



Empee Sugars and Chemicals Limited



9th Annual Report 1998-99

EMPEE SUGARS AND CHEMICALS LTD.

BOARD OF DIRECTORS	Sri. M.P. Purushothaman Smt. A.K. Aruna Sri. M. Ravindran Dr. M. Shashidaran Ms. Nisha Purushothaman	Chairman & Managing Director
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	Ayyapareddipalem Naidupet - 524 126 Nellore Dist., Andhra Pradesh.	
ADMINISTRATIVE OFFICE	'Empee Towers' 59, Harris Road, Pudupet, Chennai - 600 002.	

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Nineth Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Wednesday the 29th December 1999 at 11.00 A.M. at the Registered Office of the Company at the Company's factory premises at Ayyapareddipalem Village, Pin-524 126, 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 1999, the Profit and Loss Account for the year 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 Mrs. A. K. Aruna who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in the place of Mr.M.Ravindran who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors of the Company and to fix their remuneration.

/By order of the Board/

Place : Chennai
Date :03.12.99

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 Register of Members and Share Transfer Books of the Company were closed from 16th September 1999 to 18th September 1999, both days inclusive.
3. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members are requested to intimate change, if any, in their address to the Company quoting their folio numbers.
5. Members/Proxies attending the meeting are requested to bring their copy of the Annual Report for reference at the meeting.

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DIRECTORS REPORT

To the members,

Your Directors present the Ninth Annual Report together with the Audited Accounts for the financial year ended 31st March 1999.

FINANCIAL RESULTS :

	Financial year ended 31.3.99 (12 months)	Financial period ended 31.3.98 (18 months) (Rs. '000)
Sales	439944	526937
Profit before Interest and Depreciation	57436	88914
Interest	48619	71149
Operating Profit	8817	17765
Depreciation	----	----
Net Profit	8817	17765

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

You will notice that during the year under review, the volume of business has increased substantially. Comparatively, IAP unit has performed well with a sale turnover of Rs.12.60 crores against Rs.5.17 crores in the previous year (18 months period). Sugar division has also done better than the previous year. Over 3 lakh tonnes of cane was crushed against just 2 lakh tonnes in the previous year. In spite of such performance the profitability could not be improved because of various reasons. The selling price of sugar has come down from Rs.1400 to Rs.1270 per quintal during the year and ENA price has also fallen. In the current year due care has been taken to save costs and to increase yield.

DIVIDEND:

Due to the accumulated losses, your directors are not recommending for declaration of dividend for the year.

OPERATIONS :**(i) Sugar Division:**

	Season 1998-99	Season 1997-98
Quantity of cane crushed (Tonnes)	300553	193595
Recovery (%)	8.29	8.68
Quantity of Sugar produced (Tonnes)	24888	16646

(ii) Industrial Alcohol Division:

	Year 1998-99 (12 months)	Year 1996-98 (18 months)
Quantity of R.S. produced (Ltrs)	56,99,238	58,18,450
Quantity of ENA produced by redistillation of the RS stock (Ltrs)	45,50,636	7,54,285

FUTURE OUTLOOK :

To improve the Recovery ratio, steps are being taken to crush more cane during the peak period. We are also concentrating on development of more cane area. The sugar industry is more affected by the policies of Government allowing free import of sugar. The industry has taken up with the Government to curb import to help getting reasonable price for sugar. To curtail cost of power & fuel the company has offered to a group company to supply the company's bagasse in exchange of steam and power which will reduce the operating cost of sugar mill and IAP considerably.

Erosion of More than 50% of Peak net Worth :

The erosion of net worth by more than 50% of the peak net worth is not yet corrected. As mentioned above, the company is taking necessary efforts to improve the performance and make the net worth positive.

ONE TIME SETTLEMENT (OTS):

We have submitted a revised proposal to the Institutions for reschedulement of loans with waiver of interest with effect from 1.4.96. In the meantime ICICI has filed a suit against the Company in Mumbai High Court. Pursuant to

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the interim order passed by the Court, a sum of Rs.20 lakhs per month is being paid to ICICI w.e.f. May 1999. However during the discussions, Institutions have advised us to bring in substantial amount as lumpsum and agreed to waive all other charges. The company is taking steps to mobilise the funds through various sources including from group companies.

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.

6. The stock of finished goods is valued on the average realisation thereof in the two months subsequent to the close of the account year, whereas six month's average is taken by the auditors. The Board is of the view that in a fluctuating market conditions the price that prevailed proximate to the time of availability of the stock is the true value thereof. Therefore there is no excess valuation of stock.

Regarding the stocks of spares, stores and packing materials, in view of the innumerable items of stock on hand and the frequency of purchase/outgo and pending completion of computerisation of stock records, the system adopted by the company for valuation of stock is more practical and reasonable. It is also a recognised method of valuation of stock. The difference between the valuation under this method and other methods is not found feasible to ascertain.

15. For a part of the financial year the internal audit department was functioning.

20. The networth of the company as determined from the audited 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)(0) 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.

Annexure B

1. (i) 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 board is of the view that the company will pay the principal only with waiver of interest accrued thereon. Hence, no provision has been made for this liability.

(ii) Pending resolution of the whole matter, the company is of the view that the debt of Rs.28.40 lacs is recoverable and hence no provision is made therefor.

(iii) In view of inadequacy of profits and there being no proposal for payment of dividend no provision for depreciation has been made.

(iv) Sugar Industry has represented to the Government of Andhra Pradesh for waiver of purchase tax levy and on this basis the company has not provided for purchase tax.

(v) The company is of the view that the interest due is recoverable. Therefore no provision is made.

(vi) The supplier's advance of Rs.5.54 lakhs is recoverable. Therefore provision is not made.

2 & 7. Please refer to our reply to remarks under Note No.6 of Annexure A.

3. Please refer Note 4 of Notes on Accounts.

4. Letters seeking confirmations were sent to the concerned parties. Whatever replies received were given to the auditors.

5. Please refer Note No.23 which is self explanatory.

6. Please refer to Note No.27 which is self explanatory.

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DIRECTORS:

Your directors deeply regret the demise of Dr.B.Ramachandra Rao (Nominee Director of ICICI) during the period. Mr.T.M. Gopaldaswamy, Director resigned from the office during the period. Your Directors place on record their appreciation of the valuable services rendered by the said Directors during the tenure of their office.

Mrs.A.K.Aruna and Mr.M.Ravindran, Directors are retiring by rotation at the ensuing AGM and being eligible they offer themselves for reappointment.

AUDITORS:

M/s.S.V.Jayaraman & Co., Chartered Accountants, 'Gurukripa', No.6, 77th Street, 16th Avenue, Ashok Nagar, Chennai-600083 the Auditors of the Company retire at the ensuing Annual General Meeting and have expressed their intention not to opt for reappointment and in their place Mr.R. Rajagopalan, Chartered Accountant, 27, Sydoji Street, 2nd Floor, Triplicane, Chennai - 5 is proposed to be appointed as auditor of the company to hold office till the conclusion of the next Annual General Meeting.

EMPLOYEES:

Your Directors place on record their appreciation of the efforts put in by the employees at all levels of the Company.

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.

PUBLIC DEPOSIT:

Your Company has not accepted from the public any deposit during the year under review except two deemed deposits accepted from close circles for which exemption from the provisions of Companies Act 1956 has been applied for.

ENERGY, TECHNICAL AND FOREIGN EXCHANGE:

Information regarding conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo 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 is annexed.

ACKNOWLEDGEMENT:

Your Directors are grateful to the valuable assistance and consistent support extended by the Banks, Financial Institutions, Cane growers, customers and Government authorities. We express our thanks to the shareholders for their forbearance and their faith in the management.

For and on behalf of the Board

Place: Chennai
Date : 3.12.99

M.P. PURUSHOTHAMAN
Chairman & Managing Director

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ANNEXURE TO THE DIRECTOR'S REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) 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

	1998-99	1996-98
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(A) POWER AND FUEL CONSUMPTION

1. Electricity

a. Purchased units (Kwh)	2,162,419	1,869,816
Total Amount (Rs.)	7,804,502	6,965,002
Rate/Unit (Rs.)	3.61	3.72

b. Own generation

(i) Through Diesel Generator

Units (Kwh)	71,049	117,088
Units/(Litre) of Diesel Oil	3.32	2.24
Cost/Unit (Rs.)	3.57	4.40

Place: Chennai
Date : 3.12.99

M.P. PURUSHOTHAMAN
Chairman & Managing Director

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

Units (Kwh)	6,257,447	8,939,786
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2. Coal Nil Nil

3. Furnace Oil Nil Nil

4. Others/Internal Generation

(a) Firewood (M.Ts)	488.91	1,659
Rate per Mt (Rs.)	975	1,000
(b) Husk (M.Ts)	7,399	6,384

Rate per Mt (Rs.) 750 664

(B) CONSUMPTION PER QUINTAL OF SUGAR

Sugar produced (Qtl)	231,423	304,550
Electricity (Kwh/Qtl)	9.34	6.52
Coal (M.T/Qtl)	Nil	Nil
Furnace Oil (K.L/Qtl)	Nil	Nil
Firewood (M.T/Qtl)	0.002	0.01

B. TECHNOLOGY ABSORPTION Nil Nil**C. FOREIGN EXCHANGE EARNINGS & OUTGO** Nil Nil

For and on behalf of the Board