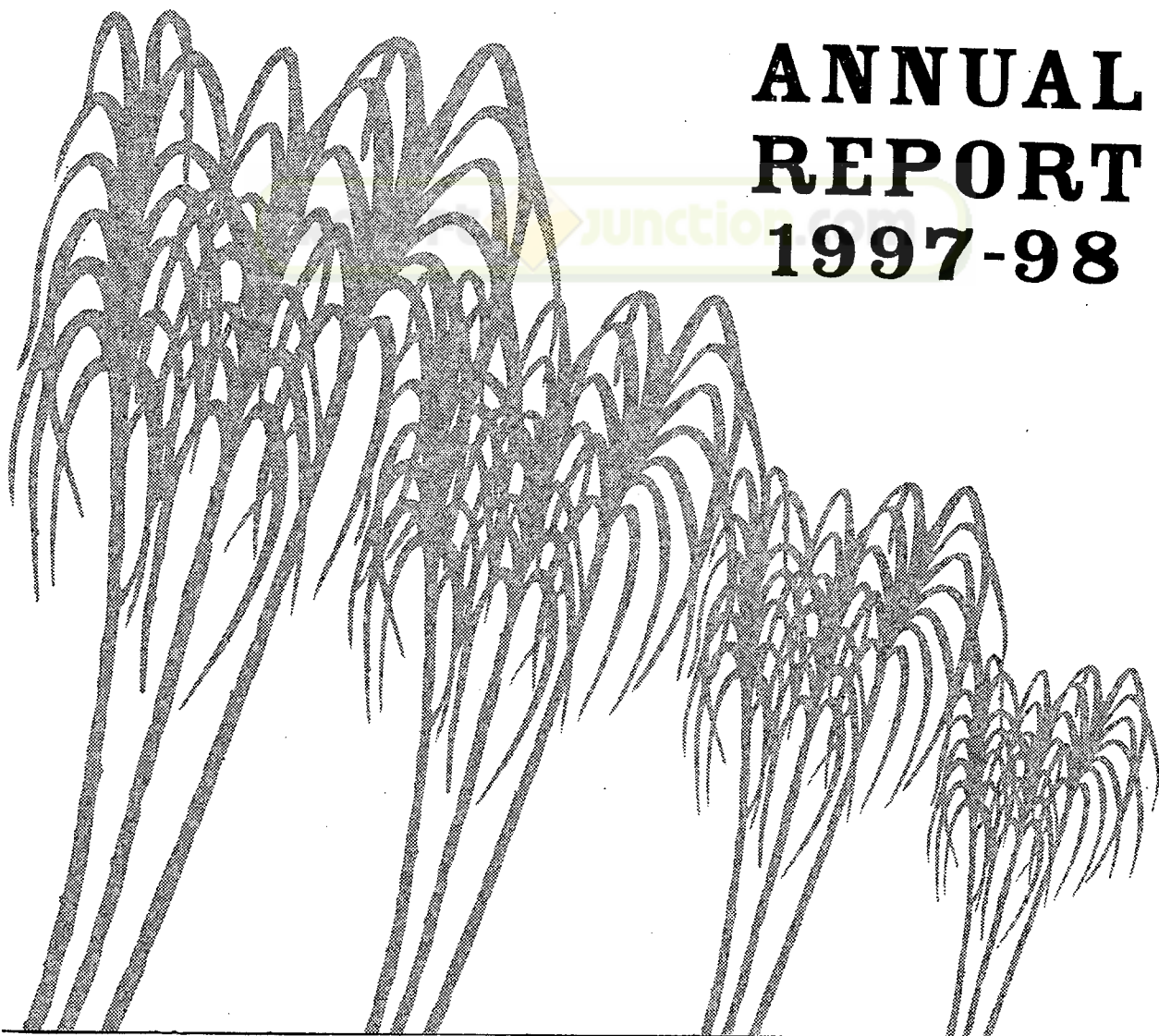


# Riga Sugar Company Ltd.

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓

## ANNUAL REPORT 1997-98



RIGA SUGAR COMPANY LIMITED

### Fifteen Years' Working Highlights

Sugar Season	Duration (Actual Number of crushing days)	Cane Crushed (Lakh Quintals)	Sugar Produced (Lakh Quintals)	Recovery (Percent)
1982-83	191	21.10	1.96	9.31
1983-84	119	14.05	1.42	10.10
1984-85	69	7.50	0.75	10.05
1985-86	132	14.14	1.43	10.15
1986-87	164	19.19	1.84	9.58
1987-88	150	19.06	1.83	9.60
1988-89	144	19.54	1.90	9.74
1989-90	125	21.81	2.05	9.40
1990-91	198	34.68	3.24	9.33
1991-92	232	42.25	3.73	8.83
1992-93	133	25.29	2.44	9.65
1993-94	91	17.18	1.62	9.46
1994-95	176	32.94	3.01	9.12
1995-96	162	35.85	3.34	8.68
1996-97	123	28.07	2.60	9.25
1997-98	101	21.96	2.09	9.51

**NOTICE**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on Monday, the 20th July, 1998 at 2.00 P.M. at the Convention Centre, SCIENCE CITY, JBS Haldane Avenue, Calcutta-700 046 to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1998 and the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March, 1998.
3. To appoint a Director in place of Shri P. L. Dhanuka, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R. V. Tyagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS :**

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

“RESOLVED that Shri Vivek Saraogi, who was appointed by the Board of Directors as Additional Director of the Company and who holds office upto the date of the Eighteenth Annual General meeting, being eligible for appointment and in respect of whom notice in writing under Section 257 of the Companies Act, 1956 has been received by the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

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

“RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 to the execution of Deed of Hypothecation of movable properties of Sugar Unit and Mortgage/Charge created by the Company on all the immovable properties of the Company's Sugar Unit situate at Panchore, Riga, Kusumpur Bakhri, Narha and Gopalpur in the District Sitamarhi, Bihar, both present and future and/or the whole or any part of the Sugar Unit of the Company together with the power to take over the management of the business and concern of the Company in certain events of default in favour of the following, namely :

The Government of India (GOI)

to secure—

Short Term Cane Development Loan of Rs. 50 Lac lent by Government of India (GOI) out of Sugar Development Fund.

And the interest at the respective agreed rates, compound/additional interest and all other monies payable by the Company against the above.”

“RESOLVED FURTHER that Deed of Hypothecation/Mortgage/Charge created and all agreements/documents executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified.”

Registered Office :  
14, Netaji Subhas Road,  
Calcutta-700 001  
Dated : 29th May, 1998

By Order of the Board

SHAIENDRA PRASAD  
(Company Secretary)

**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote on poll instead of himself and the proxy need not be a member of the Company. The enclosed Proxy Form, if intended to be used, should reach the Registered Office of the Company, duly completed, not less than fortyeight hours before the scheduled time of the Meeting.
2. Members and Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the Meeting.
3. The Register of Members and the Register of Transfer will remain closed from 14th July, 1998 to 20th July, 1998 (both days inclusive).
4. Dividend if any declared will be paid to eligible members whose name appears in the Register of Members as on 20th July, 1998.
5. The unpaid/unclaimed amount of dividend declared by the Company for the year ended 31st March, 1995 will be transferred to the General Revenue Account of the Central Government in December, 1998. Members who have not so far encashed their Dividend Warrants for the said year are requested to claim the amount from the Company in accordance with the procedure.
6. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.
7. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at least ten days advance of the Annual General Meeting.
8. Please bring your copy of the Annual Report to the Meeting.
9. Members are requested to notify any change in their address to the Company's Registrars and Share Transfer Agents at the following address :

**AMI Computers (India) Ltd.,  
60A & 60B, Chowringhee Road,  
Calcutta-700 020.**

**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****ITEM NO. 5**

Shri Vivek Saraogi was appointed as Additional Director of the Company on 30th March, 1998. Accordingly Shri Vivek Saraogi is liable to retire at the ensuing Annual General Meeting. The Company has received a Notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the appointment of Shri Vivek Saraogi, as a Director liable to retire by rotation.

Considering his long, varied and valuable experience in Sugar Industry, the Board recommends his appointment as a Director.

None of the Directors except Shri Vivek Saraogi is interested or concerned in the above Resolution.

**ITEM NO. 6**

A Deed of Hypothecation was executed on 4th May, 1998 and an Equitable Mortgage/Charge was created by way of constructive delivery of title deeds on 6th May, 1998 in favour of Government of India through Industrial Finance Corporation of India Limited (IFCI), IFCI acting as agent of Government of India, on the movable properties of the Sugar Unit of the Company and on the immovable properties of the Company's Sugar Unit situate at Panchore, Riga, Kusumpur Bakhri, Narha and Gopalpur in the District of Sitamarhi, Bihar, both present and future, to secure the Short Term Cane Development Loan of Rs. 50 Lac lent by Government of India and as per terms and conditions contained in Letter of Sanction/Loan Agreement. At the time of creation of the aforesaid Charges on the assets of Sugar Unit the Company had not passed resolution Under Section 293(1)(a) under the Companies Act, 1956. Therefore, at the time of

creation of aforesaid charges a Director of the Company had given declaration to Government of India through IFCL to pass the requisite resolution under Section 293(1)(a) of the Companies Act, 1956 at the forthcoming Annual General Meeting.

Section 293(1)(a) of the Companies Act, 1956 provides inter-alia that Board of Directors of a Public Company with the consent of the members of such Company in general meeting can sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking(s) of the Company. Since the Deed of Hypothecation/Mortgage/Charge created in favour of Government of India may be considered disposal of the Company's undertaking(s), the resolution stated in the Notice is proposed for approval of the members.

None of the Directors is interested or concerned in the Resolution.

Registered Office :  
14, Netaji Subhas Road,  
Calcutta-700 001  
Dated : 29th May, 1998

By Order of the Board

SHAIENDRA PRASAD  
(Company Secretary)



**DIRECTORS' REPORT**

TO  
THE SHAREHOLDERS

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended 31st March, 1998 :

**FINANCIAL RESULTS :**

	(Rs. in Lacs)	
	<b>1997-98</b>	<b>1996-97</b>
Turnover	5160.09	3498.52
Operational Profit before Interest and Depreciation		
Interest	880.86	631.82
Depreciation	405.20	444.87
Profit Before Tax	155.60	164.07
Income Tax	320.06	22.88
Profit After Tax	—	0.09
	320.06	22.79

Your Directors recommend Dividend @ 10% on Paid-up Equity Share Capital of the Company, which will absorb Rs. 49.01 Lacs. Rs. 4.91 Lacs will be payable towards Tax on Dividend. After adjustment of Dividend including Tax thereon and of brought forward loss of Rs. 263.81 Lacs, there remains a surplus of Rs. 2.33 Lacs, to be carried forward to next year.

**OPERATIONAL RESULTS :****SUGAR DIVISION :**

The duration of crushing operations during the year was 135 days (previous year 178 days) and cane crushed was 25.01 Lac Quintals with a recovery of 9.52% (previous year cane crushed 33.07 Lac Quintals with a recovery of 8.95%).

**DISTILLERY DIVISION :**

The Distillery Division produced 63.48 Lac B. L. of Industrial Alcohol during the year under review as against 41.73 Lac B. L. during the previous year.

**SUGAR & CANE POLICY :**

The levy-free ratio of sugar remained unchanged at 40 : 60. The Statutory Minimum Cane Price (SMP) for the season 1997-98 was fixed by the Central Government at Rs. 48.45 per Qtl. linked with with a basic recovery of 8.5% against Rs. 45.90 per Qtl. in the season 1996-97. The SMP for your Factory for the season 1997-98 was fixed at Rs. 53.25 per Qtl., but your Factory had paid a higher amount of Rs. 72.50 per Qtl. consisting of SMP and advance against Bhargav Formula (popularly known as 5A).

In our country Sugar and Sugarcane is taxed heavily by the Central Government as well as State Governments whereas in other Sugar producing countries there are no such taxes. The Central and State Governments should reduce the taxes and at the same time, atleast 60 percent of the tax collection should be set aside for improving the infrastructure such as roads, bridges and irrigation. This will help increase in sugar recovery percentage, resulting in lower cost and higher production and will benefit the Cane Growers, Industry, Government and the consumers.

**SUGAR SCENARIO :**

The Sugar Year 1997-98 opened with a stock of 65 Lac Tonnes against 79 Lac Tonnes in previous year. The sugar production during the year is estimated at 126 Lac Tonnes against 129 Lac Tonnes in previous year. The indigenous consumption of sugar is expected to be around 142 Lac Tonnes, leaving a very comfortable stock at 49 Lac Tonnes at the end of the season on 30th September, 1998 which is equivalent to about 4.5 months' consumption.



**SUGAR IMPORTS :**

In spite of comfortable sugar position, 5 Lac Tonnes of Imported Sugar arrived in the country in the season because of the Government's Policies. The Sugar Industry continued pursuing the Government to impose custom duty and Countervailing Duty on Sugar Imports which was allowed Duty Free. The Government has recently imposed 5 percent Customs Duty and Countervailing Duty of Rs. 850/- per Tonne on imported Sugar with effect from 28th April, 1998. The Duties on Sugar Imports levied by the Government fall short of the Industry's demand of 40 percent Duty to match the burden of higher Duties borne by the domestic Sugar Industry. Sugar Import in the European Union attracts high import tariff of around 200 percent, whereas in other Developed Countries like the U. S. A., it is 130%. Among the Asian countries, Sugar Import in Thailand attracts 104% Duty and Bangladesh 200% Duty. Since the Developed as well as the Developing/Under-Developed Countries are providing protection to their Sugar Industry, the demand of domestic Sugar Industry for higher Import Duty on Sugar Imports is justified, most reasonable and deserve due consideration by the Government to protect the interest of the Cane Growers as well as the Industry.

**MAHAJAN COMMITTEE :**

A High Powered Committee on Sugar Industry (Mahajan Committee) was set up by the Government in March, 1997 as per Allahabad High Court's direction in a Writ Petition challenging the power of the State Government to advise Sugar Mills on the Cane price payable to the Cane Growers. The said Committee submitted its final report to the Government recently. Main recommendations made by the Committee are as follows :—

1. Complete decontrol of sugar prices, phasing it over a period of two years.
2. Supply of Sugar through Public Distribution System to be discontinued, when complete decontrol becomes effective.
3. Continuation of Statutory Minimum Cane Price (SMP).
4. Setting up of a Sugarcane Pricing Board for determining Sugar Cane prices on zone basis.
5. No new Licences for Sugar Factories very close to existing ones.
6. Continue the system of Cane area Reservation.
7. Imports to continue under OGL but with higher Import Duty.
8. No new Licence for Khandsari Unit within reserved area of Sugar-Mill and within 25 KMs from the site of a Sugar Mill.
9. Abolition of present system of licensing of Wholesale Dealers in Sugar, existing restrictions on stock-holding limits and period of turnover.

Above recommendations on implementation by the Government will ensure healthy growth of the Sugar Industry.

**TECHNOLOGY UPGRADATION OF SUGAR FACTORY :**

The Sugar Technology Mission (STM) of the Government of India have selected our Sugar Factory for Technology Upgradation and Capacity Optimisation and has forwarded the Project Report envisaging an expenditure of about Rs. 23 Crores to the authorities for consideration.

**DISTILLERY PROSPECTS :**

In the last Annual Budget of the Union Government, the Excise Duty on Molasses was increased from about Rs. 2/- per Quintal to Rs. 50/- per Qt1. The production of Molasses is also low. As a consequence there was steep rise in Molasses prices during the year under review but Alcohol Market though improved, has not picked up correspondingly. The production and sale of Alcohol are expected to pick up further during the next year with improvement in availability of Molasses and further stabilisation of the operations.

**PROJECTIONS VIS-A-VIS ACTUALS :**

The Company achieved sales of Rs. 5160.09 Lacs and PAT of Rs. 302.06 Lacs for the year as compared to the projections of Rs. 4768 Lacs and Rs. 511 Lacs respectively as stated in the Prospectus dated 10th

**RIGA SUGAR COMPANY LIMITED**

June, 1994. The main reasons for the lower profit are :- i) Much depressed sugar prices during the early part of the year; ii) Lower cane availability; iii) High carry-over of stock resulting in higher incidence of interest on working capital.

**FIXED DEPOSITS :**

The Fixed Deposits accepted/renewed earlier have been repaid on due dates. There is no overdue Fixed Deposit or Interest thereon at the end of the year.

**AUDITORS' REPORT :**

The Notes on the Statement of Accounts referred to in the Report of the Auditors have been suitably explained by way of 'Notes on Accounts'.

**COST AUDIT :**

Cost Audit of Accounts of the Company for the year ended 31st March, 1998 is being conducted by M/s. Mani & Co., Cost Accountants, Calcutta, and necessary Report will be submitted to the Department of Company Affairs, Government of India.

**DIRECTORS :**

Shri P. L. Dhanuka and Shri R. V. Thyagarajan, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Shri Vivek Saraogi was appointed as an Additional Director on the Board of the Company with effect from 30th March, 1998 and as such holds office upto the date of the ensuing Annual General Meeting. Notice has been received under Section 257 of the Companies Act, 1956 proposing his candidature to the office of the Director of the Company.

Shri Vinod Singhi, Whole-time Director, has resigned from the services of the Company with effect from 30th October, 1997 and from the Board of Directors with effect from 30th March, 1998. Board of Directors of the Company place on record its appreciation for the service rendered by Shri Vinod Singhi during his tenure in office.

**PERSONNEL :**

The relations between the Personnel and Management were cordial during the year under review. The particulars of employees whose remuneration attract the provisions of Section 217(2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 as amended as on date, are enclosed.

**CONSERVATION OF ENERGY :**

Particulars in respect of conservation of energy, technology absorption and foreign exchange earning and outgo as required under Section 217(1)(e) of The Companies Act, 1956 are given in a separate annexure hereto and forming part of this report.

**AUDITORS :**

M/s. K. N. Gutgutia & Co., Chartered Accountants, Calcutta, Auditors of the Company, retire and being eligible offer themselves for re-appointment.

**APPRECIATION :**

Your Directors express their appreciation for the support and contribution by Cane Growers, Financial Institutions, Bankers, Central and State Government, Suppliers, Customers and the valuable services rendered by the employees at all levels.

Calcutta,  
Dated : 29th May, 1998

For and on behalf of the Board,  
P. L. Dhanuka  
Chairman



Information pursuant to the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1998 :

**A. CONSERVATION OF ENERGY :**

- a) Energy Conservation measures taken :  
Your Company continues to give priority to conservation of energy on an ongoing basis.
- b) Total energy consumption and energy consumption per unit of production – Given separately in form 'A' annexed.

**B. TECHNOLOGY ABSORPTION :**

Research & Development (R & D) :

- a) Specific areas in which R & D carried out by the Company :

**Agriculture Development :**

- 1) Soil Analysis..
- 2) Ferti-Irrigation.
- 3) Biological Control of Cane Crop.
- 4) Heat Treatment Therapy to treat Sugarcane Seeds.
- 5) Pest Control Measures to protect Sugarcane from diseases.
- 6) Multiplication of foundation Cane Seeds by rearing of Nurseries.
- 7) Ratoon Management for Sugarcane crops.

**Manufacturing Process :**

Reduction of Sugar losses in process.

**Utilisation of by-products :**

Manufacture of Bio-Fertilizer by using Pressmud and Distillery Effluents.

- b) Benefits derived as a result of above R & D :
  - 1) By the measures under caption "Agricultural Development" :  
Availability of high yielding disease-free cane to the Cane and higher financial return to the Cane Growers.
  - 2) By the measures under caption "Manufacturing Process" :  
Improvement in production efficiency and reduction in sugar losses.
  - 3) By the measures under caption utilisation of by-products :  
Advent of a biofertiliser beneficial in long run to farmers, factory and environment.
- c) Future Plans of Action :  
Continuous research of better yielding disease-free variety of cane;
- d) Expenditure on R & D :
 

1) Capital	: NIL
2) Recurring	: Rs. 11.00 Lacs approx. per annum.
3) Total	: Rs. 11.00 Lacs approx.
4) Total R & D Expenditure as percentage of total turnover	: 0.21% of total turnover.

Technology absorption, Adaptation and Innovation :

- a) Efforts, in brief, made towards technology absorption, adaptation and innovation :  
The Research & Development Department and Technical Personnel keep themselves abreast of the technical developments and innovations relating to the Company's product and/or products and bring about improvement in operations for better quality and cost effectiveness.
- b) Benefits derived as a result of the above efforts : The modernisation of Plant and smooth working ensured.
- c) Imported Technology : None during the year.