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THIRU AROORAN SUGARS LIMITED
CORPORATE STATEMENT 1999-2000

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Our Vision

To achieve enhanced, sustainable, long-term shareowner value in responsible partnership with the environment.

Our mission

- To maximise value from cane through core and downstream operations.
- To pursue efficient solutions through front-line technologies for delivering value.
- To be recognised as the industry proxy for balanced growth.
- To be respected as a credible and dependable partner with its stakeholders - the farmers, customers and employees.
- To remain committed to the highest standards of conduct which includes a respect for the laws of the land, the production of an output of acceptable quality, protection of the environment in which the company operates and fairness in dealings with its stakeholders.

Our Stakeholder philosophy

To provide :

- Our shareowners with a superior long-term return for their investment in the company
- Our farmers with a remunerative price;
- Our consumers with a consistently high quality of output;
- Our employees at all levels with challenging and satisfying work that includes continuing opportunities for personal development, and
- Our society with an exemplary demonstration of social responsibility and citizenship at the corporate level.

Our policy

The objective of Thiru Arooran Sugars is to evolve and consistently maintain a Quality Management System across all departments so as to conform to national and international standards in all its end products.

Our objectives

To identify and improve farming methods to produce quality cane and continuously improve on the same through in-house Research and Development as well as through a continuous interaction with farmers and institutions.

To identify, improve and follow the process of continuous upgradation of the end products.

To improve productivity by adopting preventive maintenance of the plant and machinery.

To improve work methods for increasing efficiency at various levels of operations, thus meeting quality standards and reducing cost.

To develop a long-term relationship with suppliers for ensuring better values and quality in a manner that is mutually satisfactory with no conflict of interest.

To run operations within each parameter of pollution and environmental standards to the satisfaction of all relevant stakeholders.

To create a culture of quality through continuous training and educational programmes for employees at all levels in the organisation.

Corporate theme

The management and preservation of the environment is a prime and challenging responsibility of business today. The expansion of commercial interests has so degraded the living environment that the big question is whether we can at all hand the earth down to succeeding generations in a form which enables them to live and prosper in dignity.

The challenge is therefore to produce, without depleting the natural resources. Without disturbing the ecology and to be able to do it repeatedly. The emphasis is on 'renewable'.

Thiru Arooran prides itself on making an honest effort: on being able to live up to this philosophy. The molasses generated as co-product from the manufacture of sugar is converted into alcohol which, in turn, is used to produce chemicals that would otherwise be manufactured through non-renewable resources. Some of these co-products can also be used as an additive to petrol in motor vehicles, thus enabling the conservation of limited crude resources. The other co-product bagasse, derived from the crushing of sugarcane, is used to generate power, thereby reducing the use of fossil fuels.

The effluent from the production of alcohol is composted with the co-product pressmud from the sugar factory to produce an organic manure which is used by farmers to improve the organic content in the soil. This enables the farmers to return to the soil what they take out of it.

All these activities at Thiru Arooran are truly renewable and can be sustained as long as we continue to grow sugarcane.

Board of Directors

Mr. R V Tyagarajan,

Chairman and Managing Director.

A graduate in Chemical Engineering from the IIT Madras and a Master of Science in Management from the Sloan School of Management at MIT, Cambridge, Massachusetts, USA. Also a Director of Tube Investments of India Ltd., and a Trustee of the Kothari Pioneer Mutual Fund (among others).

Mr. V Karthikeyan,

Director.

(upto 26-01-2000)

An erstwhile member of the Indian Administrative Service and former Chief Secretary to the Government of Tamil Nadu.

Mr. V Thirupathi,

Nominee Director of ICICI.

Retired Senior Executive of ICICI Limited.

Dr. A Ramachandran,

Director.

Chairman of the Advisory Committee and R&D Committee in the Ministry of Non-conventional Energy Sources. Also a Director in ILFS Trust Limited. Has formerly held the positions of Under-Secretary General and Executive Director of the United Nations Centre for Human Settlements (Habitat), Director General of the CSIR and Secretary to the Government of India in the Ministry of Science and Technology.

Mr. R Vijayaraghavan,

Director.

Professionally an advocate, also holds directorships in Amrutanjan Ltd., Kunal Engineering Ltd., Sanco Trans Ltd and Fenner (India) Ltd.

Ms. Malathi Ram Tyagarajan,

Director.

Represents the promoter shareholders.

President & Chief Operating Officer

Mr. N Srinivasan

Company Secretary

Mr. N.R. Ravikrishnan

Bankers

- State Bank of India
- ICICI Bank Limited
- IDBI Bank Limited
- Punjab National Bank
- Union Bank of India
- Canara Bank

Auditors

M/s. S.N.S.Associates

Registered Office

El Dorado, Fifth floor,
112, Nungambakkam High Road
Chennai - 600 034
Phones: 827 6001, 827 8267
Fax: 044-827 0470

Chairman's Overview

During the period under review, the Government of India finally decided to act on the vexatious issue of sugar imports by increasing the Customs Duty from 27.5% to 60%. Besides, the Government also finally accepted the industry's demand for a level playing field and subjected imported sugar to the same levy obligation as imposed on domestic sugar producers and further subjected imported sugar to the same regulations on sale and distribution as applicable to the domestic producers. With these new regulations in place, the import of sugar has stopped since April 2000, providing a much needed boost to market sentiment. Besides, the Government also announced a change in the levy free ratio from 40 : 60 to 30 : 70, as a first step towards eventual decontrol.

Both of these initiatives were certainly in the right direction, though belated, but the industry continued to be plagued by excess stocks due to the huge carry over from the previous season (69 lakh tonnes), as also from the huge increase in production during the season to a record level of 183 lakh tonnes. The huge over hang of stocks resulted in un-remunerative prices in the free sale market as well as severe liquidity problems since banks were unwilling to increase their working capital exposure to the sugar industry, which was perceived as a whole, to be not credit worthy.

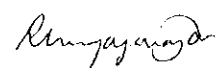
In addition to the depressed conditions in the sugar market, there was also a tremendous glut of molasses and alcohol, especially in the State of Tamil Nadu, as a result of the higher cane crush and this resulted in a steep fall in the realisation on sale of molasses as well as alcohol. The surplus of molasses was so large that exports at depressed prices had to be resorted to so as to clear the storage tanks to receive the next season's production of molasses. The industry has made a strong pitch to the Government to promote an Ethanol Programme for blending alcohol with petrol for transportation as has been in vogue for several years in countries like Brazil, USA, Sweden etc. The Government has already announced a pilot programme in this regard and concerted efforts are under way to expand the scope of this programme so as to ensure sustained off take of Alcohol in the years to come.

In this context of un-remunerative sugar prices, high stock levels and steep fall in molasses and alcohol prices, it is only with great difficulty that your company was able to discharge its liabilities to the farmers as well as to the Banks and

Financial Institutions. On the positive side, the company was able to realize the cane crush projected in the last Annual Report and there was also marked improvement in the recovery, pursuant to the various corrective measures put in place over the last couple of years. Sugarcane yield have shown considerable improvement with the introduction of the new varieties and we are hopeful that the ensuing season will see further improvement in both sugarcane yield and sugar recovery. However, the increasing competition from paddy, as an alternative to sugarcane, sustained by copious availability of water in the Cauvery / Mettur Dam, as well as the ever increasing procurement prices announced by the Government is a matter of serious concern and the company is exploring various alternative to cope with this new scenario.

As regards the outlook for the next year, a lot will depend on the extent to which sugar exports take off, since the industry is expecting another year of bumper production. Though some exports have already taken place on the strength of rising international prices and the weakening rupee, it is too early to make any definite forecast on the likely quantum of exports during the years ahead. Though domestic consumption is increasing at the rate of around 10 lakh tonnes per annum, the industry can breathe easy only if 20-30 lakh tonnes of sugar can be exported out of the country during the coming year. On the policy front, the Government is expected to further liberalise the sugar regime with further reduction in the levy free ratio as well as introduction of futures trading in sugar. While these policy initiatives certainly bode well for the future of the industry, the immediate problems of glut and liquidity constraints need to be addressed before emerging opportunities can be capitalised upon.

The period under review also saw the spinning off of the cogeneration business into a separate subsidiary company, so as to sharpen the focus on each of the separate businesses as well as to enable the raising of capital from investors who are interested in the power business as opposed to the sugar business. This is expected to start a new trend in the structuring of sugar mill cogeneration projects in the country.



R V Tyagarajan

Chairman and Managing Director

Shareholders' information

Date and Venue of Annual General Meeting

Friday, 1st December 2000. Time 10.15A.M. at the Rani Seethai Hall, No. 603 Anna Salai, Chennai - 600 006.

Share Price Movements

The high and low quotations of the company's shares on the National Stock Exchange between April 1999 to June 2000 are as under :

Month	High (Rs)	Low [Rs]
April 1999	55.00	45.00
May	49.00	45.00
June	48.00	45.25
July	52.00	45.75
August	71.90	48.00
September	61.50	52.20
October	62.00	53.50
November	60.50	54.50
December	60.00	48.00
January 2000	55.95	43.25
February	48.60	39.00
March	64.00	36.00
April	73.00	53.00
May	54.25	46.00
June	50.00	48.00

Share Details

Market lot. 100 shares.

Listing and Trading of Company's Equity Shares

The Company's Equity Shares are listed on the following Stock Exchanges in India. The Company has paid the annual renewal fees up-to-date to all the stock exchanges on which its equity shares are listed

*The National Stock Exchange Limited
Trade World, Senapati Bapat Marg
Lower Parel, Mumbai: 400 013*

*The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai: 400 001*

*The Madras Stock Exchange Limited
P.B. No:183, No:11, Second Line Beach
Chennai: 600 001*

Dematerialisation of equity shares

The trading in the Company's Equity Shares on the specified Stock Exchanges have to be compulsorily settled in the electronic form by all investors. The Company has entered into tripartite agreement along with the Registrar and Share Transfer Agents of the company with two depositories viz; National Securities Depositories Limited (NSDL) and Central Depositories Securities Limited (CDSL).

The Equity Shares of the Company have been admitted for dematerialisation by these depositories with the International Securities Identification Number (ISIN) – INE 409A01015.

Members desiring to know further details, may contact NSDL and CDSL at their following address.

*National Securities Depositories Limited
Trade World, 4th Floor
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai 400 023*

*Central Depositories Securities Limited
Phiroze Jeejeebhoy Towers, 28th Floor,
Dalal Street
Mumbai 400 023*

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Date of Book Closure

November 21 to December 1, 2000 (both days inclusive).

Registrars and Share Transfer Agents

M/s Integrated Enterprises (India) Limited
Integrated House, 46, Vijayaraghava Road
T Nagar, Chennai - 600 017.
Phone : 823 8891 - 94, 823 8896 - 97
Fax : 825 9914

Nomination Facility

The Companies Act, 1956, on the rules prescribed thereunder provides for nomination of shares. The shareholders can now nominate a person with whom the shares shall vest in the event of death of the shareholders. The nomination can be made only by individuals holding shares of the company either in sole name or jointly with another (not exceeding one joint holder). The nominee shall be an individual. In the case of nominee being a minor he/she may be represented by his / her natural guardian or a court appointed guardian. The transfer of shares in favour of a nominee shall be a valid discharge by the company against

the legal heirs. The nomination shall stand rescinded upon transfer of shares. The nomination by a shareholder can be changed or cancelled at any time by giving due notice and upon execution of a fresh nomination form.

Shareholders who would like to avail nomination facility may please fill in the enclosed nomination form and send the same to the Registrar and Share Transfer Agents of the Company.

Communication

All share transfers should be forwarded to the Registrars & Share Transfers Agents of the Company. All *communications should be forwarded to the Registered Office of the Company marked to the attention of the Company Secretary*. Share Transfers will normally be registered and returned within 30 days from the date of receipt of correct documents.

Investors complaints / grievances not resolved within 30 days should be addressed to the Chairman & Managing Director for redressal.

Report of the Board Directors

Dear Shareholders,

Your Directors present their 45th Annual Report on the working of the Company for the 15 month period ended 30th June 2000.

(Figures in Rupees)

	1999 - 2000	1998 - 1999
Profit before Interest & Depreciation	745,501,867	445,175,741
Less : Interest and Finance Charges	466,916,022	256,956,414
Depreciation	182,500,764	112,864,583
Profit before Tax	96,085,081	75,354,744
Less: Provision for Taxation	50,596	50,000
Profit after Tax	96,034,485	75,304,744
Less : Share Issue Expenses written off	1,164,125	931,300
Less : Provision for Tax for earlier years	—	19,950,000
	94,870,360	54,423,444
Balance brought forward from previous year	104,604,797	76,676,527
Debenture Redemption Reserve no longer required written back	—	42,405,000
Profit available for appropriation	199,475,157	173,504,971
Appropriation :		
Transfer to General Reserve	—	10,000,000
Debenture Redemption Reserve	10,000,000	—
Dividend on Preference Shares	45,937,500	37,270,958
Proposed Dividend on Equity Shares	—	16,128,036
Tax on distributed profit	5,053,125	5,501,180
Surplus carried to Balance Sheet	138,484,532	104,604,797
Total	199,475,157	173,504,971