

THE ANDHRA SUGARS LIMITED ^{30/8}

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52nd ANNUAL REPORT 1998-99



THE ANDHRA SUGARS LIMITED

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1998-99

Board of Directors:

Dr. Mullapudi Harischandra Prasad
Chairman & Managing Director

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

Shri T. Ramesh U. Pai

Shri A. Ranga Rao

Shri P. Narendranath Chowdary, B.Sc.
Joint Managing Director
(Chemical Complex - Kovvur)

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

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

Shri P. Achutaramayya, B.Com., M.B.A.(New York)
Executive Director

Shri K. Kalyanaraman

Shri M.S.R.V.K. Ranga Rao

Shri P.J.V. Sarma

Shri P.S.R.V.K. Ranga Rao, B.Com.,
Executive Director (1-5-1999)

Secretary:

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

Vice President (Finance):

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

Bankers:

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

Auditors:

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

Registered Office:

Venkatarayapuram
Tanuku - 534 215
West Godavari District, (A.P.)

iii) **Leave Travel Concession:**

For himself and his family as per Rules of the Company.

iv) **Club Fees:**

Subject to a maximum of two clubs. This will not include admission and Life Membership Fees.

v) **Personal Accident Insurance:**

Premium not to exceed Rs. 4000/- per annum.

vi) **Provident Fund:**

Company's contribution towards Provident Fund at 12% of his salary or such rate as may be applicable from time to time.

vii) **Superannuation Fund:**

The Company's contribution towards superannuation fund as per the Company's Rules, such contribution together with the Company's contribution to the Provident Fund shall not exceed 27% of the Salary as laid down under the Income Tax Rules, 1962. or such other ceiling as may be prescribed from time to time.

viii) **Gratuity:**

Gratuity not exceeding half a month's salary for each completed year of service.

ix) **Leave:**

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service.

Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

x) **Telephone:**

Free telephone facility at the residence for the use of the Company's business.

xi) **Car:**

Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs and cost of petrol.

(Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director).

xii) Any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

(Perquisites shall be restricted to Rs.4,50,000/- per annum)

"RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the Company during the term of his Office as Executive Director, the salary and perquisites set out above be paid or granted to Shri P.S.R.V.K. Ranga Rao as minimum remuneration, provided that the total remuneration by way of salary, perquisites and any other allowances shall not exceed the ceiling of Rs.10,50,000 per annum or Rs.87,500 per month and the perquisites as may be provided in Section II of Part II of Schedule XIII of the said Act or such other amount and perquisites as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter, vary such salary, commission and perquisites as may be permitted by any applicable law from time to time during the said period of office and as may be agreed to by the Board of Directors of the Company and Shri P.S.R.V.K. Ranga Rao".

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

RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

The existing Article '201' be deleted and in place thereof the following Article 201 be substituted:

The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and the same shall never be used except by the authority of the Directors, or a Committee of the Directors. One Director and Secretary, or any other person duly authorised by the Board, shall sign every instrument to which the Seal is affixed, provided nevertheless that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same.

9. To consider and if thought fit to pass with or without modifications the following Resolution as Ordinary Resolution.

"RESOLVED THAT the consent of the company be and is hereby accorded to the Board of Directors in terms of Section 293(1)(a) and other applicable provisions if any of the Companies Act, 1956 to mortgaging and/or charging by way of second charge of all immovable and movable properties of the Company (except those which are specifically charged to the respective lenders) wherever situate, present and future and whole of the undertaking of the Company in favour of all or any of the Bankers viz., Andhra Bank, State Bank of India, State Bank of Hyderabad and Bank of Baroda to secure working capital facilities upto Rs. 9,500 lakhs".

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective Consortium of Banks/ICICI, acting as the agent of the Consortium of Banks, the document for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to this resolution."

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU
29-07-1999

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

NOTE:

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 16th September, 1999 to 23rd September, 1999 (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 23rd September, 1999.
4. Shareholders are requested to notify their change of address if any to the Company.
5. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends upto the year 1994-95 (Final) have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Andhra Pradesh, Hyderabad.
6. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached. Documents mentioned in the Explanatory Statement are open for inspection of members at the Registered Office of the Company between 2.00 P.M. and 4.00 P.M. on any working day upto the date of this meeting.

DIVIDEND:

In view of the requirement to transfer Rs.19.64 Crores to Debenture Redemption Reserve from the Profit available for appropriation for the year under report, your Directors recommend a dividend of 10%, from out of General Reserves, maximum permissible under the Companies (Declaration of Dividend out of Reserves) Rules, 1975 of the Companies Act 1956, on the Equity Capital of Rs. 27.11 Crores. If approved the dividend will be paid to all the Members, whose names appear on the Register of Members as on 23rd September, 1999.

AUDITORS' REPORT:

Relevant notes forming part of the Accounts fully clarify the observations of Auditors made in their Report.

CAPITAL & RESERVES:

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

Paid-up Capital: The paid up capital of the Company is Rs. 27.11 Crores. Total Reserves position as on 31.3.1999 is Rs. 117.09 Crores as against Rs. 103.56 Crores as on 31.3.1998.

REVIEW OF OPERATIONS:**TANUKU SUGAR UNIT:**

- ✓ The total cane crushed during the season 1998-99 was 5,63,359 M.Ts and Sugar produced was 63,521 M.Ts as against 5,70,504 M.Ts of cane crushed and 67,421 M.Ts of Sugar produced during the previous season. The crushing operations were carried on for 121 days as against 123 days in the previous season.

Average recovery achieved was 11.30% as against 10.32% achieved in the previous season. Your Directors are glad to report that your company stood first in the State of Andhra Pradesh for recording highest recovery of 11.30%. The performance of this Unit continued to be good.

TADUVAI SUGAR UNIT:

In its second full season of operations the performance of Taduvai Unit was good. The Unit achieved 100% capacity utilisation. The total cane crushed during the season 1998-99 was 3,23,017 M.Ts and Sugar produced was 33,638 M.Ts as against 1,61,642 M.Ts of cane crushed and 15,686 M.Ts of Sugar produced during the previous season. The crushing operations were carried on for 128 days as against 111 days in the previous season. Recovery achieved was 10.45% as against 9.68% achieved in the previous season.

CO-GENERATION:

Your Directors are glad to report that a Co-generation Plant was commissioned at Taduvai during the year under report. Part of the power generated from this Unit is used for captive consumption at Taduvai and surplus is exported to Saggonda Unit through APSEB Grid. Attention is being focused to increase the power output through co-generation in the coming years to supplement the existing power requirement for operations.

CANE PRICE:**TANUKU :**

In respect of Tanuku Unit, for the season 1998-99 your Company paid State Advisory Cane Price of Rs. 798.30 per MT as against the Statutory Minimum Price of Rs. 644.80 per MT fixed by Central Government.

TADUVAI :

In respect of Taduvai Unit, for the season 1998-99 your Company fixed cane price of Rs.750 per M.T. which is over and above the State Advisory Price of Rs.744.60 per M.T. as against Statutory Minimum Price of Rs.601.40 per MT fixed by Central Government.

SUGAR PRICE:**TANUKU:**

The dual pricing system continued to be in operation for the period under review. For the season 1998-99 the Government of India has maintained the ratio of Levy:Free Sugar quota of 40:60.

TADUVAI :

As in the previous season the Sugar Unit at Taduvai is entitled for 100% Free Sugar sale.

PERFORMANCE OF OTHER DIVISIONS :

Performance of Chemical Units at Kovvur and Tanuku was satisfactory. Sulphuric Acid Unit achieved more than 100% capacity utilisation.

New Caustic Soda Unit at Saggonda was in production for the full financial year. The Unit produced 24,900 M.Ts of Caustic Soda, 20,975 M.Ts of Hydrochloric Acid and 14,594 M.Ts of Chlorine and achieved capacity utilisation of 75%. With the indications of improvement in the market for Caustic Soda, the Unit is expected to perform better in the coming years.

Your Directors are glad to report that the Cotton and Oil Product Division has turned around during the year under report by making a profit of Rs. 48.01 lakhs as against the loss of Rs.200.25 lakhs incurred during the year 1997-98. Vanaspathi Plant achieved more than 100% capacity utilisation.

WIND POWER PROJECT:

The Power Generated at this Unit during the year is 20,03,614 KWH.

YEAR 2000 COMPLIANCE (Y2K) :

Your Company commenced work on Year 2000 (Y2K) compliance. The effect of Y2K on Data processing Software, Hardware, Operating Systems, Process Control Systems has been evaluated and the systems likely to be affected are identified.

a) Data Processing, Hardware, Operating Systems and Software :

Some of the old Computer system & older versions of operating systems would be replaced by August, 1999. A few applications developed in-house in COBOL will be converted to make them Y2K compliant by September, 1999.

b) Process Control Equipment :

Most of the equipments are Y2K compliant except some process control equipment at Caustic Soda Plant, Saggonda.

Total Cost is estimated to be Rs. 100 lakhs and the work is expected to be completed by end of October 1999. Company has taken reasonable steps in the matter, and Y2K problem is not expected to affect the operations. A contingency plan has been instituted to deal with any unforeseen Y2K problems.

DIRECTORS:

In terms of Article 116 of the Articles of Association of the Company, Shri A. Ranga Rao, Shri M. Narendranath and Shri M.S.R.V.K. Ranga Rao retire by rotation at the ensuing 52nd Annual General Meeting, and being eligible, they offer themselves for re-appointment.

IREDA withdrew the nomination of Shri T. Sugunakar Rao from the Board of Directors of your company with effect from 19.11.1998.

Shri P.S.R.V.K. Ranga Rao was appointed by the Board as Executive Director for a period of 5 years with effect from 1.5.1999. ICICI vide their letter No FM/8102 dated 22.6.99 have approved the said appointment. His appointment is being placed for the approval of members at the ensuing 52nd Annual General Meeting.

INDUSTRIAL RELATIONS:

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

PARTICULARS OF EMPLOYEES:

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

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

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

FIXED DEPOSITS:

Fixed Deposits aggregating to Rs.7,09,000 held by 25 depositors had fallen due for payment but remained unclaimed as on 31.3.1999. Unclaimed deposits aggregating to Rs.1,60,000 held by 6 depositors have since been renewed/repaid. Still, deposits aggregating to Rs.5,49,000 held by 19 depositors remained unclaimed as on date.

SUBSIDIARY COMPANIES:**JOCIL LIMITED:**

For the financial year ending 31.3.1999, the subsidiary Company, JOCIL Ltd., recorded a Profit of Rs. 992.15 lakhs (before taxation) as against Rs. 904.96 lakhs (before taxation) during the previous accounting year. The Company declared a Final Dividend of 25% which together with the Interim Dividend of 20% already paid, works out to 45% for the year 1998-99 as against 35% paid in the previous year.
Stearic (Fatty Acid, Soap Products)

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED:

During the year 173 M.Ts. of Hydrazine Hydrate was produced (83 M.Ts in the previous year). The turnover during the year was Rs. 412 lakhs (Rs.273 lakhs in the previous year). The Company incurred a profit of Rs. 7.38 lakhs (as against loss of Rs.19.88 lakhs in the previous year). No dividend has been recommended by the Board of Directors for the year 1998-99. (PVC Rs.45 lakh)

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 52nd Annual General Meeting and are eligible for re-appointment.

COST AUDITORS:

M/s Parankusam & Co., Cost Accountants, Vijayawada are re-appointed as Cost Auditors of the Company for the products, which are subject to Cost Audit, for the year ended 31.3.1999.

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.

For and on behalf of the Board

TANUKU
29-07-1999

Dr. MULLAPUDI HARISCHANDRA PRASAD
Chairman & Managing Director

ANNEXURE 'A' TO THE DIRECTORS REPORT

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 and forming part of the report of the Board of Directors for the period from 1-4-1998 to 31-3-1999.

Sl.	Name	Designation	Qualification	Experi- ence (Years)	Date of com- mence- ment of employ- ment in the Company	Gross Remu- neration	Age (Years)	Particulars of Last Employment (Name of the Concern, Designation and period)
1)	Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director		52	01-08-1968	1074295	78	Partner, Ex-Managing Agency Firm The Andhra Sugars Ltd., 21 Years
2)	Shri B. B. Ramaiah	Managing Director (Tech.)	B.Sc., (Hons.), Sugar Technology M.Sc., (Chemical Technology) M.Sc., (Wisconsin) A.M.P. (Harvard)	45	01-04-1998	834879	73	Managing Director (Tech.) The Andhra Sugars Ltd., 28 Years
3)	Shri P. Narendranath Chowdary	Joint Managing Director	B.Sc.,	32	12-01-1976	875058	51	Director, The Andhra Sugars Ltd., 8 Years
4)	Shri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	25	01-01-1998	878306	50	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku 24 Years
5)	Shri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	24	01-08-1978	884820	48	Director, The Andhra Sugars Ltd. 2 1/2 Years
6)	Shri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	16	01-08-1983	634604	45	First Appointment
<p>1) Gross remuneration in respect of above Whole-time Directors includes salary, 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.</p> <p>2) The above Whole-time Directors are governed by the provisions of Section 269 read with Schedule XIII of the Companies Act.</p>								

Annexure 'B' to Directors' Report for the year ended 31.03.1999

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 :

TANUKU UNIT:

To effect the energy conservation coupled with efficiency, following measures have been taken:

- I. Hot water maceration was adopted for both the diffusers which reduced Sugar losses and Steam percent.
- II. Syrup/Melt clarification system was in operation which resulted in benefits such as reduction in pan boiling time, reduction in steam requirement at pan station, increase in sugar crystals growth rate, reduction in Power consumption at the centrifugals, production of good quality L30 Sugar.
- III. Bagasse handling system was mechanised which led to man power saving.

b) Additional proposals considered for energy conservation and improving the efficiency.

- I. Modification of clear juice heater heating surface.
- II. Separation of draft juice and scalding juice, modification of draft juice screens at Diffusers.
- III. Installation of bagasse drying system.
- IV. Replacement of existing FD fan for Thermax-2 boiler by a newly designed one.
- V. Adopting Lotus Rollers for both tandems of primary mill feed Roller.

TADUVAI UNIT

Power evacuators were installed in order to reduce wastage and effectively utilise heat energy.

KOVVUR UNIT

The conversion of rod type anodes to runner type anodes for 6 Cells was completed resulting in saving of energy.

SAGGONDA UNIT

Waste heat recovery from exhaust gas of 3.8 MW DG Set is installed, generating 1.2 TPH of steam.

10 TPH boiler is installed using non-conventional fuel like paddy husk. This resulted in the saving of 20TPD of furnace oil.

B. Technology Absorption

Efforts made in 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	20.00	20.68
ii) Knowhow fee and Service Charges of Engineers	—	99.66
iii) On Capital Account	—	—
b) Earned (Rs. in lakhs)	0.40	73.46

ANNEXURE FORM A FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY											
PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		GUNTUR UNIT		TADUVAI UNIT		SAGGONDA UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
A) POWER AND FUEL CONSUMPTION											
1. ELECTRICITY											
a) PURCHASED											
UNITS	KWH	5513900	5893746	94932897	134262629	3326323	2697285	396570	297250	52560800	20575600
TOTAL AMOUNT	RS	19529278	21257488	250547170	383896480	12528992	9736183	1926480	1352527	136030510	43100964
RATE/UNIT	RS	3.54	3.61	2.64	2.86	3.77	3.61	4.86	4.55	2.59	2.09
b) OWN GENERATION											
i) THROUGH DIESEL GENERATOR											
UNITS	KWH	483766	1151704	150549	1346936	137592	1121830	154192	604400	13790505	13072622
UNITS PER LTR OF DIESEL OIL	KWH	3.28	3.25	3.337	4.08	3.17	3.34	2.10	2.67	3.89	3.81
COST/UNIT	RS	6.23	4.72	34.79	9.84	20.75	5.39	7.08	4.50	2.16	2.35
ii) THROUGH STEAM TURBINE GENERATOR											
UNITS	KWH	12063890	13111590	---	---	---	---	12681240	5383490	---	---
KWH PER TONNE OF BEGASSE		---	---	---	---	---	---	---	---	---	---
COST/UNIT	RS	0.69	0.73	---	---	---	---	0.90	1.17	---	---
2. COAL (SPECIFY QUALITY AND WHERE USED)											
QUANTITY	MT	185.500	161.500	---	---	410.000	148.795	17.840	---	---	---
TOTAL COST	RS	248061	215967	---	---	671997	122432	249150	---	---	---
AVERAGE RATE	RS	1337.26	1337.26	---	---	1639.00	822.22	1396.58	---	---	---