

Independent Auditor's Report

To the Members of **THE ANDHRA SUGARS LIMITED, TANUKU**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **The Andhra Sugars Ltd.**, which comprise the Balance sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting standards specified under section 133 of the Act, read with Rule 7 of Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due



to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
- 2) As required by Section 143(3) of the Companies Act, 2013 we report that:
 - a) We have sought and 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 it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 26 to the financial statements;
- ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses ; and
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For BRAHMAYYA & Co
Chartered Accountants
Firm's Registration. No. 0005135



(T. V. Ramana)
Partner
(ICAI Membership. No. 200523)

Camp : Hyderabad
Date : 26th May 2015

Annexure to the Independent Auditor's Report:

BRAHMAYYA & CO
Chartered Accountants

The Annexure referred to in Paragraph 1 under the heading of "Report on other Legal and Regulatory Requirements" of our report of even date, to the members of THE ANDHRA SUGARS LIMITED, TANUKU for the year ended 31 March 2015. We report that:

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed assets.

(b) The Fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the program of physical verification of fixed assets, during the year the management has verified all fixed assets of divisions located at Saggonda and Kovvuru except furniture and fixtures. No material discrepancies were noticed on such physical verification.
- (ii) (a) The inventory has been physically verified by the management at reasonable intervals during the year under report. In our opinion, the frequency of such verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of inventories as compared to book records were not material.
- (iii) (a) The Company has granted loan to its Associate company for an amount of Rs. 1500 lacs (Maximum balance Rs. 1500 lacs) covered in the register maintained under section 189 of the Companies Act.

(b) The loan granted to the Associate Company covered in the register maintained under section 189 of the Act, the borrower has been regular in the payment of the interest as stipulated. The terms of arrangement stipulates that the repayment of principal is on or before 31st March 2016.

(c) There are no overdue amounts of more than rupees one lac in respect of the loan granted to its Associate Company covered in the register maintained under section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control that require correction and have so continued without correction.
- (v) In our opinion the company has complied with the provisions of section 73 to 76 and other applicable provisions of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 with regard to the deposits accepted from the public. According to the information

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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 73 to 76 of the Companies Act 2013.

- (vi) We have broadly reviewed the books of account and records maintained by the company at its Sugar units, Caustic Soda division, Caustic Potash division, Sulphuric Acid divisions, and Superphosphate division pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and the basis of our examination of the records of the company, in our opinion, the company is regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, duty of Customs, duty of Excise, Value added tax, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, duty of customs or duty of excise or value added tax or cess and other material statutory dues applicable to it; and the following undisputed statutory dues were outstanding, as at the date of Balance Sheet under report, for a period of more than six months from the date they became payable except.

SL. No.	Name of the Statute	Period	Amount (Rs. In lacs)	Remarks
1.	Andhra Pradesh State Excise Act	Upto August, 1976	3.58(Establishment charges)	Pending receipt of demand by the company
2.	Andhra Pradesh State Excise Act	August 1976 to March 2015	16.59 (interest on above)	Pending receipt of demand by the company

- (b) According to the information and explanations given to us, there were no amounts of Sales Tax, Customs Duty, Cess, Income Tax, Wealth Tax, Service Tax that have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report, except

S.No	Nature of dues	Name of the statute	Period	Amount (Rs. In lacs)	Forum where the dispute is pending
1	Water (Prevention and control of Pollution) Cess Act, 1977	Cess	01-04-78 to 1990-91	0.50	Appellate Committee of the Govt. of A.P.
2	Sales Tax laws in different States	Sales Tax	2002-03 to 2011-12	106.77	Different appellate Authorities



3	Income Tax Act, 1961	Income Tax	2007-08 to 2014-15	1196.46	Commissioner of Income Tax, Appeals
4	Central Excise Act, 1944	Excise duty	2002-03 to 2013-14	4274.14	Different departmental appellate authorities
5	Service Tax Law	Service Tax	2004-05 to 2011-12	85.29	Commissioner of Service Tax

- (c) According to the information and explanations given to us, the amounts which were required to be transferred to the Investor Education and Protection Fund in accordance with relevant provisions of the Companies Act, 1956 and rules there under have been transferred to such fund within time.
- (viii) The company had no accumulated losses at the end of the financial year, and it did not incur cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (ix) According to the records of the company examined by us, and the information and explanations given to us, there were no defaults in repayment of dues to banks at the date of the Balance Sheet.
- (x) In our opinion, and according to the information and the explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions, except in respect of repayment, out of its cane price due to its sugar cane suppliers, agricultural loans taken by them from banks, the terms and conditions of which, in our opinion are not prima facie prejudicial to the interest of the company.
- (xi) In our opinion, and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (xii) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted audited practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of any such case by the management.

For BRAHMAYYA & Co
Chartered Accountants
Firm's Registration. No. 0005135



(Signature)

(T. V. Ramana)
Partner
(ICAI Membership. No. 200523)

Camp: Hyderabad
Date: 26th May 2015