

16th ANNUAL REPORT 2000



BANNARI AMMAN SUGARS LIMITED

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

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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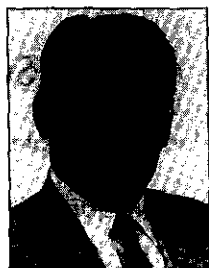
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Bannari Amman Sugars Limited is one of the India's leading private sector sugar manufacturers. The company's sugar units, located in Tamilnadu and Karnataka are rated amongst the most efficient in the country. For the year ended March 2000, Bannari Amman's sales were Rs.218 crores, of which 94% was from sugar and related products.

Bannari Amman's strategy is to be a low-cost, high-quality producer of sugar. The company is focussed on expanding capacities and further strengthening its position in the sugar industry while extending into complementary businesses which will reduce "cyclicality" and improve profitability. The recent forward integration into co-generation of power is a step in this direction.

The company's overall objective is to build on its strengths and grow profitably to consistently enhance value for all its stakeholders.

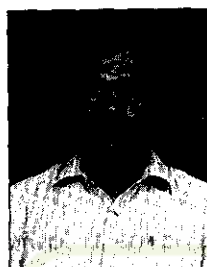
Board of Directors



Sri S V Balasubramaniam
Chairman & Managing Director



Sri V Venkata Reddy
Vice Chairman



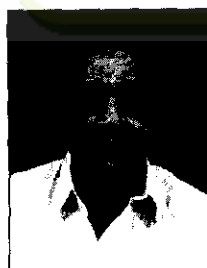
Sri S V Alagappan



Sri K S Ramaswamy



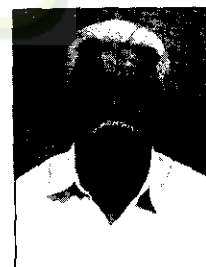
Sri S G Subrahmanyam



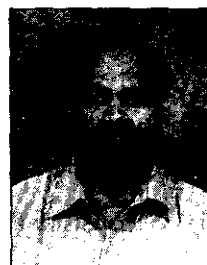
Sri P L Sivanappan



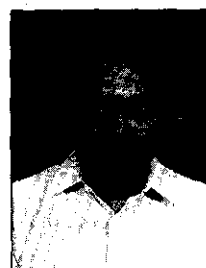
Dr K S Thirumalaiswamy



Sri A K Perumalsamy



Sri S V Arumugam



Sri E P Muthukumar



Sri B Saravanan
Joint Managing Director

Management Team

Sri S V Balasubramaniam

Chairman & Managing Director

Sri V Venkata Reddy

Vice Chairman

Sri B Saravanan

Joint Managing Director

Sri V Narayan

Senior Vice President (Sugar Unit-II)

Sri N Solairajan

Vice President (Head Office)

Sri P Dharmalingam

Vice President (Sugar Unit-I)

Sri V Haridas

Vice President (Granite)

Sri R Murugesan

General Manager (Finance)

Sri V L Rajagopal

General Manager (Technical)

Sri A Ramaswamy

General Manager (Distillery Division)

Sri K Sundaramoorthi

General Manager (Distillery-Factory)

Sri S Venugopalan

Company Secretary

Auditors

M/s P N Raghavendra Rao & Co

Chartered Accountants

Registered Office

252 Mettupalayam Road

Coimbatore 641 043

Tamilnadu

Phone : 91-422-450045

Fax : 91-422-431199

E-mail : bascoe@vsnl.com

Website : <http://www.bannari.com>

Manufacturing Facilities

Sugar Unit-I & Granite Processing

Alathukombai

Erode District

Tamilnadu

Sugar Unit-II & Co-generation

Alaganchi

Mysore District

Karnataka

Distillery

Sinnapuliyur

Erode District

Tamilnadu

Bio-Compost

Modur

Erode District

Tamilnadu

Bankers

Punjab National Bank

Bank of Baroda

Canara Bank

The Federal Bank Limited

The Karur Vysya Bank Limited

Union Bank of India

Indian Overseas Bank

State Bank of Travancore

State Bank of India

The Lakshmi Vilas Bank Limited

Investor Contact

Sri S Venugopalan

Company Secretary

Highlights Of The Financial Year

Operational Highlights

	Tamilnadu Unit		Karnataka Unit	
	1999-2000	1998-1999	1999-2000	1998-1999
Installed Capacity (TCD)	2500	2500	2500	2500
Crushing Period (Days)	307	301	244	245
Cane Crushed (Lakh Tonnes)	8.67	7.81	7.02	6.42
Recovery Rate (%)	10.77	10.51	10.05	10.01
Sugar Production (Lakh Qtls)	9.31	8.20	7.03	6.37

Financial Highlights – Company as a whole

(Rs in Lakhs)

	1999-2000	1998-1999
Gross Sales	21774.34	19460.94
PBDIT	3672.66	3119.20
Interest	1248.09	1068.43
Depreciation	675.51	598.43
PBT	1749.06	1452.34
Income tax	252.00	139.10
PAT	1497.06	1313.24
Dividend (%)	25	25
Networth	12025.13	10691.95
Total Capital Employed	29996.04	21842.19

Chairman's Letter

Coimbatore
11th August, 2000

Dear Shareholders

For Bannari Amman Sugars Limited, 1999-2000 was a successful year. Sales, at Rs.218 crores was up 12% over that in the previous year, while pre-tax profits, at Rs.17.5 crores had increased by 24%.

Some of the other highlights for the year under review include:

- Total cane crushed, at 15.69 lakh tonnes is the highest in the company's history.
- Both units maintained recovery rates at over 10%. The recovery rate in the Tamilnadu sugar factory, at 10.77%, is the highest in its history.
- The company continues to avail of cash credit facilities, from all its bankers, at their Prime Lending Rates.
- Received the Certificate of Eligibility for our sugar factory in Tamilnadu to sell 100% of the excess production on the 3 years' average production prior to the expansion, as free sugar, on account of expansion of crushing capacity from 1250 TCD to 2500 TCD,

for a period of five years from 1996-97 sugar year.

- 16 MW co-generation plant in the Karnataka sugar factory was synchronised with the grid of Karnataka Power Transmission Corporation Limited (KPTCL) on 31.3.2000, ahead of schedule.
- The Tamilnadu sugar factory obtained renewed ISO 9002 accreditation.

Sugar season 1999-2000 continued to be a difficult one for the Indian sugar industry. Production of sugar in India for the 1999-2000 season is expected to reach an all time record 183 lakh tonnes, significantly higher than the 155.38 lakh tonnes in the 1998-99 season. The current season, which began with carry-forward stocks of 68.91 lakh tonnes, will end with an unprecedented closing stocks of over 100 lakh tonnes or roughly eight months of consumption. The surplus stocks kept realisations weak impacting profitability and the industry also had to contend with the additional financial burden on account of

higher inventories. International sugar prices too ruled weak for most of the year, touching a 5 year low of \$ 168 per tonne in the month of December 1999 to make matters worse for the local industry.

The Indian Government took its time, but eventually did wake up to the industry's plight. In the second-half of the financial year 1999-2000, the Government announced a series of measures including changing the levy-free ratio from 40% : 60% to 30% : 70%, and raised import duty on sugar effectively from 27.5% to 60% besides retaining the Countervailing Duty (CVD) of Rs.850 per tonne. In all fairness, we must admit that the Government's measures did squeeze imports which were earlier threatening to throttle the local industry.

I am pleased to report that, while most leading sugar companies witnessed lower profits during 1999-2000, we managed a healthy increase in profits, even as we continue to value our rising finished inventories at "cost". Both

our units continue to perform well and our relentless pursuit of cost-cutting and efficiency enhancing measures has aided profitability, in no small measure.

Our recovery rate in Tamilnadu, at 10.77%, continues to be the highest in the State of Tamilnadu for the third year in running, while our recovery rate in Karnataka - 10.05%, is comfortably higher than the average in the Southern Karnataka region, where our plant is located.

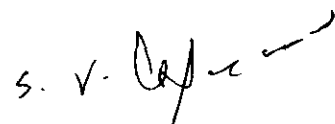
A major milestone in Bannari Amman's history was established on 31st March 2000, when we synchronized our 16 MW co-generation plant in Karnataka with the grid of KPTCL commissioning the project ahead of schedule. The

expansion of crushing capacity in the Karnataka sugar factory from 2500 TCD to 5000 TCD has been completed and crushing has commenced from August 2000. The benefits of these projects will be felt from the current year onwards.

In the current financial year, international sugar prices have firmed up distinctly and presently rule at \$ 270 per tonne. The outlook on the price front is positive. This augurs well for the local industry which is hopeful of exporting a large quantity of surplus sugar in the current year. While initial estimates indicate yet another bumper local production in the 2000-01 season, sugar realisations should, hopefully, look up from the latter half of this

financial year if our forecast for exports comes true.

Financially, we are very well positioned and will continuously pursue profitable growth opportunities - within our areas of core competence - that will help us deliver superior value for our shareowners. Given the goodwill we enjoy with our cane growers and the excellent support we enjoy from our dedicated employees and from you, our shareholders, I remain very positive on the outlook for our future.



(S V Balasubramaniam)

Chairman & Managing Director

Report Junction.com

What makes us different

Bannari Amman Sugars Limited stands tall amongst its peers with its consistently superior financial performances, regularly reporting profits even under the most trying business conditions. Since we began operations in 1986, we have been consistently making profits and paying dividends. Not easy for a Company operating in an industry where all facets of the business, from purchase of raw material to sale of finished sugar, remains under Government control.

Our strategy is simple : be a low-cost, high-quality producer of sugar.

Our Motto : Strive to perform best at all times.

Report

Easier said than done. We realised that we simply had to extract more out of our infrastructure and set new performance standards. The focus is on reducing cost of sugar production while aiming for a premium price realisation on our "free-sale" sugar. No doubt, we have continuously cut costs, re-engineered processes and improved efficiencies in our facilities. *However, our real edge has been our consistent ability to simultaneously "CRUSH MORE", "RECOVER MORE" and "REALISE MORE".*

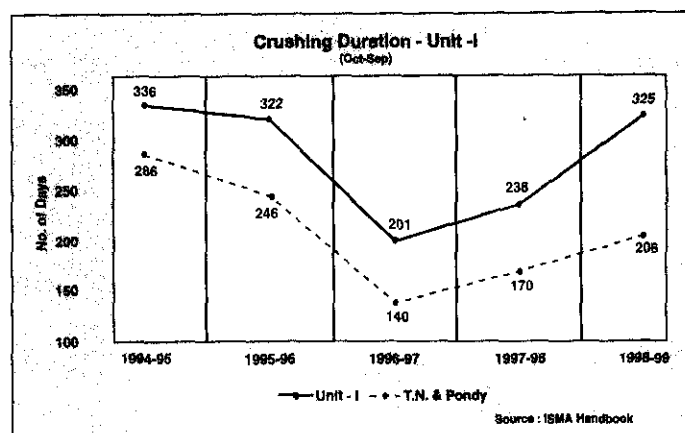
Cautionary statement :

Certain expectations and projections regarding future performance of the company referenced in this Annual Report are forward looking statements. These are statements which the management believes are true at the time of their preparation based on available data and information and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those anticipated in these forward looking statements.

Longer crushing duration

Our Tamilnadu unit created a record of sorts in the industry by crushing for 507 days continuously when it began operations in 1986 and the unit has maintained capacity utilisation of over 100% since inception. Our command area, for the Tamilnadu unit, is spread over a geographic region which receives both the monsoons – the South West monsoon (June to September) as well as the North East monsoon (October to December) making it possible to cultivate and crush sugarcane throughout the year without much problem in cane yield or sugar recovery. The Southern Karnataka region, where our second sugar unit is located, is also blessed with distributed rainfall enabling the cane growers to stagger the planting for a period of ten months in a year. The agro-climatic conditions and the nature of the soil in both the regions are conducive for high sucrose content sugarcane cultivation.

While natural advantages have helped, crucial to our success has also been our intensive cane development programme. Our field staff offer total support to the farmers at all stages of the crop growth, right from the cane planting till the final harvesting and supply of sugarcane to our mills for crushing. We supply our farmers with the best possible seed material-varieties that are suited for round-the-year planting, educate them on latest farm management practices and conduct periodic monitoring of the crop condition. With our active involvement, the yield per hectare has improved, adding to the farmers total revenue. We arrange for the sale of fertilizers/pesticides to the farmers through approved



depots and offer free spraying of micro-nutrients by our own team. We have contributed to the laying of feeder roads to tap the interior cane areas. At the harvesting stage, our registered farmers are under no strain, as we arrange for the cane harvesting labourers and the cane transportation vehicles.

Our relationship with the farmers, cultivated over the last several years, remains excellent and we enjoy enormous goodwill. We have been able to consistently add to our registered crop area and meet our requirements for higher quantities of sugarcane in keeping with our growth plans. We extend long term financial assistance to the farmers for improving irrigation facilities and also arrange crop loans through commercial/co-operative banks. *We value immensely our reputation for always paying the cane price in time, to the farmers.* Compared to the other competitive crops, having a "sugarcane crop" registered with Bannari Amman Sugars, for the farmers, is like having an "insured" crop.