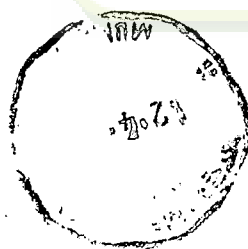


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CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
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YE	<input checked="" type="checkbox"/>		

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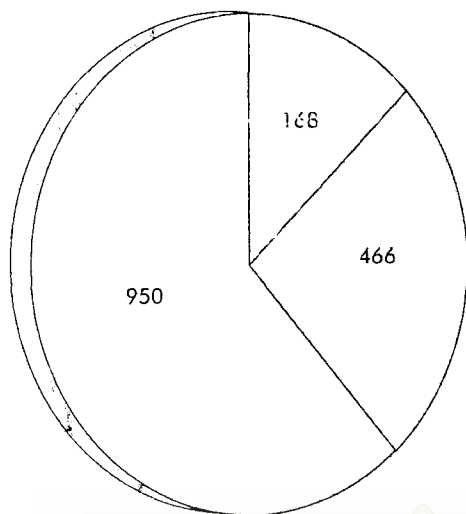
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THE DHAMPUR SUGAR MILLS LIMITED



NET WORTH COMPOSTION (Rupees in millions)

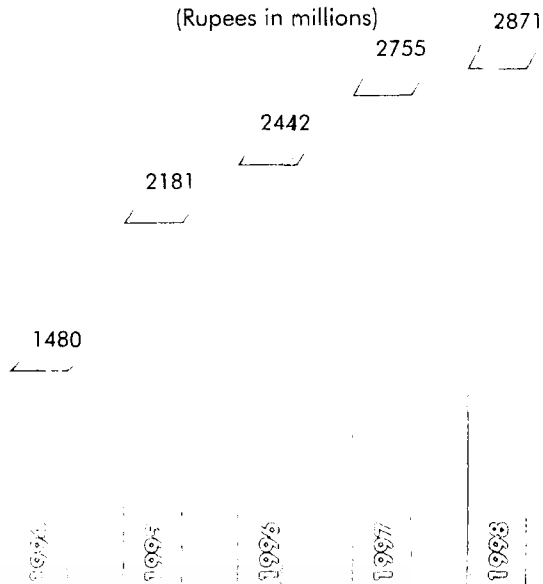


Share
Capital

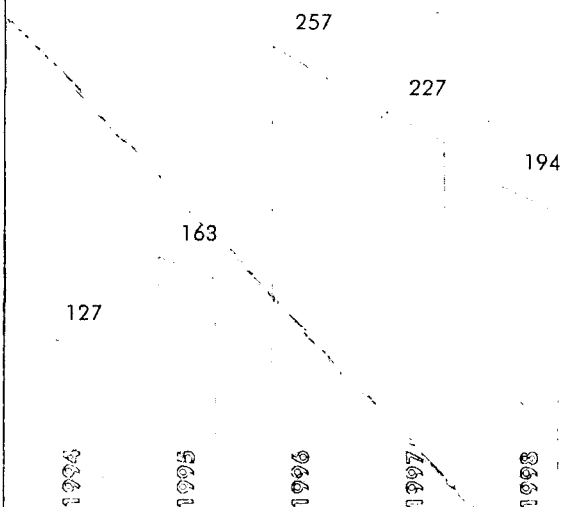
Share
Premium

Other
Reserves

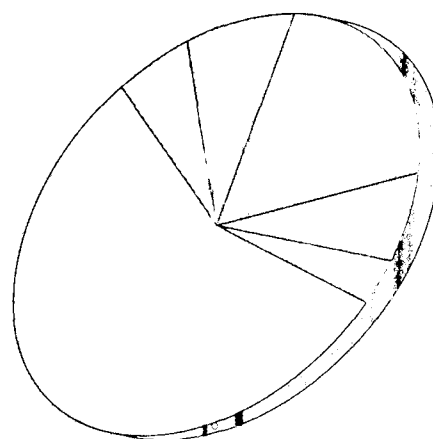
FIXED ASSETS (Rupees in millions)



CANE CRUSHED (Lac Quintels)



EXPENDITURE



56.4% Raw Material

10.1% Interest &
Finance Charges

6.1% Payment to &
Provisions for
Employees

6.7% Excise Duty

16.9% Manufacturing &
Other Expenses

5% Depreciation



THE DHAMPUR SUGAR MILLS LIMITED



BOARD OF DIRECTORS

- Sri V K Goel, Chairman & Executive Director
- Sri A K Goel, Vice Chairman
- Sri A K Gupta, Director (Finance)
- Sri V P Singh, Director (Operation)
- Sri M P Mehrotra
- Sri Harish Saluja
- Sri A Krishna
- Sri Rahul Bedi
- Sri Gaurav Goel
- Sri Gautam Goel
- Sri A K Godika, (IFCI Nominee)
- Sri K K Koharwal

VICE PRESIDENT (FINANCE) & SECRETARY

- Sri Arhant Jain

AUDITORS

- S. VAISH & COMPANY
Chartered Accountants, Kanpur.
- MITTAL GUPTA & COMPANY
Chartered Accountants, Kanpur.

BANKERS

- PUNJAB NATIONAL BANK
- BANK OF BARODA

ANNUAL REPORT 1997-98

THE DHAMPUR SUGAR MILLS LIMITED

Registered Office : Dhampur, District - Bijnore (U.P.)

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that Sixty Fourth Annual General Meeting of the company will be held on Thursday, the 29th day of April, 1999 at 3.00 P.M. at the registered office of the company at sugar mill compound, Dhampur, Distt. Bijnore (U.P.) to transact the following business.

ORDINARY BUSINESS

1. To receive consider and adopt the Director's Report. Auditors Report and the Balance Sheet and Profit & Loss Account for the year ended 30th September 1998.
2. To declare dividend on preference shares.
3. To appoint a director in place of Sri V. K. Goel who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri A. K. Goel who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a director in place of Shri Harish Saluja who retires by rotation and being eligible offers himself for reappointment.
6. To appoint auditors and fix their remuneration. The retiring auditors M/s S. Vaish & Company, Chartered Accountants, Kanpur and M/s Mittal Gupta & Company Chartered Accountants, Kanpur are eligible for reappointment.

SPECIAL BUSINESS

TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS.

7. "RESOLVED THAT Shri K. K. Koharwal be and is hereby appointed as director of the company liable to retire by rotation.
8. "RESOLVED THAT pursuant to Sections 198, 269, 309, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any the consent be and is hereby accorded for the appointment of Shri K.K. Koharwal as whole-time director of the company for five years with effect from 1st April, 1998 on the following terms and conditions.

A. Remuneration :

Salary : Rs. 7000/- per month

B. Perquisites :

HOUSING : Free furnished accommodation owned by the company.

MEDICAL : Medical and hospital benefit for the whole-time director, wife and dependent children subject to the condition that the cost to the company of such benefits shall not exceed one month's salary in any year.

LEAVE : Leave on full pay in accordance with the rules of the company being one month's privilege leave for every 11 months of service plus maximum of 8 days medical leave and 7 days casual leave in each year. Privilege leave accumulated but not availed of will be allowed to be encashed each year as to other officers of the company.

BONUS : Ex-gratia and bonus as admissible to senior officers of the company.

OTHERS : Not to be treated as perquisites.

PROVIDENT FUND : Benefit of Provident Fund calculated @ 12% of the salary or such other rate as may be fixed by the Government from time to time.

GRATUITY : Retirement gratuity in accordance with the Payment of Gratuity Act, 1972 subject to ceiling of Rupees One Lac.

Reimbursement of expenses on travelling in connection with the business of the company in accordance with company's rules framed from time to time.

RESOLVED FURTHER THAT the aforesaid monthly payment and monetary value of perquisites to be included in the remuneration for the purpose of Section 198 of the Companies Act, 1956 shall be deemed to be minimum remuneration in the event of absence or inadequacy of net profit computed in the manner provided under the said section.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits the abovementioned salary shall be reduced by 10 percent of the salary applicable for that year".

9. "RESOLVED THAT pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any the consent be and is hereby accorded for the revision in remuneration of Shri V. P. Singh, whole-time technical director of the company for Five years with effect from 1st April 1997 on the following terms and conditions.

A. Remuneration

Salary : Rs. 15000/- per month

B. Perquisites

HOUSING : Free furnished accommodation owned by the company.

MEDICAL : Medical and hospital for the whole-time director, wife and dependent children subject to the condition that the cost to the company of such benefits shall not exceed one month's salary in any year.

THE DHAMPUR SUGAR MILLS LIMITED

LEAVE : Leave on full pay in accordance with the rules of the company being one month's Privilege leave for every 11 months of service plus maximum of 8 days medical leave and 7 days casual leave in each year. Privilege leave accumulated but not availed of will be allowed to be encashed each year as to other officers of the company.

BONUS : Ex-gratia and bonus as admissible to senior officers of the company.

OTHERS : Not to be treated as perquisites.

PROVIDENT FUND : Benefit of Provident Fund calculated @ 10% of the salary or such other rate as may be fixed by the Government from time to time.

GRATUITY : Retirement gratuity in accordance with the Payment of Gratuity Act, 1972 subject to ceiling of Rupees One Lac.

Raimbursement of expenses on travelling in connection with the business of the company in accordance with company's rules framed from time to time.

RESOLVED FURTHER THAT the aforesaid monthly payment and monetary value of perquisites to be included in the remuneration for the purpose of Section 198 of the Companies Act, 1956 shall be deemed to be minimum remuneration in the event of absence or inadequacy of net

profit computed in the manner provided under the said section.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits the abovementioned salary shall be reduced by 10 percent of the salary applicable for that year".

10. TO CONSIDER AND IF THOUGHT FIT TO PASS, WITH OR WITHOUT MODIFICATION, FOLLOWING RESOLUTION AS SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions of the Companies Act, 1956 the Board of Directors (hereinafter called 'the Board') of the company be and is hereby authorised to issue and give corporate guarantee of the company in favour of State Bank of India to the extent of Rs. 2400 Lacs for the working capital loans and facilities by the said bank to M/s DSM Agro Products Limited.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary actions on behalf of the company to give effect to this resolution".

By Order of the Board of Directors
For The Dhampur Sugar Mills Limited

Place : New Delhi

Date : March 27, 1999

ARHANT JAIN
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy so appointed need not be a member of the company. Proxies in order to be effective, must be received at registered office of the company not less than 48 hours before the start of the meeting.
2. Pursuant to section-173 of Companies Act, 1956, the relative explanatory statement is annexed hereto.
3. Members are requested to send the following to the Company's Registrar & Share Transfer Agent M/s Alankit Assignment Limited, 205-206, Anarkali Market, Jhandewalan Extension, New Delhi-110 056.
 - a. Application for consolidation of folios alongwith relevant share certificates where members hold more than one share certificate in the same name under different folios.
 - b. Details regarding change of address, if any.
4. Members/Proxies should bring their copy of Annual Report and attendance slip (duly completed) when attending the Meeting.
5. The accounts, the reports and all other documents required under the law to be annexed thereto, will be available for inspection during working hours of the registered office of the Company on any working day except Saturdays and Sundays prior to the date of the Annual General Meeting.
6. Shareholders desiring any information as regards the accounts are requested to write to the company at an early date so as to enable the management to keep the information ready.
7. The register of members and share transfer book of the company shall remain closed from Wednesday the 24th day of March, 1999 to Wednesday the 31st March, 1999 (both days inclusive) for the purpose of Annual General Meeting.

ANNUAL REPORT 1997-98**Explanatory Statement**

[Pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 7 & 8

Shri K.K. Koharwal has very wide experience of sugar industry in the production area. He is working with organisation since 1965-66 in different capacities. Earlier he was Dy. General Manager of the Company. He was appointed as additional director during the year. His appointment as director liable to retire by rotation and whole-time director within the ambit of Schedule XIII of the companies Act, 1956 will certainly be beneficial for the company. These resolutions have been placed before the shareholders for their approval as ordinary resolution in compliance of provisions of the Companies Act, 1956.

None of the directors except Shri K.K. Koharwal himself is interested in this resolution.

ITEM NO. 9

Shri V.P. Singh was appointed as whole time technical director of the company in the annual general meeting held on 28th June'95. Now his remuneration has been revised with effect from 1st April 1997. Shri Singh has very rich experience in the technical area of sugar industry. Shri Singh has worked with the company in different capacities. The revision in his remuneration is within the ambit of Schedule XIII and

accordingly has been placed before the shareholders for their approval as ordinary resolution.

None of the directors except Shri V.P. Singh himself is interested in this resolution.

ITEM NO. 10

M/s DSM Agro Products Limited is a subsidiary of our company. The sugar unit of the said company has undergone the modernisation cum expansion programme during the year. In view of prospective increase in turnover, M/s DSM Agro Products Limited has got sanction of working capital facilities from the State Bank of India. One of the conditions of the sanction is that the Dhampur Sugar Mills Limited shall execute corporate guarantee in favour of the bank. The amount of guarantee shall be upto Rs. 2400 Lacs. The proposed corporate guarantee together with the loans, advances, guarantees and investments already made by the company may exceed the limits of Rs. 381.81 Crores as stipulated in Section 372A of the Companies Act, 1956. As per provisions of the aforesaid section, approval of shareholders by way of special resolution is necessary in excess of limits as prescribed in the said Section. Hence this resolution is placed before you to pass it as special resolution.

Place : New Delhi
Date : March 27, 1999

By Order of the Board of Directors
For The Dhampur Sugar Mills Limited
ARHANT JAIN
Company Secretary

THE DHAMPUR SUGAR MILLS LIMITED

DIRECTORS' REPORTS

Your directors have the pleasure in presenting their 64th Annual Report together with audited accounts for the year ended on 30th September, 1998.

FINANCIAL RESULTS

	(Rupees in Crores)	
	Current Year	Previous Year
Total Income	355.83	291.00
Profit (before Depreciation)	8.60	22.68
Depreciation	12.95	11.63
Profit before tax	-4.35	11.05
Deduct : Provision for tax	-0.01	0.65
Profit after tax	-4.36	10.40
Add : Transfer from Investment Allowance Reserve	1.46	—
Transfer from General Reserve	0.73	—
Balance brought forward from earlier years	2.78	0.07
Other adjustments	-0.01	0.07
Amount available for appropriation	0.60	10.54
Appropriations :		
Dividend on Preference Share	0.54	—
Dividend on Equity Shares	—	2.81
Tax on Dividend	0.06	0.45
Debentures/Bond Redemption Reserve	—	3.40
General Reserve	—	1.10
Balance carried to Balance Sheet	—	2.78
	0.60	10.54

DIVIDEND

Due to non-availability of profits the directors do not recommend dividend on equity shares for this year. A dividend of 12% p.a. on prorata basis has been recommended on Preference Shares.

PERFORMANCE

During the year under review the company has crushed 194.15 Lac quintals of sugar cane in comparison to 227.49 lac quintal in the previous year. The average aggregate recovery of all the three units of the company is 9.59% which was 9.73% in the previous year. The total production of sugar of the company has declined from 22.15 lac tonnes to 18.60 Lac tonnes. The overall Production of sugar in the country during the year is 128.54 Lac Tonnes against was 129.05 Lac Tonnes in the last year.

The total production of Acetaldehyde, Acetic Acid, Acetic Anhydride, CO₂, Dry Ice and Ethyl Acetate during the year is 7152 M.T. as compared to 9111 M.T. in the previous year. The Oxalic Acid plant has produced 2680 M.T. as compared to 767 M.T. in the Previous year.

The company has supplied 19869200 units (5074000 units) including trial run generation at Rouzagoan surplus power to State Electricity Board. The supplies to State is yet to be streamlined and the bottlenecks like proper transmission etc. are being taken up with State Authorities.

The overall dismal performance of the company resulting into loss during the year is due to:

- * shortage of cane in Asmoli and Rauzagaon sugar units;
- * lower selling price of sugar due to unrestricted imports;
- * limited evacuation capacity with the Government faced by co-generation power projects;
- * use of external fuel due to low crushing.

The in-house Research and Development has been continued. The measures of safety and environment protection have been the prime concern of your company and there has been continuous improvement in this directions.

CURRENT YEAR'S SCENARIO

The cane crushing for the current season has started at Dhampur on 11th November 1998 at Asmoli on 19th November 1998 and Rauzagaon on 30th November 1998. Till 14th March 1999 the sugar mills of the company have crushed 169.77 Lac quintals of cane. The Rauzagaon sugar unit has stopped crushing on 19th Feb'99 due to shortage of cane. During the current year all the sugar units of Uttar Pradesh are suffering from low recovery due to continuous rains till October. The low recovery will adversely affect the profitability of the company in the current year. The Govt. has enhanced import duty from 5% to 25% on sugar which is grossly below the desired level on account of devaluation of Brazilian currency and subsidy being given by neighbouring countries.

The chemical division of the company is running satisfactorily, but the margins are affected due to lower realisation.

SUBSIDIARIES AND PROMOTED COMPANIES

The audited accounts of the subsidiaries viz. DSM Agro Products Limited for the year ended 30th September 1998, DSM Hi-tech Limited for the year ended 31st March 1998, Vashulinga Sugar & General Industries Limited for the year ended 15th July, 1998 and Mansurpur Sugar Mills Limited for the year ended 30th June 1998 are annexed.

During the year the company has further invested in the shares of Mansurpur Sugar Mills Limited in which company was already having 50% shareholding. Thus the said company has become subsidiary of our company.

FINANCE

During the year the company has issued and allotted 55000 Redeemable Preference Shares of Rs. 100/- each on Private Placement basis. The Preference Shares will carry dividend @ 12% p.a. on pro-rata basis.

Certain loans from Institutions have become overdue for payment. The company has applied for rescheduling of loans.

ANNUAL REPORT 1997-98**PUBLIC DEPOSITS**

The Company does not have any deposits which have matured but not claimed as on 30th September 1998. Further, the Company has made repayments of the deposits on maturity as stipulated.

DIRECTORS

Shri V. K. Goel, Shri A.K. Goel and Shri Harish Saluja, directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Shri K.K. Koharwal was appointed as additional director of the company during the year. His office will cease on the conclusion of ensuing annual general meeting. Request is received by the company proposing his appointment as director liable to retire by rotation.

AUDITORS' REPORTS

M/s S. Vaish & Company, Chartered Accountants, Kanpur and M/s Mittal Gupta & Company, Chartered Accountants, Kanpur the joint auditors of your company will retire at the ensuing Annual General Meeting and being eligible may be reappointed.

PARTICULARS OF EMPLOYEES

The particulars of employees under section 217(2A) of the Companies Act, 1956 — Nil.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The particulars as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 with regard to conservation of energy, technology absorption, foreign exchange earning and outgo are given in Annexure.

PROJECTIONS VS. PERFORMANCE

Information as required by the provisions of Listing Agreement with the Stock Exchange is given hereunder:

	(Rupees in Crores)	
	Projections	Performance
Total Income	366.33	355.52
Gross Profit	89.35	43.20
Profit After Tax	34.70	(-)4.36

Actual performance is lower than the projected on account of:

- shortage of cane in Asmoli and Rauzagaon sugar units;
- lower selling price of sugar due to unrestricted imports;
- limited evacuation capacity with the Government faced by co-generation power projects

INDUSTRIAL RELATIONS

The industrial relations have remained cordial and harmonious during the year.

ACKNOWLEDGEMENT

Your directors place on record their acknowledgement and sincere appreciation of the Company to Financial Institutions and Banks for their continued support, to the Cane Growers for the supply of cane, to the officers, staff and the workers of the Company for their relentless and dedicated efforts and labour put in by them for the growth of the company. Your directors further seek contribution from all the above to overcome the tough time and look forward for a bright future.

Place : New Delhi
Date : March 17, 1999

By Order of the Board
V.K. GOEL
Chairman

ADDENDUM TO THE DIRECTORS' REPORT

PARA 1(I) : The updation of fixed assets register is in progress

PARA 1(III) : The major part of inventory viz. finished goods and raw materials have been verified during the year. The components of Stores, Spare parts etc. being of large number, the management is taking steps to get the same physically verified in a phased manner.

PARA 1 (XV) INTERNAL AUDIT SYSTEM : The Company has started the formal internal audit system in all units except one major unit where the same is being implemented.

PARA 2 (A) PROVISION FOR GRATUITY : In the three units of the company most of the employees have not completed 5

years of service in the respective units and hence are not yet eligible for gratuity. Wherever the liability has arisen, the same has been paid and accounted for.

OTHER QUALIFICATIONS : All other qualifications of the auditors having reference to the accounting policies or the notes to the accounts are self explanatory and does not require further explanation.

Place : New Delhi
Date : March 27, 1999

By Order of the Board
V.K. GOEL
Chairman

THE DHAMPUR SUGAR MILLS LIMITED

ANNEXURE - I : TO DIRECTOR'S REPORT FOR THE YEAR ENDING 30.09.1998

(A) CONSERVATION OF ENERGY

- a) Energy conservation measures taken :
Instrumentation of Boilers and other machineries to save energy.
- b) Steps are being taken for further reduction of consumption of energy. Co-generation scheme is implemented by installation of high pressure boiler and turbo set to produce surplus power during the crushing season.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. With the same amount of fuel consumption surplus power is available.

D) FORM - A

A) Power and Fuel Consumption:

	Current Year	Previous Year
1) Electricity		
a) Purchased		
Unit	2409891	2205967
Total Amount	11775955	9700687
Rate/Unit	4.89	4.40
b) Own Generation:		
i) Through Diesel Generator:		
Unit	2282497	3039295
Unit per Litre of diesel	3.60	3.50
Cost/Unit	3.45	3.44
ii) Through Steam Turbine :		
Unit	73987431	63637714
Units per litre of fuel	Steam produced mainly	
Oil/Gas Cost/Unit	use of own bagasse.	
2) Coal (specify quality and where used) :		
Quantity (Tonnes)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate	NIL	NIL
3) Furnace Oil		
Quantity (Lts.)	—	2950
Total Cost (Rs.)	—	22833
Average Rate	—	7.74
4) Other/Internal Generation :		
Purchased Bagasse,		
Paddy Husk and Fire Wood		
Quantity (Tonnes)	33067	29272
Total Cost (Rs.)	30336670	24402100
Average Rate	91.74	83.36

B) Consumption per unit of production :

a) Sugar (Qtls.)		
Electricity	41.21	26.05
Furnace Oil	—	—
Coal (Tons)	—	—
b) Chemicals (Qtls.)		
Electricity	185.19	101.56
Furnace Oil	—	—
Coal (Tons)	—	—
c) Straw Board (Qtls.)		
Electricity	65.46	77.12
Furnace Oil	—	—
Coal (Tons)	—	—
d) Board (per Sq. Mtrs.)		
Electricity	6.33	3.00
Furnace Oil	—	89.00
Coal (Tons)	—	—

(B) TECHNOLOGY ABSORPTION

Research and Development :

1. Specific areas in which R&D carried out by the Company:

- a) Pilot Plant studies for the development of following process:

- i) Manufacture of Nicotinamide from Cyanopyridines.
- ii) Manufacture of Prydines from Picollines.
- iii) Manufacture of Picolines from Acetaldehyde.

- b) Development of new variety of seeds for higher sugar recovery and yield in Sugar cane.

2. Benefits derived as a result of the above R&D:

Chemical and Sugar Units will be benefited.

3. Future Plan of Action :

- a) Pilot Plant study for the manufacture of Xanthan from Sugar in collaboration with Central Food and Technology Research Institution (CFTRI), Mysore.
- b) Energy Conservation studies through gassification of bagasse.

4. Expenditure on R&D :

Expenditure made is non-allocable.

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Technology Absorption, Adoption and Innovation :

1. Efforts in brief, made towards Technology Absorption, Adoption and Innovation
 - a) Manufacture of Nicotinamide from Cyanopyridine.
 - b) Improved juice clarification for manufacture of exports quality (Low ICUMSA) Sugar.
2. Benefit derived as a result of above efforts e.g. Product improvement, Cost Reduction, Product Development, Import Substitution etc:
 - a) Technology imported - No technology was imported.
 - b) Year of Import - N.A.
 - c) Has technology been fully absorbed - N.A.
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action - N.A.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports; initiations taken to increase export, development of new export markets for products, services and export plans;

During the year the company has done export of Chemicals

2. Total Foreign Exchange used and earned :

Exports and foreign exchange earnings:

Rs. 14,71,34,439/- (Rs. 46,66,755).

Imports, expenditure and outgo in foreign currency:

Rs. 5,78,25,712/- (Rs. 2,47,16,688).

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