

DHARANI SUGARS AND CHEMICALS LIMITED



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*Thirteenth Annual Report
1999 - 2000*



Dharani Sugars and Chemicals Limited

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*Dharani Sugars and Chemicals Limited***BOARD OF DIRECTORS**

Dr Palani G Periasamy	-	<i>Executive Chairman</i>
Mr R Natarajan	-	<i>Vice Chairman</i>
Dr C K Dheenani		
Dr K N Sivasubramanian		
Mr A Sennimalai		
Mr N Ramesh	-	<i>Nominee Director - ICICI</i>
Dr K C Reddy	-	<i>Nominee Director - IREDA</i>
Mr M Ramalingam	-	<i>Director (Technical)</i>
Mr K Swaminathan	-	<i>Company Secretary</i>

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
Central Bank of India
Corporation Bank

Registered Office : No.1 Venus Colony Second Street
Alwarpet, Chennai - 600 018

Factories : **Dharani I**
Dharani Nagar - 627 760
Tirunelveli District, Tamil Nadu

Dharani II
Karaipoondi Village, Chetput Road, Polur Taluk
Tiruvannamalai District - 606 803, Tamil Nadu



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **THIRTEENTH 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 **Friday, the 15th September, 2000 at 10.15 A.M.**, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2000 and 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 Dheenan 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. 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 in supersession of the resolution passed at the Eleventh Annual General Meeting held on 12th November, 1998 and pursuant to Section 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.300 Crores (Rupees Three Hundred Crores) 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 others 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".

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

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company, be and are, hereby altered as under, by inserting the following as New Article 14A after the existing Article "14".

"14A, Notwithstanding anything contained in this Articles, as and when the Company gets its shares or other securities admitted as an eligible security in the Depository System in



Dharani Sugars and Chemicals Limited

accordance with the provisions of the Depositories Act, 1996, the prevailing Rules, Regulations & Bye Laws of the Depository and other applicable laws, if any, the said shares and securities of the Company may be held in dematerialised fungible form and the same shall be governed by the provisions of Depositories Act, 1996 as amended from

time to time or any Rules framed thereunder and the directions of Securities and Exchange Board of India (SEBI) from time to time".

By Order of the Board

Place : Chennai
Date : 30.06.2000

K SWAMINATHAN
Company Secretary

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 1st September, 2000 to 15th September, 2000 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 copies/ 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 mandates.

5. **All documents including Memorandum and Articles of Association 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. **Members are requested to bring their copies of the Annual Report to the Meeting.**

8. **The explanatory statement pursuant to Sec. 173 (2) of the Companies Act, 1956 in respect of the special business set out as item 5 above is enclosed.**

By Order of the Board

Place : Chennai
Date : 30.06.2000

K SWAMINATHAN
Company Secretary



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 a 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 12th November, 1998, 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.200 Crores.

Crushing of cane in both the units has considerably increased resulting in higher production of sugar and increased stock. Requirements of working capital has therefore gone up. Besides, the Company is also exploring the possibilities of expanding the Polur Unit as well as setting up a new plant at Sankarapuram, Villupuram District. The existing limit of Rs.200 Crores may not be sufficient to meet the above requirements. As a matter of abundant caution, the Board feels that the limit of borrowing be increased from Rs.200 Crores to Rs.300 Crores in order to comply with the financial parameters of the term lending institutions and banks and also to meet any contingencies. The Board therefore recommends increasing the said limit to Rs.300 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.

ITEM NO.6

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956 relating to issue, holding, transfer, transmission of shares and other securities have been amended to facilitate holding and trading of securities in electronic form. In accordance with these changes, Securities and Exchange Board of India (SEBI) has directed that the shares of our Company shall be dealt with in Dematerialised form with effect from 26th March 2001. It has therefore become necessary to amend the Articles of Association of the Company as set out in item No 6 of the Notice, to provide for issue and holding shares in dematerialised form. Amendment to Articles can be done by passing a special resolution in a General Meeting of members. Accordingly special resolution No.6 is proposed.

The Directors are concerned or interested in the said resolution to the extent of shares held by them.

The Directors recommend the resolution to the Members.

By Order of the Board

Place : Chennai
Date : 30.06.2000

K SWAMINATHAN
Company Secretary

**DIRECTORS' REPORT**

Dear Members,

Your Directors have great pleasure in presenting the Thirteenth Report on the operations of your Company and the Audited Statement of accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

Particulars	Year ended 31.03.2000 (Rs. in Lakhs)	Year ended 31.03.1999 (Rs. in Lakhs)
• Total Income	18615.81	13103.70
• Profit before interest, Depreciation and tax	3591.99	3373.87
• Interest and Finance charges	2906.30	2542.30
• Depreciation	548.51	543.60
• PROFIT/(LOSS) BEFORE TAX	137.18	287.97
• Prior period Expenses	3.80	1.82
• Income Tax	-	12.80
• Tax provision written back (12.80)	-	-
• PROFIT/(LOSS) AFTER TAX	146.18	273.35
• Profit/(Loss) carried forward from last year	(1523.35)	(1796.70)
• PROFIT/(LOSS)	(1377.17)	(1523.35)

APPROPRIATIONS

• Proposed Dividend	-	-
• General Reserve	-	-
• Surplus carried to Balance Sheet	-	-
	(1377.17)	(1523.35)

REVIEW OF OPERATIONS : 1999 - 2000

Your Directors are happy to report that during the financial year 1999-2000 your Company was able to substantially increase its crushing operations.

Both the units have together crushed 14.55 lakhs tonnes of sugarcane as against previous year's 9.44 lakhs tonnes representing a 54 % rise. On account of this higher crushing, sugar production rose upto 1.23 lakhs tonnes from 0.79 lakhs tonnes. The substantial increase in crushing and sugar production can be attributed to the increased cane availability in the registered areas and the modern farming practices adopted by the farmers with the Company's help and the goal congruence between the Company and the farmers through effective partnership. The power generation at 15 MW co-generation power plant at Polur also witnessed a steep hike from 577.76 lakhs units to 791.63 lakhs units. The power exported from Polur unit has translated into a revenue of Rs 12.20 crores in the year against Rs 8.08 crores in the previous year i.e. an absolute increase of Rs 4.12 crores. This increase has also contributed to the total income of the Company.

The total income comprising Sales, Incremental Sugar stock and other income for the year was Rs 186.16 crores against Rs 131.04 crores during the previous year i.e. an increase of about 42%. This is mainly due to the record jump in crushing operations. The Gross profit has increased to Rs 35.92 crores against Rs 33.74 crores in the previous year. However the interest and Finance charges rose by Rs 364 lakhs from Rs 2542.30 lakhs to Rs 2906.30 lakhs, mainly on account of carrying over higher volume of inventory.

The net profit was Rs 146.18 lakhs against Rs 273.35 lakhs in the previous year. This apparent reduction in profit is on account of change in the method of valuation of inventory in the current year as per the recommendation of the Institute of Chartered Accountants of India in Accounting standard (AS) 2 which has become mandatory with effect from 1.4.99. But for this change, the profit would have been more by Rs 248.46 lakhs. You may appreciate that after 2 years of loss this is the second year in succession of recording a profit. This is a good turnaround for the Company inspite of the adverse supply and demand fluctuations in Sugar Industry on account of higher volume of production and unrestricted imports upto the end of the financial year 1999-2000.



FUTURE PROSPECTS

Your Company is optimistic of recording a similar level of crushing in the next year and the Company wants to keep up this tempo in future years. Co-generation plant is also performing very well which helps in improving the bottomline of the Company in the face of seasonal vagaries associated with the sugar industry. But the real threat to the industry is the excess production and unrestricted imports during the last two years as compared to the consumption and the resultant accumulation of stock. The mismatch between consumption and supply is increasing the storage related costs and interest. This has been highlighted in the representations to the Government. The Government of India has now recognised the problems of the sugar industry and is trying to remedy them by making some changes in the policy as given below :

1. Import has been restricted by increasing the custom duty while at the same time bringing imported sugar under the distribution control of the Government and levy obligation.
2. The levy obligation is being reduced in a phased manner as recommended by the high level Mahajan Committee set up to go into all aspects of sugar industry. The levy obligation has already been reduced to 30% and it is expected that the remaining levy obligation also will be removed in stages.
3. The Government of India is planning to export 2 million tons of sugar. The international price has started firming up and is expected to further go up making the exports more viable without any incentive from the Government. This will help the sugar industry in reducing the overall inventory carrying cost.

The above policy changes by Government has helped in creating a more or less level playing field for domestic industry vis-à-vis importers.

If one goes by the Government outlook towards Sugar Industry and the measures contemplated by the Government, one can be reasonably assured

that the sugar industry will survive and become viable in the coming years.

DIVIDEND

The Company is posting profits for the second year in succession after two years of loss. But the need for shoring up the Company's resources to wipe out the losses of the previous years and to be ready for the opportunities and challenges in the immediate future has also to be addressed. The Board of Directors has therefore reluctantly and with much regret felt compelled to recommend skipping of dividend for the year 1999-2000.

RESERVES

During the year, there is no change in the position of Reserves.

FIXED DEPOSITS

Your Company has no unpaid deposits which were due or repayable as on 31st March, 2000. Your Company has not defaulted in repayment of the deposits on the due dates. But as on the date of this report, there are some unclaimed deposits amounting to Rs.57,000. We are following up with the depositors concerned for early disposal.

A sum of Rs.179.36 lakhs was collected as deposits during the year 1999-2000. Your Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the rules prescribed thereunder.

DIRECTORS

1. Dr K S Thirumalaswamy resigned from the Board on account of other commitments and his resignation was accepted from 29.01.2000.
2. ICICI nominated Mr N Ramesh, their Vice President as their Nominee Director with effect from 29.10.1999 in place of Shri D Sridharan who had completed his tenure.

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



Necessary resolutions are placed before the shareholders for their approval.

AUDITORS

The Auditors of the Company, M/s Srinivasan and Shankar, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and are eligible for reappointment. Necessary declarations have been obtained from them.

COST AUDIT

As per the directions of the Government of India Mr G Suryanarayanan, a Cost Accountant has been appointed as the Cost Auditor for the financial year ended 31st March, 2000.

LISTING WITH STOCK EXCHANGES

Your Company's securities are listed at the following Stock Exchanges.

1. Madras Stock Exchange Ltd.,
Exchange Building, Post Box No.183,
II Line Beach, Chennai - 600 001.
2. The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers, 25th Floor,
Dalal Street, Mumbai - 400 001.
3. The National Stock Exchange of India Ltd.,
Mahindra Towers, "A" Wing, First Floor,
RBC Worli, Mumbai - 400 018.

Listing fees have been paid upto date.

DEMATERIALISATION

Securities and Exchange Board of India (SEBI), have through their letter dated May 29, 2000 addressed to all the Stock Exchanges, communicated the Board's decision that with effect from 26.03.2001 trading in the scrips of Dharani Sugars and Chemicals Limited by all investors would be compulsorily in dematerialised form.

Accordingly, Company is making necessary arrangements to execute the required documents with National Securities Depository Limited and

Central Depository Services Limited so that dematerialised trading could be commenced from 26.03.2001.

This is for the information of all shareholders.

CORPORATE GOVERNANCE

Your Company has initiated steps towards implementation of the requirements of Corporate Governance as recommended by the Kumar Mangalam Birla Committee, though as per SEBI Directives, it will be applicable to your Company only from the financial year 2000-2001. Accordingly, the detailed report on Corporate Governance will be included in the Annual Report for the year 2000-2001.

STATUS OF Y2K PREPAREDNESS

The Company had taken adequate precautions in regard to problems associated with Y2K and even during the post Y2K period, the Company did not face any problem and its systems are operating as desired.

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 AND 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.