

THE ANDHRA SUGARS LIMITED

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61st ANNUAL REPORT 2007-2008

THE ANDHRA SUGARS LIMITED

Registered Office: Venkatarayapuram

TANUKU - 534 215

West Godavari Dist., (A.P.)

To
All the Members,

Sub : Abstract of the Terms of the Agreement circulated pursuant to Section 302 of the Companies Act.

Abstract of the terms of the agreements dated 14th August, 2008 entered into with the following Managing / Whole-time Directors relating to their re-appointment which has been approved by the shareholders by Special Resolutions dt. 29-09-2007. The said re-appointments are in accordance with the conditions specified in Schedule XIII of the Companies Act, 1956.

1. Salary, Commission, Tenure etc., :

Name of the Managing Director / Whole-time Director	Tenure of appointment	Salary per month Rs.	Percentage of Commission per annum on net Profits
Dr. Mullapudi Harischandra Prasad Chairman & Managing Director	5 years w.e.f. 1.1.2008	50,000/-	upto 2%
Dr. B.B. Ramaiah Managing Director (Tech.)	5 years w.e.f. 1.4.2008	50,000/-	upto 2%
Sri M. Narendranath Joint Managing Director	5 years w.e.f. 1.1.2008	40,000/-	upto 1%
Sri M. Thimmaraja Joint Managing Director	5 years w.e.f. 1.1.2008	40,000/-	upto 1%
Sri P. Achuta Ramayya Executive Director	5 years w.e.f. 1.1.2008	40,000/-	upto 1%

2. Perquisites : As per Annexure

3. Nature of Duties :

- Dr. Mullapudi Harischandra Prasad, Managing Director to be over-all incharge of the Company duly assisted by Managing Director (Tech.), three Joint Managing Directors and two Executive Directors.
- Dr. B.B. Ramaiah, Managing Director (Tech.) to assist Managing Director in all Technical matters, co-ordination, development, planning and finance.
- Sri M. Narendranath, Joint Managing Director to assist Managing Director in supervision of day to day administration of Sugar Units at Tanuku, Taduvai and Bhimadole.
- Sri M. Thimmaraja, Joint Managing Director to assist Managing Director in matters relating to General Administration of the Company besides supervision of day to day administration of all Units at Tanuku other than Sugar.
- Sri P. Achuta Ramayya, Executive Director to assist Managing Director in supervision of marketing of all the products of the Company and day to day administration of the Cotton & Oil Products Division at Guntur.

P.T.O.

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4. Memorandum of Interest:

Dr. Mullapudi Harischandra Prasad, Chairman & Managing Director, Sri M. Narendranath, Joint Managing Director and Sri M. Thimmaraja, Joint Managing Director are related to each other.

Dr. B.B. Ramaiah, Managing Director (Tech.) and Sri P. Achuta Ramayya, Executive Director are related to each other and also to Sri P. Narendranath Chowdary, Joint Managing Director.

ANNEXURE

Perquisites payable to above Managing / Wholetime Directors:

- i) Housing : Free furnished accommodation or House Rent Allowance at 50% of the Salary.
- ii) Medical Reimbursement : Medical reimbursement of the expenses incurred for treatment in India or Abroad for self and family
- iii) Leave Travel Concession : For self and family as per Rules of the Company.
- iv) Club Fees
- v) Personal Accident Insurance
- vi) Provident Fund : Company's contribution at 12% of salary or at such rate as applicable from time to time.
- vii) Superannuation Fund : Contribution as per Rules of the Company which together with contribution to Provident Fund not to exceed 27% of salary of any ceiling prescribed from time to time.
- viii) Gratuity : Half a month's salary for each completed year of service.
- ix) Leave : One month's leave for every 11 months of service.
[Encashment of leave at the end of tenure not to be included in computation of ceiling on perquisites]
- x) Telephone : One or more telephone facility at residence for the use of Company's business.
- xi) Car : One or more use of Company's car on Company's business.
- xii) any other perquisites allowed by the Central Government from time to time.

[The above remuneration is subject to overall ceiling limit of Sections 198 & 309 of the Companies Act]. In the event of loss or inadequacy of profits, the concerned Managing Director / Whole-time Directors will be paid Minimum remuneration as specified in Schedule XIII to the Companies Act, 1956.

Venkatarayapuram
TANUKU – 534 215
14-08-2008

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



THE ANDHRA SUGARS LIMITED

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2007 - 2008

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

VICE PRESIDENT (Finance) :

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

ADDL. COMPANY SECRETARY :

Sri M. Palachandra, M.Com., A.C.S.

BANKERS :

Andhra Bank
State Bank of Hyderabad
State Bank of India
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.

The Andhra Sugars Limited

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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 SIXTYFIRST Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Thursday the 25th day of September, 2008 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, 2008 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 2007-2008.
3. To appoint a Director in place of Sri M. Narendranath who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri P. Achuta Ramayya who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Sri P.S.R.V.K. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Dr. Anumolu Ramakrishna who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint Auditors for the year 2008-09 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 :

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, Sri 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 1st May, 2009 on such salary, commission and perquisites as set out hereunder:-

Sri P.S.R.V.K. Ranga Rao is subject to retirement by rotation during the tenure of his office as Executive Director from 1st May, 2009 to 30th April, 2014.

1. **Salary:**
Rs. 30,000/- per month.
2. **Commission:**
Upto 1/2% 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 - 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. (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self 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

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with Company's contribution 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 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 – on 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.

"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 Sri 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 Sri P.S.R.V.K. Ranga Rao."

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

"RESOLVED THAT in supersession of the Resolution passed by the Shareholders at the 60th Annual General Meeting held on 29th September, 2007, 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 wherever situate, present and future of the Company in favour of all or any of the Banks viz., Andhra Bank, State Bank of Hyderabad, State Bank of India, Bank of Baroda and Indian Bank to secure working capital facilities upto Rs. 350 Crores."

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."

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

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent be and is hereby accorded to the Board of Directors to lease the plants of Cotton & Oil Products (COP) Division, Guntur of the Company as and when considered necessary on such terms and conditions as the Board may deem fit".

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take necessary steps from time to time as may be required in connection with the leasing of the said plants of COP Division, Guntur".

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU – 534 215
28-07-2008

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

The Andhra Sugars Limited

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, 2008 to Thursday the 25th September, 2008 (both days inclusive).
3. The Dividend recommended by the Directors, if approved at the meeting will be paid to the Shareholders whose names are on the Register of Members as on 25th September, 2008. **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 15th September, 2008 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 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 1999-2000 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 61st Annual General Meeting as required under Corporate Governance.**

The information or details to be provided in respect of Directors seeking re-appointment at the 61st Annual General Meeting as required by Corporate Governance are given as under:

Sri M. Narendranath has been associated with your Company as a Director since 3rd February, 1983 and as Joint Managing Director from 1st April, 1998. Sri M. Narendranath is B.Sc. (Ag.) and has rich expertise background in Sugar Technology and Sugar development. He has travelled extensively to Sugar producing Nations and participated in many National and International Seminars conducted in connection with the development of Sugar Industry and Sugar Technology. He was executive Committee Member of the Sugar Processing Research Institute (USA), Sugar Technologists Inc (USA) and on the Co-products Commission of the International Society of Sugarcane Technologists. As Joint Managing Director he is incharge of all the three Sugar Units - Tanuku, Taduvai and Bhimadole. He hold Directorship in Sree Akkamamba Textiles Ltd., Sree Satyanarayana Spinning Mills Ltd. and Hindustan Allied Chemicals Ltd., and Sugar Industry Technologist Inc.

Sri P. Achuta Ramayya is a Graduate in Commerce and possess M.B.A. Degree from New York University. Sri P. Achuta Ramayya has been the Executive Director of the Company since 1983. As Executive Director, he is incharge of entire marketing functions of the Company and looks after day to day affairs of the Cotton & Oil Products Division, Guntur.

Sri P.S.R.V.K. Ranga Rao is a Graduate in Commerce. He has been the Executive Director of the Company since 1st May, 1999. As Executive Director, he assist the Chairman & Managing Director in looking after day to day affairs of Chemical Complex at Saggonda. He holds Directorship in Sugarfield Constructions Pvt. Ltd.

Dr. Anumolu Ramakrishna has been the Director on the Board of the Company since 21st February, 2005. Dr. Anumolu Ramakrishna holds Bachelor Degree in Civil Engineering and M.Sc. in Structural Engineering. He started his career in 1962 with Engineering Construction Corporation Limited which was subsequently amalgamated with Larsen & Tubro (L&T) Limited. He was inducted on the Board of L & T in the year 1992 and was elevated to the position of Deputy Managing Director in 2000. He was associated with many prestigious and huge construction projects in India and abroad which were completed in record time. He has been conferred Degree of Doctorate of Science by Andhra University and Degree of Doctorate of Philosophy by Jawaharlal Nehru Technological University. He holds Directorships in companies viz., GVK Jaipur Kishangarh

The Andhra Sugars Limited

Expressway Ltd., KCP Ltd., Madras Cements Ltd., Ramco Industries Ltd., Taj GVK Hotels & Resorts Ltd., GVK Industries Ltd., Gautami Power Ltd., International Infrastructure Consultants Pvt. Ltd., GVK Power & Infrastructure Ltd., SPEL Semiconductor Ltd., Teesta Urja Ltd., Mumbai International Airport Ltd., and Brigade Enterprises Ltd. He is on the Audit Committee of other companies viz., Ramco Industries Ltd., GVK Jaipur Expressway Pvt. Ltd., KCP Limited, Taj GVK Hotels and Resorts Limited, SPEL Semiconductor Limited, GVK Power & Infrastructure Limited, Gautami Power Limited and Teesta Urja Limited. He is also a member of Audit & Compensation Committee - Madras Cements Limited.

He does not hold any Shares in the Company.

SPECIFIC ATTENTION OF SHAREHOLDERS

Sub : Furnishing of Bank Account details for printing on Dividend Warrants.

Shareholders

Physical Mode : *Bank Account details be furnished to the Company at the earliest in the format enclosed (Last Page)*

Demat Mode
Electronic / : *Bank Account details be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on any request received directly from the members holding shares in Demat Mode for Bank Account Mandates.*

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ANNEXURE TO NOTICE**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****ITEM NO. 8**

Shareholders at the 56th Annual General Meeting of the Company held on 24th September, 2003 approved the re-appointment of Sri P.S.R.V.K. Ranga Rao as Executive Director for a period of five years with effect from 1st May, 2004. The said term of re-appointment will be expiring on 30th April, 2009.

Sri P.S.R.V.K. Ranga Rao is a Graduate in Commerce. He has been the Executive Director of the Company since 1st May, 1999. As Executive Director, he assists Chairman & Managing Director in looking after day to day affairs of Chemical Complex at Saggonda. Your Company has taken up expansion Projects at Chemical Complex, Saggonda and as such your Board of Directors considered desirable in the interest of the Company to extend his term of appointment as Executive Director for a further period of five years with effect from 1st May, 2009 subject to the approval of the Shareholders.

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

Except Sri P.S.R.V.K. Ranga Rao no other Director is interested or concerned in the Resolution.

ITEM NO. 9

Shareholders at the 60th Annual General Meeting held on 29th September, 2007 accorded its approval for the creation of second charge on the Fixed Assets in favour of Company's Bankers to the extent of Rs. 220 Crores. In view of the increased working capital limits availed by the Company from the Companies Bankers, second charge is required to be created on all immovable properties of the Company present and future to the extent of Rs. 350 Crores.

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

None of the Directors is interested or concerned in the Resolution.

ITEM NO. 10

Section 293 (1)(a) of the Companies Act, 1956 provides that the Board of Directors of a Public Company, or a Private Company which is a subsidiary of a Public Company, shall not, except with the consent of such Company or subsidiary in General Meeting sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the company, or where the company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Accordingly approval of the shareholders is being obtained to enable the Board of Directors to consider the proposal of leasing of the Plants relating to COP Division, Guntur as and when considered necessary on such terms and conditions as the Board may deem fit.

Your Directors recommends the Resolution for your approval

None of the Directors is interested or concerned in the Resolution.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU – 534 215
28-07-2008

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