



THE ANDHRA SUGARS LIMITED

67th ANNUAL REPORT

2013 - 2014

BOARD OF DIRECTORS :

Dr. B. B. Ramaiah
Chairman & Managing Director

Sri P. Narendranath Chowdary, B.Sc.
Managing Director

Justice G. Ramanujam (Retd.)
(Upto 25.8.2013)

Sri A. Ranga Rao

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

Dr. A.V. Rama Rao

Dr. P. Kotaiah

Sri V. S. Raju

Dr. Alapaty Appa Rao
(Upto 30.4.2014)

Dr. Anumolu Ramakrishna
(Upto 20.8.2013)

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.C.M.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
D.No. 33-25-33-B,
Govindarajulu Naidu Street,
Suryaraopet,
Vijayawada - 520002

COST AUDITORS :

M/s. Narasimha Murthy & Co.
Cost Accountants
104, Pavani Estate,
3-6-365, Himayat Nagar,
Hyderabad - 500029

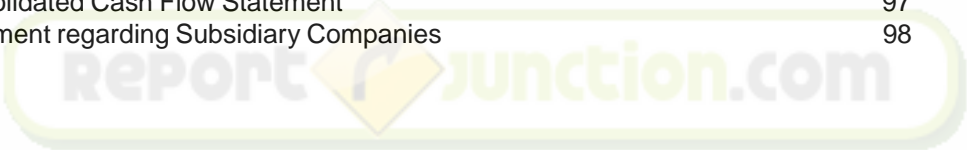
REGISTERED OFFICE :

Venkatarayapuram
Tanuku - 534 215
West Godavari District
Andhra Pradesh

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DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting this SIXTY SEVENTH ANNUAL REPORT along with the Audited Statement of Accounts for the year ending 31st March, 2014.

Financial Results:

(Rupees in lakhs)

	This Year	Last Year
Sales	72616.57	83200.31
Other Income	1300.88	1373.57
	73917.45	84573.88
Profit for the year	11948.39	17820.52
Depreciation	4325.93	4119.29
Profit after depreciation	7622.46	13701.23
Add: Excess provision of Income Tax credited back	85.30	--
Add: Income Tax Refund received	86.96	7.61
Less: Short Provision of Income Tax	--	72.42
Less: Exceptional Item (Electricity FSA charges relating to earlier years)	--	1764.15
	7794.72	11872.27
Provision for Current Tax	2645.00	3800.00
Provision for Deferred Tax	(304.56)	587.35
Profit after Tax	5454.28	7484.92
Add: Balance brought forward from last year	9836.45	9212.84
Profit available for appropriation	15290.73	16697.76
APPROPRIATIONS :		
Transfer to General Reserve	490.00	5000.00
Proposed Dividend on Equity Shares at Rs.5/- per share	1355.35	1626.42
Tax on distributable profits	180.51	234.89
Balance brought forward to next year	13264.87	9836.45
	15290.73	16697.76

PERFORMANCE:

For the year 2013-14 your Company achieved a Profit of Rs. 76.22 Crores (before tax) against a Profit of Rs.137.01 Crores achieved last year. Net Profit (after tax) declined to Rs. 54.54 Crores from Rs. 74.84 Crores mainly due to depressed selling price of Sugar and increase in Power Tariff.

DIVIDENDS:

A Dividend of Rs. 6.00 per Equity Share was paid for the year 2012-13. Your Directors recommend a Dividend of Rs. 5/- per Equity Share (Rs.10/- Paid-up Equity Share) for the year 2013-14. The outflow towards Dividend payment (including tax on distributable profits) would be Rs. 1535.86 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 31.3.2014, the Authorised Capital of the Company is Rs.30 Crores and the Paid-up Share Capital is Rs. 27.11 Crores.

Reserves:

With the transfer of Rs. 4.90 Crores during the year under report, the total Reserves as on 31.3.2014 stands at Rs. 536.52 Crores against Rs. 497.34 Crores on 31.3.2013.

REVIEW OF OPERATIONS:

SUGAR UNITS:

The three Sugar Units together crushed 5, 71,449 MTs of cane during the 2013-14 season against 6,38,641 MTs crushed last year. The crushing operations and cane price paid to cane suppliers for the 2013-14 season are:

	SUGAR UNIT – I TANUKU		SUGAR UNIT – II TADUVAI		SUGAR UNIT - III BHIMADOLE	
	Fin. Year 2013-14	Fin. Year 2012-13	Fin. Year 2013-14	Fin. Year 2012-13	Fin. Year 2013-14	Fin. Year 2012-13
(A) Crushing details:						
Total cane crushed (MT)	152986	178035	264395	272811	154068	187795
Total No. of days crushed	71	77	89	97	72	80
Total Sugar produced (MT)	14102	16639	28806	28627	15012	17689
Average Recovery	9.12%	9.28%	10.66%	10.51%	9.27%	9.27%
(B) Cane price:						
Fair & Remunerative Price (per MT)	2100.00	1700.00	2323.21	2016.00	2100.00	1735.80
Cane price paid (per MT)*	2250.00	2200.00	2385.00	2276.00	2250.00	2200.00

- inclusive of an Incentive of Rs.60/- per MT.
- Cane crush at all the three sugar units was lower compared to the last season due to lower availability of cane and lower number of days of cane crush.
- Recovery achieved at Sugar Unit II was higher compared to Units I and III.
- Unfavourable weather conditions affected the cane yield per acre thereby reducing the quantity of cane crush. This also affected recovery.
- Due to non-availability of harvesting labour and increase in the cost of hiring the labour, farmers opted for cultivation of other crops.
- To encourage farmers to plant cane, your Company opted to pay a cane price higher than the Fair Remunerative Price fixed by the Government.

POWER GENERATION :

During the year under report the Co-generation Unit at Taduvai generated 1,50,63,200 Units of Power against 2,10,04,360 Units generated last year.

PERFORMANCE OF CHEMICAL DIVISION:

During the year under report the Caustic Soda Division at Saggonda achieved a turnover of Rs. 410.45 Crores compared to Rs. 371.99 Crores achieved last year. Profit after depreciation achieved by this Division this year was Rs. 82.95 Crores against Rs. 82.29 Crores achieved last year. If it was not for substantial increase in "Power Tariff" and "purchase of Additional Power" from "Power Exchanges" at a higher rate in view of the restricted supply from State Electricity Distributing Companies, the performance of the Chemical Units would have been better.

WIND POWER UNITS:

The Power generated at Ramagiri Wind Mills during the year is Units 25,40,290 against 24,15,000 Units generated last year.

The Power generation at the Tamil Nadu Wind Mills during the year under report is 2,69,55,509 Units against 3,55,15,616 Units of last year. This Power is being fed into the Tamil Nadu State Electricity Board grid.

PROJECTS:

Your Company continues to focus its strategy on expansion and diversification programme.

An Energy Efficient Caustic Soda Plant was commissioned at Saggonda.

At the Jawaharlal Nehru Pharmacy, at Parawada, Visakhapatnam, a Sodium Hypochlorite Plant is being set up. Sodium Hydroxide and Chlorine Gas are the main raw material for this Plant, which will be sourced internally from our Saggonda Plants. Site development and civil foundation works are in progress. Procurement of bought out components required for this project have been initiated. Fabrication of all the process equipment and storage tanks has been completed. Fabrication of the structures for the main process Plant is in progress.

Sodium Hypochlorite is used in the drug and pharmaceutical industries, water treatment, paper and chemical industries. Since the Plant is being put up at the Pharmacy, it will have the advantage of catering to the requirements of user industries in and around Jawaharlal Nehru Pharmacy. This project is expected to be commissioned around the end of 2014.

A Hydrogen Peroxide Plant is being set up at Saggonda. This project would have the locational advantage as Hydrogen which is the main raw material, will be sourced in-house from our Caustic Soda Plant at Saggonda. This product is widely used for Bleaching, Water and Effluent Treatment Plant, Chemical synthesis and allied applications.

For the effective utilisation of Chlorine, which is a bye product at the Caustic Soda Plant, a Chlorinated Paraffins Plant is being set up at Saggonda. Chlorinated Paraffins are mainly used as a Plasticiser. Required steps for implementation have been initiated.

As Power is an essential input for your Company's Chlor Alkali operations, a Coal Based Power Project is being set up at the Chemical Complex at Saggonda. 40 acres of land have been procured. Details for the Power Project have been prepared. The total capital cost of the project has been estimated at Rs. 193.50 Crores. Technical evaluation of Turbine package has been completed and final offers are awaited from vendors. Technical evaluation of Equipment offers are under progress and expected to be completed shortly. A public hearing by the Andhra Pradesh Pollution Control Board is yet to take place, after which purchase orders will be released.

The Power generated from this Power Plant will be utilised for the Chemical Plants located at Saggonda.

A Solar Power Plant, based on Photovoltaic Technology, is being set up at Kovvur at a total cost of Rs.21.20 Crores. Execution of this Project has been entrusted to Tata Solar Power on Engineering, Procurement and Construction basis. The Power generated by this Plant will be utilised in-house at Kovvur. Installation of a Supervisory Control and Data Acquisition (SCADA) system at Solar Power Plant has been completed. Pre-commissioning checks are in progress.

The Andhra Sugars Limited

At Sugar Unit-III, Boiler upgradation, installation of a new Sulphitation system, Sugar and Begasse handling system, 50 Ton Vacuum Pan were taken up and have been commissioned. Consent for expansion to 6000 TCD and installation of a 31 MW Power Plant have been cleared by Andhra Pradesh Pollution Control Board. Consent For Operation for expanded capacity without Power Plant has also been issued.

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

CERTIFICATION :

Your Directors are happy to inform:

- Aspirin Division at Tanuku has been certified by DET NORSKE VERITAS (DNV) for Quality Management System Standard (ISO 9001:2008); Environmental Management System Standard (ISO 14001:2004); and Occupational Health & Safety Management System Standard (OHSAS 18001:2007).
- Chemicals & Fertilisers Division at Saggonda has been certified by DNV for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 Management System Standards.
- Chemicals & Fertilisers Division at Saggonda has been granted Licence by Bureau of Indian Standards, New Delhi 15573:2005 for Manufacture and Supply of 10% Medium Basicity & 10% High Basicity of Poly Aluminium Chloride (PAC 10 MB).

DEMATERIALISATION OF EQUITY SHARES:

As of 31st March, 2014, Equity Shares representing 43.90% 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.
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable 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, 2014 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 express profound grief over the sad demise of Directors Dr. Anumolu Ramakrishna and Dr. Alapaty Appa Rao. Your Directors place on record appreciation of their valuable guidance during their tenure as Directors of the Company.

Justice G. Ramanujam (Retd.) retired as Director of the Company at the 66th Annual General Meeting. Your Directors place on record appreciation of the valuable guidance rendered by him during his tenure as Director of the Company.

In terms of Article 111 of the Articles of Association of the Company, Directors, Sri M. Thimmaraja and Sri P.S.R.V.K. Ranga Rao retire by rotation at the 67th Annual General Meeting and being eligible, offer themselves for re-appointment.

As per the provisions of the Companies Act, 2013 Independent Directors are required to be appointed by the Shareholders. As such, the appointment of Directors Sri A. Ranga Rao, Dr. P. Kotaiah, Sri V.S. Raju, Dr. A.V. Rama Rao and Sri P.A. Chowdary as Independent Directors is being placed for the approval of Shareholders at the ensuing 67th Annual General Meeting,

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 this Committee.

OTHER COMMITTEES :

- To be in line with the Provisions of the Companies Act, 2013, the following committees have been constituted by the Board.
- **Corporate Social Responsibility Committee :** Comprises 4 Directors Dr. B.B. Ramaiah, Sri P. Narendranath Chowdary, Sri M. Thimmaraja and Sri V.S. Raju (Independent Director).
- **Nomination & Remuneration Committee :** Comprises 3 Independent Directors, Sri A. Ranga Rao, Sri V.S. Raju and Sri P.A. Chowdary.
- **Stakeholders Relationship Committee :** Comprises 3 Directors Sri P. Narendranath Chowdary, Sri M. Thimmaraja, Independent Director Sri P.A. Chowdary, who is the Chairman of the Committee.

INDUSTRIAL RELATIONS:

The relations with your Company's 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.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company is dedicated to the betterment of the Rural Masses in the areas of our operations. Way back in the 1950s, well before there was the thought of "Corporate Social Responsibility" your Company took up these activities. Realising that Health and Education are vital for the improvement of the quality of human life your Company helped build a Medical College at Kakinada to produce the Doctors needed for rural healthcare and followed this up with helping in setting up a modern Hospital at Tanuku providing Cardiac, Ophthalmic, Orthopedic, Obstetrics, Gynaecological and Dental Care. Your Company helped to provide education by helping in setting up two Schools and a Polytechnic and helped in setting up a modern Library and a Cultural Centre with a 1000 seat Indoor Auditorium and an Outdoor Auditorium.

As required by the provisions of Companies Act, 2013, a Corporate Social Responsibility (CSR) Committee has been constituted by the Board of the Company with Dr. B.B. Ramaiah, Chairman & Managing Director; Sri P. Narendranath Chowdary, Managing Director; Sri M. Thimmaraja, Joint Managing Director and Sri V.S. Raju, Independent Director as members of the Committee. This Committee will frame the Corporate Social Responsibility activities policy as specified by the CSR Rules provided under the Companies Act, 2013 and recommend to the Board for its consideration and implementation.

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 41.20 lakhs held by 88 depositors had fallen due for payment but remained unclaimed as on 31.3.2014. Unclaimed deposits aggregating to Rs. 12.75 lakhs held by 20 depositors have since been renewed/repaid. Still, deposits aggregating to Rs.28.45 lakhs held by 68 depositors remained unclaimed as on date.

CONSOLIDATED ACCOUNTS:

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

In view of the general exemption granted by the Ministry of Corporate Affairs, the Accounts of the subsidiary companies for the year 2013-14 have not been attached to the Company's Accounts. However, Shareholders desirous of obtaining the Annual Accounts of the subsidiaries may obtain them 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 31.3.2014, your subsidiary company, JOCIL Ltd., posted a profit of Rs. 1630.45 lakhs (before taxation) against Rs. 2294.46 lakhs (before taxation) last year. The Board of this subsidiary recommended a Dividend of Rs. 5/- per share on the Capital of 88,81,150 Equity Shares. Dividend paid last year was Rs. 6/- per share.

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED:

The company achieved a sales of Rs. 159.98 lakhs against Rs. 636.78 lakhs and incurred a loss (before tax) of Rs. 79.42 lakhs against the loss of Rs. 46.87 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 67th 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 31.3.2014. Cost Auditors Report and Compliance Report in respect of Financial Year 2012-13 have been filed with the Ministry of Corporate Affairs on 24.9.2013 and 23.09.2013 respectively i.e., within the stipulated due date of 27.9.2013.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation for the co-operation extended by the State and Central Government authorities, Financial Institutions, Banks and Shareholders. They also express their appreciation to the employees at all levels for the successful working of the Company.

Venkatarayapuram
TANUKU – 534 215
26-05-2014

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

ANNEXURE "A" TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31-03-2014

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 01-04-2013 to 31-03-2014.

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. B. B. Ramaiah	Chairman & Managing Director	B.Sc. (Hons), Sugar Technology M.Sc. (Chemical Technology) M.Sc. (Wisconsin), A.M.P. (Harvard)	60	01-04-1998	19561915	88	Managing Director (Tech.) The Andhra Sugars Ltd. 28 Years
2)	Sri P. Narendranath Chowdary	Managing Director	B.Sc.	47	12-01-1976	21189901	66	Director, The Andhra Sugars Ltd. 8 Years
3)	Sri M. Narendranath	Joint Managing Director	B.Sc. (Ag.)	40	01-01-1998	12653818	65	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku. 24 Years
4)	Sri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	39	01-08-1978	12447758	63	Director, The Andhra Sugars Ltd. 2 ½ Years
5)	Sri P. Achuta Ramayya	Joint Managing Director	B.Com., M.B.A. (New York)	31	01-08-1983	11631843	59	Executive Director, The Andhra Sugars Ltd. 28 Years
6)	Sri P.S.R.V.K. Ranga Rao	Executive Director	B.Com.	15	01-05-1999	7350984	44	Director, The Andhra Sugars Ltd. 1 ½ Years

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.

Annexure 'B' to Directors' Report for the year ended 31.03.2014

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.

A. Conservation of Energy:

SUGAR UNIT – II, TADUVAI:

Conservation of Energy:

1. Energy conservation measures taken.

Following Steam Economy Measures were taken up during 2013 -14 to reduce the process steam consumption.

- a) Tubular heaters were installed for syrup heating with 2nd vapour.
- b) Tubular heater was installed for draft juice heating (before Sulphitation) with 3rd vapour to maintain optimum reaction temperature at juice sulphitor for better clarification and to have steam saving.

2. Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.

The Steam Economy Measures, implemented during 2013-14 crushing Season, resulted in saving of 1,650 MTs of bagasse, which costs about Rs.18,15,000/- considering cost of bagasse @ Rs.1100/- MT. The reduction in cost of production is Rs.6.29/- per quintal of Sugar produced.

CHEMICAL COMPLEX, SAGGONDA:

- Re-coating of Anode and Cathode half shells of No.3 cell hall for reduction of power consumption.
- Replacement of old membranes with high performance new membranes.
- Recoating of one more Electrolyses Anode & Cathode half shells in No.3 cell hall for reduction of power consumption.
- Installation of VFD's for Brine/ Water pumps for reduction of power consumption.

Due to these measures, the power consumption was reduced by approximately 140-150 KWH/Ton of production. The impact on the cost of production is Rs.750 / Ton.

B. TECHNOLOGY ABSORPTION:

A new syrup sulphitation system has been installed under R&D programme by taking the Technical know-how from Fourteam Engineers of Brazil. This system came on line during the 2012-13 crushing season achieving 95HP saving in Electrical Power and 0.7% of Steam on Cane.

Form B annexed.

C. Foreign Exchange Earnings and outgo :	Current Year	Last Year
a) Used (Rs. in lakhs)		
i) Revenue Account	129.05	163.25
ii) Know-how fee and Service	--	--
b) Earned (Rs. in lakhs)		
On FOB basis	343.03	95.06