

# PGP GROUP AGRICULTURAL CHEMICALS LIMITED



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*Fourteenth Annual Report*  
*2000 - 2001*



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**BOARD OF DIRECTORS**

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

**Company Secretary** : Mr T Murugan

**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  
Canara Bank

**Registered Office** : "PGP House", No 57 Sterling Road  
Nungambakkam, Chennai – 600 034

**Factories** : **Dharani I**  
Dharani Nagar 627 760  
Tirunelveli District  
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 **FOURTEENTH** Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall", Narada Gana Sabha, New No. 314 T T K Road, Alwarpet, Chennai - 600 018 on **Wednesday the 5th September 2001, at 11.00 A.M.**, to transact the following business.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2001 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 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.

By Order of the Board

Place : Chennai-34

**T MURUGAN**

Date : 16.06.2001

*Company Secretary*

**NOTES**

**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.**

1. 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 forty-eight 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 2001 to 5th September 2001 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 warrant for the year 1994-95 and 1995-96 may write to Registered Office with Folio details for revalidation or for obtaining Duplicate Warrants.
7. Members are requested to bring their copies of Annual Report to the Meeting.

**DIRECTORS' REPORT**

Dear Members,

Your Directors present herein the Fourteenth Report on the operations of your Company and the Audited Statement of accounts for the year ended 31st March, 2001.

**FINANCIAL RESULTS**

Particulars	(Rs. in Lakhs)	
	Year ended 31.03.2001	Year ended 31.03.2000
Total Income	16490.50	18615.81
Profit before interest, Depreciation and tax	3846.93	3591.99
Interest and Finance charges	3116.68	2906.30
Depreciation	551.42	548.51
<b>PROFIT BEFORE TAX</b>	<b>178.83</b>	<b>137.18</b>
Prior period Expenses	3.71	3.80
Income Tax	—	—
Tax Provision written back	—	(12.80)
<b>PROFIT AFTER TAX</b>	<b>175.12</b>	<b>146.18</b>
Transfer from General Reserve	451.00	—
Profit/(Loss) brought forward from last year	(1377.17)	(1523.35)
<b>PROFIT/(LOSS)</b>	<b>(751.05)</b>	<b>(1377.17)</b>
<b>APPROPRIATIONS</b>	<b>Nil</b>	<b>Nil</b>

**REVIEW OF OPERATIONS : 2000 – 2001**

During the year under review, the gross turn over of the Company by sale of sugar and by products was Rs.15086.24 lakhs a marginal increase of 1% over previous year's Rs.14894.80 lakhs. This was despite the reduced availability of Cane for crushing during the year. The total quantity of

Cane crushed in this year was only 12.17 lakh tons as against 14.54 lakh tons in the last year. The reduction was mainly in Unit – II Polur where severe drought conditions prevailed in the previous year and cane growing was severely affected. Total sugar produced was 10.72 lakh quintals against 12.27 lakh quintals in the earlier year. However, it was possible to effect an improvement in the average recovery rate i.e., from 8.46 % to 8.81 %.

Though the quantity of sugar sold was more or less the same as in the last year, being 9.77 lakh qtls (9.80 lakh qtls.) the realisation on this account was more by Rs 509.08 lakhs. The operating profit increased from Rs.35.92 Crores to Rs.38.47 Crores. Due to higher volume of inventory, the finance charges increased from Rs.2906.30 lakhs to Rs.3116.68 lakhs, affecting the net profit. Notwithstanding this, profit before Tax increased to Rs.178.83 lakhs from Rs.137.18 lakhs. The net profit after tax is Rs.175.12 lakhs against Rs.146.18 lakhs in the previous year, an increase of 20 %.

The Co-generation plant continued to function satisfactorily during the year. Due to lesser quantity of cane crushed, the power generation came down to 599.50 lakh units from 791.63 lakh units. In terms of value, power exported realised an income of Rs.951.38 lakhs against Rs.1220.11 lakhs. Various steps were taken to reduce in house power consumption, which resulted in increase in power availability for export per ton of cane crushed from 50.83 units to 52.10 units. Sales of industrial alcohol brought in a sum of Rs.429.62 lakhs.

**FUTURE PROSPECTS**

Your Company is optimistic of increasing the profitability in the next year. The rate of recovery is likely to increase further as a result of improved Cane varieties and better Cane management. In fact at the end of May 2001 the average recovery was 9.58 % at Dharani Nagar and 9.09 % at Polur. Co-generation plant is also performing well which helps in improving the bottom line 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 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. The Government of India has now recognised the problems of the sugar industry and has already taken steps to remedy them by making changes in the policy as given below:

1. The levy obligation has already been reduced to 15% and it is expected that the remaining levy obligation also will be removed in the near future.
2. The Government of India has removed the restriction on export 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 and also improve local free sugar price.
3. The Government has also cleared a proposal to allow futures trading in Sugar in order to bring about more stability in transactions in the open market. With futures allowed both cane growers and producers would be able to hedge their price risks effectively.

If we go by the Government outlook towards Sugar Industry and the measures contemplated by the Government, we are hopeful that the sugar industry will improve and become viable in the coming years. Your company has exported 3686 tons Sugar through ISGEC during the year under review. For the ensuing year, your Company hopes to increase the quantum of export substantially as the bottle necks have been cleared and companies are now free to negotiate and export directly without any limit. The interest cost is quite high and this affects the profits substantially. Your Company has therefore taken this up on priority basis and is negotiating with financial institutions and Banks for reduction in interest rates. This will improve the profitability of your Company. The stock of sugar will also get reduced on account of increase in export. As a result of these measures, cost of maintenance of stocks will certainly come down and the profitability of the company will go up further.

#### DIVIDEND

The Company is posting profits for the third year in succession. However on account of the need for building up the Company's resources to wipe out the losses of the earlier years, the Board of Directors have felt compelled not to recommend dividend for the year 2000-2001.

#### RESERVES

A sum of Rs.451 lakhs has been transferred from General Reserves to Profit and Loss Account.

#### FIXED DEPOSITS

Your Company has no unpaid deposits, which were due or repayable as on 31st March 2001. 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 6.62 lakhs. The Company is following up with the depositors concerned for early disposal.

A sum of Rs 258.26 lakhs was collected as deposits during the year 2000-2001. Your Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the rules prescribed thereunder.

#### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of Companies Act, 1956 your directors state as follows.

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures,
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgements 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,



## Dharani Sugars and Chemicals Limited

- (iii) That the directors had 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 had prepared the annual accounts on a going concern basis.

### AUDIT COMMITTEE

In due compliance with Section 292 A of the Companies Act, 1956 an Audit Committee has been formed with members Mr N Ramesh, Mr A Sennimalai and Mr R Natarajan. Board considered the views of the Audit Committee while approving the accounts for the year ended 31st March 2001.

### DIRECTORS

Mr R Natarajan and Mr A Sennimalai 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 2001.

### LISTING WITH STOCK EXCHANGES

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

1. Madras Stock Exchange Ltd., Exchange Bldg., 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 and subsequent clarifications addressed to all the Stock Exchanges, communicated the Board's decision that with effect from 26.06.2001 trading in the scrips of Dharani Sugars and Chemicals Limited by all investors would be compulsorily in dematerialised form. Your company has entered into agreements with NSDL and CDSL to facilitate holding and trading in electronic form. The ISIN Number is INE988C01014. Dematerialisation facility is available from 28th February 2001.

### CORPORATE GOVERNANCE

As per SEBI Directive and Clause 49 of the Listing Agreement with Stock Exchanges, your Company has to implement the requirements of Corporate Governance before 31.03.2002 i.e., it will be applicable to your Company from the Financial Year 2001-2002. Your Company has already initiated the required steps towards implementation of these requirements. Accordingly the detailed report on Corporate Governance will be included in the Annual Report for the year 2001-2002.

A committee of Directors has also been constituted with Dr K C Reddy as Chairman and Mr M Ramalingam, Executive Director as Member to look into the complaints of shareholders and investors like delay in transfer of shares, non receipt of annual reports, Balance Sheets etc.



**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.

There are no employees covered by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules 1975.

**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 I to this report.

**ACKNOWLEDGMENTS**

The Board of Directors places on record its appreciation of the support, assistance and co-operation received from the Central Government, Government of Tamil Nadu, various governmental agencies, the all-India Financial Institutions, the Company's bankers, Indian Bank, State Bank of India, South Indian Bank, Bank of India, Central Bank of India, Federal Bank, Corporation Bank and Canara Bank.

The Board of Directors also wishes to place on record its appreciation for the cane growers without whose help and support it could not achieve the progress that has been made during this year. With our encouragement and their initiative, we hope to maintain adequate cane availability for the ensuing year.

Further we are thankful and grateful for the continuing co-operation to the management from the shareholders' family since inception and confident this partnership will sustain for ever.

For and on behalf of the Board

Place : Chennai-34 Dr PALANI G PERIASAMY  
Date : 16.06.2001 . Executive Chairman

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**ANNEXURE I TO THE DIRECTORS REPORT**

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

**1. CONSERVATION OF ENERGY**

		(2000-2001)		(1999-2000)	
		Sugar	Distillery	Sugar	Distillery
<b>A. Power and Fuel Consumption</b>	Units				
1. Electricity					
a) Purchased					
Units	KWH	669625	81837	643949	249878
Total Amount	Rs.	4737284	557507	4723791	1396288
Rate/Unit	Rs.	7.7	6.81	7.34	5.59
b) Own Generation					
i) Through Diesel Generator					
Units	KWH	197439	4734	218414	10046
Units/litre of diesel		2.1	2.96	3.08	2.8
Cost/Unit	Rs.	3.96	6.13	4.33	5.39
ii) Through Stream Turbine/Generator (generated out of own bagasse consumption)	KWH	35864998	949169	46927924	1371621
2. Coal		Not used		Not used	
3. Furnace Oil					
Quantity	KL	—	—	—	397710
Total Amount		—	—	—	3452887
Average rate per K. Ltr.	Rs.	—	—	—	8.68
4. Other/Internal Generation					
Firewood quantity		—	—	—	—
Total Cost	Rs.	—	—	—	—
Rate/M.T.	Rs.	—	—	—	—
<b>B. Consumption per unit of production</b>					
Sugar produced	QTLS	1073790	—	1227850	—
Industrial Alcohol produced	LTRS	—	4007947	—	5781070
Electricity consumed	KWH	34.21	0.26	38.92	0.28
Coal (M.T./Qtl)		—	—	—	—
Furnace Oil (K.Ltr/Qtl)	KL	—	—	—	68.80
Firewood (M.T/Qtl)		Negligible	Negligible	Negligible	Negligible
<b>II. TECHNOLOGY ABSORPTION</b>					
Research and Development (R & D)		—	—	—	—
Technology Absorption, Adoption & Innovation		—	—	—	—
<b>III. FOREIGN EXCHANGE EARNINGS AND OUTGO</b>					
Activities relating to Export		—	—	—	—
Foreign Exchange used (Rs. in lacs)		—	—	—	—

For and on behalf of the Board

Place : Chennai - 34  
Date : 16.06.2001Dr PALANI G PERIASAMY  
Executive Chairman