



MD	✓	BKC	✓
CS	✓	DPY	✓
RO	✓	DIV	✓
TRA	✓	AC	✓
AGM	✓	SMI	✓
YE	✓		✓

KOTHARI SUGARS AND CHEMICALS LIMITED

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37th ANNUAL REPORT 1997-98



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KOTHARI SUGARS AND CHEMICALS LIMITED

37th Annual Report 1997-98

BOARD OF DIRECTORS

B.H. KOTHARI

Chairman & Managing Director

Dr. P. MARUTHAI PILLAI

Dr. BANSI DHAR

A.K. SIVARAMAKRISHNAN

(Upto 30.6.1998)

M.SREENIVASA RAO

A.J.V. JAYACHANDER

(Nominee- ICICI)

P.S. GOPALAKRISHNAN

S.C. JOSHI

(Nominee-LIC)

(Upto 16.4.1998)

P.A. BALASUBRAMANIAN

(Nominee- LIC)

(From 16.04.1998)

K.R.V. SUBRAHMANIAN

PRANAB KUMAR RUDRA

P.S. MANI SUNDARAM

D.J. BALAJI RAO

C.R. RAMAKRISHNAN

(From 30.6.1998)

HEAD-PETRO CHEMICALS DIVISION

HEAD-SUGARS DIVISION

COMPANY SECRETARY

BANKERS

J. SUNDAR RAMAN

K. JAYACHANDRAN

G. SUNDARAM

STATE BANK OF INDIA

CORPORATION BANK

BANK OF BARODA

STATE BANK OF TRAVANCORE

M/s. FRASER & ROSS

Chartered Accountants, Chennai

M/s. VENKAT ASSOCIATES

Chartered Accountants, Chennai

AUDITORS

INTERNAL AUDITORS



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KOTHARI SUGARS AND CHEMICALS LIMITED

REGISTERED OFFICE & SHARE DEPARTMENT

"Kothari Buildings"
115, Mahatma Gandhi Salai
Chennai - 600 034.
Phone : 8274901, 8274892, 8234611,
8234612, 8234613, 8234614, 8276036

FACTORIES AT

KATTUR

Kattur Railway Station
Lalgudi,
Trichy Dist - 621 601.
Tamil Nadu.

KARAIKAL

Vanjoor,
Karaikal - 611 002.
Pondicherry

MANALI

Sathangadu Village
Tiruvotturiyur Ponneri High Road,
Manali, Chennai - 600 068.
Tamil Nadu.

SANGA REDDY

Turakalakhapur
Sanga Reddy - Narasapur Highway
Hathnoora Mandal
Medak District - 502 296
Andhra Pradesh

OFFICES AT

MUMBAI

French Bank Buildings
62, Hornji Street
Fort, Mumbai - 400 001
Phone : 2662008, 2661482

CALCUTTA

C/o. Mr. Manoj Motani
318, Chittaranjan Avenue
2nd Floor,
Calcutta - 700 006.
Phone : 2410504

BANGALORE

32, Langford Road,
Bangalore - 560 025.
Phone : 2275466

MARKETING DIVISION

208/209, Kamanwala Chambers
Udyog Mandir Premises
Mogul Lane, Mahim (west)
Mumbai - 400 016
Phone : 4468382, 4468150, 4463062

NEW DELHI

Meridien Commercial Tower
512, "West Tower Block"
5th Floor, Windsor Place
Janpath, New Delhi 110 001.
Phone : 3755406, 3329500

KOTHARI SUGARS AND CHEMICALS LIMITED**NOTICE TO THE MEMBERS**

Notice is hereby given that the **37TH ANNUAL GENERAL MEETING** of the members of Kothari Sugars and Chemicals Limited will be held as scheduled below:-

Date : Monday, 28th September 1998
 Time : 11.00 A.M.
 Place : "GERMAN HALL", Bala Mandir Kamaraj Trust, 126, G.N.Chetty Road,
 T.Nagar, Chennai - 600 017.

The Agenda for the meeting will be as follows:-

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1998, the Balance Sheet as on that date and the Cash Flow Statement for the year ended 31st March, 1998, together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.P.A.Balasubramanian, Nominee Director of Life Insurance Corporation of India, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr.P.S.Gopalakrishnan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr.K.R.V.Subrahmanian, who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT in accordance with the provisions of Sec. 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Fraser & Ross, the retiring auditors be and are hereby appointed as Auditors of the company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting on a remuneration of Rs.1,25,000/- in addition to all travelling and out-of-pocket expenses."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT, Shri.P.S.Mani Sundaram be and is hereby appointed as a Director of the Company, with effect from the date of the 37th Annual General Meeting and he be liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT, Shri.C.R.Ramakrishnan be and is hereby appointed as a Director of the Company, with effect from the date of the 37th Annual General Meeting and he be liable to retire by rotation."

8. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956

- A. To mortgage and/or charge by the Board of Directors of the Company of all the immovable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of

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- a. Industrial Investment Bank of India Ltd. (IIBI) for its Short Term Loan of Rs.1500 lakhs.
 - b. IDBI Bank as holders of 3,00,000 Nos. 15.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each, aggregating to Rs.300 lakhs.
 - c. ICICI in its capacity as Trustees to the Debentures allotted to IDBI Bank aggregating to Rs.500 lakhs (hereinafter referred to as the "Trustees") together with interest at the agreed rates, additional interest, liquidated damages, premium on prepayment, costs, charges, expenses and all other moneys payable by the Company to IIBI, IDBI Bank and The Trustees in terms of their Loan Agreement(s) entered into by the Company, in respect of the said Loans and
- B. To the Board of Directors of the Company agreeing with the said IIBI, IDBI Bank & The Trustees in terms of their Loan Agreement(s) to reserve a right to take over the management of the business and concern of the Company in certain events as stated in the respective loan documents.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IIBI, IDBI Bank & The Trustees the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution."

By Order of the Board
for **KOTHARI SUGARS AND CHEMICALS LIMITED**

Place : Chennai
Date : 28th August 1998.

B.H. KOTHARI
Chairman and Managing Director

KOTHARI SUGARS AND CHEMICALS LIMITED**NOTES**

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the proxy need not be a member of the company. The Proxy shall not be entitled to vote except on a poll. Proxies should be lodged with the registered office of the company at any time not less than 48 hours before the time fixed for the meeting.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special businesses under Item nos. 6, 7, & 8 as set out above is annexed hereto.
3. Members are hereby informed that all Unpaid/Unclaimed Dividends for and upto the period ended 31.03.1994 have been transferred to the General Reserve Account of the Central Government. Members who have not encashed the dividend for the said period are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Madras 600 006.

ANNEXURE TO THE NOTICE**Statement in respect of Item No.5**

Section 224A of the Companies Act, 1956 provides that in the case of a Company in which not less than 25% of the Subscribed Share Capital is held by public institutions or any Government or Nationalised Bank or other financial institutions referred to therein, the appointment or re-appointment of the Auditors shall be made by a Special Resolution. As more than 25% of the Subscribed Share Capital of this company is held by the categories of bodies corporate mentioned in that Section, the Resolution for the appointment of the Auditors and fixing of their remuneration is proposed as the Special Resolution as set out in Item No.5 above.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Statement in respect of Item No.6**

Mr.P.S.Mani Sundaram was appointed by the Board in the casual vacancy created by the resignation of Mr.N.Sankar from the Board in their meeting held on 19.11.1996, to hold office upto the date of expiry of the tenure of Mr.N.Sankar. The tenure of Mr.N.Sankar would expire on the commencement of this Annual General Meeting had he continued in office. The Company has received notice U/S 257 from few members signifying their intention to propose Mr.P.S.Mani Sundaram as a Director. He is eligible for appointment and hence a resolution is submitted to the members for their approval.

Interest of Directors

None other Directors of the Company are interested in the resolution.

Statement in respect of Item No.7

Mr.C.R.Ramakrishnan was appointed by the Board in the casual vacancy created by the resignation of Mr.A.K.Sivaramakrishnan from the Board in their meeting held on 30.06.1998, to hold office upto the date of expiry of the tenure of Mr.A.K.Sivaramakrishnan. The tenure of Mr.A.K.Sivaramakrishnan would expire on the commencement of this Annual General Meeting had he continued in office. The Company has received notice U/S 257 from few members signifying their intention to propose Mr.C.R.Ramakrishnan as a Director. He is eligible for appointment and hence a resolution is submitted to the members for their approval.

Interest of Directors

None other Directors of the Company are interested in the resolution.

Statement in respect of Item No.8

1. The company has been borrowing money by way of Short Term loans from the Industrial Investment Bank of India Ltd. (IIBI)

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2. The company has also issued to IDBI Bank,

- a. 3,00,000 nos. 15.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each aggregating to Rs.300 lakhs and
- b. 5,00,000 nos. 15.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each aggregating to Rs.500 lakhs ICICI is acting as the Agent & Trustees for the said Debentures aggregating to Rs.500 lakhs (The Trustees).

As per the terms and conditions of their respective loan agreements the Company is required to pass Resolution at the general meeting in terms of Section 293(1)(a), for disposal of Company's assets subject to the terms and conditions stipulated in the agreements. Since the mortgaging by the Company of its immovable and moveable properties in favour of the Financial Institutions may be regarded as disposal of the company's properties, it is necessary for the members to pass a resolution U/S 293(1)(a) of the Companies Act, 1956. Accordingly a resolution as mentioned in Item No. 8 is submitted to the members for their approval.

None other Directors are interested except Mr.A.J.V.Jayachander, ICICI nominee, who may be deemed to be interested to the extent of financial assistance provided by ICICI to the Company.

By Order of the Board
for **KOTHARI SUGARS AND CHEMICALS LIMITED**

Place : Chennai

Date : 28th August 1998.

B.H. KOTHARI
Chairman and Managing Director

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KOTHARI SUGARS AND CHEMICALS LIMITED**REPORT OF THE DIRECTORS TO THE MEMBERS**

Your Directors present below the 37th Annual Report on the working of the Company alongwith the audited Balance Sheet, Profit and Loss Account and Cash Flow Statement for the year ended 31st March 1998.

	Year ended 31st March 1998 Rs. in lakhs	Year ended 31st March 1997 Rs. in lakhs
Profit / (Loss) before Interest and Depreciation	(1361.41)	2953.94
Interest	2152.56	1283.11
Depreciation	875.35	615.52
Profit / (Loss) Before Taxation	(4389.32)	1055.31
Provision for Wealth Tax	0.75	0.51
Provision for Taxation (MAT)	—	15.00
Profit / (Loss) after Taxation	(4390.07)	1039.80
Add: Balance brought forward from previous year	287.12	278.62
Excess provision relating to earlier year written back	—	0.76
Amount available for Appropriations:	—	1319.18
Total Deficit	(4102.95)	—
Appropriations		
Transfer to General Reserve	—	120.00
Transfer to Debentures Redemption Reserve	—	96.69
Transfer to Investment Allowance Reserve	—	—
Transfer to Preference Share Capital Redemption Reserve	—	250.00
Dividend Paid on Preference Shares (Subject to Tax)	—	204.86
Proposed Dividend on Equity Shares (22%)	—	327.74
Corporate Tax Thereon	—	32.77
Balance Carried to Balance Sheet (Loss)	(4102.95)	287.12

SCENARIO 1997-98

The industrial scenario for the year was quite discouraging. The products that your company manufactures have been no exception to this. The Sugar Industry is facing a major crisis in terms of operating margin due to the increase in cane cost with no corresponding increase in the selling price. The Cane Separation System was facing teething problems during the peak crushing period and hence the full benefit could not be accrued during the year. In the Petrochemical Division, the Industry has faced a decreasing trend in the selling prices and operating margins were under tremendous strain. The downstream chemical plants after teething problems are yet to settle down and your company has called the technology suppliers to help in tackling these teething problems.



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The Company's financials are significantly adverse as could be seen above, due to adverse market conditions for the Company's products, setback in the plant operations, time-lag between commissioning and establishing efficient commercial production, as also the effect of changed market conditions faced by your Company's products. The results may, therefore, be viewed in the context explained above.

DIVIDEND

Considering the above facts and the amount of losses the company has incurred for the year, your Directors have not recommended any dividend on preference share capital and equity share capital of the company for the year ended 31st March 1998.

OPERATIONS AND PERFORMANCE

A. SUGAR

The sugar mill at Kattur has crushed a total quantity of about 4.55 lac MT of cane, which is less than 5.22 lac MT crushed during last year. The recovery achieved was about 8.53%, an increase of 0.17% over the previous sugar year. During the season 1997-98 Statutory Minimum Price (SMP) was increased by the Central Government to Rs.489.50 per MT and the State Advisory Price (SAP) announced by the State Government was fixed at Rs.660/- per MT linked to a base recovery of 8.5%. Correspondingly, the cane price fixed by your company was Rs.722/- per MT. There was hardly any increase in the levy price announced for the season. This has led to pressure on the cash flow and the operating margins for the sugar business. Your company has managed to make all the cane payments to the farmers and there are no dues to the Government on statutory account as well.

The Cane Separation System (CSS), being the first of its kind in India, faced teething problems right from cane feeding section till the extraction point. There has been a mismatch between the equipment supplied by M/s. Amcane, USA, and the allied equipment supplied locally. The Screw Press supplied by an Italian manufacturer also underwent some major repairs. This equipment had to be re-exported to Italy and imported back to India after necessary repairs were undertaken. We have, therefore, lost valuable crushing capacity at the peak season. Further, in the extraction of the juice, there is a large difference in the recovery percentage between conventional mill and the CSS, which actually led to a higher loss. Though the Company was hopeful of achieving stable operations in the current year, due to the problems cited above it could not be achieved. Your company has called upon the Performance Guarantee made available by the supplier as also the supplier is in constant touch with us to sort out these problems so that the plant can be set right for full operation in the forthcoming season.

B. COGEN

The 2 nos. 5.5 MW Cogeneration Turbines had been commissioned after a delay of about 14 months. As you are aware, your company had undertaken this project to use efficiently the bagasse, a byproduct from sugar cane crushing and burn this in high pressure boilers to cogenerate power from the steam. The steam would be fed into the back pressure turbines and the power so generated will be partly consumed internally and the balance will be exported to the grid. The outlet steam will be fed into the sugar plant for process requirements. Being back pressure turbines, this plant cannot be run during off season and therefore the plant load factor is only 50%. Your company is exploring various options for improving the Plant Load Factor so that the Cogen power plant can be run as a utility plant throughout the year.

C. DISTILLERY

The production of alcohol has increased to 77 lac litres from 68 lac litres during the previous year. The results of the effluent treatment plant in collaboration with the Tamil Nadu Agricultural University to make use of the distillery effluent for soil reclamation purposes have been quite encouraging. The effluent treatment plant has met all the parameters laid down by the Tamil Nadu Pollution Control Board.