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14th ANNUAL REPORT 1998



BANNARI AMMAN SUGARS LIMITED

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कर्मणैव हि संसिद्धिमास्थिता जनकादयः ।  
लोकसंग्रहमेवापि संपश्यन्कर्तुमर्हसि ॥

BHAGAVADGITA (CHAPTER 3 VERSE 20)

Great Emperor Janaka attained salvation through performance of his ordained duty with total commitment. Similarly every person should do his duty (with total commitment) to maintain world order.



## Our Motto and Objectives

### Motto

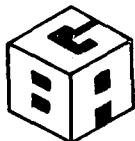
Strive to perform best at all times

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### Objectives

Our endeavour is to :

- \* identify and improve the processes to have a continuous upgradation of the quality of the end products
- \* serve in the best interest of cane growers and shareholders
- \* maximise productivity by optimising all inputs
- \* expand and diversify utilising by-products in a planned manner



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# CERTIFICATE

**The TÜV CERT Certification Body  
of Rheinisch-Westfälischer TÜV e.V.**

hereby certifies in accordance with TÜV CERT  
procedure that

**BANNARI AMMAN SUGARS LIMITED**  
Sugar Unit I  
Alathukombai Village  
Sathyamangalam - 638 401  
Tamilnadu - India

has established and applies a quality system for

**White crystal sugar**

An audit was performed, Report No. 2.9.1-153/97

Proof has been furnished that the requirements according to

**ISO 9002 / EN ISO 9002**

are fulfilled. The certificate is valid until **March 2000**

Certificate Registration No. 041007162



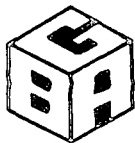
Essen, 15.05.1997

**RWTTÜV**

*F. Schreier*

TÜV CERT Certification Body  
of Rheinisch-Westfälischer TÜV e.V.





*Chairman & Managing Director Sri S V Balasubramaniam answers questions dealing with the performance of the Company for the year 1997-98 and sugar industry in general.*

**Q**

**Your assessment on financial and technical performance for the year 1997-98**

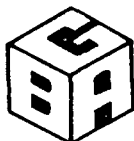
**A**

For the financial year, 7,35,846 tonnes of sugarcane was crushed in aggregate in both the sugar units. The average recovery in Tamilnadu factory rose up sharply from 8.97% in the previous year to 10.49% because of introduction of high yielding cane variety Co86032 planted in more than 80% of the reserved area. The average recovery in Karnataka factory was slightly higher at 9.71% as against 9.59% in the previous year. The availability of sugarcane for crushing was lower than the previous year mainly due to drought conditions prevailed in factory area in Tamilnadu and diversion of cane at the sugar factory in Karnataka on account of high jaggery price. In our last Directors' Report to the Shareholders, we estimated to crush in aggregate 6.25 lakh tonnes of cane whereas we exceeded the target by 1.11 lakh tonnes of cane. The fall in sugarcane crush compared to previous year (11.81 lakh tonnes) was well anticipated by us even at the beginning of the financial year.

The Distillery Division maintained its production performance at 120.30 lakh B.Ltrs of industrial alcohol as in the previous year. The prices of molasses ruled very high without corresponding increase in the prices of end products.

There was marked improvement in the performance of the Granite Division and 164 containers of granite slabs and monuments were exported during the year. The demand for granite slabs and monuments produced by the Company continues to be encouraging in international markets.

The net profit of the company has increased from Rs. 13.24 crores in 1996-97 to Rs. 17.24 crores in 1997-98. Our concentration in maintaining good quality and productivity standards coupled with controls exercised in restricting cost of inputs resulted in satisfactory financial performance of the Company.

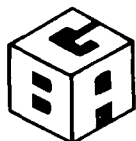


<b>Q</b>	<b>How much do you expect Bannari to crush in the current financial year?</b>
<b>A</b>	Bannari estimates to crush about 7 lakh tonnes of cane in Tamilnadu factory and 6.75 lakh tonnes of cane in Karnataka factory.
<b>Q</b>	<b>Whether Bannari has any plan for expansion? Many sugar factories are now going in for co-generation of power. Whether Bannari has any plans for co-generation of power?</b>
<b>A</b>	Yes. Considering the higher quantum of cane acreage made available, the crushing capacity of sugar factory in Karnataka is proposed to be expanded to 5000 TCD from 2500 TCD. At present two 2.5 MW Turbo Generators are installed for 2,500 TCD in Karnataka factory. With the expansion to 5000 TCD, we propose to instal additional power plant having capacity of 16 MW. Out of the additional 16 MW of power, about 3 MW of power will be utilised for our own requirement and the remaining 13 MW of power will be exported to Karnataka State Electricity Grid.
<b>Q</b>	<b>The Mahajan Committee Report mainly recommends decontrol of sugar and abolition of public distribution system. What will be the impact if these recommendations are implemented?</b>
<b>A</b>	<p>If Mahajan Committee's Report is accepted and sugar is decontrolled, the free sugar price will come down to some extent. There will not be any drastic fall in sugar prices as the Government will continue to control the monthly release of sugar as it has been doing all these years.</p> <p>We may then lose the benefit of higher free sugar quota in Karnataka factory for 2 sugar seasons. However, the Committee has recommended that the factories who have been granted incentives should be compensated by giving subsidy from the Sugar Development Fund to the extent of the difference in levy price and free price on the quantum of incentive sugar which the Company is entitled to sell.</p>





<b>Q</b>	<b>What do you consider as the significant achievements of Bannari?</b>
<b>A</b>	<p>(a) The company's sugar factory in Tamilnadu has created a record in maiden cane crush by working continuously for 507 days;</p> <p>(b) Bannari is paying dividend right from the first year of operation without any break;</p> <p>(c) Punjab National Bank, the lead bank has assigned the highest credit rating "AA" for the Company and is charging interest at Prime Lending Rate (PLR) for working capital limits provided to the Company and 6 other Banks in the Consortium are also charging interest at PLR for working capital limits provided by them;</p> <p>(d) Bannari is the first Company in South India to get ISO 9002 Certificate for applying a quality system for white crystal sugar in its Tamilnadu Sugar Factory;</p> <p>(e) Bannari is the first Company in South India to introduce branded sugar in 1 Kg packets;</p> <p>(f) Bannari is paying cane price to the cane growers within the statutory period from the date of supply of cane; &amp;</p> <p>(g) Bannari has got the National Safety Award in 1991 and State Safety Awards from 1992 to 1996.</p>
<b>Q</b>	<b>Your comment on future of Sugar Industry</b>
<b>A</b>	<p>The production of sugar is likely to increase further and consumption may not proportionately keep pace. I expect in the immediate future unrestricted movement of sugar within and outside the Country with only tariff barriers. In order to face global competition, Government has to impose import duty and countervailing duty on sugar in comparison with other countries. With free movement of sugar, the prices and supply would be determined by global market and sugar units which produce high quality sugar will have better realisation. It is necessary that expansions have to be made utilising the by-products and produce value added products and ultimately for bright future, sugar complexes shall have to be established.</p>



## Board's Profile



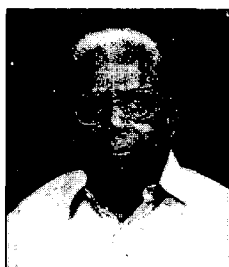
Sri S V Balasubramaniam  
Chairman & Managing Director

A qualified Chartered Accountant and a Chartered Secretary. Has more than 33 years experience in sugar industry. Held various managerial positions, the last being Vice-Chairman, Sakthi Sugars Ltd. Was the President of South Indian Sugar Mills' Association, Tamil Nadu during the period 1987-89, President of South Indian Sugar Mills' Association, Karnataka during the period 1993-95 and President of Indian Sugar Mills' Association (ISMA) in the year 1990-91. Incharge of substantially the whole of the management of the Company.



Sri V Venkata Reddy  
Vice Chairman

Holds Master's degree in Business Administration. Has more than 30 years experience in sugar industry including international assignments. Was the Managing Director of Sri Chamundeswari Sugars Ltd for more than 8 years. Advises the Company on expansion and implementation of co-generation power project in Karnataka Sugar factory.



Sri K S Ramaswamy

A Bachelor of Arts and Bachelor of Law from Madras University. Formerly Minister of State in the Department of Home, Government of India. Chairman of Madras Wire Products Pvt Ltd. and K K S Hospital Pvt Ltd. Advises the Company on sugarcane procurement.