

18<sup>th</sup> Annual Report



Planned continuous growth



BANNARI AMMAN SUGARS LIMITED

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.

– Bhagavadgita (Chapter 3 Verse 20)

## 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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## About Us

Bannari Amman Sugars Limited continues to be one of the India's leading private sector sugar manufacturers. The company's sugar manufacturing units are located in Tamilnadu and Karnataka with an installed capacity of 2500 TCD and 5000 TCD respectively. The company has established a modern co-generation plant having installed capacity of 16 MW in Karnataka. The company has also a Distillery and a Bio-Compost unit both located in Tamilnadu. The company also has a Granite Processing Unit adjacent to its Tamilnadu Sugar Unit.

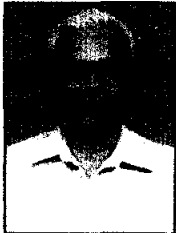
In Tamilnadu Sugar Unit, the expansion of crushing capacity from 2500 TCD to 4000 TCD is in final stages of completion and a co-generation plant having installed capacity of 20 MW is expected to be commissioned in August, 2002. It is planned to expand the crushing capacity of the Karnataka sugar unit from 5000 TCD to 7500 TCD and co-generation capacity from 16 MW to 36 MW.

The company has built a strong foundation and is well positioned to capitalise on emerging opportunities in the industry. Our growth strategy is designed to make the company more competitive and generate profitable growth, thus benefiting all our stakeholders.

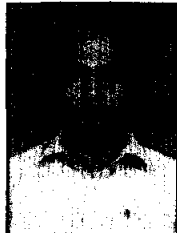
## BOARD OF DIRECTORS



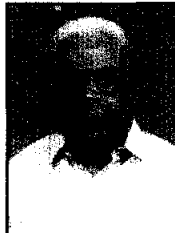
Sri S V Balasubramaniam  
Chairman & Managing Director



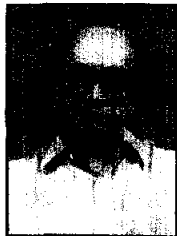
Sri V Venkata Reddy  
Vice Chairman



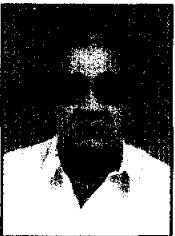
Sri S V Alagappan



Sri K S Ramaswamy



Sri S G subrahmanyam



Sri P L Sivanappan



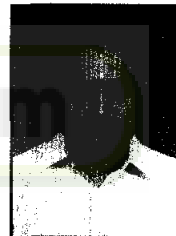
Dr K S Thirumalaiswamy



Sri A K Perumalsamy



Sri S V Arumugam



Sri E P Muthukumar



Sri B Saravanan  
Jt. 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

### Internal Auditors

**M/s Srivatsan & Gita**  
Chartered Accountants

## Registered Office

252 Mettupalayam Road  
Coimbatore 641 043  
Tamilnadu

Phone : 91-422-450045

Fax : 91-422-431199

E-mail : bascbe@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  
Union Bank of India  
Indian Overseas Bank  
State Bank of Travancore  
State Bank of India  
The Federal Bank Limited  
The Karur Vysya Bank Limited  
The Lakshmi Vilas Bank Limited

### Registrars and ShareTransfer Agents

**M/s Cameo Corporate Services Ltd**  
Subramanian Building, V Floor  
1, Club House Road, Chennai - 600 002.

## Performance Highlights – 2001-2002

### Operational Highlights

#### Sugar Division

|                             | Tamilnadu Unit |           | Karnataka Unit |           |
|-----------------------------|----------------|-----------|----------------|-----------|
|                             | 2001-2002      | 2000-2001 | 2001-2002      | 2000-2001 |
| Installed Capacity (TCD)    | 2500           | 2500      | 5000           | 5000      |
| Crushing Period (Days)      | 324            | 317       | 267            | 258       |
| Cane Crushed (Lac Tonnes)   | 10.20          | 9.31      | 12.61          | 10.31     |
| Recovery Rate (%)           | 10.95          | 10.97     | 10.71          | 10.23     |
| Sugar Production (Lac Qtls) | 11.20          | 10.19     | 13.50          | 10.51     |

#### Distillery Division

|                                   | 2001-2002 | 2000-2001 |
|-----------------------------------|-----------|-----------|
| Installed Capacity (Million Ltrs) | 16.33     | 16.33     |
| PRODUCTION (B Ltrs)               |           |           |
| Rectified Spirit                  | 3819721   | 2006333   |
| Neutral Spirit                    | 9182358   | 10534426  |

#### Co-generation (Karnataka Unit)

|                              | 2001-2002 | 2000-2001 |
|------------------------------|-----------|-----------|
| Installed Capacity           | 16MWH     | 16MWH     |
| Power Generated (KWH)        | 74574252  | 44554000  |
| Power Exported to Grid (KWH) | 58737161  | 34531000  |

## Granite Division

|                      | 2001-2002<br>(in Sq.m) | 2000-2001<br>(in Sq.m) |
|----------------------|------------------------|------------------------|
| <b>GRANITE SLABS</b> |                        |                        |
| Installed Capacity   | 50000                  | 50000                  |
| Production           | 25260                  | 33833                  |
| <b>GRANITE TILES</b> |                        |                        |
| Installed Capacity   | 10000                  | 10000                  |
| Production           | 3662                   | 6843                   |
| <b>MONUMENTS</b>     |                        |                        |
| Production           | 2906                   | 3759                   |

## Financial Highlights – Company as a whole

(Rs in Lakhs)

|                        | 2001-2002 | 2000-2001 |
|------------------------|-----------|-----------|
| Gross Sales            | 40750.38  | 28393.46  |
| PBIDT                  | 6569.60   | 5835.18   |
| Interest               | 1841.97   | 2179.30   |
| Depreciation           | 1652.41   | 1710.46   |
| PBT                    | 3075.22   | 1945.42   |
| Income tax             | 346.89    | 167.00    |
| PAT                    | 2728.33   | 1778.42   |
| Dividend (%)           | 33        | 27        |
| Net Worth              | 13250.54  | 13682.80  |
| Total Capital Employed | 35649.17  | 36045.59  |



## Chairman's Letter

Coimbatore

14.8.2002

Dear Shareholders,

The year 2001-02 was successful for Bannari Amman in many ways. In an operating environment that remained highly challenging, we continued to grow and strengthen our competitive position. Sales, at Rs. 407.50 crores, and pre-tax profits, at Rs.30.75 crores, were at record levels.

Some of the other key accomplishments during the year include:

- Total cane crushed, at 22.81 lakh tonnes, was at a new high, up by 16% over the last-year's record level.
- Both sugar units continue to maintain long crushing periods and high recovery rates. The sugar unit at Tamilnadu achieved the highest average recovery rate, at 11.01%, in the State during the 2000-01 Sugar Season.
- Exported 9.33 lakh quintals of sugar. Tuticorin Port Trust has awarded Certificate of Excellence for Traffic Performance during 2001-02.

- Interest costs were lowered.
- The Company continues to avail cash credit facilities from its bankers at their prime lending rates, or even at sub-PLR.

During 2001-02, the sugar industry's woes intensified with unprecedented stock levels and sustained high production for the third season in a row. In the international markets, sugar prices remained subdued, adversely impacting the economics of exports. Despite relatively lower realisations, we, at Bannari Amman, aggressively stepped up our exports during 2001-02 with the strategic intent of regulating our inventory levels.

My expectations of a bumper sugar production in India, which was communicated in my previous letter, came true. Production of sugar in the country for the 2000-01 season (October to September) was 185.11 lakh tonnes, even higher than the record 182 lakh tonnes in the 1999-2000 season. The closing stock of sugar at the end

of the 2000-2001 season, at 112 lakh tonnes, equals eight months of domestic consumption. Sugar prices, expectedly, remained subdued and weakened considerably in the second-half of fiscal 2001-2002. As a result, the sugar industry, yet again, had to contend with the financial implications of mounting levels of inventories and weak realisations.

The industry has entered the fourth successive season of high production, with sugar production in the current season estimated at around 184.50 lakh tonnes. Considering the domestic consumption of around 165 lakh tonnes and possible exports of 10 lakh tonnes, the sugar inventory at the end of the current season will increase further, to around 121.50 lakh tonnes. With a record production expected from Brazil, the world's leading sugar exporter, in their July 2002 - June 2003 sugar year, international prices are expected to remain soft in the current year.



The reduction of levy sugar quota from 15% to 10% with effect from 1st March, 2002 has no favourable impact as there is steep decline in realisation of free sugar price in the domestic market which is even below the levy sugar price. The loss on export of sugar is to some extent met by Government of India out of Sugar Development Fund by reimbursing internal transport and freight charges incurred on export of sugar from 21.06.2002. Since last year, the Government of India have permitted blending of ethanol with petrol, initially on a pilot project scale. On 12th August, 2002, the Union Petroleum Ministry announced that effective from 1st January 2003, use of ethanol doped gasoline will be made mandatory in 9 main sugarcane and sugar producing States including Tamilnadu and Karnataka and 4 Union Territories. This is a very encouraging development although the delay in the issue of the notification effectuating the budget proposal to reduce the surcharge on ethanol doped fuel by 75 paise per litre, has been a matter of concern and needs to be attended urgently to

encourage oil companies to go ahead with the implementation of this programme wholeheartedly. The continuous increase in sugarcane price and steep fall in free sugar prices have to be checked by the Government in the interest of the stability of the industry. The Government has announced its intention to introduce futures trading in sugar and also has taken decision to decontrol the sugar industry during 2002-2003 subject to futures trading becoming fully operational.

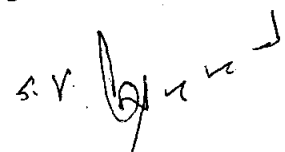
Bannari Amman continues to look ahead with optimism. In our Tamilnadu unit, the co-generation plant with an installed capacity of 20 MW is expected to be commissioned in August, 2002. Our project for expansion of capacity of our sugar unit in Tamilnadu from 2500 TCD to 4000 TCD is in final stages of completion. In Karnataka, it is planned to expand the crushing capacity of our sugar unit from 5000 TCD to 7500 TCD and the co-generation capacity from 16MW to 36 MW.

During 2002-03, it is expected to crush 9 lakh tonnes of sugarcane in Tamilnadu unit

and 13.25 lakh tonnes in Karnataka unit. We are optimistic of satisfactory performance in all divisions. However, in our reserved area, if the current dry spell continues and the monsoon is inadequate, it will have an adverse impact on the above estimates of cane crush and financial results.

While the business conditions in the sugar industry remains challenging, we hope to report steady strategic progress and improve our overall competitive position in the year ahead.

In closing, I would like to thank our cane growers, our bankers, financial institutions Government of India, Governments of Tamilnadu and Karnataka, Karnataka Power Transmission Corporation Limited and Tamilnadu Electricity Board and our dedicated employees for their co-operation and support. I would also like to thank you, our shareholders, for the confidence and trust you have reposed in our management.



(S V Balasubramaniam)  
Chairman & Managing Director

## Features

### Operational Excellence

#### Sugar Division

Our sugar units both in Tamilnadu and Karnataka are amongst the most efficient in the country. The Tamilnadu unit has posted the highest overall recovery rate in the State of Tamilnadu for the past four seasons in succession.

It is our intensive Cane Development Programme and our excellent relationship with our cane growers that form our operational backbone. Between our two plants, we procure cane from around 25000 farmers offering them total support at all stages of crop growth. Our involvement, in fact, begins even before the "planting", as we study the water potential of each area and make specific recommendations to maximize potential yield and quality, and remains right till the harvesting and supply of sugarcane to our mills for crushing. We ensure proper varietal selection, seed distribution through nursery programme and timely distribution of inputs which all help in the process of development of healthy cane. Our field officers monitor the crop conditions regularly and assist the farmers with the latest farm management techniques. We have extensively computerized our cane management system, improving further the efficiency of the field officers. We offer a variety of incentives/ support to the farmers for supply of fertilizers/ pesticides, for free spraying of micro-nutrients, for laying feeder roads to interior areas, for arranging cane harvesting labourers, cane transportation vehicles, for financial assistance to improve irrigation facilities and crop loans in keeping with the spirit of "partnership" that we have built more in the line of "contract farming".

#### Distillery Division

A very superior quality Extra Neutral Alcohol is produced and supplied to manufacturers of IMFL (Indian Made Foreign Liquor) at a premium price. Towards our endeavour to reduce cost, additional digesters have been installed which has helped in lowering the consumption of furnace oil.

In addition, the bio-compost, we produce, by using press mud and distillery spent wash is well received by farming community as organic manure. We also produce more high value added bio-compost "Bannari Amman - Bio-Super".

#### Co-Generation of Power

Our long crushing duration gives us a distinct advantage in co-generation of power as it provides continuous supply of "bagasse", the key raw material for the "co-generation plant". In our co-generation power plant at Karnataka, we are on target in production of power and efficient utilisation of machinery.

The proposed commissioning of a 20MW co-generation plant at our Tamilnadu unit in August, 2002 will add further to our competitive strength. We have long term agreements for sale of power, in both States, with respective authorities. Income from co-generation is insulated from price fluctuations.

#### Plant & Machinery

Modern plants are in operation in all the divisions. Technical upgradation and automation process are being continuously pursued. The maintenance of these plants adheres to the strict technical requirements. The utilisation of plants is at its best at all times. Adequate backup by way of spare parts and other consumables