



K.C.P. SUGAR AND INDUSTRIES

CORPORATION LIMITED

Fifth Annual Report
1999 - 2000

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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

Executive Director *Shri.K.A.Rangaswamy*

General Manager (Finance) *Shri.V.C.Unnikrishnan, FCA, FICWA, FCS*
and Secretary

Auditors *Messrs. Brahmayya & Co.*
 Chartered Accountants, Vijayawada

Legal Advisor *Shri.T. Raghavan*

Bankers *State Bank of India*
 Punjab National Bank
 ICICI Bank Ltd.

Registered & Corporate Office *"Ramakrishna Buildings"*
 183, Anna Salai,
 Chennai - 600 006.

Units *Vuyyuru - Sugar*
 Industrial Chemicals
 Workshop
 Research and Development

Lakshmipuram - Sugar

Registrars to Deposits *M/s. Trident Investment Portfolio Services Pvt. Limited,*
 No. 7, Fourth Main Road, United India Colony,
 Kodambakkam, Chennai - 600 024,
 Phone : 4844204 /4844217 Fax : 4800884

Registrars & Share Transfer Agent *M/s Integrated Enterprises (India) Limited,*
 No. 46/3, Vijayaraghava Road, T. Nagar,
 Chennai - 600 017, Phone : 8238891-94, Fax : 8259914



AT A GLANCE

(Rs. in Lakhs)					
FINANCIAL HIGHLIGHTS	Year Ended				
	31.03.2000	31.03.1999	31.03.1998	31.03.1997	01.04.1996 (1 Day Only)
SHARE CAPITAL	1,289.30	1,289.30	1,289.30	1,289.30	1,289.30
RESERVES AND SURPLUS	6,105.68	5,515.34	4,926.30	3,875.85	3,631.39
NET WORTH	7,394.98	6,804.64	6,215.60	4,955.24	4,640.78
FIXED ASSETS (NETT)	8,979.56	7,878.04	6,341.50	6,598.96	6,395.62
GROSS INCOME	18,939.46	21,519.59	20,579.09	18,853.87	7.99
GROSS PROFIT	2,813.74	2,879.39	3,823.65	2,713.07	0.21
DEPRECIATION	428.73	368.96	350.29	335.44	0.88
INTEREST	1,201.44	1,263.60	1,458.44	1,404.16	3.77
PROFIT BEFORE TAX	1,183.57	1,246.83	2,014.92	973.47	-4.44
PROFIT AFTER TAX	983.57	946.83	1,614.92	673.47	-4.44
EARNINGS PER SHARE (RS.)	7.63	7.34	10.90	4.68	N.A.
CASH EARNINGS PER SHARE (RS.)	10.95	10.21	15.24	7.83	N.A.
BOOK VALUE PER SHARE (RS.)	57.36	52.78	48.21	38.43	36.00
DIVIDENDS ON EQUITY (%)	25.00	25.00	25.00	25.00	N.A.
DEBT EQUITY RATIO (excluding working capital borrowings)	0.75	0.77	0.48	0.61	0.61
SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY					
SEASON	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996
SUGAR UNIT, VUYYURU					
CANE CRUSHED IN MTS	10,47,565	9,32,052	8,91,340	9,00,781	11,26,043
SUGAR BAGGED IN QTLS	10,66,540	9,62,300	8,63,146	9,47,253	11,04,605
RECOVERY %	10.20	10.33	9.68	10.52	9.81
SUGAR UNIT, LAKSHMIPURAM					
CANE CRUSHED IN MTS	4,68,010	4,50,431	3,30,772	4,10,949	4,56,731
SUGAR BAGGED IN QTLS	4,51,700	4,41,310	3,04,238	4,34,208	4,42,559
RECOVERY %	9.65	9.80	9.20	10.57	9.70

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE TO SHAREHOLDERS

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall", Narada Gana Sabha, 254, T.T.K.Road, Alwarpet, Chennai - 600 018 on Monday, the 11th day of September, 2000 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Shri.R.K.Talwar who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Dr.N.B.Prasad who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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 314 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or reenactment thereof, for the time being in force) and such other approvals and consents as may be necessary, the consent of the Shareholders be and is hereby accorded to the appointment of Ms.Kiran Velagapudi as "Executive Assistant to the Chairman and Managing Director" of the Company for a period of 5 (five) years with effect from 1st July, 2000 to 30th June, 2005 and payment of the following remuneration :

- i. Salary : Rs.20,000 - 2000 - 30,000 per month. (Rs. 2,000/- being annual increment)
- ii. Perquisites : In addition to salary, Ms.Kiran Velagapudi shall be entitled to the following perquisites:
 - a. Rent free furnished accomodation.
 - b. Contribution to provident fund and gratuity as per the rules of the Company;
 - c. Personal accident insurance.

FURTHER RESOLVED that the Board of Directors be and are hereby authorised to alter and vary the terms and conditions of the said appointment in accordance with the laws in force from time to time as may be agreed to between the Board and Ms.Kiran Velagapudi.

RESOLVED FURTHER that, the Board of Directors be and are hereby authorised to do and perform all such acts, deeds, matters and things and to take such steps as may be necessary or desirable to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, and subject to the approval by the concerned authorities, Clause III (A) of the Memorandum of Association pertaining to the Main Objects of the Company be and is hereby amended with the addition of new objects by inserting the following new sub-clause 6 after the existing sub-clause 5, namely :

6. "To carry on the business of generation/distribution of power of all forms of energy, by conventional energy sources as well as non conventional energy sources such as biomass combustion based/ industrial waste based/ mini hydel/ wind energy etc; cogeneration, power generation for captive consumption as well as selling

NOTICE
(CONTD.)

and also to construct, acquire, operate any power generating, distributing and consumption facilities, in respect of electric power and other forms of energy."

AND FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, appropriate, expedient or desirable in order to give effect to this resolution or otherwise considered by the Board of Directors to be in the best interests of the Company."

8. 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 163 of the Companies Act, 1956 (the "Act") approval of the Shareholders, be and is hereby accorded to the keeping of the Company's Registers and Index of Members and copies of all Annual Returns prepared under Section 159 and 160 of the Act, together with copies of the certificates and documents required to be annexed there to under Sections 160 and 161 of the Act or any one or more of them at the office of the Registrar and Share Transfer Agents of the Company, M/s. Integrated Enterprises (India) Ltd, 46, Vijayaraghava Road, T. Nagar, Chennai 600 017 or such other office of theirs within the city of Chennai as may be decided by them in future.

RESOLVED FURTHER THAT the Register, Index, Returns, Books, Certificates and Documents of the Company required to be maintained and kept for inspection under the provisions of the Act, be kept open for such inspection at the place where they are kept by the persons entitled thereto, to the extent, in the manner and on payment of the fees, if any, specified in the Act between the hours of 11 am and 1 pm on any working day between Monday to Friday except when the Registers and Books are closed under the provisions of the Act or the Articles of Association of the Company. Provided, however, that the Register required to be maintained under Section 307 of the Act shall be open for inspection of the Members as aforesaid between the hours above mentioned during the period prescribed by sub-section (5) (a) of Section 307 of the Act".

9. 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 149(2A) and other applicable provisions of the Companies Act, 1956 approval of the shareholders be and is hereby accorded to the Company for commencement of business as specified in sub-clause 15 of the Other Objects clause of the Memorandum of Association of the Company."

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 29.06.2000

V.C.UNNIKRISHNAN
GENERAL MANAGER (FIN) AND SECRETARY

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE
(CONTD.)

NOTES:

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

The proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

- b. The **Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in item No.6 to 8 above, is annexed hereto. All documents referred to in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 2.00 P.M. and 4.00 P.M. on any working day between Monday to Friday.
- c. The **Register of Members and Share Transfer Books** of the Company will remain closed from 30th August, 2000 to 11th September, 2000 (both days inclusive).
- d. Members/Proxy holders **must bring the Attendance Slip** duly signed to the meeting and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted at the entrance of the Meeting Hall.
- e. The Company has **appointed M/s. Integrated Enterprises (India) Ltd**, 46, Vijayaraghava Road, T.Nagar, Chennai 600 017 as the Registrar and Transfer Agent w.e.f. 1st March, 2000 for physical shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
- f. Members are requested to **quote their Registered Folio number** in all correspondence with the Company/Registrar and are requested to notify to the Registrar, **change**, if any, in the **Registered Address** and/or of their mandates.
- g. In case your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to **kindly inform your PIN CODE** immediately to the Registrar.
- h. Members who are holding shares in identical order of names in more than one folio are requested to send to the Registrar the details of all such folios together with the Share Certificates for **consolidation of their holdings into a single folio**. The Share Certificates will be returned to the Members after making requisite changes thereon.
- i. **The Dividend**, as recommended by the Board, when declared at the Meeting will be paid to those Members whose names appear on the Company's Register of Members on the 11th day of September, 2000, subject however to the provisions of Section 206A of the Companies Act, 1956.
- j. Members can avail of the **nomination facility** by filing Form 2B with the Company. Blank forms will be supplied on request by the Registrar.
- k. The **Unclaimed Dividend for the year(s) 1996-97 ; 1997-98 and 1998-99** are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are in their own interest advised to write to the Registrar immediately with complete details.
- l. Shareholders who are **yet to receive/collect the new Share Certificates of the Company** pursuant to the Scheme of Arrangement with The K.C.P. Ltd. (KCP) are requested to lodge their old Share Certificates with KCP at No.2, Dr.P.V.Churian Crescent, Chennai -8 and forward a copy of the acknowledgement to our Registrar. New Share Certificates of our Company will be despatched after receipt of confirmation from KCP.
- m. **Members are requested to bring their copies of the Annual Report to the Meeting** as copies will not be distributed at the Meeting hall.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.6**

At the Second Annual General Meeting held on 29.09.1997, Ms.Kiran Velagapudi was appointed as the 'Executive Assistant to the Chairman and Managing Director' for a period of three years upto 30.06.2000, during which time she has gained experience and exposure in the operations ; functioning as well as the corporate affairs of the Company. Ms.Kiran Velagapudi is a Graduate from University of London and has earlier to the above appointment worked in various assignments in Europe and United Kingdom. It is now proposed to continue her appointment as the 'Executive Assistant to the Chairman and Managing Director' for a further period of five years from 01.07.2000 to 30.06.2005 on the terms and conditions specified in the resolution.

Since, Ms.Kiran Velagapudi is related to the Chairman and Managing Director, in terms of the Section 314 of the Companies Act, 1956, appointment to a place of profit of any Director and payment of remuneration exceeding the prescribed limit requires the prior approval of the Shareholders by Special resolution and the Central Government.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

Shri.V.M.Rao and Smt.V.R.Durgamba may be deemed to be concerned or interested in this resolution.

ITEM NO.7

The Main Objects of the Memorandum of Association of the Company encompasses objects relating to manufacture of sugar etc,conduct and carrying on the business of distillers;brewers; hotels;caterers; contractors etc. However, in the course of conduct of the business relating to manufacture of sugar, the Company has observed that it is possible to generate power thro' gensets using biogas. Since the proposal to generate power from using biogas and also to enable the Company to go in for cogeneration projects is not stated in the Main Objects of the Memorandum of Association, it is proposed to include a new sub-clause 6 in clause IIIA of the Memorandum. This proposal to generate power from using biogas produced by the Effluent Treatment Plant (ETP) will enable the Company to carry on its business more economically and efficiently as it would result in considerable saving in the power costs in future.

The Directors,therefore recommend the Special Resolution for the approval of the Shareholders.

None of the Directors, is in any way,concerned or interested in the said resolution.

ITEM NO.8

Section 163 of the Companies Act,1956 requires the Register of Members (ROM), index, copies of annual returns etc to be maintained at the Registered Office of the Company and if the same is proposed to be maintained at any other place, then the approval of the Shareholders by way of a Special resolution should be obtained. Hitherto, the above mentioned records were being maintained at the In-house Share Department. However with the appointment of M/s. Integrated Enterprises (India) Ltd., the ROM etc will be available for inspection at their Office only and hence approval of the Shareholders is sought under the cited Section.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

None of the Directors,is in any way,concerned or interested in the said resolution.

ITEM NO.9

Sub-clause 15 of Other Objects of the Memorandum of Association of the Company enables the Company to carry on the business of manufacture, trader, etc. of all types of feeds, manures, pesticides, etc. Your Company has recently initiated trial runs for manufacture of manures consisting of bio-compost, bio-fertilizers which has found wide acceptance among the canegrowers. Your Company intends to manufacture these and other related products on a commercial basis along with large scale marketing. However, in order to commence any business specified in Other Objects of the Memorandum, the approval of the Shareholders by a Special Resolution as stated in Resolution No. 9 is required under Section 149(2A) of the Companies Act, 1956.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

None of the Directors,is in any way,concerned or interested in the said resolution.

// BY ORDER OF THE BOARD //

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT

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

Your Directors have pleasure in submitting their Fifth Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

	For the Year ended 31.03.2000	For the Year ended 31.03.1999
	(Rs.in lakhs)	
Sales & Other Income	18,939.46	21,519.59
Profit before extraordinary items, interest, depreciation & tax	3,270.20	2,879.39
Less : Extraordinary items - payments for Voluntary Retirement Scheme	456.46	—
Interest	1,201.44	1,263.60
Depreciation	428.73	368.96
Profit before tax	1,183.57	1,246.83
Provision for taxation	200.00	300.00
PROFIT FOR THE YEAR AFTER TAX	983.57	946.83
Add: Balance brought forward from previous year	869.66	380.62
SURPLUS AVAILABLE FOR APPROPRIATION	1,853.23	1,327.45
APPROPRIATION		
General Reserve	100.00	100.00
Proposed Dividend	322.33	322.33
Corporate tax on Proposed Dividend	70.91	35.46
BALANCE CARRIED TO BALANCE SHEET	1,359.99	869.66
	1,853.23	1,327.45
Earnings per share(EPS)in Rs.	7.63	7.34
Cash earnings per share(CEPS) in Rs.	10.95	10.21

CORPORATE

For the financial year under review, though the overall performance of the Company continued to remain satisfactory, inspite of a general downtrend in the Sugar industry, there was a steep fall in the turnover of almost 13 % from Rs.21,400.14 lakhs in 1998-99 to Rs.18,660.25 lakhs during the financial year ended 31.03.2000. This was largely due to lower releases of sugar and the delayed hike in import duty; sharp decline in the average net realisations of molasses by almost 66% from Rs.1219.77 per mt in 1998-99 to Rs.408.14 per mt in 1999-2000. This was however partly compensated with the turnover at the Acetic acid unit increasing many fold from Rs.46 lakhs in the previous year to Rs.341 lakhs in the current year and the newly formed Biotech Unit adding Rs.71 lakhs to the turnover.

The Gross profit before provision for extraordinary item of payments for voluntary retirement schemes, interest, depreciation and provision for tax was higher by 13.57% at Rs. 3,270.20 lakhs for the year ended 31.03.2000, as against Rs.2,879.39 lakhs during the previous year, largely due to the low cost of sugar carried over from the 1998-99 season and continued efforts of the Management to reduce the operating overheads during the year under review. Inspite of an outflow of Rs.456.46 lakhs towards the voluntary retirement scheme, the Gross profit after provision therefor remained almost constant at Rs. 2,813.74 lakhs for the year under review.

The interest costs continued to fall despite marginal increase in public deposits and increase in borrowing from the financial institutions for modernisation plans. The interest outgo was Rs.1,201.44 lakhs for the year ended 31.03.2000 as against Rs.1,263.60 lakhs in the previous year, which was possible due to



improved average realisations from sugar ; lower cost of borrowings and sustained efforts to reduce the dependence on high cost borrowed funds by more efficient recycling of internal resources.

Consequent to the completion and capitalisation of the 100 tph boilers during 1999-2000, depreciation increased by 16.20 % as a result of which, the net profit before tax was lower at Rs. 1,183.57 lakhs for the year ended 31.03.2000, as against Rs.1,246.83 lakhs for the previous year. After a provision of Rs.200 lakhs (Rs.300 lakhs in previous year) towards taxation, the profit for the year stood marginally higher at Rs. 983.57 lakhs during the year ended 31.03.2000 as against Rs.946.83 lakhs during the previous year.

Your Board of Directors have taken a conscious decision to pay only the Statutory Minimum Price announced by the Central Government at both the Sugar units. Any additional cane price to be determined as per the Bhargava Formula will be paid as and when announced by the Central Government. The case filed by the Company questioning the authority of the State Government to fix the State Advised Price for the cane supplied is pending with the Hon'ble High Court of Andhra Pradesh.

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, 2000, which, if approved by the Shareholders at the ensuing Annual General Meeting will absorb Rs. 3,22,32,540/-. A Corporate tax of 22% (including surcharge of 10%) on the approved dividend will be payable by the Company for which a provision of Rs. 70,91,159/- 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. 61,05,68,115/- as at 31st March,2000.

REVIEW OF OPERATIONS

VUYYURU :

The 1999-2000 crushing season at Vuyyuru had a staggered start as a result of the teething problems encountered with the two 100 tph boilers. These boilers being first of its kind to be operational in such an environment will in the long run not only improve efficiency parameters but also substantially bring down the operational costs. However, frequent breakdowns in Dec'99 combined with higher yields per acre had a cumulative effect of extending the season upto 22.05.2000, which had started on 02.12.1999. The quantity of cane crushed was also higher at 10,47,565 mts at an average recovery of 10.20 % and bagging 10,66,540 bags of sugar as against 9,32,052 mts of cane crushed at an average recovery of 10.33% and bagging 9,62,300 bags of sugar. Crushing for a longer duration of 156 days had its impact on a lower recovery. However, the increase in the average yields to the cane growers from 37 mts per acre to 43 mts per acre is indeed a cause for cheer as continued efforts of research and development had begun to bear fruits in the form of higher earnings to the Cane growers. This unit has paid a statutory minimum price of Rs.686.40 per mt for the 1999-2000 season as against Rs.601.40 per mt for the 1998-99 season. The continued slump in the prices of molasses had its effect of lowering the contribution therefrom. The bio fertiliser and biocompost found favourable acceptance among the cane growers and this unit has made a small beginning and is expected to grow further in the long run. The operations of the Vuyyuru workshop unit further declined by about 13% resulting in negative contribution as well. Though the quantity of industrial alcohol sold increased by 4.45 %, the average gross realisations at the Distillery unit registered a decline of almost 16.75% per bulk litre. The Research and Development unit at Vuyyuru is continuing its efforts at developing other downstream products from sugar, molasses etc and also in sustaining the higher cane yields and increasing the operational efficiency at the plants. The gross turnover from the Vuyyuru Acetic acid unit accounted for as high as 1.82% of the turnover