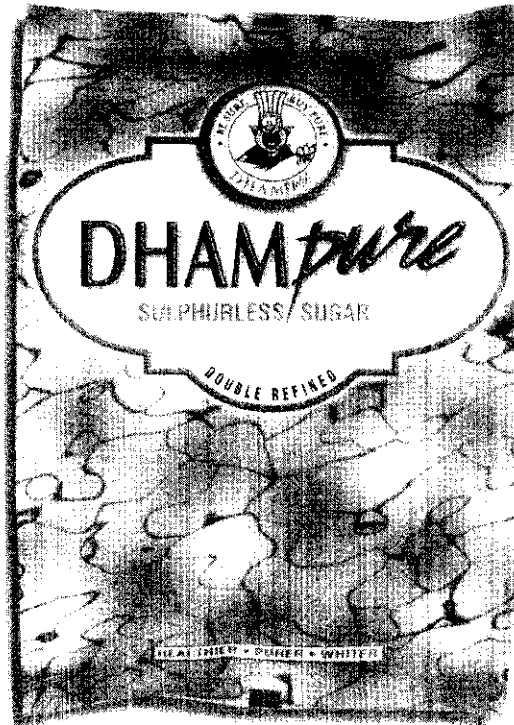


ANNUAL REPORT 1999-2000



THE DHAMPUR SUGAR MILLS LTD.



We are extremely pleased to inform you that we have launched a new premium product for the first time in India **“INTERNATIONAL QUALITY, DOUBLE REFINED SULPHURLESS SUGAR”** under the brand **DHAMpure**. This sugar is being manufactured in **DSM SUGAR RAUZAGAON**. This sugar is being exported to Europe and being used there for direct consumption.

We hope this will not only increase the price realisation of the sugar being produced by the company but also establish a brand image of the company in the world food products markets.



THE DHAMPUR SUGAR MILLS LIMITED



BOARD OF DIRECTORS

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

VICE PRESIDENT (FINANCE) & SECRETARY

- Mr. Arhant Jain

AUDITORS

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

BANKERS

- PUNJAB NATIONAL BANK
- BANK OF BARODA

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THE DHAMPUR SUGAR MILLS LIMITED

DHAMPUR, DISTT BIJNORE (U.P.)

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixty Sixth Annual General Meeting of the company shall be held on Tuesday, the 27th February, 2001 at the registered office of the company at Sugar Mill Compound, Dhampur, Distt Bijnore (U.P.) at 3.00 p.m. to transact the following business :-

ORDINARY BUSINESS :

1. To receive consider and adopt the Directors' Report, Auditors' Report and Balance Sheet and Profit & Loss Account of the company for the year ended on 30th September, 2000.
2. To appoint a director in place of Sri A Krishna who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sri Rahul Bedi who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Sri V.P. Singh who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a director in place of Sri K.K. Koharwal 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 re-appointment.

SPECIAL BUSINESS :

TO PASS WITH OR WITHOUT MODIFICATION FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS :

7. "RESOLVED THAT pursuant to Section 372A and other applicable provisions of the Companies Act, 1956 the guarantee issued by the company in favour of State Bank of India to secure the loans of Rs. 2550 Lacs to M/s DSM Agro Products Limited (a subsidiary of the company) is confirmed and approved."
8. To consider the erosion of over 50% of the peak net worth of the company in the preceding four financial years.

For The Dhampur Sugar Mills Limited
Arhant Jain
Vice President (Fin.) & Secretary

Place : New Delhi
Date : 29th December 2000

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 to 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 along with relevant share certificate 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 report and all other documents required under the law to be annexed there to, 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 Friday, the 23rd day of February 2001 to Tuesday, the 27th February 2001 (both day inclusive) for the purpose of Annual General Meeting



THE DHAMPUR SUGAR MILLS LIMITED

DHAMPUR, DISTT BIJNORE (U.P.)

EXPLANATORY STATEMENT

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

ITEM NO. 7

The Board of Directors of the company were authorised vide Special Resolution 29th April, 1999 to issue a guarantee in favour of State Bank of India, Lucknow to secure the loan of Rs. 2400 Lacs to DSM Agro Products Limited (a subsidiary of the company). However, the total loan amount was increased to Rs. 2550 Lacs and the Board had to issue guarantee for the extended amount. The amount exceeds the limits specified in Section 372A of the Companies Act, 1956. Hence the Special Resolution is placed before the shareholders for their consideration and confirmation.

i.e. by 52.38% from its peak net worth. Thus, in terms of Sec 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 the matter is placed before the general meeting for its consideration.

The reasons for such erosion of net worth are as under :

- (a) Increase in Closing Stock of sugar
- (b) Increase in Cane Price by Rs. 50/- per M.T.
- (c) Increase in interest burden
- (d) Losses in Co-generation plant, Rauzagaon

ITEM NO. 8

The company's peak net worth during the immediately preceding four years was Rs. 152.01 Crores as at 30th September, 1997. As at the end of the current financial year the net worth of the company is reduced to Rs. 72.38 Crores

For The Dhampur Sugar Mills Limited

Arhant Jain

Vice President (Fin.) & Secretary

Place : New Delhi

Date : 29th December 2000



DIRECTORS' REPORT

Your Directors are presenting their 66th Annual Report together with audited accounts of the Company for the year ended on 30th September, 2000.

FINANCIAL RESULTS:

	(RS. IN CRORES)	
	CURRENT YEAR	PREVIOUS YEAR
Total Income	307.88	333.00
Profit (before Depreciation)	(-) 18.04	(-) 28.92
Depreciation	15.03	14.51
Profit before Tax	(-) 33.07	(-) 43.43
Deduct : Provision for Tax	0.00	0.00
Profit after Tax	(-) 33.07	(-) 43.43
Add : Transfer from Investment Allowance Reserve	2.92	0.00
Transfer from General Reserve	17.45	50.00
Balance brought forward		
from earlier years	6.73	0.00
Other adjustments	0.01	0.16
Balance carried to Balance Sheet	(-) 5.96	6.73

DIVIDEND :

Due to non-availability of profits the directors do not recommend dividend for this year.

OPERATIONS :

During the year under review the company enhanced cane crushing by 18% to 23.99 Lac tonnes in comparison to 20.31 Lac tonnes in the previous year. The average aggregate recovery of all the three Sugar Units of the Company has increased by 0.20 points to 9.36% as compared to 9.16% in the previous year. The total production of sugar of the company is enhanced by 21% to 2.25 Lac tonnes against 1.86 Lac tonnes in previous year.

The net production of Acetic Anhydride, Ethyl Acetate, Acetaldehyde, Acetic Acid, CO₂ and Dry Ice during the year has marginally declined to 7306 M.T. against 7885 M.T. in the previous year. The production in Oxalic Acid Plant is 1181 M.T. against 2673 M.T. in previous year. The production is lower on account of unfavourable market conditions.

During the year 2454 tonnes Bio Compost was produced by utilising treated effluent from Chemical Unit and Press mud from Sugar Unit. The Bio Compost is being sold to farmers of the reserved area on subsidised basis. This also helped in eliminating problem of effluent of Chemical Unit to a great extent.

The Company has supplied 23185 MW (27320 MW) of surplus power to State Electricity Board. Payment of

electricity bill(s) is abnormally being delayed by UPSEB. The supply to State from Rouzagaon Power Plant is yet to be streamlined and the problems relating to transmission lines shall be removed as U.P. Government is setting up transmission lines jointly with plant owners with sharing of cost equally.

The Sugar Industry is saddled with highest ever Sugar Stocks which are as follows:

	Quantity (Lac Tonnes)	
	1999-2000	1998-99
Opening Stock of Sugar as on 1st October	68.91	54.04
Production	182.02	155.41
Imports	4.04	10.03
	254.97	219.48
Less: Consumption of Sugar	154.25	150.35
Exports	0.45	154.70
Closing Stock as on 30th September	100.27	68.91

The Closing stocks of sugar in your Company is also enhanced by 76% i.e. to 1,08,629 Tonnes as compared to 61,816 Tonnes in last year. Interest burden has also increased due to enhanced drawing of Working Capital Limits and also due to increase in rate of interest by Banks.

The Government has taken some positive steps i.e. levy entitlement is reduced from 40% to 30% w.e.f. 01.01.2000 and Sugar import duty is increased to 60% in February, 2000. The Government has also permitted export of 10 Lac Tonnes of sugar but the export prices are still depressed. Although efforts made by Government are appreciable, but still a lot more needs to be done for the long term interest of the sugar industry.

CURRENT YEAR'S SCENARIO :

The cane crushing for the current season has started in all Sugar Units in November, 2000. The recovery trend in Asmoli Unit shows substantial improvement during this sugar season. It is expected that there will be further improvement in cane crushing at Rouzagaon and Asmoli Units due to favourable climatic conditions and cane development. Capacity utilisation is also likely to enhance considerably with increase in Average Daily Cane crushing. However the stock levels continue to remain high.

The chemical division of the company is running satisfactorily.

SUBSIDIARIES & PROMOTED COMPANIES:

The audited accounts of the subsidiaries viz DSM Agro Products Limited for the year ended on 30th September, 2000, DSM Hi-tech Products Limited for the year ended on 31st March, 2000, Vashulinga Sugar & General Industries Limited for the period ended on 15th July, 2000 and Mansurpur Sugar Mills Limited for the year ended 30th June, 2000 are annexed.

**FINANCE :**

During the year, inspite of reschedulement of repayment of loans and interest by most of the Financial Institutions, the repayment obligations continued to remain high. Certain payments of loans, interest and lease rent have been delayed on account of excessive stocks and adverse Cash Flow.

During the year the Company has issued and allotted 14,13,940 Redeemable Preference Shares of Rs. 100/- each under reschedulement package. The Preference Shares will carry dividend @ 10% per annum on prorata basis. The Company has also redeemed Preference Shares amounting to Rs. 425 Lacs.

PUBLIC DEPOSITS :

Public Deposits as at 30th Sept., 2000 stood at Rs. 731.23 Lacs as against Rs. 895.80 Lacs in the previous year. There were unclaimed deposits amounting to Rs. 8.67 Lacs pertaining to 100 depositors as on that date and out of this, 77 depositors having deposits aggregating to Rs. 6.93 Lacs have subsequently claimed refund or renewed their deposits. However the balance amount of Rs. 1.74 Lacs still remained unclaimed.

DIRECTORS :

Sri A. Krishna, Sri Rahul Bedi, Sri V.P. Singh and Sri K. K. Koharwal, directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS REPORT :

M/s S. Vaish & Co., Chartered Accountants, Kanpur, and M/s Mittal Gupta & Co., 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 EARNINGS AND OUT GO :

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 earnings and outgo are given in Annexure.

INDUSTRIAL RELATIONS :

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

ACKNOWLEDGEMENTS :

Your directors place on record their acknowledgement and sincere appreciation of the Company to the Financial Institutions, Banks and Lessors for their continued support, to the Cane growers for the supply of the cane, to the officers, staff and 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.

BY ORDER OF THE BOARD
V. K. GOEL
CHAIRMAN

PLACE : NEW DELHI
DATED : 29TH DECEMBER, 2000

ADDENDUM TO THE DIRECTORS REPORT

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

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.

By Order of the Board
V.K. GOEL
Chairman

Place : New Delhi
Dated : 29th December 2000

**ANNEXURE - I. : TO DIRECTORS' REPORT FOR THE YEAR ENDING 30.09.2000.****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	2292008	2646392
Total Amount	9906279	12420147
Rate/Unit	4.32	4.69
b Own Generation :		
i) Through Diesel Generator:		
Unit	3665711	3885602
Unit per Litre of diesel	3.40	3.35
Cost/Unit	3.98	3.25
ii) Through Steam Turbine :		
Unit	78929010	86113806
Units per litre of fuel	Steam produced mainly by	
Oil/Gas Cost/Unit	use of own bagasse.	
2) Coal (specify quality and where used)		
Quantity (Tonnes)	-	-
Total Cost (Rs.)	-	-
Average Rate	-	-
3) Furnace Oil		
Quantity (Lts.)	-	-
Total Cost (Rs.)	-	-
Average Rate	-	-
4) Other/Internal Generation :		
Purchased Bagasse, Paddy Husk and Fire wood		
Quantity (Tonnes)	12685	17818
Total Cost (Rs.)	12108195	15198022
Average Rate/Ton.	954.52	852.93

B) Consumption per unit of production:

a: Sugar (Qtls.)	2245226	1860951
Electricity	31.83	49.78
Furnace Oil	-	-
Coal (Tons)	-	-
b: Chemicals (Qtls.)		
Electricity	152.81	168.43
Furnace Oil	-	-
Coal (Tons)	-	-
c: Straw Board (Qtls.)		
Electricity	31.50	62.40
Furnace Oil	-	-
Coal (Tons)	-	-
d: Board (per Sq. Mtrs.)		
Electricity	2.87	4.15
Furnace Oil	-	-
Coal (Tons)	-	-

C) TECHNOLOGY ABSORPTION**Research and Development:**

- Specific areas in which R&D carried out by the Company.
 - Development of Bio Compost (an organic manure by using treated effluent of Chemical Unit and press mud from Sugar Unit). The installation of this system has helped in elimination of effluent problem of Chemical Unit to a great extent.
 - Pilot Plant studies for manufacture of Prydines from Picollines.
 - 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.

The Bio manure work is giving good scope in encouragement to organic farming. It is also being propagated as a commercial product and has also helped in elimination of problems of effluent of Chemical Unit.

Chemical and Sugar Units will be benefited.

3. Future Plan of Action

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

4. EXPENDITURE ON R&D

Expenditure made is non-allocable.

**TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:**

1. Efforts in brief, made towards Technology Absorption, Adoption and Innovation.

Improved juice clarification for manufacture of export 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 therefore and future plans of action - N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- a) 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 and Sugar Machinery;

- b) Total Foreign Exchange used and earned;

Export and foreign exchange earnings: (Rs. in Lacs) 4.85 (79.22)

Imports and expenditure in foreign currency: (Rs. in Lacs) 173.58 (72.75)

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AUDITOR'S REPORT

To,
The Members of
The Dhampur Sugar Mills Limited,
Dhampur.

We have audited the attached Balance Sheet of The Dhampur Sugar Mills Limited as at 30th September, 2000 and the Profit and Loss Account for the year ended on that date annexed there to and signed by us, this day under reference to this report, and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and in terms of the information and explanations given to us, during the course of our audit and on the basis of such checks as are considered appropriate, we state that:

- i) The Company has maintained proper records to show full particulars including quantitative details of Fixed Assets, except for Asmoli Unit. The Fixed Assets were not physically verified by the management during the year and in the circumstances, discrepancies, if any, could not be known.
- ii) None of the Fixed Assets have been revalued during the year.
- iii) The Stocks of finished goods, raw materials, stores and spare parts have been physically verified by the Management at the end of the year. In our opinion the frequency of verification is reasonable.
- iv) The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- v) The discrepancies, if any, noticed on verification between the physical stocks and the book records were not material.
- vi) On the basis of our examination of stocks records we are of the opinion that the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
- vii) In our opinion, the rate of interest and other terms and conditions on which the unsecured loans have been taken from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from the Companies under the same

management are not prima facie prejudicial to the interest of the Company.

- viii) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and to the Companies under the same management are not prima facie prejudicial to the interest of the Company.
- ix) In respect of loans and advances in the nature of loans given by the Company, other than Loans to the Companies mentioned in Notes Nos. 7 and 8 (Schedule '16') the parties are generally repaying the principal amounts as stipulated/ rescheduled and are also regular in payment of interest wherever stipulated.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
- xi) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- xii) We are informed that unserviceable or damaged stores, raw materials or finished goods have been determined by the management and the provision for loss in respect thereof has been made in the accounts.
- xiii) In respect of deposits accepted by the Company from the public, the provisions of Section 58-A of the Company Act, 1956 and the Companies (Acceptance of Deposits) Rule 1975 have been duly complied with.
- xiv) The Company has maintained reasonable records for the sale and disposal of realisable by-products and scraps.
- xv) The Company is having adequate internal audit