



**THE OUDH SUGAR MILLS LIMITED**

**ANNUAL REPORT  
& ACCOUNTS**

**BOARD OF DIRECTORS**

Dr. K. K. Birla, M.P., *Chairman*  
 Shri C. S. Nopany  
 — *Deputy Chairman-cum- Mg. Director*  
 Shri S. V. Muzumdar  
 Shri Pravinchandra V. Gandhi  
 Shri Rajaram Muchhal  
 Shri Ashvin C. Dalal  
 Shri S. M. Agarwal  
 Shri M. Ghosh (Nominee - IDBI)  
 Shri C. B. Patodia

**EXECUTIVES**

Shri R. R. Agrawal - *Secretary*  
 Shri P. K. Lakhotia  
 — *Executive President, Hargaon*  
 Shri M. S. Sharma  
 — *Executive President, Narkatiaganj*  
 Shri M. N. Agarwal  
 — *Executive President, Rosa*  
 Shri S. K. Premi  
 — *Executive President, Allahabad Canning Co.*

**AUDITORS**

S. R. Batliboi & Co.  
 Kolkata

**REGISTERED OFFICE**

P.O. Hargaon  
 Dist. Sitapur (U.P.)  
 Pin - 261 121

**CORPORATE 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)

**DISTILLERY**

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

**CANNING FACTORY**

P.O. Bamrauli, Allahabad (U.P.)

**CONTENTS**

Notice	3
Directors' Report	6
Auditors' Report	21
Balance Sheet	24
Profit & Loss Account	25
Schedules to Accounts	26
Subsidiary Companies' Accounts	48

**The Oudh Sugar Mills Limited****PERFORMANCE AT A GLANCE**

	(Rs. in lakh)				
	1996-97	1997-98	1998-99	1999-2000 (15 Months)	<b>2000-2001</b>
<b>Turnover</b>	15597.38	18699.96	20331.05	26640.39	<b>25641.45</b>
<b>Operating Profit</b>	2379.75	3022.71	3096.67	4449.75	<b>3601.85</b>
<b>Interest (net)</b>	1746.34	2054.70	2122.06	3288.01	<b>3340.31</b>
<b>Depreciation</b>	489.97	623.92	684.52	1087.21	<b>1044.51</b>
<b>Profit/(Loss) before Tax</b>	143.44	344.09	290.09	74.53	<b>(782.97)</b>
<b>Profit/(Loss) after Tax</b>	123.44	305.59	250.05	71.92	<b>(785.32)</b>
<b>Net Worth</b>	7728.49	7884.98	7911.68	7986.78	<b>5015.51</b>
<b>Net Worth per Ordinary Share (Rs.)</b>	74.41	75.92	76.18	76.91	<b>48.30</b>
<b>Dividend per Ordinary Share (Rs.)</b>	2.00	2.00	2.00	—	<b>—</b>
<b>Earning per Ordinary Share (Rs.)</b>	1.19	2.94	2.41	0.69	<b>—</b>



## NOTICE

Notice is hereby given that the Sixty-ninth Annual General Meeting of The Oudh Sugar Mills Limited will be held at Meeting Hall, Oudh Sugar Mills Complex, Hargaon, Dist. Sitapur, Uttar Pradesh, Pin - 261 121, on Wednesday, the 12th December, 2001 at 11.00 A.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 30th June, 2001.
2. To appoint a Director in place of Shri C.S. Nopany, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Rajaram Muchhal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri S.M. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
5. 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 :

6. "Resolved that pursuant to Section 258 and all other applicable provisions, if any, of the Companies Act, 1956, the number of Directors of the Company in office for the time being do stand reduced from 9 to 8 (excluding the IDBI Nominee)."
7. "Resolved that 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, for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company, wheresoever situate relating to its Hargaon Sugar and Distillery units situate at Hargaon, Dist. Sitapur (U.P.) and Rosa Sugar Works unit situate at Rosa, Dist. Shahjahanpur (U.P.), present and future, together with power to take over the management of the business and concern of the Company's said units in certain events, to or in favour of Industrial Development Bank of India (IDBI) to secure Term Loan aggregating Rs. 110 million (Rupees one hundred ten million only) (Rs. 57 million for Hargaon Sugar unit and Rs. 53 million for Rosa Sugar unit) lent

and advanced/agreed to be lent and advanced by IDBI 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 IDBI under its Loan Agreement/ Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said Term Loan.

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

8. "Resolved that 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, for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company, wheresoever situate relating to its Hargaon Sugar and Distillery units situate at Hargaon, Dist. Sitapur (U.P.), present and future, together with power to take over the management of the business and concern of the Company's said units in certain events, to or in favour of Industrial Development Bank of India (IDBI) to secure Corporate Loan not exceeding Rs. 100 million (Rupees one hundred million only) lent and advanced/agreed to be lent and advanced by IDBI 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 IDBI under its Loan Agreement/ Letter of Sanction/ Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said Corporate Loan.

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

Place : Mumbai  
Dated, the 15th October, 2001

By Order of the Board  
R.R. Agrawal  
Secretary

## The Oudh Sugar Mills Limited

### 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 Register of the Members of the Company will remain closed from the 5th December, 2001 to the 12th December, 2001, both days inclusive.
3. Members are requested to notify any change in their addresses to the Company.
4. In all correspondence with the Company, the members are requested to quote their account/folio numbers and in case their shares are held in the dematerialised form, they must quote their Client ID Number and their DP ID Number.
5. Under the provisions of Section 205A of the Companies Act, 1956 all unclaimed/unpaid dividends upto the financial year 1993-94, have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed their dividends for the said period may claim the same by submitting an application in prescribed Form No. II to the Registrar of Companies, Uttar Pradesh, West-Cott Building, The Mall, Mahatma Gandhi Road, Kanpur - 208 001.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends remaining unclaimed/unpaid for a period of seven years shall be transferred to the Investor Education and Protection Fund. Members who have not encashed the dividend warrant(s) so far for the financial year 1994-95 and any subsequent year may make their claim to the Company.
6. The Ordinary Shares of the Company are listed at Uttar Pradesh Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines, Kanpur - 208 001, The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. The listing fee for the year has been paid to each of the above Stock Exchanges.

## Annexure to the Notice

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

#### Item No. 6

The number of Directors in office at the last Annual General Meeting was 9 excluding the nominee of Industrial Development Bank of India (IDBI). Shri D.S. Shekhawat has resigned as a Director of the Company. Thus, the number of Directors in office excluding the nominee of IDBI, would be 8. The resolution under Item No. 7, though not strictly necessary, is being proposed for your approval in view of Section 258 of the Companies Act, 1956, by way of abundant caution.

#### Item No. 7

The Industrial Development Bank of India (IDBI) has sanctioned to the Company, Term Loan aggregating Rs. 110 million (Rupees one hundred ten million only)

(Rs. 57 million for Hargaon Sugar unit and Rs. 53 million for Rosa Sugar unit). The portion of loan amounting to Rs. 57 million has to be secured by first mortgage/charge on all the immovable and movable assets, present and future, of the Company relating to its Hargaon Sugar and Distillery units situate at Hargaon, Dist. Sitapur (U.P.), and portion of loan amounting to Rs. 53 million has to be secured by first mortgage/charge on all the immovable and movable assets, present and future, of the Company relating to its Rosa Sugar Works unit situate at Rosa, Dist. Shahjahanpur (U.P.), ranking pari-passu with the existing charges created in favour of the financial institutions.

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 and/or charging by the Company of its immovable and movable properties, as aforesaid, in favour of IDBI 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. Hence the resolution is submitted for your approval.

Copy of Letter of Intent No. IDBI.CBO.NO.8104/CFD.787 dated 22nd November, 2000 received from IDBI and copies of relevant documents/correspondence between IDBI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. to 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.

#### Item No. 8

The Industrial Development Bank of India (IDBI) has sanctioned to the Company, Corporate Loan of Rs. 100 million (Rupees one hundred million only). The said loan from IDBI has to be secured by first mortgage/charge on all the immovable and movable assets, present and future, of the Company relating to its Hargaon Sugar and Distillery units situate at Hargaon, Dist. Sitapur (U.P.),

ranking pari-passu with the existing charges created in favour of the financial institutions.

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 and/or charging by the Company of its immovable and movable properties, as aforesaid, in favour of IDBI 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. Hence the resolution is submitted for your approval.

Copy of Letter of Intent No. IDBI.CBO.NO. 1762/CFD.811 dated 16th May, 2001 received from IDBI and copies of relevant documents/correspondence between IDBI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. to 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  
R.R. Agrawal  
Secretary

Place : Mumbai  
Dated, the 15th October, 2001

## The Oudh Sugar Mills Limited

### DIRECTORS' REPORT

To

The Shareholders,

Your Directors take pleasure in presenting their Report and the audited Statements of Account of the Company for the year ended 30th June, 2001.

#### Financial Results

	(Rs. in lakh)	
	2000-2001	1999-2000 (15 months)
2. Turnover	<b>25641.45</b>	26640.39
Gross Profit before Depreciation	<b>261.54</b>	1161.74
To which is added :		
Balance brought forward from the previous year	<b>580.40</b>	367.26
Refund of Income Tax/ excess provision for taxation written back	—	16.20
Debenture Redemption Reserve no longer required written back	<b>250.00</b>	125.00
Dividend on fractional shares not payable, written back	—	0.02
	<b>830.40</b>	508.48
Making a total of	<b>1091.94</b>	1670.22
Out of this provisions have been made for :		
Depreciation	<b>1044.51</b>	1,087.21
Taxation	<b>2.35</b>	2.61
	<b>1046.86</b>	1089.82
Balance carried to Balance Sheet	<b>45.08</b>	580.40

3. As reported last year, The Institute of Chartered Accountants of India (Institute) introduced Accounting Standard 2 (AS 2) effective 1st April, 1999 under which interest cost is not to be included as a part of cost for valuation of inventories except in certain cases. The Company, which consistently considered interest as a part of cost of the inventory of sugar in the past, represented along with other members to the Institute for exemption from this requirement, as sugar is a seasonal industry in which storage of inventories for long periods is a part of the normal business activity. The Institute, however, differed and did not exempt the sugar industry from including interest as a part of cost for valuation of inventories.
4. Accordingly, the Company has now changed its method of valuation of inventories under which

interest has not been considered as a component of cost for the purpose of valuation during the year under review. In order to present a correct picture of the current year, the interest component has also been removed from the valuation of opening inventory of sugar as it relates to the previous period and Rs. 2196.88 lakh has been reduced directly from the General Reserve. It is further clarified that this is only an accounting adjustment under which recognition of profit gets deferred till the inventories are actually sold.

5. The Board of Directors had recommended a dividend @ Rs. 2.00 per Ordinary Share for the period ended 30th June, 2000 subject to approval/clarifications from appropriate authorities. As the opinion of the Institute was not received till the time of holding the Annual General Meeting, the agenda item for declaration of Dividend was



## DIRECTORS' REPORT (Contd.)

adjourned sine die. In view of the opinion of the Institute, the directors regret that no dividend can be paid for the period ended 30th June, 2000.

### Dividend

6. As there is no distributable profit, your Directors are not in a position to recommend any dividend for the year.

### Dematerialisation of Shares

7. The Ordinary Shares of your Company are tradable compulsorily in electronic form with effect from 8th May, 2000. The Company has established connectivity with both the depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). In view of numerous advantages of the depository system, members are requested to avail of the facility of dematerialisation of Company's shares on either of the depositories, as aforesaid. As on 30th June, 2001, 41.01% of total Ordinary Shares had been dematerialised.

### Corporate Governance

8. A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is attached as a separate annexure and forms a part of this Report. Although this clause is mandatory for the Company from the year 2001-2002, the Company has voluntarily implemented all the major stipulations of the Corporate Governance Code from this year itself.
9. A detailed report on operations of all the units of the Company has been given in the Management Discussions and Analysis Report which is attached as a separate annexure and forms a part of this Report.

### Directors

10. Shri D. S. Shekhawat resigned from the Directorship of the Company. The Board placed

on record its appreciation for the valuable services rendered by him during his tenure as a Director of the Company.

11. Shri M. Ghosh has been nominated on the Board of Directors of the Company by Industrial Development Bank of India in place of Shri T. P. Narayanan with effect from 30th July, 2001. The Board placed on record its high appreciation of the valuable advice rendered by Shri T. P. Narayanan as a Director of the Company.

12. Shri C. S. Nopany, Shri Rajaram Muchhal and Shri S. M. Agarwal retire from the Board by rotation and are eligible for re-election.

### Directors' Responsibility Statement

13. Your Directors confirm that -
  - i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
  - ii) 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 of the loss of the Company for that year;
  - iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - iv) they have prepared the annual accounts on going concern basis.

### Auditors

14. The Notes on Accounts appearing in Schedule 22 and referred to in the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanations.



**The Oudh Sugar Mills Limited****DIRECTORS' REPORT** *(Contd.)*

15. The Auditors, Messrs S. R. Batliboi & Co., Chartered Accountants, retire and are eligible for re-appointment.

**Subsidiary Companies**

16. The audited Accounts of Narkatiaganj Farms Ltd., Rajpur Farms Ltd., Champaran Marketing Company Ltd., OSM Investment & Trading Company Ltd. and Hargaon Investment & Trading Company Ltd., subsidiaries of the Company, for the year ended 31st March, 2001 are attached as required by Section 212 of the Companies Act, 1956. During the year Macfarlane & Company Ltd. ceased to be a subsidiary of the Company.

**Statutory Requirements**

17. There was no employee who was in receipt of remuneration as required to be disclosed under Section 217(2A) of the Companies Act, 1956.
18. 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 is attached as a separate annexure and forms a part of this Report.

**Acknowledgements**

19. Your Directors take this opportunity of recording their appreciation of the financial institutions and bankers for extending their support to the Company. Your Directors are also grateful to the various ministries in the Central and State Governments, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also place on record their appreciation for the valuable contribution made by the employees at all levels.

For and on behalf of the Board

Mumbai

Dated, the 15th September, 2001

**K.K. BIRLA**

Chairman

Report  junction.com



## MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

The Management of The Oudh Sugar Mills Ltd. (OSM) is pleased to present its report analysing the Company's operations in various divisions and its future prospects based on the current prevailing market conditions.

The activities of OSM include the manufacture and sale of sugar, industrial alcohol and fruits & vegetable products. Sugar, which constitutes 87.79% of sales, is produced at OSM's three sugar factories situated at Hargaon and Rosa in Uttar Pradesh and Narkatiaganj in Bihar. Industrial Alcohol is produced at its two distilleries at Hargaon and Narkatiaganj and Fruits & Vegetables products at Allahabad Canning Co., Allahabad (U.P.). The by-products of the sugar factories i.e. molasses and bagasse are partly sold and partly consumed internally by the Company. An industrywise analysis is presented below :

### A. Sugar

#### 1. World Sugar Scenario

(a) The international sugar markets witnessed a lot of volatility during the year 2000-2001. International sugar prices that remained bearish throughout 1999-2000 improved appreciably during the current year. This improvement was the result of several factors that included additional demand from Pakistan, Indonesia, Sri Lanka and the African nations and a reduction in production and exports from Brazil and Australia.

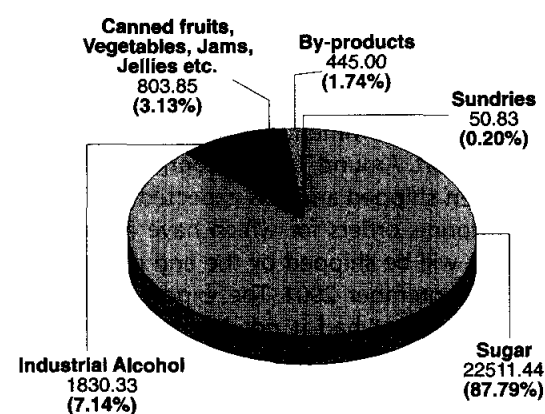
(b) A much-needed correction in the global demand supply equation was seen during the year. Production dipped to 129.24 million tonnes raw value during 2000-2001 as against 131.27 million tonnes during 1999-2000. Lower production in Brazil, Australia, Pakistan and China has eased the glut situation that was prevailing till last year. Sugar prices responded favourably to this fall in world output.

(c) However, the situation has changed again. Sugar prices, which dropped to a low of \$228 in March 2001 and improved to around \$275 by June 2001 has again weakened from August 2001. Sugar production in Brazil is expected to increase to 17.18 million tonnes during 2001-2002 from 16.221 million tonnes last year and exports are expected to increase by around half million tonnes. Importers in Indonesia have also reduced their purchases due to the uncertainty in the exchange value

of its currency. Pakistan has banned the import of sugar from India while the demand from Sri Lanka, Bangladesh and the African nations has also softened. One silver lining is the anticipated fall in production in the European Union, which may neutralize the effect of the increase of exports that is anticipated from Brazil.

### TURNOVER

(Rs. in Lakh)



#### 2. Indian Sugar Scenario

(a) The Indian Sugar Industry is continuing to pass through difficult times due to large surplus stocks of sugar prevailing in the country. Sugar prices continued to prevail at abnormally low levels due to large quantities of sugar being released by the Government. This problem was further compounded by orders issued by various courts permitting certain mills to sell sugar in excess of their release entitlements. Furthermore, during the year under review, the Government removed all those consumers from the Public Distribution System who were not Below the Poverty Line (BPL). Consumers of around 20 lakh tonnes of sugar were no longer entitled to buy sugar at subsidized rates. While this was a welcome step, consumption in this segment of consumers has been affected adversely to some extent due to a high degree of price elasticity prevailing in this segment. A combination of all these factors resulted in lower prices and poor demand of sugar throughout the current year.