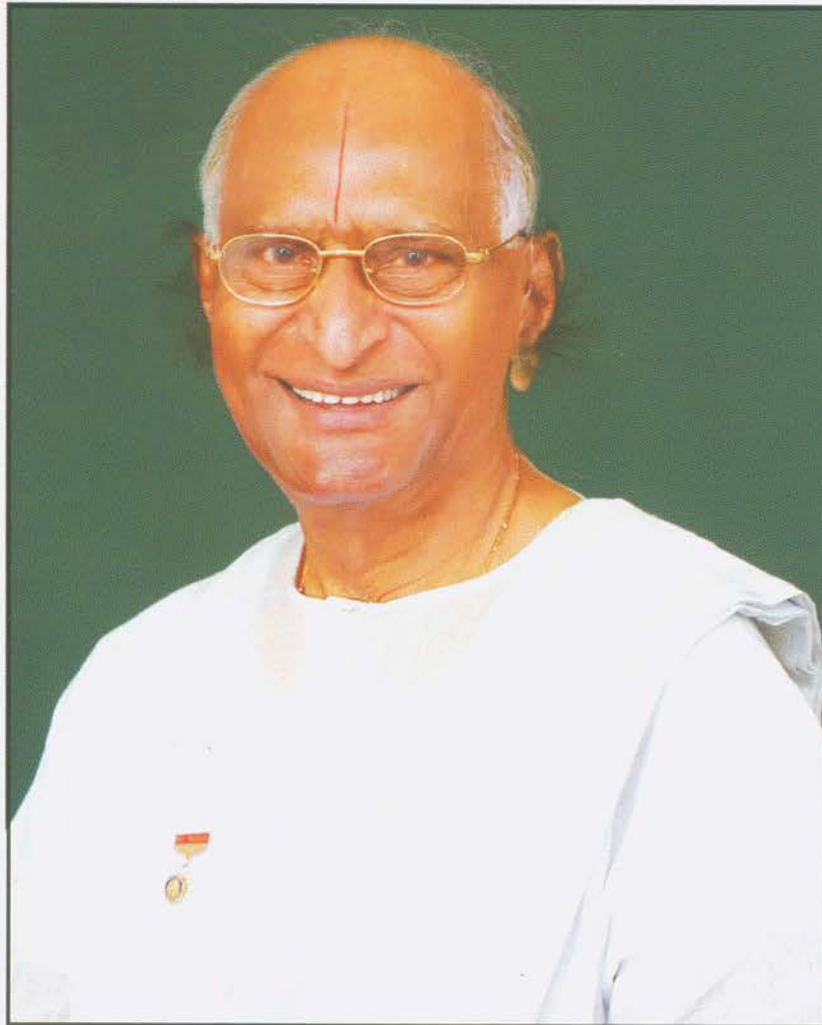


HOMAGE



28-07-1921

03-09-2011

Our Chairman & Managing Director

Late Dr. **MULLAPUDI HARISCHANDRA PRASAD GARU**

It has been the most difficult months of our existence.

We deeply miss the reassuring presence of the Great One who created us and brought us up with foresight, hard work & discipline and shaped us into what we are !!

We at The Andhra Sugars Ltd.,
confidently move forward following the standards he set and will keep the torch he lit Glowing & Held High !!



THE ANDHRA SUGARS LIMITED

65th ANNUAL REPORT

2011 - 2012

BOARD OF DIRECTORS :

Dr. Mullapudi Harischandra Prasad
Chairman & Managing Director (upto 3.9.2011)

Dr. B. B. Ramaiah
Chairman & Managing Director (from 1.11.2011)

Sri Justice G. Ramanujam (Retd.)

Sri A. Ranga Rao

Sri P. Narendranath Chowdary, B.Sc.
Managing Director (from 1.4.2012)

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)
Joint Managing Director (from 1.4.2012)

Dr. A.V. Rama Rao

Dr. P. Kotaiah

Sri V. S. Raju

Dr. Alapaty Appa Rao

Dr. Anumolu Ramakrishna

Sri P.A.Chowdary, I.R.S. (Retd.)

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

COMPANY SECRETARY :

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

GENERAL MANAGER (FINANCE) & ASST. SECRETARY :
Sri P.V.S.Viswanadha Kumar, F.C.A., F.I.C.W.A.,A.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.

CONTENTS	PAGE NOS.
Management	1
Contents	2
Directors' Report	3
Auditors' Report	33
Accounting Policies	38
Balance Sheet	41
Statement of Profit & Loss	42
Notes forming part of accounts	43
Cash Flow Statement	72
Statement pursuant to Section 212 of the Companies Act, 1956	74
 CONSOLIDATED FINANCIAL STATEMENTS :	
Auditors' Report	75
Consolidated Balance Sheet	76
Consolidated Statement of Profit & Loss	77
Notes to Consolidated Balance Sheet	78
Consolidated Cash Flow Statement	95
Statement regarding Subsidiary Companies	96

DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting this SIXTY FIFTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31st March, 2012.

FINANCIAL RESULTS :

(Rupees in lakhs)

	This Year	Last Year
Sales	75759.55	50499.92
Other Income	1368.32	1487.14
	77127.87	51987.06
Profit for the year	17716.47	8959.42
Depreciation	3932.37	3804.75
Profit after depreciation	13784.10	5154.67
Add: Excess provision of Income Tax credited back	12.21	—
	13796.31	5154.67
Provision for Current Tax	4150.00	1250.00
Provision for Deferred Tax	304.04	283.77
Profit after Tax	9342.27	3620.90
Add: Balance brought forward from last year	7044.20	10124.37
Profit available for appropriation	16386.47	13745.27

APPROPRIATIONS:

Transfer to General Reserve	5000.00	5000.00
Proposed Dividend on Equity Shares at Rs.7.00 per share (Last Year Dividend on Equity Shares at Rs. 5.50 per share)	1897.50	1490.89
Tax on distributable profits	276.11	210.18
Balance carried forward to next year	9212.86	7044.20
	16386.47	13745.27

PERFORMANCE:

2011-12 has been a significant year for your Company. Profit of Rs. 137.84 crores (after depreciation) has been the highest in the history of the Company. Profit after tax is Rs. 93.42 crores against Rs. 36.21 crores of last year. Sales increased to Rs. 757.59 crores against Rs. 505.00 crores of last year. The overall performance of your Company has been impressive.

DIVIDENDS:

A Dividend of Rs. 5.50 per Equity Share was paid for the year 2010-11. Your Directors recommend a Dividend of Rs.7/- per Equity Share (Rs.10/- paid-up Equity Share) for the year 2011-12. The outflow towards Dividend payment including tax on distributable profits would be Rs.21.74 crores. This Dividend, if approved by the Shareholders, will be paid to all the eligible Shareholders.

CAPITAL & RESERVES:

Authorised and Paid-up Capital:

As on 31-3-2012, the Authorised Capital of the Company is Rs.30 crores and the Paid-up Capital is Rs. 27.11 crores.

Reserves:

With the transfer of Rs. 50 crores during the year under report, the total Reserves as on 31-3-2012 stands at Rs. 441.10 crores against Rs. 369.42 crores on 31-3-2011.

REVIEW OF OPERATIONS:

SUGAR UNITS:

The three Sugar Units in aggregate crushed 8,78,167 MTs of cane during the 2011-12 season against 7,54,635 MTs crushed last year. The crushing operations and cane price paid to cane suppliers for the 2011-12 season are:

	SUGAR UNIT – I TANUKU		SUGAR UNIT – II TADUVAI		SUGAR UNIT - III BHIMADOLE	
	Fin. Year 2011-12	Fin. Year 2010-11	Fin. Year 2011-12	Fin. Year 2010-11	Fin. Year 2011-12	Fin. Year 2010-11
(A) Crushing details:						
Total cane crushed (MT)	220481	226653	391839	330730	265847	197252
Total No. of days crushed	90	95	114	112	96	88
Total Sugar produced (MT)	20003	22235	43805	35448	25514	19046
Average Recovery	9.22%	9.45%	11.26%	10.72%	9.70%	9.58%
(B) Cane price:						
Fair & Remunerative price (per M.T.)	1450.00	1391.20	1636.66	1537.20	1462.24	1405.80
Cane price paid (per M.T.)*	2000.00	1900.00	2000.00	1900.00	2000.00	1900.00

* inclusive of purchase tax incentive price @ Rs. 60/- per MT.

- Cane crush at Sugar Unit-I was marginally less compared to last year as the number of days of crush were lower than last year.
- Sugar Units II & III crushed for more number of days compared to last year consequently crushing a quantity higher than last year.
- Recovery achieved and sugar produced were marginally lower at Sugar Unit-I while it was higher at Sugar Units II & III compared to last year.
- To have the cane farmers continue to plant cane, your Company opted to pay a cane price higher than the Fair & Remunerative Price fixed by the Government.
- Sugar sales realisation has been better compared to last year.

POWER GENERATION :

During the year under report the Co-generation Unit at Taduvai generated 1,80,64,480 Units of Power against 1,67,65,420 Units generated last year.

PERFORMANCE OF CHEMICAL DIVISION:

During the year under report the Chemical Divisions put up in an impressive performance. The Caustic Soda Division at Saggonda achieved a turnover of Rs.354.93 crores compared to Rs.263.69 crores achieved last year. Profit after depreciation achieved by this division this year was Rs.105.47 crores against Rs.45.46 crores achieved last year. Performance of the Sulphuric Acid and Superphosphate plants is also better compared to last year.

WIND POWER UNITS:

The Power generated at Ramagiri Wind Mills during the year is 22,90,800 Units against 19,24,800 Units generated last year.

The Power generation at the Tamil Nadu Wind Mill operations during the year under report is 2,15,13,009 Units against 2,52,48,980 Units of last year. This Power is being fed into Tamil Nadu State Electricity Board grid.

PROJECTS:

Due to the advantage of economy of scale and diversification, your Company continues to focus its strategy on Expansion and Diversification Programmes.

A 400 TPD Caustic Soda Plant using Energy Efficient Technology is in operation at Saggonda. This Plant produces Caustic Soda which is converted into Caustic Soda Flakes and Lye as per the market requirement. At present a 60 TPD Caustic Soda Flaking Plant is in operation which is unable to fully meet the increased demand. Keeping this in view, a new 70 TPD Caustic Soda Flaking Plant is proposed to be set up at Saggonda. The new Plant will use an Energy Efficient design which would consume lesser energy. Orders for equipment have been placed and the Plant is expected to be in operation during the current Financial Year.

Your Company owns 42.28 acres of land in Jawaharlal Nehru Pharmacy Non SEZ area, Parawada, Visakhapatnam. A 100 TPD Hypochlorite Plant is being set up at this site. Site development works, material procurement and equipment fabrication are in progress. The main raw materials, Caustic Soda and Chlorine required for this product will be sourced internally from our Plant at Saggonda. Barring unforeseen circumstances this Plant is expected to be commissioned during the current Financial Year.

As domestic market for Aspirin is not encouraging, your Company focus is to widen the International market base. Keeping this in view the present 1000 TPA Aspirin Plant is being expanded to 2000 TPA. The Committee of AP State Pollution Control Board has conveyed its preliminary approval of our application. Formal approval is awaited after which necessary steps will be taken to obtain other approvals required.

In addition to Wind Mills established at Kundadam, Annaikulam, Kurichampatti and Surandai in Tamil Nadu and Ramagiri in Andhra Pradesh, 5 MW Wind Turbine Generators at four locations at Palladam in Coimbatore district have been established. These new Turbine Generators have been commissioned during the year under report.

These Projects are expected to strengthen your Company's product range and improve revenue generation.

AWARD:

Your Directors are happy to inform that in appreciation of the achievements in Energy Conservation in the Chlor-Alkali Sector for the year 2011, Government of India, Ministry of Power, was pleased to award the First Prize to your Company's Chemicals & Fertilizers Division at Saggonda.

CERTIFICATION:

Your Directors are glad to inform that your Company's Chemicals & Fertilisers Division at Saggonda has received ISO 14001:2004 and ISO 9001L:2008 Certification pertaining to Manufacture and Sale of Caustic Soda Lye and Flakes, Chlorine, Hydrochloric Acid, Sodium Hypochlorite, Hydrogen Gas, Poly Aluminum Chloride and Sulphuric Acid at this Division.

DEMATERIALISATION OF EQUITY SHARES:

As of 31st March, 2012, Equity Shares representing 41.5% of the Share Capital have been dematerialised.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm:

- i. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed, in the opinion of the Board of Directors.
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2012 and of the profit of the Company for that year;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE:

As per the amended provisions of the Listing Agreement, a Report on Corporate Governance along with Management Discussion and Analysis forming part of the Directors' Report is annexed.

COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges and the same is annexed to the Report of Directors.

DIRECTORS:

Your Directors report with profound grief the sad demise, on 3-9-2011, of erstwhile Chairman and Managing Director, Dr. Mullapudi Harischandra Prasad, one of the founders of your Company. His demise has been an irreparable loss to the Company. Your Directors place on record the warm appreciation of his invaluable contribution to the growth and prosperity of the Company since inception. We at the Company will keep the lamp he lit glowing and held high.

In terms of Article 116 of the Articles of Association of the Company, Directors Sri V.S.Raju, Dr. Alapaty Appa Rao, Sri M.Narendranath and Sri P. Achuta Ramayya retire by rotation at the 65th Annual General Meeting and being eligible, offer themselves for re-appointment.

Dr. B. B. Ramaiah was appointed as Chairman and Managing Director with effect from 1-11-2011. Sri P. Narendranath Chowdary and Sri P. Achuta Ramayya were re-designated as Managing Director and Joint Managing Director respectively with effect from 1-4-2012. Necessary Resolution is being placed for the approval of the shareholders at the ensuing 65th Annual General Meeting.

Re-appointment of Sri M. Narendranath, Sri M. Thimmaraja and Sri P. Achuta Ramayya as Joint Managing Directors for a period of 5 years with effect from 1-1-2013 is being placed before the shareholders at the ensuing 65th Annual General Meeting for their approval.

AUDIT COMMITTEE:

Audit Committee comprises 3 non Whole-time Independent Directors, Sri A. Ranga Rao, Dr. P. Kotaiah and Sri V.S. Raju. Sri A. Ranga Rao is the Chairman of the Committee.

INDUSTRIAL RELATIONS:

The relations with the employees continue to be cordial and harmonious during the year under report.

SAFETY, HEALTH AND ENVIRONMENT:

Safety, Occupational Health and Environment Protection continue to be accorded high priority.

Your Directors are happy to inform that the Company's Chemicals & Fertilizers Division at Saggonda conforms to the Occupational Health and Safety Management System Standard and has received OHSAS 18001:2007 certification pertaining to Manufacture and Sale of Caustic Soda Lye and Flakes, Chlorine, Hydrochloric Acid, Sodium Hypochlorite, Hydrogen Gas, Poly Aluminum Chloride and Sulphuric Acid at this Division.

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 by Companies (Particulars of Employees) Amendment Rules, 2011 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. 48.10 lakhs held by 72 depositors had fallen due for payment but remained unclaimed as on 31-3-2012. Unclaimed deposits aggregating to Rs. 32.80 lakhs held by 30 depositors have since been renewed/repaid. Still, deposits aggregating to Rs. 15.30 lakhs held by 42 depositors remained unclaimed as on date.

CONSOLIDATED ACCOUNTS:

In accordance with the Accounting Standards, consolidated financial statements of the Company and its Subsidiaries form part of the Report and Accounts. These consolidated statements have been prepared on the basis of audited results received from the Subsidiary Companies as approved by their respective Boards.

In view of the general exemption granted by Ministry of Corporate Affairs, the Accounts of the Subsidiary Companies have not been attached to the Company's Accounts. However, Shareholders desirous of obtaining the Annual Accounts of the Subsidiaries may obtain the same upon request. The Annual Report and the Accounts of the Subsidiary Companies will be kept for inspection at the Company's Registered Office as well as at the offices of your Subsidiary Companies.

SUBSIDIARY COMPANIES:

JOCIL LIMITED:

For the Financial Year ending 31-3-2012, your subsidiary Company, JOCIL Ltd., posted a profit of Rs. 1860.42 lakhs (before taxation) against Rs. 2845.33 lakhs (before taxation) last year. The Board of this Subsidiary has recommended a Dividend of Rs.5/- per share on the Enhanced Capital of 88,81,150 Equity Shares resulting out of the allotment of Bonus Shares in the ratio 1:1 during the year. Dividend paid last year was Rs.8/- per share on 44,40,575 Equity Shares.

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED:

During the year under report 81 MTs of Hydrazine Hydrate was produced against 87 MTs last year. The Company achieved a sales of Rs. 606.20 lakhs against Rs. 725.75 lakhs and incurred a loss of Rs.33.56 lakhs against the loss of Rs. 47.63 lakhs last year.

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 65th Annual General Meeting and are eligible for re-appointment.

COST AUDITORS:

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad are appointed as Cost Auditors of the Company for the products which are subject to Cost Audit, for the year ended 31-3-2012. Cost Auditors' Report in respect of Financial Year 2010-11 has been filed with the Ministry of Corporate Affairs on 31-08-2011, i.e., within the stipulated due date of 30-9-2011.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation for 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.

Venkatarayapuram
TANUKU – 534 215
28-07-2012

For and on behalf of the Board
Dr. B.B. RAMAIAH
Chairman & Managing Director

ANNEXURE "A" TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31-03-2012

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 as amended and forming part of Report of the Board of Directors for the period from 01-04-2011 to 31-03-2012.

Sl. No.	Name	Designation	Qualification	Experience (Years)	Date of commencement of employment in the Company	Gross Remuneration Rs.	Age (Years)	Particulars of Last Employment (Name of the Concern, Designation and Period)
1)	Dr. Mullapudi Harischandra Prasad*	Chairman & Managing Director (upto 3.9.2011)		65	01-08-1968	15578022	91	Partner, Ex-Managing Agency Firm The Andhra Sugars Ltd., 21 Years
2)	Dr. B. B. Ramaiah	Chairman & Managing Director (from 1.11.2011)	B.Sc., (Hons), Sugar Technology M.Sc., (Chemical Technology) M.Sc., (Wisconsin), A.M.P. (Harvard)	58	01-04-1998	34249419	86	Managing Director (Tech.) The Andhra Sugars Ltd., 28 Years
3)	Sri P. Narendranath Chowdary	Joint Managing Director	B.Sc.	45	12-01-1976	17188045	64	Director, The Andhra Sugars Ltd., 8 Years
4)	Sri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	38	01-01-1998	17212917	63	Managing Director, 24 Years Sree Satyanarayana Spinning Mills Ltd., Tanuku.
5)	Sri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	37	01-08-1978	17206070	61	Director, The Andhra Sugars Ltd., 2 ½ Years
6)	Sri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	29	01-08-1983	16676494	57	First Appointment
7)	Sri P.S.R.V.K. Ranga Rao	Executive Director	B.Com.	13	01-05-1999	8830054	42	Director, The Andhra Sugars Ltd., 1 ½ Years

* Employed for the part of the year.

- 1) Gross remuneration includes Salary, Commission on profits, 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.
- 2) The appointments are governed by the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956.