



BANNARI AMMAN
SUGARS LIMITED



21st
annual
report
2 0 0 5

Sincerity in the discharge of one's chosen profession / work is duty.
Every work attains nobility when it is performed with devotion and sincerity.
Let us devote ourselves to the duties allotted to us or chosen by us.

- **Bhagavadgita** (Chapter 18 Verses 45 & 46)

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 canegrowers and shareholders.
 - Maximise productivity by optimising all inputs.
 - Expand and diversify utilising by-products in a planned manner.

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Profile

The company's sugar unit-I situated in Tamilnadu started with an installed capacity of 1250 TCD in the year 1986 and expanded to 2500 TCD in the year 1997 and 4000 TCD in the year 2003. The company has installed a 20 MW co-generation plant in this unit which commenced its operation on 26.8.2002.

The company's sugar unit-II situated in Karnataka started with an installed capacity of 2500 TCD in the year 1992 and expanded to 5000 TCD in the year 2000. The co-generation plant in this unit started with an installed capacity of 16 MW in the year 2000 and expanded to 36 MW in the year 2004.

The company has a distillery unit in Tamilnadu which was acquired by way of Amalgamation in the year 1995. The Company has also a distillery unit in Karnataka which commenced its operation on 23.3.2005.

The company's granite processing unit adjacent to its Tamilnadu sugar unit started in the year 1992.

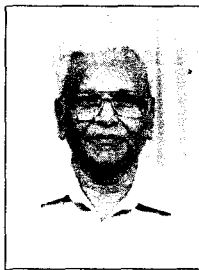
The company has bio-compost units in Tamilnadu and Karnataka with full fledged bio-compost monitoring laboratory which converts sugar industry pressmud into useful bio-compost manure.

The company has installed 7 Wind Turbine Generators having capacity of 1250 KWH each in southern part of Tamilnadu which commenced its operation in February - March 2005.

Bannari Amman's strategy is to produce high quality finished products, optimum utilisation of by-products and also be cost effective. The consistent endeavour is to pursue profitable growth strategies for the benefit of all concerned.



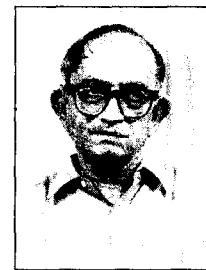
Sri S V Balasubramaniam
Chairman & Managing Director



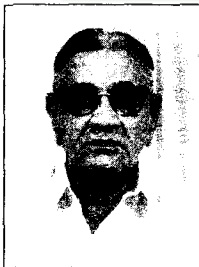
Sri V Venkata Reddy
Vice Chairman



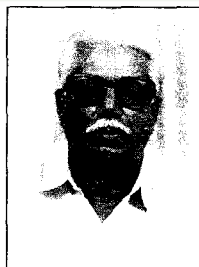
Sri S V Alagappan



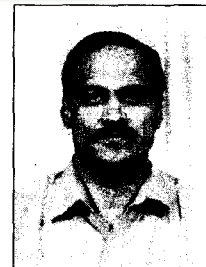
Sri S G Subrahmanyam



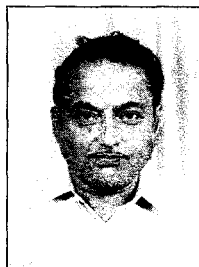
Sri P L Sivanappan



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 N Solairajan

Executive President

Sri P Dharmalingam

Executive President (Unit I)

Sri R Murugesan

Vice President

Sri V L Rajagopal

Vice President (Unit I)

Sri A Ramaswamy

Vice President (Distillery Division)

Sri K Sundaramoorthi

Vice President (Distillery Unit)

Sri R Ramgopal

Assistant Vice President (Unit II)

Sri C Palaniswamy

Company Secretary

INTERNAL AUDITORS

M/s Srivatsan & Gita

Chartered Accountants

COST AUDITOR

Sri M Nagarajan

Cost Accountant

REGISTRARS AND SHARE TRANSFER AGENTS

M/s Cameo Corporate Services Ltd

Subramanian Building, V Floor

1, Club House Road, Chennai 600 002

REGISTERED OFFICE

1212, Trichy Road, Coimbatore 641 018, Tamilnadu

Phone : 91-422-2302277

Fax : 91-422-2305599

E-mail : bascoe@vsnl.com

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

MANUFACTURING FACILITIES

IN TAMILNADU

Sugar Unit, Co-generation & Granite Processing

Alathukombai

Erode District

Distillery

Sinnaputhiyur

Erode District

Bio-Compost

Modur

Erode District

Wind Mills

Radhapuram, Irukkandurai and

Karunkulam Villages

Radhapuram Taluk

Tirunelveli District

IN KARNATAKA

Sugar Unit, Co-generation, Distillery & Bio-Compost

Alaganchi

Mysore District

AUDITORS

M/s P N Raghavendra Rao & Co

Chartered Accountants

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

Chairman's Letter

Dear Shareholders,

The sugar year 2003-04 ended with a lower sugar production of 140 lakh tonnes, in line with the expectation communicated in my previous letter. The current year sugar production is also expected to be lower at 125 lakh tonnes. As anticipated the sugar prices in the local market have firmed up and I expect that the upturn will continue. The sugar year 2004-05 commenced with an opening stock of 85 lakh tonnes as against the previous year's carry over stock of 116 lakh tonnes and the closing stock of current sugar year is expected at around 45 lakh tonnes after taking into account the import of 20 lakh tonnes.

The financial year 2004-05 was one of the successful year for Bannari in which the company's gross sales crossed Rs.500 crores mark and pre tax profit crossed Rs.55 crores. The turnover and profits were at record levels. The Board of Directors have recommended a higher dividend of 45% for the year compared to 36% declared in the last year.

The highlights of the financial year 2004-05 are :-

- Total cane crush is 10.83 lakh tonnes.
- The 20 MW co-generation plant at Tamilnadu unit had generated 1228.11 lakh units of power of which 950.70 lakh units were exported to Tamilnadu Government Grid.
- The 16 MW co-generation plant at Karnataka unit had generated 593.82 lakh units of power, of which 362.58 lakh units were exported to Karnataka Government Grid.
- The 20 MW co-generation plant at Karnataka unit had generated 235.42 lakh units of power, and exported 96.73 lakh units to Karnataka Government Grid. Due to shortage of bagasse, this plant could not run continuously.



- The company has processed 57395 tonnes of raw sugar and 53842 tonnes of sugar was made from raw sugar.
- A distillery with a capacity to produce 60 kilo litres of spirit per day was established in the Karnataka sugar unit.
- 7 Wind Turbine Generators having capacity of 1250 KWH each have been installed in southern part of Tamilnadu.

We expect to crush 6 lakh tonnes in Tamilnadu sugar factory and 12 lakh tonnes in Karnataka sugar factory in the financial year 2005-06 which is higher compared to previous year. The sugar prices are expected to remain favourable. We will continue our focus on further operational improvements.

I conclude with thanks to my colleagues on the Board, Canegrowers, Bankers, Government of India, Governments of Tamilnadu and Karnataka, Karnataka Power Transmission Corporation Limited and Tamilnadu Electricity Board and all other stakeholders for their continued support. I would also like to thank you for your whole-hearted support.


(S V Balasubramaniam)
Chairman & Managing Director

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Q & A Section

Sri S V Balasubramaniam, Chairman & Managing Director,
answers questions relating to the performance of the company and the industry.

Q Your assessment on financial performance for the year 2004-05.

A While total sales in 2004-05, at Rs. 503.13 crores, was higher compared to the previous year's sales of Rs. 488.42 crores, sugar sales was slightly lower than in the previous year. The operating profit from the sugar division is higher because of higher realization. The revenue generation from distillery and granite products have remained firm. On account of lower bagasse availability, we could not optimize the generation of power. We have posted a pre-tax profit of 56.26 crores in FY05 showing a jump of 22% compared to the previous year. We have recommended a higher dividend of 45% on the equity compared to the previous year's 36%.

Overall, I am quite satisfied with our performance.

Q What factors were mainly responsible for higher profitability particularly when the sugar production was at lower level?

A As projected in the last year, the sugar prices have firmed up. The distillery and granite divisions have also registered overall improvement in results. The higher profitability is mainly because of improved sugar prices.

Q What is your outlook on sugar prices?

A Sugar production both at national and international level is expected to be low compared to the consumption level. On account of lower opening stock and sugar production, I expect the sugar prices will remain firm for the current year. However, it is difficult to predict the prices for the next year, as it depend on several factors.

Q What was the impact of the lower cane crush on co-generation and distillery?

A Due to lower cane crush there was a shortage of bagasse for co-generation plants. In co-generation plants we could generate only 2057 lakh units of power, which was at 2420 lakh units in the previous year in spite of coal used in our 20MW co-generation unit in Tamilnadu. Molasses production was also affected and we could produce only 50,248 MT as against 1,01,680 MTs in the previous year. However, the working of distillery unit in Tamilnadu was satisfactory and it produced 123.55 lakh B. Ltrs of alcohol as against 126.90 B. Ltrs. We could achieve this production as we had sufficient stock of molasses.

Q Last year you have crushed just 1.99 lakh tonnes in your Tamilnadu sugar unit and 8.84 lakh tonnes in Karnataka unit? Will your factories have sufficient cane to crush for the current year?

A We are confident to crush 6 lakh tonnes of sugarcane in our Tamilnadu sugar unit and 12 lakh tonnes of sugarcane in our Karnataka sugar unit.

Q What is the sugar industry outlook?

A World sugar output for the current year ended September, 2005 is estimated at around 145 million tonnes and consumption is estimated at around 148 million tonnes. Sugar production in India for the current season will be around 125 lakh tonnes as against the consumption level of 185 lakh tonnes. The estimated sugar production in India for the next season i.e. 2005-2006 is estimated at 175 lakh tonnes as against the estimated consumption of 190 lakh tonnes. As the forecast shows lesser production than consumption, sugar prices will remain firm up and the sugar industry performance would be better.

Q What is your message to investors?

A Bannari Amman has consistently been one of the best performing sugar mill in the country. We will continue to focus on further growth. The commissioning of distillery unit at Karnataka unit and installation of wind mills certainly have enhanced further the value of your company.

Key Financial Data

(Rs. in lakhs)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Turnover	32109.81	38173.61	39047.12	52273.24	44933.92
Other Income	378.32	919.89	833.40	914.57	621.23
Total Income (incl. Stock Adj.)	33706.43	40504.47	40965.61	55276.79	47580.49
Raw Materials	18568.01	21547.89	21340.63	26961.48	18654.02
Traded Goods	—	—	—	1877.65	—
Excise Duty	1215.43	2562.50	1484.80	2110.89	1451.92
Overhead & Other Exp.	8066.22	9824.48	12572.63	15892.93	17532.88
Gross Profit	5856.77	6569.60	5567.55	8433.84	9941.67
PBDIT	5835.18	6569.60	5567.55	8433.84	9941.67
Depreciation	1710.46	1652.41	2160.88	2705.14	3200.10
Interest	2179.30	1841.97	1137.58	1135.37	1115.36
Pre-tax profit	1945.42	3075.22	2269.09	4593.33	5626.21
Tax – Current	167.00	346.89	302.35	723.58	491.57
– Deferred	—	608.35	668.98	557.07	774.00
Post Tax Profit	1778.42	2119.98	1297.76	3312.68	4360.64
Equity Capital	953.97	953.97	953.97	953.97	953.97
Reserves	12728.83	12296.57	13265.96	16192.33	20070.14

Turnover = Net Sales + Closing Stock – Opening Stock

Key Financial Ratios

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Financial Ratios					
Other Income/Turnover %	1.15	2.37	2.13	1.75	1.38
Overheads/Turnover%	23.07	23.73	30.17	29.09	37.91
Interest/Turnover %	6.79	4.83	2.91	2.17	2.48
PBDIT/Turnover %	18.17	17.21	14.26	16.13	22.13
NP/Turnover %	6.06	8.06	5.81	8.79	12.52
Cash Profit/Turnover %	11.39	12.38	11.35	13.96	19.64
ROCE (PBDIT/Average Capital Employed) %	17.67	20.02	14.61	19.15	19.99
ROCE (PBIT/Average Capital Employed) %	12.49	14.98	8.94	13.01	13.56
Capital Output Ratio (Turnover/Average Capital Employed)	97.24	116.30	102.46	118.72	90.37
Balance Sheet Ratios					
Debt Equity Ratio (Long term debt to equity)	0.44	0.42	0.59	0.55	0.62
Debtors' Turnover (Days)	24	37	28	52	44
Inventory Turnover (Days)	187	146	179	195	169
Current Ratio	1.21	1.22	1.33	1.35	1.51
Quick Ratio	0.33	0.44	0.38	0.50	0.51
Average Turnover Ratio (Total Revenue / Total Assets)	0.94	1.14	1.01	1.16	0.92
Per Share Data					
EPS (Rs.)	18.64	22.22	13.60	34.73	45.71
CEPS (Rs.)	36.57	45.92	43.27	68.92	87.37
Dividend (Rs.)	2.70	3.30	3.00	3.60	4.50
Dividend Payout %	15.96	11.54	16.42	10.01	9.45
Book Value (Rs.)	143.43	138.90	149.06	179.74	220.39
Net indebtedness (Rs.)	62.58	58.23	87.92	99.25	135.63

Turnover = Net Sales + Closing Stock – Opening Stock