

The Dhampur Sugar Mills Limited
Annual Report 2004-05



Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

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In 2004-05, the Dhampur Group regained its position as one of India's most respected sugar producing groups through an all-round improvement in its performance.

- A 62.08 per cent increase in revenues from Rs. 63968.2 lac in 2003-04 to Rs. 103681.1 lac in 2004-05.
- A 964.7 per cent increase in profit after tax from Rs. 833.8 lac in 2003-04 to Rs. 8877.3 lac in 2004-05.

Interestingly, this improvement has raised an entirely fresh set of questions, which we have attempted to answer in the following pages.



This annual report is about The Dhampur Sugar Mills Limited and you – the investor, the consumer, the customer and the employee. In this report, we have explained how we have used innovation, product development, process improvements and sound financial management to re-emerge as a respectable player in the Indian sugar industry.

Vision

- To re-establish ourselves as the most efficient sugar company in India.
- To become a global sugar company by leveraging our rich technical expertise.
- To optimize the utilization of cane and cane residue in the most eco-friendly manner; to become an integrated player with downstream cogeneration and alcohol capabilities along with sugar plants.
- To continuously bring down the cost of conversion.
- To optimize the value of stakeholder investments with a continuous improvement in financial performance.
- To attain the highest level of accountability, corporate governance and shareholder value.

Pedigree

Established in 1933, Dhampur Group is one of the oldest and largest integrated producers of sugarcane products in India.

Products

Sugar	
Sulphitation	24250 TCD
Refined	13500 TCD

Chemicals

Ethyle Acetate, Acetic Anhydride, Ethanol, Acetaldehyde, Acetic Acid and Rectified Spirit	100 KLPD
Oxalic Acid	3000 TPA
Power	74 MW

Presence

- Dhampur (Central U.P.): One of the oldest sugar units in India. Produces sugar, chemicals, ethanol and power.
- Rauzagaon (Eastern U.P.): The Company's greenfield project; commenced production in 1994; first unit in India to manufacture refined sugar; currently produces refined sugar and power. Sale of the plant to Balrampur Chini Mills to be effected in 2005-06.
- Asmoli (Central U.P.): Commenced production in 1996; produces sugar and generates power.
- Mansurpur (Western U.P.): Acquired as a loss-making unit before being turned around. Unit upgraded to produce refined sugar and generate power.
- Kashipur (Uttaranchal): Acquired as a loss-making unit before being turned around. Unit now produces sugar and generates power.

The Dhampur Group - at a glance

Performance

The numbers

- 100 per cent increase in EBIDTA to Rs. 17387.35 lac.
- 329 basis point increase in EBIDTA margin to 17.8 per cent.

Inside the plants

- 7.26 per cent growth in cane crushing to 390 lac quintals (season 2004-05).
- 11.37 per cent growth in sugar production to 38.4 lac quintals.

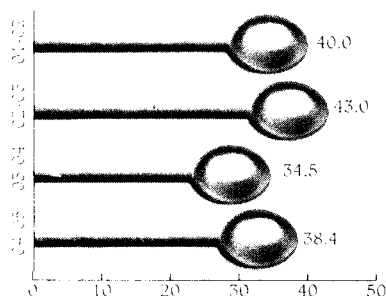
In the marketplace

- 69.41 per cent increase in sugar sale.
- 254 per cent increase in share price.

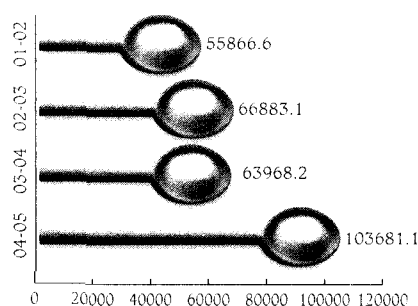
In the Board room

- Proposed a dividend of Re. 1 on a share with a face value of Rs. 10 each.

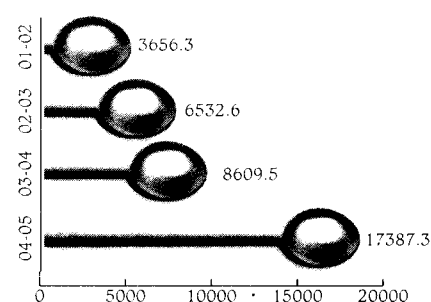
Sugar production (lac/quintal)

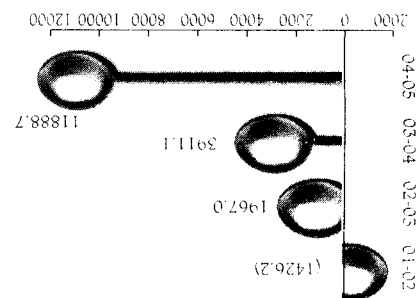


Revenue (Rs./lac)

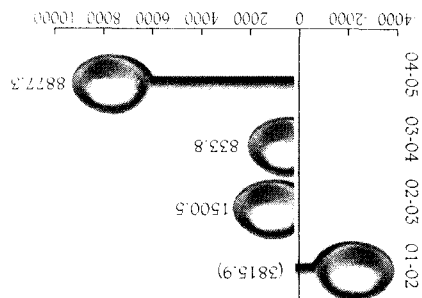


EBIDTA (Rs./lac)

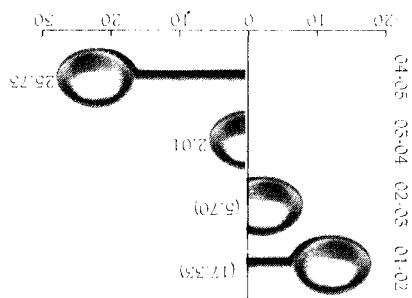




Cash profit (Rs./lac)



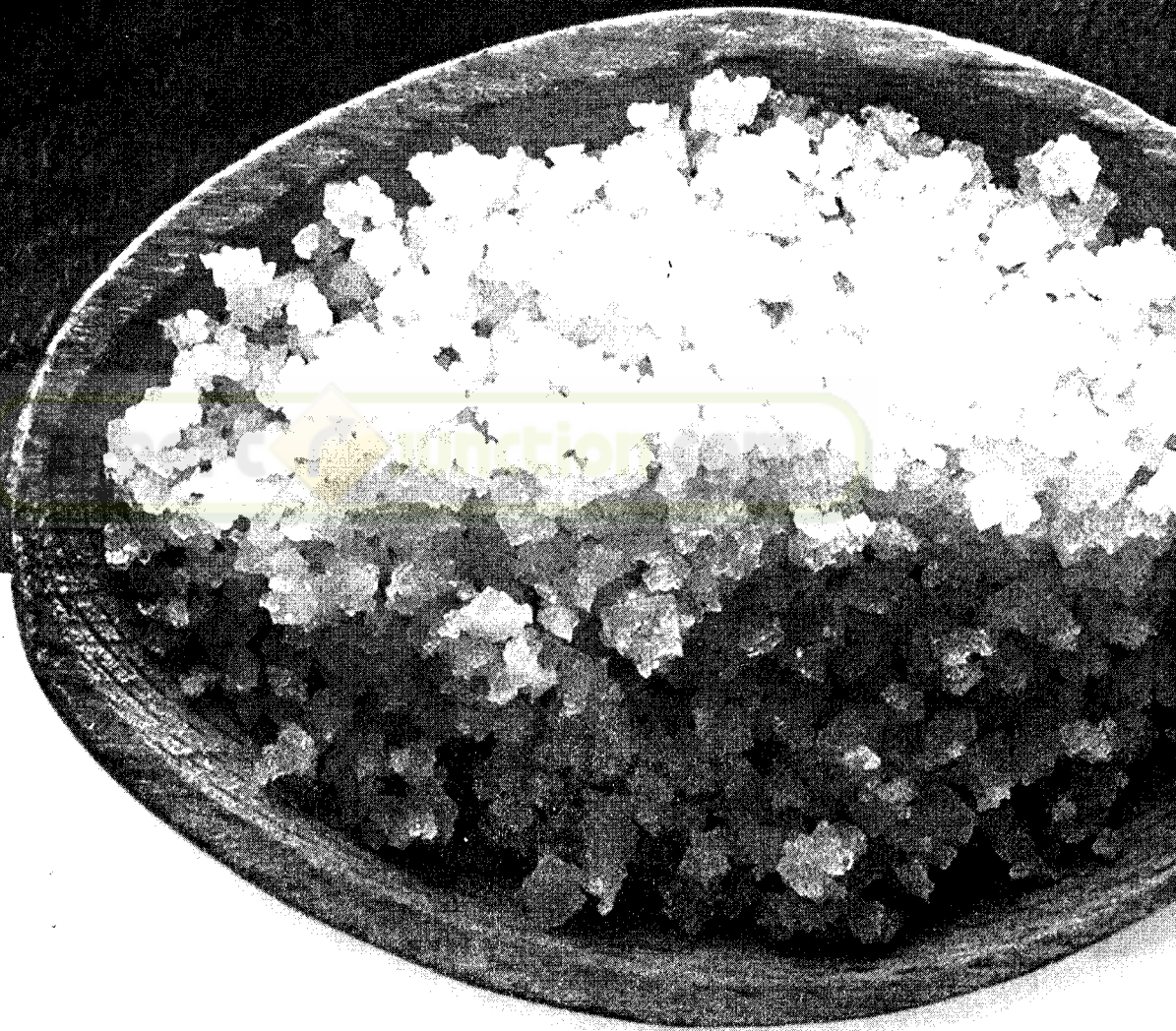
PAT (Rs./lac)



EPS (Rs.)

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Units		
Dhampur	Sugar - 12000 TCD	Chemicals - 120 ktpd
		Power cogeneration - 54 MW
Subsidiaries		
Dhampur Sugar (Kashipur) Limited	Sugar - 6250 TCD	
Mansurpur Sugar Mills Limited	Refined sugar - 6500 TCD	
DSM Hi-tech Products Limited		
Asmoli	Sugar - 6000 TCD	
	Power cogeneration - 20 MW	Unit to be sold to
	Refined Sugar - 6500 TCD	Baltampur Chini Mills
The Dhampur Sugar Mills Limited		



*A seven-decade
history of pioneering
initiatives*



Sugar refinery

- First company in India to install a sugar refinery.
- First company in India to launch sulphurless sugar in consumer packs.

Cane preparation

- Use of the revolutionary fibrizors for cane preparation at the Dhampur unit with a split cane carrier system.
- Development of an in-house Pressure Feeder Technology at the Dhampur unit. currently followed by a majority of mills in India.
- Introduction of an eight roller pressure feeder mill at the Dhampur unit with the highest capacity of 12,000 TCD from a single tandem.

Boiling house

- The pioneering use of a pressure evaporation system with falling film type evaporator bodies.
- The design, development and installation of a vertical continuous pan.

Chemical

- The first company in India to produce alcohol through the Encillium Process developed by National Physical Laboratory, Pune.

Power cogeneration

- The first sugar company in India to commission cogeneration and market surplus power.



Chairman's overview

Mr. V.K. Goel reviews the Company's performance across the last year and decade

Dear Shareholders,

It gives me satisfaction to report that The Dhampur Sugar Mills Limited reported the highest profit in its existence during 2004-05, the financial year under review. This profit of Rs. 5568.74 lac was 135.87 per cent higher than the next-nearest profit in the history of the Company.

Before one gets into the soul of these numbers, it might be pertinent to understand how Dhampur's pursuit of growth was temporarily interrupted in the mid-Nineties:

- In response to India's sugar consumption growing at the

fastest rate in the world, the Company mobilised debt to commission or acquire four plants in quick succession (commissioning of refined sugar and co-gen plants at Rauzagaon, sugar mill at Asmoli, chemical plant at Dhampur, takeover of the Mansurpur and Kashipur mills and the expansion and modernization of the sugar plant at Dhampur).

- Unexpectedly, this expansion coincided with a sharp increase in the government-dictated prices of raw material, sugar oversupply, declining sugar realisations and depressed profitability.