

THE ANDHRA SUGARS LIMITED



57th ANNUAL REPORT 2003-2004



THE ANDHRA SUGARS LIMITED

57th ANNUAL REPORT

2003 - 2004

BOARD OF DIRECTORS :

Dr. Mullapudi Harischandra Prasad
Chairman & Managing Director

Dr. B. B. Ramaiah
Managing Director (Tech.)

Shri T. Ramesh U. Pai

Shri Justice G. Ramanujam

Shri A. Ranga Rao

Shri P. Narendranath Chowdary, B.Sc.
Joint Managing Director

Shri M. Narendranath, B.Sc.(Ag.)
Joint Managing Director

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

Shri P. Achuta Ramayya, B.Com., M.B.A.(New York)
Executive Director

Dr. A.V. Rama Rao

Dr. P. Kotaiah

Shri V. S. Raju

Dr. Alapaty Appa Rao (w.e.f. 30-4-2004)

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

SECRETARY :

Shri M. Bulli Abbayi, B.Sc., B.L., F.C.S.

VICE PRESIDENT (Finance) :

Shri T. Krishnaiah, B.A., F.I.C.W.A., F.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	3
Notice	4
Directors' Report	9
Auditors' Report	31
Accounting Policies	35
General Business Profile	37
Balance Sheet	38
Profit & Loss Account	39
Schedules to Balance Sheet	40
Schedules to Profit & Loss Account	47
Notes to Accounts	49
Cash Flow Statement	57
Statement pursuant to Section 212 of the Companies Act, 1956	58

CONSOLIDATED FINANCIAL STATEMENTS :

Auditors' Report	61
Consolidated Balance Sheet	62
Consolidated Profit & Loss Account	63
Schedules to Consolidated Balance Sheet	64
Schedules to Consolidated Profit & Loss Account	69
Notes to Consolidated Financial Statements	71
Consolidated Cash Flow Statement	74
Statement regarding Subsidiary Companies	79

THE ANDHRA SUGARS LIMITED

Registered Office: Venkatarayapuram, TANUKU - 534 215
West Godavari District, Andhra Pradesh.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the FIFTY SEVENTH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Monday the 27th day of September, 2004 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, 2004 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 2003-2004.
3. To appoint a Director in place of Shri A. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri P. Kotaiah who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. A. V. Rama Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2004-2005 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 :

7. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:
"RESOLVED THAT Shri V.S. Raju who was co-opted as Additional Director of the Company with effect from 29-10-2003 pursuant to Article 116 of the Articles of Association and who holds office until the date of the 57th Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company."
8. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:
"RESOLVED THAT Dr. Alapaty Appa Rao who was co-opted as Additional Director of the Company with effect from 30-04-2004 pursuant to Article 116 of the Articles of Association and who holds office until the date of the 57th Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company."
9. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:
"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions if any of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wherever situate, present and future (except the assets situated at Cotton & Oil Products Division, Guntur, Wind Power Unit, Ramagiri, Ananthapur District, Sugar Unit at Bhimadole and residential quarters at Saggonda in favour of Andhra Bank towards Term Loan of Rs. 9,000 lakhs (Rupees nine thousand lakhs only) sanctioned by them for expansion of Caustic Soda Plant by 150 TPD and establishment of 300 TPD Sulphuric Acid Plant at Saggonda."

"FURTHER RESOLVED THAT the mortgage / charge created / to be created and/or all documents / agreements executed / to be executed and all acts done in terms of the above Resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

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

“RESOLVED THAT in partial modification of the Resolution passed by the Shareholders at the 56th Annual General Meeting held on 24th September, 2003, 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 for mortgaging and/or charging by way of second charge on immovable and movable properties of the Company wherever situate, present and future, and whole of the undertaking of the Company (except the assets situated at Cotton & Oil Products Division, Guntur, Wind Power Unit, Ramagiri, Ananthapur District, Sugar Unit at Bhimadole and residential quarters at Saggonda) in favour of all or any of the Bankers viz., Andhra Bank, State Bank of India, State Bank of Hyderabad, Bank of Baroda and Indian Bank to secure working capital facilities of fund and non-fund based and or Term Loans upto Rs. 18,400 lakhs.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective 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.”

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

“RESOLVED THAT in supersession of the Resolution No. 7 passed at the 48th Annual General Meeting held on 24.8.1995, the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of monies from time to time notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Capital of the Company and its free Reserves that is to say Reserves not set apart for any specific purpose, provided however, the total amount so borrowed shall not exceed Rs. 500 Crores (Rupees five hundred Crores only).”

12. To consider and if thought fit to pass with or without modifications the following Resolution as a Special Resolution.

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Article 120 of the Articles of Association of the Company be amended by substituting the figure Rs. 5,000/- in place of figure Rs. 2,000/- appearing in the 1st line thereof.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU
31-07-2004

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

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 Thursday the 16th September, 2004 to Monday the 27th September, 2004 (both days inclusive).**
- 3. The dividend recommended by Directors, if approved at the meeting will be paid to the Shareholders whose names are on the Register of Members as on 27th September, 2004. In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as on 27th September, 2004 as per the details furnished by the Depositories for this purpose.**

The Andhra Sugars Limited

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 Interim and Final Dividend for the year 1995-96 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/ appointment at the 57th Annual General Meeting as required under Corporate Governance.**

The information or details to be provided in respect of Directors seeking appointment / re-appointment at the 57th Annual General Meeting as required by Corporate Governance are given hereunder:-

Shri A. Ranga Rao is a Law Graduate and an Industrialist with considerable experience. He has been on the Board of your Company for more than a decade. He is the Chairman & Managing Director of Akin Laboratories Pvt. Limited.

Dr. P. Kotaiah, a former Chairman of NABARD, has rich financial academic background and industrial experience of more than three decades. He holds Directorships on the Board of many Companies viz., Blossom Industries Limited, LANCO Kondapalli Power Private Limited, Krishna Godavari Power Utilities Limited and Ashta Power Corporation Pvt. Limited. He is the Chairman of Audit Committee constituted by the Board of LANCO Kondapalli Power Private Limited.

Dr. A.V. Rama Rao is an eminent Scientist and was former Director of Indian Institute of Chemical Technology. He is the Chairman & Managing Director of Avra Laboratories Pvt. Ltd.

Information regarding other two Directors whose appointment is placed for the approval of shareholders at the 57th Annual General Meeting is given in the Explanatory Statement to the notice.

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 7

Shri V.S.Raju was co-opted as an Additional Director on the Board of the Company with effect from 29th October, 2003. Pursuant to Section 260 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company, Shri V.S. Raju will hold office only upto the date of the 57th Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri V.S. Raju as a candidate for the office of Director. Shri V.S. Raju is former Registrar of Companies, Andhra Pradesh, Hyderabad and Karnataka, Bangalore. He also worked as under Secretary and Dy. Secretary in the Department of Company Affairs, New Delhi. At present he is practicing as an Advocate at Hyderabad and is eminent in Company Law matters.

Shri V.S. Raju is a Director on the Board of Intensive Air Systems Ltd., JOCIL Ltd., Visuvalsoft Technologies Ltd. He is Chairman, Audit Committee constituted by the Board of Intensive Air Systems Ltd., JOCIL Ltd., and Visuvalsoft Technologies Ltd. He is also Chairman of Remuneration Committee and Member of Investors Grievance Committee constituted by The Board of Visuvalsoft Technologies Ltd.

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

Except Shri V.S. Raju no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 8

Dr. Alapaty Appa Rao was co-opted as an Additional Director on the Board of the Company with effect from 30th April, 2004. Pursuant to Section 260 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company, Dr. Alapaty Appa Rao will hold office only upto the date of the 57th Annual General Meeting of the Company.

Company has received a notice in writing along with a deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. Alapaty Appa Rao as a candidate for the office of Director. Dr. Alapaty Appa Rao holds Ph.D. Degree from Madras University and has long standing experience in the field of agricultural sciences. He served as Vice-Chancellor of Andhra Pradesh Agricultural University.

Dr. Alapaty Appa Rao is a Director on the Board of Ushakiron Movies Ltd., and Heritage Foods (India) Ltd. He is Chairman of Audit Sub-Committee constituted by the Board of Ushakiron Movies Ltd., and Member Audit Committee constituted by the Board of Heritage Foods (India) Ltd.

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

Except Dr. Alapaty Appa Rao no other Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 9

Your Company is availing a term loan of Rs. 9000 lakhs from Andhra Bank. With regard to creation of security in connection with the said loan, a Resolution is required to be passed under Section 293(1)(a) of the Companies Act at the General Meeting of the Company by the Shareholders.

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

No Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 10

Financial assistance in the form of working capital from the Company's Bankers has to be secured by a second charge on all the immovable and movable properties of the Company, present and future. Shareholders at the 56th Annual General Meeting accorded consent for creation of second charge on all immovable and movable properties of the Company to the extent of Rs. 18,400 lakhs. Second charge for the said amount of Rs. 18,400 lakhs is required to be extended in favour of Indian Bank (in addition to other four Banks viz., Andhra Bank, State Bank of India, State Bank of Hyderabad and Bank of Baroda) which has been inducted into the consortium of Company's Bankers and the assets of the Sugar Unit at Bhimadole are to be excluded from the purview of the second charge. As such Resolution passed by the Shareholders at the 56th Annual General Meeting requires modification.

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

No Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 11

Section 293(1)(d) of the Companies Act, 1956 permits the Board of Directors of your Company to borrow money in excess of Paid-up Capital and free Reserves subject to the approval of Shareholders of the Company. As such the Shareholders at the 48th Annual General Meeting held on 24.8.1995 authorised the Board of Directors to borrow monies upto a limit of Rs. 300 Crores (Rupees Three hundred Crores only).

In view of the expansion / diversification / modernisation programmes being undertaken and having regard to future activities, the enhancement of borrowing powers from Rs. 300 Crores (Rupees three hundred crores only) to Rs. 500 Crores (Rupees five hundred crores only) is considered necessary.

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

No Director is deemed to be interested or concerned in the Resolution.

ITEM NO. 12

As permitted by Article 120 of the Articles of Association of the Company, your company is presently paying a sitting fee of Rs. 2,000/- to each Director for attending each Meeting of the Board or Committee thereof. Your Board of Directors consider it advisable to increase the Sitting Fee payable from Rs. 2,000/- to Rs. 5,000/- for which purpose it is necessary to alter Article 120 of the Articles of Association of the Company.

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

Non-whole-time Directors shall be deemed to be interested or concerned in the Resolution to the extent of Sitting Fee payable to them.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU
31-07-2004

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

DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting this FIFTY SEVENTH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31st March, 2004.

FINANCIAL RESULTS :

(Rupees in lakhs)

	This Year	Previous Year
Sales	39717.87	35072.56
Other Income	2154.92	1902.05
	41872.79	36974.61
Profit for the year	6181.84	5187.20
Depreciation	1792.03	1387.83
Profit after depreciation	4389.81	3799.37
Add : Income Tax refund received	----	18.16
Excess provision of Income-tax credited back	29.23	24.57
	4419.04	3842.10
Less: Provision for current Tax	1400.00	1150.00
Provision for deferred Tax	198.64	279.84
Provision for Wealth Tax	1.50	1.00
Profit after Tax	2818.90	2411.26
Add: Transfer from Debenture Redemption Reserve	480.00	1412.50
Balance brought forward from last year	2477.45	2418.37
Profit available for appropriation	5776.35	6242.13

APPROPRIATIONS:

Transfer to General Reserve	2500.00	3000.00
Proposed Dividend on Equity Shares @ 40% (Last Year Dividend on Equity Shares @ 25%)	1084.28	677.83
Tax on Distributable Profits	141.70	86.85
Balance carried forward to next year	2050.37	2477.45
	5776.35	6242.13

DIVIDENDS:

Your Directors are glad to recommend the payment of dividend @ 40% on Equity Shares for the year under report, which is highest since inception of the Company, as against 25% paid in the Financial Year 2002-03.

CAPITAL & RESERVES:

Authorised Capital: The Authorised Capital of the Company is Rs.30 Crores.

Paid-up Capital: The paid up capital of the Company is Rs. 27.10 Crores. The Total Reserves position as on 31.3.2004 is Rs. 147.25 Crores as against Rs.131.31 Crores as on 31.3.2003.

REVIEW OF OPERATIONS:

SUGAR UNIT – I, TANUKU:

The cane crushed during season 2003-04 was 4,93,963 M.Ts and the Sugar produced was 55807 M.Ts as against 7,10,309 M.Ts of cane crushed and 80,192 MTs of Sugar produced during the previous season. The crushing operations were carried on for 110 days as against 149 days during the previous season.

Recovery achieved was 11.11% as against 11.29% achieved in the previous season.

The total Sugar produced during the financial year 2003-04 was 61,494 M.Ts which includes the production of the season 2002-03 which was extended upto 14.4.2003.

SUGAR UNIT – II, TADUVAI:

The cane crushed during the season 2003-04 was 3,23,550 M.Ts and the Sugar produced was 39188 M.Ts as against 4,65,571 M.Ts of cane crushed and 56,858 MTs of Sugar produced during the previous season. The crushing operations were carried on for 114 days as against 145 days during the previous season.

The Unit achieved a Recovery of 11.62% as against 11.74% achieved in the previous season. This Unit achieved the highest recovery in the State of Andhra Pradesh for the third consecutive season.

The total Sugar produced during the financial year 2003-04 was 40,840 M.Ts which includes the production of the season 2002-03 which was extended upto 12.4.2003.

POWER GENERATION :

During the year under report the Power Generation Plant at Sugar Unit-II, Taduvai generated 2,71,29,410 Units as against 2,81,94,757 Units generated in the previous year.

CANE PRICE:

SUGAR UNIT - I, TANUKU :

In respect of Sugar Unit-I, Tanuku, for the season 2003-04 your Company has paid statutory minimum Cane Price of Rs. 993.50 per MT and Purchase Tax Incentive of Rs. 60/- per M.T. as against Rs. 827.40 per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. paid during the previous season.

SUGAR UNIT - II, TADUVAI :

In respect of Sugar Unit-II, Taduvai, for the season 2003-04 your Company has paid the Cane price of Rs. 1,019/- per M.T. and Purchase Tax incentive of Rs. 60/- per M.T. as against Rs. 880.60 per M.T. and Purchase Tax of Rs. 60/- per M.T. paid during the previous season.

SUGAR PRICE:

SUGAR UNIT - I, TANUKU:

The ratio of Levy : Free Sugar quota continues to be 10 : 90 as in the previous year.

SUGAR UNIT - II, TADUVAI :

Sugar Unit-II, Taduvai is entitled for 100% Free Sugar sale upto 38,000 M.Ts of Sugar produced during the season.

PERFORMANCE OF OTHER DIVISIONS :

Performance of Chemical Divisions continued to be satisfactory. Caustic Soda Division at Kovvur made a profit of Rs. 1625.22 lakhs after depreciation as against Rs. 1714.13 lakhs after depreciation achieved last year. Your Directors are glad to report that within a short span of operations, the Caustic Soda Unit at Saggonda has put up an impressive performance by achieving a profit of Rs. 1688.19 lakhs after depreciation as against Rs. 1097.82 lakhs after depreciation achieved in the previous year. The capacity of Caustic Soda Plant at Saggonda was increased from 175 TPD to 200 TPD during the year under report.

WIND POWER UNIT:

The Power generated at this Unit during the year is 26,64,863 Units as against 25,44,547 Units.

PROJECTS:

Trend in Caustic Soda Industry indicates an encouraging demand for Caustic Soda. Keeping in view this market scenario, expansion of Caustic Soda Plant at Saggonda from 200 TPD to 350 TPD is undertaken and is expected to be commissioned during the current financial year .

As the demand for Sulphuric Acid and Superphosphate is on an upward trend, your Company has planned to put up another Sulphuric Acid Plant at Saggonda with a capacity of 300 TPD which will be implemented during the course of the current year.

In view of the stagnation of domestic market for Aspirin, your Company has initiated steps to make a foray into the International market to emerge on the global market scene with a view to take advantage of the enlarged business operations and better price realisation. Your Directors are glad to report that to this end, Aspirin Plant has been upgraded to meet the International standards. Your Company has received Certificate Of Suitability from European Directorate of Quality Medicine. Efforts are on to obtain the approval of FDA, USA. This is expected to result in better capacity utilisation and revenue generation.

In the last year's Directors' Report a mention was made about the setting up of Plants for the manufacture of HTPB and Liquid Hydrogen. Your Directors are glad to report that the HTPB Plant has been successfully commissioned during the year under report. Liquid Hydrogen Plant is under implementation and is expected to be completed during the course of the current year

An Agreement has been entered into for setting up another Plant for production and supply of UH-25. Your Company has also renewed the agreement for production and supply of UDMH, UH-25 and MMH.

All these Projects are expected to increase the revenue of the Company in the years to come.

ACQUISITION OF NEW SUGAR COMPANY:

With a view to strengthen the core business competence, your Company purchased the assets of The West Godavari Co-operative Sugars Ltd., (WGCSL) Bhimadole, West Godavari District, Andhra Pradesh at a cost of Rs. 36 Crores by participating in the bid offer made by the State Government. WGCSL has a crushing capacity of 1600 TCD. The acquisition, besides helping to add the crushing capacities, is expected to bring locational synergies as the factory is situated between Tanuku and Taduvai Sugar Plants. The assets of WGCSL consists of Plant & Machinery and 121.26 acres of land. WGCSL is well connected by road-ways and railways. Existence of 220 KV Electrical Sub Station in the proximity will be an advantage to facilitate undertaking of Co-generation in future. Modernisation work is being undertaken to improve the efficiency. Operations are expected to commence during the season 2004-05.

DEMATERIALISATION OF EQUITY SHARES

As on 31st March, 2004, Equity Shares representing 30.20% 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, 2004 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 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:

In terms of Article 116 of the Articles of Association of the Company, Directors Shri A. Ranga Rao, Dr. P. Kotaiah and Dr. A.V. Rama Rao retire by rotation at the ensuing 57th Annual General Meeting, and being eligible, they offer themselves for re-appointment.

During the year under report, Directors, Shri P.J.V. Sarma and Shri K. Kalyanaraman resigned from the Board. Your Directors place on record the deep sense of appreciation of the valuable guidance rendered by them during the tenure of their office.

Shri V.S. Raju and Dr. Alapaty Appa Rao were co-opted as additional Directors on the Board. Their appointment is being placed for the approval of the Shareholders at the ensuing 57th Annual General Meeting.

AUDIT COMMITTEE :

The Audit Committee which comprised of 3 non Whole-time Independent Directors viz., Shri A. Ranga Rao, Shri T. Ramesh U Pai and Dr. P. Kotaiah, has been enlarged by the Board with the induction of one more non Whole-time Independent Director, Shri V.S. Raju.

INDUSTRIAL RELATIONS:

The relations with the employees continued to be cordial and harmonious during the year.

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, 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. 26,17,000 held by 68 depositors had fallen due for payment but remained unclaimed as on 31.3.2004. Unclaimed deposits aggregating to Rs. 20,44,000 held by 43 depositors have since been renewed/repaid. Still, deposits aggregating to Rs. 5,73,000 held by 25 depositors remained unclaimed as on date.

CONSOLIDATED ACCOUNTS:

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

Your Company has been exempted from the provisions of Section 212(1) of the Companies Act, 1956 relating to attachment of the Accounts of its Subsidiaries to its Accounts. Shareholders desirous of obtaining the Annual Accounts of your Subsidiaries may obtain the same upon request. The Annual Report and Accounts of the Subsidiary Companies will be kept for inspection at your Company's Registered Office and that of your Subsidiary Companies.

SUBSIDIARY COMPANIES:

JOCIL LIMITED:

For the Financial Year ending 31.3.2004, subsidiary Company, JOCIL Ltd., recorded a profit of Rs.1326.49 lakhs (before taxation) as against Rs. 1292.36 lakhs (before taxation) during the previous year. Your Directors are glad to report that this Subsidiary Company completed 25 years of successful working and to mark this milestone a Silver Jubilee function was held. To commemorate the Silver Jubilee of the Company, an Interim Dividend of 25% was paid to the Shareholders. Directors have recommended a Final Dividend of 50% which together with the Interim Dividend of 25% aggregates to a total Dividend of 75% for the year 2003-04 as against 50% paid during the previous year.

The Andhra Sugars Limited

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED :

During the year 86 M.Ts. of Hydrazine Hydrate was produced as against 78 M.Ts in the previous year. The turnover during the year was Rs. 127.32 lakhs as against Rs. 174.71 lakhs in the previous year. The Company achieved a profit of Rs. 3.72 lakhs as against the profit of Rs. 20.11 lakhs in the previous 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 ensuing 57th 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 31.03.2004.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of 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.

For and on behalf of the Board

TANUKU
31-07-2004

Dr. MULLAPUDI HARISCHANDRA PRASAD
Chairman & Managing Director

ANNEXURE "A" TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31-03-2004

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 01-04-2003 to 31-03-2004

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		57	01-08-1968	10789341	83	Partner, Ex-Managing Agency Firm The Andhra Sugars Ltd., 21 Years
2)	Dr. B. B. Ramaiah	Managing Director (Tech.)	B.Sc., (Hons), Sugar Technology M.Sc., (Chemical Technology) M.Sc., (Wisconsin), A.M.P. (Harvard)	50	01-04-1998	10520470	78	Managing Director (Tech.) The Andhra Sugars Ltd., 28 Years
3)	Shri P. Narendranath Chowdary	Joint Managing Director	B.Sc.,	37	12-01-1976	5824750	56	Director, The Andhra Sugars Ltd., 8 Years
4)	Shri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	30	01-01-1998	5767899	55	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku. 24 Years
5)	Shri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	29	01-08-1978	5821009	53	Director, The Andhra Sugars Ltd., 2 1/2 Years
6)	Shri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	21	01-08-1983	5515442	49	First Appointment
7)	Shri P.S.R.V.K. Ranga Rao	Executive Director	B.Com.,	5	01-05-1999	3077822	34	Director, The Andhra Sugars Ltd., 1 1/2 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 31.03.2004

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:

a) Energy Conservation Measures taken:

SUGAR UNIT-I, TANUKU

During the year 2003-04, Company has installed a B-masseccuite vacuum pan of Australian design (Sugar Research International) of 40T per hour capacity. The pan has certain special design feature which will improve the performance of the Pan station. This is also expected to result in the benefit of steam economy and saving of steam to an extent of 2% on cane, on rated capacity.

SUGAR UNIT-II, TADUVAI

Condensers of Vacuum pan and Evaporators were automated thereby resulting in consumption of less quantity of water at the condensing and cooling station. This is expected to result in saving of power by 125 KW which is being exported to grid during the cane crushing season.

Installed two Nos. of Shaft mounted planetary gear boxes for two seed crystallisers which resulted in saving of power due to high gear efficiency by 15 KW.

Press water heating at cane diffuser was employed using 3rd vapour instead of V1 which resulted in saving of steam by 1.5% on cane.

Continuous vacuum pan for B-masseccuite of SRI Australian design, first of its kind in India, was installed and commissioned which is expected to result in saving of steam by 2% on cane.

With the modifications at cane diffuser, i.e., by installing spray distribution system, the main clarifier under flow could be recycled to diffuser resulting in elimination of entire vacuum filter station and saving of 100 KW power.

CHEMICAL COMPLEX, SAGGONDA

Caustic Soda Plant was modernised to increase its capacity from 175 TPD to 200 TPD by adopting latest Membrane Cell technology. Installed energy efficient equipment of latest technology which is working efficiently. Reduction in Energy consumption will be around 400 Units per tonne of Caustic Soda resulting in cost saving.

B. Technology absorption:

SUGAR UNIT-I, TANUKU

i) **Installation of Fluidized Bed Drier:**

Installed the Fluidized Bed Sugar Drier eliminating a number of Hopper and elevators used in the conventional system consequently reducing the maintenance substantially and reducing sugar dust generation in the process.

ii) **SED Condensers:**

Replaced all the rain shower type condensers with energy efficient condensers of Spray Engineering Devices made at the KCP continuous Vacuum Pan and the A & B set of Evaporators achieving substantial reduction in water consumption and reducing the time taken for obtaining vacuum in pan from 20 minutes to 2 to 3 minutes.

Other details of technology absorption given in Form B annexed.

C. Foreign Exchange Earnings and outgo:

	Current Year	Previous Year
a) Used (Rs. in lakhs)		
i) Revenue Account	38.56	25.71
ii) Know-how fee and Service Charges of Engineers	NIL	NIL
b) Earned (Rs. in lakhs)	NIL	NIL

ANNEXURE

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		GUNTUR UNIT		TADUVAI UNIT		SAGGONDA UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
A) Power and Fuel Consumption											
1. Electricity											
a) Purchased											
Units	KWH	8056700	5787366	113586073	126325396	1252723	2330171	33600	143400	131806789	87014700
Total Amount	Rs.	17268637	20407804	218815697	250072464	4048815	6446470	263522	252484	252516076	158955514
Rate / Unit	Rs.	2.14	3.53	1.98	1.98	3.23	2.77	7.84	1.76	1.92	1.83
b) Own Generation											
i) Through Diesel Generator											
Units	KWH	358590	717052	---	---	41104	148410	125808	43736	7088695	350947
Units per Ltr. of Diesel Oil	KWH	3.33	3.30	---	---	2.33	2.96	2.15	0.96	4.41	4.26
Cost / Unit	Rs.	11.42	8.81	---	---	25.74	15.28	15.38	35.20	4.77	28.64
ii) Through Steam Turbine Generator											
Units	KWH	12312010	14153850	---	---	---	---	27129410	28738040	---	---
KWH per Tonne of Begasse		---	---	---	---	---	---	---	---	---	---
Cost / Unit	Rs.	1.02	0.68	---	---	---	---	1.39	0.76	---	---
2. Coal (Specify Quality and where used)											
Quantity	MT	---	114.350	---	---	250.430	784.110	---	---	---	---
Total Cost	Rs.	---	192626	---	---	583581	2061113	---	---	---	---
Average	Rs.	---	1684.53	---	---	2330.32	2628.60	---	---	---	---

ANNEXURE

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		GUNTUR UNIT		TADUVAI UNIT		SAGGONDA UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
3. Furnace Oil											
Quantity	KL	----	----	612.01	888.13	----	----	----	----	2287.896	351.175
Total Amount	Rs.	----	----	7297523	9491867	----	----	----	----	29440955	4126041
Average Rate	Rs.	----	----	11923.81	10687.47	----	----	----	----	12868.14	11749.25
4. ONGC Natural Gas											
Quantity	M ³	3992628	3009388	----	----	----	----	----	----	----	----
Total Amount	Rs.	16055156	10975386	----	----	----	----	----	----	----	----
Rate / Unit (M ³)	Rs.	4.02	3.65	----	----	----	----	----	----	----	----
5. Husk and Fire Wood											
Quantity	MT	76.590	97.650	----	----	3635.125	4434.750	179.970	21.040	9832.239	7260.500
Total Cost	Rs.	66015	82681	----	----	3879149	4324837	225736	17884	13572648	8328860
Average Rate	Rs.	861.93	846.71	----	----	1067.13	975.22	1254.30	850.00	1380.62	661.74
6. Other Internal Generation											
a) Bagasse											
Quantity	MT	154543	167869	----	----	----	----	119610	146293	----	----
Total Amount	Rs.	----	----	----	----	----	----	----	----	----	----
Rate / Unit	Rs.	----	----	----	----	----	----	----	----	----	----
b) Biogas :											
Quantity	M ³	4322271	3941642	----	----	----	----	----	----	----	----
Total Amount	Rs.	----	----	----	----	----	----	----	----	----	----
Rate / Unit	Rs.	----	----	----	----	----	----	----	----	----	----
c) Hydrogen											
Quantity	MT	----	----	761.74	857.23	----	----	----	----	633.58	410.14
Total Amount	Rs.	----	----	----	----	----	----	----	----	----	----
Rate / Unit	Rs.	----	----	Own Generation in Caustic Soda Plant		----	----	----	----	Own Generation in Caustic Soda Plant	

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCTION	UM	CURRENT YEAR		PREVIOUS YEAR	
		POWER (K.W.H.)	STEAM (M.T.)	POWER (K.W.H.)	STEAM (M.T.)
1. Sugar (Tanuku)	QTL.	16	0.47	15	0.51
2. Alcohol	KL.	181	2.62	203	2.96
3. Ethanol	KL.	75	0.66	----	----
4. Acetic Acid / Anhydride Mix	MT.	569	7.72	830	9.68
5. Ethyl Acetate	MT.	282	6.21	350	6.68
6. Aspirin	MT.	3092	14.08	1952	11.92
7. U.D.M.H.	MT.	12538	199.71	12095	209.00
8. M.M.H.	MT.	24596	404.90	24191	418.00
9. Caustic Soda Lye at Kovvur	MT.	2991	----	3027	----
10. Caustic Soda Lye at Saggonda	MT.	2362	1.07	2514	1.12
11. Liquid Chlorine at Kovvur	MT.	259	----	261	----
12. Liquid Chlorine at Saggonda	MT.	147	----	141	----
13. Hydrochloric Acid at Kovvur	MT.	31	----	31	----
14. Hydrochloric Acid at Saggonda	MT.	3	----	5	----
15. Caustic Potash Lye	MT.	2216	----	2233	----
16. Sulphuric Acid	MT.	80	0.31	75	0.34
17. Superphosphate	MT.	28	----	26	----
18. Chlorosulphonic Acid	MT.	67	0.48	52	0.48
19. Neem Seed	MT.	----	----	----	----
20. Vanaspathi	MT.	148	1.39	144	1.34
21. Sunflower Refined Oil	MT.	114	0.50	112	0.49
22. Sugar (Taduvai)	MT.	18	0.41	19	0.49

FORM B

Form for Disclosure of particulars with respect to Technology absorption

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:

Your Company is actively involved in development of indigenous technology for new products & processes, Technology up-gradation, Development of expertise and knowledge in related fields, Testing & Certification of products for conformity to various international standards, Development of methods and controls to minimize waste to reduce environmental pollution, Introduction of modern methods in sugarcane management.

2. Benefits derived as a result of above R&D:

The continuous R&D activities of your company have helped in improving the quality, yield and economics of currently manufactured products, Preparedness to counter competition and explore new markets, Increased capacity utilisation of plants, Improved sugar recovery.

3. Future plan of action:

Your Company continues to utilize the existing R&D capabilities for the development of new products and technologies, improving existing products / processes.

4. Expenditure on R&D:	(Rupees in lakhs)
a) Capital	15.56
b) Recurring	70.34
c) Total	85.90
d) Total R&D expenditure as percentage of total turnover	0.205%

TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION :

1. **Efforts, in brief, made towards technology absorption, adaptation and Innovation.**

- a) Absorption and adaptation of technology for manufacture of Hydroxyl Terminated Poly Butadiene (HTPB).
- b) Absorption of technology using molecular sieve process for production of Anhydrous Ethanol.
- c) Pilot trials for combined treatment of effluents from UH-25 / MMH, Acid, HTPB and Sugar Plants.

2. **Benefits derived as a result of above efforts e.g. product improvement, cost reduction, production development, import substitution etc.:**

- a) The new product development contributes in developing new products.
- b) The new process / product development utilizing intermediates from existing Plants will help in developing related products.
- c) The trials for combined effluent treatment will help in minimizing pollution and improving the cost effectiveness of the treatment system.

3. **In case of imported technology (Imported during the last five years Reckoned from the beginning of the financial year), following Information may be furnished.**

- a) Technology imported
- b) Year of import
- c) Has technology been fully absorbed
- d) If not fully absorbed, areas where this has not been taken place, reasons thereof.

- NIL -

Information Pursuant to Listing Agreement with Stock Exchanges

Equity Shares of the Company are listed on the Stock Exchanges as stated below and the annual listing fees has been paid to each of the Exchanges.

Name of the Stock Exchange	Address
1. The Hyderabad Stock Exchange Limited	3-6-275, Himayat Nagar, Hyderabad - 500 029.
2. Madras Stock Exchange Limited	Exchange Building, Post Box No. 183, 11, Second Line Beach, Chennai - 600 001.
3. National Stock Exchange of India Limited	Exchange Plaza, 5th Floor, Plot No. C/1 G. Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE

MANAGEMENT DISCUSSION AND ANALYSIS:

The Management discussion and analysis report set out hereunder supplements the Directors' Report and the audited financial statements forming part of this Annual Report.

Your Company is engaged in the manufacture and/or sale of Sugar, Organic and Inorganic Chemicals and Non-Conventional Power at the plants located at Tanuku, Kovvur, Taduvai, Saggonda and Ramagiri in the State of Andhra Pradesh. Of these Sugar and Caustic Soda form the major segments with Power Generation receiving emphasis.

SUGAR:

Sugar is manufactured at Sugar Unit-I at Tanuku with 5000 TCD capacity and Sugar Unit-II at Taduvai with a 2500 TCD capacity. Assets of another Sugar Company as mentioned in the Directors' Report having a crushing capacity of 1600 TCD, has been acquired. Molasses is a bye-product of the Sugar Plant which is the raw material for your Company's Alcohol plant located at Tanuku which produces Industrial Alcohol. The Distillery has been converted from Conventional Batch process to the more economical Continuous Process which produces 30 KL per day of Industrial Alcohol. This Industrial Alcohol is the raw material for Acetic Acid, Acetic Anhydride and Ethanol Production.

Bagasse which is the residue of the Sugar Unit after extraction of juice in the production of Sugar is being used for Co-generation.

Drought conditions coupled with fixation of high Statutory Minimum Price for cane has put the Sugar Industry in Andhra Pradesh under strain. It would be most appropriate for the Government to have a relook at the formula for fixing the statutory minimum price for sugarcane by taking into account market factors to make it more market oriented in order to provide support to the Sugar Industry which has always been exposed to un-certainties due to climatic conditions. This would enable the Sugar Industry to sustain and react to demand and price fluctuation. Even though Sugar Industry is poised for revival, import of raw Sugar for manufacture of various grades of Sugar seems to be an area of concern. Further the Government of India contemplates to remove import restrictions consequent upon which the Indian Sugar Industry will be left to face the competition from international market on an uneven playing field.

Keeping in view the Globalisation regime your Company has focused on process improvement at both the Sugar Plants at Tanuku and Taduvai to minimise losses and improve the quality of Sugar to bring it close to refined grade. Sugar produced at Taduvai has attained Indian Pharmacopoeia as well as US Pharmacopoeia standards. Further effective steps are being taken to improve the quality of Sugar.

The Andhra Sugars Limited

CAUSTIC SODA:

Your Company has an integrated Inorganic Chemical Complex at Kovvur and Saggonda, manufacturing wide range of Chlor-Alkali products such as Caustic Soda, Chlorine, Sulphuric Acid and other allied Chemicals. These products are extensively used in paper, aluminium, soaps and detergents, paints and host of other industries.

Caustic Soda is manufactured at plants located at Kovvur and Saggonda having a combined production capacity of about 1,12,200 MT per annum. Hydrogen and Chlorine are by-products of Caustic Soda. Part of the Chlorine is utilised in combination with Hydrogen and Sulphur Trioxide from the Sulphuric Acid Plant to produce Hydrochloric Acid and Chlorosulphonic Acid.

This Industry is highly power intensive and power constitutes one of the major inputs. High power tariff, quality of power, non-availability of good quality salt - an essential raw material for the production of Caustic Soda through Membrane Cell Technology - imports and dumping may have adverse effect on the growth of the domestic industry. Even though Government has taken measures to impose Anti dumping duty, these measures have not been effective. Keeping in view the long time survival of Chlor-alkali Industries, it is highly imperative for the Government to pursue anti dumping measures vigorously to safeguard the interest of the domestic industry.

Your Company's Caustic Soda Plant at Saggonda is based on energy efficient and environmental friendly Membrane Cell Technology. Keeping in view the future market requirements, the capacity of Caustic Soda Plant has been increased from 175 TPD to 200 TPD. Further efforts are directed towards expansion of capacity from 200 TPD to 350 TPD.

POWER:

Power is one of the major inputs for the production of Caustic Soda along with salt. Apart from operating a 2.025 MW Wind Power Unit at Ramagiri, Ananthapur District and a Co-generation Power Plant at Sugar Unit-II, Taduvai, your company has invested in the equity capital of Andhra Pradesh Gas Power Corporation with a view to have an access to quality power at an economical cost to remain competitive in the market. Keeping in view the expansion programme of Caustic Soda and other Chemicals your Company contemplates to lay more emphasis on power in the coming years. It is hoped that the State Electricity Board would initiate positive measures to widen the opportunities for the industries to generate more power through Co-generation and other non-conventional energy sources. This would provide much needed support to the Chlor-alkali Industries.

INTERNAL CONTROL SYSTEM

Your Company conducts a review of the financial and operating controls of various Units. Internal Control Systems of your Company are commensurate with its size and nature of business.

SEGMENT-WISE PERFORMANCE

Segment-wise performance has been given separately vide Annexure – II of Group Consolidated Accounts.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your Company has earned a Gross Profit of Rs. 84.70 Crores (before interest and depreciation) and achieved an operating margin of 20.23% as against gross profit of Rs. 73.84 Crores (before interest and depreciation) and operating margin of 20% in the previous year thus improving the level of performance marginally.

The working capital limits were enhanced from Rs. 119.00 Crores to Rs. 121.00 Crores by the Consortium of Banks to meet the increased funds requirement for Chemical Units.

Unsecured loan of Rs. 14.83 Crores from the State Government on account of Sales Tax deferment is interest free.

Your Company's strategy, based on healthy profit generation has been to reduce the higher cost long term debt and bring down the overall debt level.

The gross Fixed Assets of your Company as on 31.3.2004 is Rs. 380.16 Crores as compared to Rs. 331.38 Crores during the previous year 2002-03. Your Company has net worth of Rs. 174.36 Crores.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

Your Company continuously reviews and monitors its manpower requirements to ensure that it has skills commensurate with its needs. Industrial relations continued to be cordial. As on 31.3.2004 your Company has a strength of 1,933 employees.

REPORT ON CORPORATE GOVERNANCE**1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:**

The Andhra Sugars Ltd. (ASL) always believes that good Corporate Governance ensures proper and adequate protection of the interests of all the stake-holders in the Company. ASL affirm that healthy Corporate Governance leads to operations and actions which serve the underlying goal of continuously enhancing the value that the Company can create for the stake-holders including Shareholders, Employees, Customers, Suppliers, Lenders, Government and other parties having association with ASL.

2. BOARD OF DIRECTORS

a) As on 31.3.2004, the Board of Directors consists of 13 Directors.

COMPOSITION AND CATEGORY OF DIRECTORS IS AS FOLLOWS:

CATEGORY	NAME OF THE DIRECTOR
Promoter/Executive Directors	Dr. MULLAPUDI HARISCHANDRA PRASAD Chairman & Managing Director
	Dr. B.B. RAMAIAH Managing Director (Tech.)
	Shri P. NARENDRANATH CHOWDARY Joint Managing Director
	Shri M. NARENDRANATH Joint Managing Director
	Shri M. THIMMARAJA Joint Managing Director
	Shri P. ACHUTA RAMAYYA Executive Director
	Shri P.S.R.V.K. RANGA RAO Executive Director
Non-Executive and Independent Directors	Shri T. RAMESH U PAI
	Shri A. RANGA RAO
	Shri Justice G. RAMANUJAM
	Dr. A.V. RAMA RAO
	Dr. P. KOTAIAH
	Shri P.J.V. SARMA (ICICI Bank Ltd., Nominee – Term Loan Lender) (upto 24-09-2003)
	Shri K. KALYANARAMAN (LIC Nominee – Equity Investor) (upto 31-01-2004)
Shri V.S. RAJU (from 29-10-2003)	

The Andhra Sugars Limited

Note : Dr. Alapaty Appa Rao was appointed as Director w.e.f. 30-04-2004 under the category of non-executive and independent Directors.

- b) Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorship and Chairmanship / Membership of Committee of each Director in various Companies:

Name of the Director	Attendance Particulars		Directorship, Committee Membership and Chairmanship in other Companies		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Dr. M. Harischandra Prasad	3	Yes	8	6	4
Dr. B. B. Ramaiah	3	Yes	1	3	2
Shri P. Narendranath Chowdary	4	No	6	4	None
Shri M. Narendranath	2	Yes	5	None	None
Shri M. Thimmaraja	3	No	2	5	None
Shri P. Achuta Ramayya	4	Yes	None	None	None
Shri P.S.R.V.K. Ranga Rao	4	Yes	1	None	None
Shri T. Ramesh U Pai	2	No	5	1	None
Shri A. Ranga Rao	3	No*	1	None	None
Shri Justice G. Ramanujam	1	No	7	6	4
Shri K. Kalyanaraman	4	No	None	None	None
Dr. A.V. Rama Rao	2	No	1	None	None
Dr. P. Kotaiah	3	No	4	1	1
Shri P.J.V. Sarma	1	No	----	----	None
Shri V. S. Raju	1	----	3	5	4

- * Shri A. Ranga Rao, Chairman of the Audit Committee could not be present at the meeting due to by-pass surgery. Shri P. Achuta Ramayya, Executive Director who attends the Audit Committee meeting was present at the meeting to answer the queries of the shareholders on the audited accounts for the year 2002-2003.

c) NUMBER OF BOARD MEETINGS HELD AND THE DATES ON WHICH HELD

Sl. No.	Date of Board Meeting
1	27.04.2003
2	26.07.2003
3	29.10.2003
4	30.01.2004

1. AUDIT COMMITTEE

- a) The Audit Committee consists of 4 non-Executive independent Directors viz., Shri T. Ramesh U Pai, Shri A. Ranga Rao, Dr. P. Kotaiah and Shri V.S. Raju (inducted as a member during the year). Shri A. Ranga Rao is the Chairman of the Committee.

This Committee also meets the requirement of Section 292A of the Companies Act, 1956.

- b) The terms of reference stipulated by the Board to the Audit Committee are in terms of Clause 49 of the Listing Agreement are as follows:-

- i) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii) Recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iii) Review with management the annual financial statements before submission to the Board, focusing primarily on;
 - a) Any changes in accounting policies and practices.
 - b) Major accounting entries based on exercise of judgement by management
 - c) Qualifications in draft audit report.
 - d) Significant adjustments arising out of audit.
 - e) The going concern assumption
 - f) Compliance with accounting standards.
 - g) Compliance with stock exchange and legal requirements concerning financial statements.
 - h) Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of company at large.
- iv) Review with the management, external and internal auditors, the adequacy of internal control systems.
- v) Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- vi) Discussion with internal auditors any significant findings and follow up thereon.
- vii) Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- viii) Discussions with external auditors before the audit commences, nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
- ix) Review the Company's financial and risk management policies.
- x) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

c) NUMBER OF AUDIT COMMITTEE MEETINGS HELD AND THE DATES ON WHICH HELD

Sl. No.	Date of Audit Committee Meeting
1	27-04-2003
2	26-07-2003
3	30-01-2004

d) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2003-04

Name of the Director	No. of Meetings attended
Shri T. Ramesh U Pai	2
Shri A. Ranga Rao	2
Dr. P. Kotaiah	3
Shri V.S. Raju (inducted as a Member on 30-01-2004)	

NOTE : Executive Director, Vice President (Finance), Chief Internal Auditor, Statutory Auditors and Cost Auditors also attend the Audit Committee Meetings as required.

Company Secretary acts as the Secretary to the Committee.

4. REMUNERATION COMMITTEE, POLICY, DETAILS :

- .. The Company is not required to and does not have a Remuneration Committee.
- .. The Company does not remunerate the non-Executive Directors except for the payment of sitting fees for attending each Meeting of the Board or Committee thereof.
- .. Remuneration is fixed and paid to the Managing / Whole-time Directors as approved by Shareholders of the Company and is in accordance with and subject to the limits prescribed by the Companies Act, 1956.

Details of the remuneration paid to the Directors during the year 2003-04 are as hereunder :-

Name of Director	Remuneration paid to the Directors			
	Sitting Fees	Salaries & Perquisites	Commission	Total
	Rs.	Rs.	Rs.	Rs.
Dr. M. Harischandra Prasad	Nil	11,05,267	96,84,074	1,07,89,341
Dr. B. B. Ramaiah	Nil	8,36,396	96,84,074	1,05,20,470
Shri P. Narendranath Chowdary	Nil	9,82,713	48,42,037	58,24,750
Shri M. Narendranath	Nil	9,25,862	48,42,037	57,67,899
Shri M. Thimmaraja	Nil	9,78,972	48,42,037	58,21,009
Shri P. Achuta Ramayya	Nil	6,73,405	48,42,037	55,15,442
Shri P.S.R.V.K. Ranga Rao	Nil	6,56,805	24,21,017	30,77,822
Shri T. Ramesh U Pai	8,000	Nil	Nil	8,000
Shri A. Ranga Rao	10,000	Nil	Nil	10,000
Shri Justice G. Ramanujam	2,000	Nil	Nil	2,000
Shri K. Kalyanaraman	8,000	Nil	Nil	8,000
Dr. A.V. Rama Rao	4,000	Nil	Nil	4,000
Dr. P. Kotaiah	12,000	Nil	Nil	12,000
Shri P.J.V. Sarma	2,000	Nil	Nil	2,000
Shri V.S. Raju	2,000	Nil	Nil	2,000

5. SHAREHOLDERS' GRIEVANCES COMMITTEE

- a) The Board has constituted Shareholders' / Investors' Grievances Committee comprising Shri Justice G. Ramanujam (Chairman of the Committee – non-Executive independent Director), Shri P. Narendranath Chowdary and Shri M. Thimmaraja as Members of the Committee. The Committee looks into redressal of Shareholders' complaints like Transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared Dividend and other matters.
- b) The Board has designated Shri M. Bulli Abbayi, Company Secretary and Shri M. Palachandra, Deputy Company Secretary as Compliance Officers.
- c) During the year 2003-04, Committee Meetings were held on 26-07-2003, 29-10-2003, 30-01-2004. The Company received a total number of 373 letters in respect of various matters viz., non-receipt / revalidation of dividend warrants, change of address, change of Bank account etc. and all of them were attended to and replied to the satisfaction of the Shareholders. As on 31-03-2004 no Share Transfers were pending.
- d) **ATTENDANCE OF DIRECTORS AT THE SHAREHOLDERS GRIEVANCE COMMITTEE MEETINGS HELD DURING FINANCIAL YEAR 2003-04**

Name of the Director	No. of Meetings attended
Shri Justice G. Ramanujam	----
Shri P. Narendranath Chowdary	3
Shri M. Thimmaraja	3

6. GENERAL BODY MEETINGS

Financial Year – 1st April to 31st March			
Financial Year	Venue	Date	Time
2000-2001	Registered Office premises, VENKATARAYAPURAM, TANUKU-534 215 (A.P)	25-09-2001	3.00 p.m.
2001-2002	-do-	27-09-2002	3.00 p.m.
2002-2003	-do-	24-09-2003	3.00 p.m.

At the last Annual General Meeting, there were no Special Resolutions that were required to be put through postal ballot.

7. OTHER DISCLOSURES

- i. There is no materially significant pecuniary or business transaction of the Company with its promoters, Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

The Company enters into contracts from time to time with its Directors, Companies, Firms in which the Directors are interested. These contracts are in the ordinary course of Company's business and the concerned Directors regularly make full disclosures to the Board of Directors regarding the nature of their interest. Full particulars of contracts entered into with the parties in which Directors are directly or indirectly concerned or interested are entered in the Register of Contracts maintained under Section 301 of the Companies Act, 1956 and the same is placed at every Board Meeting for the information of the Directors. Further necessary approvals have also been obtained from Central Government under Section 297 of the Companies Act with regard to specific contracts requiring the approval of the Central Government.

- ii. There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authorities, on any matter related to Capital markets during last three years.

8. MEANS OF COMMUNICATION

- i. Half Yearly Reports are not sent to each household of shareholders.
- ii. Half Yearly Results and Quarterly Results are published in "The Hindu Business Line" and "Andhra Bhoomi".
- iii. The Company does not by itself display its periodic results in any Web Site, except on EDIFAR Web Site as required by listing agreement.
- iv. The Company has not issued any press release or made any presentations to the investors or to analysts about its financial results during the year.
- v. Management Discussion and Analysis (MD&A) forms the part of the Annual Report.

9. GENERAL SHAREHOLDER INFORMATION

- (i) Annual General Meeting:
 - Date & Time : 27-9-2004, 3.00 P.M.
 - Venue : Registered Office
Venkatarayapuram, Tanuku – 534 215
West Godavari Dist. (A.P.)
- (ii) Financial Calendar : The Company follows April to March as its financial year. The results of every quarter beginning from April are declared in the first month following each quarter as per the provisions of Listing Agreement.
- (iii) Date of book closure : 16-9-2004 to 27-9-2004 (both days inclusive)
- (iv) Dividend payment date : 4th October, 2004
- (v) Listing on Stock Exchanges at : Hyderabad Stock Exchange
Madras Stock Exchange
National Stock Exchange
- (vi) Stock code : HSE-CODE-ANDSUG\$, ID No. 158
MSE-CODE-ASR
NSE-CODE-ANDHRSUGAR
- (vii) Stock Market Data : National Stock Exchange

Month	High Rs.	Low Rs.
April, 2003	25.75	21.00
May, 2003	31.90	24.85
June, 2003	39.40	29.50
July, 2003	59.95	34.00
August, 2003	57.90	40.20
September 2003	49.90	35.85
October, 2003	47.90	37.30
November 2003	53.00	42.00
December, 2003	71.00	47.50
January, 2004	82.00	53.00
February, 2004	64.00	50.30
March, 2004	58.00	43.00

- (viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL etc.: Company's Equity Shares are not quoted on Bombay Stock Exchange, to depict performance comparison to broad-base indices such as BSE, Sensex, CRISIL etc.

(ix) Registrars & Share Transfer Agents :

The Company has not appointed any Share Transfer Agents. The share transfer work is carried out in-house at the Company's Registered Office, Venkatarayapuram, Tanuku – 534 215, West Godavari Dist. (A.P.)

Telephone Nos. 224911 (8 lines)
 Fax No. 224168
 Email: elr_asltnk@sancharnet.in

(x) Share Transfer System :

Shareholders have an option to hold Shares in physical form or in demat form. In case of physical form, Company is taking care to ensure that the Share Transfer work gets completed within the stipulated time of one month period. The Board of Directors have delegated the power of approving transfer of Shares severally to Chairman & Managing Director and two Joint Managing Directors. The Board has also constituted a Share Transfer Committee which has been assigned the task of approving splitting of Shares, Issue of duplicate Share Certificates, consolidation of Share Certificates, change of status of a shareholder and other allied matters. With regard to Shares in demat mode, the procedure is adopted as per the provisions of Depository Act, 1996.

(xi) (a) Shareholding pattern as on 31st March, 2004

Category	No. of Shares Held	% of Shareholding
Promoters	1,49,96,156	55.32
Institutions and Banks	28,12,405	10.37
Bodies Corporate	11,99,812	4.43
Public	80,98,705	29.88
Total	2,71,07,078	100.00

(b) Distribution of Shareholding as on 31st March, 2004

Shareholding of Nominal value of Rs.	No. of Shareholders	% to total	Share amount in Rs.	% to Total
Upto 5000	8,073	83.35	2,67,86,520	9.88
5001 to 10000	695	7.18	1,19,90,170	4.42
10001 to 20000	375	3.87	1,21,09,810	4.47
20001 to 30000	145	1.50	68,92,800	2.54
30001 to 40000	65	0.67	46,03,540	1.70
40001 to 50000	77	0.79	92,37,890	3.41
50001 to 100000	131	1.35	1,79,06,330	6.61
100001 onwards	125	1.29	18,15,43,720	66.97
Total	9,686	100.00	27,10,70,780	100.00

(xii) Dematerialisation of Equity Shares and liquidity:

The Company's Equity Shares are listed on Hyderabad, Madras and National Stock Exchanges with a view to provide liquidity to the Shareholders. As per SEBI notification, the Company's Equity Shares have been compulsorily dematerialised with effect from 25th October, 2000. The Company has appointed XL Softech Systems, 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034 to establish Electronic connectivity with the Depositories viz., NSDL and CDSL. The ISIN No. is INE715B01013. As on 31-3-2004 30.20% of Equity Shares have been dematerialised.

The Andhra Sugars Limited

(xiii) Outstanding DGRs / ADRs / Warrants of any other Convertible Instruments, Conversion date and likely impact on equity :

Nil

(xiv) Plant Locations :

1. VENKATARAYAPURAM, Tanuku, West Godavari Dist., Andhra Pradesh.
2. KOVVUR, West Godavari Dist., Andhra Pradesh.
3. SAGGONDA, Gopalapuram Mandal, West Godavari Dist., Andhra Pradesh.
4. TADUVAI, Jangareddygudem Mandal, West Godavari Dist., Andhra Pradesh.
5. PERECHERLA, GUNTUR. Andhra Pradesh.
6. RAMAGIRI, Ananthapur Dist., Andhra Pradesh.
7. BHIMADOLE, W.G. Dist., Andhra Pradesh.

(xv) Address for correspondence for all matters including Shares. :

Registered Office:
VENKATARAYAPURAM
Tanuku – 534 215
West Godavari Dist.,
Andhra Pradesh.

CERTIFICATE

To
The Shareholders of
The Andhra Sugars Limited
Tanuku.

We have examined the compliance of conditions of Corporate Governance by The Andhra Sugars Limited for the year ended on 31st March, 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2004, no investor grievances were pending against the company as per the records maintained by the company and presented to the investor Grievances Committee.

We further state that such compliance is not an assurance either to the future viability of the company or the efficiency or effectiveness with which the management has conducted the affairs of the company.

CAMP : TANUKU
DATE : 31-07-2004

For BRAHMAIYA & CO.,
Chartered Accountants
C. MURALI KRISHNA
(ICAI Membership No. 20884)
Partner

AUDITORS' REPORT

TO
THE SHAREHOLDERS OF
THE ANDHRA SUGARS LIMITED
TANUKU

We have audited the attached Balance Sheet of THE ANDHRA SUGARS LIMITED, as at 31st March 2004, its Profit and Loss Account for the year ended on that date annexed thereto, and its Cash-flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India, which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss account and Cash-flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - I. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - II. in the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - III. in the case of the Cash-flow Statement of the cash-flows of the company for the year ended on that date.

CAMP : TANUKU
Date : 31-07-2004

For BRAHMAYYA & CO.,
Chartered Accountants
C. MURALI KRISHNA
(ICAI Membership No. 20884)
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets, except furniture and fixtures.
- 1.2 According to the information and explanations furnished to us, the company has not physically verified all its fixed assets during the year. However, the company has informed us that it has adopted a phased programme of verification of its fixed assets other than furniture and fixtures which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification carried out during the year.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has physically verified part of its inventories during the year. In our opinion, the frequency of such verification is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. According to the information furnished to us, the company is maintaining proper records of its inventory and the discrepancies if any noticed on verification between the physical stocks and the book records were not material, and have been properly dealt with in the books of account.
- 3.1.1 According to the information and explanations furnished to us, the company has taken Fixed deposits/inter-corporate loans aggregating at the date of the Balance Sheet to Rs.26.27 crores, from thirty three parties covered in the register maintained under Section 301 of the Companies Act 1956.
- 3.1.2 According to the information and explanations furnished to us, the company has not granted any loans to companies, firms or other parties whose particulars are covered in the register maintained under Section 301 of the Companies Act 1956.
- 3.2.1 In our opinion, the rate of interest and other terms and conditions on which loans/deposits have been taken by the company from parties covered in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- 3.3.1 According to the information and explanations furnished to us, the company has been regular in repaying the principal and interest amounts as stipulated on the loans taken by it from the persons covered in the register maintained under Section 301 of the Companies Act 1956.
- 3.4.1 According to the information and explanations furnished to us, there were no overdue amounts of more than rupees one lakh in respect of loans taken by the company from persons listed in the register maintained under Section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act 1956, and having an aggregate value exceeding rupees five lakhs in respect of each party during the year under report, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no Order has been passed on the company by the Company Law Board for non-compliance with the provisions of Sections 58A and 58AA of the Companies Act 1956.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the company pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956, wherever applicable, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out a detailed audit of the same.
- 9.1 According to the information furnished to us, the company has been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it; and the following undisputed statutory dues were outstanding, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.

Sl.No.	Name of the statute	Period	Amount Rs.	Remarks
1	Andhra Pradesh State Excise Act	Upto Aug 1976	358290 (establishment charges)	Pending receipt of demand by the company
2	Andhra Pradesh State Excise Act	Aug 1976 to March 2004	1187836 (Interest on above)	Pending receipt of demand by the company

- 9.2 According to the information furnished to us, at the date of the Balance Sheet, there were no amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, that were disputed by the company and hence were not remitted to the concerned authorities, except

Sl.No.	Name of the statute	Nature of the dues	Amount Rs.	Forum where dispute is pending
1	Water (Prevention and control of Pollution) Cess Act of 1997	Cess	48703	Appellate Committee of the Govt. of A.P.
2	Standing orders of the Govt. of A.P.	Water Charges	906714	Govt. of A.P.
3	Andhra Pradesh Sales Tax Act 1957	Sales Tax	30549667	Different appellate authorities
4	Central Excise Act, 1944 (Refer Note 8. on accounts)	Excise Duty	96991723 6205316	CESTAT Different departmental appellate authorities
5	Customs Act	Customs Duty	822227	CESTAT

The Andhra Sugars Limited

10. According to the information and explanations furnished to us the company had no accumulated losses at the end of the year under report and it did not incur cash losses during the said year or the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of its dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
12. According to the information furnished to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
15. According to the information furnished to us, the company has not given any guarantees for loans taken by others from any banks or financial institutions, except in respect of repayment, out of its cane price dues to its sugarcane suppliers, the agricultural loans taken by them from banks, the terms and conditions of which, in our opinion are not prima facie prejudicial to the company.
16. In our opinion, and according to the information and explanations furnished to us, the term loans obtained by the company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have prima facie not been used for long-term investment, and no long-term funds have been used to finance short-term assets except permanent working capital.
18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any moneys through public issue of its securities during the year, and the question of end use of such moneys does not arise during the year.
21. During the course of our examination of the accounts of the company in accordance with generally accepted auditing practices, we have not come across any instances of fraud on or by the company, nor have we been informed by the management, of any such instance being noticed or reported during the year.

CAMP : TANUKU
Date : 31-07-2004

For BRAHMAYYA & CO.,
Chartered Accountants
C. MURALI KRISHNA
(ICAI Membership No. 20884)
Partner

ACCOUNTING POLICIES

1. GENERAL

The Accounts are prepared under the historical cost convention and in accordance with generally accepted accounting practices.

2. FIXED ASSETS:

Fixed Assets are capitalised at acquisition cost, net of Cenvat, less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of directly attributable cost of bringing the assets to their working condition for the intended use. Financing costs incurred up to the date of commissioning of assets are capitalised. Revenue expenses incidental to new projects are capitalised.

3. BORROWING COSTS:

Borrowing costs incurred in connection with the funds borrowed for acquisition/ erection of assets that necessarily take substantial period of time to get ready for intended use, are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

4. INVESTMENTS:

Long term Investments are stated at cost and income thereon is accounted for on accrual. Provision towards decline in the value of long-term investments is made only when such decline is other than temporary.

5. INVENTORIES:

- Finished goods are valued at lower of cost or net realisable value.
- Cost of Raw materials, stores and spares is determined using FIFO and weighted average method respectively.
- Cost of Work-in-process and finished goods includes appropriate portion of overheads etc., and excise duty wherever applicable.
- By-products and scrap are valued at net realisable value.
- Machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are amortised over the life of the principal assets.

6. SALES:

Sales are inclusive of Excise Duty and packing charges and net of rebates and Sales Tax.

7. INTER UNIT TRANSFERS:

The product of one unit used as raw materials, stores and spares and energy in another unit of the company is adjusted at market value.

8. RETIREMENT BENEFITS:

- Contributions to Provident Fund are accounted on accrual and remitted to the Provident Fund authorities.
- Contributions to Gratuity and Superannuation funds are made to schemes under arrangements with Life Insurance Corporation of India and, accounted for based on the annual demands received each year. Differential gratuity if any payable on retirement of employees is accounted for in the year of retirement.
- Liability for leave encashment at the time of cessation of service is estimated as if all the employees retire at the Balance Sheet date and reviewed and stated in the accounts each year accordingly.

9. RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure is charged to Profit & Loss Account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

10. DEPRECIATION:

Depreciation is provided in the Accounts, in accordance with Schedule XIV of the Companies Act on the following basis:

- a) On part of Buildings, Main Plant and Machinery and Electrical Installations of Caustic Soda, Chlorosulphonic Acid, Alum, Aspirin, Wind Power and Sugar Unit at Taduvai and all Buildings, Plant and machinery, Electrical Installations, Weigh Bridges and Scales and Workshop Equipment of Cotton and Oil Products Unit, under Straight Line Method.
- b) On the remaining assets of the above Units and all assets of the other units, under Written Down Value Method.
- c) In respect of Inter Unit transfer of assets, depreciation is computed on the same basis as in the transferor unit.

11. FOREIGN EXCHANGE TRANSACTION:

- a) Export sales are initially accounted at the exchange rate prevailing on the date of documentation/ invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.
- b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- c) Imports of materials/capital equipment are accounted at the rates at which the actual payments are effected.
- d) Assets and Liabilities arising out of foreign exchange transactions, as mentioned above, are translated at the rates of exchange ruling on the date of Balance Sheet, and are suitably adjusted to the appropriate Revenue/Capital account.

12. TAXATION:

- a) Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income Tax Act, 1961.
- b) The net deferred tax liability arising on account of timing differences at 1-4-2001 has been adjusted against the General reserve as at 1-4-2001.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

13. DIVIDENDS:

Provision is made in the Accounts for the Dividends payable by the Company as recommended by the Board of Directors, pending approval of the Shareholders at the Annual General Meeting. Tax on distributable Profits is provided for in the year to which such distributable Profits relate.

14. MISCELLANEOUS EXPENDITURE:

Debentures / Shares issue expenditure is amortised as per Sec. 35D of the Income Tax Act.

**Additional Information as required under part - IV of Schedule VI
to the Companies Act, 1956.**

	(Amounts in Rs. Thousands)
I. Registration Details	
a) Registration No.	01-00326
b) State Code	01
c) Balance Sheet date	31-03-2004
II. Capital Raised during the Year	
a) Public Issue	NIL
b) Rights Issue	NIL
c) Bonus Issue	NIL
d) Private Placement	NIL
III. Position of Mobilisation & Deployment of Funds	
a) Total Assets	5924326
b) Total Liabilities	5924326
Sources of Funds:	
a) Paid-up Capital	271101
b) Reserves & Surplus	1472507
c) Deferred Tax (Net)	382804
d) Secured Loans	1249679
e) Unsecured Loans	1084836
TOTAL:	4460927
Application of Funds:	
a) Net Fixed assets	2479609
b) Investments	317038
c) Net Current Assets	1662490
d) Miscellaneous Expenses	1790
TOTAL:	4460927
IV. Performance of Company:	
a) Turnover	3971787
b) Other Income	215492
c) Total Expenditure	3748298
d) Profit Before Tax	438981
e) Profit After Tax	281890
f) Earnings Per Share in Rs.	10.40
g) Dividend Rate %	40
V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)	
1. Item Code No. (ITC Code) Product Description	170111.09 Sugar
2. Item Code No. (ITC Code) Product Description	281512.00 Caustic Soda
3. Item Code No. (ITC Code) Product Description	280110.00 Chlorine

BALANCE SHEET AS AT 31st MARCH, 2004

	Schedule	(Rupees in lakhs)	
		31-3-2004	31-3-2003
I SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Capital	1	2711.01	2710.61
b) Reserves & Surplus	2	14725.07	13131.35
		<u>17436.08</u>	<u>15841.96</u>
2) Loan Funds			
a) Secured Loans	3	12496.79	12093.69
b) Unsecured Loans	4	10848.36	7961.90
		<u>23345.15</u>	<u>20055.59</u>
3) Deferred Tax			
a) Liability		4297.14	4126.93
b) Asset		469.10	497.53
		<u>3828.04</u>	<u>3629.40</u>
TOTAL		<u>44609.27</u>	<u>39526.95</u>
II APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block		38015.57	33137.84
b) Less: Depreciation		14064.53	12515.29
c) Net Block	5	23951.04	20622.55
d) Capital work-in-progress at cost		845.05	352.78
		<u>24796.09</u>	<u>20975.33</u>
2) Investments			
	6	3170.38	2076.02
3) Current Assets, Loans & Advances			
a) Inventories	7	19842.71	20645.13
b) Sundry Debtors	8	3976.25	3722.48
c) Cash and Bank Balances	9	1218.54	1035.17
d) Other Current Assets	10	16.53	21.71
e) Loans and Advances	11	6204.86	3078.72
		<u>31258.89</u>	<u>28503.21</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	9719.14	8781.53
b) Provisions	13	4914.85	3270.76
		<u>14633.99</u>	<u>12052.29</u>
Net Current Assets		16624.90	16450.92
4) Miscellaneous Expenditure	14	17.90	24.68
TOTAL		<u>44609.27</u>	<u>39526.95</u>

NOTE: The schedules, notes and Statement on Accounting Policies form an integral part of the Balance Sheet.

Per our report of even date:
For Brahmaya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD
Dr. Mullanpudi Harischandra Prasad
A. Ranga Rao
M. Bulli Abbayi

Chairman & Managing Director
Director
Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

		(Rupees in lakhs)		
		Schedule	This Year	Previous Year
INCOME				
	Sales (including Excise Duty recovered Rs. 3836.93 lakhs) (Rs. 3268.90 lakhs)		39717.87	35072.56
	Other Income	15	2154.92	1902.05
			41872.79	36974.61
EXPENDITURE				
	Opening Stocks	16	18261.09	14942.04
	Raw Materials consumed		13478.73	15961.69
	Purchase of Finished goods		----	14.49
	Payments & Benefits to Employees	17	2765.79	2461.91
	Expenses	18	11361.88	10198.12
	Excise Duty and Taxes	19	4413.92	4271.72
	Interest	20	2288.25	2198.53
	Depreciation		1792.03	1387.83
			54361.69	51436.33
	Less: Closing Stocks	16	16878.71	18261.09
			37482.98	33175.24
	Profit for the year		4389.81	3799.37
	Add: Income Tax refund received		----	18.16
	Excess provision of Income Tax (Net)		29.23	24.57
			4419.04	3842.10
	Less: Provisions for:			
	Current Tax		1400.00	1150.00
	Deferred Tax		198.64	279.84
	Wealth Tax		1.50	1.00
			2818.90	2411.26
	Profit after tax		2818.90	2411.26
	Add: Transfer from Debenture redemption reserve		480.00	1412.50
	Balance brought forward from last year		2477.45	2418.37
			5776.35	6242.13
	Balance available for appropriation		5776.35	6242.13
APPROPRIATIONS				
	General Reserve		2500.00	3000.00
	Dividends (See Directors' Report)	21	1225.98	764.68
	Balance taken to Balance Sheet		2050.37	2477.45
			5776.35	6242.13
Basic Earnings per Share:				
(Profit after tax/No. of equity shares)				
	Profit after tax		2818.90	2411.26
	No. of equity shares of Rs. 10/- each		27107078	27113088
	Basic Earnings per share (Rs.)		10.40	8.89

Notes forming part of the accounts. 22

NOTE : The schedules, notes and Statement on Accounting Policies form an integral part of the Profit & Loss Account.

Per our report of even date:
For Brahmaya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD
Dr. Mullapudi Harischandra Prasad
A. Ranga Rao
M. Bulli Abbayi

Chairman & Managing Director
Director
Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

SCHEDULES TO BALANCE SHEET

SHARE CAPITAL

SCHEDULE - 1
(Rupees in lakhs)

		As at 31-3-2004	As at 31-3-2003
AUTHORISED CAPITAL			
28750000	Equity shares of Rs.10/- each	2875.00	2875.00
30000	9.5% First Cumulative Redeemable Preference Shares of Rs.100/- each	30.00	30.00
95000	9.5% Second Cumulative Redeemable Preference Shares of Rs.100/- each	95.00	95.00
		<u>3000.00</u>	<u>3000.00</u>
ISSUED CAPITAL			
27113091	Equity Shares of Rs.10/- each	2711.31	2711.31
		<u>2711.31</u>	<u>2711.31</u>
SUBSCRIBED AND PAID UP CAPITAL			
27107078	Equity Shares of Rs.10/- each	2710.71	2711.31
6010	Add: Forfeited shares	0.30	---
		<u>2711.01</u>	<u>2711.31</u>
	Less: Calls in arrears	---	0.70
		<u>2711.01</u>	<u>2710.61</u>

NOTES: The above includes:

- i) 2,08,24,431 shares allotted as fully paid up by way of Bonus shares.
- ii) 2,52,000 Shares allotted at par to the shareholders of amalgamating company pursuant to the scheme of amalgamation (without payment being received in cash)
- iii) An amount of Rs.30,065/- originally paid up on Forfeited Shares.

RESERVES AND SURPLUS

SCHEDULE - 2

1)	DEBENTURE REDEMPTION RESERVE			
	As per last Balance Sheet	480.00		
	Less: Withdrawn during the year	480.00	---	480.00
2)	GENERAL RESERVE			
	As per last Balance Sheet	9000.00		
	Add: Transferred from Profit & Loss A/c during the year	2500.00	11500.00	9000.00
3)	SECURITIES PREMIUM			
	As per last Balance Sheet	1128.60		
	Add: Arrears received during the year	0.80	1129.40	1128.60
4)	CAPITAL RESERVE			
	Capital investment subsidy	45.00		45.00
	Forfeited Debentures *	0.30		0.30
5)	SURPLUS IN PROFIT & LOSS ACCOUNT		2050.37	2477.45
			<u>14725.07</u>	<u>13131.35</u>

Note:* Forfeited Debentures have been transferred to Capital Reserve on total redemption of the remaining debentures in the same series.

SECURED LOANS

SCHEDULE - 3

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
--	--------------------	--------------------

DEBENTURES:

i) 5,50,000 17% Non-Convertible Debentures of Rs.100/- each (after redemption during the year of the value of Rs. 184 lakhs)	----	184.00
ii) 2,50,000 17% Non-Convertible Debentures of Rs.100/-each (after redemption during the year of the value of Rs. 83.33 lakhs)	----	83.33

FROM BANKS:

i) Term Loans	4461.67	4037.74
ii) Cash Credit	8035.12	7788.62
	<u>12496.79</u>	<u>12093.69</u>

NOTES:

- A) Term loans from the consortium of Banks comprising ICICI Bank, Andhra Bank, State Bank of India, State bank of Hyderabad and Bank of Baroda are secured by way of mortgage by deposit of title deeds in respect of the Company's immovable properties situated at Tanuku, Kovvur, Taduvai & Saggonda together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth.
- B) Term loan of Rs. 9000 lakhs sanctioned by Andhra Bank during the year is secured by way of exclusive first charge on the assets created under the 150 TPD expansion programme of Caustic Soda Plant at Saggonda.
- C) Cash Credits are secured by hypothecation of raw-materials, finished goods, and stores & spares, and a second charge on the properties of the Company offered as security for the Term loans from banks and others.

The above mortgages and charge shall rank pari-passu with the charges created /to be created in favour of banks and institutions for the above term loans/non convertible debentures.

UNSECURED LOANS

SCHEDULE - 4

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
Fixed Deposits from Shareholders (including Rs. 595.95 (Rs. 522.80) lakhs from directors)	1373.31	1360.14
Fixed Deposits from Others	3551.63	2639.78
Short term loan from banks for working capital	3007.43	1000.00
Due to Companies *	1401.50	1706.00
Sugarcane Development Fund (Covered by Bank guarantee in turn Counter Guaranteed by the Company)	30.17	45.26
Sales Tax Deferment Loan (Repayable at the end of 14th Year from the year of receipt. First repayment falls due during the accounting year 2012-2013)	1483.82	1210.72
	10848.36	7961.90
* Include amounts due to subsidiary companies :		
JOCIL Ltd.,	1400.00	1700.00
Hindustan Allied Chemicals Ltd.,	1.50	6.00

Note : Fixed deposits matured and remaining unclaimed aggregating to Rs.26.17 lakhs are not included above but shown in Schedule 12.

FIXED ASSETS
SCHEDULE - 5
 (Rupees in lakhs)

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as at 31-3-03	Additions during the year	Deductions during the year	Cost as at 31-3-04	Dep. upto 31-3-03	Dep. for 03-04	Dep. on Dedn	Dep. Upto 31-3-04	WDV AS AT 31-3-04	WDV AS AT 31-3-03
1) Land *	371.81	339.80	---	711.61	---	---	---	---	711.61	371.81
2) Buildings**	3218.31	630.33	---	3848.64	894.81	101.21	---	996.02	2852.62	2323.50
3) Plant and Machinery	27071.63	3938.79	80.41	30930.01	10280.09	1407.07	75.57	11611.60	19318.41	16791.54
4) Renewable Energy Plant : Wind Farm	706.08	---	---	706.08	316.94	37.28	---	354.22	351.86	389.14
5) Tramways and Railway Sidings	161.59	47.80	53.16	156.23	107.84	58.28	52.45	113.67	42.56	53.75
6) Furniture & Fittings	575.11	174.93	120.35	629.69	385.34	180.91	114.97	451.28	178.41	189.77
7) Vehicle and Materials Handling Equipment	1033.31	---	---	1033.31	530.27	7.47	---	537.74	495.57	503.04
TOTAL	33137.84	5131.65	253.92	38015.57	12515.29	1792.22	242.99	14064.53	23951.04	20622.55
Previous Year	28635.61	4712.12	209.89	33137.84	11317.04	1388.92	190.67	12515.29	20622.55	17318.57

* Registration of transfer of title in the name of the Company is pending for Ac. 4.19 of land of the cost of Rs. 3.53 lakhs included in above.

** Including Buildings of the Gross value of Rs. 42.50 lakhs Constructed on leasehold land.

INVESTMENTS

SCHEDULE - 6

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
A) TRADE INVESTMENTS		
1) IN SUBSIDIARY COMPANIES		
a) 3,28,760 partly paid Equity shares of Rs.10/- each (Rs.2.50 per share paid up) in Hindustan Allied Chemicals Ltd.,(Unquoted)	2.74	2.74
b) 3,45,700 fully paid Equity shares of Rs.10/- each in The Andhra Farm Chemicals Corpn.Ltd.,(Quoted)	34.57	34.57
c) 24,43,250 fully paid Equity shares of Rs.10/- each in JOCIL LTD.,(Quoted)	441.79	441.79
2) IN OTHER COMPANIES		
a) 1,40,000 fully paid Equity Shares of Rs.10/- each in Sree Akkamamba Textiles Ltd., (Quoted)	1.75	1.75
b) 2,06,82,025 fully paid Equity shares of Rs.10/- each in The Andhra Petrochemicals Ltd., (a company under the same management) (Quoted)	2479.21	
Less : Provision for diminution in value	2055.22	

	423.99	423.99
c) 84,58,080 fully paid Equity Shares of Rs.10/- each in Andhra Pradesh Gas Power Corporation Ltd., (Unquoted) (804000 shares purchased during the year)	2077.80	983.36
d) 90 fullypaid 11.60% Redeemable Non-convertible Bonds of Rs. One lakh each in Andhra Pradesh Power Finance Corpn. Ltd., (Unquoted)	90.00	90.00
B) NON-TRADE INVESTMENTS		
a) In Government Securities: National Plan Saving Certificates (Lodged with Govt.Departments towards security)	0.26	0.31
b) 300 fully paid Equity Shares of Rs.10/-each in Andhra Pradesh Scooters Ltd.,(quoted)	0.03	
Less: written off during the year	0.03	

	---	0.03
c) 1000 fully paid Equity Shares of Rs.10/- each in Andhra Pradesh Steels Ltd.,(quoted)	0.10	
Less: written off during the year	0.10	

	---	0.10
d) 1000000 Equity Shares of Rs.10/-each in Agri Business Finance (AP) Ltd., (Unquoted)	100.00	
Less: Calls due	50.00	

	50.00	50.00
e) 22,800 Fully paid equity shares of Rs. 10/- each in Andhra Bank (Quoted)	2.28	2.28
f) 4,51,000 units of Rs. 10/- each in Unit Trust of India earmarked for deposit under companies deposit regulations (converted into bonds in (g) below, during the year)	---	45.10
g) 45200 Bonds 6.75% Tax free U.S. 64 bonds of Rs. 100/- each in Unit Trust of India.	45.20	---

	3170.38	2076.02

All the above investments, unless otherwise specified, are long term investments.		
Cost of unquoted investments	2266.00	1160.67
Cost of investments which are listed but whose quotations are not available	478.11	443.67
Cost of quoted investments	2481.49	2548.32

	5225.60	4152.66

Market value of quoted investments	1454.78	1033.93

INVENTORIES

(As certified by the Managing Director)

SCHEDULE - 7

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
Stores and Spares	1822.03	1401.24
Raw Materials	1129.44	982.73
Work-in-process	125.20	339.51
Finished Goods - at Cost	16412.98	17489.90
- at Market value	340.53	431.68
Goods in Transit	12.53	0.07
	19842.71	20645.13

SUNDRY DEBTORS**SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	446.99	445.19
Unsecured-considered doubtful	3.18	3.18
	450.17	448.37
Less: Provision for Doubtful Debts	3.18	3.18
	446.99	445.19
b) Other Debts: Unsecured-considered good	3529.26	3277.29
	3976.25	3722.48
Due from a Subsidiary Company (included in the above)	1.39	---

CASH AND BANK BALANCES**SCHEDULE - 9**

Cash and Cheques on hand	14.63	20.89
Balances with Scheduled Banks in		
Current Accounts	487.71	818.24
Fixed Deposit Accounts	716.20	196.04
	1218.54	1035.17

Balances with Scheduled Banks, include inter-alia, the following:

a) In "Unclaimed Dividend Accounts" u/s 205A of the Companies Act, 1956	40.62	36.98
b) Towards unencashed interest/redemption warrants on 16.5% Non Convertible Debentures	0.40	0.56
e) Towards staff security deposit	5.38	3.38

OTHER CURRENT ASSETS**SCHEDULE - 10**

Interest accrued on Investments and Deposits	16.53	21.71
	16.53	21.71

The Andhra Sugars Limited
LOANS AND ADVANCES

SCHEDULE - 11
(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	2540.77	359.69
Unsecured considered doubtful	0.03	0.03
	-----	-----
	2540.80	359.72
Less: Provision for doubtful Advances	0.03	0.03
	-----	-----
	2540.77	359.69
Prepaid Expenses	80.58	29.10
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	231.60	358.45
Advance payment of Income Tax	2860.11	1941.48
Income Tax deducted at source	58.18	51.50
Income Tax refund receivable	----	9.11
Deposits recoverable	216.41	186.09
Claims recoverable	206.24	143.06
Balance with Customs, Port Trust, etc.,	10.97	0.24
	-----	-----
	6204.86	3078.72
	-----	-----

LIABILITIES

SCHEDULE - 12

Sundry Creditors		
Due to Small Scale Industrial undertakings (See Note No. 11)	---	
Due to Others	9369.10	8266.95
(incl. Rs. 416.91 lakhs (Rs. 361.66 lakhs) due to Directors)	-----	
Advances received against sales	81.13	267.88
Trade Deposits	54.78	53.00
Staff security deposit	5.34	3.24
Interest accrued but not due on Loans & Fixed Deposits (Includes Rs. 17.12 lakhs due to directors)	136.34	110.22
Dividends pending encashment	40.61	36.92
Unclaimed matured Fixed Deposits *	26.17	38.86
Unclaimed matured Debentures *	0.97	0.81
Unclaimed interest on matured Deposits * and debentures	4.70	3.65
	-----	-----
	9719.14	8781.53
	-----	-----

* These amounts have not fallen due for remittance to Investor Education and Protection Fund in accordance with Sec. 205 C of the Companies Act 1956, as at the date of the Balance Sheet.

PROVISIONS

SCHEDULE - 13

For Income Tax	3550.00	2375.00
For Wealth Tax	3.25	2.50
For Proposed Dividend	1084.28	677.83
For Tax on Distributable Profits	141.70	86.85
For Leave Encashment on Retirement	135.62	128.58
	-----	-----
	4914.85	3270.76
	-----	-----

MISCELLANEOUS EXPENDITURE

SCHEDULE - 14

(to the extent not written off or adjusted)

Issue expenses of Debentures / Shares on Rights basis	24.68	31.46
Less: Written off during the year	6.78	6.78
	-----	-----
	17.90	24.68
	-----	-----

SCHEDULES TO PROFIT & LOSS ACCOUNT**OTHER INCOME****SCHEDULE - 15**

(Rupees in lakhs)

This Year **Previous Year**

Processing and Job Work Income	54.70	58.31
Freight and other sales expenses recovered	1157.40	680.41
Subsidy on Superphosphate sales	232.65	173.00
Rents received	11.55	10.94
Dividend income	185.79	123.88
Interest income from Banks and Others (Gross)	57.71	45.12
Interest income on Investments	12.98	10.45
Miscellaneous Receipts	62.81	133.86
Profit on Sale of Assets	45.19	69.26
Sales tax refund received	2.04	39.47
Provisions no longer required and Credit balances written back	45.72	24.21
Claims received	251.58	102.12
Income from agriculture (Net)	3.32	2.30
Income of earlier years	3.08	9.87
Bad debts recovered	----	0.25
Rebates and expenses of prior years	----	418.60
Provision for diminution in value of investments credited back	21.42	----
Difference in exchange	6.98	----
	<u>2154.92</u>	<u>1902.05</u>

1) Dividend income includes:

i) from Trade Investments - in subsidiaries	183.24	122.16
- in others	2.55	----
ii) from Non-Trade investments	----	1.72

2) Tax deducted at source :

-- on Interest income	12.09	7.48
-- On Processing charges received	4.21	3.46
-- On Rents received	3.08	1.40
-- On Dividends received	----	13.01

OPENING AND CLOSING STOCKS**SCHEDULE - 16**

Opening Stock:		
Work-in-process	339.51	180.69
Finished goods	17921.58	14761.35
	<u>18261.09</u>	<u>14942.04</u>
Closing Stock:		
Work-in-process	125.20	339.51
Finished goods	16753.51	17921.58
	<u>16878.71</u>	<u>18261.09</u>

PAYMENTS AND BENEFITS TO EMPLOYEES**SCHEDULE - 17**

Salaries, Wages and Bonus	2263.68	2006.26
Contribution to Provident, Gratuity and other funds	371.94	307.30
Workmen and Staff Welfare Expenses	130.17	148.35
	<u>2765.79</u>	<u>2461.91</u>

MANUFACTURING AND OTHER EXPENSES

SCHEDULE - 18

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1035.97	1267.19
Power and Fuel	5120.78	4438.86
Insurance	136.62	116.85
Sugarcane Development Expenses	79.65	504.10
Royalty	0.01	0.89
Repairs to Buildings	150.86	79.62
Repairs to Machinery	2113.36	1246.18
Repairs to Other Assets	227.93	199.62
Advertisement and Sales Promotion	13.53	6.30
Handling, Transport & Expenses at Sales Depots	1261.08	752.29
Commission on Sales	61.99	77.12
Rent	13.95	6.38
Equipment lease rentals	48.74	48.95
Directors' Sitting Fee	0.48	0.42
Managerial Remuneration (Note No.26)	473.16	416.75
Payments to Auditors (Note No.22)	7.99	6.77
Miscellaneous Expenses	533.96	574.44
Donations	24.00	20.20
Loss on sale of Assets	0.15	0.66
Premium on Debentures	----	141.21
Issue expenses of Shares/Debentures written off	6.78	6.78
Bad debts written off	3.81	264.11
Tools written off	19.41	17.57
Assets written off	3.37	1.07
Stores & Spares written off	2.98	3.79
Loss on sale / conversion of Investments	21.32	----
	11361.88	10198.12

EXCISE DUTY AND TAXES

SCHEDULE - 19

Excise Duty	3690.41	3509.31
Purchase Tax on Sugarcane	535.39	660.35
Rates and Taxes	188.12	102.06
	4413.92	4271.72

INTEREST

SCHEDULE - 20

On Debentures and fixed period loans	987.33	1017.38
On loans from Whole time Director's	65.27	53.86
On Banks and other Accounts	1235.65	1127.29
	2288.25	2198.53

DIVIDENDS

SCHEDULE - 21

Proposed dividend	1084.28	677.83
Tax on above	141.70	86.85
	1225.98	764.68

NOTES FORMING PART OF THE ACCOUNTS

The Andhra Sugars Limited

SCHEDULE - 22

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
--	--------------------	--------------------

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| 1. CONTINGENT LIABILITIES NOT PROVIDED FOR: | | |
| a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for | 3951.11 | 113.05 |
| b) On letter of credit opened with Bankers for purchase of material | 3058.84 | 362.61 |
| c) Uncalled liability on partly paid shares held as Investments | 24.66 | 24.66 |
| d) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee | 0.01 | 0.01 |
| e) Claims against the Company not admitted | 316.27 | 1663.11 |
| 2. Under the provisions of "The Levy Sugar Price Equalisation Fund Act, 1976" the excess amount collected over the notified levy sale price pursuant to the interim stay granted by the Courts vests in the fund. In a writ petition No: 1534/76 filed by the Company against these provisions, the High Court of Andhra Pradesh has held that provisions of the said Act are not applicable to the excess collections made prior to 15-6-1972, against which the Union Government filed a civil appeal No: 274/79 before the Supreme Court, which is pending. | | |
| <p>While admitting the appeal, the Supreme Court granted stay of operation of Judgement of A.P. High Court in W.P.No: 1534/76 and directed the Company to furnish a Bank Guarantee for Rs.9.60 lakhs being the difference in levy Sugar price for the Sugar Season 1969-70. The Bank Guarantee was furnished on 7-12-1979 in favour of Registrar, High Court of Andhra Pradesh. Interest, if any, payable under the said Act, estimated at Rs.50.55 lakhs (Rs. 48.82 lakhs) has not been provided for in the accounts pending final legal decision in the matter.</p> | | |
| 3. No provision has been made in the accounts towards additional cane price for the years 1974-75 to 1979-80, if any, payable to the cane growers, arising out of the orders of Supreme Court in C.A. No: 274/79 which is estimated by the company at Rs.46.07 lakhs. The company has along with other sugar companies claimed on the Govt. that additional levy price of sugar for the said years should also be revised consequent on revision of cane price referred to above. The net impact of the above is not determinable. | | |
| 4. Pursuant to an amendment to the Bonus Act 1965 in July 1995 the eligibility limit and the maximum amount of bonus payable was increased with retrospective effect from 1st April 1993. This was challenged by the company by way of writ petition in the High Court of Andhra Pradesh, which was pleased to grant stay of operation of the amendment with regard to its retrospectivity pending further orders. As the matter is subjudice no provision is made in the accounts for Rs.22.66 lakhs being the differential bonus for the accounting year ended 31st March 1994. | | |
| 5. No provision has been made towards the liability if any that may arise towards the sales tax portion of the cost of Rock Phosphate purchased on high seas basis from Minerals and Metal Trading Corporation of India (MMTC) for the years 1977-78 to 1988-89 estimated at Rs.23.22 lakhs. The Company has furnished an indemnity to MMTC for the amount. | | |
| 6. "Sundry Creditors" includes Rs.7.53 lakhs received from State Trading Corporation (STC) towards damages for breach of Contract pursuant to the orders of the Appellate Authorities/ Arbitrators. Since further Appeals preferred by the S.T.C. before the higher appellate authorities are pending, the said amount is not recognised as revenue in the year of receipt, pending disposal of final appeal. | | |

The Andhra Sugars Limited

7. The Company has given undertakings / assurance to APIDC, IDBI, ICICI and other Institutions not to dispose of its share holdings in The Andhra Petrochemicals Limited, and Andhra Pradesh Gas Power Corporation Limited without the prior consent of the institutions until the loans payable by the said companies to the said institutions are fully repaid.
8. No provision has been made towards Excise Duty demands aggregating to Rs. 94735560 on UDMH/MMH/ UH-25, supplied to ISRO by the company. The company has contested the said demands before Customs, Excise, Service Tax Appellate Tribunal, which has granted conditional stay of collection of the said amount demanded pending final decision. Similarly provision has also not been made for similar demands of Rs. 3775602/- contested by the company before other appropriate appellate authorities, pending their decision. As per the agreement between the company and Department of Space, Government of India, the ultimate liability, if any, that may arise in this matter will be to the account of Department of Space, Government of India and there will not be any charge on account thereof in the company's accounts.
9. In the opinion of the management, all the amounts stated under sundry debtors and loans and advances are recoverable at the values at which they are stated and necessary steps are being taken to ensure their recovery.
10. Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.
11. According to the information available with the company, there are no dues payable to Small Scale Industrial Undertakings as on the date of the balance sheet. The Auditors have relied upon the said information.

The Andhra Sugars Limited

12. SALES

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugar	M.T	122204	16330.61	97920	12673.64
Molasses	M.T	8501	146.14	20781	434.33
Industrial Alcohols & Ethanol	K.L	3458	498.19	2032	277.07
Acetic Acid	M.T	1450	365.98	1240	305.30
Acetic Anhydride	M.T	1335	574.96	805	366.52
Ethyl Acetate	M.T	12	4.81	75	29.84
Aspirin	M.T	488	650.71	635	841.13
Caustic Soda	M.T	76158	10113.57	61812	7235.75
Caustic Potash	M.T	7071	2032.72	6282	1760.84
Chlorine	M.T	45292	3129.04	37223	3091.65
Hydrochloric Acid	M.T	69873	1277.32	47173	1322.73
Sodium Hypochlorite	M.T	4604	137.59	4302	134.98
Hydrogen gas	CU.MT	2127105	291.45	1885390	258.90
Chlorosulphonic Acid	M.T	8629	443.63	13658	1063.72
Sulphuric Acid	M.T	21212	553.15	16436	351.30
Superphosphate	M.T	35793	890.03	26616	638.09
UDMH / UH 25	M.T	92	534.71	162	543.25
Mono Methyl Hydrazine	M.T	8	143.44	9	163.26
Sunflower Oil	M.T	1123	585.18	1836	934.26
Neem Oil	M.T	----	----	1	0.23
Vanaspati	M.T	1226	554.96	4929	2104.05
Rice Bran & Other Extractions	M.T	268	4.77	709	126.54
Cattle Feed	M.T	1653	93.62	1563	88.41
Others		----	361.29	----	326.77
			39717.87		35072.56

NOTE: The above figures include Excise Duty recovered.

3836.93

3268.90

13. Stores and Spares consumed and the value of 'Sales' are after excluding the value of the Products internally produced and consumed at the market value.

48.14

64.45

14. RAW MATERIALS CONSUMED:

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugarcane	M.T.	892631	8884.63	1100763	10054.71
Phenol	M.T.	554	273.21	618	270.84
Sulphur	M.T.	15679	623.50	12705	345.29
Rockphosphate	M.T.	19046	497.09	15194	415.41
Salt	M.T.	129638	1418.83	105708	1197.03
Potassium Chloride	M.T.	9688	765.80	7711	715.22
Sunflower Crude Oil	M.T.	907	380.39	2093	862.37
Vanaspati Oils	M.T.	1016	353.20	5415	1778.44
Extractions for Cattle feed	M.T.	1714	66.07	1616	63.20
Other raw materials		----	216.01	----	259.18
			13478.73		15961.69

Note: Where one class of goods is used in the manufacture of another, consumption of raw materials and sales have been arrived at after deducting internal transfers. Excise duty, if any is adjusted in Schedule No. 19.

15. OPENING AND CLOSING STOCKS OF FINISHED GOODS:

(Rupees in lakhs)

PRODUCTS	UNIT	OPENING STOCKS				CLOSING STOCKS			
		THIS YEAR		PREVIOUS YEAR		THIS YEAR		PREVIOUS YEAR	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
SUGAR	MT	149991	16741.43	122749	13339.13	130090	15868.96	149991	16741.43
MOLASSES	MT	27631	375.03	32241	599.41	21898	317.41	27631	375.03
SULPHURIC ACID	MT	831	10.29	1547	14.39	1310	26.62	831	10.29
OLEUM	MT	37	0.43	12	0.12	24	---	37	0.43
SUPERPHOSPHATE	MT	1166	24.93	451	10.04	2	0.06	1166	24.93
CAUSTIC SODA	MT	1272	108.69	1728	185.16	781	76.15	1272	108.69
CAUSTIC POTASH	MT	177	33.89	582	126.69	408	73.45	177	33.89
CHLORINE	MT	327	20.07	130	4.34	256	13.34	327	20.07
SODIUM HYPOCHLORITE	MT	11	0.36	11	0.41	6	0.20	11	0.36
HYDROCHLORIC ACID	MT	494	9.50	157	1.62	123	1.87	494	9.50
INDUSTRIAL ALCOHOL	KL	611	67.74	240	24.65	32	3.50	611	67.74
FUSEL OIL	KL	---	0.05	4	0.34	1	0.09	---	0.05
ACETIC ACID	MT	30	5.84	37	6.78	31	5.63	30	5.84
ACETIC ANHYDRIDE	MT	164	58.20	119	38.31	53	14.98	164	58.20
ETHYL ACETATE	MT	16	5.09	32	8.92	18	4.54	16	5.09
CHLOROSULPHONIC ACID	MT	329	11.99	380	8.03	294	12.12	329	11.99
ASPIRIN	MT	28	30.34	90	95.48	74	114.77	28	30.34
UNSYMMETRICAL DIMETHYL HYDRAZINE	MT	7	24.55	10	42.20	2	8.86	7	24.55
MONOMETHYL HYDRAZINE	MT	2	16.04	2	17.14	2	14.56	2	16.04
H.T.P.B.	MT	---	---	---	---	---	1.20	---	---
SUNFLOWER OIL	MT	271	130.15	198	79.41	---	---	271	130.15
RICE BRAN AND OTHER EXTRACTIONS	MT	1	0.02	2	0.07	---	---	1	0.02
CATTLE FEED	MT	---	---	4	0.16	---	---	---	---
VANASPATI	MT	196	82.35	152	49.27	---	---	196	82.35
HYDROGEN	CU. MTR	5226	0.42	4771	0.24	5506	0.55	5226	0.42
BARIUM SULPHATE	MT	8	1.15	7	1.47	40	6.03	8	1.15
WIND POWER (BANKED WITH POWER GRID OF APSEB)	UNITS	1139323	24.98	74671	1.66	2008142	44.35	1139323	24.98
ELECTRICITY	UNITS	9349108	71.05	4370190	41.08	9923011	138.41	9349108	71.05
OTHERS			67.01		64.83		5.86		67.01
TOTAL			17921.58		14761.35		16753.51		17921.58

16. PARTICULARS REGARDING CAPACITY AND PRODUCTION:

CLASS OF GOODS	CAPACITY				ACTUAL PRODUCTION			
	LICENCED		INSTALLED		Year ended March, 2004		Year ended March, 2003	
1 Sugar								
a. Tanuku	5,000	MT Cane/Day	5,000	MT Cane/Day	61494	MT	73399	MT
Molasses (By-product of Sugar)					24182	MT	25699	MT
b. Taduvai	2,500	MT Cane/Day	2,500	MT Cane/Day	40840	MT	51762	MT
Molasses (By-product of Sugar)					15593	MT	21249	MT
2 Acetic Acid	1,080	MT/annum	1,080	MT/annum	1506	MT	1310	MT
Acetic Anhydride	720	MT/annum	720	MT/annum	1671	MT	1327	MT
Ethyl Acetate	1,268	MT/annum	1,268	MT/annum	73	MT	104	MT
Butyl Acetate	1,268	MT/annum	1,268	MT/annum	----		----	
3 Industrial Alcohol	9,900	KL/annum	9,900	KL/annum	7386	KL	6132	KL
4 Sulphuric Acid	45,000	MT/annum	45,000	MT/annum	41915	MT	37979	MT
5 Superphosphate	66,000	MT/annum	66,000	MT/annum	34629	MT	27331	MT
6 Chlorosulphonic Acid (Kovvur)	20,000	MT/annum	20,000	MT/annum	8594	MT	13607	MT
7 Caustic Soda (Kovvur)								
a. Caustic Soda	46,200	MT/annum	46,200	MT/annum	27769	MT	32436	MT
b. Hydrochloric Acid	28,710	MT/annum	28,710	MT/annum	34896	MT	39160	MT
	(100% basis)		(100% basis)					
c. Chlorine	29,730	MT/annum	29,730	MT/annum	16900	MT	18927	MT
d. Caustic Potash	2,500	MT/annum	2,500	MT/annum	7093	MT	5655	MT
e. Sodium Hypochlorite	1,650	MT/annum	1,650	MT/annum	2626	MT	2441	MT
8 Caustic Soda (Saggonda)								
a. Caustic Soda	66,000	MT/annum	66,000	MT/annum	50926	MT	31579	MT
b. Hydrochloric Acid	20,000	MT/annum	20,000	MT/annum	49037	MT	26611	MT
	(100% basis)		(100% basis)					
c. Chlorine	38,000	MT/annum	38,000	MT/annum	29029	MT	19168	MT
d. Sodium Hypochlorite	6,600	MT/annum	6,600	MT/annum	1973	MT	1861	MT
e. Hydrogen gas	800	MT/annum	800	MT/annum	2148289	CUMTR	1931624	CUMTR
f. Barium Sulphate	330	MT/annum	330	MT/annum	57	MT	5	MT
9 Liquid Hydrogen	330	MT/annum	----		----		----	
10 H.T.P.B.	180	MT/annum	180	MT/annum	330	Kg.	----	
11 Chlorosulphonic Acid (Saggonda)	33,000	MT/annum	----		----		----	
12 Oleum	6,600	MT/annum	6,600	MT/annum	15	MT	25	MT
13 Aspirin	1,000	MT/annum	1,000	MT/annum	537	MT	581	MT
14 Carbon Dioxide	5,000	MT/annum	5,000	MT/annum	387	MT	380	MT
15 Alum	3,000	MT/annum	3,000	MT/annum	----		----	
16 Diffusers	4 Nos	per annum	4 Nos	per annum	----		----	
17 Chemical Equipment	392	MT/annum	500	MT/annum	522	MT	323	MT
18 Sugar Factory Boiling House Equipment	1,000	MT/annum	1,000	MT/annum	----		----	
19 Unsymmetrical Dimethyl Hydrazine	90	MT/annum	90	MT/annum	124	MT	58	MT
Monomethyl Hydrazine	10	MT/annum	10	MT/annum	8	MT	9	MT
20 Crushing and processing of , seeds and oil bearing vegetable produce	63,000	MT/annum	125	MT/day crushing	----		----	
			300	MT/day processing	267	MT	597	MT
21 Vegetable oil refining	18,000	MT/annum	60	MT/day	1773	MT	6969	MT
22 Hydrogenation of Oils	12600	MT/annum	40	MT/day	1036	MT	4973	MT
23 Cattle and Poultry Feed	15000	MT/annum	15	MT/day	1656	MT	1559	MT
24 Wind Power	2.025	MW	2.025	MW	2664863	Units	2544547	Units
22 Electricity	7	MW	7	MW	27129410	Units	28194757	Units
23 Bagasse					247643	MT	305210	MT

1. The above licenced capacities are as registered with the concerned authorities, wherever necessary, consequent to delicensing of the respective products.
2. Production of Electrical energy is Net After deductions towards wheeling and banking charges.
3. The installed capacities are as certified by the Managing Director.

17. Comparison between consumption of Imported and Indigenous Raw Materials during the year :

	(Rupees in lakhs)			
	This year		Previous year	
	Value	Percentage	Value	Percentage
Imported	1120.59	8	1725.30	11
Indigenous	12358.14	92	14236.39	89
	<u>13478.73</u>		<u>15961.69</u>	

18. Comparison between Consumption of Imported and Indigenous spare parts and components during the year (charged to appropriate heads):

Imported	602.95	17	172.12	4
Indigenous	3017.24	83	3715.16	96
	<u>3620.19</u>		<u>3887.28</u>	

19. Value of Imports made by the company during the year calculated on C.I.F. basis:

Capital Goods	---	1377.52
Components and Spare Parts	579.47	159.05
Raw - materials	784.75	858.55
	<u>1364.22</u>	<u>2395.12</u>

20. Earnings in foreign exchange on FOB basis:

This Year	Previous Year
NIL	NIL

21. Expenditure incurred in foreign currency:

Books and Periodicals	7.19	5.08
Foreign travel (excluding tickets purchased in India)	16.19	18.38
Delegation fee	5.28	0.92
Sales expenses	0.72	---
Professional charges	9.18	1.33

22. Payments made to Auditors:

As Auditors	2.97	2.89
As Tax Auditors and for other Tax matters	1.08	1.05
Fee for Certification	2.25	1.52
Reimbursement of out of pocket expenses	0.53	0.47
	<u>6.83</u>	<u>5.93</u>
Fee to Cost Auditors	0.86	0.64
Fee for Certification	0.18	0.10
Reimbursement of out of pocket expenses	0.12	0.10
	<u>7.99</u>	<u>6.77</u>

23. During the year the company has incurred the following expenditure on Research and Development which was included under respective heads in Profit and Loss Account:

Salaries, Wages and Bonus	32.41	27.75
Contribution to Provident, Gratuity and other funds	5.65	5.27
Workmen and Staff Welfare Expenses	1.65	0.92
Materials consumed	12.06	5.79
Power and Fuel	1.17	1.80
Repairs to Assets	2.44	4.31
Miscellaneous Expenses	6.59	24.96
Depreciation	8.37	4.91
	<u>70.34</u>	<u>75.71</u>

24. (A) Revenue expenditure does not include the following, which formed part of the cost of capital equipment internally manufactured for captive usage.

Salaries, Wages and Bonus	9.68	25.52
Contribution to Provident, Gratuity and other funds	0.89	2.45
Workmen and Staff Welfare Expenses	0.46	1.48
Power and Fuel	0.57	6.35
Insurance	---	0.08
Repairs to machinery	0.32	7.18
Repairs to Other assets	0.14	---
Miscellaneous Expenses	0.01	0.18
Tools written off	---	0.21
Depreciation	0.19	1.09
	<u>12.26</u>	<u>44.54</u>

(B) Revenue expenditure capitalised during the year includes among others:

Salaries, Wages and Bonus	---	0.35
Insurance	0.08	12.95
Taxes & Licences	1.30	3.55
Consultancy charges	16.80	---
Miscellaneous expenses	0.72	---
Borrowing Costs as per AS16		
-- Term Loan Processing & Upfront fee	14.00	45.75
-- Interest Paid to Banks	4.05	3.05
	<u>36.95</u>	<u>65.65</u>

25. PURCHASE OF FINISHED GOODS:

	Quantity	Value	Quantity	Value
Palm Fatty Acid distillate	---	---	21 MT	3.47
Refined Palmolein Oil	---	---	34 MT	11.02
		<u>---</u>		<u>14.49</u>

The Andhra Sugars Limited

26. Computation of Net Profits in accordance with Sec.349 of the Companies Act.

(Rs. in lakhs)

Net Profit as per Profit & Loss account		4389.81
Add: Sitting fees	0.48	
Remuneration provided	473.16	
Profit on sale of assets in accordance with section 349	45.19	
Depreciation provided	1792.03	2310.86
		<u>6700.67</u>
Less: Depreciation in accordance with Sec.350	1792.03	
Profit on sale of assets	45.19	
Diminution in value of investments credited back	21.42	1858.64
		<u>4842.03</u>

Details of the remuneration to the Whole-time Directors (including Managing Directors)

	This Year	Previous Year
Salary	34.80	34.80
Contribution to Provident, Gratuity and other Funds	10.07	10.07
Other perquisites	16.72	13.50
Commission	411.57	358.38
	<u>473.16</u>	<u>416.75</u>

27. Major components of deferred tax assets and liabilities arising on account of timing differences are:

Particulars	Assets	Liabilities
1. Depreciation	---	4297.14
2. Amounts disallowed u/s 43B of Income Tax Act, 1961	430.58	---
3. Unabsorbed losses under the Income Tax Act, 1961	7.33	---
4. Provision for doubtful debts	1.14	---
5. Payments under VRS	30.05	---
	<u>469.10</u>	<u>4297.14</u>
Deferred Tax (Net)		3828.04

28. GENERAL:

Figures have been rounded off to the nearest thousand.
Previous year figures have been regrouped wherever necessary.
Figures in brackets are for previous year.

Per our report of even date:
For Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad Chairman & Managing Director
A. Ranga Rao Director
M. Bulli Abbayi Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

CASH FLOW STATEMENT FOR THE YEAR

(Rupees in lakhs)

2003-2004 **2002-2003****A CASH FLOW FROM OPERATING ACTIVITIES:**

Net profit before Tax and extra-ordinary items	4389.81	3799.37
ADJUSTMENTS FOR:		
Depreciation	1792.03	1388.92
Assets written off	3.37	1.07
Provision for diminution in value of investments credited back	-21.42	----
Interest (Net)	2217.56	2084.48
Profit/Loss on sale of assets	-45.04	-68.60
Dividends received	-185.79	-123.88
Issue expenses of shares/debentures written off	6.78	6.78
Investments written off	0.13	----
Loss on conversion of investments	21.32	----
Premium on Debentures	----	141.21
	-----	-----
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8178.75	7229.35
Trade and other receivables	-2474.48	246.10
Inventories	802.42	-3257.20
Trade payables	960.61	2764.47
	-----	-----
CASH GENERATED FROM OPERATIONS	7467.30	6982.72
Direct taxes paid	-1208.49	-879.98
Refund of taxes	9.11	18.16
	-----	-----
NET CASH FROM OPERATING ACTIVITIES.....A	6267.92	6120.90
	-----	-----

B CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	-5623.92	-4842.98
Sale of Fixed Assets	52.60	86.75
Purchase of Investments	-1094.39	----
Interest received	70.69	114.05
Dividends received	185.79	123.88
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES.....B	-6409.23	-4518.30
	-----	-----

C CASH FLOW FROM FINANCING ACTIVITIES:

Share Capital in arrears received	0.40	----
Share premium arrears received	0.80	----
Forfeited debentures	----	0.30
Redemption of Debentures (including premium)	-267.33	-3236.12
Proceeds from borrowings/loans	3556.89	4439.83
Dividends paid	-677.83	-677.83
Interest paid	-2288.25	-2198.53
	-----	-----
NET CASH FROM FINANCING ACTIVITIES.....C	324.68	-1672.35
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	183.37	-69.75
	-----	-----

Cash and Cash equivalents as on 01.4.2003	1035.17	1104.92
Cash and Cash equivalents as on 31.3.2004	1218.54	1035.17
	-----	-----
	183.37	-69.75
	-----	-----

Per our report of even date:
For Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad
A. Ranga Rao
M. Bulli Abbayi

Chairman & Managing Director
Director
Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

Statement Pursuant to Section 212 of the Companies Act, 1956.

JOCIL LIMITED

1. The Andhra Sugars Limited held 24,43,250 Equity Shares of Rs.10/- each fully paid-up out of the total paid-up shares of 44,40,575 amounting to Rs.4,44,05,750.
2. The Subsidiary Company earned a profit of Rs. 13,26,49,179/- for the year ended 31st March, 2004 and no part of this dealt with in the Holding Company's Accounts.

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED

1. The Andhra Sugars Limited held 3,45,700 Equity Shares of Rs.10/- each fully paid-up out of the total subscribed shares of 4,50,000.
2. The Subsidiary Company earned a Profit of Rs. 3,71,835/- for the year ended 31st March, 2004 and no part of this dealt with in the Holding Company's Accounts.

HINDUSTAN ALLIED CHEMICALS LIMITED

1. The Andhra Sugars Limited held 3,28,760 Equity Shares of Rs.2.50 per share called and paid-up out of the total subscribed shares of 4,25,012 of Rs.10/- each.
2. The Subsidiary Company earned a profit of Rs.61,363/- for the year ended 31st March, 2004 and no part of this dealt with in the Holding Company's Accounts.

Since the accounting year of the Subsidiary Companies, coincide with that of the Holding Company, furnishing of information relating to material changes of Subsidiary Companies, does not arise.

FOR AND ON BEHALF OF THE BOARD

TANUKU
31-07-2004

Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
A. Ranga Rao	Director
M. Bulli Abbayi	Secretary

**PARTICULARS DISCLOSED PURSUANT TO “ACCOUNTING STANDARD -18
RELATED PARTY DISCLOSURES”**

(A) LIST OF RELATED PARTIES:

1) Subsidiary Companies:

- (a) JOCIL LIMITED
- (b) The Andhra Farm Chemicals Corpn. Ltd.,
- (c) Hindustan Allied Chemicals Ltd.,

2) Key Management Personnel (KMP):

Wholetime Directors

Dr. Mullapudi Harishchandra Prasad
 Dr. B.B. Ramaiah
 Sri P. Narendranath Chowdary
 Sri M. Narendranath
 Sri M. Thimmaraja
 Sri P. Achuta Ramayya
 Sri P.S.R.V.K. Ranga Rao

3) Relatives of Key Management Personnel:

Sri B.V.V.S. Ramesh Kumar	Son of Dr. B.B.Ramaiah
Smt. J. Anantha Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. K. Rama Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. N.V. Ramanamma	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. R. Akkamamba	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. Y. Narayanamma	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. CH. Ravanamba	Sister of Dr.Mullapudi Harischandra Prasad
Smt. J. Gangabhavani Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. Y. Rajeshwari Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. M. Chandramathi Devi	Wife of Dr.Mullapudi Harischandra Prasad
Smt. G. Anuradha	Daughter of Sri M.Narendranath
Kum. M. Jayashree	Daughter of Sri M. Narendranath
Sri M. Vikram Prasad	Son of Sri M. Narendranath
Smt. M. Narayanamma	Wife of Sri M. Narendranath
Kum. M. Devi	Daughter of Sri M.Thimmaraja
Smt. M. Renuka	Wife of Sri M. Thimmaraja
Sri M. Mrutyumjaya Prasad	Son of Sri M. Thimmaraja
Kum. P. Divya Atchmamba	Daughter of Sri P. Achuta Ramayya
Kum. P. Sruthi Rajeswari	Daughter of Sri P. Achuta Ramayya
Smt. P. Sessa Shailaja	Wife of Sri P. Achuta Ramayya
Sri P. V. Krishna Rao	Brother of Sri P. Narendranath Chowdary
Smt. E. Rama Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. J. Akkamamba	Sister of Sri P.Narendranath Chowdary
Smt. J. Usha Rani	Sister of Sri P.Narendranath Chowdary
Smt. N. Anantha Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. M. Kamala Devi	Sister of Sri P. Narendranath Chowdary
Smt. S.B. Ranganayaki	Sister of Sri P. Narendranath Chowdary
Kum. P.A.L. Satyavathi Devi	Daughter of Sri P. Narendranath Chowdary
Smt. P. Jhansi Jayalakshmi	Wife of Sri P. Narendranath Chowdary
Smt. P. Sujatha	Mother of Sri P.S.R.V.K. Ranga Rao
Smt. P. Usha Lakshmi	Wife of Sri P.S.R.V.K. Ranga Rao
Kum. P. Meghana Srisai Sujatha	Daughter of Sri P.S.R.V.K. Ranga Rao

The Andhra Sugars Limited

4. Enterprises in which Key Management Personnel and/or their relatives have significant influence :

Jaya Industries
 Jayalakshmi Fertilisers
 Jayalakshmi Chemical Enterprises Private Limited
 S P V K R M Trust, Dommeru
 Sree Akkamamba Textiles Limited
 Sree Mullapudi Venkataramanamma Memorial Hospital
 Mullapudi Venkatarayudu Eye Centre
 Mullapudi Kamala Devi Cardio Vascular Centre

5) Associate Company:

The Andhra Petrochemicals Limited

(B) TRANSACTIONS WITH THE RELATED PARTIES:

(Rupees in lakhs)

PARTICULARS	Subsidiary Companies	Entities in which KMP or their relatives have significant influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
Purchase of Goods from	39.78 (105.85)	195.99 (123.89)	0.00 (0.55)	17.23 (11.01)	23.75 (19.36)
Purchase of Fixed Assets from	0.00 (0.00)	2.60 (2.80)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered by	48.72 (48.92)	6.30 (4.74)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Sale of Goods to	265.32 (317.15)	630.30 (520.07)	14.98 (18.13)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	17.85 (18.26)	0.20 (0.06)	0.55 (0.41)	0.35 (0.00)	0.73 (0.00)
Interest Paid to	168.45 (225.06)	0.00 (0.00)	0.00 (0.00)	65.27 (53.88)	67.15 (42.42)
Remunerations (incl. Comm.) paid to	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	473.16 (416.75)	0.00 (0.00)
Donations paid to	0.00 (0.00)	5.00 (20.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	0.00 (0.00)	29.81 (29.83)	0.00 (0.00)	93.90 (93.66)	176.15 (176.14)
Dividend Received from	183.24 (122.16)	1.68 (1.40)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Balances as at 31-03-2004:					
a) Share Capital held by the company, in	479.10 (479.10)	1.75 (1.75)	423.98 (423.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	1.39 (0.00)	31.76 (3.31)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the the company held by	0.00 (0.00)	119.23 (119.33)	0.00 (0.00)	375.61 (374.65)	704.61 (704.56)
d) Loans / Intercorporate loans received from	1400.00 (1700.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
e) Fixed Deposits Received from	1.50 (6.00)	0.00 (0.00)	0.00 (0.00)	595.95 (522.80)	617.12 (421.73)
f) Payable - Trade dues	0.00 (25.82)	14.09 (1.81)	0.00 (0.00)	3.59 (2.44)	4.46 (2.71)
- Dues on Current a/c	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (363.37)	0.00 (0.00)
- Interest on F.D's.	0.04 (0.10)	0.00 (0.00)	0.00 (0.00)	17.12 (6.10)	2.13 (11.21)
- Remuneration (incl. Comm.)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	413.32 (358.38)	0.00 (0.00)

The Andhra Sugars Limited - Group Consolidated Financial Statements
AUDITORS' REPORT

To
The Board of Directors
THE ANDHRA SUGARS LIMITED
TANUKU

We have examined the attached Consolidated Balance Sheet of THE ANDHRA SUGARS LIMITED and its subsidiaries as at March 31, 2004, and the Consolidated Profit and Loss Account and the Cash flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of THE ANDHRA SUGARS LIMITED and its subsidiaries included in the consolidated financial statements and in accordance with the requirements of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India with regard to the investment of The Andhra Sugars Limited in its Associate company.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of THE ANDHRA SUGARS LIMITED and its aforesaid subsidiaries, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of THE ANDHRA SUGARS LIMITED and its subsidiaries as at March 31, 2004
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of THE ANDHRA SUGARS LIMITED and its subsidiaries for the year then ended, and
- c) the Consolidated Cash flow statement is in agreement with the aforesaid consolidated Profit and Loss Account and Balance Sheet and gives a true and fair view of the consolidated cash flows of the company for the year ended on that date.

CAMP : TANUKU .
Date : 31-07-2004

For BRAHMAYYA & CO.,
Chartered Accountants
C. MURALI KRISHNA
(ICAI Membership No.20884)
Partner

BALANCE SHEET AS AT 31st MARCH, 2004

		(Rupees in lakhs)	
		As at 31-3-2004	As at 31-3-2003
I SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Capital	1	2711.01	2710.61
b) Reserves & Surplus	2	18551.83	16528.13
		<u>21262.84</u>	<u>19238.74</u>
2) Minority Interest			
a) Capital		212.62	212.62
b) Reserves & Surplus	2A	2795.37	2626.34
		<u>3007.99</u>	<u>2838.96</u>
3) Loan Funds			
a) Secured Loans	3	13154.48	12898.53
b) Unsecured Loans	4	9580.50	6390.24
		<u>22734.98</u>	<u>19288.77</u>
4) Deferred Tax Net			
a) Liability		4918.33	4749.55
b) Asset		469.32	497.53
		<u>4449.01</u>	<u>4252.02</u>
TOTAL		<u>51454.82</u>	<u>45618.49</u>
II APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block	5	45703.55	39733.46
b) Less: Depreciation		17934.78	15832.87
c) Net Block		27768.77	23900.59
d) Capital work-in-progress at cost		1013.76	786.92
e) Good Will		191.98	191.98
		<u>28974.51</u>	<u>24879.49</u>
2) Investments			
	6	2712.66	1618.20
3) Current Assets, Loans & Advances			
a) Inventories	7	21842.41	22278.18
b) Sundry Debtors	8	5153.59	4870.82
c) Cash and Bank Balances	9	1312.22	1209.27
d) Other Current Assets	10	17.74	22.97
e) Loans and Advances	11	8098.70	4519.86
		<u>36424.66</u>	<u>32901.10</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	10133.94	9306.31
b) Provisions	13	6541.91	4499.61
		<u>16675.85</u>	<u>13805.92</u>
Net Current Assets		19748.81	19095.18
4) Miscellaneous Expenditure			
	14	18.84	25.62
TOTAL		<u>51454.82</u>	<u>45618.49</u>

NOTE: The schedules, notes and Statement on Accounting Policies form an integral part of the Balance Sheet.

Per our report of even date:
For Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad
A. Ranga Rao
M. Bulli Abbayi

Chairman & Managing Director
Director
Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

		(Rupees in lakhs)	
		This Year	Previous Year
INCOME			
	Schedule		
		48736.76	43035.92
		213.09	337.24
	15	2158.28	1958.45
		<u>51108.13</u>	<u>45331.61</u>
EXPENDITURE			
	16	19064.88	15320.71
		17697.59	19868.35
		----	14.49
	17	3300.79	2949.91
	18	13253.46	11988.48
	19	5322.35	5129.54
	20	2174.76	2056.10
		2371.14	1956.30
		<u>63184.97</u>	<u>59283.88</u>
	16	17736.37	19064.88
		<u>45448.60</u>	<u>40219.00</u>
		5659.53	5112.61
		5.41	5.35
		----	18.16
		69.28	24.60
		<u>5734.22</u>	<u>5160.72</u>
Less: Provisions for:			
		1803.25	1669.70
		196.96	239.74
		1.50	1.00
		<u>3732.51</u>	<u>3250.28</u>
		3.85	----
		480.00	1412.50
		<u>4216.36</u>	<u>4662.78</u>
		438.74	376.14
		3777.62	4286.64
		2948.08	3054.57
		<u>6725.70</u>	<u>7341.21</u>
APPROPRIATIONS			
		3100.00	3600.00
		49.92	----
		1084.28	677.83
		184.37	115.30
		2307.13	2948.08
		<u>6725.70</u>	<u>7341.21</u>
Basic Earnings per Share:			
		3293.77	2874.14
		27107078	27113088
		12.15	10.60
	21		

NOTE : The schedules, notes and Statement on Accounting Policies form an integral part of the Profit & Loss Account.

Per our report of even date:	FOR AND ON BEHALF OF THE BOARD	
For Brahmayya & Company	Dr. Mullapudi Harischandra Prasad	Chairman & Managing Director
Chartered Accountants	A. Ranga Rao	Director
C. Murali Krishna	M. Bulli Abbayi	Secretary
Partner		

Camp : TANUKU	TANUKU
Date : 31-07-2004	31-07-2004

SCHEDULES TO BALANCE SHEET

SHARE CAPITAL

		SCHEDULE - 1 (Rupees in lakhs)	
		As at 31-3-2004	As at 31-3-2003
AUTHORISED CAPITAL			
28750000	Equity shares of Rs.10/- each	2875.00	2875.00
30000	9.5% First Cumulative Redeemable Preference Shares of Rs.100/- each	30.00	30.00
95000	9.5% Second Cumulative Redeemable Preference Shares of Rs.100/- each	95.00	95.00
		<u>3000.00</u>	<u>3000.00</u>
ISSUED CAPITAL			
27113091	Equity Shares of Rs.10/- each	2711.31	2711.31
SUBSCRIBED AND PAID UP CAPITAL			
27107078	Equity Shares of Rs.10/- each	2710.71	2711.31
	Add: Forfeited shares	0.30	---
	Less: Calls in arrears	---	0.70
		<u>2711.01</u>	<u>2710.61</u>

RESERVES AND SURPLUS

		SCHEDULE - 2	
1)	INVESTMENT ALLOWANCE RESERVE	---	28.85
2)	DEBENTURE REDEMPTION RESERVE	---	480.00
3)	GENERAL RESERVE	16698.06	13695.23
4)	SHARE PREMIUM	1913.15	1912.35
5)	CAPITAL RESERVE		
	Capital investment subsidy	89.66	
	Forfeited Debentures	0.30	89.96
		<u>89.96</u>	89.96
	Surplus in P&L account (net of Minorities interest)	2307.13	
	Add: Minority interest in profit for the year	438.74	
		<u>2745.87</u>	2948.08
		21447.05	19154.47
	Less: Minority Interest in Reserves & Surplus	2895.22	2626.34
		<u>18551.83</u>	<u>16528.13</u>

SHARE OF MINORITY INTEREST IN RESERVES & SURPLUS

		SCHEDULE -2A	
	Share of Minority Interest in Reserves & Surplus	2895.22	
	Less: Minorities interest in proposed dividend	99.85	
		<u>2795.37</u>	2626.34

SECURED LOANS

SCHEDULE - 3
(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
DEBENTURES:		
i) 5,50,000 17% Non-Convertible Debentures of Rs.100/-each	----	184.00
ii) 2,50,000 17% Non-Convertible Debentures of Rs.100/-each	----	83.33
FROM BANKS:		
i) Term Loans	4882.00	4604.75
ii) Cash Credit	8272.48	8026.45
	-----	-----
TOTAL	13154.48	12898.53
	-----	-----

UNSECURED LOANS

SCHEDULE - 4

Fixed Deposits from Shareholders	1385.15	1369.43
Fixed Deposits from Others	3563.76	2654.66
Short term loan from banks for working capital	3007.43	1000.00
Sugarcane Development Fund (Covered under Bank guarantee)	30.17	45.26
Sales Tax Deferment Loan	1593.99	1320.89
	-----	-----
	9580.50	6390.24
	-----	-----

FIXED ASSETS

SCHEDULE - 5
(Rupees in lakhs)

	GROSS BLOCK				DEPRECIATION BLOCK	NET BLOCK
	Cost as at 31-3-03	Additions during the year	Deductions during the year	Cost as at 31-3-04	Dep. Upto 31-3-04	WDV AS AT 31-3-04
1) Land	408.39	351.95	---	760.34	---	760.34
2) Buildings	3738.76	821.60	0.79	4559.57	1220.07	3339.50
3) Plant and Machinery	32914.91	4838.56	111.72	37641.75	15110.24	22531.51
4) Renewable Energy Plant : Wind Farm	706.08	---	---	706.08	354.22	351.86
5) Tramways and Railway Sidings	161.59	47.80	53.16	156.23	113.67	42.56
6) Furniture & Fittings	682.61	186.94	121.64	747.91	532.82	215.09
7) Vehicles and Materials Handling Equipment	1121.09	18.74	8.16	1131.67	603.76	527.91
TOTAL	39733.43	6265.59	295.47	45703.55	17934.78	27768.77

INVESTMENTS

SCHEDULE - 6
(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
A) TRADE INVESTMENTS:		
- Equity Shares - in associates (quoted)	432.19	432.19
- in others (quoted)	1.76	1.76
- Equity Shares - (un-quoted)	2077.80	975.95
B) NON-TRADE INVESTMENTS:		
- Equity Shares (Quoted)	5.29	12.83
- Equity Shares (Unquoted)	60.00	60.00
- In Govt. Securities	0.32	0.37
- In Mutual Funds	45.30	45.10
- Redeemable Non-Convertible Bonds	90.00	90.00
	2712.66	1618.20

INVENTORIES

SCHEDULE - 7

(As certified by the respective Managing Directors)

Stores and Spares & Tools and Implements	2379.77	1855.75
Raw Materials	1710.01	1357.48
Work-in-process	400.48	632.31
Finished Goods	17335.90	18432.57
Goods in Transit	12.53	0.07
Crops under cultivation	3.72	----
	21842.41	22278.18

SUNDRY DEBTORS

SCHEDULE - 8

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	490.20	495.50
Unsecured-considered doubtful	3.18	3.18
	493.38	498.68
Less: Provision for Doubtful Debts	3.18	3.18
	490.20	495.50
b) Other Debts: Unsecured-considered good	4663.39	4375.32
	5153.59	4870.82

CASH AND BANK BALANCES

SCHEDULE - 9

Cash and Cheques on hand	20.80	26.93
Balances with Scheduled Banks in		
Current Accounts	539.53	943.64
Fixed Deposit Accounts	751.89	238.70
	1312.22	1209.27

OTHER CURRENT ASSETS

SCHEDULE - 10

Interest accrued on Investments and Deposits	17.74	22.97
	17.74	22.97

LOANS AND ADVANCES

SCHEDULE - 11

(Rupees in lakhs)

	As at 31-3-2004	As at 31-3-2003
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	2646.90	477.02
Unsecured considered doubtful	0.03	0.03
	2646.93	477.05
Less: Provision for doubtful Advances	0.03	0.03
	2646.90	477.02
Prepaid Expenses	125.50	72.70
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	393.00	416.13
Advance payment of Income Tax	4088.23	2842.74
Income Tax deducted at source	344.77	300.11
Income Tax refund receivable	17.03	26.14
Deposits recoverable	260.38	241.10
Claims recoverable	211.92	143.68
Balance with Customs, Port Trust etc.	10.97	0.24
	8098.70	4519.86

LIABILITIES

SCHEDULE - 12

Sundry Creditors		
Due to Small Scale Industrial undertakings	0.63	16.82
Due to Others	9690.38	8751.96
(incl. Rs. 424.22 lakhs (355.6 lakhs) due to directors of Group Companies)		
Advances received against sales	143.43	253.08
Trade Deposits	71.44	69.34
Staff security deposit	5.34	3.24
Interest accrued but not due on Loans	137.49	111.53
Dividends declared pending payment / encashment	45.55	42.16
Advance interest subsidy received	7.84	14.86
Unclaimed matured fixed deposits	26.17	38.86
Unclaimed interest on matured deposits and debentures	4.70	3.65
Unclaimed matured debentures	0.97	0.81
	10133.94	9306.31

PROVISIONS

SCHEDULE - 13

For Income Tax	5016.65	3445.20
For Wealth Tax	3.25	2.50
For Proposed Dividend by Subsidiary company (Minority Interest)	99.85	99.85
For Proposed Dividend by Parent company	1084.28	677.83
For Tax on Distributable Profits	170.15	115.30
For Leave Encashment on Retirement	167.73	158.93
	6541.91	4499.61

MISCELLANEOUS EXPENDITURE

SCHEDULE - 14

(to the extent not written off or adjusted)

Preliminary Expenses		
Issue expenses of Debentures / Shares on Rights basis	25.62	32.40
Less: Written off during the year	6.78	6.78
	18.84	25.62

SCHEDULES TO PROFIT & LOSS ACCOUNT

OTHER INCOME

SCHEDULE - 15

(Rupees in lakhs)

	This Year	Previous Year
Income from Job Works	54.70	0.47
Freight and other sales expenses recovered	1147.00	675.07
Subsidy on Superphosphate sales	232.65	173.00
Rents received	7.94	10.94
Dividend income (Gross)	125.30	124.21
Interest income from Banks and Others (Gross)	103.58	141.82
Processing Charges received	----	57.84
Miscellaneous Receipts	57.98	136.96
Profit on Sale of Assets	60.93	72.21
Provisions no longer required and Credit balances written back	47.92	35.73
Sales Tax refund received	2.04	39.47
Claims received	269.50	46.61
Income from agriculture	3.32	2.30
Bad debts recovered	0.96	----
Rebates in expenses of prior years	----	418.60
Excess provision of doubtful debts and advances credited back	3.08	12.77
Difference in exchange	6.98	----
Interest income on investment	12.98	10.45
Provision for dimuntion in value of investments credited back	21.42	---
	2158.28	1958.45

OPENING AND CLOSING STOCKS

SCHEDULE - 16

Opening Stock:		
Work-in-process	632.31	305.57
Finished goods	18432.57	15015.14
	19064.88	15320.71
Closing Stock:		
Work-in-process	400.48	632.31
Finished goods	17335.89	18432.57
	17736.37	19064.88

PAYMENTS AND BENEFITS TO EMPLOYEES

SCHEDULE - 17

Salaries, Wages and Bonus	2692.62	2401.34
Contribution to Provident, Gratuity and other funds	455.88	384.17
Workmen and Staff Welfare Expenses	152.29	164.40
	3300.79	2949.91

MANUFACTURING AND OTHER EXPENSES

SCHEDULE - 18

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1539.09	1702.47
Power and Fuel	5434.79	4690.99
Insurance	192.67	168.79
Sugarcane Development Expenses	79.65	504.10
Royalty	0.01	0.89
Repairs to Buildings	209.06	138.36
Repairs to Machinery	2403.60	1531.95
Repairs to Other Assets	230.49	201.94
Advertisement and Sales Promotion	20.19	13.72
Handling, Transport & Expenses at Sales Depots	1376.67	852.66
Commission on Sales	158.50	183.39
Rent	18.90	10.39
Equipment lease rentals	0.02	3.65
Directors' Sitting Fee	2.03	1.82
Managerial Remuneration	499.86	443.90
Payments to Auditors	9.94	8.65
Miscellaneous Expenses	629.26	635.30
Donations	74.23	55.86
Loss on sale of Assets	0.22	0.69
Premium on Debentures	----	141.21
Issue expenses of Shares/Debentures written off	6.78	6.78
Bad debts written off	3.81	264.11
Debit balances written off	5.30	----
Tools written off	24.55	0.23
Assets written off	3.68	22.40
Prior year adjustments	----	1.31
Processing charges paid	92.77	56.11
Freight on materials	213.09	343.02
Stores & Spares written off	2.98	3.79
Loss on sale/conversion of investments	21.32	----
	<u>13253.46</u>	<u>11988.48</u>

EXCISE DUTY AND TAXES

SCHEDULE - 19

Excise Duty	4589.95	4349.15
Purchase Tax on Sugarcane	535.39	660.35
Rates and Taxes	197.01	120.04
	<u>5322.35</u>	<u>5129.54</u>

INTEREST

SCHEDULE - 20

On Debentures and fixed period loans	1041.69	1099.23
On Directors loans	65.27	53.86
To Banks and on other Accounts	1067.80	903.01
	<u>2174.76</u>	<u>2056.10</u>

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE – 21

1. Basis of preparation

The Andhra Sugars Limited (ASL), the parent company has prepared the group consolidated financial statements by consolidating its accounts and those of its subsidiaries viz., JOCIL Limited, The Andhra Farm Chemical Corporation Limited and Hindustan Allied Chemicals Limited in accordance with Accounting Standard-21 “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

Financial Statements of the Subsidiaries used in the consolidation are drawn upto the same reporting date as that of the parent company i.e., year ended 31st March,2004.

2. Principles of Consolidation:

The consolidated financial statements of the group are prepared according to the accounting policies as stated in the “Statements on Accounting Policies” in the respective group companies and published separately. The accounting policies of the group companies are uniform except for the method of charging depreciation in respect of some of the items of like assets. It is not practicable to use uniform accounting policies in preparing the consolidated financial statements, and in the opinion of the management, the effect of such differences in the accounting policies is not material.

3. Minority Interest:

Subsidiary companies	% Voting power held as at 31st March, 2004
a. JOCIL Limited	44.97
b. The Andhra Farm Chemical Corporation Limited	23.17
c. Hindustan Allied Chemicals Limited	22.64

4. Associates:

The Andhra Sugars Limited and its other group companies hold 24.81% of the share capital of The Andhra Petrochemicals Limited (APL) as on 31.3.2004. Therefore APL is treated as an associate, and investment in it is recognized in the accounts using the equity method in accordance with the Accounting Standard – 23 “Accounting for Investments in Associates in Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

The accounting policies of APL are broadly comparable to those of ASL.

The gross cost of the investments of the Group companies in the shares of the said Associate company, at the date of this Balance Sheet was Rs.2519.21 lacs. After making a provision of Rs.2087.02 lacs for diminution in value in accordance with AS – 13 “Accounting for Investments”, their net carrying value stood at Rs.432.19 lacs. The carrying cost of the said investments after applying the equity method to their gross cost in accordance with AS – 23 “Accounting for investments in Associates in Consolidated financial statements” works out to Rs.1855.48 lacs, including capital reserve arising on the said acquisition. As a prudent practice the said investments are reflected in the consolidated financial statements at the lower of the two values.

The Andhra Sugars Limited - Group Consolidated Financial Statements

5. Major components of deferred tax assets and liabilities arising on account of timing differences are:

Particulars	(Rs. in lakhs)	
	Assets	Liabilities
1. Depreciation	----	4918.33
2. Amounts disallowed u/s 43 B of Income Tax Act, 1961.	430.80	----
3. Unabsorbed losses under the Income Tax Act, 1961	7.33	----
4. Provision for doubtful debts	1.14	----
5. Payment under VRS	30.05	-----
	469.32	4918.33
	-----	-----
Net deferred tax liability		4449.01

(Rupees in lakhs)

As at	As at
31-3-2004	31-3-2003

6 CONTINGENT LIABILITIES NOT PROVIDED FOR:

a) Estimated amount of contracts remaining to be executed on Capital Account	3985.49	520.64
b) On letters of credit opened with Bankers	3058.84	362.61
c) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	0.01	0.01
d) Claims against the Company not admitted	487.22	1936.24

7. In the case of The Andhra Sugars Limited, under the provisions of "The Levy Sugar Price Equalisation Fund Act, 1976" the excess amount collected over the notified levy sale price pursuant to the interim stay granted by the Courts vests in the fund. In a writ petition No:1534/76 filed by the Company against these provisions, the High Court of Andhra Pradesh has held that provisions of said Act are not applicable to the excess collections made prior to 15-6-1972, against which the Union Government filed a civil appeal No:274/79 before the Supreme Court, which is pending.

While admitting the appeal, the Supreme Court granted stay of operation of Judgement of A.P. High Court in W.P.No: 1534/76 and directed the Company to furnish a Bank Guarantee for Rs.9.60 lakhs being the difference in levy Sugar price for the Sugar Season 1969-70. The Bank Guarantee was furnished on 7-12-1979 in favour of Registrar, High Court of Andhra Pradesh. Interest, if any, payable under the said Act, estimated at Rs.50.55 lakhs has not been provided for in the accounts pending final legal decision in the matter.

8. In the case of The Andhra Sugars Limited, no provision is made in the accounts towards additional cane price for the years 1974-75 to 1979-80, if any, payable to the cane growers, arising out of the orders of Supreme Court in C.A. No: 274/79 which is estimated by the company at Rs.46.07 lakhs. The company has along with other sugar companies claimed on the Govt. that additional levy price of sugar for the said years should also be revised consequent on revision of cane price referred to above. The net impact of the above is not determinable.

The Andhra Sugars Limited - Group Consolidated Financial Statements

9. In the case of The Andhra Sugars Limited, pursuant to an amendment to the Bonus Act 1965 in July 1995 the eligibility limit and the maximum amount of bonus payable was increased with retrospective effect from 1st April, 1993. This was challenged by the company by way of writ petition in the High Court of Andhra Pradesh which was pleased to grant stay of operation of the amendment with regard to its retrospectivity pending further orders. As the matter is subjudice no provision is made in the accounts for Rs.22.66 lakhs being the differential bonus for the accounting year ended 31st March, 1994.
10. In the case of The Andhra Sugars Limited, no provision has been made in the accounts towards the liability if any, that may arise towards sales tax portion of the cost of rock phosphate purchased on high seas from MMTC for the years 1977-78 to 1988-89, estimated at Rs.23.22 lakhs. The company has furnished an indemnity to MMTC for the said amount.
11. In the case of The Andhra Sugars Limited, "Sundry Creditors" includes Rs.7.53 lakhs received from S.T.C. towards damages for breach of Contract pursuant to the orders of the Appellate Authorities/ Arbitrators. Since, further Appeals preferred by the S.T.C. before the higher appellate authorities are pending, the said amount is not recognised as revenue in the year of receipt, pending disposal of final appeal.
12. In the case of The Andhra Sugars Limited, the Company has given undertakings / assurance to APIDC, IDBI, ICICI and other Institutions not to dispose of its share holdings in The Andhra Petrochemicals Limited, and Andhra Pradesh Gas Power Corporation Limited without the prior consent of the institutions until the loans payable by the said companies to the said institutions are fully repaid.
13. In the case of The Andhra Sugars Limited, no provision has been made towards Excise Duty demands aggregating to Rs. 947.35 lakhs on UDMH/MMH/UH -25, supplied to ISRO by the company. The company has contested the said demands before Customs, Excise, Service Tax Appellate Tribunal, which has granted conditional stay of collection of the said amount demanded pending final decision. Similarly provision has also not been made for similar demands of Rs.37.76 lakhs contested by the company before other appropriate appellate authorities, pending their decision. As per the agreement between the company and Department of Space, Government of India, the ultimate liability, if any, that may arise in this matter will be to the account of Department of Space, Government of India and there will not be any charge on account thereof in the company's accounts.
14. The JOCIL Limited received demand of Rs.403.47 lakhs from the commissioner of Customs and Central Excise, Guntur disallowing Cenvat Credit availed on capital goods of Power Plant, and levying interest and penalty. Against the said demand the company filed an appeal before CEGAT, Bangalore which is pending disposal. No provision is made in the accounts for the said demands.
15. Disclosure as required by Accounting Standard-18 (AS-18) 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India are given in Annexure - I.

16. Segment information:

Particulars disclosed pursuant to Accounting Standard -17 "Segment Reporting" are given in Annexure - II

17. General:

Figures have been rounded off to the nearest thousand.

Previous year figures have been regrouped wherever necessary.

Per our report of even date:
For Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad

A. Ranga Rao

M. Bulli Abbayi

Chairman & Managing Director

Director

Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

GROUP CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2003 - 2004

	(Rupees in lakhs)	
	2003-2004	2002-2003
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before Tax and extra-ordinary items	5659.53	5112.61
ADJUSTMENTS FOR:		
Depreciation	2371.14	1957.39
Assets written off	3.68	1.31
Provision for diminution in value of investments credited back	-21.42	----
Interest (Net)	2058.20	1903.84
Profit/Loss on sale of assets (Net)	-60.71	-71.52
Dividends received	-125.30	-124.21
Issue expenses of shares/debentures written off	6.78	6.78
Investments written off	0.13	----
Loss on conversion of investments	21.32	----
Premium on Debentures	----	141.21
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	9913.35	8927.41
Trade and other receivables	-2550.94	5.43
Inventories	435.79	-3814.12
Trade payables	812.34	2886.83
CASH GENERATED FROM OPERATIONS	8610.54	8005.55
Direct taxes paid	-1582.97	-1405.64
Refund of taxes	9.37	41.24
NET CASH FROM OPERATING ACTIVITIES.....A	7036.94	6641.15
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	-6492.40	-5480.00
Sale of Fixed Assets	88.49	96.11
Purchase of Investments	-1094.49	----
Interest received	116.56	152.26
Dividends received	125.30	2.05
NET CASH USED IN INVESTING ACTIVITIES.....B	-7256.54	-5229.58
C CASH FLOW FROM FINANCING ACTIVITIES:		
Share capital received	0.40	----
Share premium arrears received	0.80	----
Forfeited debentures	----	0.30
Redemption of Debentures (including premium)	-267.33	-3236.12
Proceeds from borrowings/loans	3713.52	4536.13
Dividends paid	-950.08	-778.74
Interest paid	-2174.76	-2056.10
NET CASH FROM FINANCING ACTIVITIES.....C	322.55	-1534.53
INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	102.95	-122.96
Cash and Cash equivalents as on 01.4.2003	1209.27	1332.23
Cash and Cash equivalents as on 31.3.2004	1312.22	1209.27
	102.95	-122.96

Per our report of even date:
For Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

FOR AND ON BEHALF OF THE BOARD

Dr. Mullapudi Harischandra Prasad
A. Ranga Rao
M. Bulli Abbayi

Chairman & Managing Director
Director
Secretary

Camp : TANUKU
Date : 31-07-2004

TANUKU
31-07-2004

ANNEXURE – I

Particulars disclosed pursuant to “Accounting Standard -18 Related Party Disclosures”

(A) LIST OF RELATED PARTIES:

1) Key Management Personnel: (Viz: Wholetime Directors)

The Andhra Sugars Limited

Dr. Mullapudi Harishchandra Prasad
Dr. B.B. Ramaiah
Sri P. Narendranath Chowdary
Sri M. Narendranath
Sri M. Thimmaraja
Sri P. Achuta Ramayya
Sri P.S.R.V.K. Ranga Rao

JOCIL Limited

Sri J. Murali Mohan

The Andhra Farm Chemicals Corporation Limited

Sri P. V. Krishna Rao

2) Relatives of Key Management Personnel:

Sri B.V.V.S. Ramesh Kumar	Son of Dr. B.B.Ramaiah
Smt. M. Chandramathi Devi	Wife of Dr.Mullapudi Harischandra Prasad
Smt. CH. Ravanamba	Sister of Dr. Mullapudi Harischandra Prasad
Smt. J. Gangabhavani Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. Y. Rajeshwari Devi	Sister of Dr.Mullapudi Harischandra Prasad
Smt. J. Anantha Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. N.V. Ramanamma	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. R. Akkamamba	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. Y. Narayanammama	Daughter of Dr. Mullapudi Harischandra Prasad
Smt. M. Narayanamma	Wife of Sri M. Narendranath
Kum. M. Jayashree	Daughter of Sri M. Narendranath
Smt. G. Anuradha	Daughter of Sri M.Narendranath
Sri M. Vikram Prasad	Son of Sri M. Narendranath
Smt. M. Renuka	Wife of Sri M. Thimmaraja
Kum. M. Devi	Daughter of Sri M.Thimmaraja
Sri M. Mrutyumjaya Prasad	Son of Sri M. Thimmaraja
Smt. P. Jhansi Jayalakshmi	Wife of Sri P. Narendranath Chowdary
Kum. P.A.L. Satyavathi Devi	Daughter of Sri P. Narendranath Chowdary
Smt. S.B. Ranganayaki	Sister of Sri P. Narendranath Chowdary
Smt. E. Rama Lakshmi	Sister of Sri P.Narendranath Chowdary

The Andhra Sugars Limited - Group Consolidated Financial Statements

Smt. J. Akkamamba	Sister of Sri P.Narendranath Chowdary
Smt. J. Usha Rani	Sister of Sri P.Narendranath Chowdary
Smt. N. Anantha Lakshmi	Sister of Sri P.Narendranath Chowdary
Smt. M. Kamala Devi	Sister of Sri P. Narendranath Chowdary
Chy. P.V. Rayudu	Son of Sri P.V. Krishna Rao
Chy. P. Ravi	Son of Sri P.V. Krishna Rao
Smt. P. Sesha Shailaja	Wife of Sri P. Achuta Ramayya
Kum. P. Divya Atchmamba	Daughter of Sri P. Achuta Ramayya
Kum. P. Sruthi Rajeswari	Daughter of Sri P. Achuta Ramayya
Smt. P. Sujatha	Mother of Sri P.S.R.V.K. Ranga Rao
Smt. P. Usha Lakshmi	Wife of Sri P.S.R.V.K. Ranga Rao
Kum. P. Meghana Srisai Sujatha	Daughter of Sri P.S.R.V.K. Ranga Rao
Smt. J. Ganga Bhavani	Mother of Sri J.Murali Mohan
Smt. J.Sunitha Mohan	Wife of Sri J.Murali Mohan
Kum. J. Namrata	Daughter of Sri J.Murali Mohan
Smt. V.Indira	Sister of Sri J.Murali Mohan

3. Enterprises in which Key Management Personnel and/or their relatives have significant influence :

Jaya Industries
Jayalakshmi Fertilisers
Jayalakshmi Chemical Enterprises Private Limited
S P V K R M Trust, Dommeru
Sree Akkamamba Textiles Limited
Sree Mullapudi Venkataramanamma Memorial Hospital
Mullapudi Venkatarayudu Eye Centre
Mullapudi Kamala Devi Cardio Vascular Centre
Sri J. Murali Mohan (HUF)

4) Associates:

The Andhra Petrochemicals Limited

(B) TRANSACTIONS WITH THE RELATED PARTIES:

(Rupees in Lakhs)

PARTICULARS	Entities in which KMP or their relatives have significant influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
Purchase of Goods from	195.99 (123.90)	0.00 (0.55)	17.23 (11.01)	23.75 (19.36)
Purchase of Fixed Assets from	2.60 (2.80)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered by	6.30 (4.74)	0.00 (0.00)	0.00 (0.00)	0.57 (0.00)
Sale of Goods to	630.30 (520.07)	14.98 (18.13)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	0.20 (0.06)	0.55 (0.41)	0.35 (0.00)	0.73 (0.00)
Interest Paid to	0.00 (0.30)	0.00 (0.00)	65.48 (53.88)	67.32 (42.63)
Interest Received from	0.00 (0.00)	0.00 (10.19)	0.00 (0.00)	0.00 (0.00)
Remunerations (incl. Commission) paid to	0.00 (0.00)	0.00 (0.00)	499.87 (444.21)	0.00 (0.00)
Donations paid to	5.00 (20.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	29.81 (29.83)	0.00 (0.00)	94.56 (94.10)	177.09 (176.61)
Dividend Received from	1.68 (1.40)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Balances as at 31-03-2004:				
a) Share Capital held by the company, in	1.75 (1.75)	463.98 (463.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	31.76 (3.31)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the the company held by	119.23 (119.33)	0.00 (0.00)	376.89 (375.93)	707.89 (707.52)
d) Fixed Deposits Received from	0.00 (2.13)	0.00 (0.00)	598.26 (522.80)	619.04 (423.49)
e) Payable - Trade dues	14.09 (1.81)	0.00 (0.00)	3.59 (2.44)	4.46 (2.71)
- Interest on F.D's.	0.00 (0.00)	0.00 (0.00)	17.12 (6.10)	2.13 (11.21)
- Remuneration (including Commission)	0.00 (0.00)	0.00 (0.00)	420.63 (358.38)	0.00 (0.00)

STATEMENT SHOWING SEGMENT WISE ANALYSIS AS ON 31-03-2004

(Rs. in Lakhs)

ANNEXURE – II

Description	SUGARS		CAUSTIC SODA		POWER GENERATION		INDUSTRIAL CHEMICALS		SOAP		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
REVENUE :																
External Sales	16476.73	13107.97	16743.50	13607.15	764.00	775.24	8359.50	7645.06	3275.23	2908.74	3330.89	5329.00	---	---	48949.85	43373.16
Inter-segment sales	1123.62	1203.23	324.60	624.81	1836.34	1568.79	2954.55	3091.53	---	---	47.07	125.52	6286.18	6613.88	---	---
Total Revenue	17600.35	14311.20	17068.11	14231.96	2600.34	2344.03	11314.05	10736.59	3275.23	2908.74	3377.96	5454.52	6286.18	6613.88	48949.85	43373.16
RESULT :																
Segment result before Interest, extraordinary items and taxes	2116.35	1807.02	4301.98	2627.73	805.47	443.24	1749.36	1513.09	427.52	467.11	607.72	-42.05	---	---	10008.40	6816.14
Unallocated corporate expenses less Income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2312.07	1591.21
Operating Profit	---	---	---	---	---	---	---	---	---	---	---	---	---	---	7696.33	5224.93
Interest expenses	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2174.76	2056.10
Provision for Diminution in the value of Investments credited back	---	---	---	---	---	---	---	---	---	---	---	---	---	---	21.42	---
Investment allowance reserve withdrawn	---	---	---	---	---	---	---	---	---	---	---	---	---	---	3.85	---
Excess Provision of Depreciation Credited back	---	---	---	---	---	---	---	---	---	---	---	---	---	---	5.41	5.35
Interest income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	116.56	1943.78
Profit before tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	5668.80	5112.61
Provision for current and deferred tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1932.43	1867.68
Net Profit after tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	3736.36	3250.28
OTHER INFORMATION :																
Segment Assets	26244.61	22984.63	18390.77	17120.71	3700.17	3914.38	5390.19	4423.16	1167.37	1172.54	3531.36	2550.52	---	---	58424.47	52165.94
Unallocated Corporate Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	9672.83	7258.50
Total Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	68097.31	59424.44
Segment Liabilities	5005.24	5529.69	1770.29	2987.24	77.58	50.33	544.84	509.37	63.69	96.90	1843.44	429.82	---	---	9305.08	9603.35
Unallocated Corporate Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	33314.25	23491.34
Total Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	42619.33	33094.69
Capital Expenditure	519.31	389.64	1425.62	4132.57	36.83	41.53	667.38	223.45	516.63	389.70	250.17	303.11	---	---	3415.94	5480.00
Depreciation	430.22	357.06	965.61	669.42	385.59	420.96	233.45	236.63	85.30	47.38	270.97	224.85	---	---	2371.14	1956.30
Non-cash Expenditure other than Depreciation	---	---	---	---	---	---	---	---	---	---	6.78	6.78	---	---	6.78	6.78

NOTES :

- The company and its subsidiaries have disclosed Business Segment as the primary Segments. Segments have been identified taking into account the nature of Products, the different risks and returns, the organization structure and internal reporting system.
- The operations of the Parent Company and its subsidiaries predominantly relate to manufacture of Sugar, Caustic Soda, Soaps, Industrial Chemicals comprising mainly fatty acids Industrial alcohol, Acetic acid and its related products and Liquid propellants.
- The business segments that are disclosed under "Other" comprise Fertilizers, Bulk Drugs, Edible oils and Transportation receipts etc.,
- All the Group companies operate predominantly in the Indian markets and have no production facilities outside India. Hence, there are no separately reportable Geographical Segments.
- Inter Segment transfers are priced at market rates.
- The segments reported in previous year are regrouped wherever necessary to conform to current year classification and as per requirements of "AS-17 Segment Reporting".

STATEMENT REGARDING SUBSIDIARY COMPANIES AS ON 31-03-2004

(Rupees in Lakhs)

Name of the Subsidiary Company	JOCIL Ltd.	The Andhra Farm Chemicals Corporation Limited	Hindustan Allied Chemicals Limited
1. Capital	444.11	45.00	10.63
2. Reserves	6372.39	128.39	-0.83
3. Total Assets	10329.41	222.01	10.06
4. Total Liabilities	3512.92	48.62	0.27
5. Details of Investments	21.34	----	----
6. Total Income	9497.01	342.71	0.67
7. Profit before taxation	1326.49	3.72	0.61
8. Provision for current Taxation	400.00	3.00	0.25
9. Profit after Taxation	931.90	5.67	0.36
10. Proposed dividend	222.03	----	----