



Rajshree Sugars & Chemicals Limited

21st

Report Junction.com

Annual Report
2006 2007



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BOARD OF DIRECTORS

Mr. RAJA M.J.ABDEEN

Dr. P SURULINARAYANASAMI

Mr. GR KARTHIKEYAN

Mr. MYDUR ANAND

Mr. G.S.V.SUBBA RAO

Mr. R.C.H.REDDY

Mr. R VARADARAJAN
Director & Chief Operating Officer

Ms. RAJSHREE PATHY
Chairman and Managing Director

Registered Office

'The Uffizi'
338 Avanashi Road
Peelamedu
Coimbatore 641 004

Factory Unit I Sugar, Cogen & Distillery

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

Chief Financial Officer & Company Secretary

Mr. PK VISWANATHAN

Factory Unit II Sugar & Cogen

Mundiyampakkam PO
PIN 605 601
Villupuram Taluk & District

Auditors

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

Factory Unit III Sugar & Cogen (Under implementation)

Semmedu Village, Gingee Taluk
Villupuram District

Bankers

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

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 21st Annual Report with the audited financial statements for the year ended 31st March 2007.

FINANCIAL HIGHLIGHTS

	2006-07 Rs.	2005-06 Rs.
Total Income	4,071,505,406	2,767,940,022
Profit before Interest, Depreciation and exceptional items	598,084,078	659,038,989
Less: Interest	166,333,197	104,003,076
Depreciation	103,122,776	93,251,877
Exceptional items	59,331,864	7,687,361
Profit before Tax	269,296,241	454,096,675
Direct taxes	15,760,000	39,850,000
Deferred tax	26,896,000	105,709,000
Profit after Tax	226,640,241	308,537,675
i) Income tax of prior years	669,415	2,765,091
ii) Transfer to General Reserve	130,000,000	160,000,000
iii) Proposed Dividend	79,420,950	113,458,500
vii) Provision for dividend tax	13,497,590	15,912,555

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.3.50/- per share.

FINANCIAL PERFORMANCE

During the year ended 31.3.2007, the Company earned an after tax profit of Rs. 226.64 million as against Rs.308.54 million earned during the previous year. In 2006-07, the total income rose to Rs.4,071.51 million as against Rs.2,767.94 million achieved in the previous year. Substantial decline in sugar price realization and sugar glut resulting in higher inventory carrying cost have contributed to decreased profitability during the year reported on. Though the sugar price realization declined, the sugar cane prices more or less remained same thereby resulting in considerable decrease in the margins of the Company.

OPERATIONAL PERFORMANCE

Sugar Division

The sugar cane crushing in 2006-07 has increased substantially over the previous year 2005-06 on account of adequate sugarcane planting in the command area of the factories. The sugarcane crushed during the year 2006-07 were as follows

	Sugarcane crushed (MT)	
	2006-07	2005-06
Unit I	866,805	387,695
Unit II	1,307,827	1,045,248
Total	2,174,632	1,432,943

During the year, the Company exported 34,898 MT of sugar including the export obligation of 14,207 MT under the Advance Licence Scheme.

Distillery Division

The Company produced 10,089,972 litres of Alcohol in 2006-07 as against 6,912,738 litres of Alcohol in the previous year. The ethanol blending programme of the Central Government started in December 2005 was stopped from October 2006 by the Oil Companies. It has not been recommenced. The State Government has not yet given permission for supply to the oil companies.

Cogeneration of Power

In 2006-07, 185,995,428 units of power were generated as against 92,911,292 units in the previous year. After captive consumption, 111,764,257 units were exported to TNEB as against 48,819,582 units in the previous year. The Company has earned 79,049 units of carbon credits for the year upto 30th September 2006.



Operations of subsidiary company

The wholly owned subsidiary Company Trident Sugars Limited commenced crushing operations from 31st October 2006. In 2006-07, the subsidiary company crushed 324,690 MT of sugarcane as against 163,736 MT of sugarcane crushed in the previous year. The annual accounts of the subsidiary company is enclosed alongwith the accounts of the Company.

FUTURE OUTLOOK

Your Company is setting up a Greenfield integrated sugar complex at Gingee Taluk, Villupuram District consisting of 3500 TCD sugar factory, 20 MW cogeneration plant and 80 KLPD Distillery plant. The sugar and cogen plants are expected to be commissioned in January 2008. The estimated project cost of Rs.1,800 million is being met by ECBs from Banks / Financial institutions, SDF loan and internal accruals of the Company.

Sugarcane crushing in 2006-07 is expected to be sustained in the year 2007-08 also in all the factories of the Company.

The sugar glut is expected to keep the sugar price realizations depressed and with international sugar prices expected to remain at a low level there will be pressure on the margins of the Company for the year 2007-08.

DIRECTORS

Mr.Mydur Anand and G.R.Karthikeyan, Directors retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves 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)

The particulars of the employees of the Company who were in receipt of remuneration, which in the aggregate exceeded the limits fixed under section 217(2A) of the Companies Act, 1956 is attached herewith. (Annexure 1)

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 2)

CORPORATE GOVERNANCE

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report. (Annexure 3)

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 : 13th June 2007

RAJSHREE PATHY
Chairman and Managing Director

ANNEXURE 1 TO DIRECTORS' REPORT

Statement under sub section 2(A) of section 217 of the Companies Act, 1956

S.No.	Name of the Employee	Designation	Remuneration payable for the year 2006-07	Qualification & Experience	Date of commencement of employment	Age	Last employment
1	Ms.Rajshree Pathy	Chairman and Managing Director	Rs.14,263,364	B.Com 18 years	16.3.1989	51 years	General Manager Ganga Textiles Ltd
2	Mr.R.Varadarajan	Director and Chief Operating Officer	Rs.2,820,242	MBA 19 years	16.7.1987	49 years	Head, Department of Management Studies PSG College of Arts & Science

ANNEXURE 2 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 the following

1. Installation of VFD for raw juice pumps.
2. Slat conveyor was replaced by belt conveyor
3. Bagasse elevator length was reduced.
4. Plate heat exchanger was installed at cogen plant to raise the temperature of ACC condensate by using excess condensate generated at sugar plant.
5. Waste heat recovery system was implemented.

The above measures have resulted in reduction in energy consumption.

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
1. Electricity				
a. Purchased	KWH	1,899,610 (3,226,360)	50,990 (64,165)	4,510 (3,588)
Total amount	Rs. in Million	20.19 (28.31)	0.51 (0.58)	0.05 (0.03)
Rate per unit (including demand charges)	Rs.	10.63 (8.78)	9.95 (8.99)	9.95 (8.99)
b. Own Generation				
i) Through Diesel Gensets Qty. Consumed	KWH	36,124 (103,967)	NIL (NIL)	NIL (NIL)
Units per ltr of Diesel	KWH	1.75 (2.58)	NIL (NIL)	NIL (NIL)
Cost per unit	Rs.	20.03 (12.00)	NIL (NIL)	NIL (NIL)
ii) Through steam turbine(Co-generation) Qty. consumed	KWH	52,458,989 (35,792,773)	1,875,440 (1,218,265)	19,896,742 (6,084,354)
Units per MT of steam	KWH	148 (137)	123 (123)	166 (147)
Cost/unit	Rs.	Steam produced from own bagasse (Steam produced from own bagasse)		
2. Coal Quantity	MT	NIL (NIL)	NIL (NIL)	NIL (NIL)
Total Cost	Rs.in Million	NIL (NIL)	NIL (NIL)	Nil (NIL)
Average rate	Rs.	NIL (NIL)	NIL (NIL)	Nil (NIL)



	Unit	Sugar Division	Distillery Division	Co-gen. Division
3. Furnace Oil Quantity	Ltrs	NIL (NIL)	NIL (NIL)	NIL (13,000)
Total value	Rs. in Million	NIL (NIL)	NIL (NIL)	NIL (0.27)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	NIL (20.40)
4. Firewood Quantity	MT	NIL (NIL)	NIL (NIL)	4,668 (18,825)
Total value	Rs. in Million	NIL (NIL)	NIL (NIL)	5.74 (23.09)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	1,229 (1,226)
5. Others/internal generation - Bagasse Quantity	MT	NIL (NIL)	NIL (NIL)	587,782 (377,140)
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
Electricity (KWH)	26.34 (26)	0.19 (0.19)

B. TECHNOLOGY ABSORPTION:**FORM B**

Form for disclosure of particulars with respect to absorption

Research and development

- Specific areas in which R & D carried out by the Company.
 - Liquid formulation of bioproducts.
- Benefits derived as a result of the above R & D
 - Increase in shelf life of the products.
 - Increase in efficacy of the products.
- Expenditure on R & D

(a) Capital	Rs.1,560,490/-
(b) Recurring	Rs.1,129,361/-
(c) Total	Rs.2,689,851/-
(d) Total R & D expenditure as a percentage of total turnover.	0.1%

Technology absorption, adaptation and innovation

- Efforts in brief towards technology absorption, adaptation and innovation.
Pheromone lures are being produced for the effective control of top borer and stalk borer pests of sugarcane.
- Benefits derived as a result of the above R & D
Low cost eco friendly technology to prevent yield loss and quality of sugarcane.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign exchange used and earned
 foreign exchange earned : Rs. 281,878,835/-
 foreign exchange outgo : Rs. 51,543,434/-



Annexure 3 to Directors' Report

CORPORATE GOVERNANCE REPORT

1. 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.

2. Board of Directors

As on the date of this report, the Board of Directors of the Company is comprised of

- 1 Promoter Executive Director	Ms. Rajshree Pathy
- 1 Non promoter Executive Director	Mr. R. Varadarajan
- 2 Non-Independent Non-Executive Directors	Mr.Raja M.J.Abdeen Dr. P. Surulinarayanasami
- 4 Independent Non-Executive Directors	Mr. G.R.Karthikeyan Mr. Mydur Anand Mr. R.C.H.Reddy Mr. G.S.V.Subba Rao

Attendance of Directors at Board meetings and Annual General meeting during the year 2006-07.

Name of Director	No. of Board Meetings attended	Last AGM Attended	Membership in Board of other Companies	Membership in Committee of other Companies	Sitting fees paid for Board and Committee meetings (Rs.)
Ms.Rajshree Pathy	5	yes	14	1	--
Mr.R.Varadarajan	6	yes	2	1	--
Mr.G.R.Karthikeyan	5	yes	2	--	90,000
Dr.P. Surulinarayanasami	1	No	1	--	10,000
Mr.Raja M.J.Abdeen	6	yes	13	--	120,000
Mr.Mydur Anand	3	No	2	--	70,000
Mr.R.C.H.Reddy	4	yes	5	1	40,000
Mr.G.S.V.Subba Rao	4	No	--	--	70,000

6 Board meetings were held during the year on 3rd April 2006, 3rd May 2006, 8th June 2006, 27th July 2006, 30th October 2006, and 25th January 2007.

3. Audit Committee

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

Mr.G.S.V.Subba Rao	(Chairman)	Non-Executive and Independent Director
Mr.Mydur Anand	(Member)	Non-Executive and Independent Director
Mr.G.R.Karthikeyan	(Member)	Non-Executive and Independent Director
Mr.R.C.H.Reddy	(Member)	Non-Executive and Independent Director
Mr.Raja M.J.Abdeen	(Member)	Non-Executive and Non-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 2006-07, the audit committee meetings were held on 3.5.2006, 8.6.2006, 27.7.2006, 30.10.2006 and 25.01.2007. Members' attendance at the meetings were as follows:

Name of the Member	No. of meetings attended
Mr.G.S.V.Subba Rao	3
Mr.Mydur Anand	3
Mr.G.R. Karthikeyan	4
Mr.Raja M.J.Abdeen	5
Mr.R.C.H.Reddy*	--

*Mr.R.C.H.Reddy was appointed as a Member with effect from 25.01.2007

4. Remuneration Committee

The Remuneration Committee constituted by the Board of Directors to approve remuneration to the 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.R.C.H.Reddy	(Member)	Non-Executive and Independent Director
Mr.Raja M.J.Abdeen	(Member)	Non-Executive and Non-Independent Director

During the year, one meeting of the Remuneration Committee was held on 3.5.2006 in which Mr.Mydur Anand and Mr.Raja M.J.Abdeen participated.

The remuneration policy of the Company is to remunerate the Wholtime Directors commensurate with the operational and financial performance of the Company and the performance of the individuals.

The remuneration paid to wholtime Directors for the year 2006-2007 are as follows (in Rs.):

Managerial remuneration:	Rajshree Pathy	R.Varadarajan
Salary	2,400,000	2,040,000
Commission	11,832,404	---
Perquisites	30,960	780,242
Total	14,263,364	2,820,242

There are no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

Since no remuneration is paid to Non-Executive Directors other than the sitting fee, no criteria of making payments to non-executive Directors has been laid down.

The number of shares held by the non-executive Directors are as follows

	No. of shares
Dr.P.Surulinarayanasami	1,129,200
Mr.Raja M.J.Abdeen	810,000
Mr.G.R.Karthikeyan	1,040
Mr.Mydur Anand	300
Mr.R.C.H.Reddy	594
Mr.G.S.V.Subba Rao	None

5. Shareholders / Investors Grievance Committee

The Shareholders / Investors Grievance Committee is headed by Mr.Raja M.J.Abdeen Non-Executive Director. Mr.P.K.Viswanathan, Chief Financial Officer & Company Secretary is the Compliance officer. During the year 2006-07, 65 complaints were received and 65 complaints were solved to the satisfaction of the shareholders. As of 31st March 2007, there were no complaints/queries pending reply. An exclusive email ID for addressing shareholders grievances, viz., investor@rajshreesugars.com has been created.