

THE ANDHRA SUGARS LIMITED

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60th ANNUAL REPORT 2006-2007



THE ANDHRA SUGARS LIMITED

60th ANNUAL REPORT

2006 - 2007

BOARD OF DIRECTORS :

Dr. Mullanpudi 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.

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THE ANDHRA SUGARS LIMITED

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the SIXTIETH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Saturday the 29th day of September, 2007 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, 2007 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 2006-2007.
3. To appoint a Director in place of Sri A. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. 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 2007-2008 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, Dr. Mullapudi Harischandra Prasad be and is hereby re-appointed as Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Dr. Mullapudi Harischandra Prasad is not subject to retirement by rotation during the tenure of his office as Managing Director from 01.01.2008 to 31.12.2012.

1. **Salary:**
Rs. 50,000/- per month.
2. **Commission:**
Upto 2% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.
3. **Perquisites:**
 - (i) Housing - Free furnished residential accommodation, if provided, with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self

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and family, (iii) Leave Travel Concession – for himself and his family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to provident fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding $\frac{1}{2}$ 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 tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

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

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

"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 Managing Director, the remuneration and perquisites set out above be paid or granted to Dr. Mullapudi Harischandra Prasad as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof."

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

8. 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, Dr. Bolla Bulli Ramaiah be and is hereby re-appointed as Managing Director (Tech.) of the Company for a period of 5 years with effect from 01.04.2008 on such salary, commission and perquisites as set out hereunder:-

Dr. Bolla Bulli Ramaiah is not subject to retirement by rotation during the tenure of his office as Managing Director (Tech.) from 01.04.2008 to 31.03.2013.

1. **Salary:**
Rs. 50,000/- per month.
2. **Commission:**
Upto 2% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.
3. **Perquisites:**
 - (i) Housing - Free furnished residential accommodation, if provided, with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of

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the Salary. (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding $\frac{1}{2}$ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

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

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“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 Managing Director (Tech.), the remuneration and perquisites set out above be paid or granted to Dr. B. B. Ramaiah as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.”

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

9. 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, Sri Mullapudi Narendranath be and is hereby re-appointed as Joint Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri Mullapudi Narendranath is subject to retirement by rotation during the tenure of his office as Joint Managing Director from 01.01.2008 to 31.12.2012.

1. **Salary:**

Rs. 40,000/- per month.

2. **Commission:**

Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

The Andhra Sugars Limited**3. Perquisites:**

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

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

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“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 Joint Managing Director, the remuneration and perquisites set out above be paid or granted to Sri M. Narendranath as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

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

10. 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, Sri Mullapudi Thimmaraja be and is hereby re-appointed as Joint Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri Mullapudi Thimmaraja is not subject to retirement by rotation during the tenure of his office as Joint Managing Director from 01.01.2008 to 31.12.2012.

1. Salary:

Rs. 40,000/- per month.

2. Commission:

Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. Perquisites:

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

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

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“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 Joint Managing Director, the remuneration and perquisites set out above be paid or granted to Sri M. Thimmaraja as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

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

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

“RESOLVED THAT 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, Sri P. Achuta Ramayya be and is hereby re-appointed as Executive Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri P. Achuta Ramayya is subject to retirement by rotation during the tenure of his office as Executive Director from 01.01.2008 to 31.12.2012.

The Andhra Sugars Limited**1. Salary:**

Rs. 40,000/- per month.

2. Commission:

Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. Perquisites:

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

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

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“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 remuneration and perquisites set out above be paid or granted to Sri P. Achuta Ramayya as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

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

12. 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 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 to mortgage and/or charge by way of second charge the immovable properties

The Andhra Sugars Limited

wherever situate, present and future of the Company 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 upto Rs. 22,000 lakhs.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective consortium of Banks / Andhra Bank 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 – 534 215
28-07-2007

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 the 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 20th September, 2007 to Saturday the 29th September, 2007 (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 29th September, 2007. **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 19th September, 2007 as per the details furnished by the Depositories for this purpose.**
4. Shareholders holding shares in physical mode are requested to notify their change of address, if any, to the Company.
5. Shareholders are requested to furnish their Bank Account No. in order to enable the Company to print their Bank Account on the Dividend Warrants.
6. **As per the provisions of Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the un-claimed Dividend in respect of Dividend for the year 1998-99 have been transferred to Investors Education and Protection Fund as envisaged in Section 205C of the Companies Act, 1956. It may be noted that as per the statutory provisions unclaimed dividend for the year 1999-2000 (final dividend) is required to transferred to Investor's Education and Production Fund on the due date of 3-11-2007, thereafter no claim can be made. Shareholders who have not encashed the dividend pertaining to the said year may kindly make a claim before the due date of 3-11-2007.**
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 60th Annual General Meeting as required under Corporate Governance.**

As required by Corporate Governance the information or details to be provided in respect of Directors seeking appointment / re-appointment at the 60th Annual General Meeting are given hereunder:-

Sri 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 Chairman & Managing Director of Akin Laboratories Pvt. Limited. He is the Chairman of the Audit Committee constituted by the board of your company.