



Empee Sugars and Chemicals Limited

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12th

Annual Report 2001–2002

EMPEE SUGARS AND CHEMICALS LTD.

BOARD OF DIRECTORS

Mr. M.P. Purushothaman Chairman & Managing Director
Mrs. A.K. Aruna
Mr. M. Ravindran
Ms. Nisha Purushothaman
Mr. R. Chandramohan
Mr. M. K. Mohan

COMPANY SECRETARY

Mr. Pradipta Kumar Das

AUDITORS

Mr. R. Rajagopalan
Chartered Accountant
15, Station Road
West Mambalam
Chennai – 600 033

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

EMPEE SUGARS AND CHEMICALS LTD.

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the Twelfth Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Monday the 30th December 2002 at 11:00 a.m. at the Registered Office of the Company at Ayyaperaddipalem Village, Naldubet Mandal, Nellore District, Pincode 524 120, 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 2002, the Profit and Loss Account for the year ended on that date, the report of the Auditor's and the Board of Directors thereon.
2. To appoint a Director in the place of Mr. Nisha Purushothaman who retires by rotation and being eligible offers herself for reappointment.
3. To record the retirement by rotation of Mr.R.Chandramohan and his intention not to seek reappointment.
4. To appoint Auditors of the Company and to fix their remuneration. Mr.R.Rajagopalan, Chartered Accountant, Chennai, who retires at this meeting, being eligible offers himself for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification, the following resolution as a special resolution:

RESOLVED that consent of the Company be and is hereby accorded for the remuneration payable to Mr.M.P.Purushothaman, Chairman & Managing Director as follows w.e.f. 01.01.2003 for the unexpired portion of his present tenure as Chairman & Managing Director i.e. upto 24.12.2005.

A. Salary: Rs.1,00,000/- per month.

B. Perquisites: (The aggregate value whereof shall not exceed the annual salary in a year)

- i) Reimbursement of medical expenses for self and family.
- ii) Leave travel concession for the self and family once in a year in accordance with rules of the Company.

- iii) Private use of Company's car.
- iv) Free use of Telephone at residence.
- v) Contribution to Provident Fund.
- vi) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- vii) Encashment of earned leave as per Company's rules.

RESOLVED further that the remuneration shall not exceed Rs.1,50,000/- per month which the Company is entitled to pay in terms of para 1 of Section II of Part II of Schedule XIII in the event of no profit or inadequacy of profits, during the tenure of his appointment.

6. To consider and if thought fit to pass with or without modification, the following resolution as a special resolution:

RESOLVED that pursuant to the provisions of section 198, 289 and 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such sanctions and approvals as may be necessary, the company hereby approves the appointment of Mr. Shaji Purushothaman as a Joint Managing Director & Vice Chairman of the Company for a period of 5 years w.e.f. 01.01.2003, within the following terms as to remuneration as set out hereafter and with further liberty to the Directors from time to time to alter the said terms in such manner as may be agreed to between the Directors and Mr. Shaji Purushothaman in the best interests of the company within the limitations in that behalf as contained in Schedule XIII to the said Act, viz:

A. Salary: Rs.50,000/- per month.

B. Perquisites: (The aggregate value whereof shall not exceed the annual salary in a year)

- i) Rent free furnished accommodation with service of personnel for maintenance and protection thereof.
- ii) Reimbursement of medical expenses for self and family.
- iii) Leave travel concession for the self and family once in a year in accordance with rules of the Company.
- iv) Private use of Company's car.
- v) Free use of Telephone at residence.

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- vi) Contribution to Provident Fund.
- vii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- viii) Encashment of earned leave as per Company's rules.

RESOLVED further that the remuneration shall not exceed Rs.1,00,000/- per month which the Company is entitled to pay in terms of para 1 of Section II of Part II of Schedule XIII in the event of no profit or inadequacy of profits, during the tenure of his appointment.

(On behalf of the Board/

Place: Chennai
Date: 30.11.2002

M. P. PURUSHOTHAMAN
Chairman & Managing Director

NOTE:

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 25th September 2002 to 28th September 2002, 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 at its Registered Office 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.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item No.5

Mr. M. P. Purushothaman was re-appointed as Chairman & Managing Director of the Company since 25.12.2000 without remuneration. Since his re-appointment his involvement in the day to day management and in the decision making process, of the Company has increased manifold. In order to compensate his contribution to the Company, the Board of Directors thought it fit to remunerate him as per the details enumerated in the resolution itself, w.e.f. 01.01.2003.

Approval of the members is now sought for remuneration payable to him in the form of special resolution.

Mr. M. P. Purushothaman, Mrs. A. K. Aruna, Ms. Nisha Purushothaman and Mr. M. Ravindran Directors are deemed to be concerned or interested in the resolution.

Item No.6

In view of proposed expansion and modernisation of the Sugar and Industrial Alcohol unit of the Company, the Board of Directors have already had in their contemplation for some time that the services of Mr. Shaji Purushothaman to look after the day-to-day management of the Company and assist the Chairman & Managing Director in taking business decision. Mr. Shaji Purushothaman has good knowledge and experience in the business and is competent to handle the responsibility. Mr. Shaji Purushothaman is proposed to be appointed as Joint Managing Director & Vice Chairman (JMD & VC) for a period of five years w.e.f. 01.01.2003. He is not disqualified to hold the office of JMD & VC as per the provisions of Part I of Schedule XIII of the Companies Act, 1956.

Approval of the members is now sought for the appointment of Mr. Shaji Purushothaman as aforesaid and remuneration payable to him in the form of special resolution.

Mr. M. P. Purushothaman, Mrs. A. K. Aruna, Ms. Nisha Purushothaman and Mr. M. Ravindran Directors are deemed to be concerned or interested in the resolution.

EMPEE SUGARS AND CHEMICALS LTD.

DIRECTORS REPORT

To the members,

Your Directors present the Twelfth Annual Report together with the Audited Accounts for the financial year ended 31st March 2002.

FINANCIAL RESULTS

	Financial year ended 31.3.2002 (Rs.'000)	Financial year ended 31.3.2001 (Rs.'000)
Sales	363778	383027
Profit before Interest and Depreciation	69253	73061
Interest	50687	60561
Operating Profit	18565	12500
Depreciation	19586	18158
Net Profit / (Loss)	(1021)	(5658)

DIVIDEND

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

OPERATIONS

(I) Sugar Division:

	Season 2001 - 2002	Season 2000 - 2001
Quantity of cane crushed (Tonnes)	219610.28	195456
Recovery (%)	8.38	9.31
Quantity of Sugar produced (Tonnes)	186395	18168.6

(II) Industrial Alcohol Division:

	Year 2001 - 2002	Year 2000 - 2001
Quantity of RS produced (Ltrs)	2898907	5406129
Quantity of ENA produced by redistillation of the RS stock (Ltrs)	2596528	4078415

PERFORMANCE OF THE COMPANY

In spite of severe calamity due to cyclone and flood during October 2001, the mill could crush 2.20 lakhs tonnes of cane during the season. Due to severe draught like all other mills in the region average recovery came down to 8.38% for the season. The Company had to face difficult period after cyclone and flood. Within a short period, the mill could start crushing. Shortage of Molasses continued for the current year also, which effected production of Alcohol to a major extent. However availability of cane and molasses for the sugar season 2002-2003 is very bright. The Company is following with Insurance Company for compensation towards loss and the claim is expected to be settled shortly.

DIRECTORS

Ms. Nisha Purushothaman, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible offers herself for reappointment.

Mr. R. Chandramohan, Director of the Company retires at the ensuing Annual General Meeting and has expressed his intention not to opt for reappointment.

Mr. Shaji Purushothaman is proposed to be appointed as Joint Managing Director & Vice Chairman of the Company w.e.f. 01.01.2003.

AUDITORS

Mr. R. Rajagopalan, the Auditor of the Company retires at the ensuing Annual General Meeting and is eligible for reappointment.

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 any Deposit from the Public during the year under review.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION 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.

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CORPORATE GOVERNANCE

The code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) is required to be implemented by your Company in terms of the Listing Agreements with the Stock Exchanges.

Pursuant to Clause 49 of the said Listing Agreement, (a) Management Discussion and Analysis, (b) the Report of the Directors on the practices prevalent on Corporate Governance in the Company and (c) the Auditors Certificate on compliance of mandatory requirements of Corporate Governance are given in the annexure to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- They have selected 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;

- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- They have prepared the annual accounts on a going concern basis.

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 : 30.11.2002

M. P. PURUSHOTHAMAN
Chairman & Managing Director

ANNEXURE TO THE DIRECTOR'S 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

2001-2002 2000-2001

(A) POWER AND FUEL CONSUMPTION

1. Electricity		
a. Purchased units(Kwh)	812189	818643
Total Amount (Rs.)	4295599	4160587
Rate / Unit (Rs.)	5.16	5.08
b. Own generation		
(i) Through Diesel Generator		
Units (Kwh)	37340	63561
Units/(litre) of Diesel Oil	2.34	2.48
Cost / Unit (Rs.)	7.43	6.59

(ii) Through steam turbine (generated out of our own bagasse Consumption) units (Kwh)	4492124	6503925
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2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others/Internal generation		
a) Fire wood (M.Ts)	384.190	192.700
Rate per Mt(Rs.)	800	850
b) Husk (M.Ts)	6938.389	11438.623
Rate per Mt (Rs.)	806	710

(B) CONSUMPTION PER QUINTAL OF SUGAR

Sugar Produced (Qtl)	173490	188219
Electricity (Kwh/Qtl)	4.88	4.35
Coal (M.T/Qtl)	Nil	Nil
Furnace Oil (K.L/Qtl)	Nil	Nil
Fire wood (M.T/Qtl)	0.002	0.001

(C) TECHNOLOGY ABSORPTION

Nil

(D) FOREIGN EXCHANGE
EARNINGS & OUTGO

Nil

For and on behalf of the Board

Place: Chennai
Date : 30.11.2002

M. P. PURUSHOTHAMAN
Chairman & Managing Director

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CORPORATE GOVERNANCE

As per Schedule of Implementation of the code on Corporate Governance, the Company is required to comply with the code by the financial year 2001-2002. Your Company has been observing some of the key principles of the code and is committed to take adequate measures towards achieving full compliance of the Corporate Governance code well before the stipulated time. The areas where the Company is observing the recommendation of SEBI code are given below:

1. BOARD OF DIRECTORS

The Company's Board of Directors consists of one executive Director, who is the Chairman & Managing Director and 5 non-executive directors. All non-executive directors are independent and they have no pecuniary relationship with the Company in their capacity as Director. During the year 2001-2002 the Board met 7 times and the maximum gap between two meetings was less than three months. The above composition of the Board meets the recommendation of SEBI code.

Details of Board Meetings attended by Directors during 01/04/2001 to 31/03/2002

Sl. No.	Designation	No. of meeting held	No. of meeting present
1. Mr. M. P. Purushothaman	Chairman & Managing Director	7	6
2. Mrs. A. K. Aruna	Director	7	6
3. Ms. Nisha Purushothaman	Director	7	7
4. Mr. M. Ravindran	Director	7	4
5. Mr. R. Chandramohan	Director	7	7
6. Mr. M. K. Mohan	Director	7	6

2. AUDIT COMMITTEE

The company has constituted the Audit Committee for reviewing accounting policies and practices and to interact with the Company's Internal Audit team and Statutory Auditor. The Audit Committee Members have full and free access to all the necessary information and records for carrying out their assigned responsibilities. The Audit Committee consists of Ms. Nisha Purushothaman, Mrs. A. K. Aruna, Mr. M. Ravindran and Mr. M. K. Mohan.

Composition of the Committee and attendance at its meetings

Sl. No.	Designation	No. of meeting held	No. of meeting present
1. Ms. Nisha Purushothaman	Chairman	3	3
2. Mrs. A. K. Aruna	Director	3	2
3. Mr. M. Ravindran	Director	3	1
4. Mr. M. K. Mohan	Director	3	2

3. SHAREHOLDERS' / INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

The shares received for physical transfer are processed and returned normally within a period of 30 days of receipt. The share transfer and share Registrar are being done in house by the Company.

If the shareholder wishes to dematerialise the shares and sends the Dematerialisation Request Form (DRF) through his Depository Participant (DP) within 15 days, the Company will confirm demat to the DP and the share(s) will be credited to the Shareholder's account with the DP. In case the option letter is not received within 15 days, the Company will return the physical shares duly transferred to the shareholder.

4. REMUNERATION TO DIRECTORS

None of the non-executive directors are paid any remuneration except sitting fees. Mr. R. Chandramohan is remunerated in his professional capacity as Senior Vice President.

5. GENERAL BODY MEETINGS

Year	Location	Date	Time
1999	Ayyapareddipalem Village, Naidupet Mandal, Nellore District (A.P)	29.12.99	11.00 a.m.
2000	-do-	30.09.00	11.00 a.m.
2001	-do-	29.09.01	11.00 a.m.