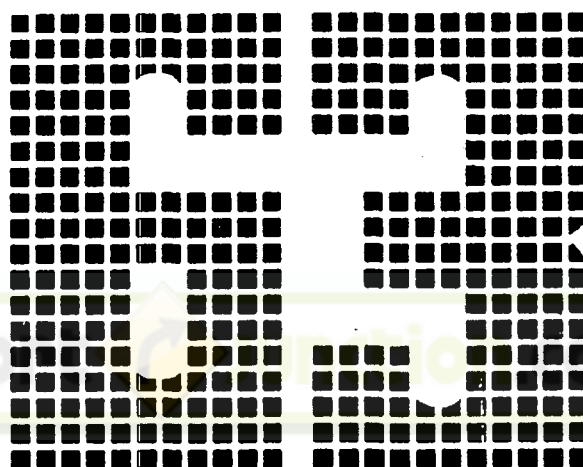


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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input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



ANNUAL REPORT 1996-97



**The India Sugars
& Refineries Limited**





THE INDIA SUGARS & REFINERIES LIMITED

BOARD OF DIRECTORS :

Sri. Rajendra Prasad R. Morarka Managing Director
Sri. Madanlal Somani
Sri. M. N. Medhekar
Sri. Gautam R. Morarka
Sri. G. V. Shantharaju
Sri. A. Gopalakrishna

COMPANY SECRETARY :

Sri. A. T. Shyamsundar

AUDITORS :

M/s. M. S. Krishnaswami & Rajan, Madras

BANKERS :

State Bank of India

REGISTERED OFFICE :

Chitwadgi,
Hospet - 583211
Dist. Bellary
Karnataka

CORPORATE OFFICES :

Bank of Baroda Bldg., 5th Floor,
12, Mumbai Samachar Marg,
Fort, Mumbai - 400 023.

102, Midford House,
1, Midford Gardens,
Bangalore - 560001

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NOTICE :

NOTICE is hereby given that the SIXTY THIRD ANNUAL GENERAL MEETING OF THE INDIA SUGARS & REFINERIES LIMITED will be held at the Registered Office of the Company at Chitwadgi Hospet - 583211, Bellary District, Karnataka State, on Wednesday the 24th September, 1997, at 10 A M to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date and reports of Directors and Auditors thereon.
2. To consider and approve payment of dividend on Cumulative Preference Shares.
3. To consider and approve payment of dividend on Equity Shares.
4. To appoint a Director in place of Shri R P Morarka who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri A Gopalakrishna who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

By Order of the Board
for The India Sugars & Refineries Ltd.

Place : Bangalore

Date : 23rd June, 1997

A T SHYAMSUNDAR
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member of the Company.
2. Proxies in order to become effective must be received by the Company not less than 48 hours before the meeting of the Company on or before 10.00 A M on 22nd September, 1997.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September, 1997 to 24th September, 1997 (both days inclusive).
4. If a dividend on Shares as recommended by the Directors is passed at the meeting, payment of such dividend will be made, to those Shareholders whose names are on the Company's Register of Members as on 24th September, 1997.
5. The Shareholders who have not encashed their dividend warrants in respect of the following :
 - i) Arrears of dividend on Cumulative Preference Shares from 15-6-93 to 31-3-94 and for the years ended 31-3-95 and 31-3-96;
 - ii) Dividend on Equity Shares for the years ended 31-3-95 and 31-3-96;

may encash their dividend warrants within the validity period or if necessary send the warrants to the company for revalidation.
6. Shareholders are requested to notify any change in their addresses.



THE INDIA SUGARS & REFINERIES LIMITED

**DIRECTORS' REPORT
TO:
THE MEMBERS**

The Directors present their SIXTY THIRD ANNUAL REPORT on the Business and Operations of the Company and on the Financial Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	1996-97	1995-96
Profit before Financial charges and Depreciation	540.48	452.31
Less : Financial charges	467.90	284.05
Depreciation	56.16	13.06
	<u>524.06</u>	<u>297.11</u>
Profit for the year	16.42	155.20
Add : Transfer from Investment Allowance Reserve	4.92	0.06
Net Profit	21.34	155.26
Less : Provision for taxation	4.09	—
	<u>17.25</u>	<u>155.26</u>
Add : Profit/Loss(-) brought forward from the previous year	247.63	103.06
Less : Utilised for issuing Bonus shares during the year 1996-97	77.38	—
	<u>170.25</u>	<u>103.06</u>
	<u>187.50</u>	<u>258.32</u>
Less : Appropriation For proposed dividend (Refer to Sch. 1.09)	13.37	10.69
Balance of Profit Carried to Balance Sheet	174.13	247.63

The profit is lower due to the Unrealistic Policy adopted by Government of India with regard to fixation of levy sugar price and lower realisation in respect of free sale sugar.

DIVIDEND :

The Directors recommend dividend to be paid as follows, if approved by the Shareholders at the Annual General Meeting.

a) Dividend for the year ended 31-3-1997 on 14,350 - 14% Cumulative Preference Shares of Rs.100/each which have already been redeemed.

Rs. 2,00,900

b) (i) On 8,67,548 Equity Shares of Rs.10/- each at Re1/- per share for the year ended 31.3.97

Rs. 8,67,548

(ii) On 8,67,548 Bonus Equity shares of Rs.10/- each @ Re 0.31 per share for the period from 10-12-96 to 31-3-97 on Pro-Rata.

Rs. 2,68,940 Rs. 11,36,488

BONUS SHARES :

The Committee of Allotment of bonus shares allotted 8,67,548 Equity Shares of Rs.10/- each as fully paid up Bonus Shares to the Shareholders in the ratio of 1:1 during the year 1996-97. The allotment of bonus shares was done on 10th December, 1996. The bonus equity shares will qualify for the dividend that may be declared at the ensuing Annual General Meeting on Pro Rata basis.

REDEMPTION OF CUMULATIVE PREFERENCE SHARES :

As per the Order dated 21-1-95 of the Company Law Board, the Company has redeemed 14350 - 14% Cumulative Preference Shares of Rs.100/- each from 16th May, 1997.

WORKING :

The working figures of the Company for the season 1996-97 along with the figures of 1995-96 season are given below:

	1996-97 Season	1995-96 Season
Date of commencement of crushing operations	20.12.96	13.11.95
Date of Closure	17.05.97	27.06.96
Gross Season days	149	228
Sugarcane handled (input) MT.	2,29,019	3,32,050
Sugar produced (output) Qtls.	2,22,940	2,91,325
Recovery	9.74%	8.75%

The Company has crushed 2,77,661 MT of sugarcane producing 24,797 MT of sugar during the current accounting year (1996-97) as against 2,71,557 MT of sugarcane crushed producing 25,339 MT of sugar during the previous accounting year 1995-96.



The Company's turnover was Rs.27.65 crores during the year (96-97) as against the turnover of Rs.25.66 crores of 95-96.

SUGARCANE POLICY AND SUGARCANE PRICE :

The Government of India has fixed Statutory Minimum Sugarcane Price (SMP) at Rs.459/- per MT linked to 8.5% recovery for the Season 96-97. On this basis the Statutory Minimum Price applicable to your factory works out to Rs.533.10 per M T. However, the Government of Karnataka did not announce the final State Advised Price. It advised all the sugar factories in Karnataka to pay an adhoc price of Rs.600/- per MT as advance pending announcement of the State Advised Price. Ultimately by compulsion the company was obliged to pay the cane price of Rs.680/- per MT which includes the purchase tax rebate of Rs.15/- per MT and unloading charges of Rs.3/- per MT which was the final price irrespective of the State Government announcing the State Advisory Sugarcane Price for the Season 1996-97. Subsequently after the closure of the season, the State Government announced State Advised Sugarcane Price by its Circular No.CI/11/SGF/97 dated 10.6.97. For the first time the State Government has fixed the State Advised Sugarcane Price for the Season 1996-97 on the basis of recovery of the current season i.e. 1996-97. Hence on the above basis considering the recovery of 1996-97 season i.e. 9.74% the State Advised Sugarcane Price applicable to your factory works out to Rs.716.18.

SUGAR POLICY AND SUGAR PRICE :

The public distribution system price of sugar has been increased from Rs.9.05 to Rs.10.50 per kg.

The ratio of levy and free sugar at 40% : 60% is maintained.

The Government of India by its order No GSR 502 (E)/ESS.COM./Sugar dated 30th October, 1996 had notified the price for levy sugar for the sugar season 1996-97 for the factories in North West Karnataka at Rs.852.62 and Rs.851.05 and for Rest of Karnataka at Rs.891.23 and Rs.889.66 by rail and road respectively (excluding Excise Duty).

Further the Government of India by its order No.GSR/71 (E)ESS.COMM./Sugar dated 12th February 1997 revised the levy sugar prices for 1996-97 season for factories in North West Karnataka and Rest of Karnataka at Rs.970.70 and Rs.1001.84 per quintal for both Rail and Road (excluding Excise Duty).

As no specific rate of additional cost for transportation by rail was fixed by the above order, the Indian Sugar Mills Association had represented to the Central Government.

In response to such representation the Government of India by its yet another order No.GSR.317/E/Ess./Comm./sugar dated 9.6.97 has restored the Schedules viz., Schedule I - Price for delivery into railway wagons and Schedule II - Price for delivery by Road.

It was stated in the last report that your company's factory was wrongly classified and grouped along with factories of North West Karnataka, instead of placing your factory in the Rest of Karnataka for fixation of levy sugar price and also had proposed to file a writ before the Hon'ble High Court of Karnataka challenging wrong classification. However, as an alternative, as per legal advice a representation was made to the Central Government for grouping the company's factory along with the factories of Rest of Karnataka.

Despite the representation, the Central Government has grouped your company's factory along with the factories of North West Karnataka for the purpose of fixation of levy sugar price for the season 1996-97 as per its above order, which price is lower than the price fixed for the Rest of Karnataka.

Your company has again made representation before the Chairman of the Bureau of Industrial Costs & Prices, New Delhi furnishing all necessary facts and figures to justify as to how your company's factory has to be with the Rest of Karnataka Zone. The outcome of the representation is awaited.

DISPOSAL OF THE COMPANY'S PENDING WRITS BY THE APEX COURT:

In our last report we had mentioned that the writs for the years 1974-75 to 1979-80 were disposed of by the Apex Court and in pursuance of the directions of the Honourable Court, the Government of India has refixed the levy price for the said years. By way of differential amount the Company has received a total sum of Rs.36.78,641/-. This is without interest and the company will make its claim for interest also. In the meantime Indian Sugar Mills Association of which the company is a member had filed a petition before the Supreme Court alleging that the Government of India has transgressed the directions of Supreme Court. In that, it has not taken into account the additional cane price paid by the sugar factories and that the Government is bound to take into account additional cane price and refix the price. Hence the revised price fixed by the Government was challenged as it was not in conformity with the directions of the Supreme Court. The Supreme Court in its judgement dated 28.1.97 directed the Central Government to review the levy sugar prices for the seasons 1974-75 to 1979-80 and to reckon the additional cane price paid under Section 5-A(2) of the Sugarcane (Control) Order, 1966 while fixing the levy sugar price.

By the above judgement the Central Government will have to retrospectively hike the levy sugar prices for the period between 1974-75 and 1979-80 and by which the factories are likely to benefit. The Company is awaiting such refixation and thereafter claim for the differential amount will be preferred.



THE INDIA SUGARS & REFINERIES LIMITED

BURSTING OF MOLASSES STORAGE TANK:

When the crushing operations were going on, on 5th May 1997 there was an unfortunate accident in the premises of the factory resulting in bursting of a molasses tank which caused damage to the valves of the adjacent three other molasses tanks. As a result of which the entire molasses drained out. The total molasses loss was about 2600 MTs and financial loss is about Rs.42 lakhs. This molasses ultimately said to have reached the Tungabhadra River causing pollution and ecological damage. The State Government has taken serious note of the same and the Department of Forest, Ecology and Environment, Bangalore and State Pollution Control Board issued show cause notices, which have been replied suitably.

The Secretary to Government, Forest, Ecology & Environment Dept. Bangalore has directed closure of all operations inside the factory till further orders. The company is making efforts to get the order revoked so as to take up maintenance works to be ready for crushing operations for the season 1997-98. Apart from heavy financial losses in terms of value of molasses, the company may have to reimburse the expenses incurred by State Government to remedy the damage that has been caused to the environment. The State Government is making an assessment and it is likely that company may receive a demand for reimbursement of expenses.

PROSPECTS:

As the crushing capacity of your company's factory is proposed to be increased from 2000 TCD to 2500 TCD, efforts are being made to get the sugarcane growing areas in nearby villages of Sandur and Kudligi taluks included in the reserved area of the factory. Once these are included your company will get more than 3 lakh tonnes of sugarcane for crushing.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

Pursuant to Section 217 (1) (e) of the Companies Act, 1956 the particulars in respect of Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo are furnished in Annexure 'A'.

INSURANCE:

The Plant and Machinery, Raw Materials, Finished Goods and Other Assets of the Company have been adequately insured.

AUDITORS REPORT:

The Auditors comment with respect to company following Cash System instead of Mercantile System regarding Gratuity and Encashable of Leave Salary, the directors state that the accounting Note No.3.10 in schedule 3.00 attached to Accounts is self-explanatory.

Further in income tax assessment proceedings of the Company the deduction for Gratuity and Encashable Leave Salary is being allowed on cash basis only.

EMPLOYEES:

The Directors place on record their appreciation of the efficient and loyal services rendered by the Company's employees at all levels for the proper working of the Company. The particulars of employees as required under Section 217 (2A) of the Company's Act, 1956 read with the Companies (particulars of employees) Rules, 1975, are given in Annexure 'B'.

DIRECTORS

Dr. Ratanlal R Morarka director of the company has resigned from directorship with effect from 9th May, 1997. He was associated with the company since 1946-47. The Board records its appreciation for the services rendered by him.

Shri R P Morarka and Shri A Gopalakrishna, Directors of the company retire by rotation under Article 105 & 106 of the Articles of Association of the company and are eligible for re-appointment.

AUDITORS:

M/s. M S Krishnaswami and Rajan, Chartered Accountants, Madras, retire and are eligible for re-appointment and have furnished certificate to the effect that their appointment if made will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENTS:

Your directors would like to place on record their thanks to the Bankers and the Financial Institutions for their cooperation.

on behalf of the Board
For The India Sugars & Refineries Ltd.

Place : Bangalore
Dated : 23rd June, 97

R P Morarka
Managing Director

A GOPALAKRISHNA
Director

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ANNEXURE - A

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

1. CONSERVATION OF ENERGY :

Energy conservation is an on-going activity in the Company and the efforts to conserve energy through improved operational methods and other means will continue. Total energy consumption and energy consumption per unit of production are furnished in the prescribed Form 'A' below.

FORM-A
(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

A. POWER AND FUEL CONSUMPTION :

	Current Year 1996-97	Previous Year 1995-96
1. ELECTRICITY :		
(a) Purchased		
Units-KWH	4,90,492.00	5,84,688.00
Total Amount (Rs)	18,09,898.00	15,66,259.00
Rate/Unit (Rs)	3.69	2.68
(b) Own Generation:		
(i) Through Diesel Generator		
Unit-KWH	1,21,060.00	7,560.00
Unit per Ltr. of diesel oil	3.50	2.90
Cost/Unit (Rs.)	2.67	2.86
(ii) Through Steam Turbine/Generator		
Unit-KWH	51,54,610.00	50,69,910.00
Unit per Ltr. of Fuel Oil/gas	NA	NA
Cost/Unit (Rs)	-	-
2. Coal (Specify quality and where used) :		
Quantity (Tonnes)	-	-
Total Cost	-	-
Average Rate	-	-
3. Furnace Oil		
Quantity (Kilo Ltrs.)	-	-
Total Amount	-	-
Average Rate	-	-

4. Others/Internal Generation

	BAGASSE		FIREWOOD		HUSK	
	96-97	95-96	96-97	95-96	96-97	95-96
Quantity (MT)	86271.15	84510.29	185.905	215.435	879.57	996.80
Total	Own Generation		205130.00	226637.62	664173.00	727664.00
Cost (Rs.)						
Rate/Unit (Rs/MT)	1103.00	1052.00	755.00	730.00

B. CONSUMPTION PER UNIT OF PRODUCTION :

	Standards (If any)	Current Year 1996-97	Previous Year 1995-96
PRODUCTS-SUGAR	Unit-Qtls.		
Electricity (KWH)	-	20.75	19.98
Furnace Oil	-	-	-
Coal (Specify Quality)	-	-	-
Others: (Specify)			
Firewood (MT)	-	0.000748	0.000849
G N Husk (MT)	-	0.003540	0.003929
Bagasse (MT)	-	0.347272	0.3331899

TECHNOLOGY ABSORPTION :

FORM - B
(See Rule 2)

Form for disclosure of particulars in respect to absorption

I. RESEARCH AND DEVELOPMENT (R & D) :

1. SPECIFIC AREAS :

a) The Company has procured foundation seeds of sugarcane of sugar rich varieties like MC 707, CO 87025, CO 87044, CO 85002, CO 88028, CO 8371, CO 88121, CO 8209, CO 86010, CO 85019, CO 92020 from Sugarcane breeding Institute, Coimbatore, Jamkhandi, A.R.S. Sankeswara and Kathalgere etc. and multiplied in farmers field, as per recommendations of the sugarcane experts of Sugarcane Breeding Institute, Coimbatore.

b) To control pests and disease incidences on sugarcane crop, the Parasite Laboratory is established by the company and also procured the natural enemies from the biological control stations and released in pest affected sugarcane fields of farmers in the area. "MALATHIAN 5%" was supplied to control PYRILLA infected fields of the farmers of our area at free of cost.



THE INDIA SUGARS & REFINERIES LIMITED

(c) The early maturing varieties like COC 671, COC-85061, CO-8021 and COC 92061 have been introduced in the reserved area of the company and they are coming up satisfactory. A demonstration plot is being laid out in co-ordination with Department of Agriculture in an extent of 0.5 acre for the benefit of farmers.

(d) The low cost technology for supplying the nutrients to the sugarcane crop by the application of "BIOFERTILIZERS" like Azotobacter and Azosdrillum have been popularised, and utility is advocated.

(e) The demonstrations on the application of BIOFERTILIZERS and other soil conditions are conducted to propagate advance Technology of sugarcane cultivation to achieve higher production.

2. BENEFITS DERIVED :

(a) The latest sugarcane varieties foundation seeds are multiplied and distributed to the progressive farmers for further multiplication. The company has borne the transportation cost to import the latest sugarcane variety seeds from various research stations to the farmers fields whenever they desire. The pure, good and tender sugarcane seeds grown in farmers fields are purchased by the company and distributed to the farmers at subsidised rate in order to get healthy cane with high sucrose content. By this, both farmers and factory are benefited with high yield and high sugar.

(b) By releasing the predators in the field to control the pest periodically has resulted in good yield and good quality of sugarcane to the factory for crushing.

(c) Introduction of early rich varieties has enabled the factory to receive good quality cane and to maintain recovery throughout the crushing season.

(d) Use of bio-fertilizer has helped higher yield, minimised the chemical fertilizer expenditure and also improved the texture and fertility of the soil.

(e) The results of the demonstrations taken up in co-ordination with the fertilizer companies have given positive results.

3. PLAN OF ACTION:

(a) Heat treated (with AST Unit) sugarcane seeds of different varieties are multiplied in experimental farms and on selected farmers fields, under seed nursery programme. These seed materials will have good viability and are disease free. One more AST Unit sanctioned by the Government is being installed in our factory in coordination with Department of Agriculture, Karnataka.

b) Bio-fertilizers and Micro Nutrients are distributed to all the farmers who are undertaking seed multiplication programme.

Introduction of early maturing sugar rich varieties as planned for sugar factory are as under :

	Actual (96-97)	Proposed for 97-98
Early varieties	15.95%	20%
Mid late varieties	6.75%	10%
Late varieties	77.30%	70%

4. EXPENDITURE ON RESEARCH & DEVELOPMENT:

(a) Capital	Rs.	Nil
(b) Recurring	Rs.	1,37,152/-
(c) Total	Rs.	1,37,152/-
(d) Total R & D expenditure as percentage of total turnover		0.05%

II. TECHNOLOGY ABSORPTION, ADATATION AND INNOVATION:

(1) EFFORTS MADE:

(a) The company has availed the consultancy services of Sugarcane Breeding Institution Coimbatore on 'Varietal Management'. The team of experts from Sugarcane Breeding Institute, Coimbatore has surveyed the reserved area of our factory and advised to take suitable measures by procuring improved cane varieties from Research Station and Adoptive trials, three Tier Seed Nursery programme etc.

The team of experts from Sugarcane Breeding Institute, Coimbatore will be visiting our factory once in six months and review the progress with suitable guidance, for a period of three years as per agreement. It is hoped to achieve better results.

(b) Results of R & D carried out in other factories and Research Stations are applied in our farm fields. The new early, sugar rich cane varieties are introduced in the reserved area.

(c) Three tier seed nursery programme and biological control programme are taken.

(d) The company is making efforts for introducing energy and efficient processes.

2. IMPORTED TECHNOLOGY : NOT APPLICABLE

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- a) Activities relating to exports : - NIL -
b) Total Foreign Exchange :

Used	Rs. 4,04,985/-
Earned	Rs. Nil