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ANNUAL REPORT 2005 – 2006

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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 S. Dhayanadhan

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.



72nd ANNUAL REPORT 2005-2006**NOTICE**

NOTICE is hereby given that the **SEVENTYSECOND 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 Thursday the 29th March, 2007 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 2006 and the Balance Sheet as at that date and Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri.K.P.Medhekar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. A Vamanan, 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

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

"RESOLVED THAT in partial modification of Resolution No 5a passed by the members at the 69th Annual General Meeting held on 26.03.2004 approving the re-appointment and the terms of remuneration of Shri Rajendraprasad Morarka, Chairman Cum Managing Director for a period of 5 years with effect from 01.10.2003 .and in accordance with the provision of Section 198,269,309, 310 and 311 and Schedule XIII and other applicable provision if any, of the Companies Act, 1956, the Company hereby approves the variation in the terms of remuneration of Shri Rajendraprasad Morarka for the remaining period of his office effective from 1st April 2006 as set out in the explanatory statement attached to the notice with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment/ agreement in such manner as may be agreed between the board of Directors and Shri Rajendraprasad Morarka subject to approval of the Central Government if required.

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

"RESOLVED THAT in partial modification of Resolution No 5b passed by the members at the 69th Annual General Meeting held on 26.03.2004 approving the re-appointment and the terms of remuneration of Shri Siddharth R Morarka, Executive Director for a period of 5 years,with effect from 01.10.2003 .and in accordance with the provision of Section 198,269,309, 310 and 311 and Schedule XIII and other applicable provision if any, of the Companies Act, 1956, the Company hereby approves the variation in the terms of remuneration of Shri Siddharth R Morarka for the remaining period of his office effective from 1st April, 2006 as set out in the explanatory statement attached to the notice with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment/ agreement in such manner as may be agreed between the board of Directors and Shri Siddharth R Morarka subject to approval of the Central Government if required.

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

"RESOLVED THAT in partial modification of Resolution No 6 passed by the members at the 71st Annual General Meeting held on 21.03.2006 approving the appointment and the terms of remuneration of Shri Rahul R Morarka, Whole Time -Director for a period of 5 years with effect from 01.07.2005 and in accordance with the provision of Section 198,269,309, 310 and 311 and Schedule XIII and other applicable provision if any, of the Companies Act, 1956, the Company hereby approves the variation in the terms of remuneration of Shri Rahul R Morarka for the remaining period of his office effective from 1st April 2006 as set out in the explanatory statement attached to the notice with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment/ agreement in said manner as may be agreed between the board of Directors and Shri Rahul R Morarka subject to approval of the Central Government if required.

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

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"RESOLVED THAT pursuant to the provision of Section 198,269,309 read with Schedule XIII other applicable provision if any, of the Companies Act, 1956 and approval of the Central Government, if necessary, consent of the Company be and is hereby accorded to the appointment of Sri S Dhayanandhan as Whole-time Director of the company for a period of 5 Years w.e.f 23.10.2006 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 S Dhayanandhan 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 authorized 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.

S.Dhayanandhan
Director - (Tech)

Place: Bengalooru
Date : 24th February, 2007

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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 23rd March, 2007 to 29th March, 2007 (both days inclusive).
5. Members are requested to notify any change in their Addresses, if any, quoting their Folio Number(s).
6. **Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956.**

ITEM No.5

At the Annual general Meeting held on 26th March 2004, the members have approved the Re-appointment of Shri Rajendraprasad Morarka Chairman Cum Managing Director on the remuneration as specified in Resolution No. 5a of the notice of the said meeting. Considering the contribution of Shri Rajendraprasad Morarka in the growth of the company and in formulating the long term business strategies and policies and also keeping in view the remuneration payable with respect to industry, the board of Directors desires to revise the remuneration payable to Shri Rajendraprasad Morarka. The Board of Directors has therefore as per the recommendations of the Remuneration Committee, at its meeting held on 29th June, 2006 revised the Remuneration of Shri Rajendraprasad Morarka for the remaining period of the terms of office effecting 1st April 2006, subject to approval by the members and also subject to approval of the Central Government, The revised terms and conditions of appointment of Shri Rajendraprasad Morarka are hereunder

- a) Salary P M in the scale of 60,000-5,000-70,000
- b) Perquisite and other terms and conditions contained in the agreement entered by the Company with the above Director in respect of his appointment will however remain unaltered.

ITEM No.6

At the Annual general Meeting held on 26th March 2004, the members have approved the Re-appointment of Shri Siddharth R Morarka Executive Director on the remuneration as specified in Resolution No. 5b of the notice of the said meeting. Considering the contribution of Shri Siddharth R Morarka in the growth of the company and in formulating the long term business strategies and policies and also keeping in view the remuneration payable with respect to industry, the board of Directors desires to revise the remuneration payable to Shri Siddharth R Morarka. The Board of Directors has therefore the recommendations of the Remuneration Committee, at its meeting held on 29th June, 2006, revised the Remuneration of Shri Siddharth R Morarka for the remaining period of the terms of office effecting 1st April 2006, subject to approval by the members and also subject to approval of the Central Government. The revised terms and conditions of appointment of Shri Siddharth R Morarka are hereunder

- a) Salary P M in the scale of 40,000-5,000-50,000
- b) Housing:

Perquisite and other terms and conditions contained in the agreement entered by the Company with the above Director in respect of his appointment will however remain unaltered.

Maintenance of residential accommodation, gas, electricity and Power, water, utility allowance or house rent allowance the cost of which shall not exceed 40% of salary.

ITEM No.7

At the Annual general Meeting held on 21st March, 2006, the members have approved the appointment of Shri Rahul R Morarka Whole Time-Director on the remuneration as specified in Resolution No. 6 of the notice of the said meeting. Considering the contribution of Shri Rahul R Morarka in the growth of the company and in formulating the long term business

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strategies and policies and also keeping in view the remuneration payable with respect to industry, the board of Directors desires to revise the remuneration payable to Shri Rahul R Morarka. The Board of Directors has therefore as per the recommendations of the Remuneration Committee, at its meeting held on 29th June 2006 revised the Remuneration of Shri Rahul R Morarka for the remaining period of the terms of office effecting 1st April 2006, subject to approval by the members and also subject to approval of the Central Government. The revised terms and conditions of appointment of Shri Rahul R Morarka are revise hereunder

a) Salary P M in the scale of 40,000-5,000-60,000

b) Perquisites and other terms and conditions contained in the agreement entered by the Company with the above Director in respect of his appointment will however remain unaltered.

ITEM No.9

In view of resignation of Sri C Pavan Kumar a Whole Time Director, the board felt it necessary to appoint another person and accordingly Sri S Dhayanadhan was inducted to the Board and was also appointed as Whole-time Director of the Company under the designation Director-(Tech) by the Board of Directors at its meeting held on 23.10.2006.

Sri S Dhayanadhan is B.E, BOE. and A.N.S.I. Till his appointment as a Whole Time Director of the company, he was working as General Manager-(Tech) and was actively looking after the entire process operations of the factory and was reporting to the Executive Director. He has gained vast experience in field of sugar industry, factory administration etc., as such his services as Director-(Tech) are considered to be beneficial and are also in the interest of the company.

The remuneration payable to Sri S Dhayanadhan, as fixed by the Remuneration Committee and other terms of conditions of his appointment are as follows:

Period of Appointment 5 years w.e.f. 23.10.2006

a) 1) salary: Rs 20,000/- per month
In the scale of Rs. 20,000-2,000-30,000

In addition to the salary Sri S Dhayanadhan, shall be entitled to the following perquisites and benefits.

b) Perquisites:

1. Rent free accommodation.

The copy of the agreement entered into between the Company and Sri S Dhayanadhan is available for inspection by any member of the company at the Registered Office of the company on any working day during the working hours till the date of the Annual General Meeting.

The resolution seeks the approval of members in General Meeting by way of Ordinary Resolution for appointment of and payment of remuneration to Sri S Dhayanadhan in terms of Sec. 269 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Act.

The Board recommends the resolution for approval of this appointment.

Sri S Dhayanadhan, since the resolution relates to his appointment, may be regarded as interested or concerned in the resolution and no other director is interested or concerned in the resolution.

This may also be regarded as an Abstract of terms and conditions of appointment of Whole-time Director and memorandum of interest u/s 302 of the Companies Act, 1956.

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

S.Dhayanandhan
Director - (Tech)

Place: Bengalooru
Date : 24th February, 2007

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DIRECTORS' REPORT

**TO:
THE MEMBERS**

Your Directors present their **SEVENTYSECOND ANNUAL REPORT** and the Accounts of the Company for the year ended **30th September, 2006**.

| FINANCIAL RESULTS: | (Rs. in Lacs) | |
|---|---------------|-------------|
| | 2005-06 | 2004-05 |
| Profit before Financial Charges and Depreciation | 1,101.05 | 747.48 |
| Less: Financial Charges | 312.87 | 221.21 |
| Profit before Depreciation | 788.18 | 526.27 |
| Less: Depreciation | 129.97 | 105.25 |
| Profit before extraordinary items | 658.21 | 421.02 |
| Extraordinary items | | 440.41 |
| Fringe Benefit Tax | (-) 8.55 | (-) 1.89 |
| Provision for Tax / Deferred Tax | (+) 99.08 | (-) 17.09 |
| Profit after Tax | 748.74 | 842.44 |
| Add:- General Reserve | | 317.13 |
| Add: Profit / Loss (-) brought forward from the previous Year | (-) 963.13 | (-) 2122.70 |
| Balance of Profit / Loss (-) carried to Balance Sheet | (-) 214.39 | (-) 963.13 |

Dividend.

Keeping in view of the performance of the Company in the recent past, your Directors do not recommend dividend for the year 2005- 2006

There are no unclaimed amounts which are required to be transferred to the Investors Education & Protection Fund pursuant to the amendment to sub sec. (5) of the Section 205A vide Companies Act 1956.

WORKING RESULTS :

The working figures of the company for the season 2005-2006 along with the figures of 2004-2005 season are given below:

| | 2005-2006 Season | 2004-2005 Season |
|---|---------------------|---------------------|
| Date of commencement of crushing operations | 17.12.2005 | 30-12.2004 |
| Date of Closure of crushing operations | 04.05.2006 | 02.04.2005 |
| Gross Season days | 139 | 94 |
| Sugarcane handled (Input) MT | 2,91,599 | 1,77,708 |
| Sugar produced (Output) Net of reprocessing | 3,03,120 Qtls. | 1,86,210 Qtls. |
| Recovery | 10.38% | 10.39% |

Your Company has crushed 2,88,616 MT of sugarcane and produced 30,312 MT of sugar during the year 2005-2006 as against 1,75,932 MT of sugarcane crushed and produced 18,621 MT of sugar during the corresponding previous year i.e. 2004-2005. The company has paid the sugar cane price of Rs1,065/- Per M.T which includes the purchase tax rebate and unloading charges.

Your Company's turnover was Rs. 5,628.96 lakhs for the year 2005-2006 (previous year Rs. 3,793.81 lakhs).

SUGAR POLICY AND SUGAR PRICE :

Government of India has fixed the levy Sugar Price for 2005-2006 season and the price applicable to your company is Rs 1290.68 per quintal. The ratio of levy and free sale sugar at 10% :90% is continued.

PROSPECTS:

Factory:

Cane crushing for the season 2006-07 started on 4th January, 2007. 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 2006 in addition to regular overhauling

- We have installed a new Compressor of 1100 m3/Hr for overcoming the operation problem which improve plant efficiency

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.

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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:

Sri C Pavankumar ceased to be director of the Company with effect from 24.07.2006. The Board places on record its appreciation for the valuable contribution made by him during his tenure as a Director of the Board of the Company.

Sriyuths K.P.Medhekar, & A Vamanan 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 (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 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, 2006 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 2006, 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), Sugar Cane Growers and the Karnataka State Industrial Investment and Development Corporation Limited, for their cooperation.

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

**R.P.Morarka
Chairman cum Managing Director**

**S.Dhayanandhan
Director (Tech).**

Place: Bengalooru
Date : 24th February, 2007