

# **DHARANI SUGARS AND CHEMICALS LIMITED**



**24<sup>th</sup>**

***ANNUAL REPORT  
2010 - 2011***



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## **BOARD OF DIRECTORS**

<b>Dr Palani G Periasamy</b>	- Executive Chairman
<b>Mr M Ramalingam</b>	- Managing Director
<b>Dr K N Sivasubramanian</b>	
<b>Mr A Sennimalai</b>	
<b>Mr P S Gopalakrishnan</b>	
<b>Mr T Ramabhadran</b>	
<b>Dr K C Reddy</b>	- Nominee Director - IREDA

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 Limited Indian Overseas Bank IREDA
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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
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Factories	: Dharani I Dharani Nagar Tirunelveli District - 627 760 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 Phone : (04151) 248208, 248277 Email : dharani3@dharanisugars-pgp.com



## **NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the **TWENTY FOURTH** 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 600 018 on **Friday, the 23rd September 2011 at 10.20 A.M** to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2011 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 P S Gopalakrishnan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

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. As required under Clause 49 (IV)(G) of the Listing Agreement, the relevant details of Directors seeking appointment / re-appointment under item No.2 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **16th September 2011 to 23rd September 2011** both days inclusive.
4. 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.
5. 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.
6. 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.
7. Members who have not encashed their Dividend Warrants of 2008-09 and 2009-10 may send the same to the Registered office or Share Transfer Agent for revalidation.
8. Members are requested to bring their copies of Annual Report to the Meeting.
9. The Ministry of Corporate Affairs vide its Circular dated 21st April 2011 allowed the Companies to send notices, annual reports and other documents by means of e-mail to the members of the Company. Hence members, who have not registered their e-mail addresses, are requested to register their e-mail addresses with the Company/ Registrar.

By Order of the Board  
For **Dharani Sugars and Chemicals Limited**

Place : Chennai – 34  
Date : 24.05.2011

E.P. SAKTHIVEL  
COMPANY SECRETARY

**Details of the Directors seeking Appointment / Re-appointment at the 24th Annual General Meeting. (Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)**

Name	Mr P.S Gopalakrishnan
Age	74
Qualification	B.COM, LLB, AIB (Associate of Institute of Bankers) (London), Fellow of Economic Development Institute of World Bank, Washington.
Date of Appointment	30.08.2005
Experience	More than 35 years in Banking and Development financial institutions
Other Directorships	a. Kothari Sugars & Chemicals Ltd b. Sakthi Finance Ltd C. Shriram General Insurance Co. Ltd.,
Member of Committees	Management Committee, Audit Committee
No of Shares held in this Company	Nil
% of Shares	Nil


**DIRECTORS' REPORT**

Dear Members,

Your Directors present herein the **Twenty-Fourth** Annual Report on the operations of your Company and the Audited Statement of accounts for the year ended 31<sup>st</sup> March 2011.

**Financial Results**

(Rs. in Lakhs)

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Gross Sales	<b>85883.64</b>	59667.62
Profit before Interest, Depreciation and Tax	<b>8161.20</b>	12192.39
Interest and Finance Charges	<b>5817.10</b>	3326.96
Depreciation	<b>2146.05</b>	1398.00
Profit/(Loss) before Tax	<b>198.05</b>	7467.43
Amortization of USAID Grant	<b>11.25</b>	11.25
Income Tax / (MAT) Credit	<b>(102.30)</b>	62.31
Deferred Tax Asset / (Liability)	<b>251.81</b>	(2978.09)
Profit/(Loss) After Tax	<b>358.81</b>	4562.90
Dividend	-	380.85
Dividend Tax	-	63.25
Transfer to General Reserve	-	500.00
Carried forward from last year	<b>4461.20</b>	842.40
Balance carried forward to Balance Sheet	<b>4820.01</b>	4461.20

**Product-wise performance**
**Sugar:**

During the year under review, the company has crushed 13.29 lakh tonnes of cane as against 12.23 lakh tonnes of cane in the previous year. The increase in cane crushing is mainly due to Sankarapuram unit crushing for the full year. During the year, the Company has processed 90685 Tonnes of Raw Sugar as against 116215 Tonnes of Raw Sugar in the previous year.

The total sugar production was 20.10 lakh qtls as against 21.30 lakh qtls in the previous year. The sugar recovery from the cane was 8.93 % as against 8.49% in the previous year. The company has sold 26.14 lakh qtls as against 18.83 lakh qtls in the previous year. During the year the company has exported 8.90 lakh qtls of sugar. The average realization for the year 2010-11 was Rs. 2801/qrtl as against Rs. 2678/qrtl in the Previous year.

**Power:**

During this period, the total power generation was 2146.29 lakh units as against 1214.29 lakh units in the previous year. The export to the TNEB grid was 1535.04 lakh units as against 765.37 lakh units in the previous year. Accordingly, the total value of the power exported to the grid has increased to Rs.6992.18 lakhs as against Rs 3062.53 lakhs in the previous year.

**Industrial Alcohol:**

The production of industrial Alcohol was 125.76 lakh litres as against 150.59 lakh litres in the previous year. The decrease in the production was mainly on account of not operating the Sugar Plant for longer duration from where steam for the distillery unit is supplied. The Alcohol sale was 119.11 lakh litres as against 142.29 lakh litres in the previous year. Consequent to this, the Alcohol sales has come down to Rs.3435.54 lakhs as against Rs.4248.10 lakhs in the previous year. The average realization was Rs. 28.81/ litre as against Rs.29.80 /litre in the previous year.

**Financial Performance:**

During the year, the company has achieved a record turnover of Rs.858.84 crores as against Rs 596.67 crores in the previous year. However, the Gross operating profit decreased to Rs. 81.61 crores from Rs. 121.92 crores in the previous year. The reduction in the GOP was mainly on account of reduced margin in 2010-11 as compared to the previous year. After adjusting interest and depreciation, the operations resulted in a net profit of Rs. 2.09 crores, as against the profit of Rs 74.79 crores in the previous year. Taking into account the Deferred Tax Asset of Rs.2.51 crores and Tax of Rs.1.02 crores, the net profit comes to Rs 3.59 crores as against the profit of Rs. 45.63 crores in the previous year.



### **Dividend**

Due to inadequate profit in the current year, the Board of Directors is unable to recommend any dividend for the year 2010-11.

### **Reserves**

No amount is being transferred to Reserves due to inadequate profit during the year 2010-11.

### **Fixed Deposits**

A sum of Rs. 99.46 lakhs was collected as deposits during the year 2010-2011. Your Company has complied with the provisions of Section 58 (A) and 58 (AA) of the Companies Act, 1956 and the rules prescribed there under. Your Company has no unpaid deposits which were due or repayable as on 31<sup>st</sup> March 2011. Your Company has not defaulted in repayment of the deposits on the due dates. As on the date of this report, there are no unclaimed deposits.

### **Auditors**

The Auditors of the Company M/s Srinivasan and Shankar, Chartered Accountants, Chennai retire at the close of the ensuing Annual General Meeting and are eligible for reappointment. They have conveyed their consent for reappointment and have furnished the required declaration under Sec 224 of the Companies Act.

### **Cost Audit**

The Company has received the approval of the Central Government for appointment of Mr. V Srinivasan, as Cost Auditor to carry out the Cost Audit for the Financial Year 2010 - 11.

### **Share Capital Audit Report**

As part of the guidelines issued by Government of India for voluntary adoption by all Companies, your Company appointed Mr M Damodaran, Practicing Company Secretary, to conduct Share Capital Audit of the Company. The Share Capital Audit Report for the financial year ended 31<sup>st</sup> March 2011, addressed to the Board of Directors of the Company, is attached to the Annual Report.

The Share Capital Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with the Stock Exchanges, Securities Contracts (Regulations) Act, 1956 and all the Regulations of SEBI as applicable to the Company, including the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

### **Directors**

Shri P S Gopalakrishnan is retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

### **Directors' Responsibility Statement**

In terms of Section 217 (2AA) of the Companies Act, 1956 your Directors confirm as follows.

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgments 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.
- (iii) That the directors have 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 have prepared the annual accounts on a going concern basis.




**Corporate Governance**

A report on Corporate Governance and a management discussion and analysis report, in line with SEBI prescribed format incorporated in the Listing Agreement, are attached herewith. A certificate from the Statutory Auditors on compliance of conditions of Corporate Governance has been obtained and copy enclosed to this report.

**(A) Employed throughout the year ended 31<sup>st</sup> March, 2011 and was in receipt of remuneration aggregating not less than Rs.60,00,000**

Name / (Age)	Designation of the Employee/ Nature of Duties	Remuneration (Rs.)	Qualification / Experience (Years)	Date of commencement of Employment	Previous Employment
Dr. Palani G Periasamy (73 Years)	Executive Chairman	65.15 lakhs	MA., MA., Ph.D (USA)  (24 Years)	04.06.1987	Professor of Economics, USA.  Financial Consultant & Industrialist

**(B) Employed for part of the year ended 31<sup>st</sup> March, 2011 and was in receipt of remuneration aggregating not less than Rs. 5, 00, 000 per month - NIL**

1. The nature of employment of all employees above is contractual. The appointment is for a period of 5 years from 25.06.2009 to 24.06.2014
2. Remuneration as shown above includes salary, allowances, leave travel assistance, plus commission @3% of the net profit.
3. Remuneration as shown above does not include amount attributable to compensated absences as actuarial valuation is done for the company as a whole only.
4. He is not related to any Director of the Company.

**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, ICICI Bank Limited, IREDA, the Company's bankers, Indian Bank, State Bank of India, The South Indian Bank Limited, Bank of India, Central Bank of India, The Federal Bank Limited, Union Bank of India, IDBI Bank Ltd and Indian Overseas 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 have achieved the progress that has been made so far. With our encouragement and their initiative, we hope for improved cane availability for the ensuing years.

Your Directors are thankful to the employees of the Company for their wholehearted co-operation and unstinted dedication to duty leading to cordial industrial relations during the year under review.

The Board is thankful and grateful for the continuing co-operation to the management from the shareholders family since inception and is confident that this partnership will sustain forever.

for and on behalf of the Board of Directors

**DR PALANI G PERIASAMY**  
Executive Chairman

Place: Chennai - 34  
Date: 24<sup>th</sup> May 2011

## **Management Discussion and Analysis Report.**

### **Company profile**

Your Company is engaged in the business of manufacture of Sugar, Co-generation of power and Alcohol including Ethanol. The operations are spread over in three locations in Tamil Nadu namely, at Dharani Nagar in Tirunelveli District, at Karaipoondi Village, Polur in Thiruvannamalai District and at Kalayanallur Village, Sankarapuram Taluk in Villupuram District.

### **Indian Sugar Scenario**

India, the world's biggest consumer of sugar is the second largest producer of sugar in the world after Brazil. It is also the India's second largest Agro based industry after textiles. It employs about 50 million farmers and supports another 50 million people by providing direct/indirect employment. The Industry pays about Rs.50000 crores to the farmers as cane payment, which constitutes about two thirds of the cost of production of sugar. The sugar industry contributes an estimated Rs.5000 crores annually by way of excise duty and purchase tax on sugar cane.

As per the study by A.C. Nielson, about 70% of sugar consumption is accounted for by the bulk consumers like beverages, biscuit/confectionery and sweet meat manufacturers, etc. and the balance 30% is equally consumed by BPL families

and the middle income families. Out of this, the supplies to the BPL families are ensured through PDS supply. Despite this, Indian Sugar Industry may be the highly controlled and regulated Industry in the World. These controls are being exercised in the name of protecting the consumers, (which includes the bulk consumers also), whereas it really hurts the Industry and the farmers. In fact our Sugar Industry may be the only Industry in the world, which subsidizes the Indian consumers, subsidizes the Government by carrying the inventory to meet the supply throughout the year, subsidizes the international consumers by exporting the surplus sugar at a huge loss. Also imports during deficit period at high cost which benefits the international farmers and the trade.

Despite the above, the Indian Sugar production has bounced back and the sugar production for the season 2010-11 is expected to be 242 lakh tonnes as against 181 lakh tonnes in the previous season. Improved Free sale sugar price during the earlier season has enabled the industry to increase the cane price substantially. It has helped to attract more farmers back to sugar cane cultivation. If the sugar price in India is not artificially controlled, competition among the mills will ensure fair and remunerative price to the farmers which will ensure consistency in the production of sugar.