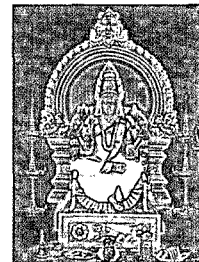


23rd Annual Report
2006 - 2007



BANNARI AMMAN SUGARS LIMITED

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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

Board of Directors

Dr S V Balasubramaniam
Chairman & Managing Director

Sri V Venkata Reddy
Vice Chairman

Sri S G Subrahmanyam

Sri S V Alagappan

Sri S V Arumugam

Sri P L Sivanappan

Sri E P Muthukumar

Sri A K Perumalsamy

Sri B Saravanan
Joint Managing Director

AUDITORS

M/s P N Raghavendra Rao & Co
Chartered Accountants

INTERNAL AUDITORS

M/s Srivatsan & Gita
Chartered Accountants

COST AUDITOR

Sri M Nagarajan
Cost Accountant

COMPANY SECRETARY

Sri C Palaniswamy

REGISTRARS AND SHARE TRANSFER AGENTS

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

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

State Bank of Hyderabad

Bank of India

REGISTERED OFFICE

1212 Trichy Road Coimbatore 641 018 Tamilnadu Phone : 91-422-2302277
Fax : 91-422-2309999 E-mail : basbce@vsnl.com Website : <http://www.bannari.com>

MANUFACTURING FACILITIES

SUGAR UNIT I

CO-GENERATION BIO-DIESEL & GRANITE PROCESSING
Alathukombai village Erode District Tamilnadu

SUGAR UNIT II

CO-GENERATION
Alaganchi village Mysore District Karnataka

SUGAR UNIT III

Kunthur village Kollegal Taluk
Chamarajanagar District Karnataka

DISTILLERY

I. Sinnapuliur village Erode District Tamilnadu
II. Alaganchi village Mysore District Karnataka

BIO-COMPOST

I. Modur village Erode District Tamilnadu
II. Alaganchi village Mysore District Karnataka

WIND MILLS

Radhapuram Irukkandurai and Karunkulam villages
Radhapuram Taluk Tirunelveli District
Tamilnadu

Notice to Shareholders

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of the Company will be held at JENNEY CLUB, 2/2 AVINASHI ROAD, CIVIL AERODROME POST, COIMBATORE 641 014 on Saturday the 29th day of December 2007 at 3.45 P.M to transact the business set out in the agenda below:

You are requested to make it convenient to attend the meeting

Agenda

1. To consider and adopt the Directors' Report and the audited Profit and Loss Account for the year ended 31st March, 2007 and the audited Balance Sheet as at that date and the Auditor's Report thereon
2. To declare dividend on Preference Shares
3. To declare dividend on equity shares
4. To appoint a Director in the place of Sri S G Subrahmanyam, who retires by rotation and is eligible for re-appointment
5. To appoint a Director in the place of Sri E P Muthukumar, who retires by rotation and is eligible for re-appointment
6. To appoint a Director in the place of Sri V Venkata Reddy, who retires by rotation and is eligible for re-appointment
7. To appoint Auditors and fix their remuneration

Note

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
2. Proxies, in order to be effective should be deposited with the Company forty eight hours before the meeting
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 22.12.2007 to 29.12.2007 (both days inclusive)
4. The dividend if declared will be paid to those members whose names appear on the Register of Members of the Company as on 29.12.2007. In respect of the dematerialised shares dividend will be paid on the basis of the beneficial ownership furnished by the National Securities Depository Limited and Central Depository Services (India) Limited at the end of the business hours on 21.12.2007
5. The Company has transferred unclaimed dividends upto the financial year ended 31st March 2000 to General Revenue Account/Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 2001 and thereafter and remaining unclaimed for a period of 7 years will be transferred to Investor Education and Protection Fund as required under Companies Act, 1956 on the respective due dates; upon such transfer no claim shall lie against the Company or the Central Government for such unclaimed dividend
6. Members are requested to bring their copy of the Annual Report along with them to the meeting

By Order of the Board
C PALANISWAMY
Company Secretary

Coimbatore
16.11.2007

Re-appointment of Directors

Brief resume in respect of Directors retiring by rotation and are eligible for re-appointment is given below in terms of clause 49 of the Listing Agreement:

Sri S G Subrahmanyam, B Sc (Hons) F I A (London) aged 82 years is associated with the company as a Director since 24.7.1985. He is not holding any share in the company. He was the retired Managing Director of Life Insurance Corporation of India Limited. He is also a Director of Grasim Industries Limited and Polyplex Corporation Limited. He has more than 50 years experience in management.

Member of Committees in other public companies

Grasim Industries Limited

- Shareholders Grievance Committee

Polyplex Corporation Limited

- Audit Committee
- Remuneration Committee

Sri E P Muthukumar, B E aged 59 years is associated with the Company as a Director since 6.12.1984. He is holding 1000 equity shares of Rs. 10/- each in the Company. He doesn't have any Directorship in other public companies. He has 35 years experience in sugarcane cultivation.

Sri V Venkata Reddy, M B A aged 68 years is associated with the Company as Director since 6.11.1997. As on 31.3.2007, he is holding 1000 equity shares of Rs. 10/- each in the Company and has 40 years experience in sugar industry including international assignments. He was the Managing Director of Sri Chamundeswari Sugars Limited for more than 8 years. He was the President of South Indian Sugar Mills Association, Karnataka during the period 2001-2003

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Other directorships

1. Bannari Amman Spinning Mills Limited
2. Shiva Hi-Tec Infrastructure Limited
3. Shiva Texyarn Limited
4. Sri Balaji Pilgrim Comforts Private Limited
5. Sri Kollapuri Amma Enterprises Private Limited
6. Sri Kollapuri Amma Agro Industries Private Limited

Member of Committees in other public companies

Shiva Texyarn Limited

- Audit Committee
- Remuneration Committee
- Investor Grievance Committee

Financial Highlights

	(Rs. in Lakhs)				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Turnover	39047.12	52273.24	44933.92	59427.12	82265.05
Other Income	833.40	914.57	621.23	283.81	188.55
Total Income (incl. Stock Adj.)	39901.47	53278.10	45991.50	59812.12	82212.67
Raw Materials	21340.63	26961.48	18654.02	23960.08	39071.60
Traded goods	-	1877.65	-	-	1350.20
Excise Duty on Stock	420.66	112.20	(137.07)	(439.06)	241.96
Overhead & Other Exp.	12572.63	15892.93	17532.88	21316.84	26560.44
PBDIT	5567.55	8433.84	9941.67	14974.26	14988.47
Depreciation	2160.88	2705.14	3200.10	4307.00	3734.83
Interest	1137.58	1135.37	1115.36	1095.60	418.28
Pre-Tax profit	2269.09	4593.33	5626.21	9571.66	10835.36
Tax	971.33	1280.65	1265.57	1874.17	1806.54
Post Tax Profit	1297.76	3312.68	4360.64	7697.49	9028.82
Equity Capital	953.97	953.97	953.97	953.97	953.97*
Reserves	13265.96	16192.33	20070.14	27158.61	40572.76

Turnover = Net Sales + Closing Stock - Opening Stock

* Pursuant to the Scheme of Amalgamation the Company has allotted 1900000 equity shares of Rs. 10/- each fully paid-up and 1846000 - 9% Redeemable Non-Cumulative Preference shares of Rs. 100/- each to the shareholders of Maheswara Sugars Limited on 16.11.2007. If the allotment is taken into account the equity capital would be Rs. 1143.97 lakhs.

Key Financial Ratios

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
FINANCIAL RATIOS					
Other Income/Turnover %	2.13	1.75	1.38	0.48	0.23
Overheads/Total Turnover %	30.17	29.09	37.91	33.62	30.69
Interest/Turnover %	2.91	2.17	2.48	1.84	0.51
PBDIT/Turnover %	14.26	16.13	22.13	25.20	18.22
NP/ Total Turnover %	5.81	8.79	12.52	16.11	13.17
Cash Profit/Total Turnover %	11.35	13.96	19.64	23.35	17.71
ROCE(PBDIT/Average Capital Employed) %	14.61	19.15	19.99	29.66	27.44
ROCE(PBIT/Average Capital Employed) %	8.94	13.01	13.56	21.13	20.60
Capital Output Ratio (Turnover/Average Capital Employed)	102.46	118.72	90.37	117.70	150.59
BALANCE SHEET RATIOS					
Debt Equity Ratio (Long term debt to equity)	0.59	0.55	0.62	0.49	0.26
Debtors' Turnover (Days)	28	52	44	40	32
Inventory Turnover (Days)	179	195	169	108	89
Current Ratio	1.33	1.35	1.51	2.62	2.76
Quick Ratio	0.38	0.50	0.51	1.21	1.43
Average Turnover Ratio (Total Revenue/ Total Assets)	1.01	1.16	0.92	1.26	1.36
PER SHARE DATA					
EPS (Rs.)	13.60	34.73	45.71	80.69	89.51*
CEPS (Rs.)	36.26	63.08	79.26	125.84	127.45
Dividend on equity (Rs.)	3.00	3.60	4.50	7.00	7.00
Dividend on Preference(Rs.)	-	-	-	-	3.00
Dividend Payout %	24.88	11.70	11.13	9.89	11.09
Book Value (Rs.)	149.06	179.74	220.39	294.69	364.67
Net indebtedness (Rs.)	87.92	99.25	135.63	143.88	94.62

* EPS worked out after considering the allotment made pursuant to the scheme of amalgamation.

Chairman's Letter

Dear Shareholders,

The Indian sugar industry is presently passing through a difficult situation with sustained high production coupled with increased sugar stock and weak sugar prices. This adverse condition persisted throughout the year. Against this situation, our performance during 2006-07 was encouraging. Sales at Rs.817.02 crores and pre-tax profit of Rs.108.35 crores were up by 26.28 % and 13.20% respectively over the previous year. During the year, we have benefited from our value added businesses especially from co-generation of power which helped to mitigate, to an extent of sharp fall in sugar realizations.

The highlights of the financial year 2006-07 are:

- Maheswara Sugars Limited having sugar factory with an installed capacity of 2500 TCD merged with our Company with effect from 1st January 2007.
- Total cane crush was 29.38 lakh tonnes.
- The 20 MW co-generation plant at Sugar Unit I had generated 162 million units of power, of which 116.58 million units were exported to Tamilnadu Government Grid.
- The 16 MW co-generation plant at Sugar Unit II had generated 108.98 million units of power, of which 93.65 million units were exported to Karnataka Government Grid.
- The 20 MW co-generation plant at Sugar Unit II had generated 109.69 million units of power, of which 58.42 million units were exported to Karnataka Government Grid.
- The Distillery unit in Tamilnadu had produced 20.01 lakh B.Ltrs of Rectified Spirit, 164.42 lakh B.Ltrs of Neutral Spirit and 0.11 lakh B.Ltrs of Fusel Oil.
- The Distillery unit in Karnataka had produced 1.58 lakh B.Ltrs of Rectified Spirit, 55.70 lakh B.Ltrs of Neutral Spirit and 3.93 lakh B.Ltrs of Medium Grade Alcohol.
- Wind mills had generated 17.25 million units of power and exported 15.26 million units to TNEB grid.
- Granite Division had produced 1,12,030 square metres of Granite slabs, 12,742 square metres of tiles and 1,127 square metres of monuments.



During the year, while India retained her position as the world's second largest sugar producer, there was no relief for the industry from the effects of sustained high production and mounting inventories. The sugar production during 2007-08 is estimated to reach the peak level at 30 million tonnes against the consumption level of 20 million tonnes. The prices of sugar are expected to remain unfavourable.

In the current financial year we expect to crush 9 lakh tonnes of sugarcane in Sugar Unit-I, 20 lakh tonnes of sugarcane in Sugar Unit-II and 6 lakh tonnes of sugarcane in Sugar Unit-III. The expansion of cane crushing capacity from 2500 TCD to 6000 TCD and setting up of 28.8 MW co-generation power plant at Sugar Unit III are under active planning for execution.

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 years ahead.

With this, I would like to thank our cane growers, bankers, Governments and our dedicated employees for their co-operation and supports. I would like to thank you, our shareholders, for the confidence and trust you have reposed in our management.

(S V BALASUBRAMANIAM)

Chairman & Managing Director

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 23rd Annual Report together with audited accounts of the Company for the year ended 31st March 2007.

The Annual General Meeting of the members for the year ended 31.3.2007 could not be held before 30.9.2007 as the formalities for giving effect to the amalgamation of Maheswara Sugars Limited with your company was completed only during the first week of November 2007. Your Company has obtained extension of time to hold Annual General Meeting till 29.12.2007.

Amalgamation of Maheswara Sugars Limited with the Company

The Hon'ble High Court of Judicature at Madras has approved the scheme of amalgamation of Maheswara Sugars Limited with your company on 6th November 2007. As per the scheme of amalgamation, your company has allotted 19,00,000 equity shares of Rs. 10/- each and 18,46,000 9% redeemable non-cumulative preference shares of Rs. 100/- each to the shareholders of Maheswara Sugars Limited.

Financial Results	Rs. in Lakhs	
	Financial Year	
	2006-2007	2005-2006
Profit for the year before depreciation	14570.19	13878.66
Less : Depreciation	3734.83	4307.00
Profit Before Tax	10835.36	9571.66
Less : Provision for : Income Tax	1161.00	1672.25
Fringe Benefit Tax	14.80	23.00
Deferred Tax	630.74	178.92
Profit After Tax	9028.82	7697.49
Add : Surplus brought forward from previous year	1103.37	164.90
Amount available for appropriation	10132.19	7862.39
Appropriations		
Provision for diminution in value of investment	0.48	(2.42)
Transfer to General Reserve	7500.00	6000.00
Dividend on Preference Capital	55.38	-
Dividend on Equity Capital	800.78	667.78
Provision for Tax on Dividend	145.50	93.66
Surplus carried over to Balance Sheet	1630.05	1103.37
	10132.19	7862.39

Dividend

The equity and preference shares allotted as per the Scheme of Amalgamation approved by the Hon'ble High Court, Chennai are eligible for dividend. Your Directors are glad to recommend dividend @ 3% on 18,46,000 9% redeemable non-cumulative preference shares of Rs. 100/- each. Your Directors are also pleased to recommend dividend @ 70% on the equity capital as in last year.

Review of Operations

The comparative operational performances for the last two years are as under:

Sugar Division

	Sugar Unit I		Sugar Unit II		Sugar Unit III*
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007
No of days crushed	322	316	298	240	84
Sugarcane crushed (Lakhs tonnes)	10.75	6.86	17.27	10.33	1.36
Recovery (%)	10.00	9.93	10.50	10.61	10.81
Wet Sugar processed (Lakh tonnes)	0.10	-	-	-	-
Sugar Produced (Lakhs quintals)	10.81	6.83	18.04	10.97	1.46

* Acquired by way of Amalgamation with effect from 1.1.2007 and performance during 1.1.2007 to 31.3.2007

During the year under review in sugar unit I, 10.75 lakh tonnes of sugarcane was crushed as against the estimated cane crush of 10 lakh tonnes. In sugar unit II, 17.27 lakh tonnes of sugarcane was crushed as against estimated cane crush of 18 lakh tonnes. In sugar unit III, 1.36 lakh tonnes of sugarcane was crushed from 1.1.2007 to 31.3.2007.

Co-generation of Power

The co-generation plant in sugar unit I had generated 162.00 million units of power and exported 116.58 million units to the Tamilnadu Government Grid. In sugar unit II, the 16 MW co-generation plant had generated 108.98 million units of power and 20 MW co-generation plant had generated 109.69 million units of power and exported 93.65 million units and 58.42 million units respectively to Karnataka Government Grid.

Distillery Division

The distillery in Tamilnadu had worked for 338 days and produced 20.01 lakh B.Ltrs of Rectified Spirit, 164.42 lakh B.Ltrs of Neutral Spirit and 0.11 lakh B.Ltrs of Fusel oil.

The distillery in Karnataka had worked for 169 days and produced 1.58 lakh B.Ltrs of Rectified Spirit, 55.70 lakh B.Ltrs of Neutral Spirit and 3.93 lakh B.Ltrs of Medium Grade Alcohol.

Granite Division

In the Granite Division at Tamilnadu, 1,12,030 square metres of Granite slabs, 12,742 square metres of tiles and 1,127 square metres of monuments were produced, compared to production of 88,574 square metres of Granite Slabs, 8,655 square metres of tiles and 2,651 square metres of monuments in the last year.

Wind Mill

Wind mills had generated 17.25 million units of power and exported 15.25 million units to TNEB grid as against 15.03 million units generated and exported in the last year.

Prospects for the Current year 2007 - 2008

It is estimated to crush 9 lakh tonnes of sugarcane in sugar unit I, 20 lakh tonnes of sugarcane in sugar unit II and 6 lakh tonnes of sugarcane in sugar unit III. It is estimated to produce 185 Lakh B.Ltrs. of spirit in the distillery unit at Tamil Nadu and 50 lakh B.Ltrs. of spirit in distillery unit at Karnataka.

An incineration plant with 2 MW power generation is being established in Distillery Unit in Karnataka which may be in operation from July 2008. This will help to operate with full capacity and also for further expansion.