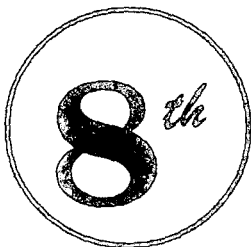




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|-----|-------------------------------------|-------------------------------------|-----|-------------------------------------|
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| CS | <input checked="" type="checkbox"/> | | DPY | AA |
| RO | <input checked="" type="checkbox"/> | | DIV | AA |
| TRA | AA | | AC | <input checked="" type="checkbox"/> |
| AGM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | SHI | <input checked="" type="checkbox"/> |
| YE | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | |

Empee Sugars and Chemicals Limited

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Annual Report 1996-98



EMPEE SUGARS AND CHEMICALS LTD.

BOARD OF DIRECTORS

Sri. M.P. Purushothaman Chairman & Managing Director
Smt A.K. Aruna
Sri. M. Sreenivasulu Reddy
Sri. M. Ravindran
Sri T.M. Gopalaswamy
Dr. M. Shashidaran
Ms. Nisha Purushothaman
Dr. B. Ramachandra Rao ICICI Nominee

COMPANY SECRETARY

Mr. A. Narayanan

AUDITORS

M/s. S.V. Jayaraman & Co.
Chartered Accountants
Chennai

BANKERS

Indian Bank
Union Bank of India
Bank of Maharashtra
Federal Bank Ltd.

REGISTERED OFFICE & FACTORY

Ayyappareddipalem
Naiduput - 524 126
Nellore Dist.,
Andhra Pradesh

ADMINISTRATIVE OFFICE

'Aruna Complex'
D-103, Anna Nagar East
Chennai - 600 102.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Friday the 30th October 1998 at 11.00 A.M. at the Registered Office of the Company at the Company's factory premises at Ayyappareddipalem Village, Pin- 524126, Naidupet Mandal, Nellore District, Andhra Pradesh to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet of the Company as at 31st March 1998, the Profit and Loss Account for the 18 months period ended on that date, the report of the Auditors thereon and the report of the Board of Directors.
2. To appoint a Director in the place of Dr.M. Shasidharan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Ms. Nisha Purushothaman who retires by rotation and being eligible offers herself for reappointment.
4. To appoint auditors of the Company and to fix their remuneration. M/s. S.V. Jayaraman & Co., Chartered Accountants, Chennai, who retire at the meeting, being eligible offer themselves for reappointment.

SPECIAL BUSINESS

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

RESOLVED that, pursuant to Section 293(1) (e) of the Companies Act, 1956, the aggregate contribution of the sum of Rs.3,06,450 made by the Board of Directors of the Company to charitable and other funds not directly related to the business of the Company or the welfare of its employees during the financial year 1996-98 be and is hereby confirmed, approved and ratified.

RESOLVED further that approval be and is hereby accorded to the Company to make contribution of total amount not exceeding Rs.5 lakhs during the financial year 1998-99 to one or more charitable funds not directly related to the business of the Company or the welfare of its employees and that the Board of Directors be and is hereby authorised to make contributions to such funds as it deems fit.

6. To consider and adopt the Report of the Board of Directors under Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For and on behalf of the Board

Place : Chennai
Date : 28.09.98

M.P. PURUSHOTHAMAN
Chairman & Managing Director

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. The Explanatory Statement setting out material facts, in respect of the business under item No. 5 & 6 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company remained closed from 25th February 1998 to 28th February 1998, both days inclusive.
4. Members/Proxies should bring the attendance slip duly filed in for attending the meeting.
5. Members are requested to intimate change in their address, if any, to the Company at its Registered Office quoting their folio numbers.
6. Members/Proxies attending the meeting are requested to bring their copy of the Annual Report for reference at the meeting.

ANNEXURE TO THE NOTICE**Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956****Item No.5**

By virtue of Section 293(1) (e) of the Companies Act, 1956 the maximum amount which the Board is authorised to subscribe in any financial year to charitable or other funds not directly related to the business of the Company or the welfare of its employees, is Rs.50,000. The limit can be exceeded with the consent of the Company in general meeting. During the financial year 1996-98 such donations made by the company exceeded the said limit. Therefore your Board seeks ratification by the shareholders.

Besides, your Board seeks sanction to make such donations in the financial year 1998-99 upto a limit of Rs.5 lakhs. The Board recommends the resolutions for your approval.

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

Item No.6

As per Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), if the accumulated losses at the end of any financial year resulted in erosion of fifty percent or more of its peak net worth during the immediately

preceding four financial years, a report about the erosion has to be given to the members.

The accumulated loss of the Company as on 31.3.98 is Rs.16.57 crores. It is over 50% of the average net worth of the Company for the past 4 years. Therefore the Board has given a report to the members as contemplated under Section 23. The report is furnished elsewhere in this Annual Report. The report is to be considered by the members.

As per the Report, the Board has come to the conclusion that the situation is controllable and can be rectified by the Company's ongoing corrective measures. The Board would like to inform the shareholders that with the implementation of the said measures, the Company will be out of the purview of S.23 of SICA.

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

BY ORDER OF THE BOARD

Place : Chennai
Date : 28-09-1998

M.P. PURUSHOTHAMAN
Chairman & Managing Director

DIRECTORS REPORT

To the members,

Your Directors hereby present the Eighth Annual Report together with the Audited Accounts for the financial year ended 31st March 1998.

FINANCIAL RESULTS :

The financial year of the Company starting 1.10.96, has been extended by six months and as such the results are for the eighteen months period ended 31.3.98.

| | Financial period ended 31.3.98 (18 months) (Rs. '000) | Financial year ended 30.9.96 (12 months) (Rs. '000) |
|--|---|---|
| Sales | 526937 | 365330 |
| Profit before Interest and Depreciation | 88914 | 188373 |
| Interest | 71149 | 131577 |
| Operating Profit | 17765 | 56796 |
| Depreciation | — | 19554 |
| Net Profit | 17765 | 37242 |

Due to accumulated losses in earlier years no depreciation has been provided for the year.

DIVIDEND :

In view of the accumulated losses, the directors are not recommending for declaration of dividend for the year.

OPERATIONS :

(i) Sugar Division :

During the period under review (upto the date of this Report), there were two sugar crushing seasons and the salient features of the same are given below :

| | Season 1996-97 | Season 1997-98 |
|--|-------------------|-------------------|
| Quantity of Cane crushed (Tonnes) | 201736 | 193595 |
| Recovery (%) | 8.82 | 8.68 |
| Quantity of Sugar produced (Tonnes) | 17713 | 16646 |

Due to reduced availability of cane, the overall quantity of cane crushed was lower. However, based on the cane plantations already achieved, the availability of cane for the ensuing season is expected to be higher.

(ii) Industrial Alcohol Division :

During the period under review, the performance of rectified spirit (RS) plant has improved. With the lifting of prohibition partially by Government of Andhra Pradesh, (the ban on arrack however continuing) and with the commissioning of Extra Neutral Alcohol (ENA) plant with a capacity of 20000 litres per day the off-take of our products has increased considerably. In the coming years, the performance of both RS & ENA plants is expected to improve further.

FUTURE OUTLOOK :

The various cane development measures undertaken by the Company in the recent past have started yielding results and the cane availability for the ensuing season is expected to be of the order of 3 lakh tonnes and with the improved plant maintenance, the recovery of 9% is expected to be achieved.

With the recent imposition of 5% duty and 7% CVD on sugar imports, subsequently increased to 15% & 7% respectively, the domestic selling price of sugar is expected to be at remunerative levels.

The above factors combined with the satisfactory performance of the Industrial Alcohol division are expected to help the Company improve its performance compared to the previous years.

EROSION OF MORE THAN 50% OF PEAK NET WORTH :

The accumulated losses of the Company have resulted in an erosion of more than 50% of the peak net worth of the Company. As mentioned above, the Company is taking necessary efforts to improve the performance. A detailed report on this is furnished elsewhere in this Annual Report.

ONE TIME SETTLEMENT (OTS) :

The Financial Institutions - ICICI, IDBI & IFCI - had sanctioned an OTS proposal for settlement of their Term loan dues by 31.3.97. The Company paid Rs.2.75 Crores but could not make further payments as the Company's plans to raise money through financial market sources/other sources did not materialise. The Company has approached a few other Institutions/Companies for loans to be utilised

EMPEE SUGARS AND CHEMICALS LTD.

for full settlement of OTS and in the meantime has requested the Institutions to grant time for payment of OTS amount as also for waiver of interest on OTS dues. The Company is hopeful of raising adequate funds and complete the OTS transaction as expeditiously as possible.

Audit Report :

Regarding the Auditors' remarks in their report, your Directors wish to clarify as follows :

Item No. in Annexures & Clarification for the respective item :

Annexure A

1. The fixed assets register with current year's details has already been updated.
20. The networth of the Company as determined from Balance Sheet of the Company is not fully eroded. The Company has not provided for certain items enumerated in Annexure B of audit report after due consideration of them. Under the circumstances, the Company is not falling within the purview of Sec. 3(1)(o) of SICA. However as more than 50% of the networth has already been eroded, the Company is falling within the purview of Sec. 23 of SICA and accordingly the matter will be placed before shareholders in the AGM and with BIFR.

Annexure B

1. The Company had agreed to an OTS with financial institutions with ICICI in the lead. The company is also discussing with ICICI on the ways and means of restructuring the whole proposal and the institutions are also keen to help the company to get out of its financial difficulties. In this background, the company will settle OTS and will only pay the principal with waiver of interest accrued thereon. Hence, no provision has been made for this liability.
2. The amount of Rs.52.42 lacs due by the supplier to the company is against escalation on structures supplied by him in earlier years and adjusted now.
3. Please refer Note 6 of Notes on Accounts.
4. Pending resolution of the whole matter, the company is of the view the debit of Rs.29.22 lacs is recoverable and hence no provision is made therefor.
- 5&7. Sugar Industry has represented to the Govt. of Andhra Pradesh for waiver of purchase tax levy and on this basis the Company has not provided for purchase tax.

6. In view of inadequacy of profits and there being no proposal for payment of dividend no provision for depreciation has been made.
8. Please refer Note 18 which is self explanatory.
9. As and when Gratuity is paid, the same will be accounted

PUBLIC DEPOSIT :

Your Company has not accepted from the public any deposit during the year under review :

DIRECTORS :

Two Directors viz., Dr. M. Shashidharan and Ms. Nisha Purushothaman are retiring at the ensuing Annual General Meeting and being eligible they offer themselves for re-election.

AUDITORS :

M/s. S.V. Jayaraman & Co., Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

EMPLOYEES :

There are no employees falling within the provision of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules) 1975.

Your Directors place on record their appreciation of the sincere and dedicated service of all the officers and Staff.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE :

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules 1988 regarding conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo, is given in the annexure to this Report.

ACKNOWLEDGEMENT :

Your Directors are grateful to the valuable assistance and consistent support extended by the Banks, Financial Institutions, Cane Growers and Government authorities.

For and on behalf of the Board

Place : Chennai
Date : 28.09.98

M.P. PURUSHOTHAMAN
Chairman & Managing Director

EMPEE SUGARS AND CHEMICALS LTD.

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

The Company has installed necessary energy conserving machinery as per the standard specification list prescribed by the Government of India for the factory of its size.

FORM A

1996-98
(18 months)

(A) POWER AND FUEL CONSUMPTION**1. Electricity**

| | |
|--------------------------|-----------|
| a. Purchased Units (Kwh) | 1,869,816 |
| Total Amount (Rs.) | 6,965,002 |
| Rate/Unit (Rs.) | 3.72 |

b. Own generation**(i) Through Diesel Generator**

| | |
|-----------------------------|---------|
| Units (Kwh) | 117,088 |
| Units/(Litre) of Diesel Oil | 2.24 |
| Cost/Unit (Rs.) | 4.40 |

**(ii) Through steam turbine
(Generated out of our own
bagasse consumption)**

| | |
|-------------|-----------|
| Units (Kwh) | 8,939,786 |
|-------------|-----------|

2. Coal Nil

3. Furnace Oil Nil

4. Others/Internal Generation

| | |
|---------------------|-------|
| a) Firewood (M.Ts.) | 1,659 |
| Rate per Mt (Rs.) | 1,000 |
| b) Husk (M.Ts) | 6,384 |
| Rate per Mt (Rs.) | 664 |

(B) CONSUMPTION PER QUINTAL OF SUGAR

| | |
|------------------------|---------|
| Sugar produced (Qtl) | 304,550 |
| Electricity (Kwh/Qtl) | 29.35 |
| Coal (M.T/Qtl) | Nil |
| Furnace Oil (K.L./Qtl) | Nil |
| Firewood (M.T/Qtl) | 0.01 |

B. TECHNOLOGY ABSORPTION

Nil

C. FOREIGN EXCHANGE EARNINGS & OUTGO

Nil

For and on behalf of the Board

Place: Chennai
Date : 28-09-1998

M.P. PURUSHOTHAMAN
Chairman & Managing Director