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The CORPORATE
Statement 1999-2000

Balrampur Chini Mills Limited



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CLARIFICATION ON 'FORWARD LOOKING STATEMENTS'

This annual report (including the Management Discussion and Analysis) contains statements relating to the future of the company that are forward looking. Readers are cautioned not to place undue reliance on these forward-looking statements. Any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as things stood on a particular date. They are based on current expectations and involve a number of assumptions, risks and uncertainties. The latter could cause the actual results to differ materially from such forward-looking statements. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends' , 'plans', 'believes' and words and terms with similar substance in connection with any discussion of the future operations or financial performance.

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BALRAMPUR REGISTERED A 46.56 PER CENT IN PROFITS IN 1999-2000 COMPARED TO THE PREVIOUS YEAR. THE FACTORS THAT CONTRIBUTED TO THIS DECLINE WERE LARGELY BEYOND THE CONTROL OF THE BALRAMPUR MANAGEMENT. WE ASSURE OUR SHAREOWNERS THAT THIS DECLINE IS TEMPORARY. IN THIS REPORT WE HAVE EXPLAINED THE URGENCY WITH WHICH WE ARE RESPONDING TO THE SITUATION. AND, THANKS TO OUR STRETCH COMMITMENT, HOW OUR MEASURES ARE ALREADY BEGINNING TO REFLECT A VIGOROUS

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CORPORATE DESCRIPTION

BALRAMPUR IS ONE OF INDIA'S LARGEST SUGAR PRODUCING COMPANIES. IT RANKS AMONGST THE FASTEST GROWING SUGAR MILLS IN THE COUNTRY.

BALRAMPUR HAS GROWN FROM AN ASSET BASE OF RS. 3.58 CR IN 1980-81 TO RS. 420.34 CR IN 1999-2000.

THE COMPANY'S THREE PLANTS - BALRAMPUR, BABHNAN AND TULSIPUR - ARE BASED IN EAST UTTAR PRADESH. THESE PLANTS HAVE AN AGGREGATE CAPACITY OF 20,500 TCD. THEIR LOCATIONS ENJOY THE NATURAL ADVANTAGE OF RICH SOIL, ADEQUATE RAIN AND EXCELLENT SUNSHINE. BALRAMPUR ALSO POSSESSES A 60 KL PER DAY DISTILLERY. THIS UTILISES THE BYPRODUCT MOLASSES TO PRODUCE INDUSTRIAL ALCOHOL.

BALRAMPUR HAS ESTABLISHED A REPUTATION FOR MANUFACTURING AND MARKETING AN EXCELLENT QUALITY OF SUGAR. THIS IS PRIMARILY SOLD IN POCKETS OF EAST INDIA WHERE THE DEMAND FOR SUGAR FAR EXCEEDS SUPPLY FROM ANY NEIGHBOURING REGION. THE MAJOR PART OF BALRAMPUR'S SUGAR IS SOLD TO WHOLESALERS; HOWEVER, THE COMPONENT OF INSTITUTIONAL SALES REASONABLE, REFLECTING THE BRAND EQUITY OF BALRAMPUR'S SUGAR.

BALRAMPUR CHINI MILLS' SHARES ARE LISTED ON THE MUMBAI, CALCUTTA, DELHI, KANPUR AND NATIONAL STOCK EXCHANGES. ITS MARKET CAPITALISATION ON 31 MARCH 2000 WAS RS. 158.89 CR.

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CREDIBLY WITH FARMERS, CREATING A BANK OF GOODWILL.

SUGAR AND ALCOHOL OF THE HIGHEST QUALITY IN THE COUNTRY.

WE HAVE A RESPONSIBILITY THAT EXTENDS BEYOND THE FINANCIAL - TO THE COMMUNITY AT LARGE.

AS A FAIR COMPANY IN THE EYES OF OUR VENDORS AND BUYERS.

INTELLECTUAL CAPITAL TO MAXIMISE THE RETURN ON THE CAPITAL EMPLOYED IN THE BUSINESS.

HIGHER THAN THE AVERAGE, SURPASSING THE EXPECTATIONS OF OUR SHAREOWNERS.

OF THE LAND AND WORK WITHIN THEM.

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VISION & MISSION

WE ARE DEDICATED TO DELIVERING OVERALL VALUE TO OUR CUSTOMERS, DELIVERING EXCEPTIONAL FINANCIAL PERFORMANCE TO OUR SHAREOWNERS, AND COMPLETE SATISFACTION TO OUR EMPLOYEES AND STAKEHOLDERS.

BALRAMPUR WILL STRIVE TO RETAIN ITS PLACE AS ONE OF INDIA'S PREMIER SUGAR COMPANIES THROUGH SUSTAINED EXPANSION OF ITS SUGAR MANUFACTURING OPERATIONS - AN AREA OF CORE COMPETENCE - AT GLOBAL EFFICIENCIES OF COST, QUALITY AND STANDARDS OF CUSTOMER SERVICING.

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AS A COMPANY, WE WILL STRIVE TO :

* STICK TO OUR CORE COMPETENCE OF MANUFACTURING SUGAR AND ALLIED PRODUCTS

* RECRUIT AND RETAIN SKILLED AND SUPERIOR EXPERTISE

OUR COMMITMENT

* MEASURE AND REWARD HIGH PERFORMANCE

* INCORPORATE THE PRINCIPLES OF CORPORATE GOVERNANCE TO MAXIMISE THE DELIVERY OF SHAREHOLDER VALUE

* ENSURE THAT THE COMMUNITY'S DEVELOPMENT IS CONCURRENT WITH BUSINESS GROWTH

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OUR VALUES

INTEGRITY
We demand of ourselves and others the highest ethical standards. Our effort will be directed in making products that are of the highest quality.

TEAMWORK
This is the critical cog which runs the Balrampur wheel. We know that if we are to succeed we must work together - more effectively and efficiently.

LEADERSHIP
We believe that a leader company is not as much a company which leads others as much as a company which has leaders at every level. This can be achieved only if the company creates growth opportunities, empowers adequately and creates incentives to reward its members.

RESPECT FOR PEOPLE
People have made Balrampur what it is today. Balrampur has a proud record of treating its members well and with dignity; the company expects to live by this philosophy as the cornerstone of its operations.

SHAREHOLDER VALUE
We will strive to maintain global standards of corporate transparency. We will strive to increase shareholder confidence in our management ability; we will strive to deliver a value to our shareowners that is commensurate with our managerial depth and financial solidity.

CUSTOMER FOCUS
We are deeply committed to understanding and meeting the needs of customers.

GROWTH
We strive for a continuous improvement in our performance driven by an aggressive expansion in our assets.

COMMUNITY
We will strive to be seen as a company with a conscience that extends beyond its cash flow - to the bigger challenge of making the world a better place to live in.

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* There was an appreciable increase in the production of sugar from the Balrampur plant in the 1999-2000 sugar season. The Balrampur plant crushed lac quintals in the 1999-2000 sugar season compared to 124.59 lac quintals in the 1998-99 season. This was accompanied by a higher recovery - from 9.32 per cent to 9.90 per cent. We expect that this will translate into a better performance in the financial year 2000-01.

* There was a similar improvement in the Babhnan plant. It crushed lac quintals in the 1999-2000 sugar season, compared to 73.81 quintals during the 1998-99 season. The recovery rose from 9.72 per cent to 10.21 per cent. The impact of which will be reflected in the financial year of 2000-01.

* The aggregate recovery of the company improved from 9.42 to 9.96 per cent during the year. The impact of this increased production will be reflected in the financials of 2000-01.

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* The merger of Tulsipur Sugar with Balrampur Chini Mills was completed during the year and came into retrospective effect from 1 April 1999.

* To derive early benefits of the acquisition, Tulsipur's capacity was enhanced from 2,500 tcd to tcd at an approximate cost of Rs. 60 cr funded from internal accruals and debt.

* The Tulsipur plant put in an outstanding performance during the financial year under review : it crushed lac quintals in 1999-2000 sugar season compared to 29.71 lac quintals in 1998-99. Effective capacity utilisation : 91 per cent. During the same season, recovery rose from 9.12 per cent to 9.74 per cent.

* The freesale : levy sales ratio was revised by the government from the ratio of 60:40 to 70:30. This measure came into effect from 1 January 2000. This is a step ahead in the deregulation of the Indian sugar industry.

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