

# **DHARANI SUGARS AND CHEMICALS LIMITED**



**26th  
ANNUAL REPORT  
2012-2013**

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## DHARANI SUGARS AND CHEMICALS LIMITED 26<sup>TH</sup> ANNUAL REPORT BOARD OF DIRECTORS

<b>Dr Palani G Periasamy</b>	Executive Chairman
<b>Mr M Ramalingam</b>	Managing Director
<b>Dr K N Sivasubramanian</b>	Director
<b>Mr A Sennimalai</b>	Director
<b>Mr P S Gopalakrishnan</b>	Director
<b>Dr K C Reddy</b>	Nominee Director – IREDA
Company Secretary	Mr E P Sakthivel
Auditors	M/s Srinivasan & Shankar Chartered Accountants, Chennai – 600 004.
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
Registered Office	PGP House, New No. 59 (Old No.57) Sterling Road, Nungambakkam, Chennai 600 034 Phone Nos / Fax Nos : 91-44-28311313, 2820 7480 Fax No. 91-44-28232074/76 Email : <a href="mailto:secretarial@dharanisugars-pgp.com">secretarial@dharanisugars-pgp.com</a> Website : <a href="http://www.dharanisugars.in">www.dharanisugars.in</a>
Factories	Dharani – I Dharani Nagar, Tirunelveli Dist – 627 760, Tamil Nadu Phone No. 04636 – 241370-72 <a href="mailto:dharani1@dharanisugars-pgp.com">dharani1@dharanisugars-pgp.com</a> Dharani –II Karaipoondi Village, Chetput, Polur Taluk Tiruvannamalai Dist, Tamil Nadu Phone No. 04181-223161 -162,223170 <a href="mailto:dharani2@dharanisugars-pgp.com">dharani2@dharanisugars-pgp.com</a> Dharani –III Kalayanallur Village, Sankarapuram Taluk. Villupuram Dist – 606 206, Tamil Nadu Phone No. 04151 -248208,248277 <a href="mailto:dharani3@dharanisugars-pgp.com">dharani3@dharanisugars-pgp.com</a>

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the TWENTY SIXTH 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 Monday, the 23rd September 2013 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 2013 and Statement of Profit and Loss 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 P S Gopalakrishnan, who retires by rotation and being eligible offers himself for re-appointment
3. To declare dividend on Equity shares.
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 a **SPECIAL RESOLUTION**.

**"RESOLVED THAT** in supersession of the resolution passed at the 22<sup>nd</sup> Annual General Meeting held on 24<sup>th</sup> August 2009 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 of the Company 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 700 Crores** (Rupees Seven 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"

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 Director 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 **16.09.2013 to 23.09.2013** 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.



# Dharani Sugars and Chemicals Limited

7. Members who have not encashed their Dividend Warrants of 2008-09, 2009-10 and 2011-12 may send the same to the registered office or Share Transfer Agent for revalidation.
8. Unpaid dividend for over 7 years will be transferred to Central Government and **no claim will lie thereafter**. Members may refer to page No. 19 of the Annual Report and lodge their claim, if any, immediately.
9. Members are requested to bring their copies of Annual Report to the Meeting.
10. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out against item No.5 is annexed herewith.

By Order of the Board  
For Dharani Sugars and Chemicals Limited

Place: Chennai – 34  
Date : 30.05.2013

E.P. SAKTHIVEL  
COMPANY SECRETARY

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

### Item No.5

In the AGM held on 24<sup>th</sup> August 2009, the Company was permitted under Section 293 (1) (d) to borrow money for the business of the Company upto a maximum limit of Rs.500 crores excluding the temporary loans obtained in the ordinary course of business.

The total outstanding term loans as on 31<sup>st</sup> March 2013 are Rs.329 crores.

The existing borrowing powers of Rs. 500 crores is just sufficient to meet the present requirements. As a matter of abundant caution, the Board feels that the limit of borrowing be increased from Rs. 500 crores to Rs 700 crores in order to comply with the financial parameters of the term lending institutions

and banks and also to meet future needs. The Board has in its meeting recommended increasing the said limit to Rs. 700 crores, subject to approval of shareholders in the Annual General Meeting.

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.

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

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

## Details of the Director seeking Appointment /Re appointment at the 26<sup>th</sup> Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

### Re-appointment of Mr P S Gopalakrishnan

<b>Name</b>	Mr P.S Gopalakrishnan
<b>Age</b>	77
<b>Qualification</b>	B.COM, LLB, AIB (Associate of Institute of Bankers) (London), Fellow of Economic Development Institute of World Bank, Washington.
<b>Date of Appointment</b>	30.08.2005
<b>Experience</b>	More than 38 years in Banking and Developmental Financial Institutions
<b>Other Directorships</b>	a. Kothari Sugars & Chemicals Ltd b. Sakthi Finance Ltd c. Shriram General Insurance Co. Ltd.
<b>Member of Committees</b>	Management Committee, Audit Committee & Remuneration Committee
<b>No of Shares held in this Company</b>	Nil
<b>% of Shares</b>	Nil

## DIRECTORS' REPORT

Dear Members,

Your Directors present herein the **Twenty-Sixth Annual Report** on the operations of your Company and the Audited Statement of accounts for the year ended 31<sup>st</sup> March 2013.

### Financial Results

(Rs. in Crores)

Particulars	Year Ended 31.03.2013	Year Ended 31.03.2012
Total Revenue	580.37	615.97
Profit before Interest, Depreciation and Tax	94.54	85.58
Interest and Finance Charges	53.63	48.75
Depreciation	24.01	20.75
<b>Profit/(Loss) before Tax</b>	<b>16.90</b>	16.08
Tax Expense	(4.80)	(5.94)
Amortization of USAID Grant	0.11	0.11
<b>Profit/(Loss) After Tax</b>	<b>12.21</b>	10.25
Dividend	2.94	2.94
Dividend Tax	0.50	0.47
Transfer to General Reserve	2.00	2.00
Brought forward from last year	53.04	48.20
Balance carried forward to Balance Sheet	59.81	53.04

### Product-wise performance:

**Sugar:** During the year under review, the Company has achieved a record high crushing of 22.69 lakh tonnes of cane as against 19.08 lakh tonnes of cane in the previous year. The increase in cane crushing is mainly due to increased availability of cane at Polur and Sankarapuram units on account of better monsoon in the previous year. The total sugar production was 20.52 Lakh Qtls as against 18.14 Lakh Qtls in the previous year. The total sugar sold was 16.15 lakh qtls as against 18.62 Lakh qtls in the previous year. The reduction in the sales was mainly on account of the reduced free sugar allotment and lower volume of exports. During the year, the Company has exported 7.81 lakh Qtls of sugar as against 8.16 lakh Qtls of sugar in the previous year. The average realization for the year 2012-13 was higher at Rs.2950/Qtl as against Rs.2796/Qtl in the previous year.

**Power:** During the year, the total power generation was 1761.67 lakh units as against 1728.51 lakh units in the previous year. The export to the TNEB grid was 1123.12 lakh units as against 1181.96 lakh units in the previous year. The total value of the power exported to the grid has decreased to Rs.45.55 crores from Rs 48.49 crores in the previous year mainly on account of reduced tariff and marginal reduction in units exported.

**Industrial Alcohol:** The production of industrial Alcohol was 220.07 lakh litres as against 147.19 lakh litres in the previous year. The increase in the production was mainly on account of the distillery plant at Kalayanallur Unit III. The Company was able to sell the entire production of Alcohol and the sale was 208.52 lakh litre as against 155.57 lakh litres in the previous year. Consequent to this, the Alcohol sales value has increased to Rs.50.41 crores as against Rs.38.06 crores in the previous year. The average realization was Rs. 24.09/ litre as against Rs.24.42 /litre in the previous year. The price of alcohol has come down on account of import of alcohol by the IMFL units from the neighbouring states.

### Financial Performance:

The total income for the year was Rs.580.37 crores as against Rs.615.97 crores in the previous year. The reduction in the income as compared to the previous year was mainly on account of the reduced free sugar allotment and lower volume of exports. The Gross Operating Profit has however increased to Rs.94.54 crores from Rs.85.58 crores. The Cash profit has also increased to Rs.40.91 crores as against Rs.36.83 crores in the previous year. The profit after Depreciation has increased to Rs.16.90 crores from Rs.16.08 crores in the previous year. The Net profit after tax works out to Rs.12.21 crores as against Rs.10.25 crores in the previous year.

### Dividend

Your Directors are pleased to recommend a dividend of Re.1.00 per Equity share of Rs.10/- each for the financial year ended 31<sup>st</sup> March 2013, which will involve a pay out of Rs.293.90 lakhs, besides dividend distribution tax of Rs.49.95 lakhs

### Reserves

During the year, your Company has transferred a sum of Rs. 200.00 lakhs to General Reserves account.

## Fixed Deposits

A sum of Rs. 14.34 lakhs was collected as deposits during the year 2012-2013. 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 2013. 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 re-appointment. 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 re-appointment of Mr.V Srinivasan, as Cost Auditor to carry out the Cost Audit for the Financial Year 2012-13.

## Compliance

The Company has devised proper systems to ensure compliance of all laws applicable to the Company.

## Directors

Mr P S Gopalakrishnan is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

## Directors' Responsibility Statement

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

**A. Employed throughout the year ended 31<sup>st</sup> March, 2013 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
(1)	(2)	(3)	(4)	(5)	(6)
Dr. Palani G. Periasamy (75 years)	Executive Chairman	111.13 lakhs	M.A.,M.A.,Ph.D (USA)(25years)	04/06/1987	Professor of Economics, USA. Financial Consultant & Industrialist

- (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.

## Particulars of Employees.

Under the provisions of Section 217 2(A)(a) of the Company's Act 1956 read with Companies (particulars of employees) Rules, 1975 as amended, the names and other particulars of employees are set out below:

1. The nature of employment is contractual. The appointment is for a period of 5 years from 25.06.2009 to 24.06.2014 and approval has been obtained from Government of India.
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.

B) Employed for part of the year ended 31<sup>st</sup> March 2013 and was in receipt of remuneration aggregating not less than Rs 5, 00,000/- per month. – NIL-

## 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.

## Acknowledgements

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 : 30.05.2013

## Management Discussion and Analysis Report

Your Company is engaged in the business of manufacture of Sugar, Co-generation of power and Alcohol including Ethanol. The operations are spread over 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.

### Cautionary statement

Statements made in this report describing industry outlook as well as Company's plans, projections and expectations may constitute 'forward-looking statements'. Actual results may differ materially from those either expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

## World Sugar Scenario

The global sugar production continues to be in surplus and is heading for surplus in the fourth consecutive year. The global production is likely to reach 181.030 million tonnes in 2012-13 as against the estimated consumption of 169.938 million tonnes and the surplus is likely to increase to 8 to 9 million tonnes. However, the global production for 2013-14 is expected to drop to 177.015 million tonnes from a prior estimate of 178.656 million tonnes. The global surplus is also likely to come down to 4.591 million tonnes in 2013-14, about 27% less than previous forecast due to higher demand and lower output as some key producers are switching over to making ethanol.

The surplus scenario had its impact on the international sugar price and has already corrected to less than 17 cents from the earlier highest level of 26 cents in March 2012. This trend is likely to



continue for some more time, which has brought down the sugar price globally.

China, the second highest sugar consumer after India, was earlier expected to import 1 million tonnes. However, China is expected to import more than 2 million tonnes on account of the lower volume of production and increase in the consumption. China's consumption is increasing by about 13% per year as against the world average consumption increase of 2%. The above scenario is likely to arrest the further drop in the Global Price.

## Indian Sugar Scenario:

Production for the season 2012-13 is likely to be only around 246 lakh tonnes as against 263.42 lakh tonnes in the previous season. The reduction is mainly on account of fall in production in Maharashtra, Karnataka and Tamil Nadu due to lower quantum of rainfall. However, looking at the carry over stock and the production, there would be still sufficient stock available for next season and the estimated stock at the end of next season would be around 74 lakh tonnes as given below:

### Statement showing Supply and Demand Position of Sugar

Sugar Season - Quantity in lakh tonnes					
Particulars	2009-10	2010-11	2011-12	2012-13 Estimate	2013-14 Projection
Opening Stock	43.64	49.80	55.00	64.52	83.52
Production	189.12	243.94	263.42	246.00	220.00
Import	40.80	0.00	0.00	5.00	5.00
Total Availability	273.56	293.74	318.42	315.52	308.52
Internal Consumptions	213.28	207.69	220.00	230.00	235.00
Exports	2.35	26.00	33.90	2.00	0.00
Total off take	215.63	233.69	253.90	232.00	235.00
Closing Stock	57.93	60.05	64.52	83.52	73.52
Stock as percentage of consumption	27%	26%	25%	36%	31%

Note: As per the Govt, the opening stock for 2010-11 was only 49.80 Lakh Tons

## Government Policies

**Sugar :** Sugar is one of the highly controlled and regulated commodities in India. The Sugar Industry was under Government control right from the level of production to distribution. Recently based on the recommendations of the high level committee headed by Dr Rangarajan, the Government of India has taken steps to realise the potential of the Sugar Industry.

The Government has decontrolled the Sugar Industry partially effective Sugar Season 2012-13. The following are the major controls removed by the Government of India.

- (1) Removed the 10% levy sugar obligation on sugar units and the State Governments are to buy sugar from the market for PDS supply.
- (2) Removed the control on the release mechanism and the Mills are free to sell any quantity at any time, based on cash flow requirement and market perception.

However Cane area demarcation and cane price fixation continues to remain with Central and State Governments..

**Ethanol :** In order to encourage the renewable energy and to promote green energy, the Government of India has mandated the Oil Companies to mix a minimum of 5% ethanol in the petrol from June 2013. Based on this, the Oil Companies have already invited tenders and the same is in the process. Your Company has already received orders for Ethanol and we expect to start the supply from July 2013. The success and continuation of the ethanol scheme depends upon the priority of the State Governments in allotting the available molasses between potable alcohol and ethanol.

## Opportunities and Threats

India, the world's biggest consumer of sugar is the second largest producer of sugar in world after Brazil. Still the average per capita consumption of sugar in India is less as compared to the developed countries. While sustainability has been a cause for concern in cane agriculture, the demand for

sugar in the country by 2030 has been estimated at 36 Million Tonnes for which the cane production should be 500 Million Tonnes. This is 40% higher than the current production. Besides this, sugar cane itself is emerging as an important energy crop contributing to Co-generation and Ethanol production. The current level of Ethanol production is barely adequate to meet 5% blending and the demand is expected to grow in the coming years. The Co – generation potential in the sugar industry has been estimated at 5500 MW, while the present installed capacity is just above 2500 MW. While the land availability is likely to shrink for cane cultivation, the cane production needs to be increased to meet the ever increasing demand for sugar, power and ethanol.

Sugar and Ethanol is subject to various government controls, starting from production to distribution. Frequent policy changes, disrupts the functioning and the operational viability of the sugar units. Competitive crops and the cyclical nature of monsoon also affect the cane availability on sustainable basis.

## **Risks and Concerns**

Risks and Concerns given by the management below are not exhaustive and only highlight some of the salient among them. The investors are advised to exercise their due diligence in assessing the various risk factors associated with industry and your Company. The sugar industry is still highly regulated with the Government exercising control over pricing of sugar cane, allocation of area for sugar units, pricing of by-products such as Molasses, Alcohol and Power. Some of the inherent business risks and the mitigation measures initiated by your Company are given as under:

### **a) Material Risk**

Cane is the basic raw material for sugar industry and the efficient operation of the Sugar as well as Distillery depends upon the availability of adequate cane. Sugar industry being cyclical in nature is affected by the vagaries of the monsoon. Substantial increase in the price of alternate crops as compared to sugarcane have resulted in the farmers switching to other crops which are more profitable, like wheat, soya, paddy and maize. This trend is likely to affect the cane availability in the coming years. Recently,

another major factor affecting the cane cultivation is the availability and the high cost of harvest labour.

To mitigate the above raw material related risks, your Company has announced a reasonable remunerative cane price in line with the market trend and also arranging necessary fertilizers and other inputs required for cane cultivation. Also various extension services are provided to educate the Farmers about the best practices in cane cultivation for improvements in the yield. Your Company has also in co-ordination with the Government encouraged drip irrigation for better water management. In times of acute shortage of cane, the Company imports Raw Sugar for effective utilization of the capacity and to improve the bottom line. Your Company has also imported harvesting machines to cope up with the labour shortage to some extent.

### **b) Product Risks**

The sugar industry has been decontrolled, the mills are free to sell any quantity any time. This might result in increased supply in market and the price may come down. The price of sugar has not increased in line with the input cost which is forcing the farmers, the option of alternative remunerative crops. Alcohol is highly regulated and the price of the same is directly / indirectly controlled by the Government through various methods. .

To mitigate the product related risks, the Company has been taking efforts to make its operation as an integrated one comprising of Sugar, Power and Alcohol including fuel Ethanol.

### **c) Forex Risk**

Import and Export of Raw Sugar/White sugar and funding of project involves foreign exchange component. Any wide fluctuation in the value of Rupee against US Dollar may impact the profitability of the Company. The Company is closely monitoring the movement to take appropriate action.

### **d) Financing Risk**

Sugar Industry being seasonal in nature, what is produced during 7-8 months are sold over 14-15 months. This results in the Company holding substantial inventory incurring very high interest