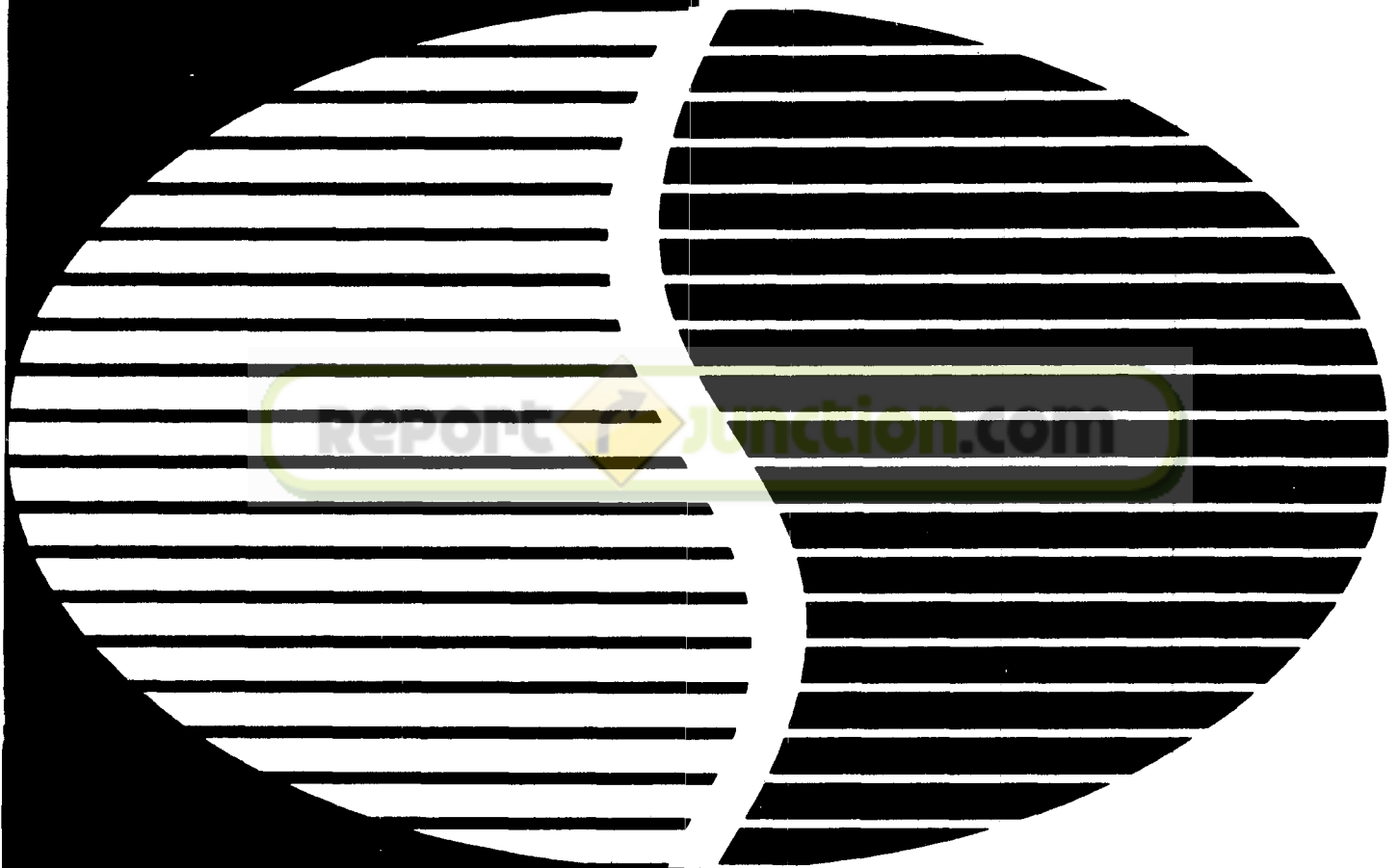


ANNUAL  
REPORT &  
ACCOUNTS  
1996-97



THE OUDH SUGAR  
MILLS LIMITED

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## The Oudh Sugar Mills Limited

### BOARD OF DIRECTORS

Shri K. K. Birla, M.P., *Chairman*  
 Shri C. S. Nopany, *Mg. Director*  
 Shri S. V. Muzumdar  
 Shri Pravinchandra V. Gandhi  
 Shri M. S. Nagratha  
 Shri Rajaram Muchhal  
 Shri Ashvin C. Dalal  
 Shri K. A. Varugis  
 Shri Naresh Mohan  
 Shri M. V. Subaraman (Nominee — IDBI)  
 Shri D. S. Shekhawat  
 Shri C. B. Patodia

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
ACM	✓		SHI	✓
YE	✓			

### EXECUTIVES

Shri R. R. Agarwal, *Secretary*  
 Shri P. K. Lakhotia, *Executive President, Hargaon*  
 Shri M. S. Sharma, *Executive President, Narkatiaganj*  
 Shri C. L. Giria, *Executive President, Rosa*  
 Shri S. K. Premi, *General Manager, Allahabad Canning Co.*

### AUDITORS

S. R. Batliboi & Co.,  
 Calcutta

### REGISTERED OFFICE

Industry House  
 159, Churchgate Reclamation  
 Mumbai-400 020

### SUGAR MILLS

1. Hargaon, Dist. Sitapur, (U.P.)
2. Rosa, Dist. Shahjahanpur, (U.P.)
3. Narkatiaganj, Dist. W. Champaran, (Bihar)

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### DISTILLERY

1. Hargaon, Dist. Sitapur, (U.P.)
2. Narkatiaganj, Dist. W. Champaran, (Bihar)

### OIL MILLS & SOLVENT EXTRACTION PLANT

Sitapur, (U.P.)

### CANNING FACTORY

P.O. Bamrauli, Allahabad

## The Oudh Sugar Mills Limited

### Performance at a Glance

	1992-93	1993-94	1994-95 (nine months)	1995-96	1996-97
				(Rs. in lakh)	
<b>Turnover</b>	9282.72	11679.66	7853.76	14744.16	15597.38
<b>Operating Profit</b>	998.41	2044.96	1069.39	2583.05	2379.75
<b>Interest (net)</b>	622.24	742.63	657.42	1465.45	1746.34
<b>Depreciation</b>	254.07	377.37	323.31	430.97	489.97
<b>Profit before Tax</b>	122.10	924.96	88.66	686.63	143.44
<b>Profit after Tax</b>	111.10	674.96	87.66	685.63	123.44
<b>Net Worth</b>	3134.72	3727.38	3733.20	7796.38	7728.49
<b>Net Worth per Ordinary Share (Rs.)</b>	905.48	1076.68	1078.37	750.68	74.41*
<b>Dividend per Ordinary Share (Rs.)</b>	20.00	25.00	25.00	25.00	2.00*
<b>Earning per Ordinary Share (Rs.)</b>	32.09	194.97	25.32	66.02	1.19*
<b>Cane Crushed (lakh Qtls.)</b>	80.72	78.57	135.42	165.24	121.16

\* On Ordinary Share of Rs.10

## The Oudh Sugar Mills Limited

### NOTICE

NOTICE is hereby given that the Sixty-fifth Annual General Meeting of The Oudh Sugar Mills Limited will be held at Rama Watumull Hall, K. C. College, Dinshaw Wachha Road, Churchgate, Mumbai 400 020, on Thursday, the 4th September, 1997 at 3.00 P.M. to transact with or without modifications, as may be permissible the following business : -

1. To consider and adopt the Report of the Directors and audited Accounts of the Company for the year ended 31st March, 1997.
2. To sanction the declaration of dividend on Ordinary Shares for the year ended 31st March, 1997.
3. To appoint a Director in place of Shri S. V. Muzumdar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Pravinchandra V. Gandhi who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri D. S. Shekhawat, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

#### As Special Business :

To consider and if thought fit to pass with or without modifications, the following Resolutions as Ordinary Resolutions :

7. "Resolved that Shri C. B. Patodia be and is hereby appointed a Director of the Company".
8. "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, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company relating to its Sugar Unit at Narkatiaganj, Dist. West Champaran in the State of Bihar, present and future, together with power to take over the management of the

business and concern of the Company's said unit in certain events, to or in favour of Industrial Investment Bank of India Limited (IIBI) to secure Medium Term Working Capital Loan not exceeding Rs. 1000 lacs (Rupees one thousand lacs only) lent and advanced/agreed to be lent and advanced by IIBI to the Company together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies payable by the Company to IIBI under its Loan Agreement/ Letter of Sanction/Memorandum of Terms and Conditions, entered into by the Company in respect of the said loan.

Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with IIBI the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

Registered Office  
Industry House  
159, Churchgate Reclamation  
Mumbai 400 020  
Dated : 1st July, 1997

By Order of the Board  
R. R. AGARWAL  
Secretary

#### Notes :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The dividend when sanctioned will be made payable on or after 5th September, 1997, to those shareholders whose names stand on the Register of Members on the 6th August, 1997.
3. The Register of Members of the Company will remain closed from 6th August, 1997 to 19th August, 1997, both days inclusive.
4. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.

## The Oudh Sugar Mills Limited

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5. The unclaimed dividends for the financial year ended 30th June, 1993 and previous years declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Shareholders who have not encashed the Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, Dattaram Lad Path, Kalachowki, Mumbai 400033.

### Annexure to the Notice

#### Explanatory Statement as required by Section 173 of the Companies Act, 1956.

##### Item No. 7

Shri C. B. Patodia was appointed by the Board of Directors as a Director in the vacancy caused by the resignation of Shri H. L. Baheti. Pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 79(b) of the Articles of Association of the Company he will hold office as Director only upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956 notice has been received from some shareholders signifying their intention to propose the appointment of Shri C. B. Patodia as a Director. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail his valuable advice. The Directors, accordingly, recommend the resolution as mentioned in item No. 7 of the Notice for your approval.

Except Shri C. B. Patodia no other Director is interested in the proposed resolution.

##### Item No. 8

The Company has approached Industrial Investment

Bank of India Limited (IIBI) for Medium Term Working Capital Loan to be secured by first mortgage/charge on all the immovable and movable assets, present and future, of the Company relating to its Sugar unit at Narkatiaganj, Dist. West Champaran in the State of Bihar ranking pari-passu with the charges created in favour of the financial institutions and the Trustees to 16% Secured Redeemable Non-Convertible Debentures for an amount aggregating Rs. 1000 lacs privately placed with a financial institution.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, the whole or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of IIBI may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/charge and hence the resolution is submitted for your approval.

Copy of Letter of Intent No. IIBI : LOI : 1320 : 97 dated May 29, 1997 received from IIBI and copies of relevant documents/correspondence between IIBI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00. P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

By Order of the Board

Mumbai  
Dated : 1st July, 1997

R. R. AGARWAL  
Secretary

## The Oudh Sugar Mills Limited

### DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting their Report and the audited Accounts of the Company for the year ended 31st March, 1997.

#### FINANCIAL RESULTS

(Rs. in lakh)

2. Sales during the year		15597.38
Gross Profit before Depreciation		<u>633.41</u>
To which is added :		
Balance brought forward from the previous year	278.37	
Income-tax refund for earlier years	30.38	
Dividend on fractional shares not payable written back	<u>0.02</u>	<u>308.77</u>
Making a total of		942.18
Out of this provisions have been made for :		
Depreciation	489.97	
Taxation	20.00	
Dividend Tax	20.77	
General Reserve	<u>10.00</u>	<u>540.74</u>
Leaving a balance available for disposal of		401.44
The Directors recommend payment of		
Dividend on 1,03,85,790 Ordinary Shares		
of Rs. 10 each @ Rs. 2.00 per share		<u>207.72</u>
Balance carried to Balance Sheet		<u>193.72</u>

#### SUGAR SEASON 1996-97

3. The adverse trend in the sugar industry continuing from the previous year severely affected its operations during the year under review as well. The bumper sugar production of season 1995-96 at 164 lakh tonnes against an estimated consumption of 130 lakh tonnes saw a sharp increase in the inventory levels resulting in low sugar prices. With profitability and liquidity under severe strain, cane arrears by the sugar industry peaked at an all time high of Rs.1200 crores.
4. The exorbitant cane prices fixed by the State Governments for 1995-96 season ensured no significant decrease in cane plantation despite the adverse condition of the industry. Furthermore, the Government of U.P. arbitrarily increased the price of cane for 1996-97 from Rs.70 to Rs.72 per quintal without any economic justification. The industry, which was already crippled, had no option but to challenge the right of the State Government to fix cane prices. The Allahabad High Court, in a historic judgement, ruled that the State Government had no power to fix cane prices.
5. After protracted negotiations with the farmers and the State Government, the sugar industry in U.P. agreed to pay a price of Rs.62 per quintal of sugarcane at gate which comprised of the Statutory Minimum Price fixed by the Central Government for 1996-97 season and advance against liability under Clause 5A of the Sugarcane (Control) Order. The industry also agreed to pay an additional amount of Rs.4 per quintal after the end of the season. Furthermore, an incentive of Rs.4 per quintal has been offered, if the cane growers are able to satisfy their mandatory quota of cane supplies during the season 1997-98. The State Government on its part has given a remission of Re. 1 in Cane Purchase Tax for the season 1995-96 and a deferment of Re. 1 for 1996-97 which is payable after two

## The Oudh Sugar Mills Limited

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### DIRECTORS' REPORT (Contd.)

years. The State Government controlled factories, however, continued to pay Rs. 72 as announced by the State Government.

6. In Bihar, the State Government also arbitrarily increased the price of cane from Rs.71 to Rs.72 per quintal. The sugar industry in Bihar challenged the right of the State Government in the Patna High Court who, in line with the Allahabad High Court judgement, also held that the State Government had no power to fix cane prices. After negotiations with the cane growers, the industry has agreed to pay Rs.62 per quintal at gate comprising Statutory Minimum Price for 1996-97 and advance against liability under Clause 5A of the Sugarcane (Control) Order. The industry has also agreed to pay Rs.8 per quintal as additional amount after the completion of the season.
7. Due to the firm and united stand taken by the sugar industry, the first two months witnessed a period of uncertainty and turmoil. The farmers at a number of factories situated in U.P. and Bihar went on strike. However, with the unity of the industry and adept handling of the situation, the issue was resolved satisfactorily.
8. This uncertainty witnessed large scale diversion of sugarcane to gur and khandsari units in U.P. Furthermore, low yields of sugarcane crop was recorded throughout the country. The overall production of sugar in the country is likely to be around 130 lakh tonnes as against 164 lakh tonnes achieved last year which is equivalent to a fall of 21% compared to the previous year.
9. Increased molasses production in 1995-96 and easy availability resulted in prices reigning at low levels during the first half of the year under review. Prices started firming up in the second half due to the fall in production of molasses and anticipated shortage in the coming years.

### GOVERNMENT POLICY

10. During the year Central Government initially ordered the creation of buffer stock of 5 lakh tonnes of sugar. At the persistent request of the industry the Government has agreed to increase the buffer stock to 10 lakh tonnes.
11. The Central Government decanalised export of sugar with a view to increase exports. As international sugar prices remained at low levels due to increased availability of sugar in the international markets, the industry was able to export only 1.5 lakh tonnes of sugar as compared to 10 lakh tonnes in the previous year.
12. The Central Government announced a new Incentive Scheme for new sugar units and expansion of the existing units effective from 31st March, 1994. As sufficient capacity is available in the country, the industry through Indian Sugar Mills Association has approached the Government to withdraw the Incentive Scheme.
13. The dual pricing policy of sugar under which 40% of sugar is requisitioned by the Government as levy sugar and balance 60% is allowed to be sold in the open market continued for the season 1996-97 as well.
14. The statutory minimum price of sugarcane for the season 1996-97 was fixed by the Central Government at Rs.45.90 per quintal as against Rs.42.50 per quintal for the previous season linked to a base recovery of 8.5%. In the case of Hargaon, Rosa and Narkatiaganj factories the statutory minimum price was fixed at Rs.49.32, Rs.50.46 and Rs.52.17 per quintal as against Rs.50.06, Rs.49.52 and Rs.48.98 per quintal respectively for the previous season. The price of levy sugar produced by Hargaon, Rosa and Narkatiaganj factories was fixed at Rs.1038.74, Rs.994.05 and Rs.1140.87 per quintal as against Rs. 940.07, Rs. 882.60 and Rs. 942.26 per quintal for the season 1996-97.



## The Oudh Sugar Mills Limited

### DIRECTORS' REPORT (Contd.)

#### OPERATIONS

15. The operations of the sugar factories in U.P. were affected by large scale diversion of sugarcane to alternate sweeteners during the season 1996-97. The performance of all the sugar mills improved in comparison to the previous year. The cane crushed by your Company during the season 1996-97 was lower at 121.16 lakh quintals as against 165.24 lakh quintals during the season 1995-96. The expansion of Rosa Sugar Works to 2500 tonnes of sugarcane crushing per day has been successfully completed.
16. The crushing at the sugar factories was as under :-

	During the year ended 31st March, 1997	During the season 1996-97	During the year ended 31st March, 1996	During the season 1995-96
<b>Sugar Cane Crushed :</b> (lakh qtls)				
Hargaon	76.67	60.55	73.40	85.29
Rosa	24.32	16.33	23.31	32.10
Narkatiaganj	48.53	44.28	44.35	47.85
<b>Recovery : (%)</b>				
Hargaon	8.20	9.02	8.73	8.24
Rosa	8.19	8.95	9.12	8.50
Narkatiaganj	9.35	9.60	9.45	9.30
<b>Sugar (Bagged)</b>				
Hargaon	6,27,160	5,39,734	6,34,315	7,02,499
Rosa	1,94,369	1,50,259	2,11,533	2,79,029
Narkatiaganj	4,54,000	4,24,908	4,16,893	4,44,955

17. The production and sales of the Distillery at Hargaon improved significantly as compared to last year. The U.P. Government's decision to allow export of alcohol from U.P. helped the industry to reduce its inventories and improve capacity utilisation. The performance of Narkatiaganj Distillery remained adversely affected on account of poor off-take and low realisation in Bihar. Furthermore, the Central Government's decision to steeply hike the excise duty on molasses from 20% ad-valorem to Rs. 50 per quintal is likely to hit the profitability of distilleries severely.
18. The working results of Fruits & Vegetables Canning Factory during the year under review were adversely affected due to keen competition and poor off-take. The Company has purchased the rights of user of trade mark "MORTON" in respect of canned fruits & vegetables and have started selling their products under the said brand name in the domestic market. It is expected that the sales and working results during the year would improve.

## The Oudh Sugar Mills Limited

### DIRECTORS' REPORT (Contd.)

19. The production at different units was as under :

	<u>1996-97</u>	<u>1995-96</u>
<b>Power Alcohol &amp; Spirit :</b>		
Hargaon	51.96 lakh ltrs.	28.75 lakh ltrs
Narkatiaganj	40.41 lakh ltrs.	60.91 lakh ltrs.
<b>Canned Fruits &amp; Vegetables</b>	Rs. 486.51 lakh	Rs. 558.37 lakh
<b>Own Farm Cane :</b>		
Hargaon	1,161 Tonnes	1,151 Tonnes
Narkatiaganj	1,570 Tonnes	1,384 Tonnes

### FUTURE PROSPECTS

20. The start of the year 1997-98 has been on a positive note with sugar prices firming up after a gap of over six months. Preliminary reports indicate that there is a sharp fall in cane plantation although it is still too early to predict the production levels for the season 1997-98. There is, however, a threat of sugar imports as sugar can be freely imported without any import duty. The industry has represented to the Government to impose custom/ countervailing duty on sugar imports.

### DIRECTORS

21. Shri C.B. Patodia who was appointed as a Director in casual vacancy retires at the Annual General Meeting and is eligible for reappointment.
22. Shri S.V. Muzumdar, Shri P.V. Gandhi and Shri D.S. Shekhawat retire from the Board by rotation and are eligible for reelection.

### AUDITORS

23. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.
24. The Auditors, Messrs S.R. Batliboi & Company, Chartered Accountants, retire and are eligible for reappointment.

### STATUTORY REQUIREMENTS

25. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are given in separate annexure attached hereto and form part of this Report.
26. Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 are given in separate annexure attached hereto and form part of this Report.