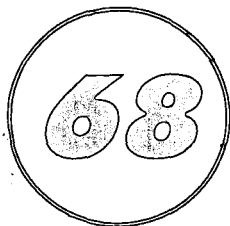


THE JEYPORE SUGAR COMPANY LIMITED

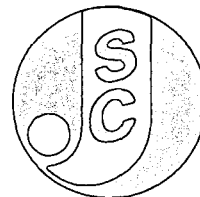
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For THE JEYPORE SUGAR CO. LTD.

Rajkumar K.
Managing Director



ANNUAL REPORT 2003-2004



THE JEYPORE SUGAR COMPANY LIMITED
(INCORPORATED IN 1936)

CHAIRMAN	Sri.P.R.RAMAKRISHNAN, M.Sc.,(M.I.T),
MANAGING DIRECTOR	Smt.RAJESWARY RAMAKRISHNAN, B.A.,
BOARD OF DIRECTORS	Sri.R.PRABHU, B.E (Hons), S.M.(MIT), M.P. Dr.S.R.K.PRASAD, B.Tech., P.G.D.O.R., MORSI, MORSS,D.Sc., Smt.M.A.VEDAVALLI Smt.ANITA PRABHU, B.Com., Sri.BOPANA RAMALINGESWARA RAO, M.A.,L.L.B. Sri.K.MUNESWARA RAO Sri.NISSAR AHMED MECCA, F.C.A., Nominee Director ICICI Bank Ltd., Sri.G.S.RAJU, M.A., L.L.M (London)
SECRETARY	Sri.E.RAMAKRISHNAN
BANKERS	BANK OF INDIA INDIAN OVERSEAS BANK BANK OF BARODA THE SOUTH INDIAN BANK LTD ANDHRA BANK THE DISTRICT CO-OP CENTRAL BANK LTD
AUDITORS	MESSRS.BRAHMAYYA & CO., Chartered Accountants, VIJAYAWADA.
REGISTERED OFFICE	239, ANNA SALAI, CHENNAI - 600 006 TAMILNADU



NOTICE OF THE SIXTY EIGHTH ANNUAL GENERAL MEETING

The Sixty Eighth Annual General Meeting of THE JEYPORE SUGAR COMPANY LTD., will be held as scheduled below :

Date : 3rd, September, 2004
Time : 10.00 A.M
Place : Savera Hotels Ltd.,
146, Dr.Radhakrishnan Salai, Chennai - 600 004.

The **Agenda** for the meeting will be as follows :

1. To consider and adopt the Balance sheet of the company as at 31st March 2004, and the Profit and Loss Account for the year ended on that date and the reports thereon, of the Board of Directors and the Auditors
2. To appoint a director in the place of Dr. SRK Prasad, who retires by rotation and being eligible offers himself for reappointment.

Dr.SRK Prasad, B.Tech., P.G.D.O.R., MORSI, MORSS,D.Sc., has been a director of the company since 1984. A chemical engineer with a doctorate in Operations Research, Dr.SRK Prasad is the Managing Director of Krishna Industrial Corporation Limited. He has extensive experience in software design, development, and implementation. He is also a director in Eimco KCP Ltd, Ramakrishna Industrials P Ltd, V.R.K.Grandsons Investment P Ltd. Dr. SRK Prasad is related to Sri. P.R. Ramakrishnan , Chairman and Smt. Rajeswary Ramakrishnan, Managing Director of the company.

3. To appoint a director in the place of Smt. M.A. Vedavalli, who retires by rotation and being eligible offers herself for reappointment.

Smt. M.A Vedavalli has been a director of the company since 1992. Her contribution to the company has been substantial.

4. To appoint a director in the place of Sri K.Muneswara Rao, who retires by rotation and being eligible offers himself for reappointment.

Sri K.Muneswara Rao has been a director of the company since 2001. He is a native of Chagallu has good rapport with the cane growers which is an advantage to the company.

THE JEYPORE SUGAR COMPANY LIMITED

5. To appoint as a Director, Sri R.Prabhu, who was appointed as an additional director, and holds such office upto the date of this annual general meeting. The company has received the required notice and deposit pursuant to Section 257(1) of the Companies Act 1956, proposing the appointment of Sri R.Prabhu as a director of the company.

Sri R.Prabhu B.E (Hons), S.M.(MIT), was appointed as an additional director of the company at the meeting of the Board of Directors of the company, held on 10.9.2003, and holds office upto the date of this annual general meeting. Mr. Prabhu is a Mechanical engineer and an Msc., from Massachusetts Institute of Technology, USA. Previously he was a director in the company from 1972 to 1986 and he resigned his post after he became the Minister for Fertiliser & Chemicals in the Government of India and presently a Member of the Parliament (Lok Sabha).

6. To appoint Auditors and fix their remuneration. M/s. Brahmayya & Co, Chartered Accountants, Vijayawada, the retiring auditors are eligible for reappointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification, the following resolution.

"RESOLVED that in accordance with the provisions of Section 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of the Companies Act, 1956 and subject to necessary approvals from the prescribed authorities, approval is hereby accorded to the appointment of Smt. Anita Prabhu as the Executive Director of the Company for a period of 5 years with effect from 30.6.2004 on the following terms and conditions.

- i. SALARY Rs.25,000/- per month i.e Rs.3,00,000/- per annum.
- ii. PERQUISITES
 - a. Housing :
 - i. 60% of the salary, as house rent allowance.
 - ii. The company shall meet the expenses of gas, water and electricity at her residence.
 - iii. The company shall provide assets to furnish the residence occupied by her as appropriate.
 - b. Medical reimbursement: Expenses incurred for the Executive Director and family subject to a ceiling of one month's salary ie: Rs.25,000/- in a year or 3 months salary ie: Rs.75,000/- in a block of 3 years.



- c. Leave Travel Concession : For the Executive Director and her family once in a year incurred in accordance with the rules specified by the company.
- d. Club Fees : Annual subscription fees of clubs subject to a maximum of two clubs.
- e. Personal Accident Insurance : Premium not to exceed Rs.2000/- per annum.
- f. Provident Fund : Company's contribution towards Provident Fund, as per the rules of the company.
- g. Gratuity : Gratuity payable as per the rules of the company, but shall not exceed half a month's salary for each completed year of service.
- h. Leave and Encashment of Leave : Entitlement to leave and encashment of leave will be as per the rules of the company made applicable to her.
- i. Car and Telephone : Provision of car for use on company's business and telephone at the residence, for use on company's business.

iii. COMMISSION

Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 1% of the net profits of the company in a financial year, computed in accordance with the provisions of Sec.349 of the Companies Act, 1956.

iv. MINIMUM REMUNERATION

Where, in any financial year, during the tenure of the Executive Director, the company has no profits or its profits are inadequate, the company will pay her minimum remuneration by way of salary and perquisites as specified above.

Contributions to Provident Fund and Gratuity within the limits specified above and encashment of leave at the end of the tenure will not be included in the computation of overall ceiling on remuneration, and in the minimum remuneration, specified above."

(By Order of the Board)
for THE JEYPORE SUGAR CO.LTD.,
(Sd.) P.R. RAMAKRISHNAN

Chairman

Place : Chennai

Date : 30-06-2004

The Register of Members of the company will be closed from 20th August 2004 to 3rd September, 2004 (both days inclusive) during which period, transfer of shares will not be effected.

THE JEYPORE SUGAR COMPANY LIMITED

NOTE :

- 1 Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member.
- 2 Members are requested to notify their change of address, if any.
- 3 The **Unclaimed Dividend** for the year(s) 1996-97; 1997-98; 1998-99; 1999-2000; 2000-2001; 2001-2002 and 2002-2003 are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are in their own interest advised to write to the Company immediately with complete details.
- 4 M/s.Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai – 600 002 are the Registrars of Share Transfer Agent and Depository Registrars of the Company for physical / electronic shares and all correspondence with regard to transfer of shares etc may be addressed to them directly.
- 5 Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility**. Members holding shares in dematerialised form, may please contact their Depository participants for recording nomination in respect of their shares.

Explanatory statement under section 173 of the companies Act, 1956:**ITEM NO 7:**

Smt.Anita Prabhu aged 48 years, is a graduate in commerce and has been a Director of the Company from 21.08.1997. She has, for the last few years, been an understudy to Smt.Rajeswary Ramakrishnan, Managing Director of the company, under whose guidance and mentoring she has gained adequate working knowledge and insight into corporate affairs, operations and functioning of the factories. Considering her experience and with a view to further strengthen the management of the company, the Board of Directors of the company considers it fit to appoint Smt.Anita Prabhu as Executive Director of the Company.

The Directors, recommend the appointment of Smt.Anita Prabhu as the Executive Director. She is related to Sri.P.R. Ramakrishnan, Chairman; Smt. Rajeswary Ramakrishnan, Managing Director; Dr. SRK Prasad, Director; and Sri R.Prabhu proposed director of the company.

(By Order of the Board)
for THE JEYPORE SUGAR CO.LTD.,
(Sd.) P.R. RAMAKRISHNAN
Chairman

Place : Chennai
Date : 30-06-2004



SIXTY EIGHTH ANNUAL REPORT 2003-2004
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st MARCH 2004

1. Your Directors have pleasure in presenting their report for the year ended 31st March, 2004, together with the Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended on that date.

		Rs.	Rs.
2. PROFIT AND LOSS APPROPRIATIONS	Profit before interest, Depreciation And extraordinary items		29,96,53,308
	Less: Interest	23,27,66,948	
	Depreciation	6,25,54,710	
	Extra ordinary items	<u>18,89,55,244</u>	
			<u>48,42,76,902</u>
	Loss before tax		18,46,23,594
	Add: Reversal of Deferred Tax		<u>6,85,57,585</u>
	Loss after tax		11,60,66,009
	Debenture redemption reserve Withdrawn	5,35,50,000	
	Surplus brought forward from Last year	<u>4,54,30,037</u>	
			<u>9,89,80,037</u>
	Loss taken to Balance Sheet		<u><u>1,70,85,972</u></u>
3. CAPITAL & RESERVES	The Paid up Capital at the end of the year stood at Rs.4,53,45,280/- and Reserves at Rs.15,50,72,458/- as against Rs.4,53,45,280/- and Rs.27,11,38,467/- respectively at the beginning of the year.		
4. FIXED DEPOSITS	As on 31 st March, 2004, there were 54 deposits matured and remaining unclaimed amounting to Rs.43, 40,500/-.		
5. MANAGEMENT DISCUSSION AND ANALYSIS	<p>The Industry</p> <p>India is the largest sugar producing country in the world closely competing with</p>		

THE JEYPORE SUGAR COMPANY LIMITED

Brazil. The Sugar Industry plays a vital role in rural development and provides direct and indirect employment to millions of people in the country.

Byproducts of the sugar mills viz., Molasses and Bagasse are effectively utilised for producing Ethanol and Co-generated power.

Outlook

- a) The Indian Sugar industry has been tightly regulated and controlled for almost the entirety of the past 50 years. Sugar has been declared as an essential commodity under the Essential Commodities Act 1955 and a plethora of legislations and control orders regulate almost every aspect of the industry. Controls have operated in every aspect of the industry viz. creation of new/expanded capacity (licensing), minimum support price for sugarcane, reservation of cane areas, control over the price of sugar and restriction of the sale/movement of sugar.
- b) The crisis in the Indian Sugar Industry worsened since 2001-02 with prices of sugar remaining at abysmally low levels, due to higher sugar production on account of generous price hike announced in favour of the sugarcane farmers by the Governments. With a view to meet the payments to cane growers in a surplus supply situation, many states started obtaining court orders for sale of sugar in excess of releases which led to further drop in the free market prices. In June 2003, Government amended the essential commodities act and imposed stricter controls on the industry. Since the second half of 2003-04, the sugar prices which had plummeted to about Rs.1100/- per quintal started recovering slowly and has improved to satisfactory levels from April-May 2004.

Ethanol

- a) India apart from being the second largest producer (26 million MT) of sugarcane next to Brazil and also having about 4 million hectares of land under sugarcane cultivation, the need to reduce the pollution levels and also enable savings in foreign exchange, it is but appropriate that Ethanol is produced in the Country. After over two decades of prolonged debate and deliberations, the Government of India has issued a Gazette notification dated 3rd September, 2002 that with effect from 1st January, 2003, 5% Ethanol blended petrol will be supplied in Nine States and Four Union Territories. As per the policy announcements, the blending % would be increased to 10% in due course. Research is also underway to blend Ethanol with Diesel which, if made possible, the demand for ethanol would grow by



leaps and bounds as the Commercial transport sector uses only diesel as fuel which is more polluting than even petrol.

- b) In Andhra Pradesh, the requirement of ethanol for 5% blending with petrol is about 400 lakh litres per annum. Consequent to the encouragement given by the State Government, facilities have been set up by the existing distilleries for Ethanol and have already commenced supply of Ethanol to oil companies. The Government of A.P., vide their notification dated 14.05.2003, reduced the Sales Tax from 20% to 4% without G form making it more competitive for the local units to participate in the tenders in competition with others from neighbouring states. We are producing Ethanol at our Distillery in Chagallu.

Co-generation

- a) Co-generation of power in sugar mills is not something new but is as old as the industry itself. However, since late 90s, the State Electricity Boards started announcing attractive schemes for encouraging non conventional energy, which has been announced as a thrust area by the Central Government. Bagasse based co-generation plants have come up in many states.

6. REVIEW OF OPERATIONS

a) VVS SUGARS, CHAGALLU

We expected to crush about 9.5 lakh tonnes of cane during 2004-05 season, when compared to 8.51 lakh tonnes, during the current season.

SUGAR SEASON

Sugar	2003-2004	2002-2003
a) Unit: Chagallu	12.11.2003 to	11.11.2002 to
Duration	19.3.2004	8.5.2003
b) No of days	129	179
c) Cane crushed (Tons)	8,51,372	12,32,830
d) Sugar Produced (Qtls)	9,23,650	13,09,340
e) Recovery (%)	10.83	10.66

THE JEYPORE SUGAR COMPANY LIMITED

FINANCIAL YEAR

1) Duration	01.04.2003 to 08.5.2003 & 12.11.2003 to 19.03.2004	11.11.2002 to 31.3.2003
2) No of days	167	141
3) Cane crushed (Tons)	10,97,702	9,86,500
4) Sugar Produced (Qtls)	11,81,290	10,51,700
5) Recovery (%)	10.83	10.85
6) Turnover (Rs in lakhs)	18,013.01	18,081.33

b) CHAGALLU DISTILLERY

To overcome the old technology of fermentation i.e batch fermentation, continuous fermentation is being implemented with vacuum pressure distillation system for better yield and better quality of Rectified Spirit which is suitable for the manufacture of proper grade of Ethanol (Anhydrous alcohol).

We are expanding the Distillery to 40 KLPD with latest technology along with co-generation by putting new Effluent Treatment Plant, New boiler and new D.G set.

During the financial year 2003-2004, 44.40 lakh lits of Ethanol is supplied to various Oil Companies for doping of petrol.

SAFETY AND POLLUTION CONTROL

100% spent wash, after primary treatment through Bio Digester is used for making Bio Compost, rich in valuable minerals, which is used as organic manure. As such Zero discharge system is implemented as per A.P.C.B norms.

c) CO-GENERATION

The Co-generation project has been successfully commissioned and started export of Power from 11.12.2003. Minor modifications are required for the grate and feeding system which will be carried-out to improve the system further.

d) ELECTRO METALLURGICAL DIVISION

The Ferromanganese plant at Rayagada Orissa, has not been in operation for the last 7 years. Hence, though no revenue accrues from this unit, certain expenditure relating maintaining the plant is being incurred each year resulting in losses. With