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RSCL

Rajshree Sugars & Chemicals Limited

22nd

Annual Report

2007 2008

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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

Auditors

M/s Srikishen & Co.
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, Cogen & Distillery

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

Factory Unit II
Sugar & Cogen

Mundiyampakkam PO
PIN 605 601
Villupuram Taluk & District

Factory Unit III
Sugar, Cogen & Distillery
(Under implementation)

Semmedu Village, Gingee Taluk
Villupuram District

Bankers

State Bank of India
State Bank of Mysore
State Bank of Hyderabad
UCO Bank
Bank of India
Indian Bank

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 22nd Annual Report with the audited financial statements for the year ended 31st March 2008.

FINANCIAL HIGHLIGHTS	2007-08 Rs.	2006-07 Rs.
Total Income	351,15,50,356	407,15,05,406
Profit before Interest, Depreciation and exceptional items	29,49,79,871	59,80,84,078
Less: Interest	14,12,63,223	16,63,33,197
Depreciation	10,56,36,112	10,31,22,776
Exceptional items	10,15,49,622	5,93,31,864
Profit before Tax	(5,34,69,086)	26,92,96,241
Direct taxes	13,75,000	1,57,60,000
Deferred tax	(1,32,53,000)	2,68,96,000
Income tax of prior years	61,93,083	6,69,415
Profit after Tax	(4,77,84,169)	22,59,70,826
i) Transfer to General Reserve	Nil	13,00,00,000
ii) Proposed Dividend	Nil	7,94,20,950
iii) Provision for dividend tax	Nil	1,34,97,590
Basic / Diluted Earnings per Share of Rs.10/- each before extraordinary items	2.37	12.71
Basic / Diluted Earnings per Share of Rs.10/- each after extraordinary items	(2.11)	9.96

DIVIDEND

Since the Company has incurred loss during the year 2007-08, the Board of Directors have not recommended dividend for the year ended 31.3.2008.

FINANCIAL PERFORMANCE

Your Company achieved a turnover of Rs.351.15 crores in the year 2007-08 as against Rs.407.15 crores during the previous year. The Company incurred a net loss of Rs.4.78 crores as against net profit of Rs.22.60 crores earned in the previous year. The sharp decrease in sugar price realizations which breached below Rs.1200/- per quintal during the year and the payment of prior year disputed purchase tax arrears during the financial year resulted in the Company incurring loss for the year reported.

OPERATIONAL PERFORMANCE

Sugar Division

Due to inadequate rainfall in the command area of the factories during the year, the sugarcane crushing has been sustained in 2007-08. The sugarcane crushed during the year 2007-08 were as follows

	Sugarcane crushed (MT)	
	2007-08	2006-07
Unit I	**720,841**	866,805
Unit II	**1,437,059**	1,307,827
Total	**2,157,900**	2,174,632

The sustained production has prompted stepping up exports to liquidate the stocks. The subsidy extended by the Government of India for export of sugar enabled the Company to be competitive in the international market.

The Government of India had also created a buffer stock to support the industry and the Company had obtained its share of the benefit.

During the year, the Company exported 1,04,604 MT of sugar as against the previous year export of 34,898 MT of sugar on account of acceptance of Indian sugar in the international market.

Distillery Division

The Company produced 1,01,03,154 litres of Alcohol in 2007-08 as against 1,00,89,972 litres of Alcohol in the previous year. The off-take of alcohol by the IMFS units in the state remained high and supported the marketing efforts of the Company. The ethanol blending programme of the Central Government has not been implemented in the State since the State Government has not accorded permission for supply of ethanol to the oil companies.

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Cogeneration of Power

Both the Cogeneration plants in Unit I and II generated 19,51,65,348 units of electricity in 2007-08, as against 18,59,95,428 units of power generated during the previous year. After captive consumption, 12,05,22,889 units of power were exported to TNEB as against 11,17,64,257 units exported in the previous year. The Company has earned 81,628 units of carbon credits for the year ending 30.9.2007 as against 79,049 units earned in the corresponding previous year.

Operations of subsidiary company

The wholly owned subsidiary Company, Trident Sugars Limited crushed 3,96,363 MT of sugarcane during the financial year 2007-08 as against 3,24,690 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

The implementation of the sugar and cogeneration units at Gingee Taluk, Villupuram District is in progress and the plants are expected to be commissioned in August 2008. There has been an escalation in project cost from Rs.180 crores to Rs.200 crores on account of increase in steel, cement and other input costs. With the expected commissioning of the plants, the revenues and the profitability of the Company for the year ending 31.3.2009 is expected to considerably increase provided the sugar price realizations sustain at reasonable levels.

Sugarcane crushing for the year 2008-09 is expected to be lower than the crushing for the year 2007-08 on account of decrease in plantation of sugarcane in the command area. However the Company is undertaking extensive cane development activities to encourage the farmers to continue sugarcane plantation which is likely to yield positive results in the long term.

Besides the market dynamics, the sugar price realizations are also affected by the policies of the Central Government and with inflation being a key agenda of the Government, the Company expects the sugar prices to remain relatively flat during the year 2008-09. Therefore it is expected that there would be pressure on the margins for the year 2008-09 also.

DIRECTORS

Dr.P.Surulinarayansami and Mr. R.Varadarajan, 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)

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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 behalf of the Board

Place: Coimbatore
Date : 19.06.2008

RAJSHREE PATHY
Chairman and Managing Director

Addendum to the Directors' Report

DERIVATIVE TRANSACTION

The Company has an outstanding derivative transaction with AXIS Bank Limited for a notional value of USD 10 million which may escalate up to a total of USD 40 million if the prescribed exchange rates occur during the reference period on two fixing dates in June 2008 and in June 2009. The delivery however will occur, only in June 2009.

The actual Mark to Market values on the respective fixing dates in June 2008 and June 2009 will depend upon the prevailing exchange rate of the designated currencies in the contract. As the loss, if any, is indeterminable as on date, it is hence not considered.

The Company had sought legal advice on the subject and had been advised that the contract itself is void ab initio as it contravened RBI guidelines.

The Company has since proceeded against the Bank, in the High Court of Judicature at Chennai and the Hon'ble Court has granted an interim injunction restraining the Bank from enforcing the contract against the company till 20th June 2008, when it will be next heard.

For and behalf of the Board

Place: Coimbatore
Date : 19.06.2008

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 2007-08	Qualification & Experience	Date of commencement of employment	Age	Last employment
1	Ms.Rajshree Pathy	Chairman and Managing Director	Rs.24,30,960	B.Com 19 years	16.3.1989	52 years	General Manager Ganga Textiles Ltd
2	Mr.R.Varadarajan	Director and Chief Operating Officer	Rs.26,26,560	MBA 20 years	16.7.1987	50 years	Head, Department of Management Studies PSG College of Arts & Science

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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

1. Boiler Feed pumps put into VFD mode of operation.
2. Downsizing of pumps from higher capacity to lower capacity.
3. Use of spray pond excess water instead of raw water resulting in reduction in power consumption for water pumping.

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	8,58,945 *(18,99,610)*	47,523 *(50,990)*	36,952 *(4,510)*
Total amount	Rs. in lakhs	109.86 *(201.85)*	4.14 *(5.08)*	3.22 *(0.45)*
Rate per unit (including demand charges)	Rs.	12.79 *(10.63)*	8.71 *(9.95)*	8.71 *(9.95)*
b. Own Generation i) Through Diesel Gensets Qty. Consumed	KWH	57,470 *(36,124)*	NIL *(NIL)*	NIL *(NIL)*
Units per ltr of Diesel	KWH	2.05 *(1.75)*	NIL *(NIL)*	NIL *(NIL)*
Cost per unit	Rs.	16.53 *(20.03)*	NIL *(NIL)*	NIL *(NIL)*
ii) Through steam turbine(Co-generation) Qty. consumed	KWH	4,81,01,304 *(5,24,58,989)*	17,75,360 *(18,75,440)*	2,26,03,044 *(1,98,96,742)*
Units per MT of steam	KWH	152 *(148)*	116 *(123)*	156 *(166)*
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 lakhs	NIL *(NIL)*	NIL *(NIL)*	Nil *(NIL)*
Average rate	Rs.	NIL *(NIL)*	NIL *(NIL)*	Nil *(NIL)*

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	Unit	Sugar Division	Distillery Division	Co-gen. Division
3. Furnace Oil Quantity	Ltrs	NIL *(NIL)*	NIL *(NIL)*	16,000 *(NIL)*
Total value	Rs. in Lakhs	NIL *(NIL)*	NIL *(NIL)*	3.26 *(NIL)*
Average Rate	Rs.	NIL *(NIL)*	NIL *(NIL)*	20.40 *(NIL)*
4. Firewood Quantity	MT	NIL *(NIL)*	NIL *(NIL)*	1873 *(4,668)*
Total value	Rs. in Lakhs	NIL *(NIL)*	NIL *(NIL)*	32.22 *(57.40)*
Average Rate	Rs.	NIL *(NIL)*	NIL *(NIL)*	1720 *(1229)*
5. Others/internal generation - Bagasse Quantity	MT	NIL *(NIL)*	NIL *(NIL)*	5,75,506 *(5,87,782)*
Total cost	Rs. in Lakhs	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)	24.14 *(26.34)*	0.18 *(0.19)*

B. TECHNOLOGY ABSORPTION:

FORM B

Form for disclosure of particulars with respect to absorption

Research and development

1. Specific areas in which R & D carried out by the Company.
   a. Rapid propagation of new sugarcane varieties through Tissue culture
   b. Use of new weedicides for weed control and sugarcane ripener for improved recoveries.
   c. Isolation and characterisation of new biofertiliser microorganisms Herbaspirillum sp.
2. Benefits derived as a result of the above R & D
   a. Four location and season specific high yielding and high quality new sugarcane varieties have been developed.
   b. Improvement in average yield and recovery.
   c. Herbaspirillum sp. can be used for production of new biofertilizer for higher yield in sugarcane crop.
3. Expenditure on R & D
   (a) Capital — Rs. NIL
   (b) Recurring — Rs.8,71,381/-
   (c) Total — Rs.8,71,381 /-
   (d) Total R & D expenditure as a percentage of total turnover. — 0.02%

Technology absorption, adaptation and innovation

(1) Efforts in brief towards technology absorption, adaptation and innovation.
   a. Mechanisation of sugarcane cultivation
   b. Novel method of sugarcane propagation (Chip bud seedling technique) in shade houses.
(2) Benefits derived as a result of the above R & D
   a. Introduction of sugarcane ridgers and planters have reduced cost of sugarcane.
   b. Novel method of chip bud planting has reduced cost of cultivation.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign exchange used and earned
foreign exchange earned : Rs.1,27,24,34,502/-
foreign exchange outgo : Rs. 11,65,72,676/-

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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 2007-08.

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	7	Yes	12	1	--
Mr.R.Varadarajan	7	Yes	2	1	--
Mr.G.R.Karthikeyan	6	Yes	2	--	1,10,000
Dr.P. Sururlinarayanasami	2	No	1	--	20,000
Mr.Raja M.J.Abdeen	7	Yes	13	--	1,20,000
Mr.Mydur Anand	6	Yes	2	--	1,10,000
Mr.R.C.H.Reddy	6	Yes	5	2	1,00,000
Mr.G.S.V.Subba Rao	7	Yes	--	--	1,20,000

7 Board meetings were held during the year on 30th April 2007, 13th June 2007, 30th July 2007, 10th September 2007, 31st October 2007, 31st January 2008 and 8th February 2008.

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

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During the year 2007-08, the audit committee meetings were held on 30th April 2007, 13th June 2007, 30th July 2007, 31st October 2007 and 31st January 2008. Members' attendance at the meetings were as follows:

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

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, no meeting of the Remuneration Committee was held.

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

The remuneration paid to wholetime Directors for the year 2007-2008 are as follows (in Rs.):

Managerial remuneration:	Ms. Rajshree Pathy	Mr. R.Varadarajan
Salary	24,00,000	21,84,000
Commission	--	--
Perquisites	30,960	4,42,560
Total	24,30,960	26,26,560

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.

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

	No. of shares
Dr.P.Surulinarayanasami	11,31,107
Mr.Raja M.J.Abdeen	8,10,000
Mr.G.R.Karthikeyan	1,040
Mr.Mydur Anand	300
Mr.R.C.H.Reddy	832
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.C.Shankar, Company Secretary is the compliance officer. During the year 2007-08, 47 complaints were received and 47 complaints were solved to the satisfaction of the shareholders. As of 31st March 2008, there are no complaints/queries pending reply. An exclusive email ID for addressing shareholders grievances, viz., investor@rajshreesugars.com has been created.

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