



ANNUAL REPORT 2009–2010



The India Sugars & Refineries Limited

THE INDIA SUGARS & REFINERIES LIMITED

BOARD OF DIRECTORS :

Sri Siddharth R Morarka, Managing Director
Sri Rahul R Morarka, Joint Managing Director
Sri. B S Gurumurthy
Sri A Vamanan up to 27.11.2010
Sri. Sanjay M Madhekar
Sri S S Narayana

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 :

C/o M/s F.Bock (Agencies) Pvt Ltd.,
Voltas International House,
2nd Floor, 28, Bank Street,
Fort Mumbai - 400 001

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

STOCK EXCHANGE WHERE COMPANY'S SECURITIES ARE LISTED

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



NOTICE

NOTICE is hereby given that the **SEVENTY-SIXTH 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 Wednesday the 30th March, 2011 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 2010 and the Balance Sheet as at that date and Reports of Directors and Auditors thereon.
2. To appoint Auditors for the ensuing year and fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT Sri B S Gurumurthy who was appointed as Director of the Company with effect from 4th March, 2011 in the vacancy caused by Sri A Vamanan Director of the Company and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation.

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

RESOLVED THAT pursuant to the provisions of Sections 198,269 and 309 read with Schedule XIII part II Section II sub-paragraph (B) of the Companies Act 1956, Consent of the members of the Company be and is hereby accorded to the re-appointment of Sri Siddharth R Morarka, as Managing Director for a period of 3 (Three) years with effect from July 1, 2010 on the terms and conditions including remuneration as set out in the agreement duly approved by a resolution passed by the Remuneration Committee of the Board of Directors of the Company and as set out in the explanatory statement annexed hereto:

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.

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

RESOLVED THAT pursuant to the provisions of Sections 198,269 and 309 read with Schedule XIII part II Section II sub-paragraph (B) of the Companies Act 1956, Consent of the members of the Company be and is hereby accorded to the re-appointment of Sri Rahul R Morarka, as Joint-Managing Director for a period of 3 (Three) years with effect from July 1, 2010 on the terms and conditions including remuneration as set out in the agreement duly approved by a resolution passed by the Remuneration Committee of the Board of Directors of the Company and as set out in the explanatory statement annexed hereto:

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 S Narayana
Director-(Tech)

Place: Bengaluru
Date: 4th March 2011



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 24th March, 2011 to 30th March, 2011 (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. 3

In view of resignation of Sri A Vamanan - Director the Board felt it necessary to appoint another person and accordingly Sri B S Gurumurthy, was inducted to the Board by the Board of Directors at its meeting held on 04.03.2011, pursuant to provision of Article 107 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General meeting. A Notice in writing under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500/- has been received by the Company from a member signifying his intention to propose the appointment of Sri B S Gurumurthy as a Director of the Company.

Additional Information on the Director recommended for appointment or seeking election at the Annual General Meeting as required to be given by the listed Company is given below-

Sri B S Gurumurthy is a graduate from the University of Mysore and has a post graduate Diploma in Sugar Technology from National Sugar Institute, Kanpur.

He has about five decades of experience in the operational, management of sugar mills, both in the private and co-operative sectors out of which he held the high offices of Chief Executive and Managing

Director more than 20 years in Public Ltd., Companies. For last ten years he is serving as a consultant to the sugar Industry and has been recognized as one of the top consultant in the Sugar Industry. He has played a major role in the successful introduction of number of innovations in sugar industry in India.

Professional Memberships and Recognitions

He has served as Member, Advisory Council, Sugar Technology Mission, Ministry of Science and Technology, Government Of India for about 15 years.

He is a recipient of the South Indian Sugarcane and Sugar Technologists Association (SISSTA) Award in March, 1994, at Madras for his Outstanding Contribution to Sugar Industry.

He is also a recipient of the most prestigious „Life Time Achievement Award“ by Sugar Technologists Association of India in August 2008.

He served as Chairman of Technical Sub-Committee of Indian Sugar Mills Association (1990-1996)

He was a member of State Level Advisory Committee (for Cooperative and Public Sector Units), Govt. Of Tamil Nadu.

He is a Fellow Member of Sugar Technologists Association of India (STAI),

Founder Member of South Indian Sugar and Sugarcane Technologists Association (SISSTA) and a Life Member of Deccan Sugar Technologists association (DSTA).

He has visited almost all the sugar producing countries like Mauritius, Thailand, Hawaii, Indonesia and USA for technical studies, business promotion and for attending international conventions.

He has to his credit over 50 papers published in journals at national and International level.

The Board recommends his appointment as a Director of the Company.

Except Sri B.S Gurumuthy as the resolution relates to his appointment, no other Director of the Company is interested or concerned in the resolution.



ITEM No. 4

Sri Siddharth R Morarka, on the recommendation of the Remuneration committee, was appointed by the board of Directors as the Managing Director with effect from October 18, 2008 and the same was approved by the members at the Annual General Meeting of the Company held on March 21, 2009 and the said appointment will be effective upto May 31, 2013. Sri Siddharth R Morarka has been looking after the operations and monitoring the activities in the Sugar factory as Managing Director since October 18, 2008. He was also totally involved in the modernization/ expansion programme which was under taken by the Company during the year 2002. With his vast experience in the various field, pertaining to sugar industry, his continued association as the Managing Director, it was felt as a great necessity not only by the Remuneration Committee but also by the Board of Directors in view of the difficult period which the sugar industry is going through in recent year, the remuneration Committee of the Board of Director of the Company in their meeting held on September 27, 2010 resolved to re-appoint him as the Managing Director for a period of 3 (Three) years with effect from July 1, 2010 on the following terms and conditions.

i) Salary Rs.1, 80,000/- (Rupees One Lakh and Eighty Thousand Only) per month with an increment in the said remuneration of Rs.20, 000/- per month.

ii) Perquisites:

i) Housing.

Free furnished accommodation with free gas, electricity, water, furnishings and other utilities or house rent allowance up to 40% of salary.

ii) Leave travel Concession:

For self and family once in year subject to ceiling of one month's salary in each year

iii) Medical reimbursement:

Reimbursement of medical expenses actually incurred for self and family subject to a ceiling of one month's 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 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 traveling and entertainment expenses incurred for the purpose of business of the Company

The re-appointment of Sri Siddharth R Morarka as the Managing Director is considered as not only necessary but also is in the best interest of the Company. Therefore, the Board recommends the Special Resolution for approval of the shareholders. Sri Siddharth R Morarka and his relative Sri Rahul R Morarka may be regarded as interested and concerned in the said resolution. No other Director is interested or concerned in the said resolution.

The following additional information as required in the provision of Sub Paragraph (B) of Section II of part II of Schedule XIII to the Companies Act, 1956 is furnished as under:

I. General Information:

1. Nature of industry: Sugar

2. Date of Commencement of Commercial Production: Commercial production already started more than 5 decades back.

3. In the case of new Companies expected date of Commencement: Not applicable



4) Financial information Profit & Loss Account.
Financial year ended September 30. Rs. In 'lacks

| Income | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|----------|------------|----------|-----------|------------|
| Sales-Net | 5481.57 | 2843.51 | 4863.86 | 3618.03 | 1047.92 |
| Other Income | 1.42 | 2.42 | 232.96 | 1.42 | 240.42 |
| Gross Income | 5482.99 | 2845.93 | 5096.82 | 3619.45 | 1288.34 |
| Expenditure | | | | | |
| Materials | 3358.60 | 2350.91 | 3208.71 | 2088.80 | 777.77 |
| Human resources | 509.82 | 590.62 | 640.43 | 558.43 | 541.77 |
| Stores & Spares Consumed | 163.24 | 180.08 | 157.95 | 51.17 | 12.53 |
| Power & Fuel | 31.02 | 27.43 | 36.54 | 40.90 | 57.23 |
| Repairs and upkeep | 162.82 | 161.39 | 200.19 | 284.70 | 99.45 |
| Freight and Handling | 11.89 | 22.72 | 33.04 | 3.27 | 1.63 |
| Other Expenses | 144.55 | 125.32 | 142.78 | 218.21 | 155.94 |
| Total | 4381.94 | 3458.47 | 4419.64 | 3245.48 | 1646.32 |
| Profit/Loss before interest & depreciation including financial lapses | 1101.05 | (-)612.54 | 677.18 | 373.97 | (-)357.98 |
| Interest | 312.87 | 377.80 | 451.01 | 238.31 | 207.86 |
| +Profit/(-) Loss before depreciation | 788.18 | (-)990.34 | 226.17 | 135.66 | (-)565.84 |
| Depreciation | 129.97 | 121.00 | 126.58 | 128.74 | 132.99 |
| Profit/(Loss) before tax | 658.21 | (-)1111.34 | 99.59 | 6.92 | (-)698.83 |
| F.B.T | (-) 8.55 | 0.96 | (-) 3.45 | 1.33 | — |
| Deferred-Tax | 99.08 | (-) 92.03 | 116.45 | (-)31.27 | 59.01 |
| Profit /(-) Loss after tax | 748.74 | (-)1020.27 | 212.60 | (-) 25.68 | (-) 639.82 |

Balance Sheet

| Sources of funds | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|-------------------------|---------|---------|---------|---------|---------|
| Capital | 299.51 | 299.51 | 299.51 | 299.51 | 299.51 |
| Reserve & Surplus | 18.01 | 25.22 | 25.22 | 25.22 | 25.22 |
| Loan Funds | 2545.85 | 3813.32 | 3849.41 | 2960.96 | 2847.68 |
| Hire purchase liability | — | 7.84 | 5.07 | 8.32 | 2.98 |
| Total | 2863.37 | 4145.89 | 4179.21 | 3294.01 | 3175.39 |

| Application of Funds | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|-------------------------------|---------|---------|---------|---------|---------|
| Fixed Assets | 2096.79 | 2070.47 | 1983.39 | 1970.15 | 1913.37 |
| Investments | — | — | — | — | — |
| Deferred-Tax (net) | — | — | 555.49 | 524.22 | 583.23 |
| Current Assets | 1601.29 | 3358.91 | 2764.06 | 1309.91 | 684.90 |
| Loans & Advances | 104.09 | 40.64 | 78.21 | 121.79 | 57.20 |
| Less | — | — | — | — | — |
| Current Liability & Provision | 1530.86 | 2997.83 | 2224.01 | 1816.01 | 1863.92 |
| Deferred Revenue Expenditure | 30.87 | — | — | 136.20 | 113.04 |
| Profit & Loss A/c | 214.39 | 1234.66 | 1022.07 | 1047.75 | 1687.57 |
| Total | 2863.37 | 4145.89 | 4179.21 | 3294.01 | 3175.39 |

5) Export performance and net foreign exchange

collaboration -None-

6) Foreign Investments or Collaborations: None-

II. Information about the Appointee:

1 & 2) Back Ground Details / Past remuneration:

Sri Siddharth R Morarka has been working as Chief Executive from April 1, 1992. He was made the executive Director of the company in March 1999. He was re-appointed for 5 years with effect from June 1, 2003 on a remuneration of Rs.20,000-2,000-30,000/- plus usual perquisites. His remuneration was increased effective from April 1, 2006 to Rs.40,000 - 5000 - 50,000 plus usual perquisites. He was re-appointed on September 29, 2007 as Executive Director for 5 (five) years on a remuneration of Rs. 65,000/- per month with an increment of Rs.10,000/- per month with usual perquisites. On 30.06.2008, he was appointed as whole time Director for 5 (Five) years effective 01.06.2008 on a remuneration of Rs.75,000/- per month with an annual increment of Rs.10,000/- per month with usual perquisites. He is a commerce graduate and has also done the Business Case Study program from University of Harvard and has contributed a lot to the improvement of the business of the Company for the last nearly two decades.

3) Recognition or awards.

Sri Siddharth R Morarka is member of Indian Sugar Mills with association, South Indian Sugar Mills association and Karnataka Sugar Institution.

4) Job Profile and his suitability.

As stated in the Background details supra he has been connected with the Company for nearly 2 decades and was actively responsible for the successful completion of the Company's expansion of its sugar capacity production and has effected successfully in various cost saving efforts and in the up gradation and reconditioning of the entire battery of boilers to activate maximum efficiency. The Board of Directors therefore are of the view that he is ideally suitable to be the Managing Director of the Company.



5) Remuneration Proposed:

Rs. 1,80,000/- per month with annual increment of
Rs. 20,000/- per month for 3 years plus perquisites.

6) Comparative remuneration Profile with respect to industry.

The proposed remuneration (duly approved by the Remuneration Committee) is in line with the trends in the industry and is befitting Sri Siddharth R Morarka's experience and competence

7) Pecuniary relationship directly or indirectly with the Company or indirectly with managerial personal.

Sri Siddharth R Morarka hold 75,416 Equity share of the Company and is a related of Sri Rahul R Morarka the Joint-Managing Director of the Company.

III. OTHER INFORMATION

1 Reason of loss or inadequacy of profit

Net profit of the Company of Rs.6.92 lakhs for the period ended 30th Sept, 2009 was significantly lower than the net profit of Rs.99.59 lakhs for the corresponding period of the last financial year due to illegal transportation of sugar cane by the other sugar factories. Further the illegal transportation of sugar cane was also rampant during the year 2009-10 also and the Company ended with loss of Rs.698.83 lakhs

2. Steps taken or proposed to be taken for improvement.

The Company has taken sufficient steps to prevent illegal transportations of sugar cane which will result in a positive impact on the Company's productivity and consequently the profitability of the Company.

3. Expected increase in productivity and profits in measurable terms.

The steps taken by the Company are expected to bring back the Company into adequate profit during the financial year 2010-11.

IV. Disclosures

- i.) Remuneration package as mentioned above.
- ii.) The board of Directors recommends the proposed resolution set one at item no 4 as a special resolution none of the directors of the company except Sri Rahul R Morarka is concerned or interested in the Resolution.

ITEM No. 5

Sri Rahul R Morarka, on the recommendation of the Remuneration committee, was appointed by the board of Directors as the Joint Managing Director with

effect from October 18, 2008 and the same was approved by the members at the Annual General Meeting of the Company held on March 21, 2009 and the said appointment will be effective up to June 30, 2010. Sri Rahul R Morarka has been looking after the Marketing, Sales, Finance, Accounts & Administration function and monitoring the activities in the Sugar Industry as Joint-Managing Director since October 18, 2008. He was also totally involved in the modernization / expansion programme which was under taken by the Company during the year 2002. With his vast experience in the various field pertaining to sugar industry his continued association as the Joint-Managing Director it was felt as a great necessity not only by the Remuneration Committee but also by the Board of Directors in view of the difficult period which the sugar industry is going through in recent years, the remuneration Committee of the Board of Director of the Company in their meeting held on September 27, 2010 resolved to re-appoint him as the Joint Managing Director for a period of 3 (Three) years with effect from July 1, 2010 on the following terms and conditions.

Salary Rs.1,80,000/- (Rupees One Lakh and Eighty Thousand Only) per month with an increment in the said remuneration of Rs. 20,000/- per month.

ii) Perquisites:

j) Housing.

Free furnished accommodation with free gas, electricity, water, furnishings and other utilities or house rent allowance up to 40% of salary.

ii) Leave travel Concession:

For self and family once in year subject to ceiling of one month's salary in each year

iii) Medical reimbursement:

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

iv) Medical Insurance

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

w) 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 chauffer 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 traveling and entertainment expenses incurred for the purpose of business of the Company

The re-appointment of Sri Rahul R Morarka as the Joint-Managing Director is considered as not only necessary but also is in the best interest of the Company. Therefore, the Board recommends the Special Resolution for approval of the shareholders. Sri Rahul R Morarka and his relative Sri Siddharth R Morarka may be regarded as interested and concerned in the said resolution. No other Director is interested or concerned in the said resolution.

The following additional information as required in the provision of Sub Paragraph (B) of Section II of part II of Schedule XIII to the Companies Act, 1956 is furnished as under:

I. General Information:

1. Nature of industry: Sugar
2. Date of Commencement of Commercial Production: Commercial production already started more than 5 decades back.
3. In the case of new Companies expected date of Commencement Not applicable
4. Financial information as tabled in the item No.4 of above
- 5) Export performance and net foreign exchange collaboration: -None-
- 6) Foreign Investments or Collaborations:-None

II. Information about the Appointee:

1 & 2) Back Ground Details / Past remuneration:

Sri Rahul R Morarka, has been working as Director from April 1, 1992. He was made the Director of the company in March 1999. He was reappointed for 5 years with effect from June 1, 2003 on a remuneration of Rs.20,000-2,000-30,000/- plus usual perquisites. His remuneration was increased effective from April 1, 2006 to Rs.40,000 – 5000 - 50,000 plus usual perquisites. He was re-appointed on September 29, 2007 as Whole-time Director for 5 (five) years on a remuneration of R. 65,000/- per month with an increment amount of Rs.10,000/- per month with

usual perquisites. On 30.06.2008 he was appointed as whole time Director for 5 (Five) years effective 01.06.2008 on a remuneration of Rs.65,000/- per month an increment amount of Rs.10,000/- per month with usual perquisites. He is commerce graduate and well versed in finance tax and excise related matters. He has played significant role in computerizing all the departments of company. He has contributed a lot to an improvement of the business of the Company for nearly last two decades.

3) Recognition or awards.

Sri Rahul R Morarka is member of Indian Sugar Mills with association, South Indian Sugar Mills association and Karnataka Sugar Institution.

4) Job Profile and his suitability

As stated in the Background details supra he has been connected with the Company for nearly 2 decade and was actively responsible for the successful completion of the Companies expansion / modernization of its sugar capacity. Owing to his administrative knowledge, the Board of Directors are of the view that he is ideally suitable to be the Joint-Managing Director of the Company.

5) Remuneration Proposed:

Rs.1,80,000/- per month with annual increment of 20,000/- per month for 3 years plus perquisites.

6) Comparative remuneration Profile with respect to industry.

The proposed remuneration (duly approved by the Remuneration Committee) is in line with the trends in the industry and is befitting Sri Rahul R Morarka's experience and competence

7) Pecuniary relationship directly or indirectly with the Company or indirectly with managerial personal.

Sri Rahul R Morarka holds 75,050 Equity share of the Company and is a related of Sri Siddharth R Morarka the Managing Director of the Company.

III. OTHER INFORMATION

- 1 Reason of loss or inadequacy of profit as stated in the **item No. 4** above
2. Steps taken or proposed to be taken for improvement. As stated in the **item No. 4** above
3. Expected increase in productivity and profits in measurable terms. as stated in the **item No. 4** above



IV. Disclosures

- a. Remuneration package as mentioned above.
- b. The board of Directors recommends the proposed resolution set one at item no 5 as a special resolution. None of the directors of the company except Sri Siddharth R Morarka is concerned or interested in the Resolution.

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

**S S Narayana
Director-(Tech)**

**Place: Bengaluru
Date: 4th March 2011**