

DHARANI SUGARS AND CHEMICALS LIMITED

MD	✓	BKC	✓
CS	NA	BY	NA
RO	✓		NA
TRA	✓		✓
AGM	✓		✓
YE	✓		✓

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PGP GROUP

ELEVENTH
ANNUAL
REPORT
1997-98





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**BOARD OF DIRECTORS****Dr PALANI G.PERIASAMY** — Executive Chairman**Mr R.NATARAJAN** — Vice Chairman**Dr C.K.DHEENAN****Dr K.N.SIVASUBRAMANIAN****Dr K.S.THIRUMALASWAMI****Mr A.SENNIMALAI****Mr D.SRIDHARAN** — Nominee Director — ICICI**Dr K.C.REDDY** — Nominee Director — IREDA**Mr M. RAMALINGAM** — Director (Technical)**Auditors**

S.V.JAYARAMAN & Co.,
Chartered Accountants
Chennai 600 083

Bankers

INDIAN BANK
STATE BANK OF INDIA
BANK OF INDIA
THE FEDERAL BANK LIMITED
THE SOUTH INDIAN BANK LIMITED

Registered Office

No.1 Venus Colony
Second Street, Alwarpet
Chennai 600 018

Factories**DHARANI I**

Dharani Nagar 627 760
Tirunelveli Dist.
Tamil Nadu

DHARANI II

Karaipoondi Village
Chettepet Road
Polur Taluk
Tiruvannamalai Dist.
606 803
Tamil Nadu

DHARANI III

Panipoila
Nayagarh 752 069
Orissa



DHARANI SUGARS AND CHEMICALS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **ELEVENTH** Annual General Meeting of the Members of the Company will be held at Sathguru Gnanananda Hall, Narada Gana Sabha, No.254 T.T.K Road, Alwarpet, Chennai - 600 018 on **Thursday the 12th November 1998 at 10.00 A.M** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 1998 and the Profit and Loss Account for the year ended on that date and consider the Reports of the Directors and Auditors.
2. To appoint a Director in place of Dr C.K.Dheenani who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr K.N.Sivasubramanian who retires by rotation and being eligible offers himself for re-appointment.
4. Appointment of Auditors.

SPECIAL BUSINESS

5. To consider, and, if thought fit, to pass, with or without modification the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT in supersession of the resolution passed at the Seventh Annual General Meeting of the Company held on 28th September 1994 and pursuant to Sections 293(1) (a), 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and Articles of Association of the Company, consent be and is hereby accorded to the Board of Directors of the Company for borrowing such sum or sums of money, from time to time, for the purpose of the Company, as they may deem fit, notwithstanding that the amount so borrowed together with the moneys already borrowed and remaining outstanding may exceed the aggregate of the paid-up capital of the Company and its free reserves which have not been set apart for any

specific purpose, but subject to the following maximum limit, viz. that the total amount of loan so borrowed by the Company and outstanding at any one time (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs.200 crores (Rupees Two hundred crores only) and the Board of Directors in exercise of the aforesaid borrowing powers may borrow such sums as they may deem fit and on such terms and conditions as to repayment, interest and with or without security as the Board may deem fit.

AND RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to create any mortgage, hypothecation or other charge or encumbrance over the assets of the Company as security for the due repayment of the moneys so borrowed, the interest thereon and all other costs, charges and expenses in that behalf.

AND RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things and to take such steps as may be necessary or desirable to give effect to this resolution".

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 25.07.98 Executive Chairman

ORDINARY BUSINESS (Contd.)

4. **Special Notice Under Section 190.**

To appoint M/s. Srinivasan & Shankar, Chartered Accountants, Chennai as the Company's Auditors in place of the retiring Auditors and to authorise the Board of Directors to fix their remuneration.

for Dharani Sugars and Chemicals Limited

Place : Chennai **DR PALANI G PERIASAMY**
Date : 15.10.98 Executive Chairman



DHARANI SUGARS AND CHEMICALS LIMITED

NOTES

1. A Member entitled to attend and vote at this Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member.

The proxy form, in order to be effective, must be duly completed, stamped and lodged with the Registered Office of the Company not less than **fortyeight hours** before the commencement of the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 2nd November 1998 to 12th November 1998 both days inclusive.
3. Members/Proxy holders must bring the Attendance Slip duly signed to the meeting and hand it over at the entrance. Xerox copy/ torn attendance slips will not be accepted.
4. Members are requested to quote their Registered Folio numbers in all correspondence with the Company and notify the Company immediately of change, if any, in the Registered Address and/or of their mandatees.

5. Members who are holding shares in more than one folio are requested to intimate to the Secretarial Division the details of all their folio numbers for consolidation into single folio.
6. All documents referred to in the above notice are open for inspection at the Registered Office of the Company between 2.00 P.M. and 4.00 P.M. on any working day.
7. Pursuant to Section 205A(5) of the Companies Act, 1956, all dividends upto the financial year ended 31st March 1994, which remained unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Shastri Bhavan, II Floor, No.26 Haddows Road, Chennai - 600 006. In case any assistance is required, please write to the registered office of the Company.
8. Members are requested to bring their copies of Annual report to the meeting.

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 25.07.98 Executive Chairman

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.5

Section 293(1)(d) of the Companies Act, 1956, ('the Act') provides inter alia, that the Board of Directors of the Public Company shall not except with the consent of the Company in General Meeting borrow moneys where the moneys to be so borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its reserves, that is to say, reserves not set

apart for any specific purpose. At the Annual General Meeting held on 28th September 1994, the Company by a resolution passed under Section 293(1)(d) and Section 293(1)(a) of the Act authorised the Board of Directors of the Company ('the Board') to borrow moneys up to a limit of Rs.150 Crores.

The 2500 TCD Sugar plant at Polur in Tamilnadu has already commenced production. The co-generation plant has also been commissioned



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from January '98. The Company has received a letter of intent from the Government for setting up a 2500 TCD Sugar plant at Sankarapuram, Villupuram District in Tamilnadu. Besides the Company has also been granted a letter of intent for expanding the capacity of the Sugar plant at Polur, Thiruvannamalai District from 2500 TCD to 5000 TCD. All these will require additional finance. The existing limit of Rs.150 crores may therefore be not sufficient to carry out these expansion. The Company is examining the ways and means for implementing these expansion projects. However, as a matter of abundant caution, the Board desires that the limit of borrowing be increased from Rs.150 crores to Rs.200 crores, in order to meet any contingencies and also to comply with the financial parameters of the lending institutions. The Board therefore recommends increasing the said limit to Rs.200 crores.

In addition, in order to secure such borrowing, it may be necessary to mortgage/hypothecate or otherwise charge immovable and movable properties of the Company, both present and future as and when necessary. Section 293(1)(a) of the Companies Act, 1956 requires approval of the Members of the Company in General Meeting for creation of such mortgage/charge.

The Directors recommend the resolution for the approval of the shareholders.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 25.07.98 Executive Chairman

ITEM NO.4

One of the shareholders has given a notice to the Company, in accordance with Section 225 (1) of the Companies Act, 1956 indicating her intention to propose a resolution at the ensuing Annual General Meeting, appointing as Auditors M/s. Srinivasan & Shankar in place of M/s. S.V. Jayaraman & Co. the retiring Auditors. As the notice is in order, a copy of this notice has been sent to the retiring auditors as per Section 225 (2). The Company has not received any representation from the retiring auditor so far.

The proposed auditors have also indicated that their appointment if made will be in accordance with the limits under Section 224 (1) (B) of the Companies Act, 1956.

None of the Directors are interested in the resolution.

for Dharani Sugars & Chemicals Limited

Place : Chennai **DR PALANI G PERIASAMY**
Date : 15.10.98 Executive Chairman

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Eleventh Report on the operations of your Company and the Audited Statement of accounts for the year ended 31st March 1998.

FINANCIAL RESULTS AT A GLANCE

	Year Ended 31st March 1998	Year Ended 31st March 1997
	(Rs. Lakhs)	
Total Income	6566.63	7919.59
Profit before interest, depreciation and tax	1551.14	845.29
Interest and Finance Charges	2311.04	1643.37
Depreciation	467.27	387.03
PROFIT/(LOSS) BEFORE TAX	(1227.17)	(1185.11)
Prior Period Expenses	152.00	12.46
Tax on dividend distributed	—	24.29
PROFIT/ (LOSS) AFTER TAX	(1379.17)	(1221.86)
Profit/(Loss) carried forward from last year	(654.27)	567.59
Transfer from Investment Allowance Reserve	236.74	—
PROFIT/(LOSS)	<u>(1796.70)</u>	<u>(654.27)</u>
APPROPRIATIONS		
Proposed Dividend (Subject to Tax)	—	—
General Reserve	—	—
Surplus carried to Balance Sheet	—	—
	<u>(1796.70)</u>	<u>(654.27)</u>

NATIONAL SCENARIO

As a result of surplus production in the previous years, the sugar industry had carried forward substantial stock of sugar. Besides, the Government of India had also permitted free import of sugar. This had resulted in keeping down the price of sugar at an uneconomic level. Consequent to repeated representations made to the Government from the Industry, the Government had recently agreed to levy an import duty of 5% on all imports of sugar, and Rs.850/- per tonne as Countervailing duty, to ensure a level playing field to the domestic industry. Due to change in the attitude of the Government at the Centre, some major policy changes are anticipated based on the recommendations of the High Power Mahajan Committee. As matters stand, probably in the next year, the effect of reduction in area of sugar cultivation and policy changes might result in reduced availability and consequent higher realisation leading to better appreciation of the stocks of sugar units. Hence, the sugar industry in general can hope for a favourable outlook during the coming years.

REVIEW OF OPERATIONS

The Company's operations during the year 1997-98 had registered a down trend. The year was a difficult one with obstacles and fire fighting measures adopted to tide over the crises. Crushing operations at our Unit at Vasudevanallur were affected badly due to severe drought in and around Tirunelveli District. We were able to crush only 81 thousands tonnes in this Unit as against 3.66 lakh tonnes in the previous year. However, the newly established Plant at Polur, Tiruvannamalai District was able to crush a higher quantity of cane (3.30 lakh tonnes), but the average recovery was low, as the 1997-98 crushing operations could start only in January 1998 due to heavy rains and water stagnation in sugarcane fields. The Co-generation Power Plant at Polur had become fully operational only by January'98 and was able to generate 233 lakh units out of which 67 lakh units of power had been exported to the Tamil Nadu Electricity Board. As a result, for most part of the financial year 1997-98, the interest burden on the investment



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on co-generation could not be fully absorbed. The full contribution of the Polur Unit is expected to be reflected only in the financial year 1998-99. Crushing operations at Nayagarh (Orissa) were also not satisfactory caused by diversion of cane due to higher price for Gur and the Company is taking necessary steps to correct this problem.

The total income during 1997-98 has come down to Rs.6566.63 lakhs as against Rs.7919.59 lakhs in the previous year due to the reasons explained in the previous paragraphs. The expenditure has come down to Rs.7326.53 lakhs from Rs.8717.67 lakhs in the previous year. While the result of operations showed a profit of Rs.1551.14 lakhs as against Rs.845.29 lakhs in the previous year, the net results however reflected a loss of Rs.759.90 lakhs after taking into account interest and finance charges of Rs.2311.04 lakhs. Adding the depreciation of Rs.467.27 lakhs, and prior period expenses of Rs.152 Lakhs, the total loss comes to Rs.1379.17 lakhs.

However, your Company hopes to improve the performance substantially in the coming year. Sufficient cane has been planted taking advantage of the copious rains during 1997. For the Unit I at Vasudevanallur it is expected that crop in about 16000 acres would be available. Already this Unit has registered 10500 acres. This will enable the Unit to achieve 100% capacity utilisation by crushing more than 4 lakh tonnes. Similarly for Unit II at Polur, registration has already crossed 24,000 acres and a minimum of 6 Lakh tonnes of cane is expected to be crushed.

Your Company hopes that it will be possible to crush more than 1 million tonnes during the next season with a better recovery.

With an assured crushing performance of more than 100% of the capacity, coupled with income generation from power export from the co-generation plant for the full season and distillery operations, your Directors are optimistic that the negative effect of the uneconomic operations of two consecutive accounting years would be wiped out in the year 1998-99. Future outlook for your Company is therefore bright and Dharani is again expected to be on its growth path trajectory in the coming years.

DIVIDEND

Due to absence of Profit, your Directors regret their inability to recommend any dividend.

RESERVES

No amount is proposed to be transferred to Reserves as there are no profits.

EXPANSION

Your Company has received a letter of intent from the Government of India to establish a new sugar factory of 2500 tonnes per day at Sankarapuram, Villupuram District. The Company has also received a Letter of Intent for expansion of the Polur Unit from 2500 to 5000 TCD. Your Directors are examining the ways and means for implementing these expansion projects and will shortly initiate action based on priorities in the best interests of the company and shareholders.

FIXED DEPOSITS

The Company had no unpaid deposits which were due and are repayable as on 31st March 1998. There was, however a sum of Rs.91 thousands as unclaimed Deposits on that date. Out of this, a sum of Rs.42 thousands has since been repaid and as on the date of this report, there are 12 cases of unclaimed deposits to the tune of Rs.49 thousands. The deposit holders have been reminded. No deposits were collected during 1997-98.

DIRECTORS

Mr R Natarajan, Vice Chairman and Managing Director ceased to be Managing Director with effect from 1st April '98 at his request on personal grounds. He will however continue to be a Director and Vice Chairman and guide the board. Consequently Dr Palani G Periasamy, Executive Chairman will look after the entire operations of the company.

Dr C K Dheenan and Dr K N Sivasubramanian retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.



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Necessary resolutions are placed before the shareholders for their approval.

AUDITORS

The Auditors of the Company, S V Jayaraman & Co., Chartered Accountants, Chennai retire at the ensuing Annual General Meeting.

With regard to auditors' qualification against II (4) (a,b,c & d) of Auditors' notes, Directors wish to record as follows:

II (4) Note No.15 of schedule 21 regarding non-provision of Purchase Tax on advance payments under clause 5.A over and above the notified clause 3 prices. Provision has not been made as the notification of the Government for the period 01.10.95 to 30.09.96 has not been received.

Regarding notes No.3,20 & 24 of Schedule 21 the observations made are self explanatory and no further explanations are needed.

COST AUDIT

As per the directions of the Government of India, Mr G Suryanarayanan, Cost Accountant has been appointed as the Cost Auditor for the financial year ended 31st March 1998.

EMPLOYEES

Your Directors are thankful to the employees of the Company for their wholehearted co-operation and unstinted dedication to duty. The industrial relations remained cordial during the year under review.

The statement in pursuance of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, as amended, is annexed to this Report as Annexure I.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo as required to be furnished under the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is given as Annexure II to this report.

ACKNOWLEDGMENTS

The Board of Directors places on record its appreciation of the support, assistance and cooperation received from the Central Government, State Governments of Tamil Nadu and Orissa, various governmental agencies, the all-India Financial Institutions, the Company's bankers, Indian Bank, State Bank of India, South Indian Bank, Bank of India and Federal Bank, cane growers, dealers, suppliers and shareholders. Your Directors also wish to place on record their appreciation of the committed team spirit displayed by the employees at all levels.

For and on behalf of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 25.07.98 Executive Chairman

AUDITORS

The Company has received a Special Notice from a shareholder indicating her intention to move a resolution proposing the appointment of **M/s. Srinivasan & Shankar, Chartered Accountants, Chennai** as the Company's Auditors in place of the retiring Auditors. A copy of this notice has been sent to the retiring Auditors as per Sec. 225 (2) of the Act. The Company has not received any representation from them.

M/s. Srinivasan & Shankar have furnished the necessary declaration under Sec. 224 (1.B) of the Companies Act, 1956.

for Dharani Sugars & Chemicals Limited

Place : Chennai **DR PALANI G PERIASAMY**
Date : 15.10.98 Executive Chairman