

19th *Annual Report* 2004 2005



Rajshree Sugars & Chemicals Limited

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BOARD OF DIRECTORS

Mr. MYDUR ANAND

Dr. P SURULINARAYANASAMY

Mr. GR KARTHIKEYAN

Mr. RAJA M.J. ABDEEN
(Formerly known as Mr. JA RAJ MOHAMMED)

Mr. R VARADARAJ
Director & Chief Operating Officer

Ms. RAJSHREE PATHY
Chairman and Managing Director

Registered Office

'The Uffizi'
338 Avanashi Road
Peelamedu
Coimbatore 641 004

Chief Financial Officer & Company Secretary

Mr. PK VISWANATHAN

Factory Unit I - Sugar & Distillery

Varadarajnagar P.O.
PIN 625 562
Periyakulam Taluk
Theni District

Auditors

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

Factory Unit II - Sugar

Mundiyampakkam PO
PIN 605 601
Villupuram Taluk & District

Bankers

State Bank of India
State Bank of Mysore
State Bank of Hyderabad
State Bank of Travancore
UTI Bank Ltd.
UCO Bank
Indian Bank

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 19th Annual Report with the audited financial statements for the year ended 31st March 2005.

FINANCIAL HIGHLIGHTS

	2004-05 Rs.	2003-04 Rs.
Total Income	183,45,39,991	164,70,14,434
Profit before Interest and depreciation	40,05,08,779	30,28,53,640
Less: Interest charges	6,18,36,337	10,02,36,269
Less: Depreciation	7,60,14,322	7,90,20,109
Profit before Tax	26,26,58,120	12,35,97,262
Appropriations		
i) Provision for Direct Taxes	2,53,00,000	87,25,000
Deferred tax	5,10,55,000	2,39,42,682
ii) Prior period items	26,52,867	6,46,855
iii) Income tax of prior years	6,000	8,23,620
iv) VRS payment written off	1,58,43,000	---
v) Proposed Dividend	6,80,75,100	3,40,37,550
vi) Provision for dividend tax	96,34,754	43,61,061
vii) Transfer to General Reserve	9,00,00,000	3,62,53,879
Total	26,25,66,721	10,87,90,447

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.3/- per share.

FINANCIAL PERFORMANCE

During the year 2004-05, the Company posted an increase of 112.54% in Pre tax profit to Rs.26.27 crores as compared to Rs.12.36 crores in the previous year. Also, the total income increased by 11.38% to Rs.183.45 crores as against Rs.164.70 crores recorded in the previous year. Higher profitability is on account of better price realization for sugar and alcohol.

OPERATIONAL PERFORMANCE**Sugar Division**

The drought situation that prevailed in the reserved area of the factories during 2003-04 resulted in considerable decline of sugarcane availability in the year under review and hence lower production of sugar. The operational results of the two factories were as follows :

	Sugarcane crushed (MT)	
	2004-05	2003-04
Unit I	1,74,538	5,79,620
Unit II	5,74,329	8,11,797
Total	7,48,867	13,91,417

During the year, the Company imported 19,000 MT of raw sugar under Advance Licence Scheme for processing it to refined sugar at Unit I in order to utilise the idle capacity. The Company has export obligation within 24 months on account of this import. During the year, 6988 MT of raw sugar were processed in Unit I.

Distillery Division

During the year 2004-05, the higher alcohol prices and firm orders for anhydrous ethanol from the oil companies encouraged the Company to operate the distillery division in the off season period. The Company produced 80,25,026 litres of Alcohol in 2004-05 as against 53,42,767 litres of Alcohol in the previous year.



Cogeneration of Power

The availability of bagasse was drastically reduced due to lower cane crushing and it had an adverse effect on the cogeneration division in terms of generation and sale of surplus power to TNEB. In the year under review, 2,38,50,388 units of power were generated while in the previous year, it was 4,75,86,859 Units. After captive consumption, 18,61,731 units were exported to TNEB as against 85,58,760 units in the previous year.

The modernization of the sugar factory at Mundiampakkam was carried during the year and the 120 TPH boiler and associated equipments were commissioned on 29th March 2005. The 22MW cogeneration power plant has been commissioned on 1st June 2005 and power export to the TNEB grid has also been commenced.

Textile

During the year 2004-05 the textile division was operated on job work. In December 2004, the Company exited from the textile business by disposing its plant and machineries. The land and building is still held by the Company.

Property Development

The Company has purchased one property and sold one property during the year under review.

FUTURE OUTLOOK

Though the monsoon was erratic during the last 3 years, the command area of Unit II had reasonably good rainfall and hence the sugarcane availability in the year 2005-06 is expected to be higher than the previous year. But in Unit I, the sugarcane crushing during the financial year 2005-06 is likely to be affected on account of successive droughts in the previous years.

The rains so far during the current year has been reasonably good and the sugarcane availability for 2005-06 will be better. Also the Company has been temporarily allocated some additional areas in and around Unit I. Hence the overall sugarcane crushing for the current year is likely to be higher than that of the last year.

The Oil Companies which stopped procuring anhydrous ethanol from sugar mills in November 2004 have decided to restart the program. The Company expects the ethanol program to be a smooth affair in the current year which will result in steady market for the product.

The modernization of the sugar factory at Mundiampakkam by installation of a 120 TPH boiler and 22 MW bagasse based power generation plant has been completed. The boiler along with the connected equipments have been commissioned on 29th March 2005 and the power generation commenced on 1st June 2005. The Company has commenced supplying surplus power to TNEB and this will be an additional source of revenue for the Company henceforth.

The Company is in the process of increasing the crushing capacity of Unit II from 3500 TCD to 5000 TCD during the current year by installation of balancing equipments. The plant will be ready for crushing at 5000 TCD from the crushing season 2005-06.

DIRECTORS

Mr.G.R.Karthikeyan and Dr.P.Surulinarayanasamy, Directors retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment. Ms.Rajini Varadarajan, Wholetime Director resigned from the Board of Directors of the Company with effect from 1st June 2005.

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 the Section 217 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that in the preparation of the annual accounts, the applicable 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 cooperation extended to the Company. The Board also places on record its appreciation of the dedicated services rendered by the employees of the Company.

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

For and on behalf of the Board

Place: Coimbatore
Date : 15th June 2005

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RAJSHREE PATHY
Chairman and Managing Director

ANNEXURE 1 TO DIRECTORS' REPORT

AS PER RULE 2 OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY:

During the year under review, the Company has taken various energy conservation measures including

1. Replacement of juice weighing scale with mass flow meter.
2. Replacement of water weighing scale with water flow meter.
3. Direct pumping of evaporator condensate to boiler deaerator.

The above measures have resulted in savings in energy and consequently reduction in power cost.

The total energy consumption and energy consumption per unit of production is given in Form A

Form A

Form for Disclosure of Particulars with respect to Conservation of Energy

a. Power and Fuel Consumption

	Unit	Sugar Division	Distillery Division	Co-gen. Division	Textile Division
1. Electricity					
a. Purchased	KWH	13,16,218 (8,62,958)	42,790 (62,002)	NIL (NIL)	42,74,700 (37,50,840)
Total amount	Rs. in million	9.34 (6.72)	0.32 (0.46)	NIL (NIL)	19.50 (18.56)
Rate per unit (including demand charge)	Rs.	7.10 (7.79)	7.38 (7.50)	NIL (NIL)	4.56 (4.95)
b. Own Generation					
i) Through Diesel Gensets Qty. Produced	KWH	1,60,032 (91,802)	NIL (NIL)	NIL (NIL)	1,49,278 (1,43,065)
Units per ltr of Diesel		2.59 (2.92)	NIL (NIL)	NIL (NIL)	2.93 (2.80)
Cost per unit	Rs.	10.62 (7.73)	NIL (NIL)	NIL (NIL)	8.20 (7.81)
ii) Through steam turbine(Co-generation) Qty. consumed	KWH	1,80,74,747 (3,32,88,777)	19,66,889 (8,43,180)	2,34,512 (6,79,782)	14,91,840 (36,00,780)
Units per MT of steam		80 (88)	80 (88)	80 (88)	80 (88)
Cost/unit	Rs.	Steam produced from own bagasse (steam produced from own bagasse)			
2. Coal Quantity	MT	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
Total Cost	Rs.in million	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
Average rate	Rs.	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
3. Furnace Oil Quantity	Ltrs	NIL (NIL)	NIL (NIL)	29,000 (2,000)	NIL (NIL)
Total value	Rs in million	NIL (NIL)	NIL (NIL)	0.28 (0.002)	NIL (NIL)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	9.64 (7.91)	NIL (NIL)
4. Firewood Quantity	MT	NIL (NIL)	NIL (NIL)	23,100 (1,258.47)	NIL (NIL)
Total value	Rs in million	NIL (NIL)	NIL (NIL)	24.62 (1.22)	NIL (NIL)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	1,066 (966)	NIL (NIL)
5. Others/internal generation Bagasse Quantity	MT	NIL (NIL)	NIL (NIL)	1,91,789 (3,78,962)	NIL (NIL)
Total cost	Rs.in million	Own Bagasse consumed			
Rate/unit	Rs.	Own Bagasse consumed			

b. Consumption per unit of production

Product	Per Quintal White Crystal Sugar	Per Litre Alcohol	Per KG Cotton Yarn
Electricity (KWH)	22.80 (23.79)	0.25 (0.17)	3.24 (4.19)

B. TECHNOLOGY ABSORPTION:**FORM B**

Form for disclosure of particulars with respect to absorption

RESEARCH AND DEVELOPMENT

- Two new varieties, CO 93001 for drought prone areas with high tolerance to water stress, 0.8% more fibre and CO 94010 with 0.4% better recovery and yields on par or better than the existing variety have been identified for commercial cultivation.
- Products derived from sugar industry and distillery by-products are found to be more useful as fish feed components and plankton boosters in fish and shrimp aquaculture systems.

Expenditure on R & D

(a) Capital	Nil
(b) Recurring	Rs. 13,11,161
(c) Total	Rs. 13,11,161
(d) Total R & D expenditure as a percentage of total turnover	0.08%

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. Installation of pulverizer in place of sieving hoppers at Green Plus organic manure production unit.	Continuous production, uniform product quality, savings in labour cost.
b. Utilisation of coffee waste as solid filler material in place of pressmud to increase the consumption of distillery effluent in the composting process.	Coffee waste found as an ideal low cost substitute for pressmud in composting process.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- Activities relating to exports

There has been no exports during the year.

- Total foreign exchange used and earned

Foreign exchange earned	: Rs. NIL
Foreign exchange outgo	: Rs.5,01,46,263/-

Annexure 2 to Directors' 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. As on the date of this report, the Board of Directors of the Company is comprised of

- 1 Promoter Director	Ms. Rajshree Pathy
- 1 Non promoter Executive Director	Mr. R. Varadaraj
- 4 Independent Non-Executive Directors	Mr. G.R.Karthikeyan Dr. P. Surulinarayanasamy Mr. Raja M.J. Abdeen (Formerly known as Mr. J.A. Raj Mohammed) Mr. Mydur Anand

Attendance of Directors at Board meetings and Annual General meeting during the year 2004-05.

Name of Director	No. of Board Meetings held	Attended	Last AGM Attended	Sitting fees paid
Ms.Rajshree Pathy	5	4	Yes	--
Ms.Rajini Varadarajan *	5	5	Yes	--
Mr.R.Varadaraj	5	5	Yes	--
G.R.Karthikeyan	5	4	Yes	Rs.20,000/-
Dr.P. Surulinarayanasamy	5	2	No	Rs.10,000/-
Mr. Raja M.J. Abdeen	5	4	No	Rs.20,000/-
Mr.Mydur Anand	5	5	Yes	Rs.25,000/-

* Ms.Rajini Varadarajan, resigned from the Board of Directors with effect from 1st June 2005.

5 Board meetings were held during the year on 28th June 2004, 30th July 2004, 20th October 2004, 28th January 2005 and 28th March 2005.

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

b. Audit Committee

The Audit Committee constituted by the Board of Directors consists of the following Directors as members.

Mr.Mydur Anand	(Chairman)	Non-Executive and Independent Director
Mr.G.R.Karthikeyan	(Member)	Non-Executive and Independent Director
Mr. Raja M.J. Abdeen	(Member)	Non-Executive and Independent Director

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

During the year 2004-05, the committee met three times. Members' attendance at the meetings were as follows:

Date of Meeting	No. of Members present
28.06.2004	3
19.10.2004	3
27.01.2005	3

c. Remuneration Committee

The Remuneration Committee constituted by the Board of Directors to approve remuneration to Executive Directors consists of the following Directors as members.

Mr.G.R.Karthikeyan	(Chairman)	Non-Executive and Independent Director
Mr.Mydur Anand	(Member)	Non-Executive and Independent Director
Mr. Raja M.J. Abdeen	(Member)	Non-Executive and Independent Director

The remuneration paid to wholtime Directors for the year 2004-2005 are as follows:

Managerial remuneration:	Rs.
Salary	40,43,200
Commission	98,28,890
Company's contribution to Provident Fund	28,080
Contribution to Superannuation Fund	1,40,000
Medical Reimbursement	72,923
Monetary value of perquisites	50,400
Total	1,41,63,493

d. Shareholders / Investors Grievance Committee

The Shareholders / Investors Grievance Committee constituted by the Board to monitor the redressal of the shareholders / Investors grievances consists of three Directors.

1.Mr. Raja M.J. Abdeen	- Chairman of the Committee
2.Ms.Rajshree Pathy	- Member
3.Mr.R.Varadaraj	- Member

The Committee reviews the status of complaints received from shareholders / Investors and redressal thereof. The status report of shareholders complaints and redressal thereof is published alongwith the Unaudited and Audited results in Newspapers. As of 31st March 2005, there are no complaints/queries pending reply.

e. Share Transfer Committee

The Board has constituted a share transfer committee consisting of Ms.Rajshree Pathy, Chairman and Managing Director, Mr.R.Varadaraj, Director and Chief Operating Officer and Mr.P.K.Viswanathan, Chief Financial Officer & Company Secretary and the meetings are held every week. Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respects. The Company Secretary has been appointed as the Compliance Officer to monitor the share transfer process. As on 31st March 2005, there were no share transfers pending for registration for more than 30 days.

f. General Body meetings

Location and time for the last three Annual General Meetings

Year	AGM	Location	Date	Time
2001-02	AGM	Nani Kalai Arangam, Mani Higher Secondary School, Coimbatore.	26.09.2002	3.00 PM
2002-03	EGM	-do-	10.03.2003	3.00 PM
2002-03	AGM	-do-	10.09.2003	3.00 PM
2003-04	AGM	Conference Hall, Indian Chamber of Commerce & Industry, Coimbatore.	13.09.2004	3.00 PM

No special resolutions were put through postal ballot last year and nor is there any proposal for this year.