



RAJSHREE SUGARS & CHEMICALS LIMITED

**17TH ANNUAL REPORT
2002 - 2003**

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Rajshree Sugars & Chemicals Limited



BOARD OF DIRECTORS

Mr. JARAJ MOHAMMED
 Dr. P SURULINARAYANASAMY
 Mr. GR KARTHIKEYAN
 Mr. S KISHORE – ICICI NOMINEE
 Mr. MYDUR ANAND
 Ms. JAISHREE VARADARAJ
 Mr. JESPER HOUGAARD
 Mr. R VARADARAJ
 Director and Chief Operating Officer
 (effective from 5th June 2003)
 Ms. RAJINI VARADARAJAN
 Wholetime Director
 Ms. RAJSHREE PATHY
 Chairman and Managing Director

Chief Financial Officer & Company Secretary

PK VISWANATHAN

Auditors

M/s Srikishen & Co.
 Post Box No. 2979
 7, Seth Narayandas Layout
 Street No.1, Tatabad
 Coimbatore 641 012

Registered Office

'The Uffizi'
 338 Avanashi Road
 Peelamedu
 Coimbatore 641 004

Factory – Unit I - Sugar & Distillery

Varadaraj Nagar P.O.
 PIN 625 562
 Periyakulam Taluk
 Theni District

Factory – Unit II - Sugar

Mundiyampakkam PO
 PIN 605 601
 Villupuram Taluk & District

Factory - Textiles

6/7-A Vilankurichi Road
 Thaneerpandal Thottam
 Peelamedu
 Coimbatore 641 004

Bankers

State Bank of India
 State Bank of Travancore
 State Bank of Mysore
 State Bank of Hyderabad
 Dhanalakshmi Bank Limited
 ICICI Bank Limited
 UTI Bank Limited
 UCO Bank
 Infrastructure Leasing & Financial Services Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 17th Annual Report with the audited financial statements on the working and affairs of the Company for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	2002-2003 Rs	2001-2002 Rs
Total Income	2,327,893,624	1,213,183,878
Profit before interest and Depreciation	293,327,049	232,329,135
Less: Interest Charges	106,841,987	93,428,575
Cash Profit	186,485,062	138,900,560
Less: Depreciation	77,277,922	51,387,524
Profit before Tax	109,207,140	87,513,036
Investment allowance reserve utilised	18,773,000	—

Appropriations:

i) Provision for Direct Taxes	6,025,000	8,025,000
Deferred tax	35,215,004	1,244,278
ii) Prior period expenses/(income)	-	(8,224)
iii) Income Tax of Prior Years	6,494,706	(30,178,021)
iv) VRS payment written off	13,384,000	—
v) Proposed Dividend	34,037,545	27,229,787
vi) Provision for Dividend Tax	4,361,060	—
vii) Transfer to General Reserve	30,000,000	60,000,000

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.50 per share.

YEAR IN RETROSPECT

In terms of the Resolution passed at the Extraordinary General Meeting of the Company held on 10th March 2003, the wholly owned subsidiary Company M/s South India Sugars Limited was acquired and amalgamated with the Company under a scheme of arrangement registered with the Registrar of Companies in accordance with section 395 of the Companies Act, 1956 taking effect from 1st April 2002. The financial results for the year 2002-2003 therefore pertains to the amalgamated Company and is not comparable with the financial results of the previous year.

Your Company has earned a profit before tax of Rs.109,207,140/- after providing for depreciation and interest. The margins are under severe pressure due to the lower prices for domestic and export sugar sales and the increasing cost of sugarcane. The situation of excess sugar stocks in the country continues during the current year also.

REVIEW OF OPERATIONS
Sugar Division

During the year under review, Unit I crushed 660,544 tonnes of sugarcane producing 70,211 tonnes of sugar at 10.63% recovery while Unit II crushed 970,444 tonnes of sugarcane producing 99,345 tonnes of sugar at 10.24% recovery making the total sugarcane crushed 1,630,988 tonnes. The Company exported 76,780 tonnes of sugar directly and indirectly during the year which facilitated to bring down the stock levels.

Distillery Division

The distillery division produced 3,734,763 B.Lts of alcohol as against 5,097,660 B.Lts during the last year. The decline in production is due to the stoppage of operations for the purpose of relining of spentwash lagoon and leachete tanks.

Cogeneration of Power

Your Company generated 54,968,757 KWH of power during the year as against 38,016,024 KWH during the previous year and after captive consumption for the various divisions exported the surplus power of 10,759,910 KWH to TNEB (previous year 6,072,670 KWH).

Textile

The textile unit continued to operate on job work during the year under review. All the workers of the textile unit opted for a VRS during July 2002 and the net expenditure on the same has been appropriated from the current year's profits.

Property Development

During the year under review, the property at Delhi was sold resulting in a net profit of Rs.18,07,014/-.

FUTURE OUTLOOK AND PROSPECTS

The State witnessed unprecedented shortage of rains during the previous year and severe drought during last year affecting the agricultural output. Your Company is likely to face the implications of this drought by way of reduction in sugarcane crushing during the current year. However, with effective support activities from the Company for cane development, the shortfall in cane availability will be minimized.

The sugar industry is facing unprecedented glut of sugar which has affected the realisation price for open market sugar. The international price situation also remains depressed due to over supply.

The Government's decision to blend 5% ethanol with petroleum with effect from June 2003 will improve the demand for industrial alcohol. Your Company has been given licence to manufacture the same and this is likely to be an additional source of revenue for the Company in future. The plant is under erection and is expected to be ready by 15th June 2003.

Your Company proposes to install a 22 MW cogeneration facility at Mundiampakkam at a cost of about Rs.65 crores. The project cost will be funded partly out of internal accruals and partly by the Banks/Financial Institutions. The facility is expected to be operational by December 2004.

DIRECTORS

Mr.R.Varadaraj was appointed as an additional Director with effect from 5th June 2003 and a notice has been received from a member proposing his candidature for the post of Director. Dr.P. Surulinarayanasami and Mr. GR Karthikeyan, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s Srikishen & Co. Chartered Accountants, the present auditors of the company, retire at the ensuing Annual General Meeting and are eligible for reappointment. They have furnished necessary certificate in terms of Sec. 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A)

None of the employees of the Company were in receipt of remuneration, which in the aggregate exceeded the limits fixed under sub-section (2A) of Section 217 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that in the preparation of the annual accounts, the applicable accounting standards have been followed; they 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 at the end of the financial year and of the profit of the company for that period; they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and that the annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY

Particulars required to be furnished under sub section 1 (e) of section 217 of the Companies Act, 1956 are also annexed to this report (Annexure 1).

CORPORATE GOVERNANCE

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report (Annexure 2).

ACKNOWLEDGEMENT

Your Directors thank the Banks and Financing Institutions for their valuable and timely financial assistance and support provided to the Company. Your Directors also thank the cane growers, suppliers, Government Institutions and others for the co-operation extended to the Company. The Board also places on record its appreciation of the dedicated services rendered by the employees of the Company.

May the **Goddess Lakshmi** shower Her blessings for the continued prosperity of the Company.

For and on behalf of the Board

Place : Coimbatore
Date : 5th June 2003

RAJSHREE PATHY
Chairman and Managing Director

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Rajshree Sugars & Chemicals Limited



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ANNEXURE 1 TO DIRECTORS' REPORT

AS PER RULE 2 OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1986

A. POWER AND FUEL CONSUMPTION

	Units	Sugar Division	Distillery Division	Co-gen. Division	Textile Division
1) Electricity	KWH	725,352	33,800	NIL	2,565,580
a) Purchased		(438,360)	(25,800)	(NIL)	(1,493,020)
Total value million	Rs. in	6.22 (3.12)	0.282 (0.184)	NIL (NIL)	14.66 (9.66)
Rate per unit (including demand charge)	Rs.	8.58 (7.13)	8.34 (7.13)	NIL (NIL)	5.71 (6.47)
b) Own Generation					
i) Through Diesel Gensets Qty. Produced	KWH	81,420 (4,835)	NIL (NIL)	NIL (NIL)	131,090 (287,137)
Units per ltr of Diesel		2.47 (2.13)	NIL (NIL)	NIL (NIL)	2.95 (1.56)
Cost per unit	Rs.	8.32 (8.53)	NIL (NIL)	NIL (NIL)	6.37 (5.43)
ii) Through Steam Turbine Qty. Produced	KWH	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
Cost per unit	Rs.	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
iii) Through Co-generation Qty. consumed	KWH	39,215,861* (23,829,579)	741,770 (959,655)	632,806 (476,390)	3,028,040 ** (5,786,880)
Total value million	Rs in	63.45 (68.39)	2.14 (2.75)	0.538 (0.386)	9.59 (18.29)
Rate per unit	Rs.	2.88 (2.87)	2.88 (2.87)	0.85 (0.81)	3.17 (3.16)
2) Coal		NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
3) Furnace Oil Quantity	KL	NIL (12,000)	NIL (NIL)	NIL (NIL)	NIL (NIL)
Total value	Rs in million	NIL (0.092)	NIL (NIL)	NIL (NIL)	NIL (NIL)
Average Rate	Rs.	NIL (7.64)	NIL (NIL)	NIL (NIL)	NIL (NIL)
4) Others/ Int. Gen Co-generation Qty. Produced	KWH	NIL (NIL)	NIL (NIL)	54,968,757 (38,016,024)	NIL (NIL)
Cost per unit	Rs	NIL (NIL)	NIL (NIL)	0.85 * (0.81)	NIL (NIL)
Bagasse Consumed Quantity	MT	NIL (NIL)	NIL (NIL)	438,486 (182,655)	NIL (NIL)
Total value	Own Bagasse consumed				

* includes 17,185,133 units generated and captively consumed by Unit II and hence not valued

** excluding wheeling charges of 10%

Note

- 1 Power produced by the Cogeneration division includes 44,208,847 units captively consumed (Previous year 31,631,192 units)
- 2 Power and fuel consumption in respect of Sugar division includes that of Unit-II
- 3 Previous year figures are shown in the parenthesis

B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Per Quintal White Crystal Sugar	Per Litre Industrial Alcohol	Per KG Cotton Yarn
Electricity (KWH)	23.60 (34.15)	0.21 (0.19)	5.66 (4.33)

C. RESEARCH & DEVELOPMENT

- 1 New sugarcane variety CO 92012 with 1.13% higher recovery and yield on par with the ruling variety CO 86032 was adopted for commercial cultivation.
- 2 An ideal package of integrated crop management practices has been developed to maximize yield and quality of sugarcane and demonstrated at field level through model plots.
- 3 A custom made product of organic aqua conditioner for fish and prawn culture has been launched.
- 4 Edible mushroom production technology using bagasse bed system was standardized.
- 5 Expenditure on R&D : (Rs.)

a) Capital	:	Rs. 48,277
b) Recurring	:	Rs. 971,024
c) Total	:	Rs. 1,019,301
d) Total R&D expenditure as a percentage of total turnover	:	0.05%

D. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief towards technology absorption, adaptation and innovation	2. Benefits derived as a result of the above efforts.
a) Trash mulching as drought management technology in sugarcane was adopted in large scale.	a) Trash mulching conserves soil moisture and reduces the crop perishal in sugarcane due to drought.
b) Beauveria brongniartii – a new fungal biocontrol agent was applied in soil where sugarcane is cultivated	b) As a biocontrol agent Beauverai fungus controlled white grub attack in sugarcane fields and prevented extensive crop damage.
c) Hot water cooling tower for cooling the excess condensate water was commissioned.	c) After commissioning the cooling tower about 300 cu.m. of excess condensate water is being recycled to reduce the requirement of process water in sugar and distillery units.
d) Australian “save all” system was installed in the first body vapour separator	d) Sugar loss in vapour is totally prevented by Australian “save all” system and the condensate water is directly used as boiler feed water.
e) A vector surge relay for Line-I and Line-II feeders was installed.	e) Installation of vector surge relay prevented plant stoppages due to TNEB grid failure, CB feeder faults, overload and low voltage.

3. Imported Technology NIL

E. FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange Earned : Rs.362,829,649/-
 Foreign Exchange Outgo : Rs. 3,993,644/-

ANNEXURE 2 TO DIRECTOR'S REPORT

CORPORATE GOVERNANCE REPORT

Company's philosophy on code of Governance

Rajshree Sugars believes that good corporate governance is essential to achieve long term corporate goals and enhance shareholders' value. The company is committed to produce sugar and value added by products of good quality and strive for continuous improvement in all spheres of its activities to create value that can be sustained over a long term for all its shareholders, employees, customers, government and lenders. Rajshree Sugars endeavours to ensure that high standards of ethical conduct are met throughout the organization.

a. Board of Directors

1. The Board of Directors of the Company is comprised of

- 2 Promoter Directors	Ms. Rajshree Pathy Ms. Jaishree Varadaraj
- 1 Non promoter Executive Director	Ms. Rajini Varadarajan
- 1 Nominee Director	Mr. S.Kishore
- 5 Independent Non-Executive Directors	Mr. G.R.Karthikeyan Dr. P. Surulinarayanasami Mr. J.A. Raj Mohammed Mr. Mydur Anand Mr. Jesper Hougaard

2. Attendance of Directors at Board meetings and Annual General meeting.

Name of Directors	No. of Board Meetings held	Attended	Last AGM Attended	Sitting fees paid
Ms. Rajshree Pathy	7	6	Yes	—
Ms. Rajini Varadarajan	7	6	Yes	—
Ms. Jaishree Varadaraj	7	3	No	Rs. 6,000/-
Mr. G.R Karthikeyan	7	6	Yes	Rs.12,000/-
Dr. P. Surulinarayanasami	7	2	No	Rs. 4,000/-
Mr. J.A. Raj Mohammed	7	5	Yes	Rs.10,000/-
Mr. Mydur Anand	7	5	No	Rs.10,000/-
Mr. S.Kishore	7	5	No	Rs.10,000/-
Mr. Jesper Hougaard	7	2	No	Rs. 4,000/-

7 Board meetings were held during the year on 3rd April 2002, 14th June 2002, 31st July 2002, 26th September 2002, 31st October 2002, 14th January 2003 and 6th February 2003.

None of the Directors are members or Chairman of other Company's Board Committees.

b. Audit Committee

The Board of Directors has constituted an Audit Committee comprising of three non-Executive Independent Directors under the Chairmanship of Mr. Mydur Anand. The other members in the committee are Mr. G.R.Karthikeyan and Mr. Jesper Hougaard.

The broad terms of reference are as follows:

- Review of company's financial reporting process and its financial statements
- Review of accounting and financial policies and practices
- Review of internal control systems
- Review of risk management policies and practices

Three Audit Committee meetings were held during the year on 14th June 2002, 31st October 2002 and 14th January 2003.

The attendance record of Audit Committee members are given below:

Name of the Audit Committee member	No. of meetings held	No. of meetings attended
Mr. Mydur Anand	3	3
Mr. G.R. Karthikeyan	3	3
Mr. Jesper Hougaard	3	-

c. Remuneration Committee

The Remuneration Committee which is a non mandatory one has been constituted by the Board at its meeting held on 5th June 2003 and the Committee consists of

1. Mr. G.R. Karthikeyan - Chairman of the Committee
2. Mr. Jesper Hougaard
3. Mr. Mydur Anand

The remuneration paid to wholtime Directors for the year 2002-2003 are as follows:

Managerial remuneration:

Rs.

Salary	2,480,000
Commission	3,243,250
Company's contribution to Provident Fund	18,720
Monetary value of perquisites	21,600
Total	5,763,570

d. Shareholders Committee

The Board has constituted a share transfer committee consisting of Ms.Rajshree Pathy, Chairman and Managing Director, Ms. Rajini Varadarajan, Wholtime Director and Mr.P.K.Viswanathan, Chief Financial Officer & Company Secretary and the meetings are held every week. The Board has also reconstituted the Shareholders/Investor Grievance Committee consisting of

1. Mr. J.A. Raj Mohammed - Chairman of the Committee
2. Mr. Rajshree Pathy
3. Ms. Rajini Varadarajan

The Company Secretary has been designated as the Compliance Officer. As of 31st March 2003, there are no complaints/ queries pending reply. There were no share transfers pending for registration for more than 30 days as on the said date.

One Shareholders/Investors Grievance Committee meeting was held during the year on 31st October 2002.

The attendance record of Shareholders/Investors Grievance Committee members are given below:

Name of the Shareholders/ Investors Grievance Committee member	No. of meetings held	No. of meetings attended
Mr. Mydur Anand	1	1
Mr. G.R. Karthikeyan	1	1
Mr. J.A.Raj Mohammed	1	-