



75th ANNUAL REPORT 2021 - 2022

THE ANDHRA SUGARS LIMITED

FOUNDERS OF THE ANDHRA SUGARS LIMITED



SRI PENDYALA SRIRAMACHANDRA
VENKATA KRISHNA RANGA RAO



DR. MULLAPUDI HARISCHANDRA PRASAD



THE ANDHRA SUGARS LIMITED

Regd. Office: Venkatarayapuram, Tanuku – 534215

CIN: L15420AP1947PLC000326

Ph : 08819-224911, Fax : 08819-224168

E-mail: info.tnk@theandhrasugars.com Website : www.theandhrasugars.com

BOARD OF DIRECTORS :

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

Sri Mullapudi Narendranath, B.Sc.(Ag.)
Joint Managing Director

Sri Mullapudi Thimmaraja, B.Tech., M.B.A.(Florida)
Joint Managing Director

Sri P. Achuta Ramayya, B.Com., M.B.A.(New York)
Joint Managing Director

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

Dr. P. Kotaiah
Independent Director

Sri V. S. Raju
Independent Director

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

Dr. (Smt.) D. Manjulata
Independent Director

Sri P. Venkateswara Rao (From 26.4.2021)
Independent Director

Sri P.V.S.Viswanadha Kumar, F.C.A., F.C.M.A., A.C.S.
Vice President (Finance) & Addl. Secretary,
CFO & Compliance Officer

BANKERS :

Union Bank of India
State Bank of India

STATUTORY AUDITORS :

M/s. K.S. Rao & Co.,
Chartered Accountants, Plot No. 505,
Golden Green Apartments, Erramanzil Colony,
Hyderabad - 500 082

COST AUDITORS :

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

SECRETARIAL AUDITORS :

M/s. Nekkanti S.R.V.V. Satyanarayana & Co.
Plot No. 29, 2nd Floor, Gafoor Nagar,
Madhapur, Hyderabad - 500 081

REGISTERED OFFICE :

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

REGISTRAR & SHARE TRANSFER AGENTS:

XL Softech Systems Ltd.,
3, Sagar Society, Road No. 2
Banjara Hills, Hyderabad - 500 034

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DIRECTORS REPORT

To

The Shareholders

Your Directors have pleasure in presenting this SEVENTY FIFTH ANNUAL REPORT along with the Audited Statement of Accounts for the year ending 31st March, 2022.

Financial Results:

(Rupees in lakhs)

Particulars	This Year	Last Year
Sales	121728.74	94972.12
Other Income	3805.04	2519.80
	125533.78	97491.92
Profit for the year	27048.19	19420.43
Depreciation	5714.06	5563.31
Profit after depreciation	21334.13	13857.12
Add: Income Tax Refund received	3.41	369.76
Excess Provision of last year	(3.75)	(165.67)
Less:		
Provision for Current Tax	5575.00	3745.00
Provision for Deferred Tax	(403.69)	(515.29)
Profit after Tax	16169.98	10209.39
Add: Balance brought forward from last year	28015.02	27805.63
Profit available for utilisation	44185.00	38015.02
DEDUCTIONS		
Equity Dividend for 2020-21	2710.71	—
Transfer to General Reserve	10000.00	10000.00
Balance carried forward to next year	31474.29	28015.02
TOTAL:	44185.00	38015.02

PERFORMANCE:

Your Directors are glad to report that for the year 2021-22, your Company made a Profit of Rs.213.34 Crores (before tax) against a Profit of Rs. 138.57 Crores made last year, which reflect another year of consistent performance. The Net Profit (After Tax) was Rs.161.70Crores against Rs. 102.09 Crores made last year.

DIVIDENDS:

Your Directors are glad to recommend a Dividend of Rs. 4/- per Equity Share (Face Value of Rs.2/-) normal dividend Rs. 2/- (100%) and Diamond Jubilee dividend Rs. 2/- (100%) for the year 2021-22. With this Dividend, if approved, your Company would have the distinction of rewarding its Shareholders continuously for the past 6 decades. The outflow towards Dividend payment would be Rs. 54.21 Crores.

The url link of Dividend Distribution Policy is <https://theandhrasugars.com/wp-content/uploads/didividend-distribution-policy.pdf>

CAPITAL & RESERVES:

Authorised and Paid Up Capital:

As on 31.3.2022, the Authorised Capital of the Company is Rs.30.00 Crores and the Paid-up Capital is Rs. 27.11 Crores.

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Reserves:

With the transfer of Rs. 100.00 Crores during the year under report, the total Reserves as on 31.3.2022 stands at Rs. 893.30 Crores against Rs. 793.30 Crores on 31.3.2021.

REVIEW OF OPERATIONS:

SUGAR UNITS:

The Sugar Unit-II crushed in aggregate 278328.660 M.T. of cane during the 2021-22 season against 2,91,037.458 M.T. crushed last year. The crushing operations and cane price paid to cane suppliers for the 2021-22 Season are:

	SUGAR UNIT – II TADUVAI	
	Fin. Year 2021-22	Fin. Year 2020-21
(A) Crushing details:		
Total cane crushed (MT)	278328.660	291037.458
Total No. of days crushed	89	95
Total Sugar produced(MT)	27773	29426
Average Recovery	9.98%	10.11%
(B) Cane price:		
Fair & Remunerative price (per M.T.)	2932	2870
Cane price paid (per M.T)*	3246.47	3121.53

*Includes Transport Subsidy.

- Crushing Operations for the Season 2021-22 have been lower compared to Season 2020-21 due to non-availability of Cane.
- Operations of Sugar Unit-I and Sugar Unit-III were suspended for the Crushing Season 2021-22.
- To encourage farmers to plant cane, your Company opted to pay a cane price higher than the Fair Remunerative Price fixed by the Government.

During the year under report the Co-generation Unit at Taduvai generated 1,56,88,300 Units of Power.

PERFORMANCE OF CHEMICAL DIVISION:

During the year under report the performance of Caustic Soda Division at Saggonda was good. Turnover of Rs.680.80 Crores was achieved, Profit after depreciation achieved this year was Rs. 185.27 Crores against Rs. 86.91 Crores in the last year.

Sulphuric Acid divisions at Kovvur and Saggonda performed impressively by posting a Profit of Rs.46.82 Crores as against 27.84 Crores in the last year.

POWER UNITS:

The Net Power generated at Ramagiri Wind Mills during this year is 12,90,142 Units KWH.

The Net Power generation at the Tamil Nadu Wind Mills during the year under report is 2,77,86,281 Units. This Power is being fed into the Tamil Nadu State Electricity Board grid.

The Power generated by 33 MW Coal Based Captive Power Plant put up by the Company at Saggonda during this year is 17,62,93,000 KWH. The entire Power is being used at our Chemical Plants at Saggonda.

Being 100% captive, operations of 33MW Coal Based Power Plant have been grouped into Chlor-Alkali segment in Segment Reporting.

PROJECTS:

Demand for Caustic Soda is on the rise. Our Major customers in Private and Public Sectors have been consistently lifting their commitments. As a part of ongoing market programme efforts are directed towards widening the customer base. Keeping this in mind, your Company is going for Expansion from existing 500 Tonnes per day to 600 Tonnes per day Membrane Cell Caustic Soda facility at Chemical Complex, Saggonda. This Expansion is based on the latest generation of Environment friendly and Energy-efficient Membrane Cell Technology supplied by M/s. Thyssenkrupp Industrial Solutions India Ltd., a renowned International organization having expertise and experience in establishing Chemical Plants. The Plant is based on the latest 6th Generation Membrane Technology. This process has the lower production cost, simple operations, Energy Efficient & Environmental friendly. Salt and Power constitute two main inputs for production of Caustic Soda. As your Company is already in the production of Caustic Soda, procurement of Salt can be sourced from the existing vendors. Power, another major input, can be availed from 33 MW Coal based Captive Power Plant in operation. Environmental Clearance and Consent for Establishment was obtained by the Company for a capacity of 800 TPD. The estimated Project Cost of Rs.100.00 Crores is being met by internal accruals. The Plant is expected to commence operations by December, 2022.

Sulphuric Acid is widely used in Pharmaceutical, Fertilizer and Water Treatment Industries causing the increase in demand of this product.

Your Company is setting up a 500 TPD Sulphuric Acid Plant at Chemical Complex, Saggonda with an estimated cost of Rs.100.00 Crores being met by internal accruals. Consent for Establishment is obtained. The Plant is expected to commence operations by December, 2022.

Your Company is setting up a Project at J.N. Pharmacy, Parawada, Visakhapatnam in non-SEZ area to manufacture 100 TPD Sodium Hypochlorite. Required statutory approvals are obtained for setting up the Plant. The estimated project cost was about Rs.17.00 Crores. The required raw materials viz., Sodium Hydroxide and Chlorine gas can be supplied from our Chemicals Division, Saggonda.

Sodium Hypochlorite has its applications in Bulk Drugs / Pharmaceuticals, Fine Chemicals, Water treatment and Sea Food Industries. Most of the Civil construction works are completed. All the bought-out components required for this project have already been procured. Fabrication of all the process equipments and main storage tanks are completed. Fabrication and erection of pipe racks / bridges are also completed. Equipment erection was done partly.

We have planned to utilize the site (42.28 acres) completely in a phased manner and we have also obtained CFE from APPCB for setting up a Chlor-alkali project.

Meanwhile, APIIC had issued cancellation orders for the allotted site of 42.28 acres, stating that your Company has not fulfilled the terms and conditions of the original tri-party agreement entered into between APIIC, RPCIL and ASL and the project was not implemented. Your Company has filed a writ petition in the Hon'ble High Court of Andhra Pradesh against APIIC to suspend the site cancellation orders given by APIIC. The High Court has ordered Status Quo and the matter is adjourned for final hearing in the month of October, 2022.

Under the present circumstances, your Company is not pursuing with the construction and commissioning activities of the Sodium Hypochlorite project till the disposal of the matter by the Hon'ble High Court.

DEMATERIALISATION OF EQUITY SHARES:

As of 31st March, 2022 Equity Shares representing 54.17% of the Share Capital have been dematerialised.

AUDITORS:

M/s K.S. Rao & Co., Chartered Accountants, Hyderabad, the present Auditors were appointed as Statutory Auditors at 70th Annual General Meeting held on 23.09.2017 for a term of five (5) years from the conclusion of the 70th Annual General Meeting till the conclusion of 75th Annual General Meeting. The Audit Committee and the Board at their meeting held on May 28, 2022 approved the appointment of M/s. Brahmayya & Co., Chartered Accountants as Statutory Auditors for a period of five 5 years i.e. from conclusion of the 75th Annual General Meeting till the conclusion of 80th Annual General Meeting. The necessary resolution(s) seeking your approval for their appointment as statutory auditors are included in the notice of the ensuing Annual General Meeting.

Their remuneration for the Financial Year 2022-23 for Rs. 19,00,000/- is being sought for your approval at the ensuing Annual General Meeting.

COST AUDITORS:

For the year 2021-2022 M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad were the Cost Auditors of the Company for the Products, which are subject to Cost Audit. For the year ended 2022-23, your Board of Directors have approved the appointment of M/s. Narasimha Murthy & Co., Hyderabad as Cost Auditors and recommended to Shareholders to ratify the remuneration of Rs. 6,00,000/- as fixed by the Board on the recommendation of Audit Committee.

CORPORATE GOVERNANCE:

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

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requirement by top 1000 listed Companies based on the Market Capitalization, Business Responsibility 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.

AUDIT COMMITTEE:

Audit Committee comprises of Three Non-Whole time, Independent Directors and One Whole-time Director Dr. P. Kotaiah, Sri V.S. Raju, Sri P.A.Chowdary and Sri P. Achuta Ramayya respectively. Dr. P. Kotaiah is the Chairman of this Committee.

DIRECTORS AND KMP:

Sri P. Venkateswara Rao is appointed as an Independent Director on 26.04.2021 for a period of five (5) years.

Directors Sri Mullapudi Thimmaraja and Sri P. S.R. V.K. Ranga Rao retire by rotation at the ensuing 75th Annual General Meeting and being eligible, offer themselves for re-appointment.

Statements of declaration as per Section 149(6) of the Companies Act, 2013 have been given by the Independent Directors.

Sri P. Narendranath Chowdary, Chairman and Managing Director and Sri P.V.S. Viswanadha Kumar, Vice President (Finance) & Addl. Secretary have been designated as Key Managerial Personnel.

COMPLIANCE UNDER COMPANIES ACT, 2013

Pursuant to Sec.134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, your company has complied with the compliance requirement the details of which are enumerated hereunder.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements of Section 134(1) (c) of the Companies Act, 2013 and on the basis of explanation and compliance certificate given by the executives of the Company, and subject to disclosures in the Annual Accounts and also on the basis of discussions with the Statutory Auditors of the Company from time to time, we state as under:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- b) that the directors selected such accounting policies and applied them consistently and made judgments and estimates that those 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 and of the profit of the Company for that period;
- c) 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the Directors have got prepared the annual accounts on a going concern basis;
- e) that the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) that the Directors got devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD MEETINGS:

The Board of Directors met 6 times during the financial year 2021-2022 on 26.04.2021, 30.06.2021, 11.08.2021, 13.11.2021, 31.12.2021 and 12.02.2022.

INDEPENDENT DIRECTORS MEETING:

A Meeting of the Independent Directors was held on 25th March, 2022. The Independent Directors have evaluated the performance of the Non-independent Directors, the Board as a whole and Chairman of the Board. The Board was briefed by Lead Independent Director on the deliberations made at the Independent Directors Meeting.

FAMILIARISATION PROGRAMME:

Your Company through a Policy, has in place a familiarisation programme to all the Directors with a view to update them on the Company's Policies and Procedures. Independent Directors make a periodical visit to plants to keep themselves abreast of the plant operations. Respective Plant Heads interact with the Independent Directors and explain to them about the various processes and operations.

FORMAL ANNUAL EVALUATION OF THE BOARD

The Board evaluated its own performance and that of its Committees and Directors in terms of:

Measured and appropriate contribution by the Directors to the discussions on the Agenda Items,

- Each Director exercising the responsibilities in a bonafide manner. Understanding of the Company's business, strategic plans and other key issues.
- Special Skills and expertise of each Director contributing to the Board's overall effectiveness.
- Respecting the confidentiality of the Company's business information and Board's deliberations.
- Satisfactory attendance and active participation of each Director at the meetings of the Board and Committee.

The Board members were of the opinion that the Board as a whole and the Directors have performed effectively as per the terms of the above parameters. The respective Committee performed as per its terms of reference.

VIGIL MECHANISM:

As a part of Vigil Mechanism, a Whistle Blower Policy has been established and approved by the Board. This Policy envisages reporting of wrong doing or un-ethical activities observed by Employees at any level directly to the Chairman of the Audit Committee or to the Chairman and Managing Director. The matter whenever reported is investigated and if the wrong doer is found guilty, disciplinary action will be initiated depending upon the materiality of the un-ethical doings. During the year under report there has been no instances which required reporting.

NOMINATION AND REMUNERATION COMMITTEE:

As required by the Provisions of the Companies Act, 2013 and Listing Agreement, a Nomination and Remuneration Committee comprising of Independent Directors Sri V.S. Raju (Chairman), Sri P.A. Chowdary and Dr. Manjulata was constituted by the Board.

This Nomination and Remuneration Committee has formulated Nomination and Remuneration Policy which has been approved by the Board. This Nomination & Remuneration Policy has laid down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in the industry. Appointment of Managing Director / Whole-time Director / KMP and Functional Heads are placed before Nomination and Remuneration Committee for its consideration and recommendation to the Board.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

As required by the Provisions of the Companies Act, 2013, a Corporate Social Responsibility (CSR) Committee has been constituted by the Board of the Company with Sri P.Narendranath Chowdary, Managing Director is Chairman of the Committee, Sri Mullapudi Thimmaraja, Joint Managing Director and Sri V.S. Raju, Independent Director are Members of the Committee. This Committee has formulated a CSR Policy which has been approved by the

The Andhra Sugars Limited

Board. This Policy envisages CSR Activities to be taken up, amount of expenditure to be incurred and monitoring of CSR Activities from time to time.

This Policy aims to achieve the CSR objectives by undertaking one or more of the activities to be in alignment with Schedule VII of the Companies Act, 2013 either on own or through any Trust / Society or any other recognized implementary Agency.

As per the provisions of Section 135(5) of the Companies Act, 2013, company should spend in every Financial Year at least 2% of the average net profits of the company made during the three immediately preceding Financial Years. In pursuance of its Corporate Social Responsibility Policy, the company gives preference to the local area and areas around it, where it operates or any other permissible location for spending the amount earmarked for Corporate Social Responsibility activities.

Accordingly, for achieving its CSR objectives through implementation of meaningful and sustainable CSR programmes, your Company allocates at least 2% of its average Net Profits calculated as per Section 198 of the Companies Act, 2013, as its Annual CSR Budget in each Financial Year.

From the Annual CSR Budget allocation, a provision is made towards the expenditure to be incurred on identified areas, for undertaking CSR activities on a year to year basis.

Allocation of the Annual Budget for CSR activities in any given year would be as per the provisions of the Companies Act, 2013 and rules made thereunder as amended from time to time. Any unspent / unutilised CSR allocation of a particular year, will be carried forward to the next year, i.e., the CSR budget will be non-lapsable in nature.

As required by Rule 8 of the Companies (CSR Policy) Rules, 2013, a Report on CSR Activities and the amount of expenditure incurred are annexured to this Report.

RISK MANAGEMENT COMMITTEE:

As required by the Provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 the Board constituted Risk Management Committee on 30.06.2021.

1. Sri Mullapudi Narendranath - Member (Executive Director)
2. Sri P. Achuta Ramayya - Member (Executive Director)
3. Sri P. Venkateswara Rao - Chairman (Non-Executive and Independent Director)
4. Sri P.S.R.V.K. Ranga Rao - Member (Executive Director)

RISK MANAGEMENT POLICY

This Risk Management Committee has formulated a Risk Management Policy which has been approved by the Board, which envisages the following

- Identification of areas of Risk
- Assessing the impact of Risks
- Steps taken to mitigate the Risk

The Major Segments of operations of the Company are Sugar and Chlor Alkali.

The major aspects of concern for the Sugar Sector are:

- 1) Lack of Harvesting Labour
- 2) Power to operate the irrigation requirements
- 3) Proper Cane Varieties that give good Cane and Sugar yield that are suitable for mechanical harvesting.

To get around the 1st aspect, the Company has embarked upon locating the right Cane Harvester suited to our Grower Farm sizes. The 2nd aspect is being taken care of by setting up a Solar Powered Pumping System at our R & D Farm so that our Growers could ultimately be provided the right guidance in this aspect. The 3rd aspect is being met by the Cane Breeding Programme undertaken by the Company.

Chlor Alkali segment is power intensive where Power constitute a major input cost. Restricted power supply and increased power cost have become a cause of concern. To mitigate this impact, a Solar Power Plant has been commissioned at Kovvur. At Saggonda a 33 MW Coal Based Captive Power Plant has been commissioned. This would improve the power availability to the Chemical Plants at Saggonda.