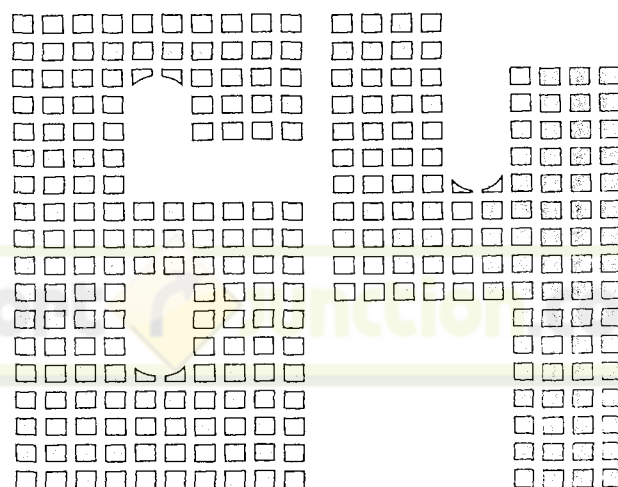


4704g

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHH	✓
YE	✓	✓		✓



ANNUAL REPORT 1997-98



The India Sugars
& Refineries Limited





THE INDIA SUGARS & REFINERIES LIMITED

BOARD OF DIRECTORS :

Sri. Rajendra Prasad R. Morarka Chairman cum Managing Director
Sri. Siddharth R. Morarka Executive Director
Sri. Rahul R. Morarka
Sri. M. N. Medhekar
Sri. G. V. Shantharaju
Sri. A. Gopalakrishna
Sri. K. P. Medhekar
Sri. A. Vamanan
Sri. Praveen Jaipuria

COMPANY SECRETARY :

Sri. A. T. Shyamsundar

AUDITORS :

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

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

STOCK EXCHANGE WHERE COMPANY'S SECURITIES ARE LISTED

Bangalore Stock Exchange Ltd. Stock Exchange Towers 51, 1st Cross, J. C. Road, Bangalore - 560 027.	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street, Mumbai - 400 001.
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Madras Stock Exchange Ltd.
Exchange Bldg., P. B. No. 183,
11, Second Line Beach,
Chennai - 600 001.

Report  Junction.com



NOTICE :

NOTICE is hereby given that the SIXTY FOURTH 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 Tuesday the 23rd March, 1999, at 10 A M to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended 30th September, 1998 consisting of 18 months i.e. from 1-4-97 to 30-9-98 and the Balance Sheet as at that date and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri M N Medhekar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri G V Shantharaju who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass with, or without modifications, the following Resolutions :

5. As an "Ordinary Resolution"

Resolved that in view of the change in Accounting year of the company from a period of twelve months ended 31-3-1998 to eighteen months ended 30-9-1998, the remuneration of auditors of M/s. M. S. Krishnaswani & Rajan, Chartered Accountants, Chennai fixed at the last Annual General Meeting, at Rs. 35,000/- be increased proportionately by Rs. 17,500/- apart from reimbursement of out of pocket, travelling and living expenses.

6. As an "Ordinary Resolution"

RESOLVED that Sri. K. P. Medhekar be and is hereby appointed a Director of the company liable to retire by rotation.

7. As an "Ordinary Resolution"

RESOLVED that Sri. Siddharth R. Morarka be and is hereby appointed a Director of the company liable to retire by rotation.

8. As an "Ordinary Resolution"

RESOLVED that Sri. A Vamanan be and is hereby appointed a Director of the company liable to retire by rotation.

9. As an "Ordinary Resolution"

RESOLVED that Sri. Praveen Jaipuria be and is hereby appointed a Director of the company liable to retire by rotation.

10. As an "Ordinary Resolution"

RESOLVED that Sri. Rahul R. Morarka be and is hereby appointed a Director of the company liable to retire by rotation.

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

Place : Bangalore
Date : 2nd Feb, 1999

A T SHYAMSUNDAR
Company Secretary



THE INDIA SUGARS & REFINERIES LIMITED

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.
3. The Explanatory Statement relating to Special Business mentioned in the Notice, as required under the Section 173 (2) of the Companies Act, 1956 is annexed to the Notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th March, 1999 to 19th March, 1999 (both days inclusive).
5. The amount standing to the credit of unpaid dividend account pertaining to dividend on equity shares for the year ended 31-3-95 and the arrears of dividend on cumulative preference shares for the period from 15-6-93 to 31-3-94 and dividend for the year ended 31-3-95 was transferred to the General Revenue Account of the Central Government on 20-11-98. Members who have not encashed dividend for the said years are requested to claim the same from Registrar of Companies in Karnataka, "E" Wing, 2nd Floor, Kendriya Sadan, Koramangala, Bangalore 560034.
6. The Shareholders who have not encashed their dividend warrants /demand drafts in respect of the following :
 - i) Dividend on Cumulative Preference Shares for the years ended 31-3-96 and 31-3-97;
 - ii) Dividend on Equity Shares for the years ended 31-3-96 and 31-3-97;
 may encash their dividend warrants/Demand Drafts within the validity period or if necessary send them to the company for revalidation.
7. Shareholders are requested to notify any change in their addresses.

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 5.

To Fall in line with the sugar year of the Central Government which is from October to September, the company has changed its accounting year from April to March to October to September. As such the accounting period consists of 18 months i.e. from 1-4-97 to 30-9-98.

The auditors M/S M S Krishnaswami & Rajan, Chartered Accountants, of Chennai were required to conduct the audit for an additional period of six months i.e. from 1-4-98 to 30-9-98. At the last Annual General Meeting of the company held on 24-9-97 the remuneration of the auditors was fixed at Rs 35,000/- plus out of-pocket, travelling and living expenses.

In view of the extension of the accounting year and consequential increase in the work carried out by the auditors, it is necessary to proportionately increase the remuneration. They are to be paid additional remuneration of Rs 17,500/- being the proportionate amount on the basis of their annual remuneration which was fixed at the last Annual General Meeting.

Members are requested to pass the resolution for payment of such additional remuneration to the said auditors.

None of the directors is concerned or interested in the Resolution
Item No 6 :

Sri K P Medhekar was appointed on 24-9-1997 as an Additional Director pursuant to the provisions of Article 107 of the Articles of Association of the company and who in terms of the said Article will hold office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, a notice has been received from a member along with the deposit of Rs 500/- signifying his intention to propose the candidature of Sri K P Medhekar as a Director of the Company.

Sri K P Medhekar, IPS (Maharashtra Cadre) was formerly the Director General of Police, Maharashtra State and a Member of Maharashtra Public Service Commission. He is presently the Corporate Consultant of HRD, Remuneration Policy, Placement, Security, Disaster - Crisis Management.

The Board considers that having regard to his knowledge and experience in various fields it will be in the interest of the company to appoint him as a Director of the Company.

Except Sri K P Medhekar, no other Director of the Company has any interest or concern in the Resolution.

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Item No 7 :

Sri Siddharth R Morarka was appointed on 30-5-98 as an Additional Director pursuant to the provisions of Article 107 of the Articles of Association of the company and who in terms of the said Article will hold office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, a notice has been received from a member along with the deposit of Rs 500/- signifying his intention to propose the candidature of Sri Siddharth R Morarka as a Director of the Company.

Sri Siddharth R Morarka is a Commerce Graduate and has also done the Business Case Study Programme from University of Harvard. Till his appointment as Executive Director he was working in the company as Chief Executive since 1-4-92. He is looking after the entire administration and even technical aspects of the sugar factory. He was monitoring modernisation programme which was undertaken by the company during the year 1995-96. He was totally involved in upgrading and reconditioning of the entire battery of Boilers to achieve maximum efficiency. Thus he has vast experience in various fields including day to day administration.

It will be beneficial and in the interest of the company to avail of his experience and services as Executive Director.

Except Sri Siddharth R Morarka, Sri Rajendraprasad R Morarka and Sri Rahul R Morarka being related to Sri Siddharth R Morarka no other Director is concerned or interested in the said Resolution.

Item No 8:

In the vacancy caused by the resignation of Dr Ratanlal R Morarka a Director liable to retire by rotation, the Board appointed Sri A Vamanan as Director on 30-5-98, pursuant to Article 107 of the Articles of Association of the Company. In terms of the said Article he holds office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, a notice has been received from a member along with the deposit of Rs 500/- signifying his intention to propose the candidature of Sri A Vamanan as a Director of the Company.

Sri A Vamanan is an Engineering Graduate and has worked in M/S Stressed Concrete Constructions Limited and M/S Gannon Dunkerley & Company Limited. He also had his own Engineering Fabrication business. Having wide experience and deep technical knowledge it would be in the interest of the company to avail of his services.

Except Sri A Vamanan no other director of the company has any interest or concern in the Resolution.

Item No 9 :

In the vacancy caused by the resignation of Sri Gautam R Morarka a director liable to retire by rotation, the Board appointed Sri Praveen Jaipuria as Director on 30-5-98, pursuant to Article 107 of the Articles of Association of the Company. In terms of the said Article he holds office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, a notice has been received from a member along with the deposit of Rs. 500/- signifying his intention to propose the candidature of Sri Praveen Jaipuria as a Director of the Company.

Sri Praveen Jaipuria is a Commerce Graduate (Hons). He has promoted various companies. He has worked as Executive Officer in Oriental Cotton Cultivation & Mills Limited and as in-charge in the firm of M/S Gajadhar Puranmall (Power Loom Division). He is also the Director of various companies and Joint Director of M/S Agro Extracts Limited, Executive Director of M/S P J Margo Private Limited and Proprietor of P J Associates. With his varied experience in many companies his knowledge would be to the benefit of the company.

Except Sri Praveen Jaipuria no other Director of the company has any interest or concern in the Resolution.

Item No 10 :

In the Vacancy caused by the resignation of Sri Madanlal Somani a Director liable to retire by rotation, the Board appointed Sri Rahul R Morarka as Director on 30-5-98, pursuant to Article 107 of the Articles of Association of the Company. In terms of the said Article he holds office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, a notice has been received from a member along with the deposit of Rs 500/- signifying his intention to propose the candidature of Sri Rahul R Morarka as a Director of the Company.

Sri Rahul R Morarka is a Commerce Graduate. He is well versed in Finance, Tax and Excise related matters. He has played significant role in computerising all the departments of the company. Owing to his administrative knowledge the Board considers it beneficial and in the interest of the company to avail of his services.

Except Sri Rahul R Morarka, Sri Rajendraprasad R Morarka and Sri Siddharth R Morarka being related to Sri Rahul R Morarka no other Director is concerned or interested in the said Resolution.

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

Place : Bangalore A T Shyamsundar
Date : 2nd February, 1999. Company Secretary



THE INDIA SUGARS & REFINERIES LIMITED

DIRECTORS' REPORT

TO: THE MEMBERS

The Directors present their SIXTY-FOURTH ANNUAL REPORT on the Business and Operations of the Company and on the Financial Accounts for the period ended 30th September, 1998.

CHANGE IN ACCOUNTING YEAR

As the accounting year of the company has been changed from 1st April - 31st March to 1st October - 30th September, the accounts relate to 18 months period from 1st April 97 to 30th September, 98. The requisite permission has been obtained from the Registrar of Companies in this behalf. Approval of the above authority has also been obtained for extending the time for holding the Annual General Meeting. The financial year of the company which hence before closed on 31st March will hence forth close on 30th September every year.

FINANCIAL RESULTS :

	(Rs. In Lakhs)	
	1997-98 (for 18 months)	1996-97 (for 12 months)
Profit before Financial charges and Depreciation	378.17	540.48
Less : Financial charges	814.73	467.90
Depreciation	83.78	56.16
	<u>898.51</u>	<u>524.06</u>
Profit \ Loss (-)	(-) 520.34	16.42
Add : Transfer from Investment Allowance Reserve	6.04	4.92
Net Profit \ Loss (-)	(-) 514.30	21.34
Less : Provision for taxation	0.96	4.09
	<u>(-) 515.26</u>	<u>17.25</u>
Add : Profit/Loss(-) brought forward from the previous year	174.13	247.63
Less : Utilised for Issuing Bonus shares during the year 1996-97	- 174.13	77.38
	<u>(-) 341.13</u>	<u>170.25</u>
Less : Appropriation For proposed dividend	-	13.37
Balance of Profit / Loss (-)		
Carried to Balance Sheet	<u>(-) 341.13</u>	<u>174.13</u>

In view of the loss your directors are not in a position to recommend payment of any dividend.

WORKING :

The working figures of the Company for the season 1997-98 along with the figures of 1996-97 season are given below:

	1997-98 Season	1996-97 Season
Date of commencement of crushing operations	23.12.97	20.12.96
Date of Closure	28.04.98	17.05.97
Gross Season days	127	149
Sugarcane handled (Input) MT.	2,20,751	2,29,019
Sugar produced (output) Qtls.	2,12,221	2,22,940
Recovery	9.57%	9.74%

The Company has crushed 2,88,040 MT of sugarcane producing 27,316 MT of sugar during the current accounting period (1997-98) for 18 months as against 2,77,661 MT of sugarcane crushed producing 24,797 MT of sugar during the previous accounting year 1996-97 for 12 months.

The Company's turnover was Rs.48.41 crores during the period 1997-98 for 18 months as against the turnover of Rs.27.65 crores of 1996-97 for 12 months.

SUGARCANE POLICY AND SUGARCANE PRICE :

The Government of India has fixed Statutory Minimum Sugarcane Price (SMP) at Rs.484.50 per MT linked to 8.5% recovery for the Season 97-98. On this basis the Statutory Minimum Price applicable to your factory works out to Rs.586.50 per MT. In view of the Writ Petitions filed by the South Indian Sugar Mills Association, Bangalore in the High Court of Karnataka challenging the State Advised Price for the seasons 1996-97 and 1997-98 and consequential grant of stay by the High Court, the Government of Karnataka did not fix the State Advised Price for 1997-98. However it advised the sugar factories in Karnataka to pay an adhoc price of Rs 625/- per MT as advance. Ultimately by compulsion the company was obliged to pay the sugarcane price of Rs. 765/- per MT which includes the purchase tax rebate of Rs. 15/- per MT, plus unloading charges of Rs 5/- per MT.

As informed in the last report, the State Government had announced State Advisory Sugarcane Price for your company's factory for the season 1996-97 at Rs 716.18 per MT. The representatives of the Sugarcane suppliers had demanded payment of difference of cane price i.e. the State Advised Price of Rs 716.18 per MT less the Agreedemented Price of Rs 680/- per MT though the company contended that it is not legally liable to pay over and above the agreedemented price of Rs. 680/- per MT, this was not accepted by sugarcane suppliers. When the matter was referred for arbitration, the Commissioner for Cane Development and Director of Sugar fixed the difference price at Rs 10/- per MT and as such the final sugarcane price for the season 1996-97 works out to Rs 690/- Per MT.

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**SUGAR POLICY AND SUGAR PRICE :****DELICENSING OF SUGAR INDUSTRY:**

As per the press Note, the Government of India has decided to delete sugar industry from the list of industries requiring compulsory licensing under the provisions of Industries (Development and Regulation) Act, 1951. However in order to avoid unhealthy competition among sugar factories to procure sugarcane a minimum distance of 15 K M. would continue to be observed between the existing sugar mill and a new mill.

In our last report members were informed of the representation made by your company before the Chairman of the Bureau of Industrial Costs & Prices New Delhi for grouping your company's factory along with the factories of rest of Karnataka Zone for the purpose of fixation of levy sugar price. In response to the representation the Government of India has placed your company's factory in the Rest of Karnataka Zone with effect from 1997-98 season onwards and consequently will get the levy sugar price applicable to the factories of Rest of Karnataka Zone, which is generally higher.

The Government of India by its order No GSR 659 (E)/ESS.COMM./Sugar dated 21-11-97 had notified the levy sugar price for the sugar season 1997-98 for the factories in North West Karnataka at Rs.972-27 and Rs.970.70 and for Rest of Karnataka at Rs.1003.41 and Rs.1001.84 per quintal by rail and road respectively. (excluding excise duty).

Further the Government of India by its order No.GSR 394 (E)ESS.COMM./Sugar dated 17-7-98 revised the levy sugar prices for the sugar season 1997-98 for the factories in North West Karnataka at Rs 994.59 and Rs 993.02 and for Rest of Karnataka at Rs.1010.68 and Rs.1009.11 per quintal by rail and road respectively.

The Government of India is yet to redetermine the levy sugar price for the seasons from 1974-75 to 1979-80 in compliance with the directions of the Honourable Supreme Court, which has specifically made it clear that while so determining, the additional cane price payable should be taken into account. On such revision of price your company may get substantial amount by way of differential price.

BURSTING OF MOLASSES STORAGE TANK:

In the last report it was informed that consequent on the bursting of molasses storage tank the Secretary to Government, Forest & Environment Dept. Bangalore had ordered closure of all operations inside the factory and the State Government was making an assessment for reimbursement of expenses incurred by it to remedy the ecological damage. Your company had deposited a sum of Rs 16.50 lakhs with Deputy Commissioner, Bellary as compensation without prejudice to the right of the company to question the quantum of compensation or liability

to pay the compensation purely as a matter of goodwill on the part of the company. The Department had issued show cause notice claiming compensation to the tune of Rs. 166.80 lakhs. Your company after consulting Ms Kesvy & Company, Advocates gave an elaborate reply to show cause notice and justifying that except the total amount of Rs 35.40 lakhs payable under the provisions of the Environment Protection Act, nothing more is payable. After continuous efforts, favourable letters were received from the Under Secretary to the Government, Department of Forest Ecology and Environment, Bangalore withdrawing the prohibitory order and allowing the company to start its crushing operations subject to the condition of paying the balance compensation of Rs 18.90 lakhs. Your Company has also paid the balance amount.

PROSPECTS:

We are glad to inform you that your company's factory has been allotted additional reserved area comprising of 19 villages of Koppal Taluk, Koppal District. By this your company's factory will get more than 3 lakh tonnes of sugarcane for crushing. The company is also making efforts to prepone its crushing operations with a view to arrest diversion of sugarcane for manufacture of jaggery.

However Hospet Raithara Sangha which represents the sugarcane suppliers to the factory have filed a writ petition in the High Court of Karnataka challenging the Notification of allotment of additional reserved area and obtained stay of operation of the notification.

Surprisingly, the Government of India has permitted import of sugar to begin with, without imposing customs duty. This adversely affected, the levy free sugar sale price which crashed to below economical level. Though after considerable delay a nominal customs duty of 5% was imposed which was recently enhanced to 15%. The contention of the sugar industry is that it shall be increased to more than 50% and in fact import of cheap sugar should be banned. Country like Pakistan by heavily subsidising are dumping sugar in our country. When there is adequate availability of sugar in the country, the logic of importing is unexplainable.

EXPANSION :

Your company has received letter of intent from the Government of India for expansion of the crushing capacity from 2000 TCD to 2500 TCD.

REPORTING TO BIFR :

The resulting loss for the financial period for 18 months ended 30th September, 1998 is more than the net worth of the company i.e. the sum total of the paid up capital and free reserves. This has eroded the entire net worth, on account of which the company has become a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3



THE INDIA SUGARS & REFINERIES LIMITED

of the Sick Industrial Companies (Special Provisions) Act, 1985.

As required under the provisions of the said Act the company is making a reference to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the company.

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'.

AUDITORS REPORT:

The observations in the Auditors Report are dealt within the Notes at the appropriate places in the Account and are self explanatory.

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

Sriyuths P G Harnkar, G R Morarka and Madanlal Somani Directors of the company have resigned from their directorship with effect from 19-6-97, 15-9-97 and 19-9-97 respectively. The Board records its appreciation for the services rendered by them during the tenure of their office.

Sriyuths A Vamanan, Praveen Jaipuria and Rahul R Morarka were appointed with effect from 30-5-98 in the casual vacancy caused by the resignation of Dr Ratanlal R Morarka, Sri G R Morarka and Sri Madanlal Somani.

Sri K P Medhekar and Sri Siddharth R Morarka were appointed as Additional Directors with effect from 24-9-97 and 30-5-98 respectively.

They hold office upto the date of this Annual General Meeting.

Appropriate Resolutions in this regard appear in the Notice of the Annual General Meeting and your Directors recommend their adoption.

Sri M N Medhekar, and Sri G V Shantharaju Directors of the company retire by rotation under Article 105 & 106 of the Articles of Association of the company being eligible offer themselves for re-appointment.

AUDITORS:

In view of the extension of this financial year of the company from the period of 12 months to 18 months and the consequential increase in the work carried out by the auditors, it is necessary to proportionally increase the remuneration which was fixed at the last Annual General Meeting. Necessary Resolution in this regard is being placed before the members for their consideration.

M/s. M S Krishnaswami and Rajan, Chartered Accountants, Chennai, 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.

LISTING OF SHARES :

The equity shares of the company are listed on Bangalore Stock Exchange Ltd., Madras Stock Exchange Ltd., and The Stock Exchange, Mumbai. Necessary listing fee has been paid to the respective stock Exchanges.

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 : 2nd February, 99

R P Morarka
Chairman cum Managing Director

A GOPALAKRISHNA
Director