

THE ANDHRA SUGARS LIMITED



60th ANNUAL REPORT 2006-2007



THE ANDHRA SUGARS LIMITED

60th ANNUAL REPORT

2006 - 2007

BOARD OF DIRECTORS :

Dr. Mullapudi Harischandra Prasad
Chairman & Managing Director

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

Justice G. Ramanujam

Sri A. Ranga Rao

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

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

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

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

Dr. A.V. Rama Rao

Dr. P. Kotaiah

Sri V. S. Raju

Dr. Alapaty Appa Rao

Dr. Anumolu Ramakrishna

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

COMPANY SECRETARY :

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

VICE PRESIDENT (Finance) :

Sri 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.

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THE ANDHRA SUGARS LIMITED

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the SIXTIETH Annual General Meeting of THE ANDHRA SUGARS LIMITED will be held at the Registered Office of the Company, Venkatarayapuram, Tanuku on Saturday the 29th day of September, 2007 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, 2007 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 2006-2007.
3. To appoint a Director in place of Sri A. Ranga Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. 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 2007-2008 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 a Special Resolution:

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Dr. Mullapudi Harischandra Prasad be and is hereby re-appointed as Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Dr. Mullapudi Harischandra Prasad is not subject to retirement by rotation during the tenure of his office as Managing Director from 01.01.2008 to 31.12.2012.

1. **Salary:**

Rs. 50,000/- per month.

2. **Commission:**

Upto 2% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. **Perquisites:**

(i) Housing - Free furnished residential accommodation, if provided, with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary. (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self

The Andhra Sugars Limited

and family, (iii) Leave Travel Concession – for himself and his family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to provident fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the company during the term of his office as Managing Director, the remuneration and perquisites set out above be paid or granted to Dr. Mullapudi Harischandra Prasad as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary the terms & conditions of the salary, commission and perquisites in such manner as may be agreed to between Dr. Mullapudi Harischandra Prasad, Managing Director and the Board.”

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

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Dr. Bolla Bulli Ramaiah be and is hereby re-appointed as Managing Director (Tech.) of the Company for a period of 5 years with effect from 01.04.2008 on such salary, commission and perquisites as set out hereunder:-

Dr. Bolla Bulli Ramaiah is not subject to retirement by rotation during the tenure of his office as Managing Director (Tech.) from 01.04.2008 to 31.03.2013.

1. **Salary:**
Rs. 50,000/- per month.
2. **Commission:**
Upto 2% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.
3. **Perquisites:**
 - (i) Housing - Free furnished residential accommodation, if provided, with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of

the Salary. (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self and family, (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the company during the term of his office as Managing Director (Tech.), the remuneration and perquisites set out above be paid or granted to Dr. B. B. Ramaiah as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms & conditions of the salary, commission and perquisites in such manner as may be agreed to between Dr. B.B. Ramaiah, Managing Director(Tech.) and the Board.”

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

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Sri Mullapudi Narendranath be and is hereby re-appointed as Joint Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri Mullapudi Narendranath is subject to retirement by rotation during the tenure of his office as Joint Managing Director from 01.01.2008 to 31.12.2012.

1. Salary:

Rs. 40,000/- per month.

2. Commission:

Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. Perquisites:

- (i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary.
- (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self and family,
- (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the company during the term of his office as Joint Managing Director, the remuneration and perquisites set out above be paid or granted to Sri M. Narendranath as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms & conditions of the salary, commission and perquisites in such manner as may be agreed to between Sri M. Narendranath, Joint Managing Director and the Board.”

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

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Sri Mullapudi Thimmaraja be and is hereby re-appointed as Joint Managing Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri Mullapudi Thimmaraja is not subject to retirement by rotation during the tenure of his office as Joint Managing Director from 01.01.2008 to 31.12.2012.

1. Salary:

Rs. 40,000/- per month.

2. Commission:

Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.

3. Perquisites:

- (i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary
- (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self and family,
- (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees, (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the company during the term of his office as Joint Managing Director, the remuneration and perquisites set out above be paid or granted to Sri M. Thimmaraja as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms & conditions of the salary, commission and perquisites in such manner as may be agreed to between Sri M. Thimmaraja, Joint Managing Director and the Board.”

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

“RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Sri P. Achuta Ramayya be and is hereby re-appointed as Executive Director of the Company for a period of 5 years with effect from 01.01.2008 on such salary, commission and perquisites as set out hereunder:-

Sri P. Achuta Ramayya is subject to retirement by rotation during the tenure of his office as Executive Director from 01.01.2008 to 31.12.2012.

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1. **Salary:**
Rs. 40,000/- per month.
2. **Commission:**
Upto 1% of the net profits of the Company subject to an overall ceiling stipulated in Sections 198 & 309 of the Companies Act.
3. **Perquisites:**
 - (i) Housing - Free furnished residential accommodation, if provided with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income-Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary.
 - (ii) Medical reimbursement of the expenses incurred for treatment in India / Abroad for self and family,
 - (iii) Leave Travel Concession for self and family as per the rules of the Company, (iv) Club Fees,
 - (v) Personal Accident Insurance, (vi) Provident Fund - Company's contribution towards Provident Fund at 12% of his salary or any rate applicable from time to time, (vii) Superannuation Fund – Company's contribution towards Superannuation Fund as per the rules of the Company, such contribution together with Company's contribution to Provident Fund shall not exceed 27% of the salary as laid down under the Income tax Rules, 1962 or such other ceiling as may be prescribed from time to time, (viii) Gratuity – not exceeding ½ a month's salary for each completed year of service, (ix) Leave – entitled to one month's leave, as per the rules of the Company on full pay for every 11 months of service. Encashment of leave as per the rules of the company applicable to him at the end of tenure will not be included in computation of ceiling on perquisites, (x) Telephone – one or more free telephone facility at the residence for the use of Company's business, (xi) Car – one or more use of Company's car on Company's business with driver and all expenses of maintenance, repairs and cost of petrol (Provision of Car and telephone at residence for use of Company's business will not be considered as perquisites), (xii) any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The above perquisites including salary and commission shall be subject to an overall ceiling of remuneration stipulated under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto or any statutory modification thereof.

Company's contribution to Provident Fund and Superannuation Fund and Gratuity payable at the end of the tenure to the extent these either singly or together are not taxable under the Income-tax Act shall not be included in the computation of limits for the perquisites aforesaid.

“RESOLVED FURTHER that, in the event of loss or inadequacy of profit in any financial year of the company during the term of his office as Executive Director, the remuneration and perquisites set out above be paid or granted to Sri P. Achuta Ramayya as minimum remuneration or such other salary and perquisites as stipulated in Schedule XIII of the said Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms & conditions of the salary, commission and perquisites in such manner as may be agreed to between Sri P. Achuta Ramayya, Executive Director and the Board.”

12. To consider and if thought fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT in supersession 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 to mortgage and/or charge by way of second charge the immovable properties

wherever situate, present and future of the Company 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 upto Rs. 22,000 lakhs.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with respective consortium of Banks / Andhra Bank acting as an Agent of the 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.”

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU – 534 215
28-07-2007

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 the proxy need not be a member.**
- The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday the 20th September, 2007 to Saturday the 29th September, 2007 (both days inclusive).
- 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 29th September, 2007. **In respect of the shares held in Demat Mode, the above dividend will be paid on the basis of beneficial ownership as at end of business hours of 19th September, 2007 as per the details furnished by the Depositories for this purpose.**
- Shareholders holding shares in physical mode are requested to notify their change of address, if any, to the Company.
- Shareholders are requested to furnish their Bank Account No. in order to enable the Company to print their Bank Account on the Dividend Warrants.
- As per the provisions of Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the un-claimed Dividend in respect of Dividend for the year 1998-99 have been transferred to Investors Education and Protection Fund as envisaged in Section 205C of the Companies Act, 1956. It may be noted that as per the statutory provisions unclaimed dividend for the year 1999-2000 (final dividend) is required to transferred to Investor’s Education and Production Fund on the due date of 3-11-2007, thereafter no claim can be made. Shareholders who have not encashed the dividend pertaining to the said year may kindly make a claim before the due date of 3-11-2007.**
- Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached.**
- Information about the Directors seeking re-appointment/ appointment at the 60th Annual General Meeting as required under Corporate Governance.**

As required by Corporate Governance the information or details to be provided in respect of Directors seeking appointment / re-appointment at the 60th Annual General Meeting are given hereunder:-

Sri 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 Chairman & Managing Director of Akin Laboratories Pvt. Limited. He is the Chairman of the Audit Committee constituted by the board of your company.

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Sri A. Ranga Rao holds 200 equity shares in the company.

Dr. P. Kotaiah, former Chairman of NABARD, has rich financial background and industrial experience of more than three decades. He holds Directorships on the Board of many Companies viz., Blossom Industries Limited, Lanco Infratech Limited, Zen Technologies Limited, LANCO Kondapalli Power Private Limited, Krishna Godavari Power Utilities Limited, Avra Laboratories Pvt. Limited and Pridhvi Asset Reconstruction & Securitisation Co. Limited. He is a Chairman, Audit Committee constituted by the Boards of LANCO Kondapalli Power Private Limited, Zen Technologies Limited, LANCO Infratech Limited.

No equity shares are held by Dr. P. Kotaiah in the company.

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

No equity shares are held by Dr. A.V. Rama Rao in the company.

Details regarding the Managing Director / Whole-time Directors seeking re-appointment at the ensuing 60th Annual General Meeting are given in the Explanatory Statement to this Notice.

SPECIFIC ATTENTION OF SHAREHOLDERS

Sub : Furnishing of Bank Account details for printing on Dividend Warrants.

Shareholders

Physical Mode : *Bank Account / ECS Account details be furnished to the Company at the earliest in the format enclosed (Last Page).*

Electronic / Demat Mode : *Bank Account / ECS Account details be furnished to the DP with whom demat account has been opened and not to the Company. The Company cannot act on any request received directly from the members holding shares in Demat Mode for Bank Account Mandates.*

ANNEXURE TO NOTICE

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

ITEM NO. 7

The present term of Dr. Mullapudi Harischandra Prasad as Managing Director will be expiring by 31-12-2007.

Dr. Mullapudi Harischandra Prasad is one of the founders of the company and was partner Ex-Managing Agency firm The Andhra Sugars Limited. From 1.8.1968 he is the Managing Director of your Company. Under his dynamic leadership and guidance the Company grew in strength and size and diversified into an Industrial Complex manufacturing besides Sugar, wide range of Organic and Inorganic Chemicals. Dr. Mullapudi Harischandra Prasad was instrumental in taking up various expansion / modernisation / diversification programmes.

Your Board of Directors therefore unanimously approved the re-appointment of Dr. Mullapudi Harischandra Prasad as Managing Director for a further period of 5 years with effect from 1.1.2008 on the terms and conditions as set out in the Resolution.

Your Directors recommend the Resolution for your approval.

Dr. Mullapudi Harischandra Prasad, the concerned Managing Director, along with his relatives Sri M. Narendranath and Sri M. Thimmaraja shall be deemed to be interested in the above Resolution.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Dr. Mullapudi Harischandra Prasad as Managing Director for a further period of five years with effect from 1.1.2008 pursuant to Section 302(7) of the Companies Act, 1956.

ITEM NO. 8

The present term of Dr. B.B. Ramaiah as Managing Director (Tech.) will be expiring by 31.03.2008.

Dr. B.B. Ramaiah, a highly qualified technocrat, has been associated with your Company in various capacities. He has been the Whole-time Director of your Company for a period of more than three decades being incharge of all technical matters of the Company. During his tenure as Whole-time Director of the Company he was instrumental in initiating and successfully completing various diversifications and expansion programmes thus making invaluable contributions to the growth of the Company.

In view of the growing operations of the Company and having regard to the diversified activities, your Board of Directors consider it advisable to re-appoint Dr. B.B. Ramaiah as Managing Director (Tech.) to be incharge of all technical matters of the Company for a period of five years with effect from 1-4-2008. His re-appointment as Managing Director(Tech.) would immensely benefit the Company.

Your Directors recommend the Resolution for your approval.

Dr. B.B. Ramaiah, the concerned Managing Director (Tech.), along with his relatives Sri P. Narendranath Chowdary and Sri P. Achuta Ramayya shall be deemed to be interested in the above Resolution.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Dr. B.B. Ramaiah as Managing Director (Tech.) for a further period of five years with effect from 1.4.2008 pursuant to Section 302 (7) of the Companies Act, 1956.

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ITEM NO. 9 :

The present term of Sri M. Narendranath as Joint Managing Director will be expiring by 31.12.2007.

Members are kindly aware that your Company has three Sugar units – Sugar Unit – I, Tanuku, Sugar Unit-II, Taduvai and Sugar Unit-III, Bhimadole with a combined licenced crushing capacity of 16,000 Tonnes per day. Sri M. Narendranath has been Incharge of all the Sugar Units since taking over as Joint Managing Director with effect from 1-1-1998. During his tenure as Joint Managing Director all the Sugar units made considerable progress. He has been associated with the Company as a Director and as Joint Managing Director in various activities of cane development by introduction of number of high yielding varieties of Sugarcane. His exposure to the technology developments in the Sugar Industry around the World has been beneficial to the improvements at the Company's Sugar Plants. He is instrumental in setting up Co-generation Power Plant at Sugar Unit – II, Taduvai, introduction of "Bagasse Dryer", new generation SRT Clarifier, improvement to the cane Diffuser at Sugar Unit - II that has brought down the pol in bagasse from 1.3 to 0.8% - the lowest in the country, and the introduction of such technological improvements at different stations in the sugar plants.

In view of his wide exposure in Sugar Technology and Sugarcane development, your Board of Directors consider it advisable to re-appoint him as Joint Managing Director for a further period of 5 years with effect from 1-1-2008.

Your Directors recommend the Resolution for your approval.

Sri M. Narendranath, the concerned Joint Managing Director, along with his relatives Dr. Mullapudi Harischandra Prasad and Sri M. Thimmaraja shall be deemed to be interested in the above Resolution.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Sri M. Narendranath as Joint Managing Director for a further period of five years with effect from 1.1.2008 pursuant to Section 302(7) of the Companies Act, 1956.

ITEM NO. 10

The present term of Sri M. Thimmaraja as Joint Managing Director will be expiring by 31-12-2007. Sri M. Thimmaraja has been the Whole-time Directors of your Company from 1978.

Sri M. Thimmaraja as Joint Managing Director has been looking after general administration of the Company besides supervision of day to day administration of all the units at Tanuku, other than Sugar.

In view of the growing stature of the Company, your Board of Directors consider it advisable to re-appoint Sri M. Thimmaraja as Joint Managing Director in the best interests of the Company for a further period of 5 years with effect from 1.1.2008 on the terms and conditions as set out in the Resolution.

Your Directors recommend the Resolution for your approval.

Sri M. Thimmaraja, the concerned Joint Managing Director, along with relatives Dr. Mullapudi Harischandra Prasad and Sri M. Narendranath shall be deemed to be interested in the Resolution.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Sri M. Thimmaraja as Joint Managing Director for a further period of five years with effect from 1.1.2008 pursuant to Section 302(7) of the Companies Act, 1956.

ITEM NO. 11

The present term of Sri P. Achuta Ramayya as Executive Director will be expiring by 31-12-2007. Sri P. Achuta Ramayya has been the Executive Director of your Company from 1983.

Sri P. Achuta Ramayya as Executive Director has been looking after Marketing of various products of the company and the activities of Cotton and Oil Products Division, Guntur.

In view of the growing stature of the Company, your Board of Directors consider it advisable to re-appoint Sri P. Achuta Ramayya as Executive Director in the best interests of the Company for a further period of 5 years with effect from 1.1.2008 on the terms and conditions as set out in the Resolution.

Your Directors recommend the Resolution for your approval.

Sri P. Achuta Ramayya, the concerned Executive Director, along with relatives Dr. B.B. Ramaiah and Sri P. Narendranath Chowdary shall be deemed to be interested in the above Resolution.

The terms and conditions as set out in the Resolution may be treated as an abstract of the terms of re-appointment of Sri P. Achuta Ramayya as Executive Director for a further period of five years with effect from 1.1.2008 pursuant to Section 302(7) of the Companies Act, 1956.

ITEM NO. 12

Financial assistance in the form of working capital from the Company's Bankers has to be secured by way of second charge on all the immovable properties of the Company, present and future. Shareholders at the 56th Annual General Meeting held on 24th September, 2003 accorded consent for creation of second charge on all immovable properties of the Company to the extent of Rs. 18,400 lakhs. In view of the increased working capital limits availed by the Company from the Company's bankers, second charge is required to be created on all immovable properties of the Company present and future to the extent of Rs. 22,000 lakhs.

Your Directors recommend the Resolution for your approval.

No Director is interested or concerned in the Resolution.

(BY ORDER OF THE BOARD)

Venkatarayapuram
TANUKU – 534 215
28-07-2007

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

DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting this SIXTIETH ANNUAL REPORT along with the audited Statement of Accounts for the year ending 31st March, 2007.

FINANCIAL RESULTS :

(Rupees in lakhs)

	This Year	Previous Year
Sales	63181.05	54177.80
Other Income	2712.56	2980.63
	-----	-----
	65893.61	57158.43
	-----	-----
Profit for the year	12319.88	10984.55
Depreciation	2955.83	2505.33
	-----	-----
Profit after depreciation	9364.05	8479.22
Add: Income Tax refund received	----	4.25
Excess provision of Income-tax credited back	145.77	224.89
	-----	-----
	9509.82	8708.36
Provision for Current Tax	2000.00	1500.00
Provision for Fringe Benefit Tax	17.00	50.00
Provision for Deferred Tax	1076.05	1124.99
Provision for Wealth Tax	2.00	2.00
	-----	-----
Profit after Tax	6414.77	6031.37
Add: Balance brought forward from last year	2746.91	1433.72
	-----	-----
Profit available for appropriation	9161.68	7465.09
	-----	-----
APPROPRIATIONS:		
Transfer to General Reserve	4000.00	2400.00
Proposed Dividend on Equity Shares @ 60% (Last Year Dividend on Equity Shares @ 75%)	1626.42	2033.04
Tax on distributable profits	276.41	285.13
Balance carried forward to next year	3258.85	2746.92
	-----	-----
	9161.68	7465.09
	-----	-----

PERFORMANCE:

Your Directors are glad to report that 2006-07 was another year of impressive performance. Sales increased by 16.62% to Rs. 631.81 Crores from Rs. 541.78 Crores achieved the previous year. Gross profit increased to Rs.93.64 Crores from Rs. 84.79 Crores the previous year. Profit after tax increased to Rs. 64.15 Crores compared to profit of Rs. 60.31 Crores achieved previous year. Your Company continues to focus its strategy on expansion to avail the benefit of economy of scale.

DIVIDENDS:

For the year 2005-06 a Dividend of 75% on Equity Shares was paid. In view of the need to conserve resources for expansion activities, your Directors recommend a Dividend of 60% on Equity Shares (Rs. 6/- per equity share) for the year 2006-07 . The out-flow towards Dividend payment including tax on distributable profits would amount to Rs. 19.03 Crores. The Dividend, if approved by the Shareholders, will be paid to all the eligible Shareholders.

CAPITAL & RESERVES:

Authorised and Paid Up Capital

The Authorised Capital of the Company is Rs.30 Crores and the Paid-up Capital is Rs. 27.11 Crores.

Reserves

With the transfer of Rs. 40.00 Crores to the reserves during the year under report, the total Reserves and Surplus as on 31.3.2007 stand at Rs. 248.33 Crores against Rs. 203.22 Crores as on 31.3.2006.

REVIEW OF OPERATIONS:

SUGAR UNITS:

The three Sugar Units in aggregate crushed 1388581 M.T. of cane during the 2006-07 season against 12,25,565 M.T. crushed during the previous season. The crushing operations and cane price paid to cane suppliers for the 2006-07 season are :

	SUGAR UNIT – I TANUKU		SUGAR UNIT – II TADUVAI		SUGAR UNIT-III BHIMADOLE	
	Season 2006-07	Season 2005-06	Season 2006-07	Season 2005-06	Season 2006-07	Season 2005-06
(A) Crushing details:						
Total cane crushed (MT)	610342	473869	545905	541117	232334	210578
Total No. of days crushed	140	114	158	163	136	122
Total Sugar produced(MT)	64675.50	51938.00	63757.00	62146.00	25615.00	22200.00
Average Recovery	10.61%	10.85%	11.56%	11.40%	10.78%	10.54%
(B) Cane price:						
Statutory Minimum Cane price (per M.T.)	973.50	1015.00	1018.50	1067.80	937.50	971.00
Cane price paid (per M.T)*	1160.00	1160.00	1184.00	1184.00	1160.00	1160.00

* inclusive of Purchase Tax of Rs.60/- per M.T.

- Operations at all the 3 Sugar Units were carried on beyond 31-03-2007.
- Cane crushed upto 31-03-2007 at Sugar Unit – I was 6,02,181 MT, at Sugar Unit – II was 5,04,036 and at Sugar Unit – III was 2,07,268.

The Andhra Sugars Limited

- Sugar produced upto 31-03-2007 at Sugar Unit – I was 63,277 MT, at Sugar Unit – II was 62,224 MT and at Sugar Unit – III was 21,777.
- Cane crushed by each Unit was higher than during the previous season.
- Recovery achieved at Sugar Unit – II and III were higher compared to the previous season, while Sugar Unit – I was marginally lower.
- Keeping in view the need to give the cane suppliers a more remunerative price compared to that from other crops, for the 2006-07 season your Company opted to pay a cane price higher than the statutory minimum price fixed by the Government.
- Sugar produced was also higher as compared to the previous season.
- Overall performance of the three Units was satisfactory.

POWER GENERATION :

During the year under report the Co-generation Unit at Taduvai generated 2,81,02,140 Units of power against 2,30,03,940 Units generated in the previous year.

PERFORMANCE OF CHEMICAL DIVISIONS:

Performance of the Chemical Divisions continued to be impressive with satisfactory capacity utilisation being achieved. Production of Caustic Soda at Kovvur was discontinued in line with the directions of the APPCB. With the expanded capacity of 350 TPD coming into operation and with higher capacity utilisation, the Caustic Soda Unit at Saggonda has performed well achieving a profit of Rs.6322.70 lakhs after depreciation against Rs. 5,142.79 lakhs after depreciation achieved in the previous year. Performance of other Chlor Alkali Products was also satisfactory.

Your company received US FDA and EDQM (European Directorate for Quality Medicines) Certification for the export of Aspirin to US and other European countries. During the year under report your company commenced exports of Aspirin to USA, Mexico, and Taiwan.

WIND POWER UNITS:

The Power generated at Ramagiri during the year was 25,10,300 Units against 23,51,600 Units generated in the previous year.

As reported in the previous year's Directors Report, a 6.60 MW Wind Farm was set up by your company in Tirunalavelli District of Tamilnadu at an investment of Rs. 36.60 Crores. During the year under report this unit generated 1,74,67,510 Units of Power that is sold to Tamilnadu Electricity Board.

Wind Energy is classified as clean energy and is eligible for Carbon Emission Reduction Trading benefits. Your company has initiated required steps for obtaining approvals from the concerned statutory bodies to avail the benefits of Carbon Emission Reduction.

PROJECTS:

Keeping in view the challenging future and the encouraging performance of the end user industries of your Company's products, your company continues to focus its attention on an expansion and diversification programme.

The Capacity of the Caustic Soda Plant at Saggonda is being expanded to 400 TPD from 350 TPD.

The Caustic Potash Plant has been converted into an Energy Efficient Membrane Cell Technology.

Poly Aluminium Chloride is extensively used in water purification and waste water treatment plants throughout the world. Hence a Poly Aluminium Chloride Plant is proposed to be set-up at Saggonda with a capacity to manufacture 30,000 TPA of Liquid PAC 18 / Liquid PAC 10 Grade and 12,000 TPA Solid PAC 30 Grade at an investment of Rs. 30.00 Crores. Hydrochloric Acid, the main Raw Material for the product, will be sourced from our plant at Kovvur.

Capacity of the Sodium Hypo Chlorite Plant at Kovvur is being expanded from 2 Tonnes per day chlorine to 10 Tonnes.

Potassium Carbonate is extensively used in the Glass, Pharmaceuticals, Food, Detergents & Cleaners, Gas purification, Textiles and Polymers industry. A Potassium Carbonate Plant is being set up at Tanuku at a cost of Rs. 5.00 Crores. The Plant will have locational advantage of having a readily available infrastructure at Tanuku.

Keeping in view the areas for future diversification, your company purchased land at the Jawharlal Nehru Pharmacy, Visakhapatnam for development and supply of Bulk Drugs to the Pharma industry.

The Sugar Industry is passing through a difficult phase. However keeping in view the need to have a viable sized plant, expansion of crushing capacity is being taken up at Sugar Unit – II and Sugar Unit - III.

Director of Factories / Industries Department have conveyed their approval for the expansion of the Plant to 5,500 TCD at Sugar Unit – II, Taduvai. Necessary formalities have been completed on 21-06-2007 for the clearance of approval by the Pollution Control Board and your Company awaits a final clearance from the Pollution Control Board which is expected to be given shortly. With this your company would be able to proceed with the expansion of the plant and operate at 5,500 TCD capacity at Sugar Unit – II at Taduvai.

For the expansion at our Sugar Unit – III, Bhimadole to 6,000 TCD, approvals have been received from the Director of Factories and the company is in the process of completing the necessary formalities to obtain clearance from the Pollution Control Board.

Your Directors are glad to inform that your company would be taking up R&D Project for the utilization of the “**Electroporation Technology**” at our Sugar Plants. Though this technology has never been attempted in the Cane Sugar Industry, initial studies indicate that this system could be implemented at our sugar plants with advantage.

Initial study of “**Softening of Clarified Cane Juice**” technology shows that adoption of this technology would result in energy saving, potential of additional capacity at the evaporation station, reduction in the cost of chemical, labour and maintenance, potential for colour improvement, reduction in molasses percent, improvement in operations at Distillery and reduction of spent wash from Distillery thereby reducing the load on the ETP.

Investments in these projects are expected to fructify in the coming years and strengthen your company's product range, accelerate growth and improve revenue generation.

CURRENT YEAR OUT LOOK

The depressed sale price of Sugar and increase in the cost of Raw material and other expenses of Sugar segment will have a considerable impact on the company's profitability. It is expected that the position will improve gradually with the creation of buffer stock to the extent of 50 lakhs tonnes by Government of India. The Performance of Chemicals Division is expected to be satisfactory.

DEMATERIALISATION OF EQUITY SHARES

As of 31st March, 2007, Equity Shares representing 38.11% 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, 2007 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;

The Andhra Sugars Limited

iv. that the Directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE:

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

COMPLIANCE CERTIFICATE OF THE AUDITORS:

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

DIRECTORS:

In terms of Article 111 of the Articles of Association of the Company, Directors Sri A. Ranga Rao, Dr. P. Kotaiah and Dr. A.V. Rama Rao retire by rotation at the ensuing 60th Annual General Meeting, and being eligible, offer themselves for re-appointment.

Re-appointment of Dr. Mullapudi Harischandra Prasad, Chairman & Managing Director, Dr. B.B. Ramaiah, Managing Director (Tech.), Sri M. Narendranath, Joint Managing Director, Sri M. Thimmaraja, Joint Managing Director, Sri P. Achuta Ramayya, Executive Director for further period of 5 years effective from the expiry of their current tenure is being placed for the approval of the shareholders at the ensuing 60th Annual General Meeting.

AUDIT COMMITTEE:

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

INDUSTRIAL RELATIONS:

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

SAFETY, HEALTH AND ENVIRONMENT

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

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 EARNINGS AND OUTGO:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in Annexure "B" forming part of this Report.

FIXED DEPOSITS:

Fixed Deposits aggregating to Rs.41.28 lakhs held by 79 depositors had fallen due for payment but remained unclaimed as on 31.3.2007. Unclaimed deposits aggregating to Rs.23.50 lakhs held by 39 depositors have since been renewed/repaid. Still, deposits aggregating to Rs. 17.78 lakhs held by 40 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 the Subsidiary Companies as approved by their respective Boards.

Your Company has been exempted from the provisions under Section 212(8) of the Companies Act, 1956 relating to attachment of the Accounts of its Subsidiaries to its Accounts for the year 2006-07. Shareholders desirous of obtaining the Annual Accounts of the 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 as well as at the Offices of your Subsidiary Companies.

SUBSIDIARY COMPANIES:

JOCIL LIMITED

For the Financial Year ending 31.3.2007, your subsidiary Company, JOCIL Ltd., recorded a profit of Rs. 867.39 lakhs (before taxation) against Rs. 475.22 lakhs (before taxation) during the previous year. In addition to payment of an Interim Dividend of 40%, the Board of Directors have recommended a final dividend of 20%. The total dividend paid for the year 2006-07 will be 60% against a dividend of 50% paid previous year.

THE ANDHRA FARM CHEMICALS CORPORATION LIMITED

During the year under report 236 M.Ts. of Hydrazine Hydrate was produced against 443 M.Ts in the previous year. The Company achieved a sales of Rs. 661.50 lakhs against Rs. 1253.30 lakhs and posted a profit of Rs. 47.00 lakhs against a profit of Rs. 443.81 lakhs in the previous year. The Board of Directors have recommended a Dividend of 50% on Equity Shares for the year 2006-07 against a dividend of 100% 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 60th Annual General Meeting and are eligible for re-appointment.

COST AUDITORS:

M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad were appointed as Cost Auditors of the Company for the products, which are subject to Cost Audit, for the year ended 31-3-2007.

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.

Venkatarayapuram
TANUKU – 534 215
28-07-2007

For and on behalf of the Board
Dr. MULLAPUDI HARISCHANDRA PRASAD
Chairman & Managing Director

ANNEXURE "A" TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31-03-2007

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 01-04-2006 to 31-03-2007.

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		60	01-08-1968	21519954	86	Partner, Ex-Managing Agency Firm The Andhra Sugars Ltd., 21Years
2)	Dr. B. B. Ramaiah	Managing Director (Tech.)	B.Sc., (Hons), Sugar Technology M.Sc., (Chemical Technology) M.Sc., (Wisconsin), A.M.P. (Harvard)	53	01-04-1998	21157530	81	Managing Director (Tech.) The Andhra Sugars Ltd., 28Years
3)	Sri P. Narendranath Chowdary	Joint Managing Director	B.Sc.,	40	12-01-1976	11024278	59	Director, The Andhra Sugars Ltd., 8Years
4)	Sri M. Narendranath	Joint Managing Director	B.Sc., (Ag.)	33	01-01-1998	11047911	58	Managing Director, Sree Satyanarayana Spinning Mills Ltd., Tanuku. 24 Years
5)	Sri M. Thimmaraja	Joint Managing Director	B.Tech., M.B.A. (Florida)	32	01-08-1978	11098165	56	Director, The Andhra Sugars Ltd., 21/2Years
6)	Sri P. Achuta Ramayya	Executive Director	B.Com., M.B.A. (New York)	24	01-08-1983	10805654	52	First Appointment
7)	Sri P.S.R.V.K. Ranga Rao	Executive Director	B.Com.,	8	01-05-1999	5720575	37	Director, The Andhra Sugars Ltd., 11/2Years

- 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 31.03.2007

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

With modifications undertaken in the Boiling House and the commissioning of the B Continuous Pan that utilises the second vapour, there has been a reduction of 0.5% steam on cane.

SUGAR UNIT - III, BHIMADOLE

To enable conservation of energy, various drives have been fitted with planetary gears resulting in reduction of electrical consumption to the extent of 60 HP. Similarly drum feeders have been installed at the Boiler Station resulting in a power saving of about 50 HP. With the installation of a flash type bagasse drier, the thermal efficiency of the Boilers has been increased by 5%.

CHEMICAL COMPLEX, KOVVUR

The Caustic Potash Plant has been converted into an energy efficient Membrane Cell technology and with Energy Efficient Motors and lighting equipment which result in 12% less energy consumption per tonne of Caustic Potash.

CHEMICAL COMPLEX, SAGGONDA

350 TPD Caustic Soda Plant with energy efficient Membrane Cell Technology and 300 TPD Sulphuric Acid Plant with energy efficient and high conservation efficient process based on DCDA technology have been installed. This has resulted in reduction of energy consumption around 12% per tonne of Caustic Soda and Sulphuric Acid.

B. TECHNOLOGY ABSORPTION:

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	31.76	50.99
ii) Know-how fee and Service Charges of Engineers	—	—
b) Earned (Rs. in lakhs) On FOB basis	115.19	257.59

ANNEXURE FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

The Andhra Sugars Limited

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		TADUVAI UNIT		SAGGONDA UNIT		BHIMADOLE 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	7634803	9211500	21066476	61650628	417628	574800	271462905	242223514	545772	400931
Total Amount	Rs.	27708193	31725481	44954019	124784916	519069	253033	590644387	564547356	2478646	2002522
Rate / Unit	Rs.	3.63	3.44	2.13	2.02	1.24	0.44	2.18	2.33	4.54	4.99
b) Own Generation											
I) Through Diesel Generator											
Units	KWH	78787	163768	----	----	127360	86956	----	----	86561	76552
Units per Ltr. of Diesel Oil	KWH	3.00	3.31	----	----	2.07	2.23	----	----	3.00	2.86
Cost / Unit	Rs.	30.58	19.39	----	----	25.87	26.97	----	----	15.28	19.22
II) Through Steam Turbine Generator											
Units	KWH	13687870	10742800	----	----	28102140	1925013	----	----	7483080	8023920
KWH per Tonne of Begasse		----	----	----	----	----	----	----	----	----	----
Cost / Unit	Rs.	1.17	1.25	----	----	1.07	1.14	----	----	1.83	1.53
3. Furnace Oil											
Quantity	KL	----	---	748.48	1733.37	----	----	125.63	688.69	----	----
Total Amount	Rs.	----	---	426307.97	26635060	----	----	2061199	10653349	----	----
Average Rate	Rs.	----	---	16815.17	15366.09	----	----	16406.77	15469.12	----	----

ANNEXURE FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	UM	TANUKU UNITS		KOVVUR UNITS		TADUVAI UNIT		SAGGONDA UNIT		BHIMADOLE UNIT	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
3. ONGC Natural Gas											
Quantity	M ³	3703244	3685195	----	----	----	----	----	----	----	----
Total Amount	Rs.	18773545	15638689	----	----	----	----	----	----	----	----
Rate / Unit (M ³)	Rs.	5.07	4.24	----	----	----	----	----	----	----	----
4. Husk and Fire Wood											
Quantity	MT	99.23	103.12	----	----	13.00	14.00	4616.13	4573.35	----	----
Total Cost	Rs.	110604	120435	----	----	13644	13467	7118428	6751649	----	----
Average Rate	Rs.	1114.62	1167.89	----	----	1049.54	961.93	1542.08	1476.30	----	----
5. Other Internal Generation											
a) Bagasse											
Quantity	MT	180328	140845	----	----	162962	133186	----	----	66933	69501
Total Amount	Rs.	----	----	----	----	----	----	----	----	----	----
Rate / Unit	Rs.	----	----	----	----	----	----	----	----	----	----
b) Biogas :											
Quantity	M ³	3361837	5029909	----	----	----	----	----	----	----	----
Total Amount	Rs.	----	----	----	----	----	----	----	----	----	----
Rate / Unit	Rs.	----	----	----	----	----	----	----	----	----	----
c) Hydrogen											
Quantity	MT	----	----	126.44	276.19	----	----	1984.80	1188.41	----	----
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.	18	0.48	18	0.48
2. Alcohol	KL.	191	2.81	178	2.54
3. Ethanol	KL.	69	0.60	71	0.60
4. Acetic Acid / Anhydride Mix	MT.	783	9.17	737	8.89
5. Ethyl Acetate	MT.	398	8.13	409	7.48
6. Aspirin	MT.	3666	12.59	3070	12.59
7. U.H - 25	MT.	7071	165.56	7210	158.00
8. M.M.H.	MT.	16687	422.44	16666	428.45
9. H.T.P.B.	MT.	1509	11.74	1473	11.61
10. Caustic Soda Lye at Kovvur	MT.	—	—	3146	---
11. Caustic Soda Lye at Saggonda	MT.	2466	0.91	2433	0.82
12. Liquid Chlorine at Kovvur	MT.	485	—	255	---
13. Liquid Chlorine at Saggonda	MT.	227	—	199	---
14. Hydrochloric Acid at Kovvur	MT.	135	—	62	---
15. Hydrochloric Acid at Saggonda	MT.	22	—	22	---
16. Caustic Potash Lye	MT.	2158	3.86	2397	---
17. Sulphuric Acid at Kovvur	MT.	83	0.31	91	0.31
18. Sulphuric Acid at Saggonda	MT.	61	0.38	87	0.38
19. Superphosphate	MT.	26	---	26	---
20. Chlorosulphonic Acid	MT.	—	—	69	0.48
21. Sugar (Taduvai)	MT.	17	0.42	16	0.41
22. Sugar (Bhimadole)	MT.	27	0.42	32	0.48

FORM B

Form for Disclosure of particulars with respect to Technology absorption

RESEARCH & DEVELOPMENT (R&D)**1. Specific areas in which R&D is carried out by the Company.**

Your Company is actively involved in the development of new products, process standardization, improvisation, optimisation and cost balancing, import substitution, technology development, developing new methods to minimize waste and to reduce environment pollution, introduction of modern methods in sugar cane 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, increased capacity utilization of plants and improve sugar recovery.

3. Future plan of action :

Your Company will continue to utilise the existing R&D capabilities for development of new products and technologies and improving existing products / processes.

4. Expenditure on R&D		(Rupees in lakhs)
a) Capital	:	—
b) Recurring	:	81.49
c) Total	:	81.49
d) Total R&D expenditure As percentage of total Turnover	:	0.14%

TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
 - a) Improved recovery of solvents by implementing improved distillation processes in manufacture of Hydroxyl Terminated Poly Butadiene (HTPB).
 - b) Absorption of technology for production of Liquid Hydrogen in agreement with Indian Space Research organization.
 - c) Adaptation of Vapour Absorption Refrigeration systems for chilled water requirement in chemical processes

2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, production development, import substitution etc. :
 - a) Application of this technology resulted in good product quality, reduction in operating cost as well as minimizing effluent generation.
 - b) The new process/product development utilizing raw materials / intermediates from existing plants contributes in developing new products.
 - c) By adapting these systems will eliminate the use of Freon, an Ozone depleting substance and also improved energy efficiency.

- 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.

- | | | |
|---|--|---------------|
| <ol style="list-style-type: none"> 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. | | <p>- NIL-</p> |
|---|--|---------------|

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 Sale of Sugar, Organic and Inorganic Chemicals, at Plants located at Tanuku, Kovvur, Taduvai, Saggonda, and Bhimadole in the State of Andhra Pradesh. Non-conventional Wind Power is generated at Ramagiri in Andhra Pradesh and at Veeranam in Tirunuvelli District of Tamil Nadu. Of these Sugar and Caustic Soda form the major segments.

SUGAR:

Sugar is manufactured at a 5000 TCD capacity plant at Sugar Unit-I at Tanuku, a 2500 TCD capacity plant at Sugar Unit-II at Taduvai and a 1600 TCD capacity plant at Sugar Unit-III at Bhimadole. Molasses which is a bye-product from Sugar, is the raw material for your Company's Alcohol plant located at Tanuku which produces Industrial Alcohol and Ethanol. The Distillery uses the continuous process for producing Industrial Alcohol. Necessary applications and formalities are being processed to expand the capacity of this Distillery to 30 KL per day capacity. Industrial Alcohol is the raw material for the Ethanol and other organic chemicals manufactured at our chemical complex at Tanuku.

Bagasse, which is a residue at the Sugar Plants after extraction of juice is being used to fuel the Co-generation operation. Carbondioxide which is a bye product of fermentation at the Distillery is purified and used as one of the raw materials to produce Salicylic Acid which goes into the manufacture of Aspirin.

With 280 lakh tones of carried forward sugar stocks and over production in the country, the Sugar Industry is passing through a very difficult phase. With representation from the industry the Government of India permitted export of sugar which eased the situation to some extent. When the exports were picking-up, the Government again reimposed the ban, aggravating the present difficult situation in the Indian Sugar Industry. Even though the ban has now been lifted, with a dip in international prices, there is no parity and very little export has taken place. With the availability of bagasse at the Sugar Mills, the existing shortage of power in the country, and the possibility to co-generate electricity at the Sugar Mills using the surplus bagasse, it is most essential that the Government ensures a uniform power purchase policy all over the country. While in some States the policy of purchasing co-generated power has been encouraging, without any hindrance, in some states there have been hurdles in purchase of power from co-generation plants operated by the Sugar Industry.

An area of concern for the sugar industry has been that with youngsters in the rural areas all over the country going for better education and technical courses, the replacement of the ageing farm labour has been dwindling, resulting in a shortage of cane harvesting labour. Under these circumstances, unless the Research Institutions and Agricultural Universities take necessary steps in bringing out harvesting machines suitable to Indian conditions, the Indian Sugar Industry will have to face a very difficult situation, as the farmers may be forced to switch over to other crops where mechanization is available rather than continue with sugarcane plantation. This will ultimately result in lower sugar production in the country, leading to the need to import sugar.

At Sugar Unit – I, Tanuku, 5 existing old Boilers are being replaced by one high pressure Boiler and a matching Turbine, thereby increasing the efficiency of steam generation and utilization.

At Sugar Unit – II, Taduvai, necessary steps have been taken to implement the expansion of the plant to 5,500 TCD. The Public Hearing in this regard has been held on 21-06-2007 and final clearance from the Pollution Control Board is awaited.

At Sugar Unit – III, Bhimadole, necessary steps have been initiated for getting clearances from various Statutory Authorities to expand the plant to 6,000 TCD.

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Your company continues to work with the Sugarcane Breeding Institute, Coimbatore to undertake field trials of promising cane varieties to enable assessing their suitability to our location. Varieties passing the trials are given to the cane suppliers, ensuring consistent availability of quality cane. In addition, to encourage cane suppliers to grow more and better quality cane and to improve the yield per acre, technical assistance and various incentives are being provided. A Demonstration cum Experimental farm is maintained by the company to show the cane suppliers the improved techniques and their benefits.

CAUSTIC SODA:

Your Company has an integrated Inorganic Chemical Complexes at Kovvur and Saggonda, manufacturing a wide range of Chlor-Alkali products and other allied Chemicals.

Caustic Soda is being manufactured at Plants located at Kovvur and Saggonda. Since July, 2005 the production of Caustic Soda, based on Mercury Cell Technology, at Kovvur has been discontinued. Hydrogen and Chlorine are bye-products of Caustic Soda manufacture, utilising which Hydro Chloric Acid is produced. Products from Sulphuric Acid and Caustic Soda Plants are used for the production of Chlorosulphonic Acid.

The Caustic Soda Industry is classified as a power intensive Industry with Power constituting more than 60% of the input cost. The unrelenting high cost of power has put the Caustic Soda Industry under pressure, adversely affecting its competitiveness. This has compelled most of the Caustic Soda Units to setup captive Power generation to ensure un-interrupted quality power at an economical rate. The Industry would derive much needed relief if a policy is devised by State Electricity Boards to grant concession in the payment of Electricity duty on captive power generation. An area of concern has been regarding the availability of good quality and quantity of Salt, which is the other major input in the manufacture of Caustic Soda. As the Chlor Alkali industry is expanding capacity, it is essential for the government to increase the land under salt production and frame a definite policy to employ better techniques to increase the production and improve the quality of salt.

The end user industries continue to indicate a healthy growth. This provides your Company an optimism to perform better in the Caustic Soda and other Chlor Alkali operations. The capacity of your Company's Caustic Soda Plant at Saggonda is being expanded to 400 TPD. Your Company's Caustic Soda Plant at Saggonda uses the energy efficient and environmental friendly Membrane Cells.

OTHER OPPORTUNITIES:

Getting into Pharma operations is viewed as a new business opportunity. As already mentioned, land has been acquired at Jawharlal Nehru Pharmacy, Visakhapatnam. The main focus will initially be to supply Bulk Drugs to the Pharma Sector.

Your Company identified the opportunities available in the International market for Aspirin. With the receiving of USFDA and EDQM approvals, your Company could successfully make a beginning in the export operations. There is scope to broaden the exports to more regions of the world in the coming years.

5 old Boilers at Sugar Unit – I are being replaced by installing a High pressure Boiler and a suitable Power Turbine to improve the efficiency of the boilers and generate more power.

POWER:

As one of your Company's major segment is the Chlor-Alkali division, which is power intensive, in the coming years it is essential for your Company to tap power from other sources to ensure the availability of economically priced and quality power to this division, in addition to power generated from bagasse and Wind.

As a measure of getting more Power at an economical rate and to meet the Power requirements of the Chemical Plants at Kovvur and Saggonda, your Company invested in the Equity Capital of Andhra Pradesh Gas Power Corporation Ltd. (APGPCL), which is a gas based power generation Company in West Godavari District. Major

part of the power requirement for the production of Caustic Soda is met from this source, providing a competitive edge to your Company in the Caustic Soda market. Generation of Power through 7 MW Co-gen power at Sugar Unit – II, Diesel Generators, 2.025 MW Wind power at Ramagiri, supplement and ensure adequate and continuous availability of power for your Company's operation. Your Company's endeavour will be to explore access to power from other sources including co-generation in the coming years to achieve self sufficiency in power.

INTERNAL CONTROL SYSTEM

Your Company conducts a review of the financial and operating controls of the various Units. The Internal Control System of your Company is 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. 146.63 Crores (before interest and depreciation) and achieved an operating margin of 23.20% against Gross Profit of Rs. 133.37 Crores (before interest and depreciation) and operating margin of 24.61% in the previous year.

The Fund based working capital limits were enhanced from Rs. 140.00 Crores to Rs. 150.00 Crores by the Consortium of Banks to meet the increased funds requirement.

Your Company's strategy, based on healthy profit generation has been to reduce the high cost of long term debt and bringing down the overall debt level. As a strategic measure of financial planning your Company as and when necessary resorts to short term borrowings at a lower rate of interest with a view to reduce the interest cost.

The gross Fixed Assets of your Company as on 31.3.2007 is Rs. 619.32 Crores compared to Rs. 561.88 Crores in the previous year 2005-06. Your Company has a net worth of Rs. 275.45 Crores.

Your Company is eligible for interest free Sales Tax Deferment Loan of Rs. 82.07 Crores upto the financial year 2012-2013. During the year 2006-07, the Company has availed a deferment loan of Rs. 4.07 Crores and the aggregate deferment loan availed as at 31st March, 2007 was Rs. 30.90 Crores leaving a balance of Rs. 51.17 Crores.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

Your Company continuously reviews and monitors its manpower requirements to ensure that it has human skills commensurate with its needs. Industrial relations continued to be cordial. As on 31.3.2007 your Company's employees strength stood at 2,199.

CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from these expressed or implied. The Company assumes no responsibility in respect of these forward looking statements that may be amended or modified later, on the basis of subsequent developments, information or events and in view of the changes brought by the Government Rules and Regulations.

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 the 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 31.3.2007, the Board of Directors consisted of 14 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.)
	Sri P.Narendranath Chowdary Joint Managing Director
	Sri M. Narendranath Joint Managing Director
	Sri M. Thimmaraja Joint Managing Director
	Sri P. Achuta Ramayya Executive Director
	Sri P.S.R.V.K. Ranga Rao Executive Director
Non-Executive and Independent Directors	Sri A. Ranga Rao
	Sri Justice G. Ramanujam
	Dr. A.V. Rama Rao
	Dr. P. Kotaiah
	Sri V.S. Raju
	Dr. Alapaty Appa Rao Dr. Anumolu Ramakrishna

b) Non-executive Director remuneration : Please refer Point No. 6

c) 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	5	5
Dr. B. B. Ramaiah	4	Yes	2	1	1
Sri P. Narendranath Chowdary	3	Yes	6	2	None
Sri M. Narendranath	4	No	4	None	None
Sri M. Thimmaraja	4	Yes	2	3	None
Sri P. Achuta Ramayya	4	Yes	None	None	None
Sri P.S.R.V.K. Ranga Rao	3	Yes	1	None	None
Sri A. Ranga Rao	4	Yes	2	2	1
Sri Justice G. Ramanujam	1	No	5	5	3
Dr. A.V. Rama Rao	2	No	1	None	None
Dr. P. Kotaiah	4	No	6	5	4
Sri V.S. Raju	4	No	3	3	3
Dr. Alapaty Appa Rao	4	No	2	4	1
Dr. Anumolu Ramakrishna	2	No	11	9	2

Sri A. Ranga Rao, Chairman of the Audit Committee was present at the last Annual General Meeting to answer the queries of the shareholders.

d) NUMBER OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2006-07 AND THE DATES ON WHICH HELD

Sl.No.	Date of Board Meeting
1	29.04.2006
2	22.07.2006
3	28.10.2006
4	27.01.2007

3. CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Managers of the Company. The said Code has been communicated to the Directors and the Senior Managers from whom the necessary affirmation has been received with regard to the compliance of Code. A declaration in this regard by the Managing Director is furnished at the end of the report. The Code has also been posted on the Company's website – theandhrasugars.com.

4. AUDIT COMMITTEE

- a) A qualified Audit Committee meeting the requirements as stipulated in the Clause 49 of the Listing Agreement has been constituted. The Audit Committee consists of 3 Non-Executive independent Directors Sri A. Ranga Rao, Dr. P. Kotaiah and Sri V.S. Raju. Sri A. Ranga Rao is Chairman of the Committee.

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

- b) The terms of reference of the Audit Committee as detailed hereunder are in terms of Clause 49 of the Listing Agreement :
- 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) Recommending to the Board the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and fixation of audit fees.
 - iii) Approval of payment to the Statutory Auditors for any service rendered by them.
 - iv) Review with the management the annual financial statements before submission to the Board for approval with particular reference to :
 - a) Matters required to be included in the Directors responsibility statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in the accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on exercise of judgement by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transaction.
 - g) Qualification in the draft Audit Report.
 - v) Review with the management, the quarterly financial statements before submission to the Board for approval.
 - vi) Review with the management performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems.
 - vii) Review the adequacy of internal audit function if any, 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.
 - viii) Discussions with the Internal Auditors any significant findings and follow up thereon.
 - ix) 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.
 - x) Discussions with the Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - xi) 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.
 - xii) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 - xiii) Carrying any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also reviews the following information as and when required.

- a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of Significant Related Party Transactions (as defined by the Audit Committee);
 - c. Management letters / letters of internal control weakness issued by the statutory auditors;
 - d. Internal Audit Reports relating to internal control weaknesses;
 - e. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee;
- c) NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2006-07 AND THE DATES ON WHICH HELD

Sl. No.	Dates of Audit Committee Meeting
1	29.04.2006
2	22.07.2006
3	28.10.2006
4	27.01.2007

- d) ATTENDANCE OF THE MEMBERS OF AT THE AUDIT COMMITTEE, AT ITS MEETINGS HELD DURING THE FINANCIAL YEAR 2006-07

Name of the Director	No. of Meetings attended
Shri A. Ranga Rao	4
Dr. P. Kotaiah	4
Shri V.S. Raju	4

Executive Director, Vice President (Finance), Chief Internal Auditor, Statutory Auditors and Cost Auditors whenever required also attend the Audit Committee Meetings to answer the queries raised by the Committee Members.

Company Secretary acts as a Secretary to the Committee.

- e) The Audit Committee considers periodically statement of related party transactions at their meeting.

5. SUBSIDIARIES :

- a) The Company does not have any material non-listed Indian subsidiary as defined in Clause 49 of the Listing Agreement.
- b) Company has one un-listed subsidiary Company, which is not in operation.
- c) Minutes of the Board Meeting of the unlisted Company are placed before the Board Meeting of the holding Company.

6. REMUNERATION COMMITTEE, POLICY, DETAILS

- The Company is not required to and does not have a Remuneration Committee.
- The Company does not remunerate nor the Company has any pecuniary relationship with the non-Executive Directors except for the payment of sitting fees for attending each Meeting of the Board or Committee thereof.

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Details of the remuneration paid / payable to the Directors during the year 2006-07 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	12,16,445	2,03,03,509	2,15,19,954
Dr. B. B. Ramaiah	Nil	8,54,021	2,03,03,509	2,11,57,530
Sri P. Narendranath Chowdary	Nil	8,72,523	1,01,51,755	1,10,24,278
Sri M. Narendranath	Nil	8,96,156	1,01,51,755	1,10,47,911
Sri M. Thimmaraja	Nil	9,46,411	1,01,51,754	1,10,98,165
Sri P. Achuta Ramayya	Nil	6,53,900	1,01,51,754	1,08,05,654
Sri P.S.R.V.K. Ranga Rao	Nil	6,44,698	50,75,877	57,20,575
Sri A. Ranga Rao	60,000	Nil	Nil	60,000
Justice G. Ramanujam	20,000	Nil	Nil	20,000
Dr. A.V. Rama Rao	15,000	Nil	Nil	15,000
Dr. P. Kotaiah	60,000	Nil	Nil	60,000
Sri V.S. Raju	60,000	Nil	Nil	60,000
Dr. Alapaty Appa Rao	30,000	Nil	Nil	30,000
Dr. Anumolu Ramakrishna	15,000	Nil	Nil	15,000

Remuneration is fixed and paid to the Managing Director / Whole-time Directors as approved by the Shareholders of the Company and is in accordance with and subject to the limits prescribed by the Companies Act, 1956. The Company enters into an agreement with the Managing Director / Whole-time Directors relating to their appointment / re-appointment. There is no severance fee.

7. SHAREHOLDING OF NON-EXECUTIVE DIRECTORS :

As on 31.03.2007 Sri A. Ranga Rao holds 200 equity shares in the Company. No other Non-executive Director holds any equity shares in the Company. During the year 2006-2007 Company has not issued any convertible instruments.

8. MANAGEMENT

- Management Discussion and Analysis forms part of the Annual Report.
- Disclosure by the Management to the Board : Please refer point No. 12

9. CEO / CFO CERTIFICATION

In accordance with the requirements of Clause 49(V) of the Listing Agreement the Board of Directors of the Company, Audit Committee and Auditors have been furnished with the requisite certificate from the Managing Director.

10. SHAREHOLDERS' GRIEVANCES COMMITTEE

- The Board has constituted Shareholders' / Investors' Grievances Committee comprising Sri Justice G. Ramanujam (Chairman of the Committee – non-Executive independent Director), Sri P. Narendranath Chowdary and Sri M. Thimmaraja as Members of the Committee. The Committee looks into redressal of the Shareholders' complaints like Transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared Dividend and other matters.

- b) The Board has designated Sri M. Bulli Abbayi, Company Secretary and Sri M. Palachandra, Addl. Company Secretary as the Compliance Officers.
- c) During the year 2006-07, four Committee Meetings were held on dates viz., 26.04.2006, 29-07-2006, 28-10-2006 and 27-01-2007. The Company received a total number of 342 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 31.3.2007 no Share Transfers were pending and there were no pending complaints.
- d) ATTENDANCE OF DIRECTORS AT THE SHAREHOLDERS GRIEVANCE COMMITTEE MEETING HELD DURING FINANCIAL YEAR 2006-07

Name of the Director	No. of Meetings attended
Sri Justice G. Ramanujam	1
Sri P. Narendranath Chowdary	4
Sri M. Thimmaraja	4

11. ANNUAL GENERAL BODY MEETINGS

- a) PARTICULARS OF ANNUAL GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS.

Financial Year -- 1st April to 31st March			
Financial Year	Venue	Date	Time
2003-2004	Registered Office VENKATARAYAPURAM, TANUKU - 534 215 (A.P.)	27-9-2004	3.00 p.m.
2004-2005	-- do --	24-9-2005	3.00 p.m.
2005-2006	-- do --	20-9-2006	3.00 p.m.

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

At the ensuing Annual General Meeting there is no Resolution proposed to be passed through postal ballot.

- b) SPECIAL RESOLUTIONS PASSED AT THE LAST THREE ANNUAL GENERAL MEETINGS :

DATE OF AGM	NO. OF SPECIAL RESOLUTIONS	SUBJECT MATTER
20-09-2006	1	Alteration of Articles of Association with regard to revision in the payment of Sitting Fee to the Directors.
24-09-2005	8	Revision in the remuneration of Managing Director / Whole-time Directors and the re-appointment of Sri P. Narendranath Chowdary as Joint Managing Director.
27-09-2004	1	Alteration of Articles of Association with regard to revision in the payment of Sitting Fee to the Directors.

12. 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 the Central Government under Section 207 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.
- iii. The Company does not have any Whistle Blower Policy.
- iv. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

Details regarding Non-Mandatory requirements are enumerated under point No. 14.

13. MEANS OF COMMUNICATION

- i. Quarterly Results are not sent to each household of shareholders, since they are being published in the leading news papers.
- ii. Quarterly, Half Yearly and Annual Results are published in "The Hindu Business Line", "Economic Times" and "Andhra Bhoomi".
- iii. The Company displays its periodical results on the Company's Web Site and on EDIFAR Web Site as required by the 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.

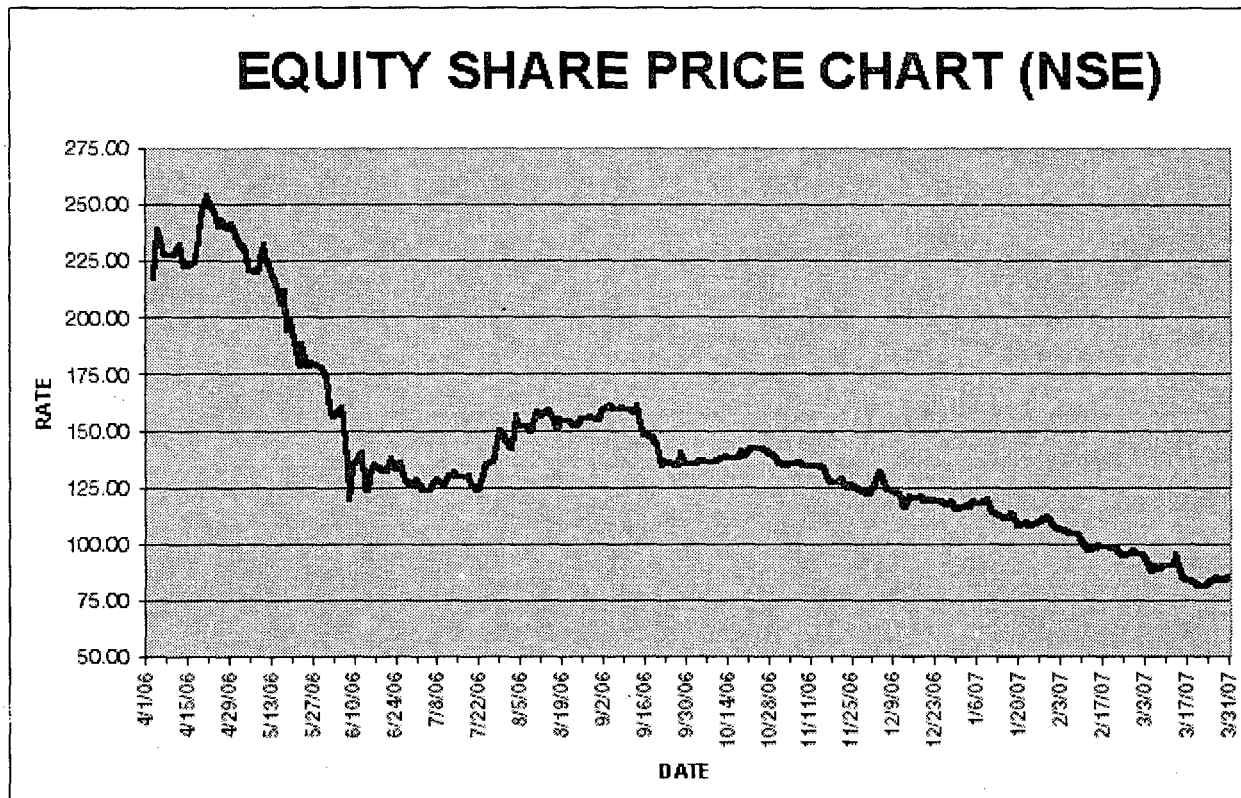
v. General Shareholder Information

- | | | |
|----------------------------|---|--|
| (i) Annual General Meeting | : | |
| Date & Time | : | Saturday, 29th September, 2007, 3:00 PM |
| Venue | : | Registered Office
Venkatarayapuram, Tanuku – 534 215
West Godavari Dist. (A.P.) |
| (ii) Financial Year | : | 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 | : | 20th September, 2007 to 29th September, 2007
(both days inclusive) |

- (iv) Dividend payment date : 4th October, 2007
- (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	Low
	Rs.	Rs.
April, 2006	258.45	211.40
May, 2006	245.00	160.00
June, 2006	184.00	115.05
July, 2006	154.60	122.00
August, 2006	165.60	141.55
September, 2006	163.95	133.10
October, 2006	145.00	135.00
November, 2006	139.85	120.50
December, 2006	139.00	95.20
January, 2007	124.00	106.20
February, 2007	110.05	93.00
March, 2007	102.00	80.30

- (viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL etc. : See Chart



The Andhra Sugars Limited

- (ix) Registrars & Share Transfer Agents : 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
info.tnk@theandhrasugars.com
- (x) Share Transfer System : Shareholders have an option to hold the Shares in physical form or in demat form. In the 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) Shareholding pattern as on 31st March, 2007

Category	No. of Shares Held	% of Shareholding
Promoters	1,45,56,626	53.70
Institutions, Mutual Funds and Banks	11,44,213	4.22
FII's / OCB's	1,27,600	0.47
NRI's	3,65,965	1.35
Bodies Corporate, Trusts and Clearing members	16,34,400	6.03
Public	92,78,274	34.23
Total	2,71,07,078	100.00

(b) Distribution of Shareholding as on 31st March, 2007

Shareholding of Nominal value of Rs.	No. of Shareholders	% to total	Share amount in Rs.	% to Total
Upto 5000	13,519	84.790	2,74,37,020	10.122
5001 to 10000	1,007	6.316	1,20,66,080	4.451
10001 to 20000	635	3.983	1,35,79,470	5.010
20001 to 30000	210	1.317	82,21,510	3.033
30001 to 40000	122	.765	60,34,500	2.226
40001 to 50000	113	.709	1,00,83,830	3.720
50001 to 100000	163	1.022	1,96,94,090	7.265
100001 onwards	175	1.098	17,39.54,280	64.173
Total	15,944	100.00	27,10,70,780	100.00

(xii) Dematerialisation of Equity Shares and liquidity:

Company's Equity Shares are listed on Hyderabad, Madras and National Stock Exchanges with a view to provide liquidity to the Shareholders. As per the 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 31.3.2007 38.11% of Equity Shares have been dematerialised.

(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. BHIMADOLE, W.G.Dist., Andhra Pradesh
 6. PERECHECLA, GUNTUR, Andhra Pradesh.

Wind Power Units:

7. RAMGIRI, Ananthapur Dist., Andhra Pradesh
8. (a) Kurichampatti Village,
(b) Surandai Village,
Veeranam Region,
Tirunelveli District, Tamilnadu.

The Andhra Sugars Limited

- (xv) Address for correspondence for all matters including Shares. : Registered Office:
VENKATARAYAPURAM
Tanuku – 534 215
West Godavari Dist.,
Andhra Pradesh.
E.mail : investors@theandhrasugars.com

14. NON-MANDATORY REQUIREMENTS :

Mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company. Non-mandatory requirements are as hereunder :

1. The Board

As the Company has an Executive Chairman, the applicability of this provision does not arise. Maximum tenure of Independent Directors as mentioned is not adopted.

2. Remuneration Committee

The Company has not constituted any Remuneration Committee and is not required to do so.

3. Shareholders Rights

The quarterly, Half Yearly and Annual Results are published in leading English news papers having circulation all over India and also in Telugu News Papers circulating in the District and are also posted on the Company's website and SEBI Edifar Website, therefore the same are not sent to the Shareholders individually.

4. Audit Qualification

The Company is in the regime of un-qualified financial statements.

5. Training of Board Members

The Board of Directors consists of professionals having considerable experience and expertise in their respective fields and industry.

6. Mechanism for evaluating Non-Executive Board Members

As the Non-Executive Directors are professionals, no such mechanism exists.

7. Whistle Blower Policy

There is no Whistle Blower Policy. However the Company recognises the importance of reporting to the management by an employee at any level about the unethical behavior or suspected fraud in violation of the Company's Code of Conduct or any other point of concern.

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management personnel have affirmed the compliance of The Andhra Sugars Limited Code of Conduct for the year ended 31st March, 2007.

Place : TANUKU

Date : 28-07-2007

Dr. MULLAPUDI HARISCHANDRA PRASAD
Chairman & Managing Director

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, 2007 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 2007, 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 : 28th July, 2007

For BRAHMAYYA & 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 31 March 2007, its Profit and Loss account and also the Cash-Flow Statement for the year ended on that date annexed thereto. 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 March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;
 - 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.

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

Camp : TANUKU
Date : 28th July, 2007

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.
- 1.2 According to the information and explanations furnished to us, the company has physically verified during the year its fixed assets situated at Tanuku and no material discrepancies were noticed on such physical verification. The company has informed us that it has adopted a phased programme of verification of its fixed assets other than furniture and fixtures.
- 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 as to affect the going concern assumption in preparing the financial statements under report.
- 2.1 According to the information and explanations furnished to us, during the year under report the company has physically verified its inventories of Raw materials, Finished goods & stores and spares only at some of its units located at Tanuku. In our opinion, the frequency of such verification to the extent carried out is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories, as followed by the management in respect of such verification carried out during the year are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 According to the information furnished to us, the company is maintaining proper records of its inventory. The discrepancies if any noticed on verification of Raw Materials, Finished goods & Stores and Spares between the physical stocks to the extent verified during the year and the book records were not material, and have been properly dealt with in the books of account.
- 3.1 According to the information and explanations furnished to us, the company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956, at the beginning of the year or during the year, and consequently reporting under sub-clauses b, c and d of clause 4(iii) of the Order does not arise during the year.
- 3.2 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.4700.85 lakhs from forty six parties covered in the register maintained under Section 301 of the Companies Act 1956.
- 3.3 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.
- 3.4 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 parties covered in the register maintained under Section 301 of the Companies Act 1956.

The Andhra Sugars Limited

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control system 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 particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements that have been entered in the Register referred to in Section 301 of the Companies Act have been made at prices which are reasonable having regard to prevailing market prices and other terms of business with such parties, 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, 58AA or any other relevant provisions of the Act 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 or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non-compliance with the provisions of Sections 58A, 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 prescribed, 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 generally 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, Service Tax, Custom 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	August 76 to March, 2006	1316604 (Interest on above)	Pending receipt of demand by the company
3	WBST Act, 1994	2004-2005	37636	Pending completion of assessment

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 and Service Tax that were disputed by the company and hence were not remitted to the concerned authorities, except the following:

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 AP
2	Standing orders of the Govt. of AP	Water charges	791721	Govt. of AP
3	Sales Tax laws in different states	Sales Tax	29879931	Different appellate authorities
4	Central Excise Act, 1944	Excise Duty	2475512	Different departmental appellate authorities
5	Customs Act	Customs Duty	292004	Dy.Commissioner Customs
6	Service Tax Law	Service Tax	41682	Commissioner of Service Tax

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 in the immediately preceeding 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 (Auditor's 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 (Auditor's 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.

The Andhra Sugars Limited

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we are of the opinion that considering the internal accruals of the company during the year under report, funds raised by the company on short term basis have prima facie not been used for long term investment.
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 Companies Act 1956.
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 : 28th July, 2007

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 capitalized.

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.
- Work –in- process, Raw-materials, Stores, Spares and Materials in transit are valued at cost except where net realisable value of the finished goods they are used in is less than the cost of finished goods and in such an event, if the replacement cost of such materials etc., is less than their book values, they are valued at replacement cost.
- 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, packing charges and Freight charges, wherever applicable, 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:

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

11. FOREIGN EXCHANGE TRANSACTIONS:

- Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchange arising on actual receipt/payment during the year.
- At each Balance Sheet date Foreign currency monetary items are reported using the rate of exchange on that date. Foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized.
- In respect of forward exchange contracts in the nature of hedges
 - a) Premium or discount on the contract is amortized over the term of the contract,
 - b) Exchange differences on the contract are recognized as profit or loss in the period in which they arise.

12. IMPAIRMENT OF ASSETS :

An asset is treated as impaired when the carrying cost of the same exceeds its recoverable amount. An impairment loss is charged to the Profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

13. CONTINGENT LIABILITIES:

Contingent liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

14. INTANGIBLE ASSETS:

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

15. TAXATION:

- 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.
- 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 realization.

16. 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.

17. 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.**

I. Registration Details	(Amounts in Rs. Thousands)
a) Registration No.	01-00326
b) State Code	01
c) Balance Sheet date	31-03-2007
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	8227619
b) Total Liabilities	8227619
Sources of Funds:	
a) Paid-up Capital	271101
b) Reserves & Surplus	2483355
c) Deferred Tax (Net)	661219
d) Secured Loans	1858046
e) Unsecured Loans	1224094
	<hr/>
TOTAL:	6497815
	<hr/>
Application of Funds:	
a) Net Fixed assets	4392595
b) Investments	503240
c) Net Current Assets	1601980
d) Miscellaneous Expenses	—
	<hr/>
TOTAL:	6497815
	<hr/>
IV. Performance of Company:	
a) Turnover	6318105
b) Other Income	271256
c) Total Expenditure	5096054
d) Profit Before Tax	936404
e) Profit After Tax	641476
f) Earnings per Share in Rs.	23.66
g) Dividend Rate %	60%
V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)	
1. Item Code No. (ITC Code)	170111.09
Product Description	Sugar
2. Item Code No. (ITC Code)	281512.00
Product Description	Caustic Soda
3. Item Code No. (ITC Code)	280110.00
Product Description	Chlorine

BALANCE SHEET AS AT 31st MARCH, 2007

	Schedule	(Rupees in lakhs)	
		31-3-2007	31-3-2006
I SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Capital	1	2711.01	2711.01
b) Reserves & Surplus	2	24833.55	20321.62
		<u>27544.56</u>	<u>23032.63</u>
2) Loan Funds			
a) Secured Loans	3	18580.46	21044.11
b) Unsecured Loans	4	12240.94	11586.08
		<u>30821.40</u>	<u>32630.19</u>
3) Deferred Tax			
a) Liability		6974.41	5818.67
b) Asset		362.22	282.52
		<u>6612.19</u>	<u>5536.15</u>
TOTAL		<u>64978.15</u>	<u>61198.97</u>
II APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block		61932.45	56187.83
b) Less: Depreciation		20264.55	17973.08
c) Net Block	5	41667.90	38214.75
d) Capital work-in-progress		2258.05	3465.68
		<u>43925.95</u>	<u>41680.43</u>
2) Investments			
	6	5032.40	4751.25
3) Current Assets, Loans & Advances			
a) Inventories	7	19578.40	21845.12
b) Sundry Debtors	8	3250.54	3790.17
c) Cash and Bank Balances	9	830.61	1106.65
d) Other Current Assets	10	23.76	21.78
e) Loans and Advances	11	9634.53	6794.52
		<u>33317.84</u>	<u>33558.24</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	10360.30	12092.32
b) Provisions	13	6937.74	6702.99
		<u>17298.04</u>	<u>18795.31</u>
Net Current Assets		16019.80	14762.93
4) Miscellaneous Expenditure			
	14	---	4.36
TOTAL		<u>64978.15</u>	<u>61198.97</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
Company Secretary

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007.

		(Rupees in lakhs)	
INCOME	Schedule	This Year	Previous Year
Sales (including Excise Duty recovered)		63181.05	54177.80
Less : Excise duty recovered		<u>5569.03</u>	<u>5191.96</u>
		57612.02	48985.84
Other Income	15	2712.56	2980.63
Accretion to Stocks	16	<u>—</u>	<u>2833.18</u>
		<u>60324.58</u>	<u>54799.65</u>
EXPENDITURE			
Raw Materials consumed		22368.08	20832.16
Payments & Benefits to Employees	17	3964.77	3325.65
Expenses	18	16090.28	16351.18
Taxes and licenses	19	1031.56	953.72
Decreton in stock	16	2207.02	—
Interest	20	2343.00	2352.37
Depreciation		<u>2955.83</u>	<u>2505.35</u>
		<u>50960.54</u>	<u>46320.43</u>
Profit for the year		9364.04	8479.22
Add: Income Tax refund received		<u>—</u>	4.25
Excess provision of Income Tax		145.77	<u>224.89</u>
		<u>9509.81</u>	<u>8708.36</u>
Less: Short provision of Income Tax		<u>—</u>	—
		<u>9509.81</u>	<u>8708.36</u>
Less: Provisions for:			
Current Tax		2000.00	1500.00
Fringe Benefit Tax		17.00	50.00
Deferred Tax		1076.05	1124.99
Wealth Tax		<u>2.00</u>	<u>2.00</u>
Profit after tax		<u>6414.76</u>	<u>6031.37</u>
Add: Balance brought forward from last year		<u>2746.92</u>	<u>1433.72</u>
Balance available for appropriation		<u>9161.68</u>	<u>7465.09</u>
APPROPRIATIONS			
General Reserve		4000.00	2400.00
Dividends (See Directors' Report)	21	1902.83	2318.17
Balance taken to Balance Sheet		<u>3258.85</u>	<u>2746.92</u>
		<u>9161.68</u>	<u>7465.09</u>
Basic Earnings per Share:			
(Profit after tax/No. of equity shares)			
Profit after tax		6414.76	6031.37
No. of equity shares of Rs. 10/- each		27107078	27107078
Basic Earnings per share (Rs.)		<u>23.66</u>	<u>22.25</u>
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 Brahmayya & Company
Chartered Accountants
C. Murali Krishna
Partner

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

Chairman & Managing Director
Director
Company Secretary

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

SCHEDULES TO BALANCE SHEET
SHARE CAPITAL

		SCHEDULE -1 (Rupees in lakhs)	
		As at 31-3-2007	As at 31-3-2006
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 fully paid up	2710.71	2710.71
6013	Add: Forfeited shares : Equity shares of Rs.10/- each, Rs.5/- paid up	0.30	0.30
		<u>2711.01</u>	<u>2711.01</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)

RESERVES AND SURPLUS

		SCHEDULE - 2	
1)	GENERAL RESERVE		
	As per last Balance Sheet	16400.00	14000.00
	Add: Transferred from Profit & Loss A/c during the year	4000.00	2400.00
		<u>20400.00</u>	<u>16400.00</u>
2)	SECURITIES PREMIUM	1129.40	1129.40
3)	CAPITAL RESERVE		
	Capital investment subsidy	45.00	45.00
	Forfeited Debentures *	0.30	0.30
4)	SURPLUS IN PROFIT & LOSS ACCOUNT	3258.85	2746.92
		<u>24833.55</u>	<u>20321.62</u>

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

The Andhra Sugars Limited

SECURED LOANS

SCHEDULE - 3

(Rupees in lakhs)

As at 31-3-2007 As at 31-3-2006

FROM BANKS:

i) Term Loans

a) From Andhra Bank (against paripassu first charge on present and future fixed assets of the company)	—	387.50
b) From Andhra Bank (against exclusive first charge on assets created out of the loan)	7500.00	9000.00
c) From State Bank of India (against first charge on assets acquired out of the loan and hypothecation of stocks, receivables and other movable assets at Bhimadole Sugar Unit)	—	253.66

ii) Cash Credit (from Banks)

(Secured by hypothecation of inventories and receivables, and second charge on the fixed assets of the company of sugar and chemical divisions ranking pari passu among the members of the consortium of working capital lending banks)	11080.46	11402.95
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18580.46	21044.11
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UNSECURED LOANS

SCHEDULE - 4

Fixed Deposits:

From Shareholders	922.10	947.45
From Public	4723.65	4198.55
From Directors	1551.50	1063.00

Loans :

From Other Companies *	454.00	694.00
From Banks - Short term	1500.00	2000.00

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)

3089.69	2683.08
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12240.94	11586.08
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* Include amounts due to subsidiary companies :

JOCIL Ltd.,	450.00	650.00
The Andhra Farm Chemicals Corporation Ltd.,	—	40.00
Hindustan Allied Chemicals Ltd.,	4.00	4.00

Note : Fixed deposits matured and remaining unclaimed aggregating to Rs. 41.28 lakhs are not included above, but shown in Schedule 12.

FIXED ASSETS

SCHEDULE - 5
(Rupees in lakhs)

	GROSS BLOCK				DEPRECIATION BLOCK				IMPAIRMENT BLOCK				NET BLOCK	
	Cost as at 31-3-06	Additions during the year	Deductions during the year	Cost as at 31-3-07	Dep. upto 31-3-06	Dep. for 06-07***	Dep. on Dedn	Dep. Upto 31-03-07	Impairment Upto 31-03-06	Additions during the year	Deductions during the year	Impairment Upto 31-03-07	WDV AS AT 31-3-07	WDV AS AT 31-3-06
1) Land *	916.43	49.82	---	966.25	---	---	---	---	---	---	---	---	966	916.43
2) Buildings**	4391.50	465.19	14.46	4842.23	1212.59	127.58	4.04	1336.13	---	---	---	---	3506.10	3178.91
3) Plant and Machinery	43573.62	5502.44	673.45	48402.61	14464.70	2342.22	327.29	16479.63	537.44	---	184.19	353.25	31569.73	28571.48
4) Vehicles and Materials Handling Equipment	1698.00	329.75	158.97	1868.78	784.20	196.50	137.94	842.76	---	---	---	---	1026.02	913.80
5) Furniture & Fittings	498.62	82.27	21.61	559.28	365.10	39.47	18.10	386.47	---	---	---	---	172.81	133.52
6) Tramways and Railway Sidings	549.36	198.97	15.33	733.00	156.55	31.65	15.16	173.04	---	---	---	---	559.96	392.81
7) Renewable Energy Plant: Wind Farm	4560.30	---	---	4560.30	452.49	240.78	---	693.27	---	---	---	---	3867.03	4107.81
TOTAL	56187.83	6628.44	883.82	61932.46	17435.63	2978.20	502.53	19911.30	537.44	---	184.19	353.25	41667.90	38214.75
Previous Year	49384.78	8161.98	1358.93	56187.93	15658.35	2505.53	795.57	17435.63	942.20	---	337.43	537.44	38214.75	32784.23

* 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.

*** Depreciation for the year includes depreciation on impaired assets to the extent of Rs. 21.95 Lakhs and depreciation capitalised to the extent of Rs. 0.42 lakhs.

The Andhra Sugars Limited

INVESTMENTS

SCHEDULE - 6

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
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., Add: 2210385 shres purchased during the year (a company under the same management)	2479.20 348.61	
	<u>2827.81</u>	
Less : Provision for diminution in value	<u>2055.22</u>	
	772.59	423.98
c) 96,64,080 fully paid Equity Shares of Rs.10/- each in Andhra Pradesh Gas Power Corporation Ltd., (Unquoted)	3656.74	3656.74
d) 25,052 fully paid equity shares Rs. 10/- each in Andhra Bank (Quoted)	4.31	4.31
B) NON-TRADE INVESTMENTS		
a) In Government Securities: National Plan Saving Certificates (Lodged with Govt.Departments towards security)	0.17	0.17
b) 1000000 Equity Shares of Rs.10/-each in Agri Business Finance (AP) Ltd., (Unquoted) Less: Calls due	100.00 50.00	50.00
c) 90, 11.60% fully paid Redeemable Non Convertible Bonds of Rs. One lakh each in Andhra Pradesh Power Finance Corpn. Ltd., (Unquoted)	—	90.00
d) 45200, 6.75% Tax free U.S. 64 bonds of Rs. 100/- each in Unit Trust of India. (Unquoted)	45.20	45.20
e) 60978 units of UTI Balanced fund (Purchased during the year) Less : Sold during the year	13.06 13.06	—
f) 656383 Units of UTI Mutual Fund Service (Purchased during the year) Less : 586585 units sold during the year	200.00 178.73	21.27
g) 1391 Equity Shares of Rs. 10/- each, fully paid up in Indian Bank (purchased during the year) (Quoted)	1.27	—
	<u>5032.40</u>	<u>4751.25</u>
All the above investments, unless otherwise specified, are long term investments.		
Cost of unquoted investments	3754.84	3844.84
Cost of investments which are listed but whose quotations are not available	478.11	478.11
Cost of quoted investments	2854.66	2483.52
	<u>7087.61</u>	<u>6806.47</u>
Market value of quoted investments	3717.44	2435.55

INVENTORIES

(As certified by the Managing Director)

SCHEDULE - 7

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
Stores and Spares	2577.71	2474.31
Raw Materials	1672.73	1682.99
Work-in-process	416.60	252.70
Finished Goods - at Cost	11427.27	16631.02
- at Market value	3482.36	802.09
Crops under cultivation	1.73	2.01
	<u>19578.40</u>	<u>21845.12</u>

SUNDRY DEBTORS**SCHEDULE - 8**

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	101.63	112.79
Unsecured-considered doubtful	19.81	19.81
	<u>121.44</u>	<u>132.60</u>
Less: Provision for Doubtful Debts	19.81	19.81
	<u>101.63</u>	<u>112.79</u>
b) Other Debts: Unsecured-considered good	3148.91	3677.38
	<u>3250.54</u>	<u>3790.17</u>
Due from a Subsidiary Company (included in "b" above)	4.81	--

CASH AND BANK BALANCES**SCHEDULE - 9**

Cash and Cheques on hand	14.87	21.94
Balances with Scheduled Banks in		
- Current Accounts	601.38	861.67
- Fixed Deposit Accounts	214.36	223.04
	<u>830.61</u>	<u>1106.65</u>

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

a) In "Unclaimed Dividend Accounts" u/s 205A of the Companies Act, 1956	103.75	72.60
b) Towards unencashed interest/redemption warrants on 16.5% Non Convertible Debentures	0.90	0.95
c) Towards staff security deposit	20.34	12.04

OTHER CURRENT ASSETS**SCHEDULE - 10**

Interest accrued on Investments and Deposits	23.76	21.78
	<u>23.76</u>	<u>21.78</u>

LOANS AND ADVANCES

SCHEDULE - 11

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	3232.78	1520.38
Unsecured considered doubtful	0.03	0.03
	<u>3232.81</u>	<u>1520.41</u>
Less: Provision for doubtful Advances	0.03	0.03
	<u>3232.78</u>	<u>1520.38</u>
Prepaid Expenses	91.27	71.61
Excise Duty paid in advance (including Cenvat Credit pending Utilisation)	1050.39	801.74
Advance payment of Direct Taxes	4557.21	3781.44
Income Tax deducted at source	62.29	57.40
Deposits recoverable	489.64	374.66
Claims recoverable	142.50	180.00
Balance with Customs, Port Trust, etc.,	8.45	7.29
	<u>9634.53</u>	<u>6794.52</u>
Due from a Subsidiary Company (included in "advances" above)	0.83	0.79

LIABILITIES

SCHEDULE - 12

Sundry Creditors		
Due to Small Scale Industrial undertakings (See Note No. 9)	—	—
Due to Others (incl. Rs. 862.90 lakhs (Rs. 765.21 lakhs) due to Directors)	9814.68	11590.97
Due to Subsidiaries	—	35.04
Advances received against sales	132.96	136.57
Trade Deposits	78.23	71.71
Staff security deposit	20.21	11.93
Interest accrued but not due on Loans & Fixed Deposits (Includes Rs. 37.22 lakhs (Rs.19.71 lakhs) due to directors) (Includes Nil (Rs.3.89 lakhs) due to Subsidiary Company)	161.89	145.48
Dividends pending encashment *	103.75	72.60
Unclaimed matured Fixed Deposits *	41.28	22.51
Unclaimed interest on matured Deposits * and debentures	7.30	5.51
	<u>10360.30</u>	<u>12092.32</u>

* 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 and Fringe Benefit Tax	4767.00	4150.00
For Wealth Tax	6.00	5.50
For Proposed Dividend	1626.42	2033.04
For Tax on Distributable Profits	276.41	285.13
For Leave Encashment on Retirement	261.91	229.32
	<u>6937.74</u>	<u>6702.99</u>

MISCELLANEOUS EXPENDITURE

SCHEDULE - 14

(to the extent not written off or adjusted)

Issue expenses of Debentures / Shares on Rights basis	4.36	11.12
Less: Written off during the year	4.36	6.76
	<u>—</u>	<u>4.36</u>

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

(Rupees in lakhs)

	This Year	Previous Year
Processing and Job Work Income	40.81	37.09
Freight and other sales expenses recovered	1266.03	1303.45
Subsidy on Superphosphate sales	406.23	368.04
Rents received	53.04	46.30
Dividend received	309.96	177.51
Interest from Banks and Others	55.90	49.94
Interest on Investments	11.19	13.49
Miscellaneous Receipts	296.36	570.38
Profit on Sale of Assets	26.89	10.95
Provisions / Credit balances written back	10.56	22.25
Claims received	51.69	29.13
Income from agriculture (Net)	6.88	4.29
Impairment provision written back	162.24	337.44
Difference in exchange	—	7.87
Income of earlier years	12.27	—
Bad debts recovered	2.51	2.50
	2712.56	2980.63
1) Dividend income includes:		
i) From Trade Investments - in subsidiaries	254.46	174.25
- in others	4.18	3.14
ii) From Non-Trade investments	51.32	0.12
2) Tax deducted at source :		
- On Interest income	9.86	9.45
- On Processing charges received	1.69	1.99
- On Rents received	9.13	8.51

OPENING AND CLOSING STOCKS**SCHEDULE - 16**

Opening Stock:		
Work-in-process	252.70	158.79
Finished goods	17433.11	14598.81
Total (A)	17685.81	14757.60
Closing Stock:		
Work-in-process	416.60	252.70
Finished goods	14909.64	17433.11
Total (B)	15326.24	17685.81
Add : (Increase)/Decrease in Excise duty on stocks (C)	152.55	(95.03)
Accretion to stock	—	2833.18
Decretion in stock	2207.02	—

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

Salaries, Wages and Bonus	3355.14	2778.13
Contribution to Provident, Gratuity and other funds	440.21	373.88
Workmen and Staff Welfare Expenses	169.42	173.64
	3964.77	3325.65

MANUFACTURING AND OTHER EXPENSES

SCHEDULE - 18

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1641.89	1365.97
Power and Fuel	7375.04	7595.99
Insurance	191.06	183.17
Sugarcane Development Expenses	47.16	23.79
Repairs to Buildings	224.21	206.84
Repairs to Machinery	2469.88	3106.93
Repairs to Other Assets	516.91	330.59
Advertisement and Sales Promotion	30.47	22.05
Handling, Transport & Expenses at Sales Depots	1590.91	1556.08
Commission on Sales	62.54	77.79
Rent	11.22	9.82
Directors' Sitting Fee	2.60	1.75
Managerial Remuneration (Note No.25)	923.74	858.00
Payments to Auditors (Note No.22)	9.15	8.37
Miscellaneous Expenses	515.60	536.01
Donations	59.40	55.10
Loss on sale of Assets	1.03	352.48
Issue expenses of Shares/Debentures written off	4.35	6.78
Bad debts	0.57	10.94
Assets written off	333.77	41.77
Stores & Spares written off	26.68	---
Loss on sale / conversion of Investments	23.60	0.93
Difference in exchange	28.49	0.03
	16090.27	16351.18

TAXES AND LICENCES

SCHEDULE - 19

Excise Duty	2.54	8.33
Purchase Tax on Sugarcane	809.25	713.26
Rates and Taxes	219.77	232.13
	1031.56	953.72

INTEREST

SCHEDULE - 20

On Fixed period loans from banks	1382.86	1558.22
On Fixed deposits from whole-time Directors	132.30	94.64
On other accounts	827.84	699.51
	2343.00	2352.37

DIVIDENDS

SCHEDULE - 21

Proposed dividend	1626.42	2033.04
Tax on above	276.41	285.13
	1902.83	2318.17

NOTES FORMING PART OF THE ACCOUNTS

The Andhra Sugars Limited

SCHEDULE - 22

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
--	--------------------	--------------------

1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for	3782.70	425.25
2. a) Uncalled liability on partly paid shares held as Investments	24.66	24.66
b) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	0.01	0.01
3. Claims against the company not acknowledged as debts relating to the following areas:		
i) Excise	25.17	35.66
ii) Customs	2.92	5.45
iii) Sales Tax	28.14	32.81
iv) State Levies	164.14	154.68
v) Suppliers and Service contract	160.89	163.43
vi) Labour related	17.71	14.21

4. Other monies for which the company is contingently liable

- | | | |
|--|---|---|
| a) Guarantees issued by the company for obligations arising out of events occurred at the Balance Sheet date. | — | — |
| b) 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. | | |

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. 55.74 lakhs (Rs. 54.01 lakhs) has not been provided for in the accounts pending final legal decision in the matter.

- c) 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.

The Andhra Sugars Limited

5. "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.
6. The Company has given undertakings / assurance to IDBI not to dispose of its share holdings in The Andhra Petrochemicals Limited, without the prior consent of the IDBI until the loan payable by the said company to IDBI are fully repaid.
7. 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.
8. Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.
9. Based on the information available with the company regarding the state of its creditors, 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.
10. Loans and Advances in the nature of loans given to subsidiary Hindustan Allied Chemicals Limited as per clause 32 of the listing agreement is Rs.0.83 lakhs as on 31.3.2007. (Maximum balance outstanding during the year is same). The investment in the Equity shares of the company is Nos. 328760.
11. Closing stock units, Wind farm at Ramagiri and power generation unit at Taduvai as per the books of the Company and as confirmed by the AP Genco is subject to reconciliation due to certain matters pending before Honourable High Court of Andhra Pradesh.

The Andhra Sugars Limited

12. SALES

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugar	M.T	164279	28462.08	123026	21229.70
Molasses	M.T	38028	893.99	12061	234.69
Industrial Alcohols & Ethanol	K.L	2770	800.46	3318	877.08
Acetic Acid	M.T	981	377.66	1423	542.27
Acetic Anhydride	M.T	705	480.11	1100	639.09
Ethyl Acetate	M.T	—	—	12	6.97
Aspirin	M.T	385	600.35	503	785.23
Caustic Soda	M.T	96422	18237.53	88875	16417.70
Caustic Potash	M.T	8326	3020.79	8855	2948.58
Chlorine	M.T	50917	2390.27	52283	3411.48
Hydrochloric Acid	M.T	124093	1478.28	105074	1809.85
Sodium Hypochlorite	M.T	15419	516.33	16651	378.07
Hydrogen gas	CU.MTR	2496007	417.07	2186704	295.26
Chlorosulphonic Acid	M.T	—	0.01	1074	58.58
Sulphuric Acid	M.T	101000	2321.46	80306	1890.96
Superphosphate	M.T	42241	1270.67	43093	1202.85
UDMH / UH 25	M.T	105	664.13	107	675.97
Mono Methyl Hydrazine	M.T	6	108.08	6	115.99
HTPB	M.T	53	272.74	40	215.53
Electrical Energy	KWH	17467510	471.62	41147	1.11
Cattle Feed	M.T	2756	173.54	2327	139.77
Others			223.88		301.07

63181.05

54177.80

NOTE: The above figures include Excise Duty recovered:

5569.03

5191.96

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 of :

79.72

66.31

14. RAW MATERIALS CONSUMED:

(Rupees in lakhs)

		This year		Previous year	
		Quantity	Value	Quantity	value
Sugarcane	M.T.	1349171	14954.29	1189612	13479.03
Phenol	M.T.	375	257.80	550	323.86
Sulphur	M.T.	41759	1835.84	33472	1714.26
Rockphosphate	M.T.	24663	852.07	24441	817.34
Salt	M.T.	163478	2498.47	155224	2601.30
Potassium Chloride	M.T.	11238	1356.25	11645	1398.50
Extractions for Cattle feed	M.T.	2317	100.27	2424	71.12
Other raw materials			513.09		426.75

22368.08

20832.16

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 inter unit transfers. Excise duty, if any, is adjusted in Schedule No. 19.

15. OPENING AND CLOSING STOCKS OF FINISHED GOODS:

(Rupees in lakhs)

The Andhra Sugars Limited

PRODUCTS	UNIT	OPENING STOCKS				CLOSING STOCKS			
		THIS YEAR		PREVIOUS YEAR		THIS YEAR		PREVIOUS YEAR	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
SUGAR	MT	112709	16145.65	105070	13328.07	95708	13341.76	112709	16145.65
MOLASSES	MT	32782	440.44	28582	670.72	29920	710.98	32782	440.44
SULPHURIC ACID	MT	1177	29.02	1645	34.46	2471	52.93	1177	29.02
OLEUM	MT	—	—	2	0.03	—	—	—	—
SUPERPHOSPHATE	MT	4916	141.18	3572	86.96	7175	212.94	4916	141.18
CAUSTIC SODA	MT	1319	155.49	462	59.71	1024	124.72	1319	155.49
CAUSTIC POTASH	MT	306	89.50	404	98.51	170	58.56	306	89.50
CHLORINE	MT	217	11.70	174	9.95	215	6.64	217	11.70
SODIUM HYPOCHLORITE	MT	41	1.54	23	0.94	28	0.75	41	1.54
HYDROCHLORIC ACID	MT	404	5.34	159	2.44	508	3.90	404	5.34
INDUSTRIAL ALCOHOL	KL	280	44.60	163	43.42	443	66.68	163	44.60
FUSEL OIL	KL	3	0.47	2	—	1	0.10	3	0.47
ACETIC ACID	MT	57	14.96	26	6.01	11	2.19	57	14.96
ACETIC ANHYDRIDE	MT	102	43.54	78	26.48	129	67.84	102	43.54
ETHYL ACETATE	MT	13	5.33	4	0.96	16	5.77	13	5.33
CHLOROSULPHONIC ACID	MT	53	3.08	238	9.29	53	3.52	53	3.08
ASPIRIN	MT	106	144.89	71	118.16	146	101.75	106	144.89
ORGANIC DERIVATIVES OF HYDRAZINE OR OF HYDROXYL AMINE	MT	4	26.10	8	25.42	3	19.75	4	26.10
H.T.P.B.	MT	2	5.46	4	14.52	5	6.98	2	5.46
HYDROGEN GAS	CU. MTR	5187	0.27	4680	0.59	3809	0.19	5187	0.27
BARIUM SULPHATE	MT	1	0.04	8	1.15	1	0.05	1	0.04
ELECTRICAL ENERGY	UNITS	246817	4.02	1646441	16.47	1483794	15.88	246817	4.02
OTHERS			120.49		44.55		105.76		120.49
TOTAL			17433.11		14598.81		14909.64		17433.11

16. PARTICULARS REGARDING CAPACITY AND PRODUCTION:

CLASS OF GOODS	CAPACITY				ACTUAL PRODUCTION			
	LICENCED		INSTALLED		Year ended March, 2007		Year ended March, 2006	
1 Sugar								
a Tanuku	5,000	MT Cane/Day	5,000	MT Cane/Day	63277	MT	51354	MT
Molasses (By-product of Sugar)					26143	MT	20461	MT
b Taduvai	5,500	MT Cane/Day	2,500	MT Cane/Day	62224	MT	57067	MT
Molasses (By-product of Sugar)					23168	MT	21661	MT
c Bhimadole	5,500	MT Cane/Day	1,600	MT Cane/Day	21777	MT	22195	MT
Molasses (By-product of Sugar)					9430	MT	9953	MT
2 Acetic Acid	1,080	MT/annum	1,080	MT/annum	826	MT	1254	MT
Acetic Anhydride	720	MT/annum	720	MT/annum	996	MT	1626	MT
Ethyl Acetate	1,268	MT/annum	1,268	MT/annum	45	MT	75	MT
Butyl Acetate	1,268	MT/annum	1,268	MT/annum	---		---	
3 Industrial Alcohol	9,900	KL/annum	9,900	KL/annum	5764	KL	7702	KL
4 Carbon Dioxide	5,000	MT/annum	5,000	MT/annum	200	MT	332	MT
5 Aspirin	2,500	MT/annum	1,000	MT/annum	334	MT	736	MT
6 H.T.P.B.	180	MT/annum	180	MT/annum	56	MT	38	MT
7 Diffusers	4 Nos.	per annum	4 Nos.	per annum	---		---	
8 Chemical Equipment	392	MT/annum	500	MT/annum	---		545	MT
9 Sugar Factory Boiling House Equipment	1,000	MT/annum	1,000	MT/annum	---		---	
10 Organic Derivatives of Hydrazine or of Hydroxyl Amine	250	MT/annum	250	MT/annum	110	MT	110	MT
11 Caustic Soda (Kovvur)								
a Caustic Soda (Up to Aug-06)	46,200	MT/annum	46,200	MT/annum	---		5982	MT
b Hydrochloric Acid	28,710	MT/annum	28,710	MT/annum	586	MT	6576	MT
	(100% basis)		(100% basis)					
c Chlorine	29,730	MT/annum	29,730	MT/annum	1891	MT	7348	MT
d Caustic Potash (Up to Aug-06)	2,500	MT/annum	2,500	MT/annum	3774	MT	8398	MT
e Sodium Hypochlorite	1,650	MT/annum	1,650	MT/annum	8505	MT	13282	MT
a Caustic Potash (From Sep-06)	16,500	MT/annum	16,500	MT/annum	4169	MT	---	
(Membrane Cell Process)								
b Hydrochloric Acid	6,600	MT/annum	6,600	MT/annum	2458	MT	---	
	(100% basis)		(100% basis)					
c Chlorine	9,900	MT/annum	9,900	MT/annum	1755	MT	---	

CLASS OF GOODS	CAPACITY				ACTUAL PRODUCTION			
	LICENCED		INSTALLED		Year ended March, 2007		Year ended March, 2006	
12 Sulphuric Acid	45,000	MT/annum	45,000	MT/annum	26011	MT	33516	MT
13 Superphosphate	66,000	MT/annum	66,000	MT/annum	44500	MT	44438	MT
14 Chlorosulphonic Acid	20,000	MT/annum	20,000	MT/annum	---		889	MT
15 Oleum	6,600	MT/annum	6,600	MT/annum	---		61	MT
16 Caustic Soda (Saggonda)								
a. Caustic Soda	132,000	MT/annum	132,000	MT/annum	102064	MT	90367	MT
b. Hydrochloric Acid	40,000	MT/annum	40,000	MT/annum	131928	MT	106473	MT
c. Chlorine	76,000	MT/annum	76,000	MT/annum	47951	MT	45617	MT
d. Sodium Hypochlorite	6,600	MT/annum	6,600	MT/annum	6901	MT	3390	MT
e. Hydrogen gas	1,000	MT/annum	1,000	MT/annum	2494629	CU.MTR	2187224	CU.MTR
f. Barium Sulphate	330	MT/annum	330	MT/annum	---		46	MT
17 Sulphuric Acid (Saggonda)	99,000	MT/annum	99,000	MT/annum	82663	MT	64028	MT
18 Chlorosulphonic Acid (Saggonda)	33,000	MT/annum	----		----		----	
19 Liquid Hydrogen	330	MT/annum	330	MT/annum	----		----	
20 Crushing and processing of seeds and oil bearing vegetable produce	63,000	MT/annum	125	MT/day crushing	----		----	
			300	MT/day processing	----		----	
21 Vegetable oil refining	18,000	MT/annum	60	MT/day	----		----	
22 Hydrogenation of Oils	12600	MT/annum	40	MT/day	----		----	
23 Cattle and Poultry Feed	15000	MT/annum	15	MT/day	2756	MT	2327	MT
24 Wind Power (Anantapuram)	2.025	MW	2.025	MW	2510300	Units	2351600	Units
25 Wind Power (Tamilanadu)	6.600	MW	6.600	MW	17467510	Units	41147	Units
26 Electricity (Co.Gen. at Taduvali)	7	MW	7	MW	28102140	Units	23003940	Units
27 Bagasse	----		----		411814	MT	360841	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	4047.39	18	3930.11	19
Indigenous	18320.69	82	16902.05	81
	<u>22368.08</u>	<u>100</u>	<u>20832.16</u>	<u>100</u>

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

Imported	379.07	6	209.89	4
Indigenous	5964.05	94	4691.20	96
	<u>6343.12</u>	<u>100</u>	<u>4901.09</u>	<u>100</u>

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

Components and Spare Parts	262.02	526.73
Raw - materials	3790.06	3234.38
	<u>4052.08</u>	<u>3761.11</u>

20. Earnings in foreign exchange on FOB basis:

This Year	Previous Year
115.19	257.59

21. Expenditure incurred in foreign currency:

Books and Periodicals	1.14	2.09
Foreign travel (excluding tickets purchased in India)	14.48	12.09
Delegation fee	2.08	1.35
Professional charges	14.06	---
Managerial remuneration (Medical expenses to Chairman and Managing Director)	—	35.46

22. Payments made to Auditors:

As Auditors	3.50	3.00
As Tax Auditors and for other Tax matters	1.15	0.99
Fee for Certification including limited review etc.,	2.88	2.88
Reimbursement of out of pocket expenses	0.45	0.46
	<u>7.98</u>	<u>7.33</u>
As Cost Auditors	0.90	0.80
Fee for Certification	0.15	0.15
Reimbursement of out of pocket expenses	0.12	0.09
	<u>9.15</u>	<u>8.37</u>

This Year Previous Year

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

Salaries, Wages and Bonus	59.41	45.98
Contribution to Provident, Gratuity and other funds	8.14	6.36
Workmen and Staff Welfare Expenses	1.92	1.33
Materials consumed	3.36	12.07
Power and Fuel	0.23	1.96
Repairs to Assets	2.69	3.44
Miscellaneous Expenses	5.74	5.71
Depreciation	---	8.07
	<u>81.49</u>	<u>84.92</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	48.15	32.16
Contribution to Provident, Gratuity and other funds	4.21	3.02
Workmen and Staff Welfare Expenses	2.66	1.78
Power and Fuel	6.22	1.73
Insurance	0.22	0.18
Repairs to Assets	1.20	2.52
Miscellaneous Expenses	0.42	0.34
Depreciation	0.42	0.21
	<u>63.50</u>	<u>41.94</u>

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

Salaries, Wages and Bonus	---	4.71
Contribution to P.F. & other funds	---	---
Workmen & Staff welfare expenses	---	---
Stores and spares consumed	---	---
Insurance	---	0.43
Power & Fuel	---	16.43
Taxes & Licences	---	2.01
Repairs & Maintainance - Plant & Machinery	---	---
Consultancy charges	---	---
Miscellaneous expenses	---	13.81
Borrowing Costs as per AS16		
-- Term Loan Processing & Upfront fee	---	---
-- Interest Paid to Banks on fixed period loans	---	1.40
		<u>38.79</u>
Less: Interest received	---	2.22
		<u>36.57</u>

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

(Rs. in lakhs)

Net Profit as per Profit & Loss account		9364.05
Add: Sitting fees	2.60	
Remuneration provided	923.74	
Profit on sale of assets in accordance with Section 349	26.89	
Loss on sale of investments	23.60	
Depreciation provided	2955.83	3932.66
		<u>13296.71</u>
Less: Depreciation in accordance with Sec.350	2955.83	
Profit on sale of assets	26.89	
Impairment provision reversed	162.24	3144.96
		<u>3144.96</u>
Net Profit in accordance with Sec.349		<u>10151.75</u>

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

	This Year	Previous Year
Saiaiy	34.80	34.80
Contribution to Provident, Gratuity and other Funds	10.02	10.03
Other perquisites	16.02	47.96
Commission at 8.5% on net profit computed above	862.90	765.21
	<u>923.74</u>	<u>858.00</u>

The cost to the Company of the perquisites allowed during the year to the Managing Director (Tech.) & Executive Director in addition to the remuneration shown above works out to Rs.56,339/-. The value of the said perquisites computed in accordance with Income Tax Rules 1962, works out to Nil.

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

Particulars	Assets	Liabilities
1. Depreciation	—	6974.41
2. Amounts disallowed u/s 43B of Income Tax Act, 1961	348.37	—
3. Provision for doubtful debts	6.73	—
4. Payments under VRS	7.12	—
	<u>362.22</u>	<u>6974.41</u>
Deferred Tax (Net)		<u>6612.19</u>

27. 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 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	Company Secretary
Partner		

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

CASH FLOW STATEMENT FOR THE YEAR

	(Rupees in lakhs)	
	2006-2007	2005-2006
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and extra-ordinary items	9364.04	8479.22
ADJUSTMENTS FOR:		
Depreciation	2955.83	2505.53
Assets written off	333.77	41.77
Interest (Net)	2275.91	2288.94
Impairment provision reversed credited to P&L a/c	(162.24)	(337.43)
Profit/Loss on sale of assets (Net)	(25.86)	341.53
Dividends received	(309.96)	(177.51)
Issue expenses of shares/debentures written off	4.35	6.78
Loss on conversion / sale of investments	23.60	0.93
	<u>14459.45</u>	<u>13149.76</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Trade and other receivables	(1521.67)	1696.75
Inventories	2266.70	(3349.00)
Trade payables	(1699.46)	1878.27
	<u>13505.02</u>	<u>13375.78</u>
CASH GENERATED FROM OPERATIONS		
Direct taxes paid	(2321.52)	(1641.63)
	<u>11183.50</u>	<u>11734.15</u>
NET CASH FROM OPERATING ACTIVITIES.....A		
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	(5420.41)	(8864.31)
Sale of Investments	258.19	19.23
Sale of Fixed Assets	73.39	180.05
Purchase of Investments	(562.93)	(2.03)
Interest received	67.09	63.43
Dividends received	309.96	177.51
	<u>(5274.71)</u>	<u>(8426.12)</u>
NET CASH USED IN INVESTING ACTIVITIES.....B		
C CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowings/loans	(1808.79)	773.79
Dividends paid	(2033.03)	(1626.43)
Interest paid	(2343.00)	(2352.37)
	<u>(6184.83)</u>	<u>(3205.01)</u>
NET CASH USED IN FINANCING ACTIVITIES.....C		
INCREASE / (-) DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(276.04)	103.02
	<u>1106.65</u>	<u>1003.63</u>
Cash and Cash equivalents as on 01.4.2006		
Cash and Cash equivalents as on 31.3.2007	830.61	1106.65
	<u>(276.04)</u>	<u>103.02</u>

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

FOR AND ON BEHALF OF THE BOARD

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

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

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. 8,67,38,697/- for the year ended 31st March, 2007 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. 47,00,622/- for the year ended 31st March, 2007 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 ps. 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.29,684/- for the year ended 31st March, 2007 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
28-07-2007

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

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. K. Rama Lakshmi	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. N.V. Ramanamma	Daughter of Dr.Mullapudi Harischandra Prasad
Smt. Y. Narayanamma	Daughter of Dr. Mullapudi Harischandra Prasad
Sri B.V.V.S. Ramesh Kumar	Son of Dr. B.B.Ramaiah
Smt. P. Jhansi Jayalakshmi	Wife of Sri P. Narendranath Chowdary
Sri P. V. Krishna Rao	Brother 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
Smt. J. Akkamamba	Sister of Sri P. Narendranath Chowdary
Smt. J. Usha Rani	Sister of Sri P. Narendranath Chowdary
Smt. M. Kamala Devi	Sister of Sri P. Narendranath Chowdary
Smt. N. Anantha Lakshmi	Sister of Sri P. Narendranath Chowdary
Kum. P. A. L. Satyavathi Devi	Daughter of Sri P. Narendranath Chowdary
Smt. M. Narayanamma	Wife of Sri M. Narendranath
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. 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. Sesha Shailaja	Wife of Sri P. Achuta Ramayya
Kum. P. Divya Atchimamba	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
Chy. P. P. Sri Narendrarayudu	Son of Sri P.S.R.V.K. Ranga Rao

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

Jaya Industries
Jayalakshmi Fertilisers
Jayalakshmi Estate
Jayalakshmi Chemical Enterprises Pvt. Ltd.
S P V K R M Trust, Dommeru
Sree Akkamamba Textiles Limited
Sree Satyanarayana Spinning Mills Limited
Mullapudi Venkatarayudu Eye Centre
Mullapudi Kamala Devi Cardio Vascular Centre
Sree Mullapudi Venkataramanamma Memorial Hospital
SMTRM Library and Cultural Centre
Royal Printing Works

5) Associate Company:

The Andhra Petrochemicals Limited

(B) TRANSACTIONS WITH THE RELATED PARTIES:

(Corresponding figures related to 31st March, 2006)

(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	119.00 (121.24)	389.96 (391.11)	0.00 (0.00)	27.00 (23.71)	19.97 (23.90)
Purchase of Fixed Assets from	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered by	0.48 (0.27)	0.00 (0.00)	0.00 (0.00)	10.62 (10.41)	0.88 (0.88)
Sale of Goods to	563.12 (463.54)	759.67 (741.32)	24.36 (23.76)	1.84 (1.93)	0.00 (0.00)
Sale of Fixed Assets to	0.73 (0.24)	0.00 (0.00)	0.62 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	1.12 (24.80)	0.15 (0.28)	0.33 (0.34)	1.37 (1.27)	0.43 (0.59)
Interest Paid to	41.87 (155.28)	0.00 (0.00)	17.26 (0.00)	132.30 (94.64)	211.44 (151.87)
Remuneration (incl. Commission) paid to	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	923.74 (858.00)	0.00 (0.00)
Donations paid to	0.00 (0.00)	55.00 (48.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	0.00 (0.00)	105.80 (84.64)	0.00 (0.00)	267.57 (225.08)	518.47 (401.38)
Dividend Received from	254.46 (174.25)	2.80 (2.80)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Balances as at 31-03-2007:					
a) Share Capital held by the company, in	479.10 (479.10)	1.75 (1.75)	772.59 (423.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	5.64 (0.79)	20.83 (0.00)	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)	141.07 (141.07)	0.00 (0.00)	369.18 (375.23)	631.30 (668.69)
d) Loans / Intercorporate loans received from	450.00 (693.89)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
e) Fixed Deposits Received from	4.00 (4.00)	0.00 (0.00)	0.00 (0.00)	1551.50 (1063.00)	2409.95 (1719.55)
f) Payables - Trade dues	0.00 (35.04)	11.05 (2.65)	0.00 (0.00)	1.16 (2.25)	0.86 (2.27)
- Dues on Current a/c	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
- Interest on F.D's.	0.08 (0.10)	0.00 (0.00)	0.00 (0.00)	37.22 (19.71)	59.14 (22.27)
- Remuneration (incl. Commission)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	865.19 (765.09)	0.00 (0.00)

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, 2007, 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, 2007
- 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 : 28th July, 2007

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

The Andhra Sugars Limited - Group Consolidated Financial Statements

BALANCE SHEET AS AT 31st MARCH, 2007

		(Rupees in lakhs)	
		As at 31-3-2007	As at 31-3-2006
I SOURCES OF FUNDS	Schedule		
1) Shareholders' Funds			
a) Capital	1	2711.01	2711.01
b) Reserves & Surplus	2	30205.90	24642.54
		<u>32916.91</u>	<u>27353.55</u>
2) Minority Interest		<u>3666.18</u>	<u>3551.09</u>
3) Loan Funds			
a) Secured Loans	3	18733.33	21237.04
b) Unsecured Loans	4	11967.67	11055.48
		<u>30701.00</u>	<u>32292.52</u>
4) Deferred Tax (Net)			
a) Liability		7951.35	6632.79
b) Asset		369.70	419.60
		<u>7581.65</u>	<u>6213.19</u>
TOTAL		<u>74865.74</u>	<u>69410.35</u>
II APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block	5	72209.40	66418.00
b) Less: Depreciation and impairment		25608.70	22704.67
c) Net Block		46600.70	43713.33
d) Capital work-in-progress at cost		2270.72	3465.68
e) Good will		191.98	191.98
		<u>49063.40</u>	<u>47370.99</u>
2) Investments	6	<u>5525.04</u>	<u>4338.91</u>
3) Current Assets, Loans & Advances			
a) Inventories	7	21065.94	23056.92
b) Sundry Debtors	8	4854.30	5357.20
c) Cash and Bank Balances	9	2105.41	1452.10
d) Other Current Assets	10	38.47	22.87
e) Loans and Advances	11	11880.11	8605.14
		<u>39944.23</u>	<u>38494.23</u>
Less: Current Liabilities & Provisions:			
a) Liabilities	12	11354.36	12662.65
b) Provisions	13	8313.51	8136.42
		<u>19667.87</u>	<u>20799.07</u>
Net Current Assets		<u>20276.36</u>	<u>17695.16</u>
4) Miscellaneous Expenditure	14	<u>0.94</u>	<u>5.29</u>
TOTAL		<u>74865.74</u>	<u>69410.35</u>

NOTE : The schedules, notes and Statements 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
Company Secretary

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007.

		(Rupees in lakhs)	
	Schedule	This Year	Previous Year
INCOME			
Sales		65973.80	56790.28
Transport charges		539.98	328.68
Other Income	15	2726.93	3068.33
Accretion to / (Decretion in) stocks	16	(2067.07)	2898.95
		<u>67173.64</u>	<u>63086.24</u>
EXPENDITURE			
Raw Materials consumed		26814.72	24631.69
Payments & Benefits to Employees	17	4693.87	3989.29
Expenses	18	18555.23	18826.72
Excise Duty and Taxes	19	1045.41	965.29
Interest	20	2306.16	2201.41
Depreciation		3577.23	3071.44
		<u>56992.62</u>	<u>59957.46</u>
Profit for the year		10181.02	9400.40
Add : Profit from Associate		904.99	43.36
Income Tax refund received		—	4.25
Excess provision of Income Tax		146.99	225.83
Tax credit under MAT		80.56	---
		<u>11313.56</u>	<u>9673.84</u>
Less: Provisions for:			
Current Tax		2107.60	1690.09
Deferred Tax (Net)		1368.48	1254.73
Wealth Tax		2.00	2.00
Fringe benefit tax		19.15	58.95
Short provision of Income Tax made in earlier years		—	12.74
		<u>7816.33</u>	<u>6655.33</u>
Profit after tax		7816.33	6655.33
Less : Minority Interest		115.10	198.20
		<u>7701.23</u>	<u>6457.13</u>
Profit after Taxes and Minority Interest		7701.23	6457.13
Add : Balance brought forward from last year		3150.47	1760.09
		<u>10851.70</u>	<u>8217.22</u>
Balance available for appropriation		10851.70	8217.22

The Andhra Sugars Limited - Group Consolidated Financial Statements

	Schedule	(Rupees in lakhs)	
		This Year	Previous Year
General Reserve		4138.08	2569.84
Interim dividend paid		79.89	---
Tax on Interim dividend		24.91	---
Provision for final dividend		1737.73	2189.79
Provision for Tax on distributable profits		295.32	307.12
Balance taken to Balance Sheet		4575.77	3150.47
		<u>10851.70</u>	<u>8217.22</u>
Basic Earnings per Share:			
(Profit after tax/No. of equity shares)			
Profit after tax		7701.23	6457.13
No. of equity shares of Rs. 10/- each		27107078	27107078
Basic Earnings per share (Face value of Rs.10/- each) Rs.		28.41	23.82

Notes forming part of the accounts. 21

NOTE : The schedules, notes and Statements 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	Company Secretary
Partner		

Camp : TANUKU	TANUKU
Date : 28-07-2007	28-07-2007

SCHEDULES TO CONSOLIDATED BALANCE SHEET

SHARE CAPITAL

SCHEDULE - 1

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
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	2710.66	2710.66
6013 Add: Forfeited shares	0.35	0.35
	<u>2711.01</u>	<u>2711.01</u>

RESERVES AND SURPLUS

SCHEDULE - 2

General Reserve	23998.46	19860.40
Securities Premium	1560.70	1560.70
Capital Reserve	70.67	70.67
Forfeited Debentures	0.30	0.30
Surplus in Profit & Loss A/c	4575.77	3150.47
	<u>30205.90</u>	<u>24642.54</u>

SECURED LOANS

SCHEDULE - 3

FROM BANKS:

i) Term Loans	7500.00	9641.16
ii) Cash Credit	11233.33	11595.88
	<u>18733.33</u>	<u>21237.04</u>

UNSECURED LOANS

SCHEDULE - 4

Fixed Deposits from Shareholders	521.61	2041.62
Fixed Deposits from others	6746.20	4220.61
Short term loan from banks	1500.00	2000.00
Sales Tax Deferment Loan	3199.86	2793.25
	<u>11967.67</u>	<u>11055.48</u>

FIXED ASSETS

SCHEDULE - 5
(Rupees in lakhs)

	GROSS BLOCK					NET BLOCK	
	Cost as at 31-3-06	Additions during the year	Deductions during the year	Cost as at 31-3-07	Dep. upto 31-3-07	WDV AS AT 31-3-07	WDV AS AT 31-3-06
1) Land	967.96	49.82	---	1017.78	---	1017.78	967.52
2) Buildings	5189.29	471.53	14.46	5646.36	1686.93	3959.43	3667.44
3) Plant and Machinery	52677.76	5549.09	681.58	57545.27	21609.49	35935.78	33439.08
4) Vehicles and Materials Handling Equipment	1837.19	329.77	158.97	2007.99	943.61	1064.38	967.49
5) Furniture & Fittings	636.13	87.99	28.46	695.66	501.75	193.91	171.18
6) Tramways and Railway Sidings	549.36	198.97	15.33	733.00	173.04	559.96	392.81
7) Renewable Energy Plant : Wind Farm	4560.30	---	---	4560.30	693.27	3867.03	4107.81
7) Intangible Assets (Computer Software)	---	3.04	---	3.04	0.61	2.43	---
TOTAL	66417.99	6690.21	898.80	72209.40	25608.70	46600.70	43713.33
Previous Year	57297.47	10510.48	1389.95	66418.00	22704.67	43713.33	36502.66

INVESTMENTS

SCHEDULE - 6

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
TRADE INVESTMENTS		
- Equity shares - in associates (quoted) (See Note No. 4 in Shdule 21)	1729.14	475.55
- in others (quoted)	9.22	9.22
- Equity shares - (un-quoted)	3656.74	3656.74
NON-TRADE INVESTMENTS		
- Equity shares (quoted)	3.14	1.88
- Equity shares (un-quoted)	60.00	60.00
- In Govt. securities	0.23	0.22
- In Mutual Funds	66.57	45.30
- Redeemable non-convertible Bonds	—	90.00
	<u>5525.04</u>	<u>4338.91</u>

INVENTORIES

(As certified by the Respective Managing Directors)

SCHEDULE - 7

Stores and Spares & Tools and Implements	3089.58	2999.08
Raw Materials	1817.18	1696.62
Work-in-process	651.79	388.28
Finished Goods	15501.25	17966.45
Crops under cultivation	6.14	6.49
	<u>21065.94</u>	<u>23056.92</u>

SUNDRY DEBTORS

SCHEDULE - 8

a) Debts outstanding for a period exceeding six months		
Unsecured-considered good	551.76	447.92
Unsecured-considered doubtful	20.10	19.81
	<u>571.86</u>	<u>467.73</u>
Less: Provision for Doubtful Debts	19.81	19.81
	<u>552.05</u>	<u>447.92</u>
b) Other Debts: Unsecured-considered good	4302.25	4909.28
	<u>4854.30</u>	<u>5357.20</u>

CASH AND BANK BALANCES

SCHEDULE - 9

Cash and Cheques on hand	19.09	34.88
Balances with Scheduled Banks in		
Current Accounts	857.07	1157.27
In Fixed Deposit Accounts	1229.25	259.95
	<u>2105.41</u>	<u>1452.10</u>

OTHER CURRENT ASSETS

SCHEDULE - 10

Interest accrued on Investments and Deposits	38.47	22.87
	<u>38.47</u>	<u>22.87</u>

LOANS AND ADVANCES

SCHEDULE - 11

(Rupees in lakhs)

	As at 31-3-2007	As at 31-3-2006
Advances (recoverable in cash or in kind for value to be received)		
Unsecured considered good	3407.30	1641.13
Unsecured considered doubtful	0.03	0.03
	<u>3407.33</u>	<u>1641.16</u>
Less: Provision for doubtful Advances	0.03	0.03
	<u>3407.30</u>	<u>1641.13</u>
Prepaid Expenses	143.87	126.03
Excise Duty paid in advance (incl. Cenvat Credit pending Utilisation)	1294.68	954.58
Advance payment of Income Tax	5577.07	4658.53
Advance payment of Fringe Benefit Tax	10.29	7.89
Income Tax deducted at source	329.38	265.53
Income Tax refund receivable	17.03	17.04
Deposits recoverable	518.98	397.12
Claims recoverable	142.50	180.00
Balance with Customs, Port Trust etc.,	8.45	7.29
Intercorporate Loans	350.00	350.00
MAT credit entitlement	80.56	---
	<u>11880.11</u>	<u>8605.14</u>

LIABILITIES

SCHEDULE - 12

Due to Small Scale Industrial undertakings	3.46	0.18
Due to Others (incl. Rs. 864.81 lakhs (Rs. 779.8 lakhs) due to Directors of Group Companies)	10417.20	12108.77
Advances received against sales	334.66	203.80
Trade Deposits	87.05	87.03
Staff security deposit	20.21	11.93
Interest accrued but not due on Loans	164.42	143.91
Dividends declared pending payment / encashment	278.38	78.61
Unclaimed matured Fixed Deposits	41.68	22.91
Unclaimed interest on matured Deposits and debentures	7.30	5.51
	<u>11354.36</u>	<u>12662.65</u>

PROVISIONS

SCHEDULE - 13

For Income Tax	5933.60	5177.30
For Fringe Benefit Tax	28.10	58.95
For Wealth Tax	6.00	5.50
For Proposed Dividend (by Subsidiary Company)	111.31	267.03
For Proposed Dividend (by Parent Company)	1626.42	2033.04
For Tax on Distributable Profits	295.32	322.58
For Leave Encashment on Retirement	312.76	272.02
	<u>8313.51</u>	<u>8136.42</u>

MISCELLANEOUS EXPENDITURE

SCHEDULE - 14

(to the extent not written off or adjusted)

Preliminary Expenses		
Issue expenses of Debentures / Shares on Rights basis	5.29	12.06
Less: Written off during the year	4.35	6.77
	<u>0.94</u>	<u>5.29</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

OTHER INCOME

SCHEDULE - 15

(Rupees in lakhs)

	This Year	Previous Year
Income from Job Works	40.80	37.09
Freight and other sales expenses recovered	1266.03	1308.69
Subsidy on Superphosphate sales	406.23	368.04
Rents received	54.56	47.66
Dividend income (Gross)	213.15	177.77
Interest received - Bank and Others	156.48	116.22
Miscellaneous Receipts	301.01	574.61
Profit on Sale of Assets	30.25	19.25
Provisions no longer required and Credit balances written	10.56	24.04
Claims received	52.76	29.37
Income from agriculture	6.88	4.29
Bad Debts recovered	2.51	2.50
Difference in exchange	—	7.87
Interest income on investments	11.20	13.49
Impairment provision reversed	162.24	337.44
Income of earlier years	12.27	—
	<u>2726.93</u>	<u>3068.33</u>

OPENING AND CLOSING STOCKS

SCHEDULE - 16

Opening Stock:		
Work-in-process	388.28	387.50
Finished goods	17966.46	14944.99
	<u>18354.74</u>	<u>15332.49</u>
Closing Stock:		
Work-in-process	651.79	388.28
Finished goods	15501.25	17966.45
	<u>16153.04</u>	<u>18354.73</u>
Add : (increase)/decrease in ED on stocks	(134.63)	(123.29)
Accretion to / (Decretion in) stocks	(2067.07)	2898.95

PAYMENTS AND BENEFITS TO EMPLOYEES

SCHEDULE - 17

Salaries, Wages and Bonus	3941.32	3310.75
Contribution to Provident, Gratuity and other funds	563.65	482.36
Workmen and Staff Welfare Expenses	188.90	196.18
	<u>4693.87</u>	<u>3989.29</u>

MANUFACTURING AND OTHER EXPENSES

SCHEDULE - 18

(Rupees in lakhs)

	This Year	Previous Year
Stores & Spares consumed (including packing materials)	1821.86	1580.42
Power and Fuel	8349.15	8584.96
Insurance	248.23	236.64
Sugarcane Development Expenses	47.16	23.79
Repairs to Buildings	247.78	256.94
Repairs to Machinery	2740.56	3477.48
Repairs to Other Assets	526.02	336.45
Advertisement and Sales Promotion	36.85	27.84
Handling, Transport & Expenses at Sales Depots	1767.15	1708.45
Commission on Sales	165.92	176.20
Rent	16.99	14.67
Directors' Sitting Fee	4.76	3.68
Managerial Remuneration	964.95	906.42
Payments to Auditors	12.40	10.39
Miscellaneous Expenses	598.34	609.51
Donations	74.55	75.10
Loss on sale of Assets	1.03	352.70
Issue expenses of Shares/Debentures written off	4.35	6.78
Bad debts written off	0.57	10.94
Debit balances written off	—	0.07
Tools written off	3.76	34.92
Assets written off	334.42	42.50
Processing charges paid	11.08	40.21
Freight on materials	497.67	304.38
Stores & Spares written off	27.35	4.32
Loss on sale / conversion of Investments	23.84	0.93
Difference in exchange	28.49	0.03
	18555.23	18826.72

TAXES AND LICENSES

SCHEDULE - 19

Excise Duty	3.23	7.25
Purchase Tax on Sugarcane	809.25	713.26
Rates and Taxes	232.93	244.78
	1045.41	965.29

INTEREST

SCHEDULE - 20

On Debentures and Fixed period loans	1387.16	1561.61
On Fixed deposits/loans from whole-time Directors	132.61	95.20
To Banks and on other Accounts	786.39	544.60
	2306.16	2201.41

MINORITY INTEREST

Share capital	212.62	212.62
Add: Share in		
General Reserve	2816.03	2704.72
Capital Reserve	1.16	1.16
Securities Premium	352.45	352.45
Capital Reserve	17.84	17.84
Profit and Loss A/c	266.08	262.30
	3666.18	3551.09

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, 2007.

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, 2007
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 27.41% of the share capital of The Andhra Petrochemicals Limited (APL) a company incorporated in India as on 31.3.2007. 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 accounts of associate company are drawn up to the same reporting date as the parent entity.

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.2867.81 lakhs. After making a provision of Rs.2087.02 lakhs for diminution in value in accordance with AS – 13 “Accounting for Investments”, their net carrying value stood at Rs.780.79 lakhs. The carrying amount 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.1729.14 lakhs, including Good will of Rs. 395.23 Lakhs arising on the said acquisition.

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	(Rupees in lakhs)	
	Assets	Liabilities
1. Depreciation	----	7951.35
2. Amounts disallowed u/s 43 B of Income Tax Act, 1961.	355.60	----
3. Amounts disallowed under 40 (ia) of the Income Tax Act	0.25	----
4. Provision for doubtful debts	6.73	----
5. Payment under VRS	7.12	----
	-----	-----
	369.70	7951.35
	-----	-----
Net deferred tax liability		7581.65

	(Rupees in lakhs)	
	As at 31-3-2007	As at 31-3-2006
6. CONTINGENT LIABILITIES NOT PROVIDED FOR:		
a) Estimated amount of contracts remaining to be executed on Capital Account	3786.89	425.25
b) Out standing Guarantees to Banks including letter of credit opened with bankers for purchase of material.	498.03	292.92
c) Liability on account of membership in Alkali Manufacturers' Association of India, a Company limited by Guarantee	0.01	0.01
d) Uncalled liability on partly paid shares held as investments	24.66	24.66
e) Claims not acknowledged by the company relating to the following areas.		
i) Excise	26.27	40.95
ii) Customs	74.37	50.63
iii) Sales Tax	28.14	32.81
iv) State Levies	273.60	236.17
v) Suppliers and Service contract	160.89	166.20
vi) Labour related	17.71	14.21
vii) Others	2.89	----

The Andhra Sugars Limited - Group Consolidated Financial Statements

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.55.74 lakhs (Rs. 54.01 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 has been made towards the liability if any, that may arise towards 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 said amount.
9. In the case of The Andhra Sugars Limited, "Sundry Creditors" includes Rs.7.53 lakhs received from State Trading Corporation of India (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.
10. In the case of The Andhra Sugars Limited, the Company has given undertakings / assurance to IDBI not to dispose of its share holdings in The Andhra Petrochemicals Limited without the prior consent of the IDBI until the loans payable by the said company to IDBI are fully repaid.
11. In the case of The Andhra Sugars Limited, 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.
12. In the case of The Andhra Sugars Limited, the balances in personal accounts of various parties are subject to confirmation by the reconciliation with the said parties.
13. In the case of The Andhra Sugars Limited and Jocil Limited based on the information available with the company regarding the state of its creditors, there are no dues payable to Small Scale Industrial Undertaking as on the date of the balance sheet. The Auditors have relied upon the said information.
14. In the case of The Andhra Sugars Limited Loans and Advances in the nature of loans given to Subsidiary Hindustan Allied Chemicals Limited as per Clause 32 of the listing agreement is Rs.0.83 lakhs as on 31.3.2007 (Maximum balance outstanding during the year is same). The Investment in the Equity shares of the company is Nos.328760.
15. In the Case of The Andhra Sugars Limited, the Closing stock units of Wind Farm at Ramagiri and power generation unit at Taduvai as per the books of the Company and as confirmed by the AP GENCO is subject to reconciliation due to certain matters pending before Honourable High Court of Andhra Pradesh.

The Andhra Sugars Limited - Group Consolidated Financial Statements

16. a) In the case of JOCIL Limited, the company billed the entire power supplied to A.P. Transco during the year at Rs. 3.48/K.W.H till June'2006 billing month and thereafter at Rs. 4.03/K.W.H. Petition filed by Bio-mass energy developers Association (BEDA), Hyderabad in which the Company is a member for revision of rate was allowed by the appellate tribunal for electricity, New Delhi, But Both AP TRANSCO and APERC went on appeal on the order to Supreme Court. In the absence of finality on the rate, the Company continues to recognize the income for the Units supplied to AP Transco at the revised tariff rate as decided by APERC plus 50% of the rate difference between the old rate (as applicable for the year 2003-04) and the revised tariff rate decided by APERC as per the interim directions of the appellate tribunal for electricity, New Delhi. Hence the rate at which APTRANSCO is making payments has been considered for income recognition. Accordingly, for the Units supplied to AP TRANSCO during the year at the rate applicable as per interim orders of APERC Rs. 326.42 lakhs has been recognized as income and balance of Rs. 76.08 lakhs has not been considered.
- b) The Company filed an appeal before APERC for directing AP TRANSCO for purchase of entire surplus power over and above 2.4 MW after meeting the captive consumption. The appeal was disposed off by APERC holding that it cannot compel AP TRANSCO to enter into an agreement to purchase entire surplus power and directed AP TRANSCO to pay for the power supplied over and above 2.4 MW at variable cost. Accordingly, Rs. 69.56 lakhs is receivable from AP TRANSCO out of the total amount of Rs. 225.99 lakhs pending for realization and recognized as income till 31st March'2007. IN the year 2006-07 supply to AP TRANSCO was not made over and above 2.4 MW. Based on Legal advise, the company intends to make an appeal before the appellate tribunal for electricity, New Delhi on the orders of APERC for recovery of the balance amounts.
17. In the case of The Andhra Farm Chemical Corporation Ltd., claims against the company not admitted as Debts in respect of Direct Taxes for the Assessment year 1997-98 is Rs. 43,94,380/- and the same is paid under protest and shown under "Loans and Advances".
18. 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.
19. Segment information:
- Particulars disclosed pursuant to Accounting Standard -17 "Segment Reporting" are given in Annexure – II.
20. 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 Chairman & Managing Director
A. Ranga Rao Director
M. Bulli Abbayi Company Secretary

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

GROUP CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2006-07

	(Rupees in lakhs)	
	2006-2007	2005-2006
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before Tax and extra-ordinary items	10181.02	9400.40
ADJUSTMENTS FOR:		
Depreciation	3577.23	3071.44
Assets written off	334.66	42.50
Interest (Net)	2138.48	2071.70
Impairment provision reversed credited to P&L a/c	(162.24)	(337.44)
Profit/Loss on sale of assets (Net)	(29.22)	333.45
Dividends received	(213.15)	(177.77)
Issue expenses of shares/debentures written off	4.35	6.78
Loss on conversion / sale of investments	23.60	0.93
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	15854.73	14411.99
Trade and other receivables	(1688.19)	1554.37
Inventories	1990.98	(3187.37)
Trade payables	(1301.69)	1865.23
CASH GENERATED FROM OPERATIONS	14855.83	14644.22
Direct taxes paid	(2588.10)	(1944.11)
NET CASH FROM OPERATING ACTIVITIES.....A	12267.73	12700.11
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (including Capital Work-in-Progress, unallocated capital expenditure)	(5494.83)	(11131.63)
Sale of Fixed Assets	81.98	189.63
Sale of Investments	—	19.23
Purchase of Investments	(304.75)	(4.06)
Interest received	167.68	129.71
Dividends received	213.15	177.77
NET CASH USED IN INVESTING ACTIVITIES.....B	(5336.77)	(10619.35)
C CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowings/loans	(1591.52)	1871.22
Dividends paid	(2379.96)	(1928.85)
Interest paid	(2306.16)	(2201.41)
NET CASH FROM FINANCING ACTIVITIES.....C	(6277.64)	-2259.04
INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	653.32	(178.28)
Cash and Cash equivalents as on 01.4.2006	1452.10	1630.38
Cash and Cash equivalents as on 31.3.2007	2105.42	1452.10
	653.32	(178.28)

Per our report of even date:
For Brahmayya & 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
Company Secretary

Camp : TANUKU
Date : 28-07-2007

TANUKU
28-07-2007

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 Harischandra 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. Y. Narayanamma	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
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. Sessa Shailaja	Wife of Sri P. Achuta Ramayya
Kum. P. Divya Atchimamba	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
Chy. P. P. Sri Narendrarayudu	Son of Sri P.S.R.V.K. Ranga Rao
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) Entities in which Key Management Personnel and/or their relatives have significant influence :

Jaya Industries
 Jayalakshmi Fertilisers
 Jayalakshmi Estate
 Jayalakshmi Chemical Enterprises Pvt. Ltd.
 S P V K R M Trust, Dommeru
 Sree Akkamamba Textiles Limited
 Sree Satyanarayana Spinning Mills Limited
 Mullapudi Venkatarayudu Eye Centre
 Mullapudi Kamala Devi Cardio Vascular Centre
 Sree Mullapudi Venkataramanamma Memorial Hospital
 SMTRM Library and Cultural Centre
 Royal Printing Works

4) Associates:

The Andhra Petrochemicals Limited

The Andhra Sugars Limited - Group Consolidated Financial Statements

(B) TRANSACTIONS WITH THE RELATED PARTIES:

(Corresponding figures related to 31st March, 2006)

(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	398.96 (391.11)	0.00 (0.00)	27.00 (23.71)	19.97 (23.90)
Services Rendered by	0.00 (0.00)	0.00 (0.00)	10.62 (10.41)	1.45 (1.45)
Sale of Goods to	759.67 (741.32)	24.36 (23.76)	1.84 (1.93)	0.00 (0.00)
Sale of Fixed Assets to	0.00 (0.00)	0.62 (0.00)	0.00 (0.00)	0.00 (0.00)
Services Rendered to	0.15 (0.28)	0.33 (0.34)	1.37 (1.27)	0.43 (0.59)
Interest Paid to	0.00 (0.00)	17.26 (0.00)	132.61 (95.20)	212.80 (152.38)
Interest Received from	0.00 (0.00)	31.44 (36.75)	0.00 (0.00)	0.00 (0.00)
Remuneration (incl. Commission) paid to	0.00 (0.00)	0.00 (0.00)	964.95 (906.42)	0.00 (0.00)
Donations paid to	55.00 (48.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dividend Paid to	105.80 (84.64)	0.00 (0.00)	268.36 (225.61)	519.31 (402.09)
Dividend Received from	2.80 (2.80)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Balances as at 31-03-2007:				
a) Share Capital held by the company, in	1.75 (1.75)	812.59 (463.98)	0.00 (0.00)	0.00 (0.00)
b) Receivables-Trade dues from	20.83 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
c) Share Capital of the company held by	141.07 (141.07)	0.00 (0.00)	370.46 (376.51)	634.26 (671.90)
d) Fixed Deposits Received from	0.00 (0.00)	0.00 (0.00)	1557.88 (1068.91)	2437.99 (1729.27)
e) Loans/Intercorporate loans given to	0.00 (0.00)	350.00 (350.00)	0.00 (0.00)	0.00 (0.00)
f) Payables - Trade dues	11.05 (2.65)	0.00 (0.00)	1.16 (2.25)	0.86 (2.27)
- Interest on F.D's.	0.00 (0.00)	0.00 (0.00)	37.22 (19.71)	59.14 (22.27)
- Remuneration (including Commission)	0.00 (0.00)	0.00 (0.00)	875.39 (765.09)	0.00 (0.00)

STATEMENT SHOWING SEGMENT WISE ANALYSIS AS ON 31-03-2007

(Rs. in Lakhs)

ANNEXURE – II

Description	SUGARS		CAUSTIC SODA		POWER GENERATION		INDUSTRIAL CHEMICALS		SOAP		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
REVENUE :																
External Sales	27770.21	21165.38	22024.97	25281.62	1032.30	555.75	10453.28	11630.37	2524.60	2018.54	2708.42	2738.92	---	---	66513.78	63390.58
Inter-segment sales	350.16	679.72	772.17	473.86	1807.29	1656.84	1890.53	2597.24	---	---	52.93	85.72	4873.08	5493.38	---	---
Total Revenue	28120.37	21845.10	22797.14	25755.48	2839.59	2212.59	12343.81	14227.61	2524.60	2018.54	2761.35	2824.64	4873.08	5493.38	66513.78	63390.58
RESULT :																
Segment result before Interest, extraordinary items	5672.81	3851.12	7612.10	6107.59	577.93	288.05	2375.99	1382.21	172.50	240.38	-1101.84	-30.89	---	-	15309.49	11838.46
Unallocated corporate expenses less income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2990.00	366.36
Operating Profit	---	---	---	---	---	---	---	---	---	---	---	---	---	---	12319.50	11472.10
Interest expenses	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2306.16	2201.41
Interest income	---	---	---	---	---	---	---	---	---	---	---	---	---	---	167.68	129.71
Profit before tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	10181.02	9400.40
Provision for current and deferred tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	3294.59	2788.43
Net Profit after tax	---	---	---	---	---	---	---	---	---	---	---	---	---	---	6886.43	6611.97
OTHER INFORMATION :																
Segment Assets	28638.59	28725.48	29796.96	27261.44	8366.24	9097.34	7499.44	9558.55	1444.62	1486.94	2400.19	7538.61	---	-	78146.04	83668.36
Unallocated Corporate Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	16387.57	6497.71
Total Assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	94533.61	90166.07
Segment Liabilities	4090.20	6051.26	3657.59	3621.62	264.74	295.72	2000.60	1379.69	66.80	18.42	100.73	1567.97	---	-	10180.66	12934.68
Unallocated Corporate Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	47769.86	44051.94
Total Liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	57950.52	56986.62
Capital Expenditure	1945.25	---	4149.41	---	9.78	---	397.41	---	22.87	---	165.49	---	---	---	6690.21	10510.48
Depreciation	698.50	---	1568.63	---	626.12	---	371.57	---	114.42	---	197.99	---	---	---	3577.23	3071.43
Non-cash expenditure other than depreciation	---	---	---	---	---	---	---	---	---	---	4.35	6.77	---	---	4.35	6.77

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 "Others" 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.

STATEMENT REGARDING SUBSIDIARY COMPANIES AS ON 31-03-2007

(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	7469.41	408.45	---
3. Total Assets	11207.07	814.17	10.34
4. Total Liabilities	3316.92	360.76	0.95
5. Details of Investments	23.36	0.03	---
6. Total Income	8612.02	1115.10	0.40
7. Profit before taxation	867.39	47.01	0.30
8. Provision for current Taxation	392.84	9.24	0.10
9. Profit after Taxation	556.32	37.77	0.20
10. Dividend :			
Interim Paid	177.62	---	---
Proposed Final	88.81	22.50	---

BANK PARTICULARS

Date :

To
The Company Secretary
The Andhra Sugars Limited
Venkatarayapuram
TANUKU - 534 215

FOR OFFICE USE ONLY
Ref. No. :
Date :

Dear Sir,

Sub : Payment of Dividend (Year 2006-2007) (Electronic Clearing Service / Bank Particulars)

ECS MANDATE

* **I Wish to participate in the the Electronic Clearing Service** and give below the details of my bank account, to which you may electronically credit the payment due to me against the reference folio number mentioned below:

1. Name of the First Holder (In Block Letters): _____
2. Regd. Folio No. :

--	--	--	--	--	--	--	--	--	--

3. Bank & Branch Name & Address : _____

4. Account Number
(As appearing on your Cheque Book) : _____
5. Ledger Folio Number
(As appearing on your Cheque Book) : _____
6. Account Type :
(Saving Bank / Current / Cash Credit A/c.) : _____
7. 9 Digit Code number of the Bank & Branch appearing on the MICR Cheque issued by the Bank. (Please attach a photocopy of cheque for verifying the accuracy of the MICR Code Number) :

--	--	--	--	--	--	--	--	--	--

BANK MANDATE

* **I do not wish to opt for ECS facility** and therefore request the following Bank details to be incorporated on the Dividend Warrant.

- Bank Name : _____
- Branch Name & Address : _____

- A/c Type (SB/Current/Cash Credit) : _____
- A/c Number (as mentioned in cheque book) : _____

(*Strike out which is not applicable)

I hereby declare that the particulars given above are correct and complete. I undertake to inform of any subsequent changes in the above particulars. If the ECS payment transaction is delayed or not effected for any reasons beyond the control of the Company, I would not hold the Company responsible.

Signature of the first named shareholder : _____
Name : _____
Address : _____

Note : In case of shares held in demat form, the above particulars for ECS facility / bank particulars have to be provided to your Depository Participant (DP), quoting your Client ID No. to them.