

ANNUAL REPORT 2001-02

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RIGA SUGAR CO. LTD.

RIGA SUGAR COMPANY LIMITED**Annual Report : 2001-2002**

Board of Directors	:	Shri O. P. Dhanuka – Chairman & Managing Director Shri J. M. Tandon Shri R. V. Tyagarajan Shri J. J. Bhagat Shri Vivek Saraogi Shri Alok Agarwal (ICICI Nominee) Shri Pankaj Tibrawalla Shri Rahul Pasari Shri B. P. Ray
Company Secretary	:	Shri S. Prasad
Auditors	:	K. N. Gutgutia & Co. Chartered Accountants Kolkata
Bankers	:	Bank of India Union Bank of India
Registered Office	:	14, Netaji Subhas Road 2nd Floor Kolkata-700 001
Works	:	Dhanuka Gram P. O. Riga Dist. Sitamarhi Bihar-843 327
Registrars	:	AMI Computers (India) Ltd. 60A & 60B, Chowringhee Road Kolkata-700 020
Shares Listed at	:	The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata-700 001 The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400 001

Fifteen Years' Working Highlights

Sugar Season	Duration (Actual Number of crushing days)	Cane Crushed (Lakh Quintals)	Sugar Produced (Lakh Quintals)	Recovery (Percent)
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	169	35.85	3.34	8.68
1996-97	134	28.07	2.60	9.25
1997-98	110	21.96	2.09	9.51
1998-99	114	24.01	2.16	9.00
1999-00	100	31.30	2.82	9.00
2000-01	135	35.52	3.32	9.35
2001-02	125	37.67	3.37	8.95

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on Wednesday, the 21st August, 2002, at 2.30 P.M. at SITARAM SEKSERIA SABHAGAR (Auditorium), Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700 017 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, 2002 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri B. P. Ray, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri J. J. Bhagat, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors 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 Shri Rahul Pasari, who was appointed on the 20th December, 2001 by the Board of Directors as Additional Director of the Company and who holds office upto the date of the ensuing 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 from a member, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

6. 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 other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company, of all the immoveable and moveable properties of the Company wheresoever situated, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and to take possession of the assets of the Company in certain events, to in favour of Bank of India by way of First pari-passu mortgage/charge to secure their Corporate Rupee Loan aggregating Rs. 560 Lacs (Rupees five hundred Sixty Lacs only) lent and advanced by Bank of India together with interest thereon at the respective rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and other monies payable by the Company to Bank of India under the Loan Agreement(s)/Letter of Sanction(s) entered into by the Company in respect of the said Term Loan."

"RESOLVED FURTHER that the act of the Board of Directors of the Company in mortgaging and/or charging of all the immoveable and moveable properties of the Company in favour of Bank of India, be and is hereby approved/ratified."

Registered Office :
14, Netaji Subhas Road
2nd Floor
Kolkata-700 001
Dated : June 29, 2002

By Order of the Board

S. 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. The Register of Members and the Register of Transfer will remain closed from 16th August to 21st August 2002 (both days inclusive).

RIGA SUGAR COMPANY LIMITED

3. 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.
4. Please bring your copy of the Annual Report to the Meeting.
5. The Equity Shares of the Company have come under compulsory dematerialisation and the same have been activated in demat form on both the Depositories i.e. NSDL and CDSL. Members are advised to get their Shares dematerialised. The ISIN No. is INE 909 C01010.
6. Members are hereby informed that Dividend(s) which remain unclaimed/unencashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund of the Central Government. The share holders are advised to send all un-encashed Dividend Warrants for the year ended 1994-95 onwards to the Company for revalidation.
7. Members are requested to notify any change in their address to the Company's Registered Office.
8. Members holding Shares in Physical Form and desirous of making a nomination in respect of their Share Holding in the Company, as permitted under Section 109A of the Companies Act, 1956 are Requested to submit to the Company's Registered Office.
9. Appointment/Re-appointment of Directors :
 Shri B. P. Ray and Shri J. J. Bhagat, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Shri Rahul Pasari was appointed Additional Director of the Company by the Board of Directors and it is proposed to re-appoint him at the Annual General Meeting.
 Pursuant to clause 49 of the listing agreement with the stock Exchanges following information is furnished about the Directors proposed to be appointed/Re-appointed :
 Shri B. P. Ray, 69 years old is an I.A. having over 50 years of experience in the area of marketing. Mr. Ray is also the Director in Hindustan Wire Products Ltd.
 Shri J. J. Bhagat, 54 years old, is B. Sc, ANSI, having 34 years of experience in Sugar Technology. Shri Bhagat is currently the Mission Director of Sugar technology Mission, Technology, information, Forecasting and Assessment council, Department of Science & Technology (Government of India). and Director in Shri Renuka Sugars Ltd.
 Shri Rahul Pasari, 27 years old, is B.Com (Hons). Shri Pasari is presently Director in PDP steels Ltd. Swarn Mayur Bonds & Holding Ltd., Tirupati Niryat Ltd., Lingraj Pipes Pvt. Ltd., Ivest Securities Pvt. Ltd.

ANNEXURE TO THE NOTICE :**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 :****ITEM NO. 5 :**

Shri Rahul Pasari was appointed as Additional Director of the Company on 20th December, 2001. Accordingly he 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 Rahul Pasari as a Director liable to retire by rotation.

The Board recommends his appointment as a Director.

Save and except Shri O. P. Dhanuka, Chairman and Managing Director – relative of Shri Rahul Pasari. none of the other Directors is interested or concerned in the above Resolution.

ITEM NO. 6 :

The Company has been sanctioned Corporate loan aggregating Rs. 560 lacs under the corporate loan scheme from Bank of India to meet part requirement of company's funds towards augmentation of margin money for working capital, acquiring balancing equipment and Prepayment of high cost term loan. The said corporate rupee loan is secured inter-alia by way of first pari-passu mortgage/charge on all the immovable assets of the company in favour of Bank of India.

Under the provision of section 293(1)(a) of the companies Act, 1956 the creation of such mortgage/charge requires approval of the company in the General Meeting by an ordinary resolution. Hence the resolution is proposed.

None of the Directors of the company may be deemed to be concerned or interested in the said resolutions.

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, 2002.

FINANCIAL RESULTS :

		Rs. in Lacs	
		Current Year	Previous Year
(a)	Operating Profit Before Interest and Depreciation	1021.13	878.78
(b)	Interest	751.43	495.81
(c)	Cash Accruals	269.70	382.97
(d)	Depreciation	205.47	209.21
(e)	Profit before Tax	64.23	173.76
(f)	Provision for Tax--		
	Current Tax (MAT)	0.18	10.95
	Deferred Tax	0.60	0.78
(g)	Net Profit after Tax	63.45	162.81
(h)	Balance brought forward from last year	334.62	171.81
(i)	Transfer to General Reserve	149.84	—
(j)	Balance carried to Balance Sheet	248.23	334.62

DIVIDEND :

Considering the conservative scenario in the Sugar Industry, your Directors do not recommend payment of Dividend.

OPERATIONAL RESULTS :**SUGAR DIVISION :**

The comparative figures in regard to duration of season, cane crush and sugar recovery for the seasons/ years 2001-02 and 2000-01 of your Sugar Factory are given below :-

	Financial Year		Sugar Season	
	2001-02	2000-01	2001-02	2000-01
1. Duration of crushing (Gross Days)	145	159	133	148
2. Cane crushed (Lac Qtls.)	40.52	37.45	37.67	35.52
3. Recovery (%)	8.98	9.20	8.95	9.35
4. Production (Lac Qtls.)	3.61	3.46	3.37	3.32

During the calendar year 2001, there was record rainfall of 90 inches against average 56 inches. Particularly during the month of October 2001, when the sugarcane crop was in the process of maturity, there was untimely and unprecedented severe rainfall of 18 inches which had checked sucrose formation and also its growth, resulting in lower Pol % with consequent adverse effect on recovery.

Due to excess production of sugar and high carry over of stock, there has been a glut and the market remained depressed. High carry over of stock by the Company has resulted in higher requirement of working capital finance. As such the interest burden on the Company has gone up by over 50% during the financial year as compared to last year.

SUGAR & CANE POLICY :

- The Government is in the process of removing the controls on Sugar Industry in a phased manner. Further, the Government has revised the levy : free sugar ratio from 15 : 85 to 10 : 90 with effect from March, 2002, a step towards Decontrol. The issue price of Sugar under PDS has also been slightly increased by the Central Government from Rs. 13.25 per Kg. to Rs. 13.50 per Kg.
- The Statutory Minimum Cane Price (SMP) for the season 2001-02 was fixed by the Central Government at Rs. 62.05 per Qtl. linked with a basic recovery of 8.5% against Rs. 59.50 per Qtl. for the previous season 2000-01. The SMP in case of the Sugar Mill of your Company was Rs. 68.62 per Qtl. against Rs. 64.40 per Qtl. in the previous season, but the Bihar Sugar Factories had to pay a price of Rs. 86.00 per Qtl. during the season 2001-02 (consisting of SMP and advance against Clause 5A under 'Bhargav Formula').

- The Levy Sugar price of North Bihar Zone under which your Sugar Factory falls has been revised by the Central Government from Rs. 1165.24 to Rs. 1217.67 per Qtl. However, still the same is much lower than the actual cost of production. The Industry has taken up the matter with the Government and has also taken legal steps by filing Petition before the Hon'ble Patna High Court.
- The Government of India made free-sale release of Sugar for each Sugar Factory on quarterly basis instead of monthly basis from January, 2002 with a stipulation that 50% of the quarterly quota be sold in first half of the quarter and balance 50% in second half of the quarter with the flexibility that additional quota of 10% of the quarterly quota can be sold in the second half of the quarter, provided that realisation from sale of such additional quota is utilised for the cane price payment. Since the quarterly release mechanism caused widespread downward trend in sugar price, from July 2002 the Government reverted to the old practice of monthly release mechanism.
- The Government, on specific request from the Sugar Mills, is allowing 'Advance release of Free Sale Sugar' subject to adjustment and 5% levy obligation to needy Sugar Mills to enable them to clear the cane price payment to the farmers.
- In place of FCI, now the concerned State Food Corporation (SFC) is being allowed to lift the allotted Levy Sugar. However, due to fall in the prices of Free Sugar negligible lifting is being made by SFC against allotted Levy quota. As a result the levy allotment gets lapsed, which further increases the stock level. Now, the Government is in the process of releasing such lapsed levy sugar quota as free sale in the open market, for which details have been sought from individual factory.
- The Licencing Control and restriction on stock limits and movement of food grain including sugar have been removed. Such removal of control on Dealers will extend and enlarge the market for sugar within the country.
- In order to give further boost to export of sugar from the country, the Government of India has enhanced the deferment benefit of adjustment of release of free sale sugar meant for export purpose from 12 months to 18 months.
- The Sugar Factory can undertake export of Raw Sugar in addition to the Mill's White Sugar under the present Import Export Policy.
- The requirement of Registration-cum-Allocation Certificate from APEDA for exporter has been dispensed with.
- A Duty Entitlement Pass Book (DEPB) benefit of 5% on the FOB value of exported sugar was reduced to 4% in the Union Budget for the Financial Year 2002-03.
- The Government has made amendment to the Sugar Development Fund (SDF) Act, 1982 to provide :-
 - i) for making loans to sugar factories for bagasse-based co-generation Power Projects;
 - ii) for making loans to sugar factories for production of Anhydrous Alcohol or Ethanol from Alcohol; and
 - iii) for defraying expenditure on internal transport and freight charges to sugar factories on export shipments of sugar.
- The Government has recently announced detailed rules for 'Internal Transport Subsidy' on export of Sugar. However, major sugar exporting countries are providing Transport Subsidy upto the Port of disembarkment.
- The Government has permitted to blend 5% Ethanol (Anhydrous Alcohol) with Petrol in the country in two phases.
- With a view to achieve stability in sugar prices, go towards globalisation and deregulation, the Government has allowed Forward and Future Trading, which is expected to become operational by the end of this year. It will allow the Traders as well as the Industry to operate in the International Market. However, even under Forward & Future Trading, the existing release mechanism should continue so as to have normal availability of sugar throughout the year.

SUGAR SCENARIO :

The Sugar year 2001-02 opened with a stock of 112 Lac M/T against 100 Lac M/T in previous year. The current year's production is likely to be same as per last year. The domestic consumption is expected to be 165 Lac M/T as against 161 Lac M/T in the previous year. During the sugar season 2000-01, sugar export from the country was 12.44 Lac M/T. However, during current season 2001-02, the export has been very slow, mainly due to delayed announcement of 'Transport Subsidy' Scheme by the Government

of India and depressed international market as till May 2002 only 5.11 Lac M/T of Sugar could be exported from the country. However, the Sugar Industry is optimistic that with the recent announcement of Transport Subsidy by the Government, though belated, will give a boost to Sugar Export.

The Government is adopting the figures of closing stock for 2000-01 at about 104 Lac Tones on the assumption that the entire released stocks till September 2001 would in any case, be lifted.

In spite of the country sitting on a bumper sugar production, the Government has not considered it prudent to create a buffer stock despite repeated representations from the Sugar Industry.

FUTURE PROSPECTS :

With continuous impetus to extensive Cane Development Programmes under the guidance of Vasantdada Sugar Institute coupled with normal monsoon and natural climatic conditions, it is expected that sugarcane available for crushing at your Company's Factory will continue to improve in coming seasons and all out efforts are being made to keep the upward trend in this direction. As regards recovery, two factors play dominant role viz. quality of sugar cane and efficiency of Plant operation. Although quality of sugarcane mainly depends upon agro-climatic conditions, the efforts by the Company in the form of varietal planting, pest control, proper application of fertilizer, timely irrigation etc., for achieving adequate quantity of disease free good quality sugarcane for crushing may improve the recovery percentage in the coming seasons. As regards improved plant efficiency, the company continue to give emphasise on the same by removing the shortcomings noticed in the past by installation of Balancing Equipments, wherever necessary.

The consumption of Sugar in India is on the rising trend. If consumption and exports exceed domestic production in 2002-03, there is possibility that the sugar prices will move in an upward direction for the better.

The rationalisation of high sugar cane prices in India is going to be the most important issue to be dealt with by the Central Government. The Industry has all along been demanding that prices of sugar cane should be linked to actual sugar price realisation by the Mills in free sale market which is also in line with the 'Mahajan Committee' recommendation. The above issue is under consideration of the Commission of Agricultural Cost & Prices (CACP).

The decision of the Government to permit blending of Ethanol with Petrol initially to the extent of 5% is very encouraging step towards establishment of multi-product Sugar Complexes. Following the value addition to Ethanol, the manufacturers will realise better prices, which may ultimately help quite a number of Sugar Factories to improve their financial bottom line. Presently Ethanol is produced from Alcohol and when the Government will permit conversion of Cane Juice to Ethanol, Sugar Factories will possess the capacity to correct an over supply of sugar in the market.

The Sugar Industry has potential to generate 5,000 M.W. of Power from co-generation, which can be harnessed by formulation of pro-active and uniform policy by the Central Government and its implementation with proper co-operation and assistance of the respective State Government.

DISTILLERY DIVISION :

The Distillery Unit of your Company produced 91.34 Lac B.L. of Industrial Alcohol during the year under review against previous year's production of 74.96 Lac B.L.

The Company's efforts for better utilisation of Distillery Effluents have paved way for increased production of Industrial Alcohol during the year. The Distillery effluents are being used for manufacture of 'Bio-Composting Fertilizer' and also distributed to the farmers who spray the same in their fields after diluting with water. The report of the same is very encouraging.

The demand for Industrial Alcohol has also been showing an upward trend in recent past, which has resulted in increased sale of 93.83 Lac B.L. during the year as compared to 71.53 Lac B.L. during previous year. Further, the price of Industrial Alcohol has been more or less steady during the year. The recent announcement by the Central Government to permit upto 5% blending of Ethanol (Anhydrous Alcohol) with Petrol will have positive effect on the demand as well as realisation from sale of Industrial Alcohol throughout the country.

The Company is in the process of setting up an 'Ethanol Plant' for manufacture of Ethanol from Ethyl Alcohol. This will also pave way for increased capacity utilisation of the Distillery.

FIXED DEPOSITS :

The Fixed Deposits accepted/renewed 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, 2002 is being conducted by M/s. Mani & Co., Cost Accountants, Kolkata, and necessary Report will be submitted to the Department of Company Affairs, Government of India well in time.

DIRECTORS :

The Directorship of Mr. J. K. Acharya, Nominee Director of the Industrial Investment Bank of India Ltd., was withdrawn on 12th October, 2001, The Board places on record its appreciation for the valuable advices of Mr. J. K. Acharya during his tenure of Directorship.

Mr. Rahul Pasari was appointed as Additional Director of the Company with effect from 20th December, 2001. He will hold Office till the ensuing Annual General Meeting. Notice has been received from a Member proposing the appointment of Mr. Rahul Pasari as a Director of the Company.

Mr. P. L. Dhanuka has resigned from the Chairmanship as well as Directorship of the Company on personal ground with effect from 28th February, 2002. The Board expresses its sincere appreciation for the excellent contribution made by Shri P. L. Dhanuka towards remarkable growth of company from a Sugar Factory of 800 TCD to presently 3500 TCD and establishment of 50 KLPD Distillery. The Board wishes him goods health and long life.

Consequent to resignation of Mr. P. L. Dhanuka from the Chairmanship of the Company with effect from 28th February 2002, Mr. O. P. Dhanuka, Vice Chairman & Managing Director, was elevated and re-designated as Chairman & Managing Director from the same date.

Mr. B. P. Ray and Mr. J. J. Bhagat, Directors of the company, retire by rotation and being eligible offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, as amended, with respect to the Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in preparation of accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- (ii) That the Directors of the Company have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and of the profit of the Company for the year ended 31st March, 2002;
- (iii) That the Directors of the Company have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors of the Company have prepared the accounts of the Company for the financial year ended 31st March, 2002 on going concern basis.

CORPORATE GOVERNANCE :

As per Listing Agreement with the Stock Exchanges, the provision of Corporate Governance is mandatorily applicable to the Company from the financial year 2002-03 on the basis of Paid-up Capital and Net Worth. Your Company is in the process of implementing the same.

PERSONNEL :

There was no employee of the Company getting remuneration so as to 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.

LISTING OF SHARES :

The Shares of the Company are listed on the Stock Exchange of Kolkata and Mumbai. The Company has been regularly paying the Listing Fees to each Stock Exchanges.