

BOARD OF DIRECTORS

Shri D.K.Audikesavulu Shri D.A.Srinivas Dr. P.L.Sanjeeva Reddy Dr. M.G.G.Naidu Shri N.V.Varadarajulu Shri G.Ramachandraiah Shri T.Suryachandra Rao Chairman & Managing Director Joint Managing Director Director – (Nominee of IREDA) Director Director

Director

Director

Shri D.V.Ramanaiah

Finance Manager

AUDITORS

M/s. C.Ramachandram & Co., Chartered Accountants 3-5-45/9/2, Edenbagh Ramkote, HYDERABAD – 500 001. BANKERS

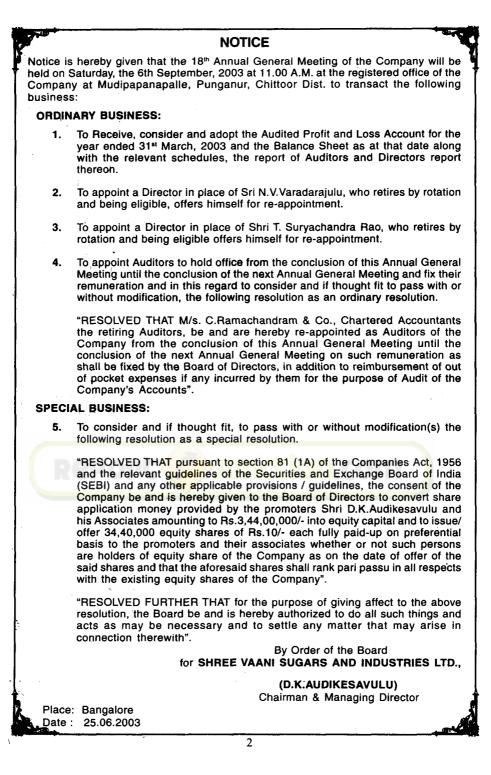
State Bank of India State Bank of Mysore The Vysya Bank Ltd.,

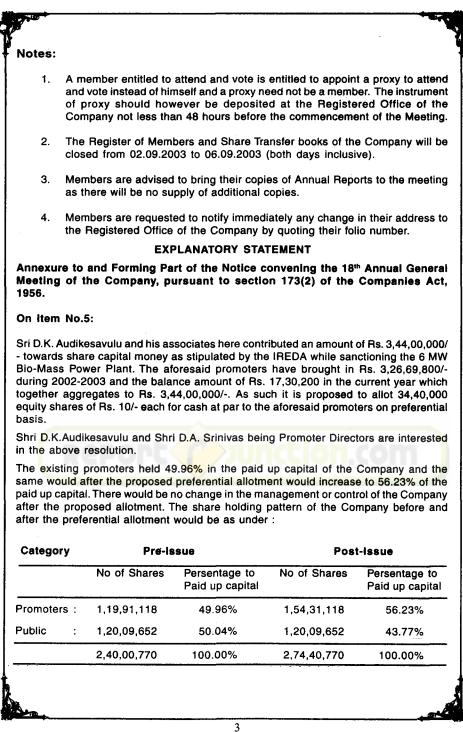
REGISTERED OFFICE & FACTORY

Mudipapanapalle, Sugalimitta (Post) Punganur, Chittoor District, Andhra Pradesh Pin: 517 247

SHARE TRANSFER AGENTS & DEPOSITORY REGISTRARS

M/s. CIL Securities Limited 208, Raghava Ratna Towers Chirag Ali Lane Abids, Hyderabad - 500 001. Phone : 23203155 / 23202465 Fax : 040-23203028 e-mail : advisors@cilsecurities.com





DIRECTORS' REPORT

Dear Share Holders :

Your Directors have pleasure in presenting their Eighteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

THE YEAR IN RETROSPECT :

Your Directors are happy to inform you that during the crushing season 2002-2003 which commenced on 11th November, 2002, your company has crushed 348062.953 M.Tonnes of sugarcane till 31st March, 2003 with an average recovery of 9.82%.

As per the release order issued by the Government of India from time to time, your company sold 311930 qtls. of White Crystal Sugar, out of 344360 qtls. bagged by it during the period under review. As on 31st March, 2003, your company had held 410895 qtls. of sugar in stock.

FINANCIAL RESULTS :

The Financial results of your company for the year ended 31st March,2003 are summarized below:

Summanzed Below.	(Rs .in Lakhs)	
	Year Ended 31.03.2003	Year Ended 31.03.2002
Sales and Other Income	3863.98	4513.87
Profit/(Loss) before interest and Depreciation	(285.68)	798.22
Interest and Depreciation	787.28	779.22
Profit/(Loss) for the period	(1072.96)	19.00
Prior period expenses	6.68	0.87
Profit / (Loss) before tax	(1079.64)	18.13
Provision for tax	0.00	1.60
Provision for Deferred tax Asset / (Liability)	397.24	311.60
Profit/(Loss) after tax	(682.40)	(295.07)
Profit/(Loss) brought down from previous year	(234.79)	60 <mark>.2</mark> 8
Profit/(Loss) carried to Balance Sheet	(917.19)	(234.79)

YEAR IN PROSPECT:

For 2002-2003 crushing season, your factory has crushed 3,48,698 M.Tonnes of cane with an average recovery of 9.82% which is the highest among the factories in Rayalaseema and in Nellore Districts. Your factory crushed 242319 M.Tonnes of cane from own zone and 106379 M.Tonnes of cane from non zone, in addition about 20,000 M.Tonnes of cane utilised for own zone seed supply to the farmers for fresh plantations. Your factory reduced the non zone cane to about 106379 M.Tonnes compared to previous years supply of about 2 lakh M.Tonnes, there by saving the exhorbitant prices and additional transport cost.

For 2003-2004 season sugar cane is grown in an area of about 10,772 acres consisting of 4937 Acres under plant and 5835 acres under Ratoon. Your factory has entered into agreements with the farmers for 6305 acres consisting of 3262 acres of plant and 3043 acres of ratoon. In addition we are likely to enter into agreements for about 2956 acres consisting of 945 acres under plant and 2011 acres under ratoon.

The Company has decided to provide a financial assistance of Rs.60 lakhs to the farmers out of which Rs.20 lakhs was disbursed. The Company has already entered into agreement with the farmers for supply of sugar cane and is expecting to enter further agreement so as to get about 1,75,000 MT of cane from the factory Zone and another 75,000 MT of Cane from Non-Zone areas of Chittoor, Karnataka and Tamilnadu Boarder Villages. The expected crushing of Sugar Cane in the season 2003-2004 would be around 2,50,000 MT of Cane.

IMPROVEMENT IN CANE CULTIVATION AND PROCUREMENT :

The efforts of the company over the years in getting continuous supply of sugar cane to the factory by extending loans and technical know how to the farmers gave good results, but consiquentive drought for the last 4 years particularly prolonged drought during this year affected very adversely, the farming community and cultivation. Even the farmers in some of the villages suffered a lot even due to lack of drinking water to them and to their animals. Government has arranged feeding centers to the cattle and sheep and also gave rice towards food for work. Even under those conditions we are able to maintain 10772 acres of sugar cane in the zone which is great achievement due to our improved cane development activities. Company may continue to depend for sugarcane from non zone areas as the drought conditions are so drastic and also to meet the co-generation required bagasse as it is going to be started very shortly.

FINANCE :

The company has got the sanction from Indian Renewable Energy Development Agency Limited to the tune of Rs.1010.00 Lakhs towards term loan for setting up 6 MW Biomass based co-generation plant with a condition of exclusive first charge on co-generation plant and extension of first charge on existing fixed assets on pari passu basis with existing charge holders viz., State Bank of India, IFB.,Hyderabad, State Bank of Mysore, Punganur and ING Vysya Bank Limited, Punganur.

IREDA has released loan of Rs. 916.00 lakhs. All the equipments are received and installation is in full swing and project may be completed by 1st week of August, 2003.

POLLUTION CONTROL:

Your company has installed the required equipment to prevent water and air pollution as per the standards laid down by the Andhra Pradesh Pollution Control Board. Necessary steps have also been taken such as plantation of trees, saplings and seedings in and around factory area and in the colony, to protect the environment ecology.

CORPORATE GOVERNANCE :

Your company has complied with the provisions of corporate governance as per clause 49 of the listing agreement entered in to with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Act, your Directors' confirm the following:

- That in the preparation of the Annual Accounts for the year ended March, 2003 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 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 and of the profit or loss of the company for that period.



That the Directors' have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

 That your Directors have prepared the annual accounts on a going concern basis.

INSURANCE:

Your company's Assets have been adequately insured with the Oriental Insurance Co., Ltd., against all expected perils.

FIXED DEPOSITES:

Your company has not accepted any Deposits from the public during the period under review.

INDUSTRIAL RELATIONS:

Employee relations during the period under review were cordial and harmonious.

DIRECTORS:

Sri. N.V.Varadarajulu and Sri T.Suryachandra Rao, Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS:

M/s. C.RAMACHANDRAM AND COMPANY, Chartered Accountants, Hyderabad the Auditors of the Company, hold office until the conclusion of this Annual General Meeting and are recommended for re-appointment, as they are eligible.

COST ACCOUNTING:

The cost accounting records for the accounting year ended March 31, 2003 have been maintained in accordance with the cost Accounting records (Sugar) rules 1997. Sri E.VIDYA SAGAR, Cost Accountant was appointed as Cost Auditor for Cost Audit of accounts of the concern for the year 2002-2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

Your company has taken necessary steps to conserve energy by installing various advanced equipment and improving the inplant skills. The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of particulars in the report of Board of Directors) Rules are given in annexure forming part of this report.

RESEARCH AND DEVELOPMENT:

Your company has been attempting cultivation of various varieties of sugarcane in the notified area to identify the variety which is more suitable to the existing agroclimatic conditions. Continuous efforts are also being made in this direction to grow sugarcane variety which gives higher sugarcane yield and higher recovery in the notified area.

PARTICULARS OF EMPLOYEES:

Particulars of employees in receipt of remuneration beyond Rs.24.00 Lakhs per annum or Rs.2.00 lakhs per month in terms of section 217(2A) of the Companies Act, 1956 is not applicable as none of the employees is paid remuneration beyond Rs.24.00 lakhs per annum or Rs.2.00 lakhs per month.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their sincere appreciation of the continued assistance, support and co-operation extended to your company during the period under review by the Government of India, The Government of Andhra Pradesh, Indian Renewable Energy Development Agency Limited, State Bank of India, State Bank of Mysore, ING Vysya bank Limited, Co-Operative Banks, Andhra Pradesh Industrial Development Corporation Limited, Andhra Pradesh Electricity Regulatory Commission, Non-Conventional Energy and Development Corporation of Andhra Pradesh Ltd., APTRANSCO, Commissioner and Director of Sugar and Cane Commissioner of Andhra Pradesh, the share holders, the farmers and various other agencies.

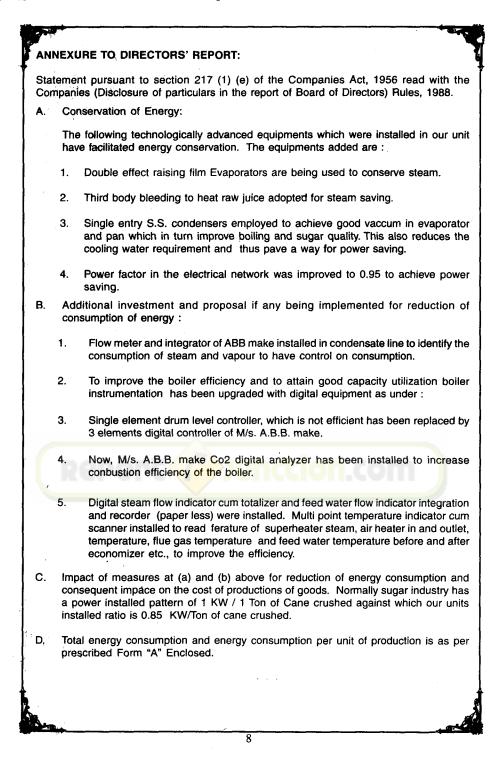
Your Directors also appreciate the cane suppliers and transport operators for their cooperation extended in supplies and expect the same during the current season.

Your Directors also appreciate the efforts put in by the employees of your company at all levels in the operations during the year under review and look forward to achieving better working results during the current year.

For and on behalf of the Board of Directors

(D.K.AUDIKESAVULU) Chairman & Managing Director

Place: Bangalore Date : 25.06.2003



Particula	ars	For the year 2002 - 2003	For the year 2001 - 2002
POWER AND FUEL	CONSUMPTION :		
1. ELECTRICITY			
a) Purchased	Unit (KWH)	909111	1015410
Total Amou	nt (Rs.)	4727264	5249220
Rate / Unit	(Rs.)	5.20	5.16
b) Own Gener	ration:		
i) Through	Diesel Generator Units (KW	'H) 10428 *	25541 5.05
Units per	Litre of Diesel Oil	1.51	2.58
Cost/Uni	t (Rs.)	13.28	6.83
(Generat	Steam Turbine / Generator ed out of own bagasse		000/000
·	tion units)	4535124	3821622
2. COAL		Not Used	Not Used
3. FURNACE OIL		Not Used	Not Used
4. Others / interna Firewood Quan		50.260	95.000
Total cost (Rs.)		44870.05	83362.50
Rate per M.T.(F	Rs.)	892.75	877.50
. CONSUMPTION P	ER QUINTAL OF SUGAR :		
Sugar Produced	d (Qtls.)	344360	311929
Electricity (KW	H/Qtis.)	15.84	16.32
Coal (Mt/Qtl.)			
Furnace Oil (Kl	_/Qtl.)	—	_
Firewood (MT/C	Qtl.)	Negligable	Negligable
DIESEL OIL FOR I	DIESEL SET (Ltrs)	6906	98872
Rate per Litre (Rs.)	20.06	17.66
 Generation the 	nrough own D.G.Set is 1042	8 KWH during grid	failure time.