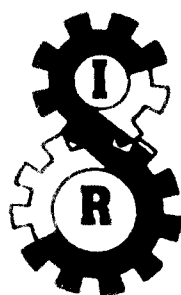


ANNUAL REPORT 2002-2003



The India Sugars & Refineries Limited



THE INDIA SUGARS & REFINERIES LIMITED.

BOARD OF DIRECTORS :

Shri Rajendra Prasad R.Morarka, Chairman cum Managing Director
Shri Siddharth R Morarka, Executive Director
Shri G.S.Shekhawat, Wholetime Director
Shri Rahul R Morarka
Shri M.N.Medhekar
Shri G.V.Shantharaju
Shri K.P.Medhekar
Shri A.Vamanan

AUDITORS :

M/s. M.S.Krishnaswami & Rajan,
Chartered Accountants,
10, Sambasivam Street,
T.Nagar, Chennai - 600 017.

BANKERS :

State Bank of India

REGISTERED OFFICE :

Chitwadgi,
Hospet - 583211
Dist. Bellary
Karnataka

CORPORATE OFFICES :

Bank of Baroda Bldg., 5th Floor,
12, Mumbai Samachar Marg,
Fort, Mumbai - 400 023.

102, Midford House,
1, Midford Gardens,
Bangalore - 560001

STOCK EXCHANGES WHERE COMPANY'S SECURITIES ARE LISTED

Bangalore Stock Exchange Ltd.
Stock Exchange Towers
51, 1st Cross, J.C.Road,
Bangalore-560 027

Madras Stock Exchange Ltd.
Exchange Bldg., P B No.183
11, Second Line Beach,
Chennai - 600 001

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street,
Mumbai - 400 001.



NOTICE

NOTICE is hereby given that the SIXTY NINTH ANNUAL GENERAL MEETING OF THE INDIA SUGARS & REFINERIES LIMITED will be held at the Registered Office of the Company at Chitwadgi Hospet-583211, Bellary District, Karnataka State, at 11.00 A M on Friday the 26th March, 2004 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 30th September 2003 and the Balance Sheet as at that date and Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri M N Medhekar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri G V Shantharaju, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

- a) To consider and if thought fit, to pass with or without modification, the following resolution as a "ORDINARY RESOLUTION".

RESOLVED THAT pursuant to the provision of Section 198, 269 and 309 and other applicable provision, if any, of the companies Act, 1956 and subject to approval of the Central Government, the application for which has already been forwarded to the Central Government, consent of the members of the company be and is hereby accorded for re-appointment of

Sri Rajendra Prasad Morarka as Managing-Director of the Company for a further period of 5 Years w.e.f 01.10.2003 as approved by the Board of Directors on the terms and condition including, remuneration as set out in the agreement, subject to the terms & conditions in the Schedule XIII to the Act.

- b) To Consider and if thought fit, to pass with or without modification, the following resolution as a "ORDINARY RESOLUTION "

RESOLVED THAT pursuant to the provision of Section 198, 269 and 309 and other applicable provision, if any, of the companies Act, 1956 and subject to approval of the Central Government, the application for which has already been forwarded to the Central Government, consent of the members of the company be and is hereby accorded for re-appointment of Sri Siddharth R Morarka as Executive Director of the Company for a further period of 5 Years w.e.f 01.06.2003 as approved by the Board of Directors on the terms and condition including, remuneration as set out in the agreement, subject to the terms & conditions in the Schedule XIII to the Act.

By order of the Board
For: The India Sugars & Refineries Ltd.,

G S Shekhawat
Director

Place : Bangalore.
Date : 31st January, 2004



THE INDIA SUGARS & REFINERIES LIMITED

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company.
2. Proxies in order to become effective must be received at the Registered Office of the Company not less than 48 hours before the scheduled commencement of the meeting.
3. The Explanatory Statement relating to Special Business mentioned in the notice as required under Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms as integral part of the Notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 19th March, 2004 to 26th March, 2004 (both days inclusive).
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid dividends shall be transferred to the "Investor Education and Protection Fund" established by the Central Government, after the expiry of seven years from the date of transfer to the unpaid dividend account. Accordingly the company has transferred the unpaid/unclaimed dividend to "Investor Education and Protection Fund" as follows:

| Date of Declar ation | For the Financial Year | Dividend | Amt Rs. | Date of Transfer |
|----------------------------|------------------------------|------------|------------|---------------------|
| 26.09.96 | 95-96 | Equity | 32185 | 7.1.04 |
| | | Preference | 8120 | 7.1.04 |

Members who have not encashed their Dividend

for the financial year 1995-96 are required to note that they cannot claim hereafter the dividend amount either from the fund or from the company (sec 205 c (2)).

However in respect of unpaid Dividend for the financial year 1996-97, the particulars for transfer to the "Investor Education and Protection Fund" is as follows:

| Date of Declar ation | For the Financial Year | Dividend | Amt. (Rs.) | Due Date for Transfer |
|----------------------------|------------------------------|------------|---------------|--------------------------|
| 24.09.97 | 96-97 | Equity | 26894 | 9.11.2004 |
| | | Preference | 4886 | 9.11.2004 |

Members who have not encashed their dividend warrants/demand drafts for the said years may approach the company for revalidation

6. Members are requested to notify any change in their addresses, if any, quoting their Folio Number(s).

ANNEXURE TO THE NOTICE:

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

ITEM No 5(a):

Sri Rajendra Prasad R Morarka was re-appointed as Managing Director of the Company for a period of five years with effect from 1.10.2003 by a Resolution of Board of Directors passed in their meeting held on 23.8.2003. The Board of Directors seek the approval of the share holders for re-appointment of Sri Rajendra Prasad R Morarka as Managing Director.

Sri Rajendra Prasad R Morarka has been associated with the company since 1972 as a Director and as Managing Director of the company since 1983. He is having intimate knowledge of the working of the company. He has wide and varied experience in business and industry in



general and sugar industry in particular. During his tenure as Managing Director he has contributed towards the progress of the company. The Board has considered it necessary that the Company should continue to avail of the business expertise and guidance of Sri Rajendra Prasad R Morarka and as such at its meeting held on 23rd August, 2003 has re-appointed Sri Rajendra Prasad R Morarka as Managing Director of the Company for a period of five years with effect from 1st October, 2003. The agreement entered by the company with Sri Rajendra Prasad R Morarka, in respect of his re-appointment as Managing Director inter alia, contains the following terms and conditions:

a) salary :Rs.45,000/- per month

b) Perquisites:

i) Housing

Free furnished accommodation with free gas, electricity, water, furnishings and other utilities or house rent allowance the cost of which shall not exceed 40% of salary

ii) Leave Travel Concession:

For self and family once in year to any destination in India as per rules of the company as applicable to other senior executives of the Company.

iii) Medical reimbursement:

Reimbursement of medical expenses actually incurred for self and family subject to a ceiling of one month salary per year or three months salary over a period of three years.

iv) Medical Insurance

The premium not exceeding Rs.10,000/- per annum.

v) Personal Accident Insurance:

The premium not exceeding Rs.4,000/- per annum.

vi) Club Fees:

Club fees subject to maximum of two clubs. This will not include admission and life membership fees.

vii) Contribution to provident fund, super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961. The gratuity payable shall not exceed half month salary for each completed year of service.

viii) Conveyance and Telephone:

Provision of car with chauffeur for use for company's business and free telephone facility at residence.

ix) Leave:

One month leave for every 11 months of service completed and the leave accumulated but not availed shall be allowed to be encashed.

x) Reimbursement of all actual expenses including travelling and entertainment expenses incurred for the purpose of business of the company.

A copy of the agreement between the Company and Sri Rajendra Prasad R Morarka is available for inspection by any member of the company at the Registered office of the company on any working day.

Sri Rajendra Prasad R Morarka is interested in the said appointment to the extent of the remuneration and perquisites payable to him. Sri Siddharth R Morarka and Sri Rahul R Morarka, Directors being related to Sri Rajendra Prasad R Morarka may also be deemed to be interested in the said re-appointment. No other director is concerned or interested.

ITEM No. 5(b)

Sri Siddharth R Morarka was re-appointed as Executive Director of the Company for a period of five years with effect from 1.6.2003 by a Resolution



THE INDIA SUGARS & REFINERIES LIMITED

of Board of Directors passed in their meeting held on 23.8.2003. The Board of Directors seek the approval of the share holders for re-appointment of Sri Siddharth R Morarka as Executive Director.

Sri Siddharth R Morarka, Executive Director of the company has been looking after the administration and monitoring the activities in the sugar factory under the instructions of the Managing Director. He was totally involved in the modernization programme which was under taken by the company during the year 1995-96. He is instrumental in upgrading and reconditioning of the entire battery of Boilers to achieve maximum efficiency. Thus he has gained vast experience in various fields of sugar factory including day to day administration. His induction on the Board as Executive Director in whole time employment will be in the interest of the company. Hence his appointment and remuneration accordance with the limits prescribed under the provisions of the Companies Act, 1956 i.e., schedule XIII is to be considered, subject to the approval of the shareholders in the General Meeting. The agreement entered by the company with Sri Siddharth R Morarka, in respect of his re-appointment as Executive Director inter alia, contains the following terms and conditions:

a) i) salary : Rs.20,000/- per month
in the scale of Rs.20,000-2,000-30,000

ii) House Rent Allowance Rs.8,500/- p.m

b) Perquisites :

i) Leave Travel Concession :

For self and family once in year to any destination in India as per rules of the company as applicable to other senior executives of the Company.

ii) Medical reimbursement:

Reimbursement of medical expenses actually

incurred for self and family subject to a ceiling of one month salary per year or three months salary over a period of three years.

iii) Medical Insurance

The premium not exceeding Rs.10,000/- per annum.

iv) Personal Accident Insurance:

The premium not exceeding Rs.4,000/- per annum.

v) Club Fees:

Club fees subject to maximum of two clubs. This will not include admission and life membership fees.

vi) Contribution to provident fund, super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961. The gratuity payable shall not exceed half month salary for each completed year of service.

vii) Conveyance and Telephone:

Provision of car with chauffeur for use for company's business and free telephone facility at residence.

A copy of the agreement between the Company and Sri Siddharth R Morarka is available for inspection by any member of the company at the Registered office of the company on any working day.

Sri Siddharth R Morarka is interested in the said appointment to the extent of the remuneration and perquisites payable to him. Sri Rajendra Prasad R Morarka and Sri Rahul R Morarka, Directors being related to Sri Siddharth R Morarka may also be deemed to be interested in the said re-appointment. No other director is concerned or interested.

By Order of the Board

For : The India Sugars & Refineries Ltd.,

G S Shekhawat

Director

Place: Bangalore.

Date : 31st January, 2004.

DIRECTORS' REPORT

| | |
|---------------------|---------------------|
| 2002-2003 Season | 2001-2002 Season |
|---------------------|---------------------|

TO:**THE MEMBERS**

Your Directors present their SIXTY NINTH ANNUAL REPORT and the Accounts of the Company for the year ended 30th September, 2003.

FINANCIAL RESULTS: (Rs. in Lacs)

| | 2002-03 | 2001-02 |
|---|------------|------------|
| Profit before Financial Charges and Depreciation | 161.02 | 404.20 |
| Less: Financial Charges | 559.10 | 381.38 |
| Profit before Depreciation | (-) 398.08 | 22.82 |
| Less: Depreciation | 84.61 | 67.97 |
| Profit / Loss (-) | (-) 482.69 | (-)45.15 |
| Provision for Tax / Deferred Tax | 93.46 | 231.28 |
| Net Profit / Loss (-) after Tax | (-)389.23 | 186.13 |
| Add: Profit / Loss (-) brought forward from the previous Year | (-)1528.98 | (-)1715.11 |
| Balance of Profit / Loss (-) carried to Balance Sheet | (-)1918.21 | (-)1528.98 |

In view of the losses, no dividend is recommended.

WORKING RESULTS :

The working figures of the company for the season 2002-2003 along with the figures of 2001-2002 season are given below:

Date of commencement of crushing operations

| | |
|------------|------------|
| 07-12-2002 | 06-12-2001 |
|------------|------------|

Date of Closure of crushing operations

| | |
|------------|------------|
| 16.06.2003 | 16.04.2002 |
|------------|------------|

Gross Season days

| | |
|-----|-----|
| 192 | 132 |
|-----|-----|

Sugarcane handled (Input) MT

| | |
|----------|----------|
| 3,11,481 | 2,18,362 |
|----------|----------|

Sugar produced (Output) Qtls.

| | |
|----------|----------|
| 3,04,300 | 2,35,228 |
|----------|----------|

Recovery

| | |
|-------|--------|
| 9.80% | 10.76% |
|-------|--------|

Your Company has crushed 3,11,481 MT of sugarcane and produced 30,430 MT of sugar during the year 2002-2003 as against 2,18,362 MT of sugarcane crushed and produced 23,523 MT of sugar during the corresponding previous year i.e. 2001-2002. The company has paid the sugar cane price of Rs.830/- Per M.T which includes the purchase tax rebate and unloading charges.

Your Company's turnover was Rs 3299.39 lakhs for the year 2002-2003 (previous year Rs.2741.46 lakhs).

SUGAR POLICY AND SUGAR PRICE :

Government of India has fixed the levy Sugar Price for 2002-2003 season and the price applicable to your company is Rs 1208.41 per quintal. The ratio of levy and free sale sugar at 10% :90% is continued.

REVIVAL OF THE COMPANY :

Your Directors are pleased to inform that upon the submission of the sanctioned scheme duly modified by the Operating Agency, the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 12th February, 2002 approved the sanctioned scheme of the company for implementation. Accordingly your company has started implementing the scheme for speedy rehabilitation. Your Directors are confident that the accumulated losses would be wiped out thus making the net worth positive.



THE INDIA SUGARS & REFINERIES LIMITED

PROSPECTS:

Factory :

Cane crushing for the season 2003-04 started on 14th December, 2003. The working of the Factory is smooth and all the efficiency parameters are within norms.

To ensure smooth and efficient running of the Factory following works have been carried out during the Off Season 2003.

I MILLS :

1. Entire 1st Cane Carrier structure, Slats, Chains and Side Plates are replaced with new. All the drive and Non drive end Sprockets are also replaced and perfect alignment was done. Now No.1 Cane carrier is running smoothly.
2. To get uniform feeding into Mills and to have proper control over cane preparatory devices leads, a new and improved Cane Carrier Automation System is installed and it is working satisfactorily.
3. Mill Hydraulics were corrected. Rotary Screen was shifted to suitable place on Mills to avoid Juice spillage on 2nd carrier and thereby damaging it.
4. After corrections both the Rake Elevators are performing better.
5. We had purchased 7 Nos. new Pinions for first two Mills for effective power transmission and they are running smoothly.

II BOILERS :

1. We have installed new Pressure Reducing Desuper Heating System to monitor effectively set pressure and temperature for process steam for centrifugal and exhaust steam. It is working effectively.
2. Chemical cleaning of the Boiler was done by external agency recommended by our consultant M/s. Avant Garde, Chennai. This resulted in thoroughly cleaning of Boiler tubes internally.

3. The Chimney connecting to 30 Tons LIPi Boiler was damaged fully. It was replaced and new Chimney was made to 41.5 Mtrs. Height, similar to the old dimensions.
4. Steam flow meters were installed to monitor the loads on Individual Boilers.

III POWER HOUSE :

1. Both the 1.5 MW and 0.75 MW Turbines were overhauled and put in service. They are working smoothly.
2. New 3 MW TG Set erection is completed along with connecting steam pipes for live and exhaust. AVR, Radiators panel boards are awaited from the supplier.

IV BOILING HOUSE :

1. To achieve complete combustion of Sulphur with high percentage of SO₂ for improving Sulphitation a new film type Sulphur burner was installed and it is giving satisfactory results.
2. Internal modification is taken up for the Juice Sulphitor to improve its performance. Now it is working satisfactorily.
3. No.3 and 4 Pan shell's slant portions replaced. Now both the Pans are working well.
4. All Pans cut liners and condensate inlet water pipes replaced. And also No.1 and 3 Vapour pipes replaced.
5. All the Valves in Boiling House were repaired and tested Hydraulically to facilitate smooth working.

Maximum care is taken to attend all the problems experienced during previous season, to ensure smooth and steady running of the Factory.



CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION :

Pursuant to Section 217 (1) (e) of the Companies Act, 1956, the particulars in respect of Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo are furnished in Annexure 'A'.

EMPLOYEES :

Your Directors place on record their appreciation for the contribution by the employees at all levels for the working of the Company. The company has no employee in respect of whom a statement under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

DIRECTORS:

Sriyuths M N Medhekar, G V Shanthraju Directors of the company retire by rotation under Article 105 & 106 of the Articles of Association of the company at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

COMPANY SECRETARY:

The company is taking suitable steps for the appointment of a qualified full time Company Secretary.

AUDITORS / THEIR REPORT :

Messrs M S Krishnaswami and Rajan, Chartered Accountants, Chennai, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished a certificate to the company to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956. With regard to the Auditors' comments in their report, we concur with the observations made by the auditors and effective steps are being taken to comply with observations.

No other material developments or commitments affecting the financial position of the company occurred between 30th September 2003 and the date of the report.

LISTING OF SHARES:

The Equity Shares of your company are listed on Bangalore Stock Exchange Ltd., Madras Stock Exchange Ltd. and The Stock Exchange, Mumbai. Necessary listing fee has been paid to the respective Stock Exchanges.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors state that :

- i) In preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) Selected such Accounting Policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the Financial Year 30th September 2003, and of the Loss of your Company, for that period.
- iii) We 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.
- iv) We have prepared the Annual Accounts of your Company on a "GOING-CONCERN" basis.

ACKNOWLEDGEMENTS:

Your Directors place on record their thanks to the Banker(s) and the Karnataka State Industrial Investment and Development Corporation Limited, for their co-operation.

On behalf of the Board
For The India Sugars & Refineries Ltd.

R P Morarka
Chairman cum Managing Director

G.S.Shekhawat
Director.

Place: Bangalore
Date : 31st January, 2004