



DHARANI SUGARS AND CHEMICALS LIMITED

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ANNUAL REPORT 2008 - 2009



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**BOARD OF DIRECTORS**

Dr Palani G Periasamy	- Executive Chairman
Shri M Ramalingam	- Managing Director
Dr CK Ramachandran	
Dr KN Sivasubramanian	
Shri A Sennimalal	
Shri PS Gopalakrishnan	
Shri T Ramabhadran	
Dr KC Reddy	- Nominee Director - IREDA
Shri M Guruvayurappan	- Nominee Director - ICICI

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

Factories	- Dharani I Dharani Nagar 627 760, Tirunelveli Dist., Tamil Nadu Phone : (04636) 241370 - 72 email : dharani1@dharanisugars-pgp.com
	- Dharani II Karaipoondi Village, Chetput Road, Polur Taluk Tiruvannamalai Dist. - 606 803 Tamil Nadu Phone : (04181) 223161 - 162, 223170 email : dharani2@dharanisugars-pgp.com
	- Dharani III Kalayanallur Village, Sankarapuram Taluk, Villupuram Dist. - 606 206 Tamil Nadu. email : dharani3@dharanisugars-pgp.com



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **TWENTYSECOND Annual General Meeting** of the Members of the Company will be held at "Sathguru Gnanananda Hall", Narada Gana Sabha, New No.314 TTK Road, Alwarpet, Chennai 600018 on **Monday the 24th August 2009 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 2009 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 Shri T Ramabhadran, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri P S Gopalakrishnan, who retires by rotation and being eligible offers himself for re-appointment.
4. To declare a dividend on Equity Shares.
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 resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to Section 198, 269, 309, 311, 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, Dr Palani G Periasamy be and is hereby appointed as a whole time director designated as "Executive Chairman", not subject to retirement by rotation, for a period of five years from 25.06.2009 to 24.06.2014 on the following terms and conditions.

Salary	Rs. 4,00,000/- (Rupees Four Lakhs only) per month. This salary will be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.
Commission	In addition to salary, 3% Commission on the net profits of the Company subject to the maximum ceiling specified in Section 309 (3) of the Companies Act, 1956.
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.

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 Whole Time 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 Whole Time Director shall be deducted by the Company.

Housing - III - In case no accommodation is provided by the Company, the Whole Time 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 use of car for private purposes shall be billed by the Company to the Whole Time Director.

7. 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 Twentieth Annual General Meeting held on 17th September 2007 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.500 Crores** (Rupees Five 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".

8. To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and applicable subsisting rules/regulations/guidelines prescribed by Government of India / Security Exchange Board of India (SEBI)



and any other regulatory authority subject to any approval, consent, permission and / or sanction of the appropriate authorities (hereinafter collectively referred to as "the appropriate authorities"), and the Listing agreements entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and / or sanction (hereinafter referred to as "the requisite approvals"), and which may be agreed to by the Board of Directors of the Company (hereinafter called 'the Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constituted to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorised to create, offer, issue and allot, from time to time in one or more tranches, Equity Shares and/or warrants entitling to apply for equity Shares or other securities convertible into or exchangeable with equity Shares (hereinafter referred to as the "Securities") to be subscribed by the existing Promoter Group and / or their associates / nominees / groups / persons acting in concert and domestic/foreign institutions, institutional investors, banks, mutual funds, bodies corporate, high networth individuals or other entities whether or not such investors are Members of the Company, under a preferential issue including conversion of loans through offer letter and/or circular and/or information memorandum and/or such other documents /writings, in such a manner and on such terms and conditions as may be determined by the Board in its absolute discretion, provided that the aggregate number of equity shares to be

issued including those to be allotted against such warrants shall not exceed 40.00 lakhs (Forty lakhs) fully paid equity shares of the face value of Rs.10/- (Rupees Ten only) each at a price not lower than the higher of the following:

a) The average of the weekly high and low of the closing prices of the related Shares quoted on the Stock Exchange during the six months preceding the relevant date;

or

b) The average of the weekly high and low of the closing prices of the related Shares quoted on a Stock Exchange - during the two weeks preceding the relevant date as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the relevant date for this purpose being **July 25th 2009**, which is 30 days prior to the date of this Annual General Meeting.

RESOLVED FURTHER THAT the equity Shares allotted in terms of this resolution shall rank *pari passu* in all respects with the then existing equity Shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of aforesaid Securities and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said Securities, utilization of the issue proceeds and to do all acts, deeds and



things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred, to any Committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

9. To consider and pass with or without modification the following resolution as a special resolution:

other applicable provisions if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and the provisions of the Memorandum & Articles of Association of the Company and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any person or authority while granting such approvals, consents, permissions and sanctions,

which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board which term such include a duly authorised Committee(s) thereof for the time being exercising the powers conferred by the Board including the powers conferred by this resolution) consent of the Company be and is hereby accorded to create, offer, issue and allot upto 1,00,00,000 (One Crore) Redeemable Preference shares of the face value of Rs.10 (Rupees Ten only) each at par and for cash to the promoters of the Company / Associate Company and / or to any other investor group/s in one or more tranches on a private placement basis and on such terms and conditions including the number of Redeemable Preference Shares to be issued, as may be determined by the Board and that the Board may finalise all matters incidental thereto as it may in its

RESOLVED FURTHER THAT the Board be and is hereby authorised to determine the issue amount, number of redeemable preference shares to be issued in each tranche, rate of fixed dividend and do all such acts, deeds matters and things as it may in its absolute discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise with regard to such issue.

**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. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business set out against item Nos. 6, 7, 8 & 9 are annexed herewith.
3. As required under Clause 49 (IV) (G) of the Listing Agreement, the relevant details of Directors seeking appointment / re-appointment under item Nos. 2 & 3 are annexed
4. The Register of Members and Share Transfer Books of the Company will remain closed **17th August 2009 to 24th August 2009** both days inclusive.

5. 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.
6. Members are requested to quote their Registered Folio numbers/ ID Nos. in all correspondence with the Company and notify the Company immediately of change, if any, in the Registered Address and/ or of their mandates.
7. 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.
8. Members are requested to bring their copies of Annual Report to the Meeting.

By Order of the Board
For Dharani Sugars and Chemicals Limited

Place : Chennai 34
Date : 21.07.2009

E.P. SAKTHIVEL
COMPANY SECRETARY

**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.****Item No. 6**

Dr Palani G Periasamy, the promoter of the Company was reappointed as a Whole time Director designated as Executive Chairman at the 17th Annual General Meeting held on 27.07.2004 for a period of five years from 25.06.2004 to 24.06.2009. His term of office comes to a close by 24.06.2009. Considering his substantial contribution to the progress and development of the Company and also the fact that the Company is in the process of setting up another integrated sugar complex at an estimated cost of Rs.335.00 crores, 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 lead the Company to progress further. Accordingly it was resolved in the meeting of the Board of Directors held on 20.06.2009 to reappoint Dr Palani G Periasamy as a Whole time Director designated as Executive Chairman for a further period of five years with effect from 25.06.2009 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 provide that Whole time Directors shall not be liable for retirement by rotation for the period decided by the Company in General Meeting.

The proposed resolution under item No.6 and this explanatory statement may be treated as abstract of the terms and conditions of the reappointment of Dr Palani G Periasamy pursuant to Section 302 of the Companies Act 1956.

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

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

Item No.7

The Company is setting up a new sugar complex consisting of sugar plant, Distillery unit and co-generation Power Plant 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 powers of Rs 400 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 400 crores to Rs 500 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 20.06.2009 recommended increasing the said limit to Rs 500 crores, subject to approval of shareholders in the ensuing AGM.

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 the General Meeting for creation of such mortgage /Charge.



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

The Directors recommend the resolution for the approval of the shareholders

Item Nos. 8 and 9

With a view to strengthen the Company's long term working capital fund needs and meeting its fund requirements for expansion and general capital purposes, the capital has to be augmented by issue of additional and equity and preference shares.

The Company is in the process of setting up an integrated sugar complex consisting of sugar plant with a capacity of 3500 TCD expandable to 5000 TCD, 22 MW Co-generation power plant and a distillery of 100 KLPD at an estimated cost of Rs.335.00 crores. The term loans have been arranged with banks / Financial Institutions. While sanctioning their loans, the Banks/Financial Institutions have prescribed that an amount of Rs.91 crores is to be brought in by the Company for the new project by way of equity/internal accruals. The Company has been exploring various avenues to raise additional resources. However, due to economic recession witnessed all over the world, the plans for raising funds in the market could not be implemented till date. Under these circumstances and to enable the Company to complete the project on time, the Promoters have agreed to provide a part of the required additional funds. It has been proposed to allot additional equity shares on a preferential basis for the amount so agreed to be provided. In addition, some institutional investors and high networth individuals have also expressed their interest in subscribing to this issue and the Company would like to take advantage of their offer to make up the shortfall.

Resolution against item No. 8 has been proposed to give effect to this arrangement.

As the amount agreed to be provided by the Promoters falls short of the requirements as fixed by the Lending Institutions, the Company has approached some private Equity Funds/Investors, who are likely to subscribe to preference shares to the extent of 10.00 crores. It is proposed to allot upto a maximum of 1,00,00,000 Fully paid, redeemable preference shares of Rs. 10/- each for a total sum of Rs. 10.00 crores, to cover the shortfall.

Resolution No. 9 is introduced for this purpose.

The details of the issue and other particulars as required in terms of SEBI (DIP) Guidelines 2000 are given as under:

1. Objects of the Issue: The preferential issue has been proposed to raise funds required for completing the Sankarapuram Sugar Complex Project as recommended by the Banks and Financial Institutions and also to meet the long term working capital funds.
2. The Promoter and his family and an associate Company have agreed to subscribe to allotment of equity shares on preferential basis. None of the other Directors or key management personnel of this Company are subscribing to this preferential offer.