



KOTHARI SUGARS AND CHEMICALS LIMITED

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40th ANNUAL REPORT 2000-2001



KOTHARI SUGARS AND CHEMICALS LIMITED

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WORKS

KATTUR: Kattur Railway Station Lalgudi, Trichy Dist. - 621 601. Tamil Nadu
Phone : 0431-541224,541350, Fax : 0431-541451

MANALI: Sathangadu Village, Tiruvottriyur, Ponneri High Road, Manali,
Chennai - 600 068. Tamil Nadu Phone : 5941308,5941309
Fax : 044-5941524

KARAIKAL: Melavanjore, Karaikal - 611 002. Union Territory of Pondicherry
Phone : 04365-70342 Fax : 04365-70417

SANGA REDDY: Turakalakhanpur, Sanga Reddy - Narasapur Highway,
Hathnoora Mandal Medak District - 502 296 Andhra Pradesh
Phone : 08458-78773.

MARKETING OFFICE AT

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

KOTHARI PETROLEUM AND CHEMICALS LIMITED



BOARD OF DIRECTORS

B.H. KOTHARI - *Chairman & Managing Director*
 Dr. P. MARUTHAI PILLAI
 Dr. BANSI DHAR
 PRANAB KUMAR RUDRA
 P.S. MANISUNDARAM
 P.S. GOPALAKRISHNAN
 P.A. BALASUBRAMANIAN
 (Nominee - LIC upto 04.04.2001)
 V.R. KOTHANDARAMAN
 (Nominee - LIC w.e.f. 04.04.2001)
 V.CHANDOK
 (Nominee of ICICI)
 M. SREENIVASA RAO (resigned w.e.f. 27/07/2001)
 N. CHANDRAMOULI - *Executive Director*

PRESIDENT - SUGARS DIVISION

K. JAYACHANDRAN

PRESIDENT - PETROCHEMICALS DIVISION

T.R.VENKATASUBRAMANIAN

COMPANY SECRETARY

N. SRIDHARAN

BANKERS

STATE BANK OF INDIA
 CORPORATION BANK
 BANK OF BARODA
 STATE BANK OF TRAVANCORE

AUDITORS

M/s. FRASER & ROSS
 Chartered Accountants, Chennai - 600 017

INTERNAL AUDITORS

M/s. SESA & RAJAN
 Chartered Accountants, Chennai - 600 083

REGISTERED OFFICE

"Kothari Buildings"
 115, Mahatma Gandhi Salai
 Chennai - 600 034
 Phone : 8234611, 8234612, 8234613

REGISTRAR & TRANSFER AGENT

M/s Cameo Corporate Services Limited
 "Subramanian Buildings"
 1, Club House Road
 Chennai - 600 002
 Phone : 8460390 to 8460394
 Fax : 044-8460129

**NOTICE TO THE MEMBERS**

Notice is hereby given that the 40th Annual General Meeting of the Members of Kothari Sugars and Chemicals Limited will be held on Friday, the 14th September, 2001 at 10.00 a.m. BALA MANDIR GERMAN HALL, 17, Prakasam Street, (off G.N.Chetty Road), T.Nagar, Chennai – 600 017 to transact the following Ordinary and Special Business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account of the Company for the year ended 31st March, 2001 and the Balance Sheet as on that date and the Cash Flow Statement for the year ended 31.03.2001 together with Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Dr. P. Maruthai Pillai, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Dr. Banshi Dhar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Pranab Kumar Rudra, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :-

"RESOLVED THAT in accordance with the provisions of Section 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 till the conclusion of the next Annual general meeting on a remuneration of Rs. two Lakhs in addition to all travelling and out of pocket expenses."

SPECIAL BUSINESS :

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

"RESOLVED THAT Mr.N.Chandramouli be and is hereby appointed as a Director of the Company not liable to retire by rotation."

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

"RESOLVED THAT pursuant to Sections 269, 198, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, Mr.N.Chandramouli be and is hereby appointed as Executive Director of the Company for a period of 2 years with effect from 07.02.2001 on the following remuneration:

Sl. No.	Particulars	Figures per month/year
A	Monthly Salary	Minimum of Rs.22,000/- subject to a maximum of Rs.50,000/-with liberty to the Board to review and set the level from time to time
B	Reimbursements : Petrol reimbursement Telephone Vehicle Maintenance Medical reimbursement	150 litres per month Actuals Rs.25,000 p.a. Rs.36,000 p.a.
C	Other facilities Other benefits Club membership, Credit Cards, Mediclaim policy, Personal Accident Policy	As applicable to the senior executives of the company

"RESOLVED FURTHER THAT the remuneration paid to Mr.N.Chandramouli by way of Salary, Dearness Allowance, Perquisites and other allowances shall not exceed the ceiling specified in Section II of Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to revise/increase the remuneration payable to Mr.N.Chandramouli from time to time subject to Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Executive Director shall perform such duties as may be delegated by the Board from time to time."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, the above remuneration shall be the minimum remuneration."

Place : Chennai
Date : 25th June 2001

By Order of the Board of Directors

N.SRIDHARAN
COMPANY SECRETARY



NOTICE TO THE MEMBERS

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. Member or proxy has to fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. Members are informed that all unpaid/unclaimed dividends for and upto the period ended 31.03.1995 have been transferred to General Reserve account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Chennai – 600 006. As per the amended Companies Act, 1998, the unclaimed/unpaid dividends will have to be transferred to the Investors' Education and Protection Fund after a lapse of 7 years from the date of declaration. Those who have not encashed the dividend warrants for the year 1995-96 and 1996-97 may write to the company or Share Transfer Agents claiming such dividend.
4. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed hereunder.
5. In respect of item no.5 of the Notice i.e. appointment of Auditors, Special Resolution is required under Section 224A of the Companies Act, 1956 when more than 25% of the subscribed share capital of a company is held by one or more Public Financial Institutions and Nationalised Banks. Since more than 25% of the subscribed share capital of our company is held by Public Financial Institutions and Nationalised Banks, Special Resolution is recommended.
6. All Change of Address, Mandate intimation, transfer of shares etc. and other correspondence may be made to the Registrars & Transfer Agents, Cameo Corporate Services Ltd.
7. Share Transfer books and Register of Members will be closed from 06.09.2001 till 14.09.2001 both days inclusive.
8. Shareholders are requested to bring to the meeting copies of Annual Reports with them as the same will not be provided at the meeting.

Place : Chennai
Date : 25th June 2001

By Order of the Board of Directors

N.SRIDHARAN
COMPANY SECRETARY

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956:

ITEM NO.6

Mr.N.Chandramouli was appointed as an additional director on the Board with effect from 23.01.2001. In terms of Section 260 of Companies Act, 1956, Mr.N.Chandramouli will hold office upto the date of the Annual General Meeting. Notice has been received from a member of the company signifying his intention to propose the candidature of Mr.N.Chandramouli, as a director of the company under Section 257 of the Companies Act, 1956 alongwith the requisite deposit.

The Directors recommend the resolution for adoption by the Shareholders.

None of the Directors except Mr.N.Chandramouli is concerned or interested in this resolution.

ITEM NO.7

Mr.N.Chandramouli was appointed as an Executive Director with effect from 07.02.2001 in the Board Meeting held on 23.01.2001 in order to co-ordinate with Chairman and Managing Director in day to day administration of the Company.

Mr.N.Chandramouli brings with him over 32 years of experience in the chemical industry as well as in marketing, sales and general administration. He has worked as Chief Executive of Kothari Petrochemicals Limited since 1995 and took additional charge of Kothari Sugars & Chemicals Limited since 1998 and he retired on 06.02.2001.

In terms of Section 198, 269 & 309 read with Schedule XIII of the Companies Act, 1956 the appointment and payment of remuneration to Mr.N.Chandramouli requires approval of the shareholders. The Board recommends the resolution to the shareholders to be passed as a Special Resolution.

The terms as set out in the resolution may be treated as an abstract of the terms of the contract between the company and Mr.N.Chandramouli, Executive Director (wholetime director) pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr.N.Chandramouli is concerned or interested in this resolution.

Place : Chennai
Date : 25th June 2001

By Order of the Board of Directors

N.SRIDHARAN
COMPANY SECRETARY



KOTHARI SUGARS AND CHEMICALS LIMITED

REPORT OF THE DIRECTORS

Your Directors present below the 40th 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 2001.

	Year ended 31st March 2001 Rs. in Lakhs	Year ended 31st March 2000 Rs. in Lakhs
Profit/(Loss) before Interest and Depreciation	1148.69	(264.34)
Interest	(2551.06)	(2908.68)
Depreciation	(1224.16)	(1218.08)
Profit/(Loss) Before Taxation/ Extra-ordinary items	<u>(2626.53)</u>	<u>(4391.10)</u>
Provision for diminution in value of Investments	(187.47)	(275.72)
Prior Period Expenses – Cane Purchase Tax	—	(217.17)
Provision for Wealth Tax	—	—
Profit/(Loss) after Taxation	<u>(2842.39)</u>	<u>(4883.99)</u>
Add: Balance brought forward from previous year	(15208.78)	(10324.79)
Add: Taxation for earlier years	—	—
Balance carried to the Balance Sheet	<u>(18051.17)</u>	<u>(15208.78)</u>

SCENARIO

The All India Sugar production for the current season (2000-2001) is expected to be around 175 lakh MTs, more or less the same as for the last season. However, the anticipated production for the next season will be around 150 lakh MTs due to the drought prevailing in different states. Due to the anticipated reduction in sugar production, it is expected that sugar price may increase reasonably in the coming years. The Government is gradually introducing de-control and the free/levy sugar ratio has been changed from 70:30 last year to 85:15 this year. The Government is also permitting the industry to export sugar in large quantities.

During the year, Crude Oil price remained high resulting in increased prices of Petrochemical feed stocks like PIB stock and Benzene. The lube additive industry witnessed a negative growth during the year resulting in drastically reduced consumption of PIB in lube additives. Moreover, multinational companies supplying PIB remained very active in the Indian market and as a result the price of PIB was under pressure. The higher PBFS price and the lower price of PIB resulted in less contribution from PIB product this year. The current market scenario of PIB in India is mainly oriented towards the 2-T oil business. The decision of major oil companies during their annual tender finalisation if taken in support of local PIB industry, can result in good capacity utilisation of PIB plant.

The Chlorobenzene market also remained under pressure due to increased input costs of Benzene and Chlorine prices. Only Chlorobenzene and Hydrogenation operations were carried out to a limited extent in the plant. The Nitrochlorobenzene products demand as well as price levels continued to remain poor and in such a situation investment in the revamp of the unit is being carefully studied.

The Sangareddy Nitric Acid plant remained shut down throughout the year. A few parties have shown interest in the purchase of the unit and this is being followed up.

DIVIDEND

Considering the loss incurred by the Company, your Directors have not recommended any dividend on preference share capital and equity share capital of the Company for the year ended 31st March 2001.

OPERATIONS AND PERFORMANCE

A. SUGAR

The sugar plant at Kattur has crushed 439770.102 MTs of cane between April 2000 to March 2001 as against 512716.185 MTs of cane crushed during last year and the recovery percentage for the current year is 9.19% as against 8.61% last year. The total cane quantity available for the season 2000-2001 is around 4.17 lakh MTs.

The present crushing capacity is 2800 TCD in 24 hours. To cope with the expected increased cane availability during the coming season, it has been programmed to take up Mill upgradation work to enhance the crushing capacity to 3000 TCD.

We have introduced many high sugar cane varieties which will dominate around 65% as against 25% last year and this will contribute to increased cane yield and recovery.



REPORT OF THE DIRECTORS

Cane Separation System

The Cane Separation System is not in operation. The company has filed a lawsuit against the supplier for damages in the Court of Minnesota, United States of America and the case is in progress.

B. COGENERATION

The co-generation plant at Kattur has been stabilised. The power exported during the period under review is 13651 MWH as against 17121 MWH in 1999-2000. The reduced power export is due to the reduced quantity of cane crushed.

C. DISTILLERY

The alcohol production under the review period is 8260.833 KL which is the highest production achieved so far since inception as against 8214.470 KL during 1999-2000.

D. POLYBUTENES

The polybutene plant has achieved capacity utilisation of 104% and more than 100% for the second consecutive year. During the year, the plant produced 5745 MT of polybutene and sold 5396 MT which is the second highest since the commissioning of the plant. Additional C4 feed stock was sourced externally through tankers to operate the plant at a higher capacity. Further increase in production could not be achieved due to lower offtake in the lube additive manufacturing sectors.

The plant achieved safe and accident free operation throughout the year. Safety audit was conducted by engaging an external agency. Bimonthly safety bulletin is being prepared and circulated among group companies.

Effluent treatment plant is being upgraded as per the TNPCB norms.

The Old Distributed Control System was replaced with a latest version higher capacity DCS suitable for further expansion in production capacity.

Wheeling of power from Kattur co-generation unit was implemented this year also, resulting in substantial saving in power cost.

E. NITROAROMATICS

The Chlorobenzene plant produced and sold 5606 MT of products registering an improvement of 33.8% compared to last year. However, there was a steep decline in the prices of the last quarter leading to poor realization. In the raw materials front, benzene prices remained steady at a higher level and chlorine prices marginally higher than last year.

Trials using steel plant benzene aiming to reduce cost of production were successfully carried out. Cost estimates needed for revamping NCB plant, vetted by consultants is in place. However, the continued low price levels of PNCB and ONCB were not congenial for any investment proposition whatsoever.

Amination plant was not run this year also, due to continued poor market price and poor offtake situation that prevailed.

The Hydrogenation plant remained active in the last two quarters producing 38 MT of OCA meeting local requirements.

F. NITRIC ACID

The plant remained shutdown throughout the year.

Directors' Responsibility Statement:-

The Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent particularly in respect of interest on loans which is considered in accordance with rehabilitation package submitted to BIFR as referred to Note 4 (c) of Schedule 16, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and;
4. That they have prepared the annual accounts on a going concern basis as stated in note 1 of Schedule 16 - Notes on accounts.

BIFR

The company has filed its application with the Board for Industrial and Financial Reconstruction (BIFR) and the same was registered by them as Case No.121/99. The rehabilitation package has been submitted to the Operating Agency ICICI which was discussed at the hearing of the BIFR held on 14.03.2001. As directed by BIFR, the Company again submitted the revised rehabilitation package which is under consideration of the Operating Agency.



KOTHARI SUGARS AND CHEMICALS LIMITED

REPORT OF THE DIRECTORS**AUSTERITY MEASURES**

Cost reduction measures have also been taken in all areas wherever possible. Efforts are being taken to reduce the operational cost levels all around. In Cogen Plant, maximum demand charges were charged uniformly by TNEB during the season as well as during non-season.

DIRECTORS

Dr.P.Maruthai Pillai, Dr.Bansi Dhar & Mr.Pranab Kumar Rudra retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment. Mr.K.R.V.Subrahmanian resigned from the Board with effect from 19th March, 2001. Mr.N.Chandramouli has been co-opted as an Additional Director at the Board Meeting held on 23.01.2001 and will hold office till this Annual General Meeting. Notice has been received from one of the members of the company under Section 257 of the Companies Act, 1956 alongwith requisite deposit signifying his intention to propose the candidature of Mr.N.Chandramouli for appointment as director.

Mr.N.Chandramouli has also been appointed as a whole time director with the designation of Executive Director for a period of 2 years with effect from 07.02.2001. The necessary resolution for his appointment as Executive Director and payment of remuneration to him is proposed to shareholders for approval.

Mr.V.R.Kothandaraman was appointed with effect from 04.04.2001 by the Life Insurance Corporation of India (LIC) as its nominee director in place of Mr.P.A.Balasubramanian.

DEPOSITS

The Company has not accepted/renewed any deposits during the year. As on 31.03.2001 one deposit of Rs.100 Lakhs matured in January 1999 and out of this Rs.80 lakhs has not been paid pending rehabilitation package to be approved by BIFR. Two Deposits amounting to Rs.23,000/- remain unclaimed.

AUDITORS

M/s Fraser & Ross, Auditors of the Company retire at this Annual General Meeting and are eligible for reappointment. The appointment of auditors has to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

COST AUDIT

As per the Government directions, the Company's Cost records in respect of Sugar and Industrial Alcohol are being audited by Mr.L.S.Sathiamurthi who was appointed by the Board as Cost Auditor with the approval of the Central Government.

DISCLOSURE UNDER SECTION 217 OF THE COMPANIES ACT, 1956

During the year no employee had drawn salary in excess of the amounts prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Information required under Section 217(1)(e) of the Companies Act, 1956 is appended.

CORPORATE GOVERNANCE

The requirement of compliance with the code of corporate governance as per Clause 49 of the listing agreement would apply to the company from the next financial year. However, the company has already constituted Audit Committee of Directors as required under Section 292 A of the Companies Act, 1956. At present, the following directors are the members of the Audit Committee:

Mr.P.S.Gopalakrishnan – Chairman

Other members: Mr.Pranab Kumar Rudra, Dr.P.S.Manisundaram and Mr.V.Chandok

General information to shareholders as required by listing agreement is also furnished along with this report.

SUBSIDIARY COMPANIES

Pursuant to Section 212 of the Companies Act, 1956, the audited accounts and the Directors' and Auditors' Reports of the Subsidiary Companies namely viz. Kothari International Trading Limited & Kothari Biotech Limited are furnished along with the accounts of your Company.

ACKNOWLEDGEMENT

The Board of Directors acknowledge the fullest co-operation and support extended by the employees, suppliers and customers.

The Directors also wish to place on record their appreciation of the support and co-operation they have received from Financial Institutions, Banks, Central and State Governments.

On Behalf of the Board
for **KOTHARI SUGARS AND CHEMICALS LIMITED**

Place : Chennai
Date : 25th June 2001

B.H. KOTHARI
Chairman and Managing Director



ANNEXURE TO THE DIRECTOR'S REPORT

ANNEXURE "A"

PARTICULARS AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

CURRENT YEAR (APRIL-2000 TO MARCH-2001)

A. POWER AND FUEL CONSUMPTION	Sugar Unit	Distillery Unit	Karaikal Unit	Manali Unit	Nitric Acid Unit
1. Electricity					
a. Purchased					
Units in KWH	768185	869997	1789386	3161201	—
Total Amount Paid (Rs.)	4682753	4203985	3864019	13315329	
Rate per unit (Rs.)	3.40	3.40	2.16	4.21	
b. Own Generation through Diesel Generator					
Units in KWH	14624	N.A.	46865	261602	—
Unit per Litre of Diesel	3.50		2.576	3.47	
Cost per Unit (Rs.)	5.26		5.09	4.96	
c. Power generated through steam turbine					
Units in KWH	31235736	737568	N.A.	N.A.	N.A
Unit per litre of fuel	0.24	1.28			
Cost per unit (Rs.)	0.74	0.43			
2. Coal (specify quantity and where used)	N.A.	N.A.	N.A.	N.A.	N.A
Quantity (tonnes)					
Total cost (Rs.)					
Average Rate (Rs.)					
3. Fuel Oil					
Quantity (tonnes/kilolitres)	N.A.	575.789	1.78	1599.191	N.A
Total Cost (Rs.)		6279100	14547.82	15249598	
Average Rate (Rs.)		10.91	8.18	9.54	
4. Natural Gas					
Quantity M3	N.A.	N.A.	2513650	N.A.	N.A
Total Cost (in Rs.)			14169698		
Average Rate per M3 (Rs.)			5.64		

(B) CONSUMPTION PER

UNIT OF PRODUCTION

Products (with details)	SUGAR	ALCOHOL	PNCB/ONCB/MCB	POLYBUTENE	CNA/WNA
Electricity (Unit per MT/LIT)	38.36	0.27	PNA/OCA/PPDA	595.741	—
in KWH	per ton of cane	per litre of alcohol	770 *		

NOTE :

- * For calculating consumption of electricity per MT of production, MCB production is also being considered.
- Nitric Acid Plant was non-operational throughout the year. Hence the required information could not be furnished.
 - There was no production of PNCB & ONCB during the year 2000-2001.
 - N.A. means Not Applicable.



ANNEXURE TO THE DIRECTORS' REPORT

B. TECHNOLOGY ABSORPTION**FORM B**

(Form for disclosure of Particulars with respect to Technology Absorption)

Research and Development (R & D)

The Company adopts the following R & D measures :

High Sugar variety cane development activities are being implemented to increase the sugar recovery.

Expenditure on R & D**Rs. in Lakhs**

a. Capital	:	Nil
b. Revenue	:	Nil
c. Total	:	Nil
d. Total R & D as percentage of turnover of the Company	:	Nil

Technology absorption, adoption and innovation :

Efforts in brief, made towards technology absorption, adoption and innovation and benefits as a result thereof:

Benzene sourcing :

To bring down the cost of production, steel benzene to the extent of 275 MT was utilised without any deviation in qualities.

MLB Chlorination :

In order to improve the percentage of DCB and to improve OLB yields, controlled chlorination of MLB was alone which increased the percentage of DLB to 68% and contributed to 38% yield compared to 10% under normal circumstances.

Information regarding imported technology

Product	Technology from	Year of Import	Status of implementation absorption
Hydrogenation	Biazzi SA	1995	Under absorption
Sugar	Amcane International - USA	1995	Under Litigation

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange used and earned

Rs. in Lakhs

a. Total Foreign Exchange earned	:	NIL
b. Total Foreign Exchange used	:	129.53