

SPEECH OF Dr. B.B.RAMIAH, CHAIRMAN & MANAGING DIRECTOR AT THE 67TH ANNUAL GENERAL MEETING OF THE ANDHRA SUGARS LIMITED ON WEDNESDAY, 10TH SEPTEMBER, 2014 AT 3.00 P.M.

Dear Members,

It gives me a great pleasure to extend you all a warm welcome to this 67th Annual General Meeting.

With a heavy heart I convey that we have lost our beloved Director Dr. Alapaty Appa Rao who passed away on 30th April, 2014. He was Director on the Board of your Company since 2004. We would be definitely missing him and his valuable guidance which helped the Company in moving ahead. I on behalf of Andhra Sugars family and personally offer my heartfelt condolences to the bereaved family members of Dr. Alapaty Appa Rao. May I now request the Members to observe 2 minutes silence as a mark of respect to the departed Director.

I declare the quorum is present.

Before taking up the subject matter of today's meeting I move the following resolution.

"RESOLVED to note with profound grief the sad and untimely demise of our beloved Director Dr. Alapaty Appa Rao garu on 30th April, 2014 and place on record the deep appreciation of his valuable guidance and contribution to the development of the Company during his tenure from 2004 as Director".

"RESOLVED FURTHER to convey the heartfelt condolences to the bereaved family members of Dr. Alapaty Appa Rao garu".

I now take up the subject matter of today's Meeting.

Audited Accounts for the year 2013-14:

Audited Accounts for the Financial Year 2013-14 along with the Directors' Report and the Auditors' Report are with you. With your permission, I take them as read.

You must have noted from the Annual Report, the performance of your Company during the year 2013-14. I take this opportunity to present the performance:-

- Sales achieved was Rs.726.17 crores against Rs.832.00 crores last year.
- Gross Profit was Rs.76.22 crores against Rs.137.01 crores last year.
- Profit after Tax was Rs.54.54 crores against Rs.74.85 crores last year.
- During the year Rs.4.90 crores was transferred to the General Reserve.
- Total Reserves increased from Rs.497.34 crores to Rs.536.52 crores.
- All three Sugar Units in aggregate crushed 5.71 lakhs MTs of Cane as against 6.39 lakhs MTs crushed during the previous season.
- Cane crush at all the three sugar units was lower compared to the last season due to lower availability of cane and lower number of days of cane crush.
- Recovery achieved at Sugar Unit II was higher compared to Units I and III.
- Unfavourable weather conditions affected the cane yield per acre thereby reducing the quantity of cane crush. This also affected recovery.
- Due to non-availability of harvesting labour and increase in the cost of hiring the labour, farmers opted for cultivation of other crops.
- To encourage farmers to plant cane, your Company opted to pay a cane price higher than the Fair Remunerative Price fixed by the Government.
- Decline in profits has been mainly due to depressed selling price of Sugar and increase in Power Tariff.

Dividend:

A Dividend of Rs.6/- per share was paid on Equity Shares last year. Your Directors recommend a Dividend of Rs.5/- per Equity Share for the year 2013-14. If approved by you, this Dividend will be paid to all the eligible Shareholders by way of Dividend Warrants that will be posted from 17th September, 2014 onwards.

Election of Retiring Directors:

Directors Sri M. Thimmaraja and Sri P. S. R. V. K. Ranga Rao retire by rotation at this Annual General Meeting. Their re-appointment is placed for your approval.

Election of Independent Directors:

Appointment of Sri A. Ranga Rao, Dr. P. Kotaiah, Sri V. S. Raju, Dr. A. V. Rama Rao, Sri P. A. Chowdary and Dr. Dasari Manjulata as Independent Directors for a period of 5 years from the conclusion of this Annual General Meeting is being placed at today's Meeting for your approval. Their vast experience and expertise would immensely benefit the Company.

I would like to add that as per the Provisions of the Companies Act, 2013 and the SEBI guidelines every listed Company is required to appoint a Woman Director on the Board. To be in line with this statutory requirement your Board of Directors co-opted Dr. Dasari Manjulata on the Board. Her appointment is placed for your approval at today's Meeting.

Appointment of Statutory Auditors:

As per the recommendation of the Audit Committee, your Board of Directors in view of the Statutory changes recommend the appointment of M/s Brahmayya & Co., Vijayawada as Statutory Auditors for 3 years i.e., 2014-15, 2015-16, 2016-17. Remuneration of Rs.13,50,000/- (Rs.12,50,000/- last year) plus out-of-pocket expenses recommended for the Financial Year 2014-15. They have been the Auditors of your Company since inception. A Resolution to this effect is placed for your approval.

E-Voting Facility : As required by provisions of Companies Act, 2013 and SEBI guidelines your Company provided e-voting facility to the shareholders. I am sure you must have availed the same. Results of voting will be placed on Company's Website within 2 days of this AGM.

Other Developments:

Keeping in view the market requirement for your Company's products, several Projects are under implementation. I briefly touch upon the status of the Projects under implementation.

An Energy Efficient Caustic Soda Plant was commissioned at Saggonda.

At the Jawaharlal Nehru Pharmacy, at Parawada, Visakhapatnam, a Sodium Hypochlorite Plant is being set up. Fabrication of the structures for the main process Plant is in progress. This project is expected to be commissioned around the end of 2014.

A Hydrogen Peroxide Plant is being set up at Saggonda. This project would have the locational advantage as Hydrogen which is the main raw material, will be sourced in-house from our Caustic Soda Plant at Saggonda.

For the effective utilisation of Chlorine, which is a bye product at the Caustic Soda Plant, a Chlorinated Paraffins Plant is being set up at Saggonda. Required steps for implementation have been initiated.

As Power is an essential input for your Company's Chlor Alkali operations, a Coal Based Power Project is being set up at the Chemical Complex at Saggonda. 40 acres of land have been procured. Details for the Power Project have been prepared. The total capital cost of the project has been estimated at Rs. 193.50 Crores. Technical evaluation of Turbine package has been completed and final offers are awaited from vendors. Technical evaluation of Equipment offers are under progress and expected to be completed shortly. A public hearing by the Andhra Pradesh Pollution Control Board would have taken place this morning. Outcome is awaited. After which purchase orders will be released and other required steps will be taken for implementation.

The Power generated from this Power Plant will be utilised for the Chemical Plants located at Saggonda.

A Solar Power Plant, based on Photovoltaic Technology, has been commissioned at Kovvur, which has been successfully synchronized with State Electricity Board on 21.06.2014.

I am sure that these projects would strengthen your Company's product range and improve revenue generation.

CERTIFICATION :

Aspirin Division at Tanuku has been certified by DET NORSKE VERITAS (DNV) for Quality Management System Standard (ISO 9001:2008); Environmental Management System Standard (ISO14001:2004); and Occupational Health & Safety Management System Standard (OHSAS 18001:2007).

Chemicals & Fertilisers Division at Saggonda has been certified by DNV for ISO 9001:2008, ISO140001:2004 and OHSAS 18001:2007 Management System Standards.

Chemicals & Fertilisers Division at Saggonda has been granted Licence by Bureau of Indian Standards, New Delhi 15573:2005 for Manufacture and Supply of 10% Medium Basicity & 10% High Basicity of Poly Aluminium Chloride (PAC 10 MB).

Current year outlook:

For the first quarter of the Financial Year 2014-15, Profit after Tax was Rs.11.88 crores compared to a Profit of Rs.11.69 crores achieved during the corresponding Quarter of last year. Cane availability and Power cost will be a concern for the current year 2014-15.

Subsidiary Company:

JOCIL Limited:

For the Financial Year ending 31.3.2014, your subsidiary company, JOCIL Ltd., recorded a profit of Rs.16.30 crores (before Taxation) against Rs.22.94 crores (before Taxation) during the previous year. This company has paid a Dividend of Rs.5/- per share against a Dividend of Rs.6/- per share paid last year.

Acknowledgments:

Before I conclude I would like to convey thanks on behalf of all the Directors and myself, to the Government at Centre and in the State, Banks, Cane Growers and Business Associates who have been a source of strength to us at all times. My grateful thanks go to the Employees of your Company for their constant endeavour to contribute towards the improvement of the Company's performance. I also take this opportunity to thank the Shareholders for their continued support.

Finally I would like to thank my colleagues on the Board for their valuable advice and guidance from time to time.

Place: Venkatarayapuram

Date: 10.9.2014

Sd/- X X X X X
Dr. B.B.Ramaiah

Chairman

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.