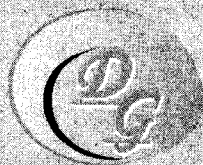
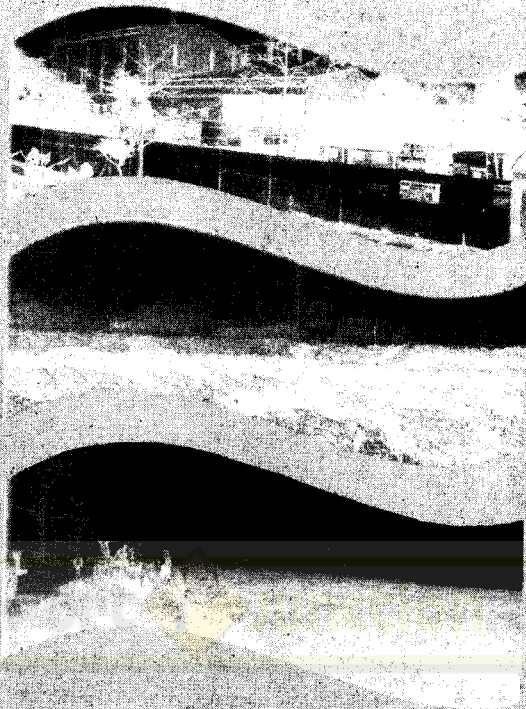


ANNUAL REPORT 2004-05



**Riga Sugar
Company Limited**

RIGA SUGAR COMPANY LIMITED**Annual Report : 2004-2005**

Board of Directors : Shri O. P. Dhanuka – Chairman & Managing Director
Shri J. J. Bhagat
Shri Alok Agarwal (Nominee ICICI Bank Ltd.)
Smt. Meera Dhanuka
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 Twentyfifth Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on Tuesday, the 21st February, 2006 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, 2005 and the reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. Rahul Pasari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj Tibrawalla, 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 Mrs. Meera Dhanuka, who was appointed on 30th April, 2005 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”.

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

“RESOLVED that 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 immovable and movable 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 Term Loan aggregating Rs. 480 Lacs (Rupees four hundred eighty Lacs) 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 in respect of the said Term Loan and in favour of Union Bank of India by way of First pari-passu charge on fixed assets to secure their Term Loan aggregating Rs. 485 Lacs (Rs. 250 Lacs + Rs. 235 Lacs) lent and advanced by Union Bank of India together with interest thereon at the respective rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, cost, charges, expenses and other monies payable by the company to Union 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 immovable and movable properties of the Company in favour of Bank of India and Union Bank of India, be and is hereby approved/ratified".

Registered Office :
14, Netaji Subhas Road
2nd Floor
Kolkata-700 001
Dated : 28th December, 2005

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 in 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 21st February 2006 (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 21st February, 2006.
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 15.02.2006 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. Rahul Pasari and Mr. Pankaj Tibrawalla, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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, 2005.

FINANCIAL & OPERATIONAL RESULTS

FINANCIAL RESULTS

(Rs. in Lacs)

	For the Financial Year ended 30th September, 2005	For the Financial Year ended 30th September, 2004
(a) Operating Profit before Interest and Depreciation	1334.37	1270.41
(b) Interest	633.13	665.39
(c) Cash Accruals	701.24	605.02
(d) Depreciation	379.46	372.25
(e) Profit before Tax	321.78	232.77
(f) Provision for Tax	—	—
— Current Tax (MAT)	(25.52)	(12.35)
— Deferred Tax	(47.20)	(17.50)
— Fringe Benefit Tax	(2.00)	—
— Tax of earlier years	(0.18)	—
(f) Net Profit after Tax	246.87	202.92
(g) Balance brought forward from last year	213.61	82.14
	<u>460.48</u>	<u>285.06</u>
Appropriations :		
(a) Transfer to General Reserve	20.00	10.00
(b) Proposed Dividend on Equity Shares	61.77	54.35
(c) Corporate Tax on Proposed Dividend	8.66	7.10
(d) Balance Carried to Balance Sheet	370.05	213.61
	<u>460.48</u>	<u>285.06</u>

DIVIDEND :

Keeping in mind future expansion and diversification plan your Directors recommend payment of dividend @ 12.5 percent on equity share capital i.e. Rs. 1.25 per share.

OPERATIONAL RESULTS :

SUGAR UNIT :

The comparative figures in regard to duration of season, cane crush and sugar recovery for the year/season 2004-05 and 2003-04 in respect of the Sugar Factory of your Company are given below :-

	Financial Year ended 30th September, 2005	Financial Year ended 30th September, 2004
1. Duration of crushing (gross days)	93	119
2. Cane crushed (Lac Qtls.)	28.75	35.30
3. Recovery (%)	9.35	9.16
4. Production (Lac Qtls.) — From Sugarcane	2.69	3.26
— From Raw Sugar	0.56	—
5. Total Production	3.25	3.26

RIGA SUGAR COMPANY LIMITED

Due to last years devastating flood there was widespread damage to the crops and as such company could get 19% lower cane in 04-05 season in comparison to previous year. However to compensate lower cane availability company imported raw sugar of 7000 MT under advance licence and processes it during the season. The company will have to export white sugar against said advance licence within 24 months of import.

Due to 2 years of lower production of sugar in India in season 03-04 & 04-05 the excess carry over of stock wiped out and there was balance in production and demand, which resulted in steady price of sugar during the year under review and thus realization improved.

During July-September, 2005 due to intermittent closure of NH-77 - the main lifeline road for transportation of goods by the company - because of release of excess water by Nepal without prior information the company could not dispatch its finished goods and thus sales of the company affected. The flood in North Bihar has become more or less a yearly phenomenon during rainy season when the Sugar Factory remains totally snapped from the outside world for about 3 months. This in turn adversely affect the working of the factory as movement of raw materials, finished goods, machinery, stores and spare parts and people remains disrupted. Of late Central and State Government have realized the seriousness of the situation and deliberation is on highest level for long term solution of the problem.

DISTILLERY UNIT

The Distillery Unit of your company produced 49.10 lacs B.L. of Industrial Alcohol during the financial year 04-05 as against 80.86 Lac B.L. during previous year.

During the year 04-05 Distillery was closed for 3 continuous months from mid June to mid September, 2005 to achieve new pollution control norms for Zero discharge as prescribed by CPCB. For the year as whole also the Distillery could run for only 127 days against previous year's 226 days. Consequently in Distillery operating profit before interest reduced down to Rs. 34.94 Lacs against Rs. 202.87 lacs in previous year. In 10 years history of Distillery it has recorded lowest annual production and worst financial result in the financial year 04-05.

To achieve new norms of zero discharge following measures has been taken :

- (a) The company has given order for installation of membrane filtrate System for treatment of distillery effluent.
- (b) The company have increased the capacity of Bio-Composting which use distillery effluent which would not only result into zero discharge but also produce bio-fertiliser whose marketing is on increasing trend.
- (c) The company have tied-up with Rajendra Agriculture University, Pusa for one time controlled application of effluent on land.

With aforesaid measures company will achieve all the new norms of CPCB and full capacity utilization and thus will increase production which will also be used for production of proposed ethanol.

INDUSTRY STRUCTURE

Sugar Industry is seasonal in nature and directly dependent on monsoons for availability of adequate sugar cane for production. 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 second largest agro based industry in India. 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 growth of sugar industry has a powerful impact on the rural economy. It enjoys annual turnover of Rs. 30,000 Crore and contribute about Rs. 2300 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 swings in production of sugar have been not only caused by the uncertainty of the climate but also the price of sugar cane and its timely payment to the farmers, which in turn is determined by the extent of sugar surplus or deficit and consequent sugar realizations. As such there should be balance between price of sugarcane and realization from sugar sales.

Sugar has been declared as an 'essential commodity' under the Essential Commodities Act, 1955. 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. This is done by Government to maintain balance in sugar viability in the country through out the year at reasonable level at fair market price to the consumer as the sugar is made in season during 4-5 months but consumed throughout the year.

The government procure levy sugar at price well below those prevailing in the open market. Moreover the sizable quantity of levy sugar lifted by state government nominee is diverted at higher prices. As such Industry demand that government should directly procure sugar from open market and sell to the BPL consumers as it is their responsibility and the industry should not be compelled to extend subsidy.

Movement and distribution of Molasses and Alcohol (co-products) are governed by the State Governments.

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 2004-05 was fixed by the Central Government at Rs.74.50 per Qtl. linked with basic recovery of 8.5% against Rs.73.00 per qtl. for the previous season 2003-04 thereby hike of Rs. 1.50 per qtl. In the case of the sugar factory of your Company, the SMP was fixed at Rs. 80.66 per Qtl. as against Rs. 78.95 per Qtl. for the season 2003-04. However your company paid cane price of Rs. 95 to encourage farmers for increased supply of sugarcane.
- The price of levy sugar for the season 2004-05 has been fixed at Rs. 1409.30 per Qtl. which was repeat of previous season.
- The Buffer Stock of 20 Lacs MT of sugar expired on 17th December, 2004 and the Government did not renew the buffer stock provision thereafter.
- The Government have reduced the rate of interest on outstanding SDF loan at 2% below the Bank Rate with effect from 21.10.2004.

● Raw Sugar Import :

To address the sugar deficit during the 2003-04 and 2004-05 seasons, the Government of India permitted sugar mills to import Raw Sugar under the Advance Licence Scheme and sell the converted White Sugar in the domestic market with the re-export obligation to be fulfilled over 24 months from the date of import and without being reckoned on a grain to grain basis. This decision has enabled sugar mills to put capacity which would otherwise have been idle due to lower availability of cane, to use and partly recover their fixed costs and at the same time bridging the deficit and avoiding entirely the import of White Sugar.

● Restructuring of Loan & reduction of Interest rate :

The Finance Minister, in his budget speech of 2005, has announced a package for the revitalization of the sugar industry after taking into account the recommendations of the Tuteja Committee. The measures announced include the following :

- Sugar factories that were operational during the 2002-03 sugar season would be assisted to restructure. NABARD, in consultation with the State Governments. RBI, Banks and financial institutions would work out a scheme for providing a financial package with a moratorium of two years, on both principal and interest, and a schedule of payment having regard to the commercial viability of each unit.

- The rate of interest on loans from the Sugar Development Fund to be reduced to 2% points below the Bank rate and the rate made applicable to all SDF loans outstanding as on October 21, 2004.
- Indian Bank's Association (IBA) and NABARD would be worked out a scheme under which individual sugar factories may renegotiate the rate of interest on their past high interest loans.

The restructuring package announced by the Finance Minister has since been made applicable only in respect of co-operative sugar mills and sugar mills in the private sector have been left to fend for themselves. However, the industry association (ISMA) is still pursuing the cause of private sector mills with the Government.

The Finance Minister, took the industry by surprise, by doubling the Excise Duty on Molasses to Rs. 1000 per MT which was about 100% advalorem. However on the representation of the industry, the Excise Duty was subsequently reduced to Rs. 750 per MT which is still very high at 75% advalorem which is against the declared policy of the government to bring the excise duty at uniform rate of 16%.

INDUSTRY OVERVIEW

The sugar year 2004-05 opened with a stock of 85 lac M/T against 116 lac M/T in previous year. The production for the season 2004-05 was estimated at 127 lac M/T as against 140 lac MT during previous season. The domestic consumption of sugar for 2004-05 is estimated at 185 lac M/T. The total import including raw sugar was 20 lac MT. The export of sugar was negligible against 2 lac MT in previous year. The closing stock is expected at 47 lac MT which is equivalent to about 3 months of Domestic consumption.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

Sugar

The steep increase in cane prices paid to the farmers is expected to result in vastly improved cane availability and higher capacity utilization at the Company's factories as compared to the past several years.

Alcohol

Spiraling crude prices and the Central Government's renewed resolve to make the Ethanol Blending Programme a success will give the Distillery operations a boost.

Bio-Compost Fertiliser

The bio-compost and vermi-compost fertilizer being produced by the company have got immense scope of demand in all major agriculture cultivation as it not only preserve the soil from excessive use of chemical fertilizer but also increase its fertility. The company is using distillery effluent and press mud from sugar and other agricultural waste to produce bio-compost which is very cost efficient. Thus the company apart from treatment of effluent and zero discharge adding value and thus expect good cash flow in near future.

Bio-Diesel

The company is carrying out R&D on plantation of bio-diesel plant namely Jatropa around the factory area whose climatic condition is favourable. The bio-fuel have immense potential as renewal source of energy.

THREATS

Sugar

The present policy of fixing Statutory Minimum Price for sugarcane without regard to economic realities could affect the cash flows and squeeze the profit margin, once demand - supply equilibrium is restored. Unless a rational sugarcane pricing policy is evolved, the long-term outlook for the industry would continue to be under threat.

SEGMENT-WISE PERFORMANCE :

In 2004-05, sugar segment contributed 84 percent of net sales of the company whereas Industrial Alcohol accounted for 16 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 14 of Audited Accounts enclosed with the Annual Report.

FUTURE PROSPECTS/OUTLOOK

Thanks to good monsoon rains and higher cane prices paid during 2004-05 season, all India sugar production during the 2005-06 season is expected to rebound to around 180 Lac MT after two seasons of declining production. However, even if consumption were to remain static at around 185 Lac MT during 2005-06, the lower opening stock estimated at 47 Lac MT and part fulfillment of export obligation under the Advance Licence Scheme, would result in a delicate balance between demand and supply. This should do well for sugar prices which can be expected to rule and remunerative levels, at least for the next couple of years.

The increase in production will result in sufficient availability of molasses at reasonable price and the prospects for the distillery operation will depend largely on successful and sustained implementation of the Ethanol Blending Programme.

RISK AND CONCERN

SUGAR

- (a) Any delay in evolving a rational Sugarcane Pricing Policy could be detrimental to the viability and long term growth of the industry.
- (b) The output of sugar, an agro-based product, is influenced by climatic vagaries. Moreover the sugar factory of your Company is situated in flood prone Zone due to release of excess water by Nepal. This affects the quality of sugarcane and movement.

DISTILLERY

Lack of consistent commitment in the implementation of the Ethanol Blending Programme and the State Government's regulation of the movement and distribution of molasses and alcohol, are major concerns in respect of Distillery operations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

Your Company has adequate systems and internal control procedures to safeguard the assets of the company and to ensure maintenance of proper accounting records. Computers Information System is available to capture, present and analyse the data for management information and decision making. There is also an Internal Audit System in place which reviews the key business and controls and also test checks on routine transactions and reports deviations. Besides, an Audit Committee periodically reviews the functioning of the entire system.

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 30th September, 2005 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 :

Mr. Rahul Pasari, Director retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Mr. Pankaj Tibrawalla, Director who retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Mrs. Meera Dhanuka was appointed as Additional Director of the Company with effect from 30th April, 2005. She will hold office till the ensuing Annual General Meeting. Notice has since been received from a member proposing the appointment of Mrs. Meera Dhanuka as Director of the company.

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 year ended 30th September, 2005, 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 30th September, 2005 and of the profit of the Company for the year ended 30th September, 2005.
- (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.

That the Directors of the Company have prepared the accounts of the Company for the year ended 30th September, 2005 on 'going concern' basis.

CORPORATE GOVERNANCE :

The Corporate Governance form an integral part of this Report and are set out as separate annexures to this Report. The certificate from the Auditors of the company certifying compliance of condition of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is also annexed to Report on Corporate governance.

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 Exchanges of Calcutta and Mumbai. The Company has been regularly paying the Listing Fees to each Stock Exchange.

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, Kolkata, 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.

Kolkata,
Dated : 28th December, 2005

For and on behalf of the Board,

O.P. Dhanuka
Chairman & Managing Director