



DHARANI SUGARS AND CHEMICALS LIMITED

**20th
ANNUAL REPORT
2006 - 2007**



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BOARD OF DIRECTORS

Dr Palani G Periasamy - Executive Chairman

Dr CK Ramachandran

Dr KN Sivasubramanian

Mr A Sennimalai

Mr PS Gopalakrishnan

Mr T Ramabhadran

Dr KC Reddy - Nominee Director - IREDA

Mr Ashok Alladi - Nominee Director - ICICI

Mr M Ramalingam - Managing Director

Company Secretary - Mr E P Sakthivel

Auditors - M/s Srinivasan & Shankar
Chartered Accountants, Chennai - 600 028

Bankers - ICICI Bank Limited
Indian Bank
State Bank of India
Bank of India
The Federal Bank Limited
The South Indian Bank Limited
Central Bank of India
Union Bank of India
IDBI Bank Ltd

Registered Office - "PGP House", No 57 Sterling Road,
Nungambakkam, Chennai - 600 034.
Phone No. 2831 1313 - 2820 7480/81/82
E-mail: secretarial@dharanisugars-ggp.com

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Phone : (04636) 2441370 - 72
- Dharani II**
Karaipoondi Village,
Chetput Road, Polur Taluk
Tiruvannamalai Dist. - 606 803
Tamil Nadu
Phone : (04181) 223161 - 62, 223170



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **TWENTIETH 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 **Monday the 17th September 2007 at 10.20 A.M.**, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 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 K.N.Sivasubramanian, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.S. Gopalakrishnan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Mr T. Ramabhadran as Director, who has consented to act as Director if appointed as a Director of the Company in respect of which, the company has received a notice in writing along with a deposit of Rs.500/- pursuant to sec 257 (1) of the Companies Act 1956, from a member of the company proposing the appointment of Mr. T. Ramabhadran as a Director of the company and that Mr. T. Ramabhadran's period of office shall be liable to determination by the retirement of Directors by rotation.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following as a Special Resolution.

"RESOLVED THAT the Company do apply to the Madras Stock Exchange for de-listing of Company's equity shares by following the procedure prescribed in SEBI (De-listing Securities) Guidelines - 2003.

7. To consider and if thought fit, to pass, with or without modification, the following as a Ordinary Resolution.

"RESOLVED THAT pursuant to Section 198,269,309,310,314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the shareholders in the next Annual General Meeting and also subject to such other approvals or consents as may be necessary, Mr. M. Ramalingam be and is hereby appointed as Managing Director for a period of five years from 01.04.2007 to 31.03.2012 on the following terms and conditions.

- | | |
|----------------|---|
| 1. Salary | - Rs.70,000/- per month in the scale of Rs.70000-5000-90000. |
| 2. 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. |

Perquisites, other than contribution to Provident Fund, Superannuation Fund, gratuity, as admissible according to existing regulations, are presently classified as follows:

Part A

Housing I - The expenditure incurred by the Company on hiring unfurnished accommodation will be subject to the following ceilings:



At Bombay, Calcutta, Delhi and Chennai 60% of salary, over and above, 10% payable by the Managing Director.

The Expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax Rules, 1962. This will, however, be subject to ceiling of 10% of the salary.

Housing II - In case accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.

Housing III - In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing I.

Part B

He will be entitled to Leave Travel Allowance as per Company policy. He will also be entitled to reimbursement of Medical expenditure as per Company policy.

However Leave Travel Allowance and Medical reimbursement will each be restricted to one month's salary.

Part C

Provision of a car with driver and telephone at residence provided that personal long distance calls on telephone and uses of car for private purpose shall be billed by the Company to the Managing Director.

In the event of absence or inadequacy of profits in any financial year of the Company during the period of appointment, the salary and other allowances aforementioned shall be regulated in accordance with Section II of Part II of Schedule XIII of the Companies Act, 1956.

Mr. M. Ramalingam shall not be liable to retirement by rotation, so long as he continues to be Managing Director.

8. To consider and if thought fit, to pass, with or without modification, the following as an Ordinary Resolution.

"RESOLVED THAT in supersession of the resolution passed at the Thirteenth Annual General Meeting held on 15th September 2000 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, not with standing 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.400 crores (Rupees Four 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 any 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 any 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.



9. To consider and if thought fit, to pass, the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT pursuant to section 16,94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share capital of the company be and is hereby modified from Rs.30,00,00,000 (Rupees Thirty crores) divided into 3,00,00,000 (Three crores) Equity shares of Rs.10/-(Rupees Ten Only) each and 1,00,00,000 (One Crore) Preference Shares of Rs.10/-(Rupees Ten only) each to Rs.50,00,00,000 (Rupees Fifty crores only) divided into 5,00,00,000 (Five crores) Equity shares of Rs.10/- (Rupees Ten only) each and 1,00,00,000 (One crore) Preference Shares of Rs.10/-(Rupees Ten only) each.

10. To consider and if thought fit, to pass, the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT existing clause V of the Memorandum of Association of the company be deleted and the following new clause be substituted in its place.

CLAUSE V: The authorised share capital of the company is Rs.60,00,00,000 (Rupees sixty crores only) divided into 5,00,00,000 (five crores) Equity shares of Rs.10/- (Rupees Ten only) each and 1,00,00,000 (One crore) Preference shares of Rs.10/- (Rupees Ten only) each with power to increase or reduce the capital of the company and to divide and subdivide the shares into several classes and to attach thereto respectively such preferential qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the company for the time being and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or as may for the time being be provided by the Articles of the company".

11. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to section 31 and other applicable provision if any of the Companies Act, 1956 the company's Articles of Association be and are hereby altered by substituting the following new Article 3 for the present Article 3 thereof:

Article 3

The share capital of the company is Rs.50,00,00,000 (Rupees fifty crores only) divided into 5,00,00,000 (five crores) Equity shares of Rs.10/-(Rupees Ten only) each and 1,00,00,000 (one crore) Preference Shares of Rs.10/-(Rupees Ten only) each subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act, 1956 and the Statutory regulations for the time being in force in this regard. These Shares will carry such preferential, qualified or special rights, privileges as may be conferred on them from time to time by these regulations".

12. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution.

"RESOLVED THAT in accordance with the provisions of Section 81 (1) and (1A) and all other applicable provisions, if any of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force), and all the provisions in the Memorandum and Articles of Association of the Company and any agreements entered into by the Company with the Stock Exchange, the shares of the Company be and shall be subject to the approval of the Financial Institutions (FIs) Securities and Exchange Board of India (SEBI), Reserve Bank of India



(RBI) and all other concerned authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions, as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board") and/ or a duly authorised committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board to issue / offer 2,00,00,000 (Two Crores only) equity shares of the face value of Rs.10/- (Ten only) each for an aggregate amount not exceeding of Rs.20,00,00,000 (Rupees Twenty Crores only) at such rate as the Board or Committee at its sole discretion may at any time or times hereafter decide, to the Members and Employees of the Company and Employees of the Group Companies at the time of the Issue, Non-Resident Indians, Foreign Institutional Investors (FIIs), Banks, bank subsidiaries, Financial Institutions, Companies, Overseas Corporate Bodies (OCBs) and Mutual Funds, other entities/authorities and to such other persons, whether through public issue, rights issue, private placement and / or Exchange of Securities, conversion of loans or otherwise and for general corporate purpose including capital expenditure, working capital requirements, strategic investments, mergers, amalgamations, acquisitions, reconstructions, or arrangements or any other re organizations as the Board may deem fit and/or by any one or more or by a combination of the above modes/ methods or otherwise at such time or times and at such price or prices and in

one or more trenches, as the Board or Committee thereof may in its absolute discretion think fit, or in consultation with the Lead Managers, Advisors, Underwriters and such other person and on such terms and conditions including the number of Equity Shares and or other instruments to be issued, the ratio, the letter of offer and fixing of record date or book closure and all other related or incidental matters".

"RESOLVED FURTHER THAT such of these securities to be issued, as are not subscribed may be disposed of by the Board/ Committee thereof, to such persons and in such manner and on such terms as the Board or Committee in its absolute discretion thinks most beneficial to the Company including offering or placing them with Banks / Financial Institutions / Investments Institutions / Mutual Funds / Foreign Institutional Investors or such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide."

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulty or doubt that may arise in regard to the offer/ issue, allotment and utilization of the proceeds of issue of the securities and further to do all such acts, deeds, matters and things and to finalize and execute all such deeds, documents and writings as may be necessary, desirable or expedient it may deem fit".



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 **10.09.2007** to **17.09.2007** (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 holding shares in physical form are requested to quote their Registered Folio numbers and those holding shares in demat form to quote their ID Numbers in the attendance slips

and in all correspondence with the Company and notify the Company/ Registrar & Transfer Agent immediately of change, if any, in their Registered Address and/ or of their mandates.

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 are requested to bring their copies of Annual Report to the Meeting.
7. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business set out against item 6, 7, 8, 9, 10, 11 & 12 is annexed hereto.

By Order of the Board
For Dharani Sugars and Chemicals Ltd

Place : Chennai 34
Date : 15.06.2007

E.P. SAKTHIVEL
COMPANY SECRETARY



Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

Item No.6

Delisting from Madras Stock Exchange.

Presently, Dharani Sugars and Chemicals Limited, a listed Company, is listed on Madras, Bombay and National Stock Exchanges. No trading takes place in Madras Stock Exchange even now and the entire trading is done only in Bombay & National Stock Exchange.

However, according to SEBI's directives, all the regional stock exchanges have to be demutualised before August/September 2007 and if it is not done by then, the exchange itself might be de-recognized by SEBI.

Delisting from Madras Stock Exchange will not inconvenience the shareholders any way. There will not be any reduction or change in the Capital structure of the Company. In view of the substantial saving in cost and labour, your Directors recommend approval of this resolution by Shareholders.

None of the Directors is interested in this resolution.

Item No.7

Shri M Ramalingam was appointed as a whole time Director designated as Executive Director-Technical at the 12th Annual General Meeting held on 05.08.1999 for a period of five years with effect from 25.06.1999 to 24.06.2004. Subsequently, he was re-appointed as Director Technical at the 17th Annual General Meeting held on 27th July 2004 for a period of five years with effect from 25.06.2004 to 24.06.2009. He is an Engineering graduate with specialization in sugar Technology. He had been directly involved in the setting up the sugar factory at Dharani Nagar and Polur. He has an overall experience of 34 years in the sugar industry. The company has increased the crushing capacity of Unit II Polur from 2500 TCD to 4000 TCD. Further, the company is initiating

action for setting up a complete sugar complex at Sankarapuram consisting of sugar factory 5000 TCD, distillery 100 KLPD, Cogeneration of 28 MW. These will be additional responsibilities to Mr.M.Ramalingam. Considering the additional responsibilities entrusted to Shri.M.Ramalingam, the Board felt that the company will be benefited by promoting him as Managing Director. Accordingly the Board had decided to re-appoint him as whole time Director designated as Managing Director on the terms and conditions detailed in the notice for a fresh period of 5 years from 01.04.2007.

The Directors recommend the resolution for the approval of the shareholders. None of the Directors of the company except Shri.M.Ramalingam is in any way, concerned or interested in the resolution.

Item No.8

At present the company has Rs.90 Crores as outstanding Term Loans. The Company has decided to set up a new sugar complex consisting of sugar plant, Distillery unit and co-generation at a cost of Rs.310 crores at Sankarapuram, Villupuram District. The project is expected to be financed mainly by Term loans from Banks and financial institutions and to some extent by equity and internal resources. The existing borrowing power of Rs.300 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.300 crores to Rs. 400 crores in order to comply with the financial parameters of the term lending institutions and banks and also to meet any contingencies. The Board has in its meeting held on 15th June 2007 recommended increasing the said limit to Rs. 400 crores, subject to approval of share holders in the next AGM. In addition, in order to secure such borrowing, it may be necessary to mortgage /hypothecate or otherwise charge immovable 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 the 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.9,10, 11 & 12

At present the company's Authorised capital is Rs.40 crores consisting of 3,00,00,000 equity shares Rs.10 each and 1,00,00,000 preference share of Rs.10 each. To complete the Sankarapuram Project the company has to go for Public/Right/Private issue to tie up the financial requirements. Therefore it is felt necessary to increase Authorised capital to Rs.60 crores from Rs.40 crores. The modification of the Authorised capital of the company is proposed to enable, at appropriate time(s) as the Board hereafter decide, the issue of further shares.

The alteration of the capital clause of the Memorandum of Association and Article 3 of the Articles of Association of the Company are purely consequential, in accordance with the provisions of the Companies Act, 1956.

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
For Dharani Sugars and Chemicals Ltd

Place : Chennai 34
Date : 15.06.2007

E.P. SAKTHIVEL
COMPANY SECRETARY

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