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## *Kothari Sugars and Chemicals Limited*

### **BOARD OF DIRECTORS**

B.H. KOTHARI - Chairman & Managing Director

PRANAB KUMAR RUDRA

DR. P.S. MANISUNDARAM

P.S. GOPALAKRISHNAN

V.R. DEENADAYALU

V.R. KOTHANDARAMAN - (Nominee - LIC)  
(UPTO 19.12.2005)

V.K. CHANDOK - (Nominee - ICICI)  
(UPTO 22.03.2006)

P.N. DEVARAJAN

### **EXECUTIVE DIRECTOR**

N. CHANDRAMOULI

### **COMPANY SECRETARY**

N. SRIDHARAN

### **REGISTERED OFFICE**

"Kothari Buildings",  
115, Mahatma Gandhi Salai  
Chennai - 600 034  
Phone : 30225507, 30225616  
Fax : 044 - 28334560

### **AUDITORS**

Report

M/s. R. SUBRAMANIAN AND COMPANY  
Chartered Accountants, Chennai - 600 004.

### **INTERNAL AUDITORS**

M/s. K.R. SARANGAPANI & Co.,  
Chartered Accountants, Chennai - 600 083

### **COST AUDITOR**

L.S. SATHIAMURTHI  
Cost Accountant, Chennai - 600 020

### **REGISTRAR & TRANSFER AGENT**

M/s. Cameo Corporate Services Limited  
"Subramanian Buildings"  
1, Club House Road  
Chennai - 600 002  
Phone : 28460390 to 28460394  
Fax : 044-28460129

### **WORKS :**

**KATTUR** : Kattur Railway Station, Lalgudi, Trichy Dist. - 621 601. Tamil Nadu Phone : 0431-2541224, 2541350

**MANALI** : Sathangadu Village, Tiruvottiyur - Ponneri High Road, Manali, Chennai - 600068. Tamil Nadu - Phone : 25941308, 25941309

**SATHAMANGALAM** : Sathamangalam Village, Vetriyur Post, Via - Keezhapalur, Ariyalur Taluk, Perambalur District - 621 707, Tamilnadu  
Phone Nos: 04329-292600, Fax No: 04329-209730

**PANDAVAPURA** : Pandavapura Railway Station, Pandavapura, Mandya District, Karnataka, Phone Nos: 08236- 255322 / 255169  
Fax No: 08236-255118

**MARKETING OFFICE AT MUMBAI** : B-205/206, Kamanwala Chambers, Udyog Mandir Premises, Mogul Lane Mahim (West), Mumbai - 400 016.  
Phone : 022-24468150, 24468382

*Kothari Sugars and Chemicals Limited***NOTICE TO THE MEMBERS**

Notice is hereby given that the 45<sup>th</sup> Annual General Meeting of the Members of Kothari Sugars & Chemicals Limited will be held on Tuesday, the 19<sup>th</sup> day of September 2006 at 11.00 A.M. at The Music Academy, Mini Hall, Old No. 306, New No. 168, T T K Road, Chennai – 600 014 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 31<sup>st</sup> March 2006 and the Balance Sheet as on that date and the Cash Flow Statement for the year ended 31.03.2006 together with Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr P S Gopalakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr P N Devarajan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution: "RESOLVED THAT M/s. R.Subramanian and Company, Chartered Accountants, the retiring auditors be and are hereby appointed as Statutory 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 as approved by the Board of Directors."

**SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution : "RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the members of the company be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as the "Board" which term shall be deemed to include a duly constituted committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the company, on such movable and immovable properties, both present and future, and in such manner as may the Board may deem fit, together with the power to take over the management and concern of the company in certain events, in favour of Banks / Financial Institutions and / or other Lenders / Investing Agencies / Trustees for Debentures / Bonds to secure borrowings from time to time provided that the aggregate of borrowings so secured shall not exceed Rs.300 Crores (Rupees Three Hundred Crores only) outstanding at any time exclusive of interest, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the company in respect of such borrowings.  
"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised and empowered to finalise, settle and execute requisite agreements, documents, deeds, indemnities, guarantees, declarations or other legal undertakings and to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages / charges as aforesaid".
6. To consider and if thought fit, to pass with or without modifications the following resolution as a Special resolution: "RESOLVED THAT in modification of the earlier resolutions passed by the Shareholders at the Annual General Meeting of the Company held on 08.09.2004 and in accordance with the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 remuneration be paid to Mr.B.H.Kothari, Chairman and Managing Director of the Company for a period of 3 years with effect from 1<sup>st</sup> October, 2005 to 30<sup>th</sup> September, 2008 on the following terms:
  - A) Salary:  
Rs.4,00,000/- (Rupees Four Lakhs) per month.
  - B) Perquisites:
    - (i) Perquisites like use of car with driver, personal accident insurance, medical insurance, leave travel concession will be provided in accordance with the rules of the Company.
    - (ii) Use of telephone at residence for Company's purpose, which will not be treated as Perquisite.
    - (iii) Leave Encashment at the end of the tenure, which will not be included in the computation of Managerial remuneration.
    - (iv) The Perquisites will be evaluated as per Income Tax Rules, wherever applicable and in other cases at actual cost to the Company.

**NOTICE TO THE MEMBERS**

**Annual Report 2005 - 2006****C) Contribution to funds:**

Company's contribution to Provident Fund and Super Annuation Fund will not be included in the computation of perquisites to the extent these singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed 15 days salary for each completed year of service.

"RESOLVED FURTHER THAT the aggregate remuneration for any financial year shall be subject to an overall ceiling of 5% of the net profits of the Company for that financial year computed in the manner prescribed under the Companies Act, 1956".

"RESOLVED FURTHER THAT Mr. B.H. Kothari, Chairman and Managing Director shall be paid with effect from 1<sup>st</sup> October 2005 to 30<sup>th</sup> September 2008, in addition to the salary, commission at the rate of 3% of the net profits, subject to the condition that the overall remuneration payable to him including commission shall not exceed 5% of the net profits of the Company for the financial year computed in the manner prescribed under the Companies Act, 1956.

"RESOLVED FURTHER THAT in the event of there being inadequacy or absence of profits in any financial year during the currency of the tenure of the Managing Director, the above remuneration (consisting of Salary as per (A) and Perquisites as per (B) (ii) and (iii) and (C) above) shall be treated as minimum remuneration in accordance with Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time shall be paid to him".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to alter or vary the terms and conditions of said remuneration from time to time so long as it does not exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any modification or reenactments thereof, for the time being in force and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution".

Place: Chennai  
Date: 24<sup>th</sup> July 2006

By Order of the Board  
**N.SRIDHARAN**  
COMPANY SECRETARY

**Notes:**

- 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.**
- Member or proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
- The terms set out in the resolution maybe treated as an abstract of the terms of the contract between the Company and Mr. B.H. Kothari, Managing Director pursuant to Section 302 of the Companies Act, 1956.
- Pursuant to section 205A (5) of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 1996-97 have been transferred either to General Revenue Account of the Central Government or to the Investor Education and Protection Fund, as the case may be after the expiry of the period specified in the section.
- In respect of Item no.4 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 the Company is held by one or more Public Financial Institutions and Nationalized Banks. Since more than 25% of the subscribed share capital of our company is held by Public Financial Institutions and Nationalized Banks, a Special Resolution is proposed.
- 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.
- Share Transfer books and Register of Members will be closed from 06.09.2006 to 13.09.2006 (both days inclusive).
- Shareholders are requested to bring their copies of Annual Reports with them, as the same will not be provided at the meeting.
- The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.

**Kothari Sugars and Chemicals Limited****Explanatory Statement:**

Pursuant to Section 173 of the Companies Act, 1956

**Item No 5**

The shareholders at the annual general meeting held on 21<sup>st</sup> July 1994 have granted their consent to the company to borrow for its financial requirements upto Rs.300 Crores. The Company has borrowed money for its expansion activities pertaining to its new sugar unit at Sathamangalam. For financing the various capital expenditure the company approached / proposes to approach various Banks, financial institutions, lending agencies which necessitates creation of charge / mortgage / hypothecation of the assets of the company both movable and immovable, whether present or future, wherever situated or on such other security as may be agreed to by the Company.

The creation of charges / mortgages / hypothecation requires the approval of the shareholders under Companies Act, 1956. Accordingly, Ordinary resolution set out under item no.5 of the notice is submitted to the meeting. The Directors recommend the resolutions for approval of the Shareholders.

None of the directors is interested or concerned in the resolution.

**Item No. 6**

The Shareholders at the 43<sup>rd</sup> Annual General Meeting of the Company held on 08<sup>th</sup> September 2004 approved the reappointment of Mr.B.H.Kothari as the Managing Director. Due to the sickness of the Company, Mr.B.H.Kothari declined to accept any remuneration from the Company. Since the company has now revived and become profitable, it is proposed to fix remuneration for him.

The terms of remuneration were considered and approved by the Remuneration Committee of the Board of Directors at its meeting held on 15.09.2005 and 24.07.2006 as per details mentioned in the relevant resolution.

The remuneration specified in clause A, B and C above shall be reviewed by the Board after the close of the financial year and if the company has made profits in that year then Mr.B.H.Kothari shall be paid such enhanced remuneration as the Board may decide subject to the ceiling limits specified in Sections 198, 309 and other applicable provisions of the Act read with the Schedule XIII of the Act or any modifications or reenactment thereof".

The Board of Directors of the Company at its meeting held on 15<sup>th</sup> September 2005 conveyed its approval subject to the shareholders passing a Special Resolution approving the remuneration at a General Meeting. Hence the proposed resolution. The Directors recommend the resolutions for approval of the Shareholders.

Information required under clause (iv) of Section II (c) in Part II of Schedule XIII of the Companies Act, 1956 are furnished below:

**I. GENERAL INFORMATION**

- |   |   |
|---|---|
| (1) Nature of Industry  | : Manufacture and sale of Sugar and Chemicals |
| (2) Date of Commencement of commercial Production   | : 22.03.1963                                  |
| (3) In case of new companies, expected date of commencement of activities as per project approved by the Financial Institutions appearing in the prospectus | : Not Applicable                              |
| (4) Financial Performance   | :   |
- The following are the details of the financial performance of the Company during last five years.

(Rs in Lakhs)

Financial Parameters	Year ended 31 <sup>st</sup> March				
	2006	2005	2004	2003	2002
Turnover	21,673.06	13,978.76	13,652.25	12,754.90	11,297.26
Net Profit / (Loss) (as computed under Section 198/349)	2,412.79	1,119.11	(1,780.36)	(3,223.98)	(2,690.53)
Net Profit / (Loss) (as per profit & Loss Account)	2,416.14	19,800.25	(1,422.38)	(2,487.49)	(2,816.36)



## Annual Report 2005 - 2006

- (5) Export Performance, Net foreign Exchange Earnings and Collaborations as on 31.03.2006 : Rs. 64.99 Lakhs
- (6) Foreign Investments or collaborations, if any : Nil

### II. INFORMATION ABOUT THE APPOINTEE:

- (1) Background details:

Mr.B.H.Kothari is a Commerce graduate. He is associated with the Company from 1982 till date. He has been the Managing Director of the Company since 1986. He was the president of South Indian Sugar Mill Association during the period 1989-91. He has been the Honorary consulate General for Austria since 14.06.1993. He is a member of the Management Committee of Institute of Financial Management & Research, Chennai.

- (2) Recognition / Awards:

M/s.Kothari Sugars and Chemicals Limited under the stewardship of Mr.B.H.Kothari obtained the following recognition / Awards in the last five years:

Sl.No	Particulars	Year
	<b>Sugar Plant:</b>	
1.	Safety Awards for the longest accident free period in man hours during the year	2000
2.	Safety Awards for the lowest weighted accident frequency rate during the year	2001
3.	Safety Awards for the longest accident free period in man hours during the year	2001
4.	Safety Awards for the lowest weighted accident frequency rate during the year	2002
5.	Safety Awards for the longest accident free period in man hours during the year	2002
6.	SVP Memorial Award for best cane development	2002-03
7.	Best Cane Development in Tamilnadu	2005
	<b>Polybutene Plant:</b>	
1.	ISO 9001:2000 certification for Polybutene unit	2003
2.	ISO 14001: 2004 certification for Polybutene unit	2005

- (3) Past Remuneration:

Due to the sickness of the Company, Mr.B.H.Kothari, has not accepted any remuneration from the company since 01.08.1999

- (4) Job Profile and Suitability:

Mr. B.H.Kothari is a Commerce graduate having an overall industrial experience of more than two decades in administration and Management in the Sugar, Petrochemical and Financial Services Industries. After his appointment as Managing Director, the company has expanded its business by installing the distillery unit in the year 1993 and Polybutene in the year 1989-90. He has revived the company from sickness and it is now making profits.

In order for the Company to sustain the prominent place in the industry, he has taken initiative in setting up another sugar unit at Sathamangalam, Tamilnadu with an installed capacity of 3500 TCD along a cogen unit of 24 MW. Under his stewardship the company has also taken on lease a sugar unit with an installed capacity of 3500 TCD at Pandavapura, Mandya District, Karnataka for a period of seven years.

- (5) Remuneration Proposed:

As stated in the Resolution

- (6) Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the position and person:

The company is one of the largest sugar factories in Tamil Nadu having its Sugar plant in Kattur and has taken on lease a sugar factory at Pandavapura in Karnataka. The Company is setting up a sugar unit at Sathamangalam, which is expected to commence production shortly.

**Kothari Sugars and Chemicals Limited**

The capacity details of all the units are as follows:

Units at	Sugar	Cogen	Distillery
Kattur	2900 TCD	11 MW	9000 KLPA
* Sathamangalam	3500 TCD	24 MW	---
Pandavapura	3500 TCD	---	---
Total	9400TCD	33 MW	9000 KLPA

\* Project under Implementation

Mr.B.H.Kothari strived hard to place our company in a prominent position and his role since 1982 in turning our company, as one of the largest sugar factories in Tamilnadu is remarkable. Considering his contribution, which has ensured long term survival and prosperity of the company, the proposed remuneration payable to him is reasonable. The proposed remuneration is also in accordance with schedule XIII of the Companies Act, 1956.

- (7) Pecuniary relationship, directly or indirectly, with the Company or relationship with the Managerial Personnel, if any:

Mr.B.H.Kothari does not have any pecuniary relationship, directly or indirectly with the Company except to the extent of his shareholdings in the equity share capital of the Company. He holds 47622 equity shares of Rs.10 each equivalent to 0.06% of the total paid up capital.

### III. OTHER INFORMATION:

- (1) Reasons for loss / inadequacy of profits:

As on 31.03.2006, the company has earned a profit of Rs. 2416.14 Lacs. However, the Company is having an accumulated loss to the tune of Rs.2561.01 Lacs due to adverse market conditions for the company's products and setback in the plant operations in the past.

- (2) Steps taken for improvement:

The Company has implemented the Rehabilitation Scheme sanctioned by AAIFR vide its order dated 17.06.2004. The Company has taken following steps for improvement

- By aggressive cane development activities and by propagating high sucrose cane varieties, the quality of cane production has improved, which in turn has helped the recovery considerably.
- By improving the factory operation efficiencies, the downtime has reduced and helped to maintain uniform rate of crushing with maximized capacity utilization.
- By introducing the VRS schemes, the employees strength has been reduced to one of the lowest among Tamilnadu Sugar factories.
- Marketing efforts have been made to increase the polybutene sales.

- (3) Expected increase in productivity and profits in measurable terms:

With the steps taken by the Company on the operations front in improving the operating parameters and capacity utilization as mentioned above, the company's cash flow is expected to improve from what is stated in the cash flow projections given in the Rehabilitation Scheme.

### IV. DISCLOSURES :

The details of remuneration paid to Directors are given in Para 4 of Corporate Governance Report.

*Interest of Directors:*

Mr. B.H.Kothari is concerned or interested in the resolution as it concerns his remuneration. No other Director is directly or indirectly concerned or interested in the resolutions.

By Order of the Board

Place: Chennai  
Date: 24<sup>th</sup> July 2006

**N.SRIDHARAN**  
COMPANY SECRETARY

ANNEXURE TO THE NOTICE

**Annual Report 2005 - 2006**

THE INFORMATION IN RESPECT OF ITEM NO. 2 & 3 PURSUANT TO SEBI CODE FOR CORPORATE GOVERNANCE ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item no.2	Item no.3
Name of the Director	Mr. P S Gopalakrishnan	Mr. P N Devarajan
Date of Birth	23.08.1935	15.02.1935
Date of appointment	12.06.1995	26.09.2003
Qualification and experience in specific functional areas	<p>B.Com, LLB</p> <p>He has vast experience in the Banking Industry. He was the former Chairman of leading Financial Institutions like, The Industrial Finance Corporation of India, The Tourism Finance Corporation of India, Indian Overseas Bank and Oriental Bank of Commerce. He was an Executive Trustee of Unit Trust of India.</p>	<p>B.Sc. M.Tech (Chemical Plant Design) IIT Kharagpur</p> <p>Shri P.N.Devarajan has an experience of more than 3 decades in Chemical Industry. He has held senior positions in many organisations such as M/s. Merck Sharp and Dhome of India, Chemicals &amp; Plastics India Limited, Shriram Chemicals &amp; Fertilisers Limited, Essar Group etc. He has also served as Chairman &amp; Managing Director of Hindustan Organic Chemicals limited and IDPL. He held the position of Director-Central Board, RBI, Member- Chemicals Exports Promotion Council, Bombay, Member – Indo US Trade Business Council. He is presently a Professional Consultant for many leading Public Sector Organisations.</p>
List of companies in which outside directorships held	<ol style="list-style-type: none"> <li>1. Reliance Capital Asset Management Ltd.</li> <li>2. Mega International (P) Ltd.</li> <li>3. Shriram Overseas Finance Ltd.</li> <li>4. Sakthi Finance Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Dr. Reddys Laboratories Limited, Hyderabad</li> <li>2. Tropical Technologies Pvt Ltd.</li> </ol>
Chairman/ Member of the committee of the Board of Director of the company	He is the chairman of the Audit and Share Transfers cum Shareholders Grievances Committee	Nil
Chairman/ Member of the committees of other companies in which he is a director.	He is the Chairman of the Audit Committee and Share Transfers cum Shareholders Grievances Committee in Shriram Overseas Finance Ltd.	Nil
Details of shareholding in the company	Nil	Nil



*Kothari Sugars and Chemicals Limited***DIRECTORS' REPORT**

Your Directors present below the 45th Annual Report on the working of the Company along with the audited Balance Sheet, Profit and Loss Account and Cash Flow Statement for the year ended 31st March 2006.

Particulars	Year ended 31st March 2006 Rs. in Lakhs	Year ended 31st March 2005 Rs. in Lakhs
Profit/(Loss) before Interest and Depreciation	3164.07	1701.04
Interest	(1.89)	(5.87)
Depreciation	(654.76)	(722.38)
Profit/(Loss) Before Exceptional items	2507.42	972.79
Exceptional Item – Relief as per AAIFR order	0.56	12,226.24
Provision for Impairment of Assets	—	(454.99)
Profit/(Loss) before Tax	2507.98	12744.04
Tax Adjustments	—	(0.19)
Fringe Benefit Tax	16.84	—
Profit / (Loss) after Tax	2491.14	12743.85
Transfer to Debenture Redemption Reserve	(75.00)	(75.00)
Exceptional Item – Relief as per AAIFR order	—	7131.40
Profit / (Loss) after Appropriation	2416.14	19800.25
Balance brought forward from previous year	(4977.15)	(24777.40)
Balance carried to the Balance Sheet	(2561.01)	(4977.15)

Your Directors are pleased to report that the company has made profit after tax of Rs.2416.14 Lakhs.

**IMPLEMENTATION OF THE REHABILITATION SCHEME SANCTIONED BY AAIFR**

As informed in the last year's Annual Report, AAIFR vide its order dated 17.06.2004 sanctioned the Company's rehabilitation scheme. The Company has fully complied with the order and is now successfully progressing in the rehabilitation path.

**OPERATIONS AND PERFORMANCE****A. SUGAR DIVISION**

The sugar production in India for the season 2004-05 was 126.91 lakh MTs as against the normal production of around 185 lakh MTs and the current season 2005-06 estimates are at 181 lakh MTs. The price of sugar has improved in domestic and international market.

The Sugar plant at Kattur crushed 728780 MTs of cane in the year 2005-06 as against 402762 MTs for the corresponding period last year. However, recovery percentage for the year 2005-06 was at 9.72% as against 10.3% during the previous year. We have sold 18503 MTs bagasse during the year 2005-06 as against 18932 MTs in the previous year.

**CANE SEPARATION SYSTEM**

The Cane Separation System is not in operation. The case is being pursued in the court of Minnesota, United States of America.

**B. COGENERATION**

The Cogeneration plant at Kattur is functioning satisfactorily. Power export during the year 2005-06 was 22798 MWH against 10019 MWH in the year 2004-05. The increase was due to higher volume of cane crushing and operation of the factory for a longer duration.

**C. DISTILLERY**

Alcohol production during the year 2005-06 was 9457 KL as against 9840 KL last year. The reduced production of alcohol was due to inability to procure outside molasses, due to high price.

**D. POLYBUTENES**

The PIB industry witnessed a positive growth, as the market demand for PIB in fuel additive has been steady. The Company has performed well in production and sales quantity but contribution is marginal due to high feedstock price and increased cost of production.

## Annual Report 2005 - 2006

The plant maintained safe and accident free operation throughout the year and achieved 5854 accident free mandays as of 31.03.2006. The plant operation is strictly adhered to the QMS and EMS and ERP systems.

The management decided to focus its efforts and resources towards growth and development in the Sugar business and in view of this, the company has hived off its chemicals division situated at Manali to M/s. Primetra Technologies Private Limited on 10.04.2006. The shareholders through postal ballot approved the hive off on 23.02.2006.

### E. NITROAROMATICS

The Company sold its Karaikal plant to M/s. Chemplast Sanmar Limited during October 2005.

### DIVIDEND

Considering the accumulated losses, your Directors have not recommended any dividend on equity share capital of the Company for the year ended 31st March 2006.

### FUTURE BUSINESS

Your Company plans to augment capacity to widen its business horizon and stabilise its market standing by the following plans.

The Company is setting up a sugar unit at Sathamangalam, Tanjore district with an installed capacity of 3500 TCD along with a cogen unit with a capacity of 24 MW. The unit would commence production shortly.

The Company has also taken on lease M/s. The Pandavapura Sahakari Sakkare Karkhane Niyamit, a Co-operative Sugar factory situated at Mandya District, Karnataka with an installed capacity 3500 TCD for a lease period of seven years. The unit commenced production from 01.06.2006.

### DELISTING OF EQUITY SHARES

The shareholders at the Annual General meeting held on 24.09.2003 approved the delisting of securities from various Stock Exchanges except National Stock Exchange, Mumbai. Accordingly, the company's shares got delisted from The Bangalore Stock Exchange Limited, Bangalore w.e.f. 18.01.2006. Since the company has already applied for delisting from The Calcutta Stock Exchange Association Limited, Kolkatta and also due to its sickness it has not paid its listing fees to the exchange. The company is yet to get the approval for delisting from them.

### AUSTERITY MEASURES

The Company continues to pursue austerity measures to achieve cost reduction.

### DIRECTORS

Mr P S Gopalakrishnan and Mr P N Devarajan are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr V R Kothandaraman, Nominee Director of LIC resigned from the Board on 19.12.2005 and Mr V K Chandok, Nominee Director of ICICI Bank Limited resigned from Board on 22.03.2006. The Board of Directors wish to place on record its appreciation of the valuable services rendered by Mr V R Kothandaraman and Mr V K Chandok during their tenure.

### 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 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 profit 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.
4. That they have prepared the Annual Accounts on a going concern basis.

### CORPORATE GOVERNANCE

A report on Corporate Governance alongwith Auditor's Certificate on its compliance is attached as Annexure to this report as also a Management Discussion Analysis Statement.