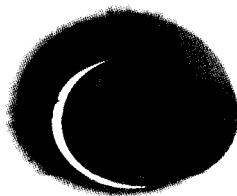
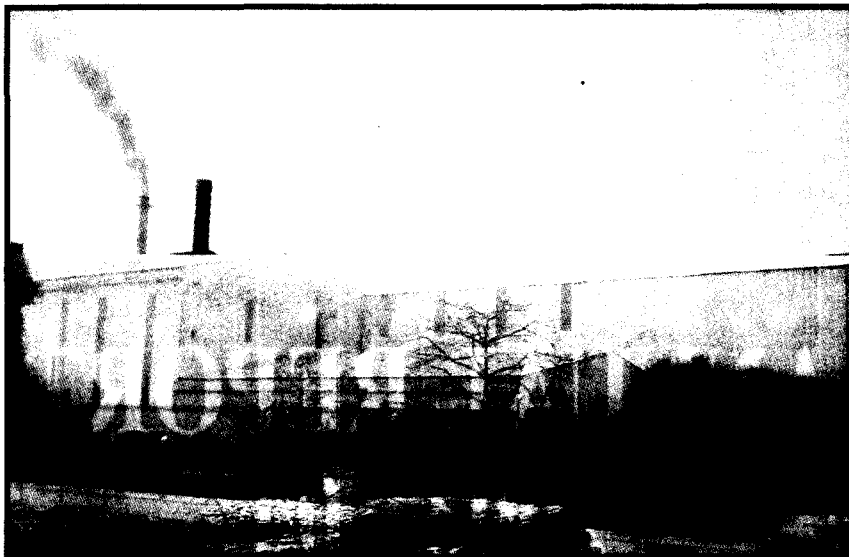


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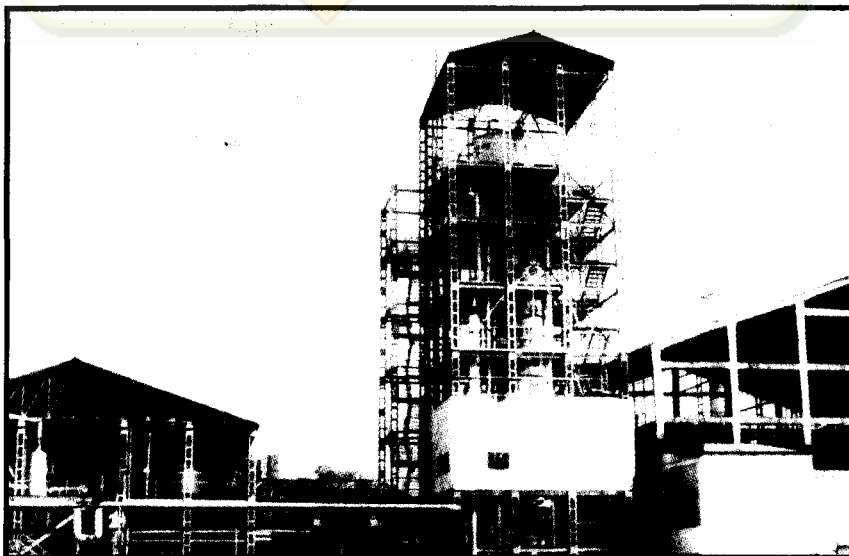
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RIGA SUGAR CO. LTD.



View of Sugar Plant



View of Distillery Plant

RIGA SUGAR COMPANY LIMITED**Annual Report : 2003-2004**

Board of Directors : Shri O. P. Dhanuka – Chairman & Managing Director
Shri J. J. Bhagat
Shri Vivek Saraogi
Shri Alok Agarwal (Nominee ICICI Bank Ltd.)
Shri Pankaj Tibrawalla
Shri Rahul Pasari
Shri S. Borar
Shri S. K. Goenka

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 & Share Transfer Agent : S. K. Computers
34/1A, Sudhir Chatterjee Street
Kolkata-700 006

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

NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on the 18th February, 2005 at 4.30 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 30th September, 2004 and the reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Shri Vivek Saraogi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri J. J. Bhagat, 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 pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sum and sums of money as it may consider fit for the business of the Company notwithstanding that the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say Reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors shall not exceed the sum outstanding at any time Rs. 100 Crores (Rupees one hundred crores)".

7. To consider and if thought fit to pass, with or without modification, the following Resolution as **SPECIAL RESOLUTION** :

"RESOLVED THAT pursuant to Section 269, 309 and 198 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 and subject to such other approvals, if any, as may be required, the consent and approval of the company be and is hereby accorded for revision of remuneration of Mr. O. P. Dhanuka, Managing Director, as mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER that pursuant to section 198 and all other applicable provisions of the companies Act 1956, the remuneration as set out in the enclosed Explanatory Statement be paid as minimum remuneration to Shri O. P. Dhanuka notwithstanding that in any financial year of the Company during his tenure as Managing Director, the Company has made no profits or profits are inadequate".

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of appointment of the appointee including relating to remuneration, as it may, at its discretion, deem fit from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto".

Registered Office :
14, Netaji Subhas Road
2nd Floor
Kolkata-700 001
Dated : 28th December, 2004

By Order of the Board

S. PRASAD
Company Secretary

NOTES :

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
2. 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.
3. The Register of Members and the Register of Transfer will remain closed from 16th February to 18th February 2005 (both days inclusive).
4. The Dividend as recommended by the Board, if approved by the Shareholders, will be payable to those shareholders whose name appear on the Register of Members of the Company as on 18th February, 2005.
5. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of shares as on the closing hours of business on 15.02.2005 as per details furnished by National Securities Depository Ltd. and Central depository Services (India) Ltd. for this purpose.

The said beneficial owners are requested to intimate to their Depository Participants (DP) all changes with respect to their Bank details, mandate, nomination, power of attorney, change of address, change in name etc. These changes will be automatically reflected in company's records, which will help the Company to provide efficient and better service to the members.

6. The Securities and Exchange Board of India has made it mandatory for all Companies to use the Bank Account details furnished by the depositories for depositing Dividend through Electronic Clearing Service (ECS) to investors wherever ECS and Bank details are available. In the absence of ECS facilities the Company will print the Bank Account details, if available, on the payment instrument for distribution of Dividend.
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 in advance of the Annual General Meeting.
8. Please bring your copy of the Annual Report to the Meeting.
9. The Equity Shares of the Company is 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.
10. Members are requested to notify any change in their address to the Company's Registered Office.
11. 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.
12. Appointment/Re-appointment of Directors :

Mr. Vivek Saraogi and Mr. J. J. Bhagat, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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 :

Mr. Vivek Saraogi 38 years old, is presently Managing Director in Balarampur Chini Mills Ltd. and Director in Dwarikesh Sugar Industries Ltd. and Indian Sugar Exim Corporation Ltd.

Mr. J. J. Bhagat 57 years old, is presently Mission Director of Sugar Technology Mission, Dept. of Science & Tech, Government of India and Director of M/s. Renuka Sugar Ltd.

ANNEXURE TO THE NOTICE :**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 :****ITEM NO. 6 :**

Section 293(1)(d) of the Companies Act, 1956 requires that the Directors of the Company Should obtain the consent of the Shareholders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with the amount already borrowed by the Company will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes.

The Shareholders are aware that at the Annual General Meeting held on 30th August, 1994, an Ordinary Resolution was passed authorising the Board of Directors of the Company to borrow from time to time for the purpose of carrying out the business of the Company, subject to the condition that money, so borrowed shall not exceed Rs. 50 Crores (Rupees fifty crores only) apart from temporary loan from Company's Bankers in the ordinary course of business. In view of the increase in the volume of business and taking into account the requirement of additional funds, your Directors feel that they should obtain consent from the Shareholders to borrow more funds. Accordingly, they have

RIGA SUGAR COMPANY LIMITED

thought it desirable to obtain the consent from the Shareholders pursuant to Section 293(1)(d) of the Companies Act, 1956 to the increase in the limit of borrowing powers of the Board of Directors from Rs. 50 crores to Rs. 100 crores apart from temporary loan from Company's Bankers in the ordinary course of business, as is now proposed under the Ordinary Resolution and to give the necessary powers to Board of Directors as required under section 293(1)(d) of the Companies Act, 1956 with reference to such enhanced limit.

The Directors recommend the approval of the Shareholders thereto.

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

ITEM NO. 7 :

The remuneration and perquisites of Mr. O. P. Dhanuka, Managing Director of the Company, was fixed at the time of his last re-appointment for a further period of 5 years with effect from 1st March, 2004.

The Remuneration Committee of the Company at its Meeting held on 28th December, 2004, decided to revise the allowance and perquisites of Mr. O. P. Dhanuka with effect from 1st January, 2005 as enumerated below. The Board of Directors of the Company approved the same at their Meeting held on 28th December, 2004.

The remuneration and perquisites shall be :

- | | |
|------------------------------------|--|
| (a) Salary | Rs. 50,000/-p.m. (Rupees fifty thousand only) with Annual increment of Rs. 5,000 p.m. from 1st March every year. |
| (b) Allowance and :
Perquisites | <ol style="list-style-type: none"> 1. Furnished Accommodation / House Rent Allowance upto 50% of the salary. 2. Free Gas, Electricity and water supply 3. Actual medical expenses incurred for self and family members shall be reimbursed, subject to the ceiling of one month's salary in a year or 3 months salary over a period of 3 years. 4. Leave travel concession for self and family once in a year in accordance with the Rules of the Company. 5. Fees of Clubs, subject to a maximum of two Clubs, but excluding admission and/or Life Membership Fee. 6. Payment towards Personal Insurance Policies, subject to an annual premium of Rs. 4,00,000/. 7. Contribution towards Provident Fund, Pension and/or Superannuation Funds as per Rules of the Company. However, the above will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. 8. Gratuity not exceeding half month's salary for each completed year of service, subject to the ceiling as prescribed under the payment of Gratuity Act, 1972 as amended from time to time. 9. Chauffeur driven car for Company's business. 10. Free Telephone at residence excluding personal long distance calls. 11. Actual and properly incurred entertainment expenses in the course of business shall be reimbursed 12. Leave Encashment on expiry of service as per Rules of the Company. |

In the event of absence or inadequacy of profit in any Financial year, he will be paid salary and Perquisites not exceeding the limit specified under Section II and III of part-II of Schedule XIII of the Companies Act, 1956.

Except Mr. O. P. Dhanuka and Mr. Pankaj Tibrawalla relatives of Mr. O. P. Dhanuka, no other Directors of the Company are concerned or interested in the aforesaid Resolution.

The Explanatory Statement together with Resolution under Item No. 7 accompanying the Notice should be treated as abstract under Section 302 of the Companies Act, 1956.

The revised Appointment letter is available for inspection at the Registered office of the company on any working day during working hours.

Registered Office :
14, Netaji Subhas Road
2nd Floor
Kolkata-700 001
Dated : 28th December, 2004

By Order of the Board

S. PRASAD
Company Secretary

DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting their Report and audited Accounts of the Company for the financial year ended 30th September, 2004.

FINANCIAL & OPERATIONAL RESULTS**FINANCIAL RESULTS**

	(Rs. in Lacs)	
	For the Financial Year ended 30th September, 2004	For the 18 months period ended 30th September, 2003
(a) Operating Profit Before Interest and Depreciation	1270.41	1082.62
(b) Interest	665.39	1075.42
(c) Cash Accruals	605.02	7.20
(d) Depreciation	372.25	524.74
(e) Profit (Loss) before Tax	232.77	(517.54)
(f) Provision for Tax – Current Tax (MAT)	(12.35)	(1.99)
– Deferred Tax	(17.50)	353.44
(f) Net Profit after Tax	202.92	(166.09)
(g) Balance brought forward from last year	82.14	248.23
	<u>285.06</u>	<u>82.14</u>
Appropriations :		
(a) Transfer to General Reserve	10.00	Nil
(b) Proposed Dividend on Equity Shares	54.35	Nil
(c) Corporate Tax on Proposed Dividend	7.10	Nil
(d) Balance Carried to Balance Sheet	213.61	82.14
	<u>285.06</u>	<u>82.14</u>

DIVIDEND :

Your Directors recommend payment of dividend @ 11 percent on equity share capital i.e. Rs. 1.10 per share.

OPERATIONAL RESULTS :**SUGAR UNIT :**

The comparative figures in regard to duration of season, cane crush and sugar recovery for the year/season 2003-04 and 18 months period of 2002-03 in respect of the Sugar Factory of your company are given below:-

	Financial Year ended 30 th September, 2004	18 months period ended 30 th September, 2003
1. Duration of crushing (gross days)	119	144
2. Cane crushed (Lac Qtls.)	35.30	41.24
3. Recovery (%)	9.16	8.95
4. Production (Lac Qtls.)	3.26	3.77

Due to record rainfall experienced in North Bihar during the month of July, 2004 coupled with excessive release of water by the Nepal Government without notice in Gandak and Bagmati rivers, the entire region, including the Sugar Factory of your Company had been under clutches of a devastating flood. The said flood not only damaged roads, bridges, culverts, sugarcane crops and houses but also took life of human

RIGA SUGAR COMPANY LIMITED

beings and animals. The area remained cut-off from all modes of communication for several weeks and army had to be deployed at several places to provide relief and rehabilitation assistance to the marooned people. The flood water washed away stretches in between Muzzafarpur and Sitamarhi on NH-77- the lifeline of the region - at several places and vehicular traffic remained totally disrupted for more than 4 months. The flood in North Bihar has become more or less an yearly phenomenon during rainy season when the Sugar Factory remains totally snapped from the outside world for about 3 months. This in turn adversely affected the working of the factory as movement of raw materials, finished goods, machinery, stores and spare parts and people were disrupted. The company has been running from post to pillar to draw the attention of various State as well as Central Government authorities about the plight of National Highway 77. However, inspite of our repeated pleas to all concerned, no concrete measures have been taken as yet to solve the problems and millions of people are suffering year after year.

Till April 2004, the sugar industry was entangled in a complex web of problems of high stocks, low prices, poor profitability, mounting cane price arrears, financial crunch, and weak international competitive edge.

During the first half of the financial year the sugar price remained sluggish as have been prevailing since over 2 years and even the sugar prices touched its lowest in past 7 years. It was only after the final estimate of production was made which show sharp decline in production by one third in comparison to last year mainly due to failure of crops in Maharastra, Karnataka, Tamilnadu and other states the sugar prices started showing upward trend from 2nd half of the financial year under consideration. The prices, somehow, have recovered to its earlier reasonable level and are ruling steadily.

DISTILLERY UNIT

The Distillery Unit of your company produced 80.86 lacs B.L. of Industrial Alcohol during the financial year 2003-04 as against 105.19 Lac B.L. during previous 18 months period.

Due to floods in and around the factory area, the company had to face serious problems in running Distillery Unit. The company could neither procure the main raw material viz. Molasses nor despatch finished product viz. Industrial Alcohol for quite couple of months. Thus the Company had left with no other alternative than to shut down its Distillery Plant for a considerable period, which in turn had adverse effect on production, productivity, sales and overall working of the Distillery Unit.

The lower production and sales have resulted in reduced profit in the Distillery Unit. The condition of National Highway adjoining the factory have deteriorated since last 5-6 years. As a result of which the Company has been incurring excess expenditure on transportation of goods to and from its manufacturing units.

INDUSTRY STRUCTURE

Sugar Industry is seasonal in nature. India is the largest consumer and second largest producer of sugar in the world, contributing over 15 percent of the world's sugar production through over 450 sugar factories situated in different parts of the country. The sugar industry is amongst the largest agro-processing industries in India. The sugar industry is cyclical in nature and directly dependent on monsoons for availability of adequate sugar cane for production. This industry also provides valuable by-products like bagasse, molasses and press mud. The availability of these by-products had led to setting up of Alcohol/Ethanol/co-generation of power and organic manure. Over 4 Crore farmers and their families besides large mass of agricultural labour are involved in sugarcane cultivation and its harvesting operation. The Industry thus caters to over 7.5% of our rural population. It enjoys an annual turnover of Rs. 30,000 Crore and contribute about Rs. 2000 Crore to the Government Exchequer every year by way of Taxes and Duties. Sugar Industry accelerates rural development through farm employment as well as business opportunities in transport and communication.

The Indian Sugar Industry has been regulated and controlled in almost all aspects for the past 50 years. Sugar has been declared as an 'essential commodity' under the Essential Commodities Act, 1955 and a plethora of legislation and control/orders regulate almost every aspect of the industry. Controls have been in operation at every stage, viz, minimum support price for sugarcane, reservation of cane areas, pricing and sale of sugar etc.

Under Sugarcane (Control) Order 1966, the Government of India fixes the Statutory Minimum Price (SMP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices. The Government of India has also been following a dual pricing policy for sugar, where 10% is "levy sugar" for distribution to consumers through Fair Price shops under Public Distribution System. The

rest of the sugar, referred to as free sale sugar, though allowed to be sold in the open market, is regulated through a release mechanism, whereby the Government determines the quantum of sugar that can be released and sold in the open market every month.

CANE & SUGAR POLICY

- The ratio of levy and free sale sugar remained unchanged at 10:90.
- The Statutory Minimum Cane Price (SMP) for the season 2003-04 was fixed by the Central Government at Rs.73.00 per Qtl. linked with basic recovery of 8.5% against Rs.69.50 per qtl. for the previous season 2002-03 thereby hike of Rs. 3.50 per qtl. In the case of the sugar factory of your Company, the SMP was fixed at Rs. 78.95 per Qtl. as against Rs. 73.60 per Qtl. for the season 2002-03.
- The price of levy sugar for the season 2003-04 has been fixed at Rs. 1409.30 per Qtl. against Rs.1279.33 per Qtl. in previous season.
- The Government has extended the period of Buffer Stock of 20 Lacs MT of sugar created on 18th December, 2002 for another period of one year upto 17th December, 2004.
- The Government has withdrawn the facility to exporting sugar factories of deferment of adjustment of the quantity exported in their free sale stock after a period of 18 months with effect from 21.6.2004 and simultaneously also withdrawn exemption from Levy obligation on sugar exported in respect of release order issued after 21.6.2004 and discontinued defraying of expenditure on internal transport and freight on export of sugar after 20.6.2004.
- The Government has removed the prior import condition in the Advance License for import of Raw Sugar.
- The Sugar Development Fund Rules, 1983 have been amended so as to provide loan to sugar factory for setting up of ethanol plant.
- Future trading in commodities including sugar has been started by NCDEX.
- The Government has amended Sugar Development Fund (SDF) Rules, 1983 and decided that the interest will now be charged at uniform rate of 2% below the bank rate for all the SDF loans. The present bank rate as notified by RBI is 6%. Prior to this the rate of interest was prevailing at 6% to 9%. On Industry representation the Government decided to apply the same rate also for existing loan outstanding.

Cane Price Policy for season 2004-05

The Central Government have issued press note on 11.11.2004 regarding sugarcane price for the season 2004-05 as follows:

- Statutory Minimum Cane price of sugarcane has been fixed at Rs. 74.50 per Qtls. Linked to basic recovery of 8.5% subject to premium of Rs. 0.88 for every 0.1 percent point increases in the recovery above the level for sugar season 2004-05.
- The factorywise SMP of sugarcane will be fixed by taking into account the whole season recovery rate of sugar factory w.e.f. 2004-05.
- The rounding off the fraction of recovery rate will be done as per statistical practice upto one decimal place w.e.f. 2004-05.
- The present practice of allowing proportionate increase in cane price on recoveries higher than base recovery will be continued.
- The present system of fixing single SMP for sugarcane linked to recovery rate for the entire country will be continued.
- It is further added that the base recovery rate will be raised from 8.5% to 9% i.e. by 0.5% w.e.f. from 2005-06.

INDUSTRY OVERVIEW

2003-04

The sugar year 2003-04 opened with a stock of 116 lac M/T against 113 lac M/T in previous year. The production for the season 2003-04 was estimated at 138 lac M/T as against all time high of 201 lac MT during previous season. The domestic consumption of sugar for 2003-04 is estimated at 175 lac M/T. The

RIGA SUGAR COMPANY LIMITED

total import including raw sugar was 8 lac MT. The export of sugar was 3 lac MT against 15 lac MT in previous year. The closing stock is expected at 84 lac MT which is equivalent to about 5.5 months of Domestic consumption.

2004-05

The production for the season 2004-05 is estimated at 120 lac M/T. The domestic consumption of sugar for 2004-05 is estimated at 175 lac M/T. The total import of raw sugar is estimated at 15 lac MT with export of 3 lac MT. The closing stock is expected at 44 lac MT as on 30.09.2005.

As per initial report the cane plantation for the season 2005-06 in Maharastra and adjoining major states is very goods and thus production is likely to increase in next season, as such there is nothing to panic at the moment.

OPPORTUNITIES AND THREATS

After bumper production recorded since past few years, there was sharp decline during two successive years of 2003-04 & 2004-05 whereas the demand increases at usual pace which helped to liquidate the carry over stock at reasonable level.

Inadequate cane availability have also a direct bearing on downstream activities like Alcohol, Ethanol, production and Co-generation. Hence for betterment of Industry normal monsoon is essential.

The Import of Raw Sugar under Advance licence have given the Industry added flexibility wherein the factory can increase capacity utilization, extend the season during scarcity of cane and thus cost of production can be minimized and value addition will be made. However due to sharp increase in shipping freight and firming of international market the raw sugar import have suffered a little bit.

The export obligation on imported raw sugar against advance license should be waived for next couple of years to maintain adequate supply.

SEGMENT-WISE PERFORMANCE :

In 2003-04, sugar contributed 83 percent of total turnover of the company whereas Industrial Alcohol accounted for 17 percent. The company identified two business segments in line with the Accounting Standard on Segment Reporting. Segment-wise Revenue, Results and Capital Employed is stated in Note No.14 of Schedule 15 of Audited Accounts enclosed with the Annual Report.

FUTURE PROSPECTS/OUTLOOK

Owing to lower production and consequent liquidation of unprecedented glut of inventory the stock level reduced to normal and desired level and thus sugar price revived in the last half of the financial year 2003-04 and expectation remains bullish in 2004-05. A positive scenario for sugar industry is likely to sustain over coming years.

Following the decline in production of sugar, Alcohol price increased which is expected to benefit the company in coming years.

The S.K. Tuteja Committee for revitalization of the sugar industry

The S.K. Tuteja Committee for revitalization of the sugar industry set-up by Central Government submitted its report on Revitalization of the Sugar Industry in December 2004. The major recommendations of the Committee are as follows:

1. No change suggested in fixation of SMP.
2. Decontrol of sugar with suspension of release mechanism from October 2005 and 10% of production as levy to continue.
3. The minimum radial distance between an existing sugar factory and new factory may be 25 km. in place of the present 15 km.
4. A scheme to the one available for integrated textile units should be sanctioned for the sugar sector for reducing their debt service burden.
5. All eligible cases for restructuring in the sugar industry may be taken under CDR scheme. The present minimum principal exposure of Rs.20 crores may be brought down to Rs.10 crores.
6. Rate of interest on future and existing loans from SDF may be pegged at 2 percentage points below the prevailing bank rate.