

# stretch

Prosperity through perseverance



BALRAMPUR CHINI MILLS LIMITED  
Annual Report 2000-1





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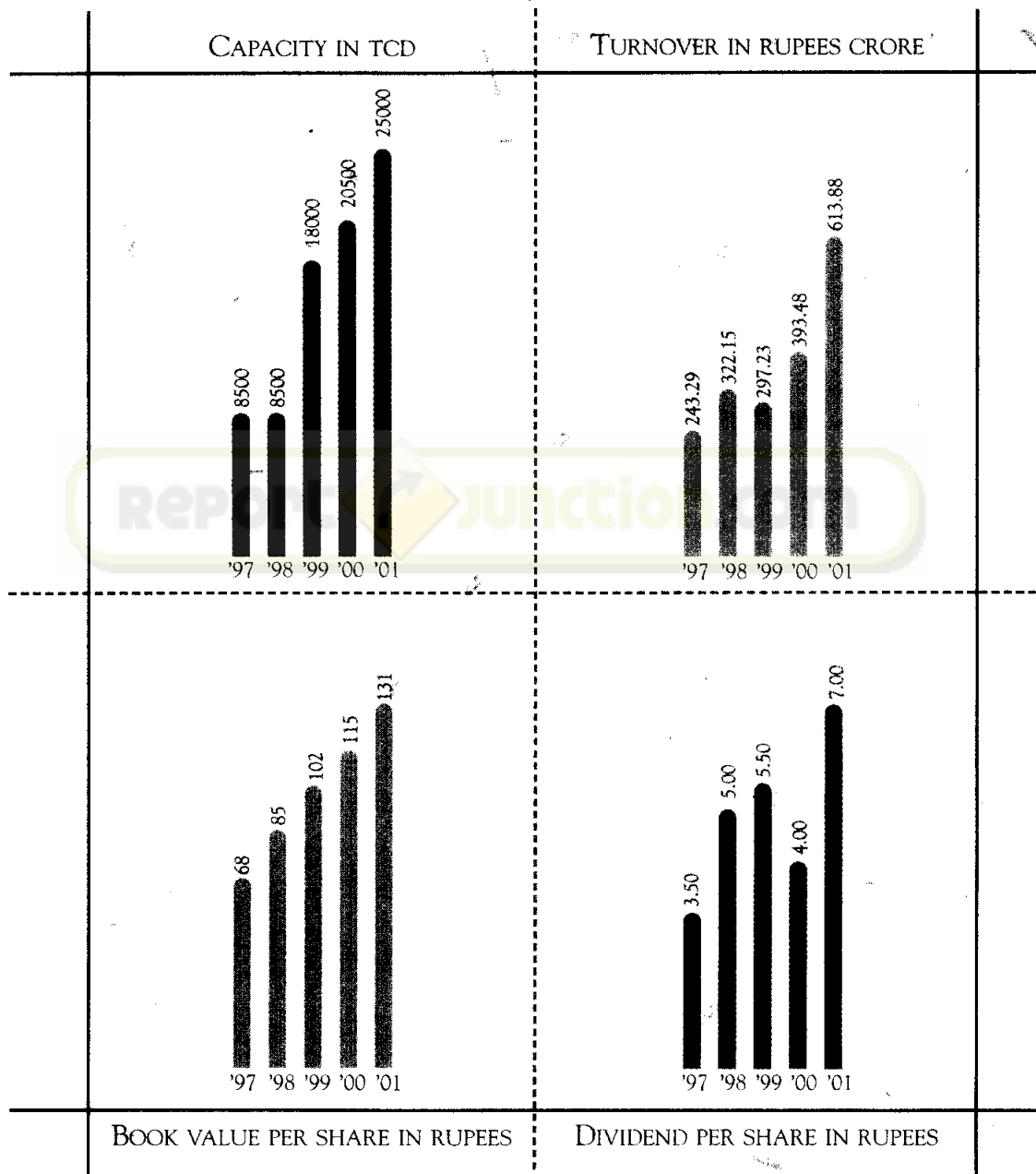


YESTERDAY

Over the years, Balrampur Chini Mills has invested its robust accruals into increased cane planting, sustained capacity expansion, acquired sick sugar mills, engineered their calculated turnaround and strengthened its core competence. Emerging in the process as a non-cyclic company in a cyclical industry.

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TODAY



## HIGHLIGHTS 2000-1

≈ Profit After Tax increased by 107.31 per cent to Rs 47.82 cr. This would have been higher by Rs 16.13 cr had the closing stock been valued as per the norms followed in the previous year.

≈ Sugar was exported to Pakistan at remunerative prices.

≈ Rs 32 cr of high cost debt was repaid. The benefit of the interest savings will be reflected in 2001-2.

≈ Rs 20 cr of 9.75 per cent cumulative redeemable preference shares to IDBI and HDFC Bank were redeemed. The coupon rate on Rs 5 cr was reduced from 9.75 per cent to 9 per cent per annum.

≈ An organic manure, 'Bhoomishakti', made from pressmud, a by-product, developed through in-house research and development, was commercially launched in 2000-1.

≈ The installed capacities at Balrampur, Bābhnān and Tulsipur plants were raised by 1000, 2500 and 1000 TCD respectively.

≈ The capacity of the distillery is being raised by 40 KLPD to 100 KLPD at a cost of Rs 8 cr. This will now enable the company to produce absolute alcohol required to make fuel-ethanol.

≈ The company embarked on setting up a greenfield 18 MW cogeneration power project.

≈ Corporate Governance initiatives were strengthened through a broader Board of Directors.

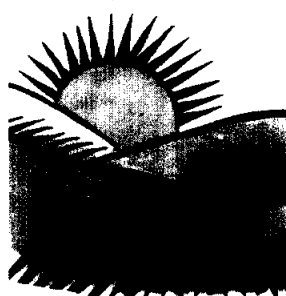
## OVERVIEW

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TOMORROW

*Dear Shareholders*

For decades, the Indian sugar sector was the most regulated of India's industries. However, the possibility of a decontrol now promises to make it one of the most dynamic proxies of India's agricultural sector. Over the last three years, the Indian government made significant changes in its stance. • The government delicensed the sugar industry. • As a precursor to total decontrol, the government increased the sugar free sale ratio from 60 per cent to 85 per cent. • Policy changes are expected to make the co-generation of power attractive. • The government is expected to soon make the petrol a reality. • The Indian playing field to the sugar duty of 60 per cent on the countervailing duty of of sugar is allowed under an quantitative restrictions. • The government has permitted futures trading in sugar. • From a limited perspective, this pronounced and welcome swing in government attitude will help manufacturers generate a return that is commensurate with their invested capital in the long run. From a broader perspective, it will encourage manufacturers to aggressively utilize the by-products generated from the manufacture of sugar and grow their presence into power, fuel additives, industrial alcohol and organic manure. • Balrampur is well-placed to capitalise on this emerging scenario: its



## INTERVIEW

aggregate crushing capacity of 25000 tcd within a radius of 100 km puts it in close proximity to the availability of by-products. Helping the company commission and sustain alcohol and power units of acceptable economies of scale. • The Balrampur management is convinced that over the coming years, standalone sugar factories will find it increasingly difficult to survive. And that they will need to evolve into integrated sugar complexes to earn a reasonable return from their business. • Balrampur has pre-poned the future. The company has an alcohol distillery which is being expanded from 60 KLPD to 100 KLPD. The company expects to commission an 18 MW power plant in the first phase by 2002-3. The company has also commenced the production of bio compost / organic manure - by using press mud and distillery effluent. • Balrampur's balance sheet possesses the strength to sustain the cost of this enlarging profile without endangering its prospective earnings. • The company finished 2000-1 with the highest profit after tax of Rs 47.82 cr and the lowest debt-equity ratio of 0.45 (since 1997). This financial structure gives Balrampur room to borrow at a low cost and provide for secure growth over the coming years. • Balrampur expects to protect the enhanced value by sticking to its core and related competence, conservative practices and a stronger governance process.

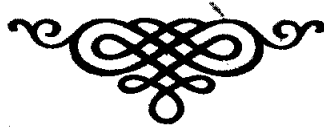
*Vivek Saraogi*

Vivek Saraogi, Managing Director



The era of the  
integrated sugar  
complex has arrived





# future

What will the future be like ?



delicensed & decontrolled