

DHARANI SUGARS AND CHEMICALS LIMITED



Report



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**TWELFTH
ANNUAL
REPORT
1998-99**



DHARANI SUGARS AND CHEMICALS LIMITED

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**DHARANI SUGARS AND CHEMICALS LIMITED****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**M/s. Srinivasan & Shankar
Chartered Accountants
Chennai 600 018**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
Chetput Road
Polur Taluk
Tiruvannamalai Dist.
606 803, Tamil Nadu

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the **TWELFTH** 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 5th August, 1999 at 10.30 A.M** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 1999 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 Mr R Natarajan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr A Sennimalai who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to sections 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals or consents as may be necessary, Mr M Ramalingam be and is hereby appointed as a Wholetime Director designated as **"Director - Technical"**, not subject to retirement by rotation, for a period of five years from 25.06.99 to 24.06.2004 on the following terms and conditions.

- a) **Salary** : Rs.30000/- per month in the scale of Rs.30000 - 4000 - 46000 including Dearness and other allowances.
- b) **Perquisites** : Perquisites as per Schedule XIII of the Companies Act, 1956 shall be

allowed. It shall however be restricted to an amount equal to the annual salary.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year of the Company during the currency of tenure of Mr M Ramalingam, the salary and other allowances aforementioned shall be regulated in accordance with Section II of Part II of Schedule XIII to the Companies Act, 1956.

He will also be entitled to periodical increments within the scale approved as above after due evaluation of his performance by the Board of Directors from time to time.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment in accordance with the laws in force from time to time as may be agreed to between the Board of Directors and Mr M Ramalingam".

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 314 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals and consents as may be necessary Dr Palani G Periasamy, be and is hereby appointed as a Wholetime Director, designated as **"EXECUTIVE CHAIRMAN"**, of the Company, not subject to retirement by rotation, for a period of five years from 25.06.99 to 24.06.2004 on the following terms and conditions:-

- a) **Salary** : Rs.75000/- per month in the scale of Rs.75000 - 6500 - 101000 with annual increment of Rs.6500/-
- b) **Perquisites** : Perquisites as per Schedule XIII of the Companies Act, 1956 shall be allowed. It shall however be restricted to an amount equal to the annual salary.
- c) **Commission**: Equivalent to 3% of the net profits of the Company in a year, subject to



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the overall ceilings laid down in Section 188, 309 and Schedule XIII.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year of the company during the currency of tenure of Dr Palani G Periasamy the salary and other allowances aforementioned shall be regulated in accordance with Section II of Part II of Schedule XIII to the Companies Act, 1956.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment in accordance with the laws in force from time to time as may be agreed to between the Board of Directors and Dr Palani G Periasamy".

without modification, the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT the Board of Directors be and is hereby authorised to approve acquisition of equity shares by all NRIs/OCBs through Portfolio Investments Scheme in the equity capital of this Company with or without repatriation benefits, in excess of 10% upto an overall ceiling of 24% of the total paid up equity capital as per current regulations of Reserve Bank of India.

"ALSO RESOLVED THAT a copy of this resolution, duly authenticated, be sent to the Reserve Bank of India".

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 19.05.99 Executive Chairman

7. To consider and, if thought fit, pass with or

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 August 1999 to 5th August 1999, 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. 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.
6. Members who have not encashed their dividend warrants of earlier years may write to the Registered Office with Folio details for necessary assistance.
7. The explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special business set out in Items 5, 6 & 7 is annexed hereto.

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 19.05.99 Executive Chairman



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

ITEM NO. 5

Mr M Ramalingam an Engineering Graduate with specialisation in Sugar Technology was appointed as a Wholetime Director designated as **DIRECTOR-TECHNICAL** at the 7th Annual General Meeting held on 28.09.94 for a period of five years with effect from 25.06.94 to 24.06.99. He had been directly involved in the setting up the sugar factory at Dharani Nagar and Unit II at Polur. He has an overall experience of 25 years in the Sugar Industry. Considering the dedicated service rendered by Mr M Ramalingam, the Board felt that the Company will be benefited by continuing him as Director Technical for some more time. Accordingly the Board has decided to re-appoint him as a Wholetime Director designated as "Director-Technical" on the terms and conditions detailed in the notice. Article 104 of the Articles of Association of the Company provides that Wholetime Directors shall not be liable for retirement by rotation for the period decided by the Company in General Meeting.

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

None of the Directors of the Company except Mr M Ramalingam is, in any way, concerned or interested in the resolution.

ITEM NO. 6.

Dr Palani G Periasamy, the promoter of the Company was appointed as a Wholetime Director designated as Executive Chairman at the 7th Annual General Meeting held on 28.09.94 for a period of five years from 25.06.1994. His term of office comes to a close by 24.06.1999. Considering his substantial contribution to the progress and development of the Company, the Board of Directors felt that the services of Dr Palani G Periasamy should continue to be available to the Company and that he should continue to be at the helm of affairs to enable the Company to progress further. Accordingly it was resolved in the meeting of the Board of Directors held on 19.05.99, to appoint Dr Palani G Periasamy as a Wholetime Director designated as **EXECUTIVE**

CHAIRMAN for a further period of five years with effect from 25.06.99 subject to the approval of the Central Government and the Shareholders, on the terms and conditions set out in the notice. The remuneration proposed is well within the limits prescribed by the Act. Article 104 of the Articles of Association of the Company provides that Wholetime Directors shall not be liable for retirement by rotation for the period decided by the Company in General Meeting.

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

None of the Directors of the Company except Dr Palani G Periasamy and Mr R Natarajan is, in any way, concerned or interested in the resolution.

ITEM NO. 7

As per existing regulations from Reserve Bank of India, NRIs/OCBs are permitted to make Portfolio Investments in shares of Indian Companies with or without repatriation benefits upto an over all ceiling of 10% of the total paid up equity capital for all NRIs/OCBs taken together both on repatriation and non repatriation basis.

Reserve Bank of India has also permitted that, this limit of 10% can be increased upto 24% in case the shareholders pass a resolution in the General Meeting. Some NRIs including existing NRI shareholders are interested in acquiring more shares through the secondary market. It will therefore be useful if the limit of 10% is increased to 24% to enable them to make such purchases.

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 except to the extent they hold shares in the Company.

By Order of the Board

Place : Chennai **DR PALANI G PERIASAMY**
Date : 19.05.99 Executive Chairman



DHARANI SUGARS AND CHEMICALS LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Twelfth Report on the operations of your Company and the Audited Statement of accounts for the year ended 31st March 1999.

FINANCIAL RESULTS

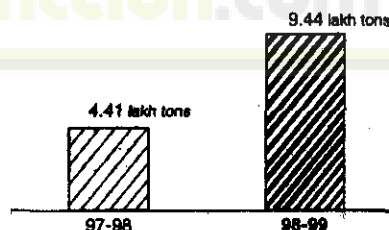
	Year Ended 31st March 1999	Year Ended 31st March 1998
	(Rs. in Lakhs)	
Total Income	12580.47	6566.63
Profit before interest, depreciation and tax	3373.87	1551.14
Interest and Finance Charges	2542.30	2311.04
Depreciation	543.60	467.27
PROFIT/(LOSS) BEFORE TAX	287.97	(1227.17)
Prior Period Expenses	1.82	152.00
Income Tax	12.80	—
PROFIT/ (LOSS) AFTER TAX	273.35	(1379.17)
Profit/(Loss) carried forward from last year	(1796.70)	(654.27)
Transfer from Investment Allowance Reserve	—	236.74
PROFIT/(LOSS)	(1523.35)	(1796.70)
APPROPRIATIONS		
Proposed Dividend	—	—
General Reserve	—	—
Surplus carried to	—	—
Balance Sheet	(1523.35)	(1796.70)

REVIEW OF OPERATIONS

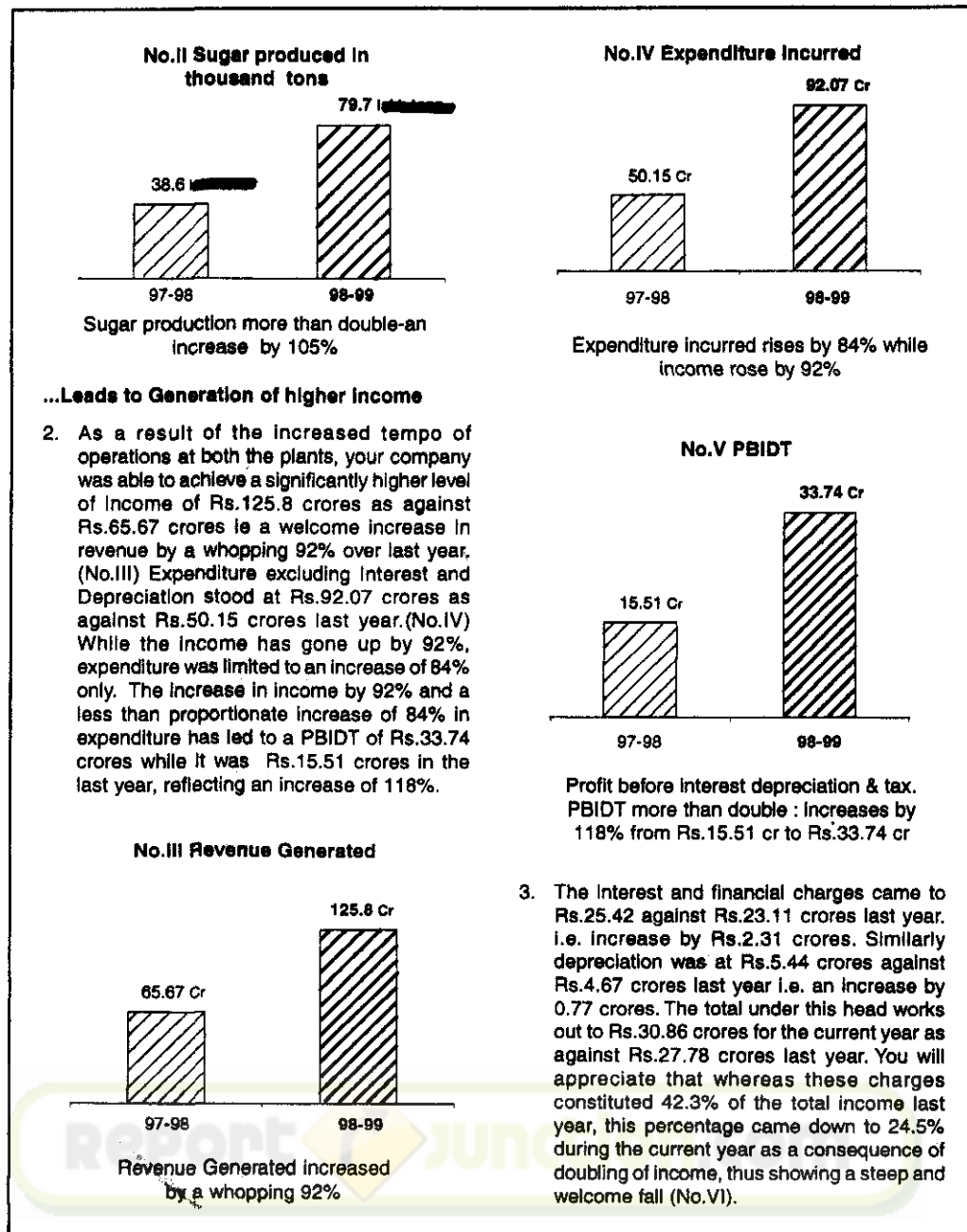
Crushing and production doubled during the year.

- As compared to previous two years, I am extremely happy to report to you that your Company has undergone a sea change in its operations during the year 1998-99. Against 4.41 lakh tons of sugarcane crushed during the previous year, the Company has crushed 9.44 lakh tons this year which is more than double the previous year's crushing — no doubt a welcome increase by 114%. The value of cane crushed was Rs.76.72 crores as against Rs.35.32 crores in the previous year. This was mainly due to the advance action taken during the last year by planting sufficient cane taking advantage of the copious rains during 1997. This has resulted in more than doubling of sugar produced to 79.7 thousand tons from 38.6 thousand tons in the previous year (higher by 107%). Similarly production of molasses went up to 39.9 thousand tons from 18.8 thousand tons in the previous year (an increase by 112%). The production of industrial alcohol has also gone up to 6595 kl from 4436 kl i.e. an increase by almost 50%. Our cogeneration plant has also done well in that we have not only been able to meet almost all of our requirements of power during the season at Unit-II, but also we have been able to export 321.4 lakh units of power which has given us a revenue of Rs.8.08 crores during this year as against Rs.1.67 crores in the previous year. Total power generation also touched a high level of 577.76 lakh units during the year.

No.1 Crushing in lakh tons

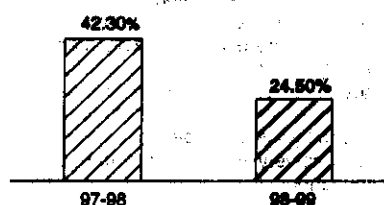


Cane crushed more than doubles - indeed an increase by 114%





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No.VI Interest & Finance charges plus depreciation as % of total income


Interest, Finance charges & depreciation though higher in absolute terms during this year, have shown a healthy downward trend falling from 42.3% as compared to income to 24.5% during this current year from last year.

4. It is a pointer to better times to come. After meeting this expenditure your Company ended the year with a profit of Rs.2.73 crores as against a loss of Rs.13.79 crores in the previous year. The net profit could have been higher but for the onerous burden of interest. Your Directors are confident that the shareholders will be pleased at this rapid 'turn around' which reverses the negative effect of the uneconomic operations of the previous two years and that this will gather further momentum in the coming years and we will be fully in black ere long.

1998-99 SUGAR SEASON

5. The report covers the period upto 31.3.99, while cane season goes upto September '99. Hence to give a proper perspective based on the cane already planted and registered by the Company, we could look at what is the prognosis upto the end of the current sugar season.
6. During the crushing season 1998-1999 (Sugar Season) adequate cane has already been raised by the farmers. Consequently the Company expects to achieve a record crushing of 1.3 million tons of cane. Your Unit-I is poised to crush more than 5.2 lakhs tons of cane reaching a capacity utilization of 121% and Unit-II is poised to crush 7.8 lakh tons which is equal to 181% of full capacity utilization at 4.3 lakhs tons. (No.VII)

CO-GENERATION

7. The co-generation power plant continues to perform well and we are exporting at the rate of 1.5 to 2 lakhs units/day. The revenue from this source goes a long way towards improving the bottom line. The production of alcohol at Dharaninagar is better than last year.
8. Overall the performance is better this year and your Company expects to continue in its growth path trajectory.

No.VII Crushing for the seasons 1997-98 & 1998-99

1. for Dharani Nagar (U-I)
2. for Polur (U-II)
3. for both

