

THE ANDHRA SUGARS LIMITED

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57th ANNUAL REPORT 2003-2004



THE ANDHRA SUGARS LIMITED

57th ANNUAL REPORT

2003 - 2004

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

Dr. A.V. Rama Rao

Dr. P. Kotaiah

Shri V. S. Raju

Dr. Alapaty Appa Rao (w.e.f. 30-4-2004)

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

SECRETARY :

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

VICE PRESIDENT (Finance) :

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

BANKERS :

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

STATUTORY AUDITORS :

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

COST AUDITORS :

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

REGISTERED OFFICE :

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

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The Andhra Sugars Limited

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 SEVENTH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Monday the 27th day of September, 2004 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, 2004 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 2003-2004.
3. To appoint a Director in place of Shri A. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri P. Kotaiah who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. A. V. Rama Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2004-2005 and fix their remuneration. The present Auditors of the Company, M/s Brahmaya & Co., Chartered Accountants, Vijayawada retire at this Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:
"RESOLVED THAT Shri V.S. Raju who was co-opted as Additional Director of the Company with effect from 29-10-2003 pursuant to Article 116 of the Articles of Association and who holds office until the date of the 57th Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company."
8. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:
"RESOLVED THAT Dr. Alapaty Appa Rao who was co-opted as Additional Director of the Company with effect from 30-04-2004 pursuant to Article 116 of the Articles of Association and who holds office until the date of the 57th Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company."
9. 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 (except the assets situated at Cotton & Oil Products Division, Guntur, Wind Power Unit, Ramagiri, Ananthapur District, Sugar Unit at Bhimadole and residential quarters at Saggonda in favour of Andhra Bank towards Term Loan of Rs. 9,000 lakhs (Rupees nine thousand lakhs only) sanctioned by them for expansion of Caustic Soda Plant by 150 TPD and establishment of 300 TPD Sulphuric Acid Plant at Saggonda."

"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."

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

"RESOLVED THAT in partial modification of the Resolution passed by the Shareholders at the 56th Annual General Meeting held on 24th September, 2003, 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 on immovable and movable properties of the Company wherever situate, present and future, and whole of the undertaking of the Company (except the assets situated at Cotton & Oil Products Division, Guntur, Wind Power Unit, Ramagiri, Ananthapur District, Sugar Unit at Bhimadole and residential quarters at Saggonda) in favour of all or any of the Bankers viz., Andhra Bank, State Bank of India, State Bank of Hyderabad, Bank of Baroda and Indian Bank to secure working capital facilities of fund and non-fund based and or Term Loans upto Rs. 18,400 lakhs."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective 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."

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

"RESOLVED THAT in supersession of the Resolution No. 7 passed at the 48th Annual General Meeting held on 24.8.1995, the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of monies from time to time notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Capital of the Company and its free Reserves that is to say Reserves not set apart for any specific purpose, provided however, the total amount so borrowed shall not exceed Rs. 500 Crores (Rupees five hundred Crores only)."

12. 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 amended by substituting the figure Rs. 5,000/- in place of figure Rs. 2,000/- appearing in the 1st line thereof.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU
31-07-2004

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 Thursday the 16th September, 2004 to Monday the 27th September, 2004 (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 27th September, 2004. **In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as on 27th September, 2004 as per the details furnished by the Depositories for this purpose.**

The Andhra Sugars Limited

4. Shareholders are requested to notify their change of address if any to the Company.
5. Shareholders are requested to furnish their Bank Account No. in order to enable the Company to print their Bank Account on the Dividend Warrants.
6. As per the provisions of Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the un-claimed Dividend in respect of Interim and Final Dividend for the year 1995-96 have been transferred to Investors Education and Protection Fund as envisaged in Section 205C of the Companies Act, 1956.
7. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached.
8. **Information about the Directors seeking re-appointment/ appointment at the 57th 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 57th Annual General Meeting as required by Corporate Governance are given hereunder:-

Shri A. Ranga Rao is a Law Graduate and an Industrialist with considerable experience. He has been on the Board of your Company for more than a decade. He is the Chairman & Managing Director of Akin Laboratories Pvt. Limited.

Dr. P. Kotaiah, a former Chairman of NABARD, has rich financial academic background and industrial experience of more than three decades. He holds Directorships on the Board of many Companies viz., Blossom Industries Limited, LANCO Kondapalli Power Private Limited, Krishna Godavari Power Utilities Limited and Ashta Power Corporation Pvt. Limited. He is the Chairman of Audit Committee constituted by the Board of LANCO Kondapalli Power Private Limited.

Dr. A.V. Rama Rao is an eminent Scientist and was former Director of Indian Institute of Chemical Technology. He is the Chairman & Managing Director of Avra Laboratories Pvt. Ltd.

Information regarding other two Directors whose appointment is placed for the approval of shareholders at the 57th Annual General Meeting is given in the Explanatory Statement to the notice.

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

Shri V.S.Raju was co-opted as an Additional Director on the Board of the Company with effect from 29th October, 2003. Pursuant to Section 260 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company, Shri V.S. Raju will hold office only upto the date of the 57th Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri V.S. Raju as a candidate for the office of Director. Shri V.S. Raju is former Registrar of Companies, Andhra Pradesh, Hyderabad and Karnataka, Bangalore. He also worked as under Secretary and Dy. Secretary in the Department of Company Affairs, New Delhi. At present he is practicing as an Advocate at Hyderabad and is eminent in Company Law matters.

Shri V.S. Raju is a Director on the Board of Intensive Air Systems Ltd., JOCIL Ltd., Visuvalsoft Technologies Ltd. He is Chairman, Audit Committee constituted by the Board of Intensive Air Systems Ltd., JOCIL Ltd., and Visuvalsoft Technologies Ltd. He is also Chairman of Remuneration Committee and Member of Investors Grievance Committee constituted by The Board of Visuvalsoft Technologies Ltd.

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

Except Shri V.S. Raju no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 8

Dr. Alapathy Appa Rao was co-opted as an Additional Director on the Board of the Company with effect from 30th April, 2004. Pursuant to Section 260 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company, Dr. Alapathy Appa Rao will hold office only upto the date of the 57th Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. Alapathy Appa Rao as a candidate for the office of Director. Dr. Alapathy Appa Rao holds Ph.D. Degree from Madras University and has long standing experience in the field of agricultural sciences. He served as Vice-Chancellor of Andhra Pradesh Agricultural University.

Dr. Alapathy Appa Rao is a Director on the Board of Ushakiron Movies Ltd., and Heritage Foods (India) Ltd. He is Chairman of Audit Sub-Committee constituted by the Board of Ushakiron Movies Ltd., and Member Audit Committee constituted by the Board of Heritage Foods (India) Ltd.

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

Except Dr. Alapathy Appa Rao no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 9

Your Company is availing a term loan of Rs. 9000 lakhs from Andhra Bank. 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 at the General Meeting of the Company by the Shareholders.

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

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

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ITEM NO. 10

Financial assistance in the form of working capital from the Company's Bankers has to be secured by a second charge on all the immovable and movable properties of the Company, present and future. Shareholders at the 56th Annual General Meeting accorded consent for creation of second charge on all immovable and movable properties of the Company to the extent of Rs. 18,400 lakhs. Second charge for the said amount of Rs. 18,400 lakhs is required to be extended in favour of Indian Bank (in addition to other four Banks viz., Andhra Bank, State Bank of India, State Bank of Hyderabad and Bank of Baroda) which has been inducted into the consortium of Company's Bankers and the assets of the Sugar Unit at Bhimadole are to be excluded from the purview of the second charge. As such Resolution passed by the Shareholders at the 56th Annual General Meeting requires modification.

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. 11

Section 293(1)(d) of the Companies Act, 1956 permits the Board of Directors of your Company to borrow money in excess of Paid-up Capital and free Reserves subject to the approval of Shareholders of the Company. As such the Shareholders at the 48th Annual General Meeting held on 24.8.1995 authorised the Board of Directors to borrow monies upto a limit of Rs. 300 Crores (Rupees Three hundred Crores only).

In view of the expansion / diversification / modernisation programmes being undertaken and having regard to future activities, the enhancement of borrowing powers from Rs. 300 Crores (Rupees three hundred crores only) to Rs. 500 Crores (Rupees five hundred crores only) is considered necessary.

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. 12

As permitted by Article 120 of the Articles of Association of the Company, your company is presently paying a sitting fee of Rs. 2,000/- 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. 2,000/- to Rs. 5,000/- 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 to the extent of Sitting Fee payable to them.

(BY ORDER OF THE BOARD)

Venkatapuram
TANUKU
31-07-2004

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

DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting this FIFTY SEVENTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31st March, 2004.

FINANCIAL RESULTS :

(Rupees in lakhs)

	This Year	Previous Year
Sales	39717.87	35072.56
Other Income	2154.92	1902.05
	41872.79	36974.61
Profit for the year	6181.84	5187.20
Depreciation	1792.03	1387.83
Profit after depreciation	4389.81	3799.37
Add : Income Tax refund received	----	18.16
Excess provision of Income-tax credited back	29.23	24.57
	4419.04	3842.10
Less: Provision for current Tax	1400.00	1150.00
Provision for deferred Tax	198.64	279.84
Provision for Wealth Tax	1.50	1.00
Profit after Tax	2818.90	2411.26
Add: Transfer from Debenture Redemption Reserve	480.00	1412.50
Balance brought forward from last year	2477.45	2418.37
Profit available for appropriation	5776.35	6242.13

APPROPRIATIONS:

Transfer to General Reserve	2500.00	3000.00
Proposed Dividend on Equity Shares @ 40%	1084.28	677.83
(Last Year Dividend on Equity Shares @ 25%)		
Tax on Distributable Profits	141.70	86.85
Balance carried forward to next year	2050.37	2477.45
	5776.35	6242.13

The Andhra Sugars Limited

DIVIDENDS:

Your Directors are glad to recommend the payment of dividend @ 40% on Equity Shares for the year under report, which is highest since inception of the Company, as against 25% paid in the Financial Year 2002-03.

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. 27.10 Crores. The Total Reserves position as on 31.3.2004 is Rs. 147.25 Crores as against Rs.131.31 Crores as on 31.3.2003.

REVIEW OF OPERATIONS:

SUGAR UNIT – I, TANUKU:

The cane crushed during season 2003-04 was 4,93,963 M.Ts and the Sugar produced was 55807 M.Ts as against 7,10,309 M.Ts of cane crushed and 80,192 MTs of Sugar produced during the previous season. The crushing operations were carried on for 110 days as against 149 days during the previous season.

Recovery achieved was 11.11% as against 11.29% achieved in the previous season.

The total Sugar produced during the financial year 2003-04 was 61,494 M.Ts which includes the production of the season 2002-03 which was extended upto 14.4.2003.

SUGAR UNIT – II, TADUVAI:

The cane crushed during the season 2003-04 was 3,23,550 M.Ts and the Sugar produced was 39188 M.Ts as against 4,65,571 M.Ts of cane crushed and 56,858 MTs of Sugar produced during the previous season. The crushing operations were carried on for 114 days as against 145 days during the previous season.

The Unit achieved a Recovery of 11.62% as against 11.74% achieved in the previous season. This Unit achieved the highest recovery in the State of Andhra Pradesh for the third consecutive season.

The total Sugar produced during the financial year 2003-04 was 40,840 M.Ts which includes the production of the season 2002-03 which was extended upto 12.4.2003.

POWER GENERATION :

During the year under report the Power Generation Plant at Sugar Unit-II, Taduvai generated 2,71,29,410 Units as against 2,81,94,757 Units generated in the previous year.

CANE PRICE:

SUGAR UNIT - I, TANUKU :

In respect of Sugar Unit-I, Tanuku, for the season 2003-04 your Company has paid statutory minimum Cane Price of Rs. 993.50 per MT and Purchase Tax Incentive of Rs. 60/- per M.T. as against Rs. 827.40 per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. paid during the previous season.

SUGAR UNIT - II, TADUVAI :

In respect of Sugar Unit-II, Taduvai, for the season 2003-04 your Company has paid the Cane price of Rs. 1,019/- per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. as against Rs. 880.60 per M.T. and Purchase Tax of Rs. 60/- per M.T. paid during the previous season.