

ANNUAL REPORT

2004 - 2005

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GANPATI SUGAR INDUSTRIES LIMITED

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BOARD OF DIRECTORS

B. G. Lohia	:	Chairman
A. K. Lohia	:	Director
P. M. Nair	:	Director (Operations & Project)
R. Pittie	:	Director
K. Harinath	:	Executive Director
G. Goswami	:	Director
S. K. Bagchi	:	IDBI Nominee

MANAGEMENT TEAM

A. R. Bhartia	:	Advisor (Sales)
M. Barasia	:	President (Commercial)
S. Nagraj	:	Vice President (Mfg.)
V. Bhaska Reddy	:	Vice President (Cane)
R. K. Dugar	:	Vice President (Finance)
R. Singhi	:	Company Secretary

REGISTERED & HEAD OFFICE

20B, Abdul Hamid Street
Kolkata - 700 069

ADMINISTRATIVE OFFICE

8-2-438/5, Road No. 4
Banjara Hills
Hyderabad - 500 034

FACTORY

Village Fasalwadi
Mandal Sangareddy
Dist. Medak
Andhra Pradesh

AUDITORS

A. C. Bhuteria & Co.
Chartered Accountants
2, India Exchange Place
Kolkata - 700 001

BANKERS

State Bank of India
Punjab National Bank
Union Bank of India

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of Shareholders of M/s. Ganpati Sugar Industries Ltd. will be held on Friday, the 30th September, 2005 at its Registered Office at 20B, Abdul Hamid Street, Kolkata - 700 069 at 12.30 P.M.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 31st March, 2005 together with Report of Auditors and Directors thereon.
2. To appoint Directors in place of Shri R. Pittie & Shri P. M. Nair, who retire by rotation and being eligible offer themselves for reappointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To amend clause 77(1) of the Articles of Association of the Company.

To consider and if though fit, to pass, with or without modification, the following resolution as an ordinary resolution,

"RESOLVED that pursuant to the Provisions of Section 31 and other applicable provisions of the Companies act, 1956 and subject to the approval of the Members of the Company in a General Meeting, clause 77 (1) of the articles of association of the Company be and is hereby amended and the word "Rs. 1500/-" be and is hereby substituted by "Rs 5000/-" in clause 77 (1) of the Articles of Association of the company.

By order of the Board

Place : Kolkata,
Date 6th September, 2005

RAKESH SINGHI
Company Secretary

NOTES :

1. Members entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll instead of himself / herself and the proxy need not be a member of the Company. Proxies must reach to the Company atleast 48 hours before the meeting.
3. Shareholders are requested to notify changes in their address including Pin code number, if any, to the Company at its registered office by quoting their folio numbers.
3. Explanatory Statement pursuant to provisions of section 173 (2) is attached herewith.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

To amend article 77(1) of the Articles of association of the Company

The present sitting fee for attending the Meetings of the Board of Directors is Rs. 1500/- only. The Company has a Board of Directors having independent directors and persons of eminence who bring a wide range of expertise and rich experience. The Company is substantially benefiting by their valuable advice. The Company may further broaden the Board in future. Hence, it is proposed to amend the Articles of Association so that the sitting fee of Rs. 1500/- may be revised to Rs. 5000/-. The Following amendment is subject to the approval of the respected members.

All directors are interested in the above resolution.

The Board recommends the amendment of article 77 (1) for approval of the members.

By order of the Board

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RAKESH SINGHI
Company Secretary

Place Kolkata

Date : 6th September, 2005

DIRECTORS' REPORT

To the Shareholders

Your Directors present their Eleventh Annual Report and the Audited statement of accounts for the year ended 31st March, 2005.

Financial Performance :

Rs. in lacs

	2004-05	2003 - 04
Sale & Other Income	12,877	12,644
Profit before Interest, Depreciation and Tax	2,943	2,103
Less : Interest and Other Financial Charges	1,508	2,081
Cash Profit / (Loss) before exceptional items	1,435	22
Less : Depreciation	766	750
Net Profit / (Loss) for the year before exceptional items	669	(728)
Less : Exceptional Item - Differential Cane Price	273	—
Less : Provision for Taxation	30	—
Prior Period Adjustments	30	31
Profit / (Loss) After Tax	336	(759)
Add : Balance brought forward from previous year	(1,313)	(554)
Balance carried to the next year's account	(977)	(1,313)

Dividend :

With a view to conserve the resources, your directors express their inability to recommend any dividend for the year.

Operation and Performance :

Due to the drought conditions prevailing in the cane growing areas in the State for the second consecutive year, the cane availability for crushing was reduced sharply and the Company could crush only 4.40 lac M. Tons of Cane in the season 2004-05 as against 5.03 lac M. Tons in the season 2003-04 which in itself was on lower side. The Company has processed 12050 M. Tons of imported raw sugar and sunfill which could partly set off the impact of lower cane crushing. The operational figures for the year compared to previous year are as given hereunder :

	Financial Year		Sugar Season	
	2004-05	2003-04	2004-05	2003-04
Duration of Crushing (Days)	109	144	109	124
Cane Crushed (MT)	4,40,053	5,70,684	4,40,053	5,02,743
Raw Sugar / Sunfill Processed (MT)	12,050	—	12,050	—
Average Recovery (%)	10.11	10.22	10.11	10.07
Sugar Production (qtls.)	5,55,790	5,93,870	5,55,790	5,16,950

The performance of 15 MW co-generation power plant was adversely affected during the year due to a breakdown of turbine for nearly one month in the month of December, 04, reduction in the Power tariff, PLF restrictions imposed by APTRANSCO on hourly basis due to which the Company could export only @55% PLF resulting in lower sales realisation. The Company could generate a gross revenue of Rs. 555 lacs only during the year from Power Plant as against Rs. 1,686 lacs during previous year. Due to short crushing, the availability of bagasse was lower and the company had to purchase bagasse and bio mass from outside.

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The Company alongwith other sugar mills have filed petition before Hon'ble High Court of Andhra Pradesh against the decision of APTRANSCO regarding reduction of tariff and computation of PLF on hourly basis instead of annual basis. The matter has been referred to a Tribunal set up for the purpose and a decision is awaited shortly. The sugar prices revived during the year from abnormally low levels in previous year and it has helped the company in turning around despite lower crushing and adverse performance of Power Plant. The Company earned a higher profit before interest and depreciation of Rs. 2943 lacs as against Rs.2103 lacs in the previous year. The Company could achieve a significant reduction in finance Cost due to the restructuring scheme approved by the lenders through CDR mechanism and also due to reduction in carrying costs of the stocks. The year ended with a net profit before tax for the year of Rs. 669 lacs against a net loss of Rs.728 lacs in previous year. An increase of Rs. 50/- per quintal in the price of Cane was announced by Hon'ble Prime Minister in January,2003. However no notification was issued by the appropriate authorities for increase in SMP of Cane and a petition was filed before Hon'ble High Court of Andhra Pradesh. Due to continued drought situation for last two years adversely affecting the cane cultivation and farmers tendency to shift to other crops, the Company as a matter of prudence decided to release the additional price of Rs. 50/- per M.Ton during the year pending decision of Hon'ble High Court and a sum of Rs. 273 lacs was paid and accounted for during the year under review. The company's products continued to be well accepted by large multinational and other corporate bulk users and retail marketing chains. The company has also launched the small packets of sugar in local market and is getting good response from the consumers.

Financial Restructuring :

As reported in the last Report, a package for restructuring of secured liabilities under the aegis of Corporate Debt Restructuring (CDR) was approved by CDR Empowered Group in the month of June,2004 effective from 1 st April,2004 being the cut-off date. The interest rates on term loans have been reduced to the range of 0% to 11% p.a. depending upon the tenure of the repayment period of term loans and the same on working capital has been reduced to 1% below SBI PLR. The other reliefs include funding of unpaid interest on term loans by the financial institutions and conversion of irregularity in Working Capital in Working Capital Term Loan by banks. The package has been implemented by all the concerned lenders and consequently the finance charges have reduced to Rs.1508 lacs during the year under review as against Rs. 2081 lacs in previous year.

Outlook :

The lower production in preceding two years has helped the industry in coming over the continued problem of surplus carryover of stock. As per the industry estimates, the production of sugar in the country in the ensuing season is estimated to be around 175-180 lac M.Tons. as against 1351acs M.Tons in season 2004-05. The domestic consumption is expected to be more than 185 lac tones. As a result, the sugar prices are expected to remain firm during the year 2005-06. Removal of ban on import of Indian sugar by the Government of Pakistan is another positive factor and will help the industry , apart from maintaining the sugar prices firm, in fulfilling the export obligation against import of duty free raw sugar under Advance License Scheme. Your Company continues to focus on improvement of quantitative and qualitative growth in cane farming in the area and is also taking all possible measures to improve the irrigation facilities. Though the operations of Co-Generation Power Plant were adversely affected during the year under review, the Company expects that all the issues will be resolved shortly and the revenue from Power plant will improve significantly. The Company is also exploring the possibility of exporting power to Private Consumers as an alternate. The central Government is encouraging the generation of power from non conventional renewable energy sources and has made it mandatory for power suppliers to buy a certain percentage of clean power generated from renewable energy sources. The policy from the Government of Andhra Pradesh in this regard is awaited. The Company is in the process of submission of application for registration of the methodology for the power plant to the United Nations Framework Convention on Climate Change (UNFCCC) for its approval which will enable the Company to generate and sale the Carbon Emission Credits. This will help the company in generating additional cash flows. The Government of India has reduced the rate of interest on outstanding SDF loans to two percent below the bank rate with effect from 21st October, 2004. NABARD has submitted a report to the Government of India for consideration and further action on the relief to sugar industry which include reduction of rate of interest on all past loans from banks and financial institutions to 10% p.a. and re-scheduling of existing loans.

Directors : Shri R. Pittie and Shri P.M. Nair, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Auditors :

The Statutory Auditors, M/s A.C. Bhuteria & Co, Chartered Accountants retire at the conclusion of the ensuing Annual General meeting and being eligible offer themselves for reappointment.

Employees :

Industrial relations were cordial throughout the year. No employee of the Company was in receipt of remuneration during the financial year 2004-05 in excess of the sum prescribed under section 217(2A) of the Companies Act, 1956.

Conservation of Energy:

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956 are given in a separate annexure attached hereto and form part of this report.

Directors' Responsibility Statement :

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

1. in the preparation of the annual accounts for the financial year ended 31 st March,2005, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures;
2. your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of 31st March,2005 and of the profit of the Company for the year ended on that date;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the annual accounts on a going concern basis.

Appreciation:

Your Directors place on record their appreciation for the continued co-operation and support extended to the Company by sugarcane growers, customers, Central and State Governments and their agencies, Financial Institutions, Banks, Shareholders and Employees at all levels.

For and on behalf of the Board

Kolkata, the 6th day of September, 2005

B. G. LOHIA
Chairman

**GANPATI SUGAR
INDUSTRIES LIMITED**

ANNEXURE TO DIRECTORS REPORT

Information pursuant to the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and forming part of the Director's Report for the year ended 31st March, 2005.

A. CONSERVATION OF ENERGY

a) Your Company continues to give priority to conservation of energy on an ongoing basis.

b) The required data with regard to conservation of energy are furnished below :

A.	POWER & FUEL CONSUMPTION	2004-05		2003-2004	
		Sugar	Cogen	Sugar	Cogen
1.	ELECTRICITY				
	a) Purchase units (Excluding Domestic unit)	49,622	11,37,000	47,392	5,90,000
	Total Amount (Rs.)	3,52,126	61,83,948	3,91,857	43,38,915
	Rate per unit (Rs.)	7.09	5.44	8.26	7.35
	b) Own Generation				
	i) Through Diesel Generator Sets (Units)	4,371	—	19,942	—
	Units per ltr of Diesel	4.41	—	2.52	—
	Cost / Unit (Rs.)	6.55	—	8.60	—
	ii) Through Steam Turbine /Generator (Units)	61,31,910	2,84,01,000	73,78,400	65,50,000
	Units Per MT of Bagasse	203	384	268	441.22
	Cost /Unit (Rs.)	1.48	1.57	1.22	2.49
2.	Coal (Specify quality & where used quantity) M.T.	—	—	—	—
3.	Furnace Oil (qty. K. Ltrs) Total amount /Average rate	—	—	—	—
4.	Other /Internal generation Quantity total cost rate / Unit	—	—	—	—
B.	CONSUMPTION PER UNIT OF PRODUCTION				
	Product of Sugar (Qtls)	5,55,790	—	5,95,510	—
	Electricity (Units) / Qtls of Sugar	19.84	—	22	—
	Furnace Oil	—	—	—	—
	Cost (specify quality)	—	—	—	—
	Other (specify)	—	—	—	—

B. RESEARCH AND DEVELOPMENT & TECHNOLOGY ABSORPTION

Your company has been carrying out research and development in the following specific areas

a) Cane Cultivation and Cane Development

- i) Heat treatment therapy to treat cane seed in order to get higher yield of sugarcane per acre of land and keep the crop free from diseases
- ii) Pest control measures to protect cane from diseases
- iii) Perfect methods of ratoon management for raising ratoon crop of sugarcane to ensure increased yield per unit of area
- iv) Biological Control Laboratory and Soil Test Laboratory to extend guidance & service to Cultivators to achieve higher yield