



**K.C.P. SUGAR AND INDUSTRIES
CORPORATION LIMITED**

Fourth Annual Report
1998 - 99

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**BOARD OF DIRECTORS***Chairman & Managing Director**Shri. V.M. Rao**Directors**Smt. V.R. Durgamba**Smt. Rajeswary Ramakrishnan**Shri. R.K. Talwar**Dr. N.B. Prasad**Nominee Director of IDBI**Shri. S.T. Desai**Executive Director**Shri. K.A. Rangaswamy**General Manager (Finance) and Secretary**Shri. V.C. Unnikrishnan, FCA, FICWA, FCS**Auditors**Messrs. Brahmayya & Co.**Chartered Accountants, Vijayawada**Legal Advisor**Shri. T. Raghavan,**25, Mowbrays Road,**Chennai 600 018.**Bankers**State Bank of India**Punjab National Bank**Canara Bank**Times Bank Limited**Registered & Corporate Office**"Ramakrishna Buildings"**183, Anna Salai,**Chennai - 600 006.**Units**Vuyyuru**- Sugar**Distillery**Workshop**Research and Development**Acetic acid**Lakshmipuram - Sugar*

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K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**AT A GLANCE****(Rs. in Lakhs)**

FINANCIAL HIGHLIGHTS	Year Ended			
	31.03.99	31.03.98	31.03.97	01.04.96 (1 Day Only)
SHARE CAPITAL	1,289.30	1,289.30	1,289.30	1,289.30
RESERVES AND SURPLUS	5,515.34	4,926.30	3,875.85	3,631.39
NET WORTH	6,804.65	6,215.60	4,955.24	4,640.78
FIXED ASSETS (NETT)	7,878.04	6,341.50	6,598.96	6,395.62
GROSS INCOME	21,519.59	20,579.09	18,853.87	7.99
GROSS PROFIT	2,879.39	3,823.65	2,713.07	0.21
DEPRECIATION	368.96	350.29	335.44	0.88
INTEREST	1,263.60	1,458.44	1,404.16	3.77
PROFIT BEFORE TAX	1,246.83	2,014.92	973.47	-4.44
PROFIT AFTER TAX	946.83	1,614.92	673.47	-4.44
EARNINGS PER SHARE (RS.)	7.34	10.90	4.68	N.A.
CASH EARNINGS PER SHARE (RS.)	10.21	15.24	7.83	N.A.
BOOK VALUE PER SHARE (RS.)	52.78	48.21	38.43	36.00
DIVIDENDS ON EQUITY (%)	25.00	25.00	25.00	N.A.
DEBT EQUITY RATIO (excluding working capital borrowings)	0.77	0.48	0.61	0.61
SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY				
SEASON	1998-99	1997-98	1996-97	1995-96
SUGAR UNIT, VUYYURU				
CANE CRUSHED IN MTS	9,32,052	8,91,340	9,00,781	11,26,043
SUGAR BAGGED IN QTLS	9,62,300	8,63,146	9,47,253	11,04,605
RECOVERY %	10.33	9.68	10.52	9.81
SUGAR UNIT, LAKSHMIPURAM				
CANE CRUSHED IN MTS	4,50,431	3,30,772	4,10,949	4,56,731
SUGAR BAGGED IN QTLS	4,41,310	3,04,238	4,34,208	4,42,559
RECOVERY %	9.80	9.20	10.57	9.70



TO THE SHAREHOLDERS OF K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED

Your Directors have pleasure in submitting their Fourth Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March,1999.

FINANCIAL HIGHLIGHTS

	For the Year ended 31.03.99	For the Year ended 31.03.98
	(Rs.in lakhs)	
Sales & Other Income	21,519.59	20,579.09
Profit before interest,depreciation & tax	2,879.39	3,815.00
Less : Interest	1,263.60	1,449.79
Depreciation	368.96	350.29
Profit before tax	1,246.83	2,014.92
Provision for taxation	300.00	400.00
PROFIT FOR THE YEAR AFTER TAX	946.83	1,614.92
Add: Balance brought forward from previous year	380.62	176.17
SURPLUS AVAILABLE FOR APPROPRIATION	1,327.45	1,791.09
APPROPRIATION		
Goodwill written off	---	209.91
General Reserve	100.00	846.00
Proposed Dividend	322.33	322.33
Corporate tax on Proposed Dividend	35.46	32.23
BALANCE CARRIED TO BALANCE SHEET	869.66	380.62
	1,327.45	1,791.09
Earnings per share(EPS)in Rs.	7.34	10.90
Cash earnings per share(CEPS) in Rs.	10.21	15.24

CORPORATE

Sale of products and services grew marginally by 5.76 % from Rs.20,235.52 lakhs in the previous year to Rs.21,400.14 lakhs during the financial year ended 31.03.99. In terms of quantity, sugar sold increased by 1.21 % during the financial year from 1,32,931 mts during 1997- 98 to 1,34,545 mts during the year under review. Sugar realisation was also higher by 2.50 %, in spite of the dampened market conditions, caused by the unbridled imports. Higher realisations from the industrial alcohol unit also contributed to the growth in the turnover.

The Gross profit before interest,depreciation and provision for tax was lower by 24.52 % at Rs.2,879.39 lakhs for the year ended 31.03.99, as against Rs.3,815.00 lakhs during the previous year, largely due to the high cost of sugar carried over from the 1997-98 season and net marginal increase in employee costs on account of provision for leave encashment during the year under review.

In spite of an higher outlay on the interest on public deposits, the borrowing cost to the Company was lower by about 12.85% at Rs.1,263.60 lakhs as against Rs.1,449.79 lakhs in the previous year. This was possible due to better realisations and a pragmatic approach towards continued optimisation of the working capital finances.

Consequently, the net profit before tax was lower at Rs.1,246.83 lakhs for the year ended 31.03.99, as against Rs.2,014.92 lakhs for the previous year. After provision of Rs.300 lakhs (Rs.400 lakhs in previous year) towards taxation, the profit for the year stood at Rs.946.83 lakhs during 1998-99 as against Rs.1,614.92 lakhs during the previous year.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

For the 1998-99 season, your Company has cleared the payments to the Cane growers on account of Statutory Minimum Price. On a case filed by the Company against the fixation of the State Advised Price (SAP), by the State Government, the Hon'ble High Court of Andhra Pradesh has set aside the relevant G.O. and the Company is not bound to pay the SAP as per the said G.O. However, the Company is in dialogue with the Cane growers to fix a suitable additional cane price which would be adjustable against the price to be announced by the Government of India as per the Bhargava formula.

DIVIDEND

Your Directors are pleased to recommend a tax free dividend of 25% (Rs. 2.50 per share) on the paid-up equity capital of Rs.12,89,30,160 for the financial year ended 31st March,1999, which, if approved by the Shareholders at the ensuing Annual General Meeting will absorb Rs. 3,22,32,540. A Corporate tax of 11% (including surcharge of 1%) on the approved dividend will be payable by the Company for which a provision of Rs. 35,45,580 has been made.

CAPITAL AND RESERVES

The Equity Share Capital of the Company stood at Rs.12,89,30,160 and the Reserves and Surplus stood at Rs. 55,15,34,461 as at 31st March,1999.

REVIEW OF UNIT WISE OPERATIONS**VUYYURU SUGAR UNIT**

The 1998-99 crushing season, which started on 19.11.98 closed on 09.04.99, crushing 9,32,052 mts at an average recovery of 10.33% and bagging 9,62,300 bags of sugar as against 8,91,340 mts of cane crushed at an average recovery of 9.68% and bagging 8,63,146 bags of sugar. Though, the quantum of cane crushed was only marginally higher, the increase in the average recovery by 0.65% has contributed substantially to the overall performance of the unit. The unit worked for 141 days during the season at an average crushing of 6,610 mts per day as against 134 days at an average crushing of 6,652 mts per day during the previous 1997-98 season. This unit has paid a statutory minimum price of Rs.601.40 per mt for the 1998-99 season as against Rs.616.50 per mt for the 1997-98 season. The additional cane price will be disbursed during May/June'99. The levy price for the 1998-99 season is yet to be announced till the date of this Report. During the year, even though the average realisation on account of molasses dropped considerably by about 22.83% from Rs.1,665.48 per mt to Rs.1,285.33 per mt, the impact was only marginal. However, the drop in sale price of molasses from around Rs.1,800/- in the beginning of this year to around Rs.500/- has caused considerable reduction in the earnings from molasses. During the year under review, the unit produced and distributed bio fertilizers, viz., about 60 mts of azospirillum and 63 mts of phosphobacteria, which were well received by the cane growers and the Company hopes to reduce the consumption/use of chemical fertilizers in a phased manner by supply of bio fertilisers as also press mud compost.

VUYYURU WORKSHOP UNIT

Even though the economy has picked up in a slow manner, it is yet to have any positive impact on the engineering industry as a result of which the contribution by this unit from outside job works continued to be at a lower ebb. However, inspite of this, the gross receipts registered an increase of 51.70% to Rs.512.70 lakhs during the year under review as against Rs.337.98 lakhs for the previous year. This was largely due to the modernisation jobs at both the units including partial fabrication of the two 100 tph high pressure boilers. It may be added that these boilers are the first of its kind to be installed in a sugar factory in India and the installation of these boilers are aimed at reducing the working costs both in terms of fuel consumed and manpower.

VUYYURU DISTILLERY UNIT

The performance of this unit during the year under review had a significant positive impact on the Company's profitability. The production of this unit was higher by about 25% on account of production of 78.82 lakh bulk litres as against 63.39 lakhs bulk litres produced during the previous year ended 31.03.98. The gross sales also improved considerably by 78% to Rs.1,304.56 lakhs during the year ended 31.03.99 as against Rs.731.66 lakhs during the previous year. This year, unlike in the previous year, the downward movement in the cost of molasses which is the primary raw material for production has made production of industrial alcohol more profitable unlike in the previous year and enabled the unit to realise an higher amount of Rs.16.36 per bulk litre of industrial alcohol for the current year as against Rs.12.33



per bulk litre during the previous year. Higher sales volume and average realisation per unit resulted in growth in the profit contribution from this unit. As an environment friendly measure, your Company has initiated the use of distillery spent wash with press mud to make organic manure, which apart from enriching the soil will also provide an outlet for safe and effective disposal of the spent wash.

VUYYURU RESEARCH AND DEVELOPMENT UNIT

During the year under review, the production of bio fertilisers has commenced and the use of the distillery spent wash for production of organic manure has also been taken up. Your Board is also examining alternatives to further improve the quality of the sugar produced and to manufacture various value added downstream products.

VUYYURU ACETIC ACID UNIT

The acetic acid unit had a difficult year on account of fluctuating markets and the average realisation dropped considerably from Rs.26.63 per kg in the previous year to Rs.18.53 per kg during the year under review. On account of a higher production during the year at 362.32 mts as against 292.97 mts during the previous year, the unit ended up with a higher closing stock of 173 mts as on 31.3.99 as against 60 mts on 31.3.98. This unit contributed Rs.46.12 lakhs towards sales during the year under review as against Rs.61.98 lakhs in the previous year.

LAKSHMIPURAM SUGAR UNIT

During the 1998-99 season, which commenced on 23.11.98 and closed on 13.04.99, the Lakshmipuram sugar unit crushed a higher quantum of 4,50,431 mts of sugarcane for 142 days at an average recovery of 9.80%, bagging 4,41,310 bags of sugar as against crushing of 3,30,772 mts of sugarcane at an average recovery of 9.20% thereby bagging 3,04,238 quintals of sugar during the previous 1997-98 season. Here again the increase in the recovery by 0.60% has enabled considerable reduction in the cost of production of sugar. This unit has paid a Statutory minimum price of Rs.570.40 per mt for the 1998-99 season as against Rs.616.50 per mt for the 1997-98 season.

The summary of the cane crushed, sugar bagged etc of both the Sugar units for the last two seasons and financial year wise are presented hereinbelow:

SEASONWISE

UNIT/SEASON PARTICULARS	VUYYURU		LAKSHMIPURAM	
	1998-99	1997-98	1998-99	1997-98
Crushing commenced on	19.11.98	27.11.97	23.11.98	04.12.97
Crushing completed on	09.04.99	09.04.98	13.04.99	26.03.98
No. of days	141	134	142	112
Cane crushed (in mts)	9,32,052	8,91,340	4,50,431	3,30,772
Sugar Bagged (in qtls)	9,62,300	8,63,146	4,41,310	3,04,238
Recovery (%)	10.33	9.68	9.80	9.20

FINANCIAL YEARWISE

UNIT/PERIOD ENDED DETAILS	VUYYURU		LAKSHMIPURAM	
	31.03.99	31.03.98	31.03.99	31.03.98
1997-98 Season-From / To	01.04.98	27.11.97	***	04.12.97
	to	to		to
	09.04.98	31.03.98	***	26.03.98
1998-99 Season-From / To	19.11.98	***	23.11.98	***
	to		to	
	31.03.99	***	31.03.99	***
No. of days	141	146	129	120
Cane crushed (in mts)	9,43,999	9,30,747	4,17,094	3,46,094
Sugar Bagged (in qtls)	9,71,573	8,98,239	4,06,822	3,24,786
Recovery (%)	10.29	9.65	9.75	9.38
Sugar sales (Rs. in lakhs)	13,071.45	11,722.70	5,409.96	6,094.52

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**FIXED DEPOSITS**

The deposits accepted by the Company grew by about 72% from Rs.10.61 crores as on 31.03.98 to Rs.18.23 crores as on 31.03.99. As at 31st March, 1999, there were matured and unclaimed deposits amounting to Rs.30.18 lakhs in respect of 185 depositors. Of these, deposits amounting to Rs. 5.25 lakhs in respect of 31 depositors have since been repaid/renewed. Further, as on 31st March, 1999 there were matured and unclaimed deposits amounting to Rs.30,830/- of 64 depositors of the erstwhile Challapalli Sugars Ltd at the time of amalgamation with 'The K.C.P.Ltd.' which has since been vested in the Company w.e.f. 01.04.96.

INVESTMENT IN SHARES AND BONDS

The details of the investments in shares and bonds of your Company as on 31st March,1999 are given in Schedule "F" to the Accounts. During the year under review, your Company has invested in the shares of few sugar companies and also an amount of Rs.3.75 lakhs in KCP Sugars Agricultural Research Farms Private Limited.

FUTURE PLANS

Your Company is exploring various avenues for venturing into downstream by products and further consolidation in the acetic acid and alcohol units.

YEAR 2000

Your Company has already initiated necessary action for ensuring compliance of the year 2000 factor and is confident that the hardware, software, technical operations and all other related activities would be Y2K compliant by September '99 and the estimated cost for the same would be around Rs.30 lakhs.

SUBSIDIARY COMPANIES

The sales turnover of your wholly owned subsidiary "The Eimco-K.C.P.Ltd" was lower at Rs.387.61 lakhs for the year ended 31st March'99 from Rs.929.41 lakhs for the previous year ended 31st March'98. This year, the unit suffered a marginal loss of Rs.14.47 lakhs as against an operating profit of Rs.21.41 lakhs for the year ended 31st March'98.

During the year under review, your Company has promoted a Subsidiary Company, KCP Sugars Agricultural Research Farms Private Limited, primarily aimed at extensively carrying out research and development programmes on sugarcane and other agricultural produce.

The Statement as required under Section 212(3) of the Companies Act, 1956 in respect of the subsidiary companies are separately annexed.

DIRECTORS

In accordance with the provisions of the Companies Act,1956 and the Articles of Association of the Company, Smt.V.R.Durgamba and Smt.Rajeswary Ramakrishnan retire by rotation and are eligible for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Statement pursuant to Section 217(1)(e) of the Companies Act,1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules,1988 is given in the Annexure 'A' forming part of this Report.



PERSONNEL AND INDUSTRIAL RELATIONS

The relations between the employees and the Management continued to be cordial during the year under review.

On 26.04.1999, in a tragic accident at the Vuyyuru unit, eight contract workmen lost their lives, when, during a routine cleaning operation of an effluent tank, one of them accidentally fell when attempting to declog a blocked foot valve. In their efforts to save the life of this man, seven others met their tragic end. Your Company has paid compensation to the families of the deceased workmen and is taking all possible steps to prevent such accidents in future.

The Statement containing Particulars of Employees required in terms of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company, excluding the Statement of Particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Secretary at the Registered Office of the Company.

COST AUDIT

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have with the approval of the Central Government, appointed Shri.G.Suryanarayanan, Cost Accountant, Chennai, as the Cost Auditor to conduct the cost audit of Sugar and Industrial Alcohol for the year ended 31st March 1999.

AUDITORS

M/s.Brahmayya & Co., Chartered Accountants, Vijayawada who were appointed as the Statutory Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors wish to thank the Consortium of Financial Institutions and Bankers, the Central and State Governments for their continued assistance and support to the Company's operations.

Your Directors also wish to place on record their appreciation of efficient and loyal services rendered by the Executives, Staff and Workers at all levels without whose contribution and wholehearted efforts, the satisfactory performance would not have been possible.

Your Directors further wish to express their grateful thanks to the continued support of the Cane growers, Sugar dealers, Shareholders and Depositors.

For and on behalf of the Board of Directors

Place : Chennai
Date : 20th May, 1999

V.M. RAO
CHAIRMAN

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

ANNEXURE "A" TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

i. ENERGY CONSERVATION MEASURES TAKEN:

1. Installation of 220 KVA Servo Stabilizer for lighting feeder in the plant to reduce energy consumption and maintaining same illumination levels.
2. 24 nos of 400 watt HPMV lamps were replaced with 250 watt HPSV lamps in western cane unloading yard.
3. 30 nos 125 watt HPMV lamps in the plant were replaced with 23 watt CFL lamps and 6 nos. 70 watt HPSV lamps in township street lighting were replaced with 23 watt CFL lamps.
4. Power capacitor banks to the tune of 1000 KVAs were added in the previous off season at different load centres and power factors of the plant on turbo alternators were improved from 0.85 to 0.90 for better utilisation of power house capacity.
5. Temperature indicator/controllers were installed for all cooling towers in the plant to control cooling tower fans.

ii. ENERGY CONSERVATION PROPOSALS FOR THE YEAR, 1999-2000.

1. Replacement of MV lamps with SV lamps will be continued in the cane yard and work shops.
2. Replacement of 70 watt HPSV street lights at employees and officers quarters with 23 watt CFL lamps.
3. Provision of solar water heaters for officers quarters.
4. Replacement of oversized motors with adequate rating motors.

3. Impact of (1) and (2) on cost of production of the final product and consequent impact on Energy consumption :

Energy saving devices reduce the overall cost of the final product to a reasonable extent and cannot be quantified at this juncture.

ANNEXURE - FORM A

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Sugar Units at			
	Vuyyuru		Lakshmipuram	
	31.03.99	31.03.98	31.03.99	31.03.98
A) Power and Fuel Consumption				
1) Electricity				
a) Purchased				
Units K.W.H.	13,99,157	13,67,139	7,47,274	5,79,773
Total Amount Rs.	53,24,957	51,67,684	30,52,753	24,16,535
Rate/Unit Rs.	3.81	3.78	4.09	4.17
b) Own Generation				
i) Through Diesel Generator				
Units K.W.H.	2,57,387	3,22,543	36,710	35,123
Unit per ltr. of Diesel Oil	3.26	1.92	3.16	2.83
Cost/Unit Rs.	3.48	5.24	3.39	3.54
ii) Through Steam Turbine/Generator				
Units K.W.H.	193,16,682	193,62,254	79,72,773	70,97,340
K.W.H. per tonne of bagasse	145.82	149.91	174.68	179.22
Cost/Unit Rs.	0.69	0.56	0.67	0.57
2) Furnace Oil				
Qty (ltrs)	3,78,361	2,18,000	10,000	16,000
Total Amount Rs.	23,50,281	13,37,570	68,447	1,00,912
Average Rate Rs.	6.21	6.14	6.84	6.31
B) Consumption per unit of production				
Electricity K.W.H. (per tonne)	158.91	163.92	200.36	202.90