

13th
Annual Report
1996-97

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**SHREE VAANI SUGARS
 AND INDUSTRIES LIMITED**

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

BOARD OF DIRECTORS

SHRI D.K. AUDIKESAVULU	Chairman
SHRI T. SURYACHANDRA RAO	Managing Director
SHRI S. VENKATARAMAN	Director
DR. M.G.G. NAIDU	Director
SHRI S. RAMACHANDRAN	Director (Nominee of IDBI)
DR. J. BAPU REDDY. IAS (RETIRED)	Director (Nominee of APIDC)
SHRI N.V. VARADARAJULU	Director
SHRI G. RAMACHANDRAIAH	Director
SHRI D.A. SRINIVAS	Director

SHRI V.R. NARASIMHALU REDDY General Manager

AUDITORS

M/s. C. RAMACHANDRAM & Co.,
Chartered Accountants
3-5-45/6/2, Edenbagh
Ramkote
Hyderabad - 500 001.

BANKERS

State Bank of India
State Bank of Mysore

REGISTERED OFFICE & FACTORY

Mudipapanapalli, Punganur
Chittoor District, Andhra Pradesh.
Pin - 517 247

SHARE TRANSFER AGENTS

SIDVIN FINANCIAL CONSULTANCY SERVICES PRIVATE LTD.

11th Floor, Sidvin Chambers,
6-3-802, Ameerpet,
Hyderabad - 500 016.
Phones : 3312159, 3313528, 3313229

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Company will be held on Wednesday, the 31st December, 1997 at 11.00 A.M at the Registered Office of the Company at Mudipapanapalli, Punganur, Chittoor District to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 30th September 1997 together with Profit and Loss account for the year ended 30th September, 1997 along with the relevant Schedules, the reports of Directors and Auditors.
2. To appoint a Director in place of Shri. S.Venkataraman who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri D.A. Srinivas who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri N.V. Vardarajulu who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT M/s.C.Ramachandram and Company, Chartered Accountants, the retiring Auditors, be and are hereby reappointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors, in addition to reimbursement of out of pocket expenses to be incurred by them for the purpose of Audit of the Company's accounts".

SPECIAL BUSINESS :

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

"RESOLVED THAT Pursuant to provisions of Section 198, 269, 309, 310 and 311, Schedule-XIII and other relevant provisions of the Companies Act, 1956 and the Articles, Shri T. Suryachandra Rao be and is hereby appointed as the Managing Director of the Company on the same terms and conditions governing his previous appointment".

"FURTHER RESOLVED THAT the salary paid to Shri T. Suryachandra Rao and the actions taken by him from 5-5-97 till the conclusion of 13th Annual General Meeting that is 31-12-97 be and are hereby ratified".

EXPLANATORY STATEMENT FOR SPECIAL BUSINESS :

The tenure of Shri T. Suryachandra Rao, the Managing Director of the Company, had ended on 04-05-1997. He has been re-appointed for a period of one year effective 05-05-1997 by the Board of Directors at their meeting held on 20-11-1997. Copy of the appointment letter issued to Shri T. Suryachandra Rao is available for inspection at the Registered Office of the Company. None of the Directors, excepting Shri. T. Suryachandra Rao, is interested in the resolution.

NOTES :

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member. The instrument of proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will be closed from 26-12-1997 to 31-12-1997 (Bothdays inclusive)
- (3) Members are advised to bring their copies of Annual Reports to the meeting as there will be no supply of additional copies.
- (4) Members are requested to notify immediately any change in their address to the Company/ Share Transfer Agents i.e. M/s. Sidvin Financial Consultancy Services Private Limited, IIIrd Floor, Sidvin Chambers 6-3-802, Ameerpet, Hyderabad- 500 016 by quoting their folio number.

By order of the Board of Directors
for Shree Vaani Sugars and Industries Limited

T. SURYACHANDRA RAO

Managing Director

Place : Punganur

Date : 20th November 1997

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts for the year ended 30th September, 1997.

THE YEAR IN RETROSPECT

Your Directors are happy to inform you that during the crushing season 1996-97, which commenced on 10th December, 1996, and closed on 31st March 1997 that your company's sugar recovery at 10.16% was the highest on record throughout the district and highly commendable. However the total sugar cane crushed was at a modest figure of 131832 Tonnes due to the poor availability of sugar cane. This was a natural phenomenon throughout the country during the last season. Unfortunately in your factory zone the position has become critical.

FINANCIAL RESULTS

The Financial results of your Company for the year ended 30th September 1997 are summarised below :

	(Rs. in Lakhs)	
	Year ended	18 months period
	30th Sept 1997	ended 30th Sept 1996
Sales and other income	1838.62	3252.00
Profit before Interest & Depreciation	334.98	671.96
Interest & Depreciation	460.95	1032.38
Profit/ (Loss) before taxes	(125.97)	(360.42)
Profit/ (Loss) after taxes	(125.97)	(360.42)
Loss brought down from previous year	(137.12)	(784.90)
Loss carried to Balance Sheet	(263.09)	(1145.32)

YEAR IN PROSPECT

Sugarcane is being grown in about 14000 acres in the factory zone. So far we have entered into agreement with the farmers for 8000 Acres by extending loans and incentives. Steps have been taken to arrest jaggery diversions. Field staff are trying to get some more agreements by educating the farmers about the importance of factory in the zone.

The total estimated cane from the zone is 140000 tonnes for crushing during 1997-98 season. Your company is anticipating to reach 200000 tonnes by drawing 60000 tonnes from Non-agreeded cane areas of the zone and border villages of Tamilnadu and Karnataka States.

Farmers are encouraged to plant sugar cane crop for 1997-98 planting season by announcing cash Incentives, providing Seed, Weedicides, Fertilizer, Borewells etc.,. Agreements have been made to supply polybag seedlings for filling up the gaps in ratoon crops to improve per acre yield. The anticipated cane plantation during 1997-98 season is 7000 acres besides ratoon plantation of 5000 acres resulting in supply of 250000 tonnes of sugar cane during 1998-99 crushing season from our factory zone.

In terms of the free sale incentive scheme 1993, your company is eligible for 100% free-sale of sugar produced from the year 1992-93 onwards. The market price of free sale sugar is showing increasing trend. As a result, your Company's realisations on the production are expected to be higher in future.

BARLEY AND SUGAR RESEARCH PROJECT

Your company has embarked upon conducting "Barley and Sugar Research Project" exclusively for M/s. United Breweries Ltd as per the guidelines and formats spelt out by Research and Development department of M/s United Breweries Ltd. This is an innovative project undertaken by your company. This would improve and increase the revenues of your company besides encouraging the farmers of your zone by planting Barley in their fields as a source of inter cropping. The revenue earned by your company during the year under review was Rs. 1.40 Crores. The Project would be on a continuous basis which would increase revenue to your company in future years. Your company has already negotiated to acquire adequate agricultural land for this unique project. Your company would also create nurseries for sugar cane and propagate through demonstration plots in the factory zone.

IMPROVEMENT IN CANE CULTIVATION AND PROCUREMENT

Your company through constant rapport by convening farmers meeting at factory and other mandals with zone farmers has made a breakthrough in attracting them to the company's fold to create awareness and continuous supply of sugar cane exclusively to the factory. Your company has announced better and remunerative sugar cane price and various other incentives and reliefs while compared to other factories in the district to the farmers for the ensuing year despite your company's critical financial situation. Your company is confident that it would draw maximum sugar cane from zone farmers by intensive drive by your company's field staff. This would also intensify procuring maximum sugar cane from the zone farmers year after year by increasing maximum cane cultivation in your factory's zone. By this, your factory would become self reliant towards cane procurement rather than exploring to procure cane from outside zone and neighbouring states at exorbitant prices and additional transport costs. Your company would definitely thrive to improve and increase its productivity and profitability.

FINANCE

The company could not repay and service the term loans secured from financial institutions on account of huge accumulated losses of Rs. 11.45 Crores as on 30th September 1996. The total amounts due to financial institutions as on 30th September 1996 was a whopping Rs. 35 Crores. The company approached financial institutions for One Time Settlement (OTS) with them. The company was successful in obtaining waiver of substantial interest to the tune of Rs. 15 Crores. The terms and conditions of One Time Settlements are as follows:

1. To waive the compound interest and liquidated damages upto 31st March 1997.
2. Of the simple interest dues upto 31st March 1997, 65% be waived and the balance 35% be paid as under :
of the agreed amount of simple interest, 25% is payable upfront within 30 days and the balance 75% is payable in ten equal monthly instalments. It would not carry any interest.
3. Of the principal outstanding as on date, 25% is payable upfront within 30 days and the balance 75% in ten monthly instalments commencing from two months carrying no interest.

The company paid 25% of principal and 25% simple interest on the due dates to financial institutions aggregating to Rs. 483.09 lacs. With regard to balance payment of 75% principal and 75% of simple interest the company approached financial institutions for extending beyond 10 monthly instalments to 14 monthly instalments. Financial institutions are actively considering favourably the company's request. In the meantime the company has been making payments promptly on the stipulated dates against balance 75% principal and simple interest aggregating Rs. 1040.15 lacs as on 15th November 1997, out of external borrowings by the promoter Shri. D.K. Audikesavulu.

The Details of amounts, initial outstandings, payments so far and the balance due as on 15th November 1997 are appended below :

	(Rs. In Lakhs)		
	I.D.B.I.	I.C.I.C.I	TOTAL
Principal	1022.99	477.00	1499.99
Simple Interest	272.40	159.95	432.35
	1295.39	636.95	1932.34
Less : 25% of Simple Interest and 25% of Principal upfront payment	323.85	159.24	483.09
Balance payable (towards 75% of Simple Interest and 75% of principal)	971.54	477.71	1449.25
Less: Payments upto 15th November 1997	397.36	160.00	557.36
Amount outstanding as on 15th November 1997	574.18	317.71	891.89

The Promoter Shri. D.K. Audikesavulu is confident of liquidating the entire balance of outstandings within the stipulated period by infusing borrowed funds from outside resources. By this the company will save considerable sum towards interest on borrowings and also turn the corner in the succeeding years.

The company was also successful in obtaining huge amounts towards waiver of interest on the buyback arrangements entered into by old promoters Shri. Suryachandra Rao and Shri. S. Gokul with LIC Mutual Fund to the extent of Rs. 34.69 lacs and also with Andhra Pradesh Industrial Development Corporation to the extent of Rs. 28.90 lacs. Thus the new promoter Shri. D.K. Audikesavulu is endeavouring to wipe out the entire accumulated loan liabilities.

INFRASTRUCTURAL DEVELOPMENTS

Your company has laid cross road at its own cost to reduce the distance from Punganur to Factory. Similarly your company had already made arrangements to black top the ring road at its cost for free flow of vehicles carrying sugar cane and other materials to and from factory. The black topped road is expected to be ready for the ensuing season.

Your company had already had dialogue with respective Government authorities for increasing the frequency of buses plying to and from factory, opening of Bank, Post Office and Telecom Office in the factory premises.

STAFF WELFARE

To improve the efficiency and living standards of employees your company had already taken up construction of Quarters, Hospital, Subsidised Canteen Co-operative Society, Recreation Room etc. Your company is also contemplating to run its own School for the benefit of employee's children.

FARMERS WELFARE

To look after the welfare of the farmers, your company has taken up construction of rest rooms for their overnight stay, Canteen for supply of food and refreshments. To facilitate farmers for their early encashment of cheques, drafts etc., functioning of Bank at factory premises is under active consideration by Banking authorities.

RURAL DEVELOPMENT

Your company has taken up massive scheme of providing free drinking water to the poor and needy villagers in the factory zone area on a permanent basis. This scheme is being donated and executed by Shree Vaani Sugars and Industries Limited in the name of "Bhagawan Sri Satya Sai Drinking Water Scheme". This Scheme provides digging of Borewells, Laying Pipe lines, Overhead tanks facilities for Electrical connections etc., for drawing water from borewells.

POLLUTION CONTROL

Your company has ventured for construction of Effluent Treatment Plant at an estimated cost of Rs. 50.00 lacs to prevent water and air pollution as per the standards laid down by the Andhra Pradesh Pollution Control Board, The construction of plant is nearing completion and will be ready for operation during the ensuing season.

Necessary steps have also been taken such as plantation of trees, saplings and seedlings in and around factory area and in the colony, to protect the environment ecology.

INSURANCE

Your Company's Assets have been adequately insured against all expected perils.

FIXED DEPOSITS

Your Company has not accepted any Deposits from the public during the period under review.

INDUSTRIAL RELATIONS

Employee relations continue to be cordial and harmonious throughout the year.

DIRECTORS

Shri. S. Venkataraman, Shri. N.V. Varadarajulu and Shri. D.A. Srinivas Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. C.Ramachandram and Company, Chartered Accountants, Hyderabad, your Company's statutory Auditors, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, are recommended for re-appointment. Their re-appointment, if made will be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Your Company has taken necessary steps to conserve energy by installing various advanced equipments and improving the inplant skills.

RESEARCH AND DEVELOPMENT

Your Company has been attempting cultivation of various varieties of sugarcane in the notified area to identify the variety which is more suitable to the existing agro-climatic conditions. Continuous efforts are also being made in this direction to grow sugarcane variety which gives higher sugarcane yield and higher recovery in the notified area.

PARTICULARS OF EMPLOYEES

Particulars of employees in receipt of remuneration beyond Rs. 3.00 lacs per annum or Rs. 25000/- per month in terms of section 217 (2A) of the Companies Act, 1956 is not applicable as none of the employees is paid as remuneration beyond Rs. 3.00 lacs per annum or Rs. 25000 per month.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their sincere appreciation of the continued assistance, support and co-operation extended to your company during the period under review by the Government of India, the Government of Andhra Pradesh, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited, State Bank of India, State Bank of Mysore, Co-operative Banks, Andhra Pradesh Industrial Development Corporation Limited, the Shareholders, the Farmers and various other institutions.

Your Directors also appreciate the efforts put in by the employees of your company at all levels in the operations during the year under review and look forward to achieving better working results during the current year.

For and on behalf of the Board of Directors

Place : Punganur

D.K. AUDIKESAVULU

Date : 20th November 1997

Chairman

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