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ANNUAL REPORT 2004 - 2005



The India Sugars & Refineries Limited

THE INDIA SUGARS & REFINERIES LIMITED**BOARD OF DIRECTORS :**

Sri Rajendra Prasad R.Morarka, Chairman cum Managing Director
Sri Siddharth R Morarka, Executive Director
Sri Rahul R Morarka
Sri M N Medhekar
Sri G V Shantharaju
Sri K P Medhekar
Sri A Vamanan
Sri C Pavan Kumar

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-560027

Madras Stock Exchange Ltd.
Exchange Bldg., P B No.183
11, Second Line Beach,
Chennai - 600001

Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street,
Mumbai - 400001.

71st ANNUAL REPORT 2004-2005**NOTICE**

NOTICE is hereby given that the **SEVENTYFIRST 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 Tuesday the 21st March 2006 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 2005 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 Shanthraju, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the ensuing year and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 198,269,309 read with Schedule XIII and other applicable provision if any, of the Companies Act, 1956 and subject to the

approval of the Central Government, which has since been accorded by the Central Government, consent of the Company be and is hereby accorded to the appointment of Sri.Rahul R Morarka as Whole-time Director of the company for a period of 5 Years w.e.f 01.07.2005 on a remuneration and on such other terms and conditions as set out in the explanatory statement annexed hereto.

FURTHER RESOLVED THAT, notwithstanding anything herein above contained, where in any financial year during the tenure the company has incurred loss or its profits are inadequate, the company shall pay to Sri.Rahul R Morarka the Whole-time Director, the remuneration by way of salary, perquisites and other allowance as aforesaid as a minimum remuneration subject however to the limits and conditions specified under Section II of part II of the Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT, the Board of Directors of the company be and is hereby authorised to take such steps as may be necessary to give effect to the resolution including an authority to vary or modify the remuneration and the terms and conditions of the appointment."

By Order of the Board
For The India Sugars & Refineries Ltd.

C. Pawan Kumar
Director - (Tech)

Place: Bangalore
Date : 20th January, 2006.

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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 be valid must be deposited 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.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 14th March, 2006 to 21st March, 2006 (both days inclusive).
5. Members are requested to notify any change in their Addresses, if any, quoting their Folio Number(s).

Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956.

ITEM No.6

For effective implementation of the rehabilitation program, successful revival of the business of the company and to look after the increase volume of the business, company decided strengthen key management team, and accordingly decided to appoint Sri Rahul R Morarka who is already a Director of the company as Whole-time Director.

Sri Rahul R Morarka looks after Marketing, Sales, Finance, Accounts & Administration function of the company and he has been spending whole-time attention. Therefore his appointment as a Whole-time Director is in the interest of the company. Hence his appointment and remuneration in 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 Rahul R Morarka, in respect of his appointment as Director inter alia, contains the following terms and conditions:

- a) Salary: Rs.20,000/- per month
In the scale of Rs.20,000-2,000-30,000
- b) Perquisites:
 - i) Housing:
Free furnished accommodation with free gas, electricity, water, furnishing 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 their 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, superannuation 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 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 Rahul R Morarka is available for inspection by any member of the company at the Registered office of the company on any working day.

Sri Rahul 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 Siddharth R Morarka, Directors being related to Sri Rahul R Morarka may also be interested in the said appointment. No other director is concerned or interested.

By Order of the Board
For The India Sugars & Refineries Ltd.

C. Pawan Kumar
Director - (Tech)

Place: Bangalore
Date : 20th January, 2006

71st ANNUAL REPORT 2004-2005**DIRECTORS' REPORT**

**TO:
THE MEMBERS**

Your Directors present their **SEVENTYFIRST ANNUAL REPORT** and the Accounts of the Company for the year ended **30th September, 2005**.

FINANCIAL RESULTS:**(Rs. in Lacs)**

	2004-05	2003-04
Profit before Financial Charges and Depreciation	747.47	482.19
Less: Financial Charges	221.21	525.64
Profit/(Loss) before Depreciation	526.26	(43.45)
Less: Depreciation	105.25	101.31
Profit / (Loss) before extraordinary items	421.01	(144.76)
Extraordinary items	440.41
Fringe Benefit Tax	(1.89)
Provision for Tax / Deferred Tax	(17.09)	(59.73)
Profit/(Loss) after Tax	842.44	(204.49)
Add:- Deduction from General Reserve considered	317.13
Add: Profit / Loss (-) brought forward from the previous Year	(-)2,122.70	(-)1,918.21
Balance of Profit / Loss (-) carried to Balance Sheet	(-) 963.13	(-)2,122.70

DIVIDEND:

Keeping in view of the performance of the Company in the recent past, your Directors do not recommend dividend for the year 2004- 2005.

The unclaimed dividends of the year 1996-97 have been transferred to Investor Education and Protection Fund pursuant to the amendment to Sub-Section (5) of the Section 205 A of the Companies (Amendment Act), 1999.

WORKING RESULTS :

The working figures of the company for the season 2004-2005 along with the figures of 2003-2004 season are given below:

	2004-2005 Season	2003-2004 Season
Date of commencement of crushing operations	30.12.2004	14.12.2003
Date of closure of crushing operations	02.04.2005	05.03.2004
Gross Season days	94	83
Sugarcane handled (Input) MT	1,77,708	1,44,945
Sugar produced (Output) Net of reprocessing	1,86,210 Qtls	1,44,000 Qtls
Recovery	10.39%	9.88%

Your Company has crushed 1,75,691 MT of sugarcane and produced 19,292 MT of sugar during the year 2004-2005 as against 1,44,945 MT of sugarcane crushed and produced 14,400 MT of sugar during the corresponding previous year i.e. 2003-2004. The company has paid the sugar cane price of Rs.950/- Per M.T which includes the purchase tax rebate and unloading charges.

Your Company's turnover was Rs.3,793.81 lakhs for the year 2004-2005 (previous year Rs.3,620.92 lakhs).

SUGAR POLICY AND SUGAR PRICE :

Government of India has fixed the levy Sugar Price for 2004-2005 season and the price applicable to your company is Rs.1,290.68 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 the company is under rehabilitation process as per the scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 12th February, 2002. The company has fully

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installed the capital equipments as envisaged in the scheme of modernization cum expansion. During the year company had proposed settlement of its dues to Karnataka State Industrial Investment & Development Corporation Limited (KSIIDC) and the Bellary District Co-operative Central Bank Limited (BDCC BANK) including dues under guarantee obligation and the said proposals were acceded to by them in December and October, 2005 respectively subject to the certain terms and conditions. Consequently Rs.31,713,375 pertaining to principal portion of the dues and Rs.64,504,302 pertaining to the interest on the dues have become no longer payable. Hence the former has been transferred to general reserve and the latter to the revenue and disclosed under extraordinary items in Schedule 21 to the accounts. Your Directors are confident that the accumulated losses would be wiped out in the ensuing year thus making the net worth positive.

PROSPECTS:

Factory:

Cane crushing for the season 2005-06 started on 17th December, 2005. The working of the Factory is smooth and all the efficiency parameters are within the norms.

To ensure smooth and efficient running of the Factory following major works have been carried out during the Off Season 2005 in addition to regular overhauling.

- We have installed a new Swing Hammer Type Fibrizor coupled to a new 750 HP 750 RPM motor to achieve better preparatory index at the Cane preparatory Section.
- We have upgraded the existing 28" dia clarifier from Type 444 to Type 555 to enhance the handling capacity by 25%.
- We have installed Automatic Imbibitions Water-flow Control System which ensures uniform application of Imbibition system.
- A Twin Rake type lime classifier is purchased for milk of lime preparation. With this, clarification of juice will improve, and in turn improves sugar quality.
- Also we have introduced new ERP software package for Cane & Human Resource Management to improve working.

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

The working results are shown in the tabulated form which is annexed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION :

Pursuant to Section 217 (1) (e) of the Companies Act, 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 Act, 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 :

M/s. 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 (1) of the Act. With regard to the Auditors' comments in their report, the Directors state as under:- Regarding the scope and coverage of the internal audit systems and the irregularity in depositing undisputed statutory dues, reference is

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invited to the Auditors observations in regard to these items, which are self explanatory.

No material developments or commitments have accrued affecting the financial position of the company between September 30, 2005 and the date of this report.

LISTING OF SHARES:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217 (2AA) of the Act, 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 2005, and of the Profit 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**

**C. Pavan Kumar
Director (Tech).**

Place: Bangalore
Date : 20th January, 2006.

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ANNEXURE A

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY:

Energy conservation is an on-going activity in the company and the efforts to conserve energy through improved operational methods and other means will continue. Total energy consumption and energy consumption per unit of production are furnished in the prescribed Form "A" below.

FORM-A (See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

A. POWER AND FUEL CONSUMPTION:

1. ELECTRICITY	Current Year 2004-2005	Previous Year 2003-2004
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A Purchased :

Units – KWH	466,585	587,726
Total amount (Rs.)	2,406,386	2,827,129
Rate / Unit (Rs.)	5.15	4.81

B Own Generation :

i) Through Diesel Generator

Units – KWH	13,232	7,000
Unit per Ltr. of Diesel oil	2.75	2.75
Cost / Unit (Rs.)	11.12	8.95

ii) Through Steam Turbine/Generator

Units – KWH	3,659,690	2,427,540
Unit per Ltr. of Fuel Oil / Gas	NA	NA
Cost / Unit (Rs.)	--	--

2 COAL (Specify quality and where used)

Quantity (Tonnes)	--	--
Total Cost	--	--
Average Rate	--	--

3 FURNACE OIL :

Quantity (Kilo Ltrs.)	--	--
Total Amount	--	--
Average Rate	--	--

4. OTHERS \ INTERNAL GENERATION :

	BAGASSE		FIREWOOD		HUSK	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Quantity (MT)	42,467.61	41,373.42	43.500	17.620	187.400	63.810
Total Cost(Rs)	Own Generation		46,043.00	19,203.44	230,929.00	79,762.50
Rate/Unit/(Rs/MT)			1,058.46	1,089.86	1,232.28	1,250.00

B. CONSUMPTION PER UNIT OF PRODUCTION:

	Standards (if any) Unit- Quintals	Current Year 2004-2005	Previous Year 2003-2004
PRODUCT – SUGAR			
Electricity(KWH)	--	18.96	17.68
Furnace Oil	--	--	--
Coal(specify quality)	--	--	--
Others(specify)			
Firewood (MT)	--	0.0002254	0.0000697
G N Husk (MT)	--	0.0009713	0.0004431
Bagasses (MT)	--	0.2201306	0.2873154

TECHNOLOGY ABSORPTION

FORM – B (See Rule 2)

Form for disclosure of particulars in respect to absorption

I. RESEARCH AND DEVELOPMENT (R&D):

1. SPECIFIC AREAS:

a) The varieties procured from various sugarcane Research Stations such as CO 8371, CO 8014, CO 86032 & CO 92061 are picking up in our area of operation. CO 8371 is being discouraged as it is prone for pest attack.

The farmers are happy with performance of CO86032 and CO92061. The area under these varieties for commercial plantation is increasing substantially.