



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

***Thirteenth Annual Report***  
***2007 - 2008***

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**K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED****BOARD OF DIRECTORS**

<b>Chairman</b>	Shri.Vinod R. Sethi
<b>Managing Director</b>	Smt.Irmgard Velagapudi M. Rao
<b>Executive Director</b>	Smt.V.Kiran Rao
<b>Directors</b>	Shri.K.A.Rangaswamy Shri.Ranvir Shah Shri.Prathap K.Moturi Dr.Vithal Rajan Shri.Raghu Cidambi [till 03.10.2007] Shri.M.S.V.M.Rao
<b>Chief Operating Officer</b>	Shri.S.V.Narasimha Rao
<b>General Manager (Finance) and Secretary</b>	Shri.V.C.Unnikrishnan, FCA, FICWA, FCS [till 04.07.2007]
<b>General Manager (Finance)</b>	Shri.R. Ganesan [from 05.07.2007]
<b>Deputy General Manager (Finance) and Company Secretary</b>	Shri.S.Chidambaram, B.Sc.,AICWA,ACS, [from 05.07.2007]
<b>Auditors</b>	Messrs. B.Purushottam & Co. Chartered Accountants, Flat No.3-D, "Pioneer Homes" 23/A, North Boag Road, T.Nagar Chennai 600017.
<b>Legal Advisor</b>	Shri.T.Raghavan
<b>Bankers</b>	State Bank of India Punjab National Bank ICICI Bank Ltd ING Vysya Bank Ltd Axis Bank Ltd
<b>Registered &amp; Corporate Office</b>	"Ramakrishna Buildings" 239, Anna Salai, Chennai - 600 006.
<b>Units</b>	Vuyyuru - Sugar Industrial Chemicals Incidental Co-Generation Power Biotech Research and Development CO2 Calcium Lactate Lakshmipuram - Sugar - Incidental Co-Generation Power
<b>Registrars to Deposits</b>	TIPS Data Systems Private Limited 19 (old 11) Nagarjuna Nagar, 1st Street Rangarajapuram, Kodambakkam, Chennai - 600 024. Ph: 24812333 / 24812335 Fax : 24812336 Website : www.tipsdatasys.com
<b>Registrars &amp; Share Transfer Agent</b>	M/s Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1,Ramakrishna Street, off: North Usman Road, T.Nagar, Chennai - 600 017. Ph: 28140801 to 28140803 Fax: 28142479 Website: www.iepindia.com



## FINANCIAL HIGHLIGHTS

Rs. in Lakhs

Particulars	Year Ended									
	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30
Reserves and Surplus	14,342.19	14,475.97	12,784.19	9,012.45	6,554.82	4,962.81	5,384.94	6,772.84	6,105.68	5,515.34
Net Worth	15,476.04	15,609.82	13,918.04	10,146.30	7,688.67	6,096.66	6,518.79	7,906.69	7,394.98	6,804.64
Fixed Assets (Net)	14,758.28	15,541.25	13,970.66	10,448.77	9,649.21	10,141.13	10,114.89	9,589.37	8,979.56	7,878.04
Gross Income	25,442.27	33,611.64	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59
Gross Profit	2,280.74	5,000.54	10,555.24	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39
Depreciation	1,059.37	1,001.49	743.45	619.97	626.02	611.21	575.87	531.30	428.73	368.96
Interest	459.93	351.56	420.53	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60
Profit / (Loss) before Tax	761.44	3,647.49	9,391.26	6,498.84	1,023.43	-577.63	536.17	1,668.16	1,183.57	1,246.83
Profit / (Loss) after Tax	710.97	2,355.05	5,711.05	4,065.21	1,911.79	-422.13	340.19	1,368.16	983.57	946.83
Earnings per Share (Rs.)	**0.63	**2.08	**5.04	35.85	16.86	-3.72	3.00	*10.79	7.63	7.34
Cash Earnings per Share (Rs.)	**1.56	**2.96	**5.69	41.32	22.38	1.67	8.08	*14.97	10.95	10.21
Book Value per Share (Rs.)	**13.65	**13.77	**12.28	89.49	67.81	53.77	57.49	69.73	57.36	52.78
Dividends on Equity %	50.00	50.00	150.00	100.00	25.00	—	25.00	25.00	25.00	25.00
Long term Debt Equity Ratio (excluding working capital borrowings)	0.22	0.12	0.16	0.30	0.49	0.58	0.70	0.73	0.75	0.77

\* During the year 2000-01, the Company bought back 15,54,511 shares and hence EPS & CEPS have been calculated on the weighted average of Capital held during the year.

\*\* Face value of each equity share of Rs.10/- has been sub-divided into 10 equity shares of Face Value of Re.1/- each w.e.f. 17.03.2006.

## SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY

SEASON	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
<b>SUGAR UNIT, VUYURU</b>										
Cane Crushed in MTS	8,46,674	12,21,209	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052
Sugar bagged in QTLS	9,19,000	13,19,880	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540	9,62,300
Recovery ( % )	10.85	10.83	11.15	11.46	10.47	10.07	10.48	10.38	10.20	10.33
<b>SUGAR UNIT, LAKSHMIPURAM</b>										
Cane Crushed in MTS	2,74,193	4,53,307	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010	4,50,431
Sugar bagged in QTLS	2,68,948	4,67,905	4,61,679	4,13,580	3,14,879	2,09,638	68,658	1,75,071	4,51,700	4,41,310
Recovery ( % )	9.80	10.32	10.63	11.10	10.05	9.07	9.40	9.36	9.65	9.80

**K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED****NOTICE TO SHAREHOLDERS****NOTICE TO SHAREHOLDERS**

**NOTICE** is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall" Narada Gana Sabha, 314, T.T.K.Road, Alwarpet, Chennai 600018, on Thursday, the 11<sup>TH</sup> day of September 2008 at 10.45 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2008 and the Balance Sheet as 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 the place of Dr.Vithal Rajan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri M.S.V.M.Rao who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors.

**SPECIAL BUSINESS:**

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to paragraphs (B) of Section II (1) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company be and is hereby authorized to pay minimum remuneration, as detailed in the Explanatory Statement, to Smt. Irmgard Velagapudi M. Rao, Managing Director, for the financial year 2007-08 and in the financial years in which there is inadequacy or absence of profits during the balance period of her tenure ending on 28.03.2010."

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

"RESOLVED THAT pursuant to paragraphs (B) of Section II (1) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company be and is hereby authorized to pay minimum remuneration, as detailed in the Explanatory Statement, to Smt. V. Kiran Rao, Executive Director, for the financial year 2007-08 and in any two financial years in which there is inadequacy or absence of profits during the balance period of her tenure ending on 28.07.2012."

// BY ORDER OF THE BOARD //

Place : Chennai  
Date : 25.06.2008

**VINOD R. SETHI**  
CHAIRMAN

**NOTES:**

- a. **An Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in item No. 6 and 7 are annexed hereto.
- b. **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.

- c. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 2nd day of September 2008 to 11th day of September 2008, both days inclusive, for the purpose of payment of dividend.

- d. **Dividend on equity shares**, as recommended by the Board, on approval by the shareholders at the AGM, will be paid on or after 13.09.2008, but within the stipulated time, subject however to the provisions of Section 206A of the Companies Act, 1956:
  - i. to those Members whose names appear on the Register of Members of the Company as on 01.09.2008, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before the close of business hours of 01.09.2008, and
  - ii. in respect of shares held in electronic form, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Ltd (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 01.09.2008.
- e. **M/s. Integrated Enterprises (India) Ltd**, Kences Towers, II Floor, No.1 Ramakrishna Street, off: North Usman Road, T.Nagar, Chennai 600 017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
- f. Securities and Exchange Board of India has made **trading** in the shares of the company **compulsory in dematerialized form** for all investors. Members are requested to open a Beneficiary owner account with a Depository Participant, if not done so far.
- g. 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. 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 holding shares in dematerialized form**, may please note that while opening a depository account with participants they might have given **their bank account details**, which will be printed on their dividend warrants. However, if Members want to change/correct the Bank details, they should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for addition/deletion/change in bank account details furnished by Depository Participants to the Company.**
- i. **Members holding shares in physical form** are requested to note that in order to avoid any loss/interception in postal transit and also to get prompt credit of **dividend through Electronic Clearing Service (ECS)**, they should submit their ECS details to the Company's Registrar and Transfer Agents latest by 02.09.2008. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 02.09.2008. Alternatively, Members may provide details of their Bank Accounts quoting their folio numbers by the said date, to the Company's Registrar and Transfer Agents to enable them print such details on the dividend warrants. Please ensure that the details submitted by you to our Registrars / your Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account. Payment of dividend through ECS and / or to the designated Bank Account which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.
- j. 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**.
- k. **Members who hold shares in the physical form** can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility** by filling **Form 2B printed with this Annual Report**. Members holding shares in dematerialized form may please contact their Depository Participants for recording nomination in respect of their shares.
- l. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31<sup>st</sup> March, 2001 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

**K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED****NOTICE** (CONTD.,)

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial year ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.2001	23.07.2001	27.07.2008	25.08.2008
31.03.2002	11.09.2002	16.09.2009	15.10.2009
31.03.2003.	<b>No Dividend declared for the year</b>		
31.03.2004	02.09.2004	09.09.2011	08.10.2011
31.03.2005	(interim)	10.11.2004	22.11.2011
	(Final)	31.08.2005	04.08.2012
31.03.2006	(interim)	27.10.2005	07.11.2012
	(Final)	12.10.2006	17.10.2013
31.03.2007	27.09.2007	02.09.2014	01.10.2014

- m. Shareholders are requested to **encash their Dividend Warrants on receipt** as Dividend remaining **unclaimed for seven years**, are required to be **transferred to the Investor Education and Protection Fund** established by the Central Government under Section 205C of the Companies Act, 1956. **Once** unclaimed dividends are **transferred** to this fund, shareholders will **not be entitled to claim** these dividends.

[The Unclaimed Dividend for the above year(s), 2000-01, 2001-02, 2003-04, and 2004 – 05 (interim & final), 2005–06 (interim & final), and 2006-07 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. Shareholders are requested to note that no claim shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claim.]

- n. Shareholders who have **not lodged their old share certificates of "The K.C.P.Ltd"** for exchange of new share certificates of both the Companies in terms of the approved Scheme of Arrangement are requested to surrender the same to The K.C.P.Ltd, No.2, Dr.PV.Chcrian Crescent, Egmore, Chennai – 600 008 at the earliest with a copy marked to the Registrar. New share certificates of this Company will be despatched after receipt of confirmation from The K.C.P.Ltd.
- o. 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. Members are requested to **bring their copy of the Annual Report to the Meeting**, as copies will not be distributed at the Meeting hall.
- p. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the Secretarial Division **at least two weeks before the Meeting** so that the information may be made available at the Meeting.

- (i) Additional information on Directors seeking reappointment at the Thirteenth Annual General Meeting

As per Section 255 read with 256 of the Companies Act, 1956 and in pursuance of Article 119 and 120 of Articles of Association of the Company, at least two thirds of the Board should consist of retiring Directors. Of these, one-third of the retiring Directors are required to retire every year. Dr. Vithal Rajan and Shri. M.S.V.M. Rao retire by rotation at this Annual General Meeting, and being eligible offer themselves for reappointment.

**Dr. Vithal Rajan:**

Dr Vithal Rajan aged 72 years holds a Doctorate from the London School of Economics and is the Chairman of the Confederation of Voluntary Associations. He has been involved in many humanitarian activities internationally and in India. The Governor General of Canada has appointed him an Officer of the "Order of Canada", the country's highest honor for a lifetime of achievement for voluntary service and merit of a high degree, especially in service to Canada and to humanity at large. He was co-opted on the Board of the Company on 26.10.2005 as an Independent Additional Director and appointed as Director liable to retire by rotation at the Eleventh Annual General Meeting held on 12.10.2006. He retires by rotation at this Annual General Meeting, and being eligible, offer himself for reappointment.





Companies in which Dr. Vithal Rajan holds Directorship → NIL

Shareholding in the company → NIL

**Shri. M.S.V.M.Rao:**

Shri.M.S.V.M.Rao aged 53 years is an Agriculturist and a Postgraduate in Political Science. He holds Directorship in Varsha Hill Fort Resorts and is also the Chairman of the Raichur Group of Temples etc. He was coopted on the Board as an Independent Additional Director on 17.12.2005 and appointed as a Director liable to retire by rotation at the Eleventh Annual General Meeting held on 12.10.2006. He retires by rotation at this Annual General Meeting, and being eligible, offer himself for reappointment.

**Companies in which Shri.M.S.V.M. Rao holds Directorship:**

1. Varsha Hill Fort Resorts

**Shareholding in the company**

10 Equity Shares of face value Re. 1/- each

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

**Item No.6:**

Smt. Irmgard Velagapudi M.Rao was appointed as Managing Director of your Company, not liable to retire by rotation, at the Seventh Annual General Meeting held on 11.09.2002 for a period of three years from 29.03.2002 to 28.03.2005, and was reappointed as Managing Director of your Company, not liable to retire by rotation at the Tenth Annual General Meeting held on 31.08.2005, for a period of five years from 29.03.2005 to 28.03.2010, on the following terms and conditions as recommended and approved by the Remuneration Committee at its meeting held on 27.01.2005:

- |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. <b>Salary</b>                | : Rs.4,00,000/- (Rs.Four Lakhs only) per month.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| ii. <b>Perquisites</b>          | : Provision of car(s) with driver(s) for use on Company's business and telephone at the residence and cell phone (including payment for local calls and long distance official calls) Personal long distance calls on telephone and use of car for private purposes shall be charged to the Managing Director.                                                                                                                                                                                                                                                                                                             |
| iii. <b>Commission:</b>         | : Remuneration by way of commission on net profits in addition to salary and perquisites such that the amount of salary, perquisites and commission in aggregate is subject to an overall ceiling of 3% of the net profits of the Company in a particular financial year as laid down in Section 198 and 309 read with Section 349 of the Companies Act, 1956.                                                                                                                                                                                                                                                             |
| iv. <b>Minimum remuneration</b> | : Notwithstanding anything to the contrary herein contained, where in any financial year during currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay to her as minimum monthly remuneration, salary and perquisites, as stated above, however not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956, and she shall not be entitled to any commission. Further however, such minimum remuneration may be paid only in any of the three financial years during the aforesaid term of her appointment |

In view of the inadequate profits in the financial year 2007-08 the Board of Directors has proposed to pay only the minimum remuneration to Smt. Irmgard Velagapudi M. Rao, Managing Director as set out in the resolution approved by the shareholders at the Tenth Annual General Meeting held on 31.08.2005 and she is not entitled for any commission for the financial year 2007- 08.

Pursuant to Section II of Part II of Schedule XIII of the Companies Act, 1956, payment of remuneration to managerial personnel in excess of Rs.2,00,000/- but not exceeding Rs.4,00,000/-, for a Company having an effective capital of Rs.100.00 crores or more in a financial year during the currency of tenure of managerial personnel in the event of loss or inadequacy of profits, requires the approval of shareholders through Special Resolution.

The resolution set out in Item No.6 in the Notice along with this Explanatory Statement may be treated as an abstract of the terms and conditions of Remuneration and compliance of the provisions under Section 302 of the Companies Act, 1956.



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

**Memorandum of Interest:** No Director other than Smt. Irmgard Velagapudi M.Rao is concerned or interested in this Resolution. Smt. V. Kiran Rao and Shri. Vinod R. Sethi, being relatives of Smt. Irmgard Velagapudi M.Rao, may be deemed to be concerned or interested in this Resolution.

The Board recommends the resolution for your approval.

A statement containing prescribed information for this purpose is furnished herein below:

**Statement containing required information under Schedule XIII Part II of Section II (I)(B) (iv) to the Companies Act, 1956:**

**1. General Information:**

- i. **Nature of Industry:** Manufacture of sugar and its by-products, Industrial Chemicals, Cogeneration, Biotech, CO2 and Calcium Lactate.
- ii. **Date of Commencement of commercial production:** Not Applicable (The Company is an existing Company.)
- iii. **In case of new Companies, expected date of commencement of activities :** Not Applicable.
- iv. **Financial performance based on given indicators:**

(Rs. in Lakhs)

Particulars	2007-08	2006-07	2005-06
Total Income (incl. Other Income)	31371.01	40286.49	40986.03
Profit before Interest, Depreciation & Tax	2280.74	5000.54	10555.24
Profit Before Tax	761.44	3647.49	9391.26
Profit After Tax	710.97	2355.05	5711.05
Net worth	15476.04	15609.82	13918.04
Dividend (%)	*50%	50%	150%

\* Recommended by the Board of Directors

**v. Export Performance and Net Foreign Exchange Collaborations:**

(Rs.in Lakhs)

Particulars	2007-08	2006-07	2005-06
FOB value of Exports	Nil	Nil	Nil
CIF value of Imports	Nil	Nil	Nil
Expenditure in foreign currency	5.67	2.98	2.66
Net foreign exchange earnings	-5.67	-2.98	-2.66

**Foreign Investments or Collaborators, if any: NIL**

**2. (i) Information about Smt. Irmgard Velagapudi M. Rao, Managing Director for whom payment of minimum remuneration is proposed**

Smt. Irmgard Velagapudi M.Rao, is wife of Shri.V.M.Rao, the late Chairman and Managing Director of your Company. She holds a German Diploma in Commerce. She had been instrumental in managing the Company through the most difficult times for the industry and the Company on account of great volatility in sugar prices and her untiring efforts had resulted in sustained growth.

**(ii) Past remuneration:**

(Rs. in Lakhs)

Particulars	2006-07	2005-06	2004-05
Salaries	48.00	48.00	48.00
Contribution to Provident Fund	Nil	Nil	Nil
Gratuity	Nil	Nil	Nil
Commission	63.11	251.94	160.68
Other Perquisites	Nil	Nil	Nil
Total	111.11	299.94	208.68

**(iii) Job profile and her suitability:**

Smt. Irmgard Velagapudi M.Rao is well experienced in sugar industry. She provides leadership and strategic guidance to the Company. She has proven experience in business planning and decision-making. The Company is trekking a path of sustained growth under her stewardship.

**(iv) Minimum Remuneration proposed: As set out in the Explanatory Statement above.****(v) Comparative Remuneration profile with respect to industry, size of the Company, profile of the position and the person:**

Considering the profile of Smt. Irmgard Velagapudi M.Rao, Managing Director, and the current trend of compensation package in Corporate, the minimum remuneration proposed is moderate. It is broadly in line with comparable remunerative levels in the industry. Hence it is imperative that she draws the minimum remuneration as proposed.

**(vi) Pecuniary relationship directly or indirectly with the Company or the relationship with Managerial personnel, if any:**

Smt. Irmgard Velagapudi M.Rao, Managing Director, holds 14,78,280 equity shares in the Company. Other than the remuneration stated above, she has no other pecuniary relationship directly or indirectly with the Company. She is related to Smt. V. Kiran Rao, Executive Director and Shri.Vinod R. Sethi, Chairman of the Company.

**3. Other Information:****a. Reasons for inadequate profits:**

Steep fall in the realization of free sugar and molasses and drop in sales volume of sugar and industrial alcohol are the major factors for inadequacy of profits during the financial year 2007-08, despite the best efforts taken by the Company to maintain a better bottom-line.

The Directors Report and Management Discussion and Analysis Report incorporated in the Thirteenth Annual Report contain a detailed coverage on the contributing factors leading to inadequacy of profits.

**b. Steps taken or proposed to be taken for improvement:**

Though the inadequacy of profits during the financial year 2007-08 was entirely due to external factors like decline in sugar and molasses prices, the Company is taking adequate steps to augment value addition of the by-products and to improve the overall profitability for the financial year 2008-09 and subsequent financial years.

**c. Expected increase in productivity and profit in measurable terms :**

The Company maintains optimal efficiency at all levels and constant efforts are taken to improve productivity of all cost centers. Adequate steps are taken to conserve energy and for optimum capacity utilization. The company leaves no stone unturned in sustaining and improving the overall performance.

**Item No.7:**

Smt. V. Kiran Rao was appointed as Executive Director of your Company not liable to retire by rotation, at the Seventh Annual General Meeting held on 11.09.2002 for a period of five years from 29.07.2002 to 28.07.2007, and was reappointed as Executive Director of your Company, not liable to retire by rotation at the Twelfth Annual General Meeting held on 27.09.2007, for a period of five years from 29.07.2007 to 28.07.2012, on the following terms and conditions as recommended and approved by the Remuneration Committee at its meeting held on 29.06.2007:

- |           |                                                                                                                                                                                                                                                                              |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Salary | : Rs.3,00,000/- with an authority to the Remuneration Committee / Board of Directors to grant one or more suitable increments at the appropriate time within the ceiling prescribed under Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|