

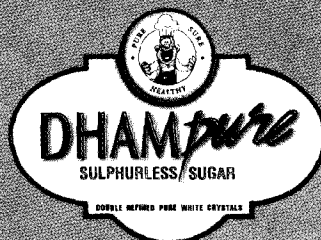


THE DHAMPUR SUGAR MILLS LTD.

Redefining Boundaries Through Excellence ...



Annual Report 2003 - 04



Sulphurless Sugar - Healthy Sugar
India's only sulphurless sugar

Quality products from DHAMpure

DHAMpure has a wide range of successful products in the market. Proof enough of their inherent quality and their ready acceptance by the



Sulphurless Sugar

DHAMpure sugar is India's first and only sulphurless sugar. DHAMpure does not use sulphur or harmful chemicals to bleach the impurities in sugar to make it look white. Instead, it uses the unique Ion Exchange Method to genuinely clean the sugar. That is why DHAMpure also meets the strict European Union Standards for sulphur content in white sugar. The sugar that comes to you is not only sulphurless but also scum-free and non-acidic. Its hygienic packaging ensures that your hands are the first one to touch the sugar.

White Sugar Sachets

India's only sulphurless sugar is now available in convenient packs for office use.



Gur

Made from select varieties of sugarcane, DHAMpure Gur is not only natural but also chemical-free. Ordinary and loose gur has harmful chemicals in it such as, Sulphur dioxide, hydrosulphite, formic acid, bleaching chemicals and preservatives to name a few. The manufacturing process and handling is so unhygienic that it leads to dirt, scum and insects getting mixed with gur as it reaches you. DHAMpure Gur takes extra care to ensure cleanliness and hygiene. Packed through automatic machines at the site of manufacture, it is ensured that its taste, flavour, and purity are retained. So, go ahead and experience the goodness of DHAMpure Gur, yet another sweet offering from the house of DHAMpure.



Brown Sugar

DHAMpure Demerara Sugar is a natural brown sugar. It is ideal for tea, coffee and for topping hot cereals. DHAMpure Demerara Sugar has fewer calories than ordinary sugar and a rich dose of natural minerals. Hence, your diet becomes healthier. It brings out the aroma of coffee beans. Not only this, it also melts five times faster than ordinary sugar! The rich aromatic Demerara Sugar adds a great undertone to an already delicious brew! It is also suitable for cakes, pastries, and other bakery items.

Brown Sugar Sachets

DHAMpure Demerara Sugar is also available in sachets.



DHAMpure Mishri

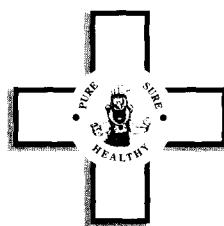
Mishri has always been used as an offering to the Gods. However, mishri as we knew it was again dirty and unhygienic. Since we believe that an offering to the Gods should be pure, we decided to launch a new avatar of mishri. This was DHAMpure Shuddh Mishri, India's first sulphurless and packaged mishri. Made out of completely mechanized process and untouched by hands, DHAMpure Mishri is as pure as one's faith.

Pharma Grade Sugar

DHAMpure is a household name known for its commitment to health. In view of that, when it comes to making Pharma Grade Sugar (which has to be absolutely pure), we go a step ahead. DHAMpure Sucrose IP Pharma Sugar has all the qualities to make it the finest Pharma Grade Sugar.

Unlike other sugars in the market, DHAMpure Sucrose IP Pharma Sugar is not bleached using sulphur dioxide, thereby making it the only sulphurless sugar in India. Complying with the IP standards, DSM refines its sugar using phospho-floatation and a two-stage (Acrylic and Styrene based Resin) ion exchange column, while other pharma sugar manufacturers reprocess the normal sulphitation sugar to produce pharma grade sugar. The EEC- 2 grade sugar that DHAMpure has been producing is of category IP sucrose and its ICUMSA is below 25. It is not only non-acidic, but it is also absolutely scum-free. This process is accepted internationally because the sugar so produced, is sulphurless and of higher purity necessary for the pharma standards. Hence, proving our continual pursuit of quality.

No wonder that it is also one of the few to be IP certified (certified by Drugs Controller of India). In keeping with DSM's distinguished tradition, DHAMpure Sucrose IP Pharma Sugar will undoubtedly raise the existing standards for Pharma Grade Sugar.



Dhampure Sucrose
IP Pharma Sugar



The Dhampur Sugar Mills Ltd.

www.reportjunction.com



THE DHAMPUR SUGAR MILLS LIMITED

BOARD OF DIRECTORS

- Mr. V. K. Goel, Chairman & Executive Director
- Mr. A. K. Goel, Vice Chairman
- Mr. Gaurav Goel, Jt. Managing Director
- Mr. Gautam Goel, Jt. Managing Director
- Mr. A. K. Gupta
- Mr. M.P. Mehrotra
- Mr. Harish Saluja
- Mr. Rahul Bedi
- Mr. Priya Brat, Nominee-ICICI Bank Ltd.
- Mr. V.K. Vadhera – Nominee IFCI Ltd.
- Mr. J.P. Sharma

GROUP 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



THE DHAMPUR SUGAR MILLS LIMITED

DIRECTORS' REPORT

Your Directors have great pleasure in presenting the 70th Annual Report on the business and operations of your Company together with audited accounts of the Company for the year ended on 30th September, 2004.

FINANCIAL PERFORMANCE

The improvement of the financial health of the Company is mainly attributable to better capacity utilization, improved recovery percentage and higher sugar price realisation during the year. Revenues of the Company went up by 6.15% and Operating profit by 43.40%. The Profit After Tax has risen by 130% from Rs.4.15 crore to Rs.9.54 crore. Profit of your Company would have been higher, if the provisions of additional cane price for the year 2003-04 and 1996-97 amounting to Rs. 25.36 crore and Rs. 4.24 crore respectively have not been made.

The turnover of the Company increased from Rs.476.43 Crore in 2002-03 to Rs. 505.72 Crore in 2003-04.

FINANCIAL RESULTS :

(Rs. in Crore)

| | Current Year | Previous Year |
|--|--------------|---------------|
| Gross Revenue | 505.72 | 476.43 |
| Operating Profit (before Interest, Depreciation, Extra Ordinary Items & Tax) | 68.19 | 47.55 |
| Less: | | |
| Interest | 36.98 | 34.98 |
| Depreciation | 16.98 | 15.97 |
| Extra Ordinary Items | - 4.24 | 6.85 |
| Profit before Tax | 9.99 | 3.45 |
| Less: Provision for deferred tax | - 0.45 | 0.70 |
| Profit after Tax | 9.54 | 4.15 |
| Add: Income Tax adjustment for earlier years | Nil | 0.21 |
| Balance brought forward from earlier year | - 54.14 | - 58.50 |
| Deficit carried to Balance Sheet | - 44.60 | - 54.14 |

The Company had continued to stay in disciplined Financial Management. All the conditions stipulated by Corporate Debt Restructuring Cell vide its letter dated 10th April, 2003 have been complied with.

RIGHTS ISSUE

In compliance of the CDR Restructuring, the Company has issued and allotted 80,98,663 equity shares of Rs.10/- each, at par by way of Rights Issue in ratio of 4:13. The issue was over subscribed by approx. 58.62 %. The shares were listed on NSE & BSE in the stipulated time frame. The proceeds of the Rights Issue were utilized as per the terms of the issue.

DIVIDEND

No dividend is recommended by the Board of Directors of the Company for this year due to past accumulated losses.

PUBLIC DEPOSITS

Public Deposits as at 30th September, 2004 stood at Rs704.42 lac as against Rs.733.41 lac in the previous year. There were unclaimed deposits amounting to Rs. 40.70 lac pertaining to 73 depositors as on that date and out of this, 32 depositors having deposits aggregating to Rs. 10.79 lac have subsequently claimed refund or renewed their deposits. However the balance amount of Rs. 29.91 lac still remained unclaimed.

OPERATIONAL PERFORMANCE**THREE SUGAR UNITS OF THE COMPANY:**

The key operational figures in respect of three Sugar Units at Dhampur, Rauzagaon and Asmoli for the two seasons are as follows:

| | Sugar Season 2003-04 | 2002-03 |
|------------------------------|-------------------------|----------|
| SUGAR UNIT, DHAMPUR | | |
| Start of the Crushing Season | 25.11.03 | 29.11.02 |
| Closing of Crushing Season | 18.04.04 | 06.06.03 |
| Duration (days) | 146 | 175 |
| Cane Crushed (lac-Qtls.) | 130.37 | 156.86 |
| Recovery (%) | 9.62% | 9.27% |
| Sugar Produced (lac-Qtls.) | 12.54 | 14.53 |
| SUGAR UNIT, RAUZAGAON | | |
| Start of the Crushing Season | 25.11.03 | 02.12.02 |
| Closing of Crushing Season | 10.03.04 | 21.05.03 |
| Duration (days) | 107 | 161 |
| Cane Crushed (lac-Qtls.) | 56.29 | 96.50 |
| Recovery (%) | 9.71% | 9.70% |
| Sugar Produced (lac-Qtls.) | 5.47 | 9.36 |
| SUGAR UNIT, ASMOLI | | |
| Start of the Crushing Season | 21.11.03 | 01.12.02 |
| Closing of Crushing Season | 31.03.04 | 01.05.03 |
| Duration (days) | 131 | 145 |
| Cane Crushed (lac-Qtls.) | 66.00 | 65.84 |
| Recovery (%) | 9.42% | 9.23% |
| Sugar Produced (lac-Qtls.) | 6.36 | 6.25 |
| COMPANY AS A WHOLE | | |
| Crushing (lac-Qtls.) | 252.66 | 319.20 |
| Production (lac-Qtls.) | 24.37 | 30.14 |

The recovery % has increased in all the three units of the Company. However, sugar production during the year declined in comparison to last season due to following reasons:-

1. Lower Cane Availability due to bleak monsoon and unfavourable weather conditions
2. Decline in cane yield and area under cane.

CHEMICAL UNIT

The production of Absolute Alcohol was 16,210.34 KL against previous year's production of 8,841.23 KL, resulting in an increase of 83.35%. Production of Acetic Anhydride, Ethyl Acetate, Acetaldehyde and Acetic Acid, during the year has decreased by 20.32% to 10,416 M.T. against 13,072 M.T. in the previous year due to higher production of Absolute Alcohol. During the year 2004-05, the Company has started manufacturing of Rectified Spirit which should further add to the profitability of its chemical unit.

CO-GENERATION

The production of electricity at cogeneration plant at Rauzagaon has declined by 13.95% from 29,695 MW to 25,549 MW due to reduced availability of fuel consequent to reduced cane crushing.

GLOBAL PLAYER - TECHNOLOGY EXPORT

During this year the Company has been awarded a Technical contract for a period of two years by The Sugar Company of Jamaica, owned by the Government of Jamaica for their five sugar mills. The Company expects good foreign currency revenue from this global activity and is working towards increasing the same.

RAW SUGAR PROCESSING

The Company has started processing of raw sugar at its Rauzagaon Unit during off season thereby utilizing idle

capacity of the Unit. This is expected to continue in 2005 and should result in increased revenue and profits.

SUBSIDIARY COMPANIES

The audited accounts of the subsidiaries viz DSM Agro Products Limited for the year ended on 30th September, 2004, DSM Hi-tech Products Limited for the year ended on 31st March, 2004 and Mansurpur Sugar Mills Limited for the year ended 30th June, 2004 are annexed.

LISTING OF EQUITY SHARES

The securities of the Company are listed and traded at **National Stock Exchange of India Ltd** and **The Stock Exchange, Mumbai**. However, the Company has voluntarily sought delisting of its securities from Uttar Pradesh Stock Exchange Association Ltd., The Delhi Stock Exchange Association Ltd. and Ahmedabad Stock Exchange.

CORPORATE GOVERNANCE

In compliance to the clause 49 of the listing agreements with the stock exchanges, the Management's discussion & analysis, the auditors' report on corporate governance and the auditors' certificate thereon is attached and forms integral part of the Annual Report

CREDIT RATING

Considering the improved financial health of the Company, the Credit rating agency CRISIL has upgraded the rating for NCDs and Fixed Deposit programmes of the Company as follows:-

| | Old Rating | Upgraded to |
|------------------------------------|------------|-------------|
| Non Convertible Debentures program | D | BB/stable |
| Fixed Deposit program | FD | FB+/stable |

DIRECTORS

Mr. V. K. Goel, Mr. A. K. Goel, Mr. A. K. Gupta and Mr. M. P. Mehrotra, directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Mr. K. K. Koharwal, Director of the Company has resigned on 28th July, 2004. The Board of Directors appreciates his services to the Company.

Mr. V. K. Vadhera is appointed as nominee director by IFCI Ltd. w.e.f. 30th July 2004.

Mr. J P Sharma, has been appointed as Whole Time Director by The Board of Directors w.e.f. 1st August, 2004. His appointment is subject to confirmation by members in the ensuing Annual General Meeting

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- I. that the applicable accounting standards have been followed in the preparation of the annual accounts;
- II. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- III. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- IV. that the Directors have prepared the annual accounts on a 'going concern' basis.

AUDITORS

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 offer themselves for their reappointment.

AUDIT REPORT

Audit Observations and Company's response

- in respect of Investments, loans and advances and debts to subsidiaries and a partnership firm in which the company is a partner the recoverability has become uncertain due to continuous losses in the subsidiaries. The provision for loss in subsidiaries is not required at this stage due to their continuing operations as their financial position is also improving.
- Cane price difference for the year 2002-03 has not been provided in the accounts as the representation made by sugar industry is under consideration by the State Government.
- In respect of no provision of diminution in value of investment in Vashulinga Sugar & General Industries Ltd, Nepal, the company is assessing the realizable value of the investment and necessary provision would be made, if required.

All other qualification of the Auditors having reference to the accounting policies or the notes to the accounts are self explanatory and does not require further explanation.

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 attached hereto and form part of this report.

INDUSTRIAL RELATIONS

The Company has setup a Corporate Human Resource Development Department at its corporate office at New Delhi. Apart from enhancing the individual capabilities, it is also working for a healthy and harmonious industrial relations.

ACKNOWLEDGEMENTS

Your directors place on record their acknowledgement and sincere appreciation of the Company to the shareholders for their valuable confidence in the management of the Company, Central Government, State Government, Financial Institutions, Banks and Lessors for their continued support, to the Cane growers for the supply of cane, to the officers, staff and workers of the Company for their relentless and dedicated efforts and labour put in by them with integrity for the growth of the Company.

BY ORDER OF THE BOARD

Place : New Delhi
Date : 28th December, 2004

(V K GOEL)
CHAIRMAN



THE DHAMPUR SUGAR MILLS LIMITED

ANNEXURE I – TO DIRECTORS' REPORT FOR THE YEAR ENDED 30.09.2004.**CONSERVATION OF ENERGY:**

- a) During the year the Company has taken several steps in the area of Energy conservation. The measures taken for energy conservation are as follows:-
- Instrumentation
 - Installation of Hydraulic drives by replacing gear boxes in Mill house which has saved energy consumption substantially.
- b) Steps are being taken for further reduction of consumption of energy by installing instrumentation at various places in the factory.
- 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 saving in power consumption at Mill House, the additional requirement of power for enhanced crushing shall be met.

d) FORM - A:**I. POWER AND FUEL CONSUMPTION :**

| | Current Year | Previous Year |
|---|---|---------------|
| 1) Electricity | | |
| a) Purchased : | | |
| Unit | NIL | 3,34,268 |
| Total Amount | NIL | 18,07,471 |
| Rate/Unit | NIL | 5.41 |
| b) Own Generation : | | |
| i) Through Diesel Generator : | | |
| Unit | 39,45,583 | 29,06,030 |
| Unit per Litre of diesel | 3.52 | 3.35 |
| Cost/Unit | 6.52 | 5.80 |
| ii) Through Steam Turbine : | | |
| Unit | 13,17,53,551 | 15,57,61,635 |
| Units per litre of fuel | Steam produced mainly by use of own and purchased bagasse and paddy husk. | |
| Oil/Gas | | |
| Cost/Unit | | |
| 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.) | NIL | NIL |
| Total Cost (Rs.) | NIL | NIL |
| Average Rate | NIL | NIL |
| 4) Other/Internal Generation : | | |
| Purchased Bagasse, Paddy Husk and Fire wood | | |
| Quantity (Tonnes) | 49,528 | 32,788 |
| Total Cost (Rs.) | 6,04,13,507 | 2,32,53,102 |
| Average Rate/Ton. | 1,220.00 | 709.00 |

II. CONSUMPTION PER UNIT OF PRODUCTION :

| | | |
|------------------|-----------|-----------|
| a: Sugar (Qtls.) | 24,30,311 | 29,96,788 |
| - Electricity | 55.90 | 52.90 |
| - Furnance Oil | NIL | NIL |
| - Coal (Tons) | NIL | NIL |

| | Current Year | Previous Year |
|------------------------|--------------|---------------|
| b: Chemicals (Qtls.) | | |
| - Electricity | 260.07 | 237.57 |
| - Furnace Oil | NIL | NIL |
| - Coal (Tons) | NIL | NIL |
| c: Straw Board (Qtls.) | | |
| - Electricity | 31.50 | 31.50 |
| - Furnace Oil | NIL | NIL |
| - Coal (Tons) | NIL | NIL |

III. TECHNOLOGY ABSORPTION:**Research and Development :**

- Specific areas in which R&D carried out by the Company:
Development of new varieties of early maturing seeds for higher sugar recovery, yield in Sugar cane and for early start of crushing operations.
- Benefits derived as a result of the above R&D:
Higher recovery % in all the sugar Units.
- Future Plan of Action:
Energy Conservation studies through gassification of bagasse are continued.
- Expenditure on R&D:
Rs. 265.85 lac
(Rs.296.56 lac)

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

- Efforts in brief, made towards Technology Absorption, Adoption and Innovation:
Improved juice clarification for manufacture of export quality (Low ICUMSA) and pharma Sugar.
- Benefit derived as a result of above efforts:
Product improvement, Cost Reduction, Product development, Import substitution etc.
 - Technology imported - No technology was imported.
 - Year of Import - N.A.
 - Has technology been fully absorbed - N.A.
 - If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action - N.A.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO:

| | Current Year | Previous Year |
|---|--------------|---------------|
| 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 Sugar Plant Machinery to Sugar Mills at Jamaica under technology contract. | | |
| b) Total Foreign Exchange used and earned; | | (Rs. in lac) |
| Export and foreign exchange earnings: | 252.36 | (17.85) |
| Imports and expenditure in foreign currency: | 123.34 | (44.72) |

Saket Sharma

Company Secretary
B.Com, L.L.B., F.C.S.

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Kanpur-208 001
Tel.: 2303234, 2330947, 2305829
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Kanpur-208 011
Tel.: 2662127

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
The Dhampur Sugar Mills Ltd.
Dhampur.

We have examined the compliance of conditions of Corporate Governance by The Dhampur Sugar Mills Limited, Dhampur for the year ended on 30th September, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an Audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us by the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of Investor Grievances received during the year ended 30th September, 2004, no such grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs the Company.

Saket Sharma
Company Secretary
C.P. No. 2565

Place : Kanpur
Date : 28th December, 2004



THE DHAMPUR SUGAR MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE

I) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company has an ethical mindset about the values of good Corporate Governance. Since the job involves support from many diversified categories of people and agencies following attributes are significant for a good Corporate Governance:-

- Transparency in policies and action;
- Independence to develop & maintain healthy work culture;
- Accountability for performance;
- Responsibility for society and its social values;
- Growth for stakeholders value;

The Company makes its best endeavor to uphold these attributes

in all aspects of its operations.

II) CONSTITUTION OF BOARD

The Board of Directors of the Company is a combination of promoters, executive, non-executive, nominee(s) and independent directors, comprising of eleven directors as on 30th September, 2004.

| | |
|----------------------------------|-------|
| Promoter, Executive Director | Three |
| Promoter, Non Executive | One |
| Independent, Whole time director | One |
| Independent, Non Executive | Six |

The details of directors, their other Directorships and Chairmanship/ Membership of Committees of each Director in various Companies are as follows :-

| Name of Director(s) | Category | No. of other Directorships & Committee member/chairmanship | | |
|---|---|--|-----------------------|-------------------------|
| | | Other Directorships | Committee Memberships | Committee Chairmanships |
| Mr. V.K. Goel | Promoter, Chairman & Executive Director | 11 | None | None |
| Mr. A.K. Goel | Promoter & Vice Chairman | 8 | None | None |
| Mr. Gaurav Goel | Promoter & Joint Managing Director | 11 | 2 | None |
| Mr. Gautam Goel | Promoter & Joint Managing Director | 11 | 1 | None |
| Mr. A.K. Gupta | Independent & Non Executive Director | 13 | None | None |
| Mr. M.P. Mehrotra | Independent & Non Executive Director | 9 | None | None |
| Mr. Harish Saluja | Independent & Non Executive Director | 6 | None | None |
| Mr. Rahul Bedi | Independent & Non Executive Director | None | None | None |
| Mr. Priya Brat | Independent, Non Executive & Nominee Director | 4 | 2 | 2 |
| Mr.V.K. Vadhera (appointed wef 30 th July, 2004) | Independent, Non Executive & Nominee Director | 2 | 2 | None |
| Mr. J.P. Sharma (appointed wef 1 st August, 2004) | Independent & Whole time Director | 1 | None | None |

Further following directors have resigned / ceased from directorship during the year:-

| | | | | |
|--|---|---|------|------|
| Mr.K.K.Koharwal (Resigned on 28 th July, 2004) | Independent & Whole time Director | 1 | None | None |
| Mr.D.Rama Rao Ceased wef 23 rd December, 2003 | Independent, Non Executive & Nominee Director | 2 | None | None |

Board Meetings

During the Financial Year 2003-04, Board of Directors met six times on following days:

| | | | |
|---|---------------------|---|--------------------------------|
| 1 | 27th November, 2003 | 4 | 31 st January, 2004 |
| 2 | 23rd December, 2003 | 5 | 30th April, 2004 |
| 3 | 16th January, 2004 | 6 | 30 th July, 2004 |

Attendance of each Director at the Board Meetings and last Annual General Meeting is as follows:-

| Name of Director(s) | No. of Board Meeting attended | Last AGM Attended |
|---|-------------------------------|-------------------|
| Mr. V.K. Goel | 4 | Yes |
| Mr. A.K. Goel | 5 | No |
| Mr. Gaurav Goel | 5 | Yes |
| Mr. Gautam Goel | 3 | No |
| Mr. A.K. Gupta | 5 | Yes |
| Mr. M.P. Mehrotra | 5 | No |
| Mr. Harish Saluja | 5 | No |
| Mr. Rahul Bedi | 1 | No |
| Mr. Priya Brat | 6 | No |
| Mr.V.K. Vadhera (appointed wef 30 th July, 2004) | 1 | NA |
| Mr. J.P. Sharma (appointed wef 1 st August, 2004) | NA | NA |
| Mr.D.Rama Rao (Ceased wef 23 rd December, 2003) | 1 | NA |
| Mr.K.K.Koharwal (Resigned on 28 th July, 2004) | 2 | Yes |

Brief Resume of the Directors being reappointed, nature of their expertise in specific functional areas and names of Companies in which they hold directorship and the membership of committees of the Board are furnished here under:

- a) **Shri V. K. Goel**, Chairman and Executive Director of the Company has been associated with various industries for over 43 years. He has been appointed to various technical committees on the sugar industry formed by the Government of India and has been President of Indian Sugar Mills Association and The Sugar Technologists Association of India.

He is associated with the Company as a promoter Director since 1960.

| | |
|---------------|---------------------|
| Age | : 64 Years |
| Qualification | : Chemical Engineer |
| Experience | : 43 years |

Directorship in other Companies : 1) Goel Investments Limited, 2)DSM Agro Products Limited, 3) Mansurpur Sugar Mills Limited, 4) Saraswati Properties Limited, 5) VLS Finance Limited, 6) South Asian Entertainment Limited, 7) Vashulingha Sugar & General Industries Limited (Nepal), 8) Gaurav Overseas Export Pvt. Limited, 9) Hi-tech Aluminum Products Pvt. Limited, 10) DSM Export Pvt. Limited and 11) Khandelwal Laboratories Pvt. Limited.

- b) **Shri A. K. Goel**, Vice Chairman of the Company has been associated with various industries viz. Paper, Sugar and Steel Industries over 38 years. He is founder President of the Agro Based Paper Mills Association. He has also been President of Indian Sugar Mills Association (during 2001-02).

He is associated with the Company as a promoter Director since 1969.

Age : 58 Years
Qualification : Commerce Graduate
Experience : 38 years

Directorship in other Companies : 1) DSM Agro Products Limited, 2) Goel Investments Limited, 3) Mansurpur Sugar Mills Limited, 4) Motilal Padampat Udyog Limited, 5) Rishi Gases Limited, 6) Sanghi Hire Purchase Limited, 7) Gaurav Overseas Export Pvt. Limited and 8) Hi-tech Aluminum Products Pvt. Limited.

- c) **Shri A. K. Gupta** is a Director of the Company since 1989. He is a Chartered Accountant.

Age : 50 Years
Qualification : Chartered Accountant
Experience : 29 years

Directorship in other Companies : 1) DSM Agro Products Limited, 2) Mansurpur Sugar Mills Limited, 3) Donald Norris Chemical Engineering Industries Limited, 4) Kailash Auto Finance Limited, 5) Mani Capitals Limited, 6) Mani Stock Brokers Limited, 7) Mani Combok Limited, 8) AKG Consultants Limited, 9) Lalooji & Sons Pvt. Limited, 10) Hankul Minerals & Engineers Pvt. Limited, 11) Real Value Developers Pvt. Limited, 12) Kapareva Development Pvt. Limited and 13) SLG Consultants Pvt. Limited

- d) **Shri M. P. Mehrotra** is a Director of the Company since 1987 and is a Chartered Accountant.

Age : 66 Years
Qualification : Chartered Accountant
Experience : 42 years

Directorship in other Companies : 1) VLS Capital Limited, 2) Pragati Moulders Limited, 3) Deltan Cables Limited, 4) India Securities Limited 5) Cogent Corporate Pathfinders Limited, 6) Gaurav Overseas Export Pvt. Limited 7) MNI Impex Pvt. Ltd. 8) VLS International S. A. Luxembourg and 9) VLS Iris India Advisory S. A. Luxembourg.

III) AUDIT COMMITTEE:

The Committee discharges such duties and functions generally indicated in clause 49 of the listing Agreement with the Stock Exchanges and such other functions as may be specifically delegated to the Committee by the Board from time to time. The constitution of Audit Committee also meets with the requirements under section 292A of the Companies Act, 1956. The members of Audit Committee comprises of all non executive directors. During the year ended on 30th September, 2004 four Audit Committee Meetings were held on:

23rd December, 2003,
31st January, 2004,
30th April, 2004 and
30th July, 2004

Details of the composition of the Audit Committee and the attendance at the Meetings held are as follows:

| Sl. No. | Name of Directors | Meetings Attended |
|---------|--------------------|-------------------|
| 1 | Mr. M. P. Mehrotra | 3 |
| 2 | Mr. A. K. Goel | 3 |
| 3 | Mr. A. K. Gupta | 4 |
| 4 | Mr. Priya Brat | 4 |

The Committee, inter-alia, has reviewed the financial statements including Auditors' Report for the year ended 30th September, 2004 and has recommended its adoption, records of related party transactions, reports related to compliance of laws and risk management and the financial statements of subsidiary Companies.

Mr. Arhant Jain, Group Vice President (Finance) and Company Secretary also acts as the Secretary to the Committee.

IV) REMUNERATION COMMITTEE:

The Board of the Company has constituted a Remuneration Committee, comprising the following Independent, Non-Executive Directors :

Mr. M. P. Mehrotra, Chairman,
Mr. A. K. Goel,
Mr. A. K. Gupta, and
Mr. Harish Saluja.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/ Whole-time Directors, based on performance and defined criteria.

During the year the Committee met once on 20th January, 2004, and all the members of the Committee were present.

Details of remuneration paid to Directors for the year 2003-04 is as follows:

| Name of Director (s) | Salary & Perquisites (Rs.) | Sitting fee (Rs.) | Professional fee (Rs.) |
|----------------------|----------------------------|-------------------|------------------------|
| Mr. V.K. Goel | 11,81,983 | - | - |
| Mr. A.K. Goel | - | 14,000 | - |
| Mr. Gaurav Goel | 8,12,000 | - | - |
| Mr. Gautam Goel | 8,40,000 | - | - |
| Mr. A.K. Gupta | - | 19,500 | 3,45,000 |
| Mr. M. P. Mehrotra | - | 19,000 | 4,50,000 |
| Mr. Harish Saluja | - | 10,000 | - |
| Mr. Rahul Bedi | - | 500 | - |
| Mr. J.P. Sharma | 26,152 | - | - |
| Mr. Priya Brat | - | 20,000 | - |
| Mr. V. K. Vadhera | - | 3,000 | - |
| Mr. D. Rama Rao | - | 500 | - |
| Mr. K. K. Koharwal | 52,005 | - | - |

V) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee, inter-alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressal of Shareholders' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents M/s Alankit Assignments Ltd, and recommends measures for overall improvement in the quality of investor services. The present Members of Shareholders/Investors Grievance Committee are Mr. A. K. Gupta, Chairman; Mr. A. K. Goel, Mr. M. P. Mehrotra and Mr. Harish Saluja. The Board of Directors have delegated the power of approving transfer of securities to the aforesaid Committee of Directors. The Board has designated Mr. Atul K Kulshrestha as the Compliance Officer.

The total number of letters/complaints received and replied to the satisfaction of shareholders during the year upto 30th September, 2004 was 17 and no demat request/ transfer were pending as on 30th September, 2004.

VI) MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion

CANE & SUGAR POLICY

SUGAR CANE PRICING:

The Company has started 2003-04 crushing season with an interim payment towards the Statutory Minimum Price (SMP) for sugar cane purchased at three sugar units. The SMP of sugar cane for the season 2003-04 was fixed at Rs.73/- per quintal for a basic recovery of 8.5% as against Rs.69.50 per quintal in previous sugar season. However as per the decision of the Supreme Court that the State Government has the right to fix cane price, the UP Govt. has fixed the SAP at Rs. 95/- per qtl. for cane purchase in 2002-03 and 2003-04. The Additional liability of cane price in respect of our Company due to higher SAP is as follows:-

| Year | (Rs. in Crore) |
|--------------|----------------|
| 2003-04 | 25.36 |
| 2002-03 | 37.91 |
| 1996-97 | 4.24 |
| Total | 67.51 |



THE DHAMPUR SUGAR MILLS LIMITED

Levy Sugar

The ratio of levy and free sale sugar is at 10:90.

Levy Price applicable to sugar units is as under :-

(Amt. in Rs.)

| Sugar Unit | Season 2003-04 | Season 2002-03 |
|------------|----------------|----------------|
| Dhampur | 1,330.77 | 1,293.04 |
| Rauzagaon | 1,383.41 | 1,327.52 |
| Asmoli | 1,330.77 | 1,293.00 |

SUGAR INDUSTRY STRUCTURE:

Sugar is amongst the largest agro processing industries in India and has a 2.76 weight in annual industrial production. Forty Million farmers and their families besides a large mass of agricultural labour are involved in sugar cane cultivation and its harvesting operation. Over 4 lakh workmen are directly employed. The industry thus caters to over 7.5% of rural population. By way of sugar cane price about Rs.16,000 Crore are disbursed amongst farmers directly. Besides, its annual contribution to the Central and State exchequers by way of taxes is around Rs.1,800 Crore. The Industry is quiet fragmented and total production of 138 lac tonnes was achieved during sugar season 2003-04.

The Government is encouraging import of raw sugar for conversion into white sugar. During the season 2003-04 about 8 lac tonnes of raw sugar had been imported by private mills. In order to conserve sugar stocks and discourage exports, Govt. withdrew the export incentives on exports viz. Inland freight subsidy, Ocean freight subsidy and marketing and port handling expenses w.e.f. June, 2004.

The industry does not depend on fossil fuel but generates its own renewable sources of energy. Not only that it generates surplus power through cogeneration for use by consumers in interior rural areas. It has the potential to generate 5,000 MW surplus power and reduce import bill of petroleum products by manufacture of ethanol.

Although everybody understands the importance of the sugar industry, its fortunes have faced a longer than normal down turn on account of lower sugar prices and higher inventory.

WELCOME STEPS TAKEN BY THE GOVERNMENT:

- The Government created a Buffer Stock of 20 lac Qtls. of Sugar for one year w.e.f. 18th December, 2002, which was further extended upto 17th December, 2004 and shall reimburse interest and storage cost on such stock of sugar.
- The Government has made mandatory w.e.f. 1st Oct., 2003, the blending of Ethanol with petrol to produce 'Gasohol' to the extent of 5% in nine States and four Union Territories. Gasohol is an efficient and an environment friendly form of fuel that is being successfully used in Brazil and other countries. The Government is also considering possibility of increasing the percentage of mixing Ethanol upto 10% in Petrol and Diesel. Gasoline and blended fuel are generally placed at par, but efficiency level is considered to be better for the latter blended fuel, due to better combustion.
- The Government has amended the Essential Commodities Act, 1955 to bring sugar releases within the ambit of the said Act. This will enable the Government to implement effectively the regulated release mechanism which governs the quantum of free sale sugar that mills are allowed to sell in the open market in a particular month. This move has resulted in higher sugar price realisations and has been welcomed by the Industry.
- Levy Price for the season 2003-04 is increased by Rs 37.73 per qtl. at Dhampur & Asmoli Sugar Units and by Rs. 55.89 per qtl. at Rauzagaon Unit.
- Central Government has reduced interest rates on new Sugar Development Fund loans to bank rate less 2% presently 4% from the existing 9%, which shall help in growth of industry and would favour emergence of intergrated sugar complexes.

VII) OPERATIONS:

The substantial decline in the production of sugar during the

season 2003-04 has helped the industry to liquidate its huge inventory of sugar accumulated over the years due to excess production. This has not only helped the sugar prices to revive from abnormally low levels but has also helped the industry to reduce its carrying cost of inventory considerably and bring about the much needed correction in the demand and supply position.

VIII) FUTURE OUTLOOK & CURRENT YEAR'S SCENARIO

The Cane crushing for the Season 2004-05 has started in all Sugar units. Sugarcane availability is dependent upon many factors including politics in the state. Price fixation mechanism of sugarcane in U.P. has more influence of politics than actual economics of cultivation. The sugar cane price for the year 2004-05 has been fixed at Rs. 107 per Qtl by State Government.

The outlook for 2004-05 for the sugar industry looks positive and is expected to continue till 2006

IX) RISKS AND CONCERNS:

The new sugar plants coming up as per present norm of establishing a new sugar factory at 15 Kms. distance from other sugar factories may adversely affect expansion of existing sugar factories. The cane area for the existing sugar factories is likely to shrink. Hence, specific efforts will need to be made for development of new cane varieties which increase recovery and also increase the yield of sugar cane per hectare.

CAUTIONARY STATEMENTS:

The statements in the Management Discussions & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. As these statements are based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global or domestic demand and supplies, political and economic developments in India or other countries, government regulations and taxation policies, prices and availability of raw materials, prices of finished goods, abnormal climatic and geographical conditions, etc. The Company assumes no responsibility in respect of forward looking statements that may be revised or modified in the future on the basis of subsequent developments, information or events.

X) GENERAL BODY MEETINGS:

Details of Annual General Meetings are as follows:

- Location and time, where last three AGMs held.

| Year | Location | Date | Time |
|---------|--|------------|-----------|
| 2002-03 | Registered Office P.O. Dhampur (Bijnor) | 25.03.2004 | 3.00 P.M. |
| 2001-02 | Registered Office P.O. Dhampur (Bijnor) | 28.03.2003 | 3.00 P.M. |
| 2000-01 | Registered Office P.O. Dhampur (Bijnor) | 14.03.2002 | 3.00 P.M. |

- Whether special resolution were put through postal ballot last year ? No
- Are votes proposed to be conducted through postal ballot this year ? No
- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large.

Please refer sch.16 of Balance Sheet

- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

NIL