of the Committee. The Committee looks into redressal of the Shareholders' complaints like Transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared Dividend and other matters.
- b) The Board has designated Sri M. Bulli Abbayi, Company Secretary and Sri M. Palachandra, Addl. Company Secretary as the Compliance Officers.
- c) During the year 2005-06, four Committee Meetings were held on dates viz., 30-04-2005, 30-07-2005, 29-10-2005 and 27-01-2006. The Company received a total number of 316 letters in respect of various matters such as 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 31-3-2006 no Share Transfers were pending and there were no pending complaints.

d) ATTENDANCE OF DIRECTORS AT THE SHAREHOLDERS GRIEVANCE COMMITTEE MEETING HELD DURING FINANCIAL YEAR 2005-06

Name of the Director	No. of Meetings attended
Justice G. Ramanujam	1
Sri P. Narendranath Chowdary	4
Sri M. Thimmaraja	4

11. ANNUAL GENERAL BODY MEETINGS

a) PARTICULARS OF ANNUAL GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS.

Financial Year – 1st April to 31st March			
Financial Year	Venue	Date	Time
2002-2003	Registered Office VENKATARAYAPURAM, TANUKU - 534 215 (A.P.)	24-9-2003	3.00 p.m.
2003-2004	-- do --	27-9-2004	3.00 p.m.
2004-2005	-- do --	24-9-2005	3.00 p.m.

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

At the ensuing Annual General Meeting there is no Resolution proposed to be passed through postal ballot.

b) SPECIAL RESOLUTIONS PASSED AT THE LAST THREE ANNUAL GENERAL MEETINGS :

DATE OF AGM	NO. OF SPECIAL RESOLUTIONS	SUBJECT MATTER
24-09-2005	8	Revision in the remuneration of Managing Director / Whole-time Directors and the re-appointment of Sri P. Narendranath Chowdary as Joint Managing Director.
27-09-2004	1	Alteration of the Articles of Association with regard to revision in the payment of Sitting Fee to the Directors.
24-09-2003	1	Re-appointment of Sri P.S.R.V.K. Ranga Rao as Executive Director.

## **12. OTHER DISCLOSURES**

- i. There is no material significant pecuniary or business transactions 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 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 last three years.
- iii. The Company does not have any Whistle Blower Policy system.
- iv. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

Details regarding Non-Mandatory requirements are enumerated under point No. 14.

## **13. MEANS OF COMMUNICATION**

- i. Quarterly Results are not sent to each household of shareholders, since it is being published in the leading news papers.
- ii. Periodical Results are published in "The Hindu Business Line", "Economic Times" and "Andhra Bhoomi".
- iii. The Company display its periodical results on the Company's Web Site and on EDIFAR Web Site as required by the 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.

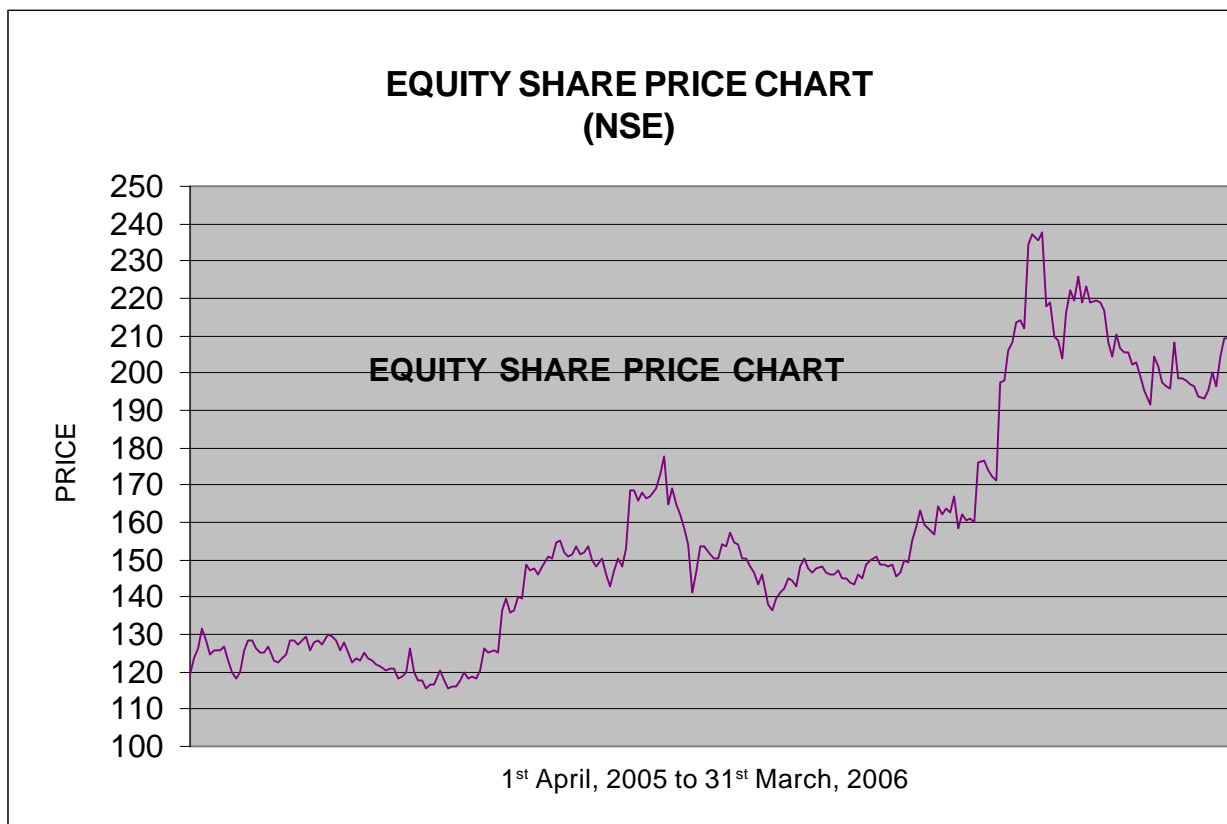


**V. GENERAL SHAREHOLDER INFORMATION**

- (i) Annual General Meeting:  
 Date & Time : 20<sup>th</sup> September, 2006 at 3.00 PM  
 Venue : Registered Office  
 Venkatarayapuram, Tanuku – 534 215  
 West Godavari Dist. (A.P.)
- (ii) Financial Year : 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 the Listing Agreement.
- (iii) Date of book closure : 16<sup>th</sup> September, 2006 to 20<sup>th</sup> September, 2006 (both days inclusive)
- (iv) Dividend payment date : 29<sup>th</sup> September, 2006
- (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	Low
	Rs.	Rs.
April, 2005	134.40	103.00
May, 2005	132.00	119.20
June, 2005	129.50	115.00
July, 2005	164.80	115.10
August, 2005	173.50	142.00
September, 2005	181.00	132.20
October, 2005	160.00	134.75
November, 2005	154.00	120.00
December, 2005	177.55	145.00
January, 2006	254.00	160.00
February, 2006	228.75	196.00
March, 2006	215.00	190.00

- (viii) Equity Share Price Chart : See Chart



- (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: elr\_asltnk@sancharnet.in  
 info.tnk@theandhrasugars.com
- (x) Share Transfer System : Shareholders have an option to hold the Shares in physical form or in demat form. In the 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.

(xi) Shareholding pattern as on 31<sup>st</sup> March, 2006

Category	No. of Shares Held	% of Shareholding
Promoters	1,46,66,944	54.11
Institutions, Mutual Funds and Banks	15,63,545	5.76
FII's	2,61,482	0.97
NRI's	2,89,824	1.07
Bodies Corporate	17,75,407	6.55
Public	85,49,876	31.54
Total	2,71,07,078	100.00

(b) Distribution of Shareholding as on 31<sup>st</sup> March, 2006

Shareholding of Nominal value of Rs.	No. of Shareholders	% to total	Share amount in Rs.	% to Total
Upto 5000	12,098	84.60	2,61,77,350	9.66
5001 to 10000	951	6.65	1,22,13,010	4.51
10001 to 20000	522	3.65	1,21,95,110	4.50
20001 to 30000	216	1.51	86,73,010	3.20
30001 to 40000	91	.64	52,97,870	1.95
40001 to 50000	104	.73	97,22,610	3.59
50001 to 100000	159	1.11	1,95,46,390	7.21
100001 onwards	159	1.11	17,72,45,430	65.39
Total	14,300	100.00	27,10,70,780	100.00

(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 31.3.2006 37.17% of Equity Shares have been dematerialised.

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

## The Andhra Sugars Limited

- (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
4. TADUVAI, Jangareddygudem Mandal, West Godavari Dist., Andhra Pradesh
5. BHIMADOLE, W.G.Dist., Andhra Pradesh
6. PERECHERLA, GUNTUR Andhra Pradesh.
- Wind Power Units:**
7. RAMGIRI, Ananthapur Dist., Andhra Pradesh
8. (a) Kurichampatti Village, (b) Surandai Village, Veeranam Region, Tirunelveli District, Tamilnadu.

- (xv) Address for correspondence for all matters including Shares. : Registered Office:  
VENKATARAYAPURAM  
Tanuku – 534 215  
West Godavari Dist., Andhra Pradesh.

### 14. NON-MANDATORY REQUIREMENTS :

Mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company. Non-mandatory requirements are as hereunder :

#### 1. The Board

As the Company has an Executive Chairman, the applicability of this provision does not arise. Maximum tenure of Independent Directors as mentioned is not adopted.

#### 2. Remuneration Committee

The Company has not constituted any Remuneration Committee and is not required to do so.

#### 3. Shareholders Rights

Periodical Results are published in leading English news papers having circulation all over India and also in Telugu News Papers circulating in the District and are also posted on the Company's website and SEBI Edifar Website, therefore the same are not sent to the Shareholders individually.

#### 4. Audit Qualification

The Company is in the regime of un-qualified financial statements.

#### 5. Training of Board Members

The Board of Directors consists of professionals having considerable experience and expertise in their respective fields and industry.

**6. Mechanism for evaluating Non-Executive Board Members**

As the Non-Executive Directors are professionals, no such mechanism exists.

**7. Whistle Blower Policy**

There is no Whistle Blower Policy. However the Company recognises the importance of reporting to the management by an employee at any level about the unethical behavior or suspected fraud in violation of the Company's Code of Conduct or any other point of concern.

**DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management personnel have affirmed the compliance of The Andhra Sugars Limited Code of Conduct for the year ended 31<sup>st</sup> March, 2006.

Place : TANUKU  
Date : 22-07-2006

Dr. MULLAPUDI HARISCHANDRA PRASAD  
Chairman & Managing Director

## **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 31<sup>st</sup> March, 2006 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 31<sup>st</sup> March 2006 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 : 22<sup>nd</sup> July 2006

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 2006, its Profit and Loss account and also the Cash-Flow Statement for the year ended on that date annexed thereto.. 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 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, 2006;
  - 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 : 22<sup>nd</sup> July 2006

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 physically verified during the year its fixed assets situated at Taduvai-Sugars & Co-generation plants only, and no material discrepancies were noticed on such physical verification. The company has informed us that it has adopted a phased programme of verification of its fixed assets other than furniture and fixtures.
- 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 as to affect the going concern assumption in preparing the financial statements under report.
- 2.1 According to the information and explanations furnished to us, during the year under report the company has physically verified its inventories of Raw materials, Finished goods & stores and spares only at some of its units located at Tanuku. 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 Raw Materials, Finished goods & 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.2986 lakhs from forty six 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 systems 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
- 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 generally 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,.

## The Andhra Sugars Limited

Sl.No.	Name of the statute	Period	Amount Rs.	Remarks
1.	Andhra pradesh State Excise Act	Upto Aug 1976	358290 (establishment charges)	Pending receipt of demand by the company
2.	Andhra pradesh State Excise Act	August 76 to March, 2006	1273681 (Interest on above)	Pending receipt of demand by the company
3	WBST Act, 1994	2004-2005	37636	Pending completion of assessment
4	CST Act, 1956	2004-2005	59908	Pending completion of assessment
5	APGST Act, 1957	2004-2005	113869	Pending completion of assessment

- 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	Name 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 AP
2	Standing orders of the Govt. of AP	Water charges	791721	Govt. of AP
3	Sales Tax laws in different states	Sales Tax	30447362	Different appellate authorities
4	Central Excise Act, 1944	Excise Duty	627115 2662871	CESTAT Different departmental appellate authorities
5	Customs Act	Customs Duty	292004	Dy.Commissioner Customs

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 Companies Act 1956.
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 : 22<sup>nd</sup> July 2006

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 capitalized.

### 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.
- Work –in- process, Raw-materials, Stores, Spares and Materials in transit are valued at cost except where net realisable value of the finished goods they are used in is less than the cost of finished goods and in such an event, if the replacement cost of such materials etc., is less than their book values, they are valued at replacement cost.
- 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, packing charges and Freight charges, wherever applicable, 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.

**10. DEPRECIATION:**

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

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

**11. FOREIGN EXCHANGE TRANSACTIONS:**

- Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchange arising on actual receipt/payment during the year.
- At each Balance Sheet date Foreign currency monetary items are reported using the rate of exchange on that date. Foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized.
- In respect of forward exchange contracts in the nature of hedges
  - a) Premium or discount on the contract is amortized over the term of the contract,
  - b) Exchange differences on the contract are recognized as profit or loss in the period in which they arise.

**12. IMPAIRMENT OF ASSETS :**

An asset is treated as impaired when the carrying cost of the same exceeds its recoverable amount. An impairment loss is charged to the Profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**13. CONTINGENT LIABILITIES:**

Contingent liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

**14. INTANGIBLE ASSETS:**

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

**15. TAXATION:**

- 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.
- 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 realization.

**16. 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.

**17. 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.**

	(Amounts in Rs. Thousands)
I. Registration Details	
a) Registration No.	01-00326
b) State Code	01
c) Balance Sheet date	31-03-2006
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	7999428
b) Total Liabilities	7999428
Sources of Funds:	
a) Paid-up Capital	271101
b) Reserves & Surplus	2032162
c) Deferred Tax (Net)	553615
d) Secured Loans	2104411
e) Unsecured Loans	1158608
<b>TOTAL:</b>	<b>6119897</b>
Application of Funds:	
a) Net Fixed assets	4168043
b) Investments	475125
c) Net Current Assets	1476293
d) Miscellaneous Expenses	436
<b>TOTAL:</b>	<b>6119897</b>
IV. Performance of Company:	
a) Turnover	5417780
b) Other Income	298063
c) Total Expenditure	4867921
d) Profit Before Tax	847922
e) Profit After Tax	603137
f) Earnings per Share in Rs.	22.26
g) Dividend Rate %	75
V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)	
1. Item Code No. (ITC Code) Product Description	170111.09 Sugar
2. Item Code No. (ITC Code) Product Description	281512.00 Caustic Soda
3. Item Code No. (ITC Code) Product Description	280110.00 Chlorine

**BALANCE SHEET AS AT 31st MARCH, 2006**

		(Rupees in lakhs)	
		31-3-2006	31-3-2005
<b>I SOURCES OF FUNDS</b>			
<b>1) Shareholders' Funds</b>			
a) Capital	1	2711.01	2711.01
b) Reserves & Surplus	2	20321.62	16608.42
		<u>23032.63</u>	<u>19319.43</u>
<b>2) Loan Funds</b>			
a) Secured Loans	3	21044.11	21026.65
b) Unsecured Loans	4	11586.08	10829.75
		<u>32630.19</u>	<u>31856.40</u>
<b>3) Deferred Tax</b>			
a) Liability		5818.67	4628.00
b) Asset		282.52	216.84
		<u>5536.15</u>	<u>4411.16</u>
TOTAL		<u>61198.97</u>	<u>55586.99</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1) Fixed Assets</b>			
a) Gross Block		56187.83	49384.78
b) Less: Depreciation		17973.08	16600.55
c) Net Block	5	38214.75	32784.23
d) Capital work-in-progress		3465.68	2763.14
		<u>41680.43</u>	<u>35547.37</u>
<b>2) Investments</b>			
	6	4751.25	4769.38
<b>3) Current Assets, Loans &amp; Advances</b>			
a) Inventories	7	21845.12	18496.12
b) Sundry Debtors	8	3790.17	4088.95
c) Cash and Bank Balances	9	1106.65	1003.63
d) Other Current Assets	10	21.78	16.66
e) Loans and Advances	11	6794.52	7706.17
		<u>33558.24</u>	<u>31311.53</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	12092.32	10288.56
b) Provisions	13	6702.99	5763.85
		<u>18795.31</u>	<u>16052.41</u>
Net Current Assets		14762.93	15259.12
<b>4) Miscellaneous Expenditure</b>			
	14	4.36	11.12
TOTAL		<u>61198.97</u>	<u>55586.99</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  
Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006.**

		(Rupees in lakhs)		
		Schedule	This Year	Previous Year
<b>INCOME</b>				
	Sales (including Excise Duty recovered Rs. 5191.17 lakhs) (Pr. Year Rs. 4206.65 lakhs)		<b>54177.80</b>	45778.88
	Other Income	15	<b>2980.63</b>	2552.68
			<b>57158.43</b>	48331.56
<b>EXPENDITURE</b>				
	Opening Stocks	16	<b>14757.60</b>	16878.71
	Raw Materials consumed		<b>20832.18</b>	14532.47
	Payments & Benefits to Employees	17	<b>3325.65</b>	2899.66
	Expenses	18	<b>16351.18</b>	13501.89
	Excise Duty and Taxes	19	<b>6240.71</b>	4866.31
	Interest	20	<b>2352.37</b>	1923.53
	Depreciation		<b>2505.33</b>	2022.25
			<b>66365.02</b>	56624.82
	Less: Closing Stocks	16	<b>17685.81</b>	14757.60
			<b>48679.21</b>	41867.22
	Profit for the year		<b>8479.22</b>	6464.34
	Add: Income Tax refund received		<b>4.25</b>	2.83
	Excess provision of Income Tax (Net)		<b>224.89</b>	---
			<b>8708.36</b>	6467.17
	Less: Short provision of Income Tax		<b>---</b>	1.95
			<b>8708.36</b>	6465.22
	<b>Less: Provisions for:</b>			
	Current Tax		<b>1500.00</b>	1200.00
	Fringe Benefit Tax		<b>50.00</b>	---
	Deferred Tax		<b>1124.99</b>	900.28
	Wealth Tax		<b>2.00</b>	2.00
	Profit after tax		<b>6031.37</b>	4362.94
	Add: Balance brought forward from last year		<b>1433.72</b>	2050.37
	Balance available for appropriation		<b>7465.09</b>	6413.31
<b>APPROPRIATIONS</b>				
	General Reserve		<b>2400.00</b>	3125.05
	Dividends (See Directors' Report)	21	<b>2318.17</b>	1854.54
	Balance taken to Balance Sheet		<b>2746.92</b>	1433.72
			<b>7465.09</b>	6413.31
	<b>Basic Earnings per Share:</b>			
	(Profit after tax/No. of equity shares)			
	Profit after tax		<b>6031.37</b>	4362.94
	No. of equity shares of Rs. 10/- each		<b>27107078</b>	27107078
	Basic Earnings per share (Rs.)		<b>22.25</b>	16.10
	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  
Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006

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

(Rupees in lakhs)

	As at 31-3-2006	As at 31-3-2005
<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 fully paid up	<b>2710.71</b>	2710.71
6013 Add: Forfeited shares : Equity shares of Rs.10/- each, Rs.5/- paid up	<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/- was originally paid up on Forfeited Shares.

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

<b>1) GENERAL RESERVE</b>		
As per last Balance Sheet	<b>14000.00</b>	10874.95
Add: Transferred from Profit & Loss A/c during the year	<b>2400.00</b>	3125.05
	<b>16400.00</b>	14000.00
<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>2746.92</b>	1433.72
	<b>20321.62</b>	16608.42

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

The Andhra Sugars Limited

**SCHEDULE - 3**

(Rupees in lakhs)

As at 31-3-2006 As at 31-3-2005

**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>387.50</b>	1125.00
b) From Andhra Bank (against exclusive first charge on assets created out of the loan)	<b>9000.00</b>	9000.00
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>253.66</b>	1261.15

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

(Secured by hypothecation of inventories and receivables ranking pari passu among the members of the consortium of working capital lending banks)	<b>11402.95</b>	9640.50
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<b>21044.11</b>	21026.65
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**UNSECURED LOANS**

**SCHEDULE - 4**

Fixed Deposits:

From Shareholders	<b>947.45</b>	854.76
From Public	<b>4198.55</b>	3897.08
From Directors	<b>1063.00</b>	706.30

Loans :

From Other Companies *	<b>694.00</b>	1604.00
From Banks - Short term	<b>2000.00</b>	2005.31
From Sugarcane Development Fund	<b>—</b>	15.08

Sales Tax Deferment Loan

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

<b>2683.08</b>	1747.22
<b>11586.08</b>	10829.75

\* Include amounts due to subsidiary companies :

JOCIL Ltd.,	<b>650.00</b>	1600.00
The Andhra Farm Chemical Corporation Ltd.,	<b>40.00</b>	---
Hindustan Allied Chemicals Ltd.,	<b>4.00</b>	4.00

Note : Fixed deposits matured and remaining unclaimed aggregating to Rs. 22.51 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 31-3-05	Additions during the year	Deductions during the year	Cost as at 31-3-06	Dep. upto 31-3-05	Dep. for 05-06	Dep. on Dedn	Dep. Upto 31-03-06	Impairment Upto 31-03-06	Additions during the year	Deductions during the year	Impairment Upto 31-03-06	WDV AS AT 31-3-05	WDV AS AT 31-3-06
1) Land *	735.08	181.35	---	916.43	---	---	---	---	---	---	---	---	916.43	735.08
2) Buildings**	4400.11	22.04	19.34	4402.81	1103.83	126.42	11.16	1219.09	---	---	---	---	3183.72	3296.28
3) Plant and Machinery	41658.99	7191.06	1211.18	47638.87	12957.76	2141.49	669.44	14429.81	942.20	---	337.43	604.77	32604.29	27759.03
4) Renewable Energy Plant : Wind Farm	706.08	---	---	706.08	391.50	37.28	---	428.78	---	---	---	---	277.30	314.58
5) Tramways and Railway Sidings	161.58	148.48	---	310.06	121.75	5.75	---	127.50	---	---	---	---	182.56	39.83
6) Furniture & Fittings	539.26	36.77	54.04	521.99	386.00	42.50	48.25	380.25	---	---	---	---	141.74	153.26
7) Vehicles and Materials Handling Equipment	1183.68	582.28	74.37	1691.59	697.51	152.09	66.72	782.88	---	---	---	---	908.71	486.17
<b>TOTAL</b>	49384.78	8161.98	1358.93	56187.83	15658.35	2505.53	795.57	17368.31	942.20	---	337.43	604.77	38214.75	32784.23
Previous Year	38015.57	11831.19	461.98	49384.78	14064.55	2022.74	428.94	15658.35	---	942.20	---	942.20	32784.23	23951.04

\* 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)

<b>INVESTMENTS</b>	<b>As at 31-3-2006</b>	<b>As at 31-3-2005</b>
<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)	<b>2.74</b>	2.74
b) 3,45,700 fully paid Equity shares of Rs.10/- each in The Andhra Farm Chemicals Corpn.Ltd.,(Quoted)	<b>34.57</b>	34.57
c) 24,43,250 fully paid Equity shares of Rs.10/- each in JOCIL LTD.,(Quoted)	<b>441.79</b>	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)	<b>1.75</b>	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	<b>2479.21</b> <b>2055.22</b> -----	423.99
c) 96,64,080 fully paid Equity Shares of Rs.10/- each in Andhra Pradesh Gas Power Corporation Ltd., (Unquoted)	<b>3656.74</b>	3656.74
d) 25,052 fully paid equity shares Rs. 10/- each in Andhra Bank (Quoted) (2252 Shares purchased during the year)	<b>4.31</b>	2.28
<b>B) NON-TRADE INVESTMENTS</b>		
a) In Government Securities: National Plan Saving Certificates (Lodged with Govt.Departments towards security) (Unquoted)	<b>0.16</b>	0.20
b) 1000000 Equity Shares of Rs.10/-each in Agri Business Finance (AP) Ltd., (Unquoted) Less: Calls due	<b>100.00</b> <b>50.00</b> -----	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)	<b>90.00</b>	90.00
d) 45200, 6.75% Tax free U.S. 64 bonds of Rs. 100/- each in Unit Trust of India. (Unquoted)	<b>45.20</b>	45.20
e) 187829 units of UTI G-SEC investment Plan (Quoted) (Sold during the year)	---	20.12
	<b>4751.25</b>	4769.38
All the above investments, unless otherwise specified, are long term investments.		
Cost of unquoted investments	<b>3844.84</b>	3844.88
Cost of investments which are listed but whose quotations are not available	<b>478.11</b>	478.10
Cost of quoted investments	<b>2483.52</b>	2501.62
	<b>6806.47</b>	6824.60
Market value of quoted investments	<b>2435.55</b>	3145.75

**The Andhra Sugars Limited****INVENTORIES**

(As certified by the Managing Director)

**SCHEDULE - 7**

(Rupees in lakhs)

	As at 31-3-2006	As at 31-3-2005
Stores and Spares	2474.31	1899.96
Raw Materials	1682.99	1837.80
Work-in-process	252.70	158.79
Finished Goods - at Cost	16631.02	12671.17
- at Market value	802.09	1927.64
Crops under cultivation	2.01	0.76
	<u>21845.12</u>	<u>18496.12</u>

**SUNDRY DEBTORS****SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	112.79	244.25
Unsecured-considered doubtful	19.81	30.69
	<u>132.60</u>	<u>274.94</u>
Less: Provision for Doubtful Debts	19.81	30.69
	<u>112.79</u>	<u>244.25</u>
b) Other Debts: Unsecured-considered good	3677.38	3844.70
	<u>3790.17</u>	<u>4088.95</u>

**CASH AND BANK BALANCES****SCHEDULE - 9**

Cash and Cheques on hand	21.94	7.89
Balances with Scheduled Banks in		
Current Accounts	861.67	547.45
Fixed Deposit Accounts	223.04	448.29
	<u>1106.65</u>	<u>1003.63</u>

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

a) In "Unclaimed Dividend Accounts" u/s 205A of the Companies Act, 1956	72.60	51.05
b) Towards unencashed interest/redemption warrants on 16.5% Non Convertible Debentures	0.95	0.95
c) Towards staff security deposit	12.04	5.88

**OTHER CURRENT ASSETS****SCHEDULE - 10**

Interest accrued on Investments and Deposits	21.78	16.66
	<u>21.78</u>	<u>16.66</u>

The Andhra Sugars Limited

**LOANS AND ADVANCES**

**SCHEDULE - 11**

(Rupees in lakhs)

	As at 31-3-2006	As at 31-3-2005
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	1520.38	2591.94
Unsecured considered doubtful	0.03	0.03
	<hr/>	<hr/>
	1520.41	2591.97
Less: Provision for doubtful Advances	0.03	0.03
	<hr/>	<hr/>
	1520.38	2591.94
Prepaid Expenses	71.61	63.29
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	801.74	1046.77
Advance payment of Direct Taxes	3781.44	3284.53
Income Tax deducted at source	57.40	62.87
Deposits recoverable	374.66	319.14
Claims recoverable	180.00	331.04
Balance with Customs, Port Trust, etc.,	7.29	6.59
	<hr/>	<hr/>
	6794.52	7706.17
	<hr/>	<hr/>
Due from a Subsidiary Company (included in the above)	0.79	0.46

**LIABILITIES**

**SCHEDULE - 12**

Sundry Creditors		
Due to Small Scale Industrial undertakings (See Note No. 8)	---	
Due to Others	11590.97	9740.38
(incl. Rs. 765.21 lakhs (Rs. 608.33 lakhs) due to Directors)		
Due to Subsidiaries	35.04	60.52
Advances received against sales	136.57	192.48
Trade Deposits	71.71	58.40
Staff security deposit	11.93	5.72
Interest accrued but not due on Loans & Fixed Deposits (Includes Rs. 19.71 lakhs (Rs.17.26 lakhs) due to directors) (Includes Rs.3.89 due to Subsidiary Company The Andhra Farm Chemicals Corpn. Ltd.,)	145.48	139.12
Dividends pending encashment *	72.60	51.05
Unclaimed matured Fixed Deposits *	22.51	36.75
Unclaimed interest on matured Deposits * and debentures	5.51	4.14
	<hr/>	<hr/>
	12092.32	10288.56
	<hr/>	<hr/>

\* 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 and Fringe Benefit Tax	4150.00	3750.00
For Wealth Tax	5.50	4.50
For Proposed Dividend	2033.04	1626.43
For Tax on Distributable Profits	285.13	228.11
For Leave Encashment on Retirement	229.32	154.81
	<hr/>	<hr/>
	6702.99	5763.85
	<hr/>	<hr/>

**MISCELLANEOUS EXPENDITURE**

**SCHEDULE - 14**

(to the extent not written off or adjusted)

Issue expenses of Debentures / Shares on Rights basis	11.12	17.90
Less: Written off during the year	6.76	6.78
	<hr/>	<hr/>
	4.36	11.12
	<hr/>	<hr/>





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>1365.97</b>	1150.13
Power and Fuel	<b>7595.99</b>	6762.38
Insurance	<b>183.17</b>	139.85
Sugarcane Development Expenses	<b>23.79</b>	38.56
Repairs to Buildings	<b>206.84</b>	137.45
Repairs to Machinery	<b>3075.47</b>	2003.24
Repairs to Other Assets	<b>330.59</b>	237.29
Advertisement and Sales Promotion	<b>22.05</b>	11.81
Handling, Transport & Expenses at Sales Depots	<b>1556.08</b>	1324.09
Commission on Sales	<b>77.79</b>	62.91
Rent	<b>9.82</b>	11.54
Equipment lease rentals	<b>—</b>	28.42
Directors' Sitting Fee	<b>1.75</b>	1.09
Managerial Remuneration (Note No.24)	<b>858.00</b>	665.76
Payments to Auditors (Note No.21)	<b>8.37</b>	8.85
Miscellaneous Expenses	<b>536.01</b>	472.13
Donations	<b>55.10</b>	75.20
Loss on sale of Assets	<b>352.48</b>	8.12
Issue expenses of Shares/Debentures written off	<b>6.78</b>	6.78
Bad debts	<b>10.94</b>	260.44
Tools written off	<b>31.46</b>	19.89
Assets written off	<b>41.77</b>	14.00
Claims written off	<b>—</b>	4.17
Stores & Spares written off	<b>—</b>	19.92
Loss on sale / conversion of Investments	<b>0.93</b>	7.89
Provision for Doubtful Debts	<b>—</b>	27.51
Difference in exchange	<b>0.03</b>	2.47
	<b>16351.18</b>	13501.89

**EXCISE DUTY AND TAXES**

**SCHEDULE - 19**

Excise Duty	<b>5295.32</b>	4108.44
Purchase Tax on Sugarcane	<b>713.26</b>	550.52
Rates and Taxes	<b>232.13</b>	207.35
	<b>6240.71</b>	4866.31

**INTEREST**

**SCHEDULE - 20**

On Fixed period loans from banks	<b>1558.22</b>	1045.49
On Fixed deposits from whole-time Directors	<b>94.64</b>	75.03
On other Accounts	<b>699.51</b>	803.01
	<b>2352.37</b>	1923.53

**DIVIDENDS**

**SCHEDULE - 21**

Proposed dividend	<b>2033.04</b>	1626.43
Tax on above	<b>285.13</b>	228.11
	<b>2318.17</b>	1854.54

## NOTES FORMING PART OF THE ACCOUNTS

## SCHEDULE - 22

(Rupees in lakhs)

As at 31-3-2006	As at 31-3-2005
--------------------	--------------------

## 1. CONTINGENT LIABILITIES NOT PROVIDED FOR:

a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>425.25</b>	1035.36
b) (i) Outstanding guarantees to Banks including letter of credit opened with Bankers for purchase of material	<b>993.97</b>	1274.74
(ii) Guarantees to banks against credit facilities extended to third parties	<b>1520.00</b>	1500.00
(iii) Performance Guarantees	<b>487.07</b>	---
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>35.66</b>	54.10
ii) Customs	<b>5.45</b>	15.61
iii) Sales Tax	<b>32.81</b>	33.42
iv) State Levies	<b>154.68</b>	122.08
v) Suppliers and Service contract	<b>163.43</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 Rs54.01 lakhs (Rs52.28 lakhs) has not been provided for in the accounts pending final legal decision in the matter.

3. 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.

#### **The Andhra Sugars Limited**

4. "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.
5. The Company has given undertakings / assurance to APIDC, IDBI 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.
6. 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.
7. Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.
8. 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.
9. 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.0.79 lakhs as on 31.3.2006. (Maximum balance outstanding during the year is same). The investment in the Equity shares of the company is Nos. 328760.
10. Closing stock units, Wind farm at Ramagiri and power generation unit at Taduvai as per the books of the Company and as confirmed by the AP Genco is subject to reconciliation due to certain matters pending before Honourable High Court of Andhra Pradesh.

**The Andhra Sugars Limited**

**11. SALES**

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugar	M.T	123026	21229.70	132427	20933.02
Molasses	M.T	12061	234.69	70	1.89
Industrial Alcohols & Ethanol	K.L	3318	877.08	2433	563.93
Acetic Acid	M.T	1423	542.27	1300	462.91
Acetic Anhydride	M.T	1100	639.09	1314	752.72
Ethyl Acetate	M.T	12	6.97	21	9.17
Aspirin	M.T	503	785.23	297	436.54
Caustic Soda	M.T	88875	16417.70	82166	11609.17
Caustic Potash	M.T	8855	2948.58	7306	2158.35
Chlorine	M.T	52283	3411.48	48385	3292.33
Hydrochloric Acid	M.T	105074	1809.85	78436	1565.97
Sodium Hypochlorite	M.T	16651	378.07	9917	194.02
Hydrogen gas	CU.MT	2186704	295.26	2229091	292.91
Chlorosulphonic Acid	M.T	1074	58.58	8687	463.90
Sulphuric Acid	M.T	80306	1890.96	17802	483.88
Superphosphate	M.T	43093	1202.85	46363	1201.40
UDMH / UH 25	M.T	107	675.97	124	676.02
Mono Methyl Hydrazine	M.T	6	115.99	8	133.37
HTPB	M.T	40	215.53	---	---
Wind Power (Tamilnadu)	KWH	41147	1.11	---	---
Sunflower Oil	M.T	---	---	51	10.90
Rice Bran & Other Extractions	M.T	---	---	49	2.21
Cattle Feed	M.T	2327	139.77	1832	104.27
Others		---	301.07	---	430.00
			<b>54177.80</b>		<b>45778.88</b>

NOTE: The above figures include Excise Duty recovered: **5191.17** 4206.65

**12. 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 of :**

**66.31** 69.79

**13. RAW MATERIALS CONSUMED:**

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugarcane	M.T.	1189612	13479.03	918587	9368.44
Phenol	M.T.	550	323.86	374	250.93
Sulphur	M.T.	33472	1714.27	15007	702.02
Rockphosphate	M.T.	24441	817.34	27463	815.71
Salt	M.T.	155224	2601.30	140310	1939.58
Potassium Chloride	M.T.	11645	1398.50	9562	1008.60
Extractions for Cattle feed	M.T.	2424	71.12	1954	63.09
Other raw materials		---	426.76	---	384.10
			<b>20832.18</b>		<b>14532.47</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.

## 14. 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	105070	130090	112709	105070
MOLASSES	MT	28582	21898	32782	28582
SULPHURIC ACID	MT	1645	1310	1177	1645
OLEUM	MT	2	24	--	2
SUPERPHOSPHATE	MT	3572	2	4916	3572
CAUSTIC SODA	MT	462	781	1319	462
CAUSTIC POTASH	MT	404	408	306	404
CHLORINE	MT	174	256	217	174
SODIUM HYPOCHLORITE	MT	23	6	41	23
HYDROCHLORIC ACID	MT	159	123	404	159
INDUSTRIAL ALCOHOL	KL	163	32	280	163
FUSEL OIL	KL	2	1	3	2
ACETIC ACID	MT	26	31	57	26
ACETIC ANHYDRIDE	MT	78	53	102	78
ETHYL ACETATE	MT	4	18	13	4
CHLOROSULPHONIC ACID	MT	238	294	53	238
ASPIRIN	MT	71	74	205	71
ORGANIC DERIVATIVES OF HYDRAZINE					
OR OF HYDROXYLAMINE	MT	8	4	4	8
H.T.P.B.	MT	4	--	2	4
HYDROGEN GAS	CU. MTR	4680	5506	5187	4680
BARIUM SULPHATE	MT	8	40	1	8
WIND POWER (BANKED WITH POWER)					
GRID OF APSEB)	UNITS	91326	2008142	88701	91326
ELECTRICITY	UNITS	1555115	9923011	158116	1555115
OTHERS					
<b>TOTAL</b>					
		<b>14598.81</b>	<b>16753.51</b>	<b>17433.11</b>	<b>14598.81</b>

**15. PARTICULARS REGARDING CAPACITY AND PRODUCTION:**

CLASS OF GOODS	CAPACITY		ACTUAL PRODUCTION	
	LICENCED	INSTALLED	Year ended March, 2006	Year ended March, 2005
1 Sugar				
a. Tanuku	5,000 MT Cane/Day	5,000 MT Cane/Day	51354 MT	49534 MT
Molasses (By-product of Sugar)			20461 MT	18542 MT
b. Taduvali	5,500 MT Cane/Day	2,500 MT Cane/Day	57067 MT	51314 MT
Molasses (By-product of Sugar)			21661 MT	19066 MT
c. Bhimadole	5,500 MT Cane/Day	1,600 MT Cane/Day	22195 MT	7037 MT
Molasses (By-product of Sugar)			9953 MT	2993 MT
2 Acetic Acid	1,080 MT/annum	1,080 MT/annum	1254 MT	1343 MT
Acetic Anhydride	720 MT/annum	720 MT/annum	1626 MT	1575 MT
Ethyl Acetate	1,268 MT/annum	1,268 MT/annum	75 MT	66 MT
Butyl Acetate	1,268 MT/annum	1,268 MT/annum	---	---
3 Industrial Alcohol	9,900 KL/annum	9,900 KL/annum	7702 KL	7094 KL
4 Carbon Dioxide	5,000 MT/annum	5,000 MT/annum	332 MT	244 MT
5 Aspirin	2,500 MT/annum	1,000 MT/annum	736 MT	298 MT
6 H.T.P.B.	180 MT/annum	180 MT/annum	38 MT	5 Kg.
7 Diffusers	4 Nos. per annum	4 Nos. per annum	---	---
8 Chemical Equipment	392 MT/annum	500 MT/annum	545 MT	741 MT
9 Sugar Factory Boiling House Equipment	1,000 MT/annum	1,000 MT/annum	---	---
10 Organic Derivatives of Hydrazine or of Hydroxyl Amine	250 MT/annum	250 MT/annum	110 MT	138 MT
11 Caustic Soda (Kovvur)				
a. Caustic Soda	46,200 MT/annum	46,200 MT/annum	5982 MT	22115 MT
b. Hydrochloric Acid	28,710 MT/annum (100% basis)	28,710 MT/annum (100% basis)	6576 MT	38972 MT
c. Chlorine	29,730 MT/annum	29,730 MT/annum	7348 MT	10145 MT
d. Caustic Potash	2,500 MT/annum	2,500 MT/annum	8398 MT	7011 MT
e. Sodium Hypochlorite	1,650 MT/annum	1,650 MT/annum	13282 MT	8558 MT
a. Caustic Potash (Membrane Cell Process)	16,500 MT/annum	---	---	---
b. Hydrochloric Acid	6,600 MT/annum (100% basis)	---	---	---
c. Chlorine	9,900 MT/annum	---	---	---

CLASS OF GOODS	CAPACITY		ACTUAL PRODUCTION	
	LICENCED	INSTALLED	Year ended March, 2006	Year ended March, 2005
12 Sulphuric Acid	45,000 MT/annum	45,000 MT/annum	33516 MT	43933 MT
13 Superphosphate	66,000 MT/annum	66,000 MT/annum	44438 MT	49932 MT
14 Chlorosulphonic Acid	20,000 MT/annum	20,000 MT/annum	889 MT	8631 MT
15 Alum	3,000 MT/annum	3,000 MT/annum	----	----
16 Oleum	6,600 MT/annum	6,600 MT/annum	61 MT	---
17 Caustic Soda (Saggonda)				
a. Caustic Soda	132,000 MT/annum	132,000 MT/annum	90367 MT	63762 MT
b. Hydrochloric Acid	40,000 MT/annum (100% basis)	40,000 MT/annum (100% basis)	106473 MT	54548 MT
c. Chlorine	76,000 MT/annum	76,000 MT/annum	45617 MT	38848 MT
d. Sodium Hypochlorite	6,600 MT/annum	6,600 MT/annum	3390 MT	1376 MT
e. Hydrogen gas	1,000 MT/annum	1,000 MT/annum	2187224 CU.MTR	2228265 CU.MTR
f. Barium Sulphate	330 MT/annum	330 MT/annum	46 MT	52 MT
18 Sulphuric Acid (Saggonda)	99,000 MT/annum	99,000 MT/annum	64028 MT	----
19 Chlorosulphonic Acid (Saggonda)	33,000 MT/annum	----	----	----
20 Liquid Hydrogen	330 MT/annum	330 MT/annum	----	----
21 Crushing and processing of seeds and oil bearing vegetable produce	63,000 MT/annum	125 MT/day crushing 300 MT/day processing	----	----
22 Vegetable oil refining	18,000 MT/annum	60 MT/day	----	----
23 Hydrogenation of Oils	12600 MT/annum	40 MT/day	----	----
24 Cattle and Poultry Feed	15000 MT/annum	15 MT/day	2327	----
25 Wind Power (Anantapuram)	2,025 MW	2,025 MW	2351600 Units	2601702 Units
26 Wind Power (Tamilanadu)	6,600 MW	6,600 MW	41147 Units	---
27 Electricity (Co.Gen. at Taduvai)	7 MW	7 MW	23003940 Units	19740340 Units
28 Bagasse	----	----	360841 MT	278077 MT

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

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

	(Rupees in lakhs)			
	This year		Previous year	
	Value	Percentage	Value	Percentage
Imported	3930.11	19	2526.34	17
Indigenous	16902.07	81	12006.13	83
	<u>20832.18</u>		<u>14532.47</u>	

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

Imported	209.89	4	629.55	12
Indigenous	4691.20	96	4610.46	88
	<u>4901.09</u>		<u>5240.01</u>	

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

Capital Goods	—	135.67
Components and Spare Parts	526.73	624.34
Raw - materials	3234.38	2411.00
	<u>3761.11</u>	<u>3171.01</u>

**19. Earnings in foreign exchange on FOB basis:**

	This Year	Previous Year
	257.59	2.57

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

Books and Periodicals	2.09	0.61
Foreign travel (excluding tickets purchased in India)	12.09	9.95
Delegation fee	1.35	0.15
Professional charges	0.00	42.78
Managerial remuneration (Medical expenses to Chairman and Managing Director)	35.46	—

**21. Payments made to Auditors:**

As Auditors	3.00	3.00
As Tax Auditors and for other Tax matters	0.99	2.10
Fee for Certification including limited review etc.,	2.88	2.17
Reimbursement of out of pocket expenses	0.46	0.59
	<u>7.33</u>	<u>7.86</u>
As Cost Auditors	0.80	0.80
Fee for Certification	0.15	0.09
Reimbursement of out of pocket expenses	0.09	0.10
	<u>8.37</u>	<u>8.85</u>



The Andhra Sugars Limited

(Rs. in lakhs)

This Year Previous Year

**22. 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	<b>45.98</b>	37.54
Contribution to Provident, Gratuity and other funds	<b>6.36</b>	6.55
Workmen and Staff Welfare Expenses	<b>1.33</b>	3.79
Materials consumed	<b>12.07</b>	13.23
Power and Fuel	<b>1.96</b>	1.28
Repairs to Assets	<b>3.44</b>	1.45
Miscellaneous Expenses	<b>5.71</b>	5.97
Depreciation	<b>8.07</b>	8.10
	<b>84.92</b>	77.91

**23. (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	<b>32.16</b>	41.18
Contribution to Provident, Gratuity and other funds	<b>3.02</b>	3.50
Workmen and Staff Welfare Expenses	<b>1.78</b>	2.42
Power and Fuel	<b>1.73</b>	5.47
Insurance	<b>0.18</b>	0.16
Repairs to Assets	<b>2.33</b>	10.00
Miscellaneous Expenses	<b>0.34</b>	0.42
Tools written off	<b>0.19</b>	0.47
Depreciation	<b>0.21</b>	0.52
	<b>41.94</b>	64.14

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

Salaries, Wages and Bonus	<b>4.71</b>	21.95
Contribution to P.F. & other funds	—	1.23
Workmen & Staff welfare expenses	—	0.32
Stores and spares consumed	—	2.26
Insurance	<b>0.43</b>	22.32
Power & Fuel	<b>16.43</b>	19.59
Taxes & Licences	<b>2.01</b>	4.62
Repairs & Maintenance - Plant & Machinery	—	6.98
Consultancy charges	—	181.50
Miscellaneous expenses	<b>13.81</b>	19.35
Tools Written off	—	0.24
Borrowing Costs as per AS16		
— Interest Paid to Banks on fixed period loans	<b>1.40</b>	312.86
	<b>38.79</b>	593.22
Less: Interest received	<b>2.22</b>	1.71
	<b>36.57</b>	591.51

**The Andhra Sugars Limited**

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

(Rs. in lakhs)

Net Profit as per Profit & Loss account		<b>8479.22</b>
Add: Sitting fees	<b>1.75</b>	
Remuneration provided	<b>858.00</b>	
Profit on sale of assets in accordance with Section 349	<b>10.95</b>	
Loss on sale of investments	<b>0.93</b>	
Depreciation provided	<b>2505.33</b>	<b>3376.96</b>
		<hr/>
		<b>11856.18</b>
Less: Depreciation in accordance with Sec.350	<b>2505.33</b>	
Profit on sale of assets	<b>10.95</b>	
Impairment provision reversed	<b>337.44</b>	
		<hr/>
		<b>2853.72</b>
		<hr/>
Net Profit in accordance with Sec.349		<b>9002.46</b>

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

	<b>This Year</b>	Previous Year
Salary	<b>34.80</b>	34.80
Contribution to Provident, Gratuity and other Funds	<b>10.03</b>	10.07
Other perquisites	<b>47.96</b>	14.74
Commission at 8.5% on net profit computed above	<b>765.21</b>	606.15
	<hr/>	<hr/>
	<b>858.00</b>	665.76
	<hr/>	<hr/>

The cost to the Company of the perquisites allowed during the year to the Managing Director (Tech.) & Executive Director in addition to the remuneration shown above works out to Rs.59,911/-. The value of the said perquisites computed in accordance with Income Tax Rules 1962, works out to Nil.

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

<b>Particulars</b>	<b>Assets</b>	<b>Liabilities</b>
1. Depreciation	—	<b>5818.67</b>
2. Amounts disallowed u/s 43B of Income Tax Act, 1961	<b>261.75</b>	—
3. Provision for doubtful debts	<b>6.67</b>	—
4. Payments under VRS	<b>14.10</b>	—
	<hr/>	<hr/>
	<b>282.52</b>	<b>5818.67</b>
	<hr/>	<hr/>
Deferred Tax (Net)		<b>5536.15</b>

**26. 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:	<b>FOR AND ON BEHALF OF THE BOARD</b>	
For Brahmayya & Company	Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
Chartered Accountants	A. Ranga Rao	Director
C. Murali Krishna	M. Bulli Abbayi	Company Secretary
Partner		

Camp : TANUKU	TANUKU
Date : 22-07-2006	22-07-2006

**CASH FLOW STATEMENT FOR THE YEAR**

(Rupees in lakhs)

	2005-2006	2004-2005
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax and extra-ordinary items	8479.22	6464.34
ADJUSTMENTS FOR:		
Depreciation	2505.53	2022.25
Assets written off	41.77	14.00
Interest (Net)	2288.94	1841.36
Impairment provision reversed credited to P&L a/c	-337.43	---
Profit/Loss on sale of assets (Net)	341.53	0.31
Dividends received	-177.51	-126.53
Issue expenses of shares/debentures written off	6.78	6.78
Loss on conversion / sale of investments	0.93	7.89
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>13149.76</b>	<b>10230.40</b>
Trade and other receivables	1696.75	-1185.02
Inventories	-3349.00	1346.59
Trade payables	1878.27	588.58
<b>CASH GENERATED FROM OPERATIONS</b>	<b>13375.78</b>	<b>10980.55</b>
Direct taxes paid	-1641.63	-1567.19
<b>NET CASH FROM OPERATING ACTIVITIES.....A</b>	<b>11734.15</b>	<b>9413.36</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	-8864.31	-13749.22
Sale of Investments	19.23	172.12
Sale of Fixed Assets	180.05	15.74
Purchase of Investments	-2.03	-1779.06
Interest received	63.43	82.17
Dividends received	177.51	126.53
<b>NET CASH USED IN INVESTING ACTIVITIES.....B</b>	<b>-8426.12</b>	<b>-15131.72</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings/loans	773.79	8511.26
Dividends paid	-1626.43	-1084.28
Interest paid	-2352.37	-1923.53
<b>NET CASH USED IN FINANCING ACTIVITIES.....C</b>	<b>-3205.01</b>	<b>5503.45</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>103.02</b>	<b>-214.91</b>
Cash and Cash equivalents as on 01.4.2005	1003.63	1218.54
Cash and Cash equivalents as on 31.3.2006	1106.65	1003.63
	<b>103.02</b>	<b>-214.91</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 Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006

**The Andhra Sugars Limited**

**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. 4,75,21,977/- for the year ended 31st March, 2006 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. 4,43,81,048/- for the year ended 31st March, 2006 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.26,959/- for the year ended 31st March, 2006 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  
22-07-2006

Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
A. Ranga Rao	Director
M. Bulli Abbayi	Company 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
Sri M. Mrutyumjaya Prasad	Son of Sri M. Thimmaraja
Smt. M. Renuka	Wife 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. Sesha 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

**The Andhra Sugars Limited**

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

**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 Satyanarayana Spinning Mills Limited  
Sree Mullapudi Venkataramanamma Memorial Hospital  
Mullapudi Venkatarayudu Eye Centre  
Mullapudi Kamala Devi Cardio Vascular Centre  
SMTRM Library and Cultural Centre  
Royal Printing Works

**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. Commission ) 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 31-03-2006:</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. Commission)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	608.33 (413.32)	0.00 (0.00)

## 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, 2006, 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, 2006
- 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 :22<sup>st</sup> July 2006

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



**BALANCE SHEET AS AT 31st MARCH, 2006**

	Schedule	(Rupees in lakhs)	
		31-3-2006	31-3-2005
<b>I SOURCES OF FUNDS</b>			
<b>1) Shareholders' Funds</b>			
a) Capital	1	2711.01	2711.01
b) Reserves & Surplus	2	24599.18	20682.30
		<u>27310.19</u>	<u>23393.31</u>
<b>2) Minority Interest</b>			
		<u>3551.09</u>	<u>3478.66</u>
<b>3) Loan Funds</b>			
a) Secured Loans	3	21237.04	21047.38
b) Unsecured Loans	4	11055.48	9373.92
		<u>32292.52</u>	<u>30421.30</u>
<b>4) Deferred Tax (Net)</b>			
a) Liability		6632.79	5175.71
b) Asset		419.60	217.25
		<u>6213.19</u>	<u>4958.46</u>
TOTAL		<u>69366.99</u>	<u>62251.73</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1) Fixed Assets</b>			
a) Gross Block	5	66418.00	57297.47
b) Less: Depreciation and impairment		22704.67	20794.81
c) Net Block		43713.33	36502.66
d) Capital work-in-progress at cost		3465.68	2844.14
e) Good will		191.98	191.98
		<u>47370.99</u>	<u>39538.78</u>
<b>2) Investments</b>			
	6	<u>4295.55</u>	<u>4311.66</u>
<b>3) Current Assets, Loans &amp; Advances</b>			
a) Inventories	7	23056.92	19869.55
b) Sundry Debtors	8	5357.20	5493.75
c) Cash and Bank Balances	9	1452.10	1630.38
d) Other Current Assets	10	22.87	19.93
e) Loans and Advances	11	8605.14	9296.00
		<u>38494.23</u>	<u>36309.61</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	12662.66	10877.40
b) Provisions	13	8136.42	7042.98
		<u>20799.08</u>	<u>17920.38</u>
Net Current Assets		<u>17695.15</u>	<u>18389.23</u>
<b>4) Miscellaneous Expenditure</b>			
	14	<u>5.30</u>	<u>12.06</u>
TOTAL		<u>69366.99</u>	<u>62251.73</u>

NOTE : The schedules, notes and Statements 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  
Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006

The Andhra Sugars Limited - Group Consolidated Financial Statements

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006.**

(Rupees in lakhs)

	Schedule	This Year	Previous Year
<b>INCOME</b>			
Sales		<b>63061.90</b>	54563.77
Transport charges		<b>328.68</b>	185.35
Other Income	15	<b>3068.33</b>	2826.86
		<b>66458.91</b>	57575.98
<b>EXPENDITURE</b>			
Opening Stocks	16	<b>15332.49</b>	17736.37
Raw Materials consumed		<b>24631.69</b>	18183.93
Payments & Benefits to Employees	17	<b>3989.29</b>	3487.54
Expenses	18	<b>18826.72</b>	15304.11
Excise Duty and Taxes	19	<b>7360.20</b>	5739.65
Interest	20	<b>2201.41</b>	1788.86
Depreciation		<b>3071.44</b>	2601.92
		<b>75413.24</b>	64842.38
Less: Closing Stocks	16	<b>18354.73</b>	15332.49
		<b>57058.51</b>	49509.89
Profit for the year		<b>9400.40</b>	8066.09
Add : Excess provision of Deferred Tax made in earlier year		—	73.67
Income Tax refund received		<b>4.25</b>	2.83
Excess provision of Income Tax		<b>225.83</b>	0.03
		<b>9630.48</b>	8142.62
<b>Less: Provisions for:</b>			
Current Tax		<b>1690.09</b>	1686.08
Deferred Tax (Net)		<b>1254.73</b>	900.28
Wealth Tax		<b>2.00</b>	2.00
Fringe benefit tax		<b>58.95</b>	---
Short provision of Income Tax made in earlier years		<b>12.74</b>	6.50
Profit after tax		<b>6611.97</b>	5547.76
Less : Minority Interest		<b>198.20</b>	516.95
Profit after Taxes and Minority Interest		<b>6413.77</b>	5030.81
Add : Balance brought forward from last year		<b>1760.09</b>	2321.72
Balance available for appropriation		<b>8173.86</b>	7352.53

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

	Schedule	(Rupees in lakhs)	
		<b>This Year</b>	Previous Year
General Reserve		<b>2569.84</b>	3539.19
Provision for final dividend		<b>2189.79</b>	1800.70
Provision for Tax on distributable profits		<b>307.12</b>	252.55
Balance taken to Balance Sheet		<b>3107.11</b>	1760.09
		<hr/> <b>8173.86</b> <hr/>	<hr/> 7352.53 <hr/>
<b>Basic Earnings per Share:</b>			
(Profit after tax/No. of equity shares)			
Profit after tax		<b>6413.77</b>	5030.81
No. of equity shares of Rs. 10/- each		<b>27107078</b>	27107078
Basic Earnings per share (Face value of Rs.10/- each)		<b>23.66</b>	18.56

Notes forming part of the accounts. 21

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

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

Camp : TANUKU	TANUKU
Date : 22-07-2006	22-07-2006

**SCHEDULES TO BALANCE SHEET**

**SHARE CAPITAL**

**SCHEDULE - 1**

(Rupees in lakhs)

	As at 31-3-2006	As at 31-3-2005
<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>2710.66</b>	2710.66
6013 Add: Forfeited shares	<b>0.35</b>	0.35
	<b>2711.01</b>	2711.01

**RESERVES AND SURPLUS**

**SCHEDULE - 2**

General Reserve	<b>19860.40</b>	17290.54
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>3107.11</b>	1760.09
	<b>24599.18</b>	20682.30

**SECURED LOANS**

**SCHEDULE - 3**

**FROM BANKS:**

i) Term Loans	<b>9641.16</b>	11386.15
ii) Cash Credit	<b>11595.88</b>	9661.23
	<b>21237.04</b>	21047.38

**UNSECURED LOANS**

**SCHEDULE - 4**

Fixed Deposits from Shareholders	<b>2041.62</b>	1575.73
Fixed Deposits from others	<b>4220.61</b>	3920.40
Short term loan from banks	<b>2000.00</b>	2005.31
Sugarcane Development Fund (Covered under Bank guarantee)	—	15.09
Sales Tax Deferment Loan	<b>2793.25</b>	1857.39
	<b>11055.48</b>	9373.92

**FIXED ASSETS**

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

	GROSS BLOCK					NET BLOCK		
	Cost as at 31-3-05	Additions during the year	Deductions during the year	Cost as at 31-3-06	Dep. upto 31-3-06	WDV ASAT 31-3-06	WDV ASAT 31-3-05	
1) Land	785.27	182.69	---	967.96	---	967.96	785.27	
2) Buildings	5172.82	48.55	19.34	5202.03	1529.77	3672.26	3802.49	
3) Plant and Machinery	48491.52	9474.19	1222.69	56743.02	19271.56	37471.46	30831.99	
4) Renewable Energy Plant: Wind Farm	706.08	---	---	706.08	428.78	277.30	314.58	
5) Tramways and Railway Sidings	156.23	148.48	---	304.71	127.50	177.21	39.83	
6) Furniture & Fittings	731.24	48.76	61.95	718.05	478.67	239.38	194.03	
7) Vehicles and Materials Handling Equipment	1254.31	607.81	85.97	1776.15	868.39	907.76	534.47	
<b>TOTAL</b>	57297.47	10510.48	1389.95	66418.00	22704.67	43713.33	36502.66	
Previous Year	45703.55	12333.25	739.32	57297.47	20794.81	36502.66	27768.77	

**INVESTMENTS**

**SCHEDULE - 6**

(Rupees in lakhs)

	<b>As at 31-3-2006</b>	<b>As at 31-3-2005</b>
<b>TRADE INVESTMENTS</b>		
- Equity shares - in associates (quoted)	432.19	432.19
- Equity shares - in others (quoted)	9.22	5.17
- Equity shares - (un-quoted)	<b>3656.74</b>	3656.74
<b>NON-TRADE INVESTMENTS</b>		
- Equity shares (quoted)	1.88	1.88
- Equity shares (un-quoted)	60.00	60.00
- In Govt. securities	0.22	0.26
- In Mutual Funds	45.30	65.42
- Redeemable non-convertible Bonds	90.00	90.00
	<b>4295.55</b>	4311.66

**INVENTORIES**

(As certified by the Respective Managing Director)

	<b>SCHEDULE - 7</b>	
Stores and Spares & Tools and Implements	2999.08	2430.70
Raw Materials	1696.62	2101.47
Work-in-process	388.28	387.50
Finished Goods	17966.45	14944.98
Crops under cultivation	6.49	4.90
	<b>23056.92</b>	19869.55

**SUNDRY DEBTORS**

**SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	447.92	470.08
Unsecured-considered doubtful	19.81	30.69
	<b>467.73</b>	500.77
Less: Provision for Doubtful Debts	19.81	30.69
	<b>447.92</b>	470.08
b) Other Debts: Unsecured-considered good	4909.28	5023.67
	<b>5357.20</b>	5493.75

**CASH AND BANK BALANCES**

**SCHEDULE - 9**

Cash and Cheques on hand	34.88	20.18
Balances with Scheduled Banks in		
Current Accounts	1157.27	803.08
In Fixed Deposit Accounts	259.95	807.12
	<b>1452.10</b>	1630.38

**OTHER CURRENT ASSETS**

**SCHEDULE - 10**

Interest accrued on Investments and Deposits	22.87	19.93
	<b>22.87</b>	19.93

**LOANS AND ADVANCES**

**SCHEDULE - 11**

(Rupees in lakhs)

	As at 31-3-2006	As at 31-3-2005
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	1641.13	2684.22
Unsecured considered doubtful	0.03	0.03
	<hr/>	<hr/>
	1641.16	2684.22
Less: Provision for doubtful Advances	0.03	0.03
	<hr/>	<hr/>
	1641.13	2684.22
Prepaid Expenses	126.03	110.29
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	954.58	1232.79
Advance payment of Income Tax	4658.53	4013.34
Advance payment of Fringe Benefit Tax	7.89	
Income Tax deducted at source	265.53	187.77
Income Tax refund receivable	17.04	17.98
Deposits recoverable	397.12	361.98
Claims recoverable	180.00	331.04
Balance with Customs, Port Trust etc.,	7.29	6.59
Intercompany Loans	350.00	350.00
	<hr/>	<hr/>
	8605.14	9296.00
	<hr/>	<hr/>

**LIABILITIES**

**SCHEDULE - 12**

Due to Small Scale Industrial undertakings	0.18	36.52
Due to Others (incl. Rs. 622.92 lakhs (Rs. 424.22 lakhs) due to Directors of Group Companies)	12108.78	10135.97
Advances received against sales	203.80	388.67
Trade Deposits	87.03	73.82
Staff security deposit	11.93	5.72
Interest accrued but not due on Loans	143.91	140.91
Dividends declared pending payment / encashment	78.61	54.50
Unclaimed matured Fixed Deposits	22.91	37.15
Unclaimed interest on matured Deposits and debentures	5.51	4.14
	<hr/>	<hr/>
	12662.66	10877.40
	<hr/>	<hr/>

**PROVISIONS**

**SCHEDULE - 13**

For Income Tax	5177.30	4647.05
For Fringe Benefit Tax	58.95	---
For Wealth Tax	5.50	4.50
For Proposed Dividend (by Subsidiary Company)	267.03	302.43
For Proposed Dividend (by Parent Company)	2033.04	1626.42
For Tax on Distributable Profits	322.58	270.53
For Leave Encashment on Retirement	272.02	192.05
	<hr/>	<hr/>
	8136.42	7042.98
	<hr/>	<hr/>

**MISCELLANEOUS EXPENDITURE**

**SCHEDULE - 14**

(to the extent not written off or adjusted)

Preliminary Expenses		
Issue expenses of Debentures / Shares on Rights basis	12.06	18.84
Less: Written off during the year	6.76	6.78
	<hr/>	<hr/>
	5.30	12.06
	<hr/>	<hr/>

**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>37.09</b>	28.31
Freight and other sales expenses recovered	<b>1308.69</b>	1202.89
Subsidy on Superphosphate sales	<b>368.04</b>	301.36
Rents received	<b>47.66</b>	10.31
Dividend income (Gross)	<b>177.77</b>	127.03
Interest received - Others	<b>116.22</b>	132.43
Miscellaneous Receipts	<b>574.61</b>	69.76
Profit on Sale of Assets	<b>19.25</b>	138.13
Provisions no longer required and Credit balances written	<b>24.04</b>	436.30
Sales tax refund received	<b>—</b>	46.60
Claims received	<b>29.37</b>	225.53
Income from agriculture	<b>4.29</b>	0.72
Bad Debts recovered	<b>2.50</b>	—
Difference in exchange	<b>7.87</b>	—
Interest income on investments	<b>13.49</b>	13.49
Impairment provision reversed	<b>337.44</b>	—
Tariff reduction recovered from APGPCL	<b>—</b>	94.00
	<b>3068.33</b>	2826.86

**OPENING AND CLOSING STOCKS**

**SCHEDULE - 16**

Opening Stock:		
Work-in-process	<b>387.50</b>	400.48
Finished goods	<b>14944.99</b>	17335.89
	<b>15332.49</b>	17736.37
Closing Stock:		
Work-in-process	<b>388.28</b>	387.50
Finished goods	<b>17966.45</b>	14944.99
	<b>18354.73</b>	15332.49

**PAYMENTS AND BENEFITS TO EMPLOYEES**

**SCHEDULE - 17**

Salaries, Wages and Bonus	<b>3310.75</b>	2867.22
Contribution to Provident, Gratuity and other funds	<b>482.36</b>	452.10
Workmen and Staff Welfare Expenses	<b>196.18</b>	168.22
	<b>3989.29</b>	3487.54



**MANUFACTURING AND OTHER EXPENSES**

**SCHEDULE - 18**

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1580.42	1518.83
Power and Fuel	8584.96	7130.78
Insurance	236.64	195.03
Sugarcane Development Expenses	23.79	38.56
Repairs to Buildings	256.94	197.53
Repairs to Machinery	3477.48	2345.86
Repairs to Other Assets	336.45	244.75
Advertisement and Sales Promotion	27.84	19.77
Handling, Transport & Expenses at Sales Depots	1708.45	1445.70
Commission on Sales	176.20	156.17
Rent	14.67	16.21
Directors' Sitting Fee	3.68	2.43
Managerial Remuneration	906.42	698.99
Payments to Auditors	10.39	11.44
Miscellaneous Expenses	609.51	550.12
Donations	75.10	111.40
Loss on sale of Assets	352.70	9.11
Issue expenses of Shares/Debentures written off	6.78	6.78
Bad debts written off	10.94	263.96
Debit balances written off	0.07	0.18
Tools written off	34.92	23.50
Assets written off	42.50	14.13
Processing charges paid	40.21	50.16
Freight on materials	304.38	190.76
Stores & Spares written off	4.32	19.92
Loss on sale / conversion of Investments	0.93	7.89
Claims written off	—	4.17
Provision for Doubtful Debts	—	27.51
Difference in exchange	0.03	2.47
	<b>18826.72</b>	<b>15304.11</b>

**EXCISE DUTY AND TAXES**

**SCHEDULE - 19**

Excise Duty	6402.16	4968.63
Purchase Tax on Sugarcane	713.26	550.52
Rates and Taxes	244.78	220.50
	<b>7360.20</b>	<b>5739.65</b>

**INTEREST**

**SCHEDULE - 20**

On Debentures and Fixed period loans	1561.61	1063.30
On Fixed deposits/loans from whole-time Directors	95.20	75.24
To Banks and on other Accounts	544.60	650.32
	<b>2201.41</b>	<b>1788.86</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,2006.

**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, 2006
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 31.3.2006. 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.2194.09 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.

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

Particulars	(Rupees in lakhs)	
	Assets	Liabilities
1. Depreciation	----	<b>6632.79</b>
2. Amounts disallowed u/s 43 B of Income Tax Act, 1961.	<b>270.26</b>	----
3. Unabsorbed losses under the Income Tax Act, 1961	<b>88.60</b>	----
4. Provision for doubtful debts	<b>6.67</b>	----
5. Payment under VRS	<b>14.10</b>	----
6. MAT Credit U/s 115 JAA	<b>39.97</b>	----
	-----	-----
	<b>419.60</b>	<b>6632.79</b>
	-----	-----
Net deferred tax liability		<b>6213.19</b>

	(Rupees in lakhs)	
	As at 31-3-2006	As at 31-3-2005
<b>6 CONTINGENT LIABILITIES NOT PROVIDED FOR:</b>		
a) Estimated amount of contracts remaining to be executed on Capital Account	<b>425.25</b>	1040.49
b) On letters of credit opened with Bankers	<b>993.97</b>	1274.74
c) Guarantees to Banks against credit facilities extended to third parties	<b>1520.00</b>	---
d) Performance Guarantees	<b>487.07</b>	---
e) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	<b>0.01</b>	0.01
f) Uncalled liability on partly paid shares held as investments	<b>24.66</b>	24.66
g) Claims not acknowledged by the company relating to the following areas.		
i) Excise	<b>40.95</b>	232.45
ii) Customs	<b>50.63</b>	15.61
iii) Sales Tax	<b>32.81</b>	33.42
iv) State Levies	<b>236.17</b>	176.84
v) Suppliers and Service contract	<b>166.20</b>	85.47
vi) Labour related	<b>14.21</b>	14.21

## The Andhra Sugars Limited - Group Consolidated Financial Statements

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.54.01 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 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.
9. 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.
10. In the case of The Andhra Sugars Limited, the Company has given undertakings / assurance to APIDC, IDBI 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.
11. In the case of The Andhra Sugars Limited, 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.
12. In the case of The Andhra Sugars Limited, the balances in personal accounts of various parties are subject to confirmation by the reconciliation with the said parties.
13. In the case of The Andhra Sugars Limited, based on the information available with the company regarding the state of its creditors, there are no dues payable to Small Scale Industrial Undertaking as on the date of the balance sheet. The Auditors have relied upon the said information.
14. In the case of The Andhra Sugars Limited 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.0.79 lakhs as on 31.3.2006 (Maximum balance outstanding during the year is same). The Investment in the Equity shares of the company is Nos.328760.
15. In the case of The Andhra Sugars Limited, the closing units, Wind Farm at Ramagiri and power generation unit at Taduvai as per the books of the Company and as confirmed by the AP Genco is subject to reconciliation due to certain matters pending before Honourable High Court of Andhra Pradesh.

## The Andhra Sugars Limited - Group Consolidated Financial Statements

16. 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 1-10-2004 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. 137.99 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. 231.35 lakhs till 31st March, 2006 including Rs. 7.47 lakhs during the year, in the respective accounting years.

17. 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.

18. Segment information:

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

19. 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 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

Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006

**GROUP CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2005-06**

	(Rupees in lakhs)	
	2005-2006	2004-2005
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before Tax and extra-ordinary items	<b>9400.40</b>	8066.09
ADJUSTMENTS FOR:		
Depreciation	<b>3071.44</b>	2599.92
Assets written off	<b>42.50</b>	14.13
Interest (Net)	<b>2071.70</b>	1642.94
Impairment provision reversed credited to P&L a/c	<b>-337.44</b>	0.00
Profit/Loss on sale of assets (Net)	<b>333.45</b>	-129.02
Dividends received	<b>-177.77</b>	-127.03
Issue expenses of shares/debentures written off	<b>6.78</b>	6.78
Loss on conversion / sale of investments	<b>0.93</b>	7.89
	<hr/>	<hr/>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<b>14411.99</b>	12083.70
Trade and other receivables	<b>1554.37</b>	-1235.04
Inventories	<b>-3187.37</b>	1972.70
Trade payables	<b>1865.23</b>	783.50
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS	<b>14644.22</b>	13604.86
Direct taxes paid	<b>1944.11</b>	-1998.66
Refund of Taxes	<b>---</b>	2.83
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES.....A	<b>12700.11</b>	11609.03
	<hr/>	<hr/>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	<b>-11131.63</b>	-14163.57
Sale of Fixed Assets	<b>189.63</b>	166.63
Sale of Investments	<b>19.23</b>	172.12
Purchase of Investments	<b>-4.06</b>	-2329.06
Interest received	<b>129.71</b>	145.92
Dividends received	<b>177.77</b>	127.03
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES.....B	<b>-10619.35</b>	-15880.93
	<hr/>	<hr/>
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings/loans	<b>1871.22</b>	7686.72
Dividends paid	<b>-1928.85</b>	-1307.80
Interest paid	<b>-2201.41</b>	-1788.86
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES.....C	<b>-2259.04</b>	4590.06
	<hr/>	<hr/>
<b>INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>-178.28</b>	318.16
	<hr/>	<hr/>
Cash and Cash equivalents as on 01.4.2005	<b>1630.38</b>	1312.22
Cash and Cash equivalents as on 31.3.2006	<b>1452.10</b>	1630.38
	<hr/>	<hr/>
	<b>-178.28</b>	318.16
	<hr/>	<hr/>

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  
Company Secretary

Camp : TANUKU  
Date : 22-07-2006

TANUKU  
22-07-2006

## 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. Sesa 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	391.11 (389.72)	0.00 (0.00)	23.71 (28.23)	23.90 (25.79)
Services Rendered by	0.00 (0.00)	0.00 (0.00)	10.41 (9.64)	1.45 (1.37)
Sale of Goods to	741.32 (759.77)	23.76 (22.13)	1.93 (0.00)	0.00 (0.00)
Sale of Fixed Assets to	0.00 (0.16)	0.00 (5.18)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	0.28 (2.00)	0.34 (0.41)	1.27 (1.56)	0.59 (1.09)
Interest Paid to	0.00 (0.00)	0.00 (0.00)	95.20 (75.24)	152.38 (106.29)
Interest Received from	0.00 (0.00)	36.75 (14.58)	0.00 (0.00)	0.00 (0.00)
Remuneration (incl. Commission ) paid to	0.00 (0.00)	0.00 (0.00)	906.42 (698.99)	0.00 (0.00)
Donations paid to	48.00 (50.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	84.64 (12.08)	0.00 (0.00)	225.61 (150.65)	402.09 (267.84)
Dividend Received from	2.80 (2.80)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Balances as at 31-03-2006:</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	0.00 (62.99)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the company held by	141.07 (119.33)	0.00 (0.00)	376.51 (377.45)	671.90 (671.41)
d) Fixed Deposits Received from	0.00 (0.00)	0.00 (0.00)	1068.91 (708.59)	1729.27 (1189.20)
e) Loans/Intercorporate loans given to	0.00 (0.00)	350.00 (350.00)	0.00 (0.00)	0.00 (0.00)
f) Payables - Trade dues	2.65 (6.05)	0.00 (0.00)	2.25 (0.00)	2.27 (0.00)
- Interest on F.D's.	0.00 (0.00)	0.00 (0.00)	19.71 (17.26)	22.27 (28.24)
- Remuneration (including Commission)	0.00 (0.00)	0.00 (0.00)	765.09 (608.33)	0.00 (0.00)

ANNEXURE – II

(Rs. in Lakhs)

STATEMENT SHOWING SEGMENT WISE ANALYSIS AS ON 31-03-2006

Description	SUGARS		CAUSTIC SODA		POWER GENERATION		INDUSTRIAL CHEMICALS		SOAP		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2003-04	2005-06	2004-05	2005-06	2004-05
<b>REVENUE :</b>																
External Sales	21165.38	20934.91	25281.62	19142.21	555.75	681.12	11630.37	8924.64	2725.04	2725.04	2738.92	2341.19	---	---	63390.58	54749.12
Inter-segment sales	1336.08	1334.66	1937.49	316.00	1656.84	1945.43	3892.55	3077.40	---	---	85.72	4415	8908.48	6717.64	---	---
Total Revenue	22501.46	22269.57	27219.11	19458.21	2212.59	2626.55	15522.72	12002.04	2725.04	2725.04	2824.64	2385.34	8908.48	6717.64	63390.58	54749.12
<b>RESULT :</b>																
Segment result before Interest, extraordinary items	3851.12	4522.81	6107.59	4054.45	288.05	656.88	1382.21	1772.53	642.65	642.65	-30.89	688.10	---	---	11838.46	12337.52
Unallocated corporate expenses less Income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	366.36	2628.48
Operating Profit	---	---	---	---	---	---	---	---	---	---	---	---	---	---	11472.10	9709.04
Interest expenses	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2201.41	1788.86
Interest income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	129.71	145.92
Profit before tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	9400.40	8066.09
Provision for current and deferred tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2788.43	2518.33
Net Profit after tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	6611.97	5547.76
<b>OTHER INFORMATION :</b>																
Segment Assets	28725.48	26001.69	27261.44	27236.68	9097.34	5721.68	9558.55	5068.81	1486.94	1279.08	7538.61	3266.45	---	---	83668.36	68574.39
Unallocated Corporate Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	6497.71	11597.83
Total Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	90166.07	80172.22
Segment Liabilities	6051.26	3753.02	3621.62	4701.14	295.72	1278.46	1379.69	455.67	18.42	119.04	1567.97	1348.35	---	---	12934.68	11655.88
Unallocated Corporate Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	44051.94	41644.37
Total Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	56986.62	53300.25
Capital Expenditure	797.81	---	1352.04	---	5986.28	---	2005.59	---	51.79	---	316.97	---	---	---	10510.48	14251.35
Depreciation	638.09	---	1370.01	---	368.86	---	336.32	---	125.22	---	232.93	---	---	---	3071.43	2638.50
Non-cash expenditure other than depreciation	---	---	---	---	---	---	---	---	---	---	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 31-03-2006**

(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	7219.53	397.00	----
3. Total Assets	10347.41	810.87	11.04
4. Total Liabilities	2707.13	368.90	0.92
5. Details of Investments	23.36	0.04	----
6. Total Income	8451.20	1590.72	0.40
7. Profit before taxation	475.22	443.81	0.27
8. Provision for current Taxation	400.00	150.00	0.09
9. Profit after Taxation	294.07	284.47	0.18
10. Proposed dividend	222.03	45.00	----