

THE ANDHRA SUGARS LIMITED

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THE ANDHRA SUGARS LIMITED

56th ANNUAL REPORT

2002 - 2003

BOARD OF DIRECTORS :

Dr. Mullapudi Harischandra Prasad
Chairman & Managing Director

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

Shri T. Ramesh U. Pai

Shri Justice G. Ramanujam

Shri A. Ranga Rao

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

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

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

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

Shri K. Kalyanaraman

Shri P.J.V. Sarma

Dr. A.V. Rama Rao

Dr. P. Kotaiah

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

SECRETARY :

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

VICE PRESIDENT (Finance) :

Shri T. Krishnalah, 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. Brahmaya & Co.,
Chartered Accountants
Vijayawada.

REGISTERED OFFICE :

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

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In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit & Loss Account and other reports of the Subsidiary Companies have not been included in the Annual Report of your Company for the year 2002-2003. However the Company will make available these documents upon the request by any Member of the Company interested in obtaining the same. Consolidated financial statement presented by the Company includes financial information of its subsidiaries.

THE ANDHRA SUGARS LIMITED

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the FIFTYSIXTH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Wednesday the 24th day of September, 2003 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 31st March, 2003 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 2002-2003.
3. To appoint a Director in place of Shri T. Ramesh U Pai who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri P.J.V. Sarma who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri K. Kalyanaraman who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2003-2004 and fix their remuneration. The present Auditors of the Company, M/s Brahmayya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such other approvals as may be required, Shri P.S.R.V.K. Ranga Rao be and is hereby re-appointed as Executive Director of the Company for a period of 5 years with effect from 1.5.2004 on such salary, commission and perquisites as set out hereunder:-

Shri P.S.R.V.K. Ranga Rao is subject to retirement by rotation during the tenure of his office as Executive Director from 1.5.2004 to 30.04.2009.

1. **Salary:**

Rs. 30,000/- per month.

2. **Commission:**

Upto 0.5% of the net profits of the Company subject to the overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. **Perquisites:**

- i) **Housing:**

If required, free furnished residential accommodation with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary.

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- ii) **Medical Reimbursement:**
Expenses incurred for himself and his family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years.
- 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. 4,000/- 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)

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

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

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions if any of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wherever situate, present and future and whole of the undertaking of the Company together with the power to enter upon and take possession of the assets of the Company in certain events, in favour of lenders viz., ICICI Bank Ltd., acting for itself and as an agent of Andhra Bank, State Bank of India, State Bank of Hyderabad, Bank of Baroda in respect of term loan aggregating to Rs. 4,000 lakhs availed from them."

"FURTHER RESOLVED THAT the mortgage / charge created / to be created and/or all documents / agreements executed / to be executed and all acts done in terms of the above Resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

9. To consider and if thought fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT in supersession of the Resolution passed by the Shareholders at the 52nd Annual General Meeting held on 22nd September, 1999, 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 for mortgaging and/or charging by way of Second Charge all immovable and movable properties of the Company (except properties situated at COP Division, Guntur, Wind Power Project, Ramagiri, Ananthapur Dist., and residential quarters at Saggonda, West Godavari Dist.,) 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. 18,400 lakhs (including non-fund based limits)."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective consortium of Banks / ICICI Bank Ltd., acting as an Agent of the consortium of Banks, the documents for creating aforesaid mortgage and/or charge by way of Second 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
26-07-2003

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

NOTES:

1. A Member entitled to attend and vote may appoint a proxy to attend and vote instead of himself on poll and that a proxy need not be a member.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 16th September, 2003 to Wednesday the 24th September, 2003 (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 24th September, 2003. **In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as on 24th September, 2003 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.

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6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 Interim Dividend for the year 1995-96 which remained unclaimed for a period of 7 years has been transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the dates that they first become due for payment and no payment shall be made in respect of any such claims.

7. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached.
8. **Information about the Directors seeking re-appointment/appointment at the 56th Annual General Meeting as required under Corporate Governance.**

The information or details to be provided in respect of Directors seeking appointment / re-appointment at the 56th Annual General Meeting as required by Corporate Governance are given hereunder:-

Shri T. Ramesh U Pai is a noted Industrialist having industrial experience of more than five decades. He holds Directorship on the Board of many Companies viz., Reliance Industries Ltd., Maharashtra Apex Corporation Ltd., Kurlon Limited, Commercial Corporation of India Ltd., Lingapur Estates Ltd. He is a Member of the Audit Committee constituted by the Board of Reliance Industries Ltd., and Lingapur Estates Ltd.

Shri P.J.V. Sarma is a nominee Director of ICICI Bank Ltd. on the Board of your Company. He is an Engineering Graduate and presently he is holding the position of General Manager, ICICI Bank Ltd. He holds Directorship on the Board of many Companies viz., ICICI Knowledge Park, Sanghi Industries, The Andhra Pradesh Paper Mills Ltd. He is the Member of the Audit Committee constituted by the Board of Andhra Pradesh Paper Mills Ltd.

Shri K. Kalyanaraman is a retired Executive Director of Life Insurance Corporation of India and is a nominee Director of LIC on the Board of your Company.

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ANNEXURE TO NOTICE**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956****ITEM NO. 7**

Shareholders at the 52nd Annual General Meeting held on 23.09.1999 appointed Shri P.S.R.V.K. Ranga Rao as Executive Director for a period of five years with effect from 01.05.1999. His present term as Executive Director will be expiring by 30.04.2004. Shri P.S.R.V.K. Ranga Rao has been closely associated with Chemical Complex at Saggonda right from the construction stage and is conversant with its day to day affairs. Your Company has taken up new Projects at Chemical Complex, Saggonda and as such the Board of Directors considered it advisable to re-appoint Shri P.S.R.V.K. Ranga Rao as Executive Director for a period of five years with effect from 01.05.2004.

Your Board of Directors recommend the Resolution for your approval.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Shri P.S.R.V.K. Ranga Rao for a further period of five years with effect from 01.05.2004 pursuant to Section 302 (7) of the Companies Act, 1956.

Except Shri P.S.R.V.K. Ranga Rao no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 8

Your Company availed a term loan aggregating to Rs. 4,000 lakhs from ICICI Bank Ltd., Andhra Bank, State Bank of India, State Bank of Hyderabad and Bank of Baroda. With regard to creation of security in connection with the said loan, a Resolution is required to be passed under Section 293(1)(a) of the Companies Act, 1956 by the Members at a General Meeting of the Company.

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

No Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 9

Financial assistance in the form of working capital from the Company's Bankers has to be secured by way of Second Charge on all the immovable and movable properties of the Company, present and future. Shareholders at the 52nd Annual General Meeting held on 23.09.1999 accorded consent for creation of second charge on all immovable and movable properties of the Company to the extent of Rs. 9,500 lakhs. In view of the increased working capital limits availed by the Company from the Company's bankers, Second Charge is required to be created on all movable and immovable properties of the Company, present and future, to the extent of Rs. 18,400 lakhs (including non-fund based limits) in supersession of earlier Resolution.

With regard to creation of Second Charge, a Resolution is required to be passed under Section 293(1)(a) of the Companies Act, 1956 by the Members at a General Meeting of the Company.

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

No Director is deemed to be interested or concerned in the Resolution.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU
26-07-2003

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

The Andhra Sugars Limited**DIRECTORS' REPORT**

To
The Shareholders

Your Directors have pleasure in presenting this FIFTY SIXTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31st March, 2003.

FINANCIAL RESULTS :

	(Rupees in lakhs)	
	This Year	Previous Year
Sales	35072.56	33816.99
Other Income	1902.05	1566.52
	36974.61	35383.51
Profit for the year	5187.20	4963.92
Depreciation	1387.83	1242.74
Profit after depreciation	3799.37	3721.18
Less : Provision of diminution in value of investments	----	2076.65
	3799.37	1644.53
Add : Income Tax refund received	18.16	23.08
Excess provision of Income-tax credited back	24.57	----
	3842.10	1667.61
Less: Provision of Income Tax for previous years	----	3.05
Provision for current Tax	1150.00	1000.00
Provision for deferred Tax	279.84	203.56
Provision for Wealth Tax	1.00	0.75
	2411.26	460.25
Add: Balance brought forward from last year	2418.37	2369.45
Transfer from Debenture Redemption Reserve	1412.50	1412.50
Profit available for appropriation	6242.13	4242.20

APPROPRIATIONS:

Transfer to General Reserve	3000.00	1146.00
Proposed Dividend on Equity Shares @ 25%	677.83	677.83
Tax on Distributable Profits	86.85	----
Balance carried forward to next year	2477.45	2418.37
	6242.13	4242.20

DIVIDENDS:

Your Directors are glad to maintain the dividend of 25% on Equity Shares for the year under report as in the previous year 2001-2002.

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. The Total Reserves position as on 31.03.2003 is Rs. 131.31 Crores as against Rs.114.84 Crores as on 31.03.2002.

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

The cane crushed during season 2002-03 upto 31.03.2003 was 6,57,500 M.Ts and the Sugar produced was 73,399 M.Ts as against 4,75,247 M.Ts of cane crushed and 51,208 MTs of Sugar produced during the previous year.

For the entire season 2002-03, which ended on 14.04.2003 the crushing operations were carried on for 149 days as against 104 days in the previous season. The total cane crushed was 7,10,309 M.Ts and Sugar produced was 80,192 M.Ts.

Recovery achieved was 11.29% as against 10.79% achieved in the previous season.

SUGAR UNIT, TADUVAI:

The cane crushed during the year 2002-03 upto 31.03.2003 including the cane crushed upto 14.04.2002 was 4,43,263 M.Ts and the Sugar produced was 51,762 M.Ts as against 4,34,574 M.Ts of cane crushed and 48,285 MTs of Sugar produced during the previous year.

For the entire season 2002-03 which ended on 12.04.2003 the crushing operations were carried on for 158 days as against 163 days in the previous season. The total cane crushed was 4,65,571 M.Ts and Sugar produced was 56,858 M.Ts. as against 4,69,342 M.Ts of cane crushed and 52,819 M.Ts of Sugar produced during the previous season.

The Unit achieved a Recovery of 11.74% as against 11.25% achieved in the previous season.

POWER GENERATION :

During the year under report the Power Generation Unit at Taduvai generated 2,81,94,757 Units as against 3,18,93,370 Units generated in the previous year after deducting wheeling and banking charges.

CANE PRICE:**SUGAR UNIT, TANUKU :**

In respect of Sugar Unit, Tanuku, for the season 2002-03 your Company has paid Statutory Minimum Cane Price of Rs. 827.40 per MT and Purchase Tax Incentive of Rs. 60/- per M.T. as against Statutory Minimum Cane Price Rs. 839.50 per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. paid during the previous season.

SUGAR UNIT, TADUVAI :

In respect of Sugar Unit, Taduvai, for the season 2002-03 your Company has paid Statutory Minimum Cane price of Rs. 880.60 per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. as against Statutory Minimum Cane Price Rs. 832.20 per M.T. and Purchase Tax of Rs. 60/- per M.T. paid during the previous season.