

Rajshree Sugars & Chemicals Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 26th Annual Report with the audited financial statements for the year ended 31st March 2012.

	₹ in lakhs	
	2011-12	2010-11
FINANCIAL HIGHLIGHTS		
Total Income	71,728.17	62,127.11
Profit before Interest, Depreciation and exceptional items	10,022.70	5,904.72
Less: Interest	6,165.36	5,360.26
Depreciation	2,572.59	2,303.08
Exceptional items	1,477.65	--
Extraordinary items	25.00	2,500.00
Profit / (Loss) before Tax	(217.90)	(4,258.62)
Deferred tax asset	(40.75)	(585.94)
Income tax of prior years	--	19.07
Profit / (Loss) after Tax	(177.15)	(3,691.75)
Basic Earnings per Share of ₹10/- each before extraordinary items	(0.64)	(5.18)
Basic Earnings per Share of ₹10/- each after extraordinary items	(0.74)	(16.04)

DIVIDEND

Your Directors have not recommended any dividend for the financial year ended 31.3.2012 due to the loss incurred on account of exceptional items during the year 2011-12.

FINANCIAL PERFORMANCE

Your Company earned an income of ₹ 71,728.17 lakhs in the year 2011-12 as against ₹ 62,127.11 lakhs during the previous year. The Company has earned an operational profit of ₹ 1,284.75 lakhs as against the operational loss of ₹ 1,758.62 lakhs during the previous year. During the year under review the company incurred an expenditure of ₹ 1,366.81 lakhs towards settlement of sales tax issues under Samadhan scheme announced by the Tamil Nadu Sales Tax Department and ₹ 113.47 lakhs paid as compensation to the employees who opted for the voluntary separation scheme which resulted in a net loss of ₹ 177.15 lakhs. During the previous year the company incurred a one time expenditure of ₹ 2,500 lakhs towards settlement of Derivative disputes with Axis Bank Ltd. which resulted in a net loss of ₹ 3,691.75 lakhs.

OPERATIONAL PERFORMANCE

Sugar Division

The sugarcane crushing in 2011-12 has increased substantially (41%) over the previous year on account of adequate sugarcane planting in the command area of the factories and as a consequence to our sustained efforts in the Research & Development and cane extension activities. The average recovery of sugar was at 9.40% as against 8.98% in the previous year owing to quality of sugarcane crop and other favourable factors.

The Company produced 2.28 lakh tons of sugar as against 1.69 lakh tons in the previous year, registering a 35% increase. The Company sold 2.23 lakh tons (including exports) as against 1.82 lakh tons in the previous year.

The key operational data of our sugar division for the year 2011-12 are as follows :

Sugar Division - at a glance	2011-12	2010-11
Sugarcane crushed (Tons)	2,434,644	1,725,139
Recovery %	9.40	8.98
Sugar Produced (Tons)	228,802	154,970
Sugar Produced from Raw Sugar (Tons)	--	14,084
Total Sugar Produced (Tons)	228,802	169,054
Sugar Sold (Tons)		
-Domestic (including Levy)	178,508	165,452
-Exports	44,895	17,212

Cogeneration Division

The operations of cogeneration division across all the Units were satisfactory. The total power generated by the cogeneration division recorded a growth of 22%, largely owing to higher crushing and bagasse availability, coupled with better capacity utilisation. During the year under review, the total power generated by all our Units was 2,751 lakh units as against 2,258 lakh units. The company exported 1,877 lakh units as against 1,597 lakh units in the previous year.

The Company has received 66,515 units of carbon credits during the year ended 31st March 2012 which has been accounted during the year under review.

Distillery Division

The distillery performance was satisfactory during the year. The Company produced 92.76 lakh litres of Alcohol in 2011-12 as against 60.88 lakh litres of Alcohol in the previous year and sold 95.41 lakh litres of alcohol against 58.68 lakh litres of alcohol in the previous year.

Operations of subsidiary companies

Trident Sugars Limited

Our wholly owned subsidiary Company, Trident Sugars Limited, has crushed 4.07 lakh tons of sugarcane during the financial year 2011-12 as against 3.97 lakh tons in the previous year. The company produced 42,897 tons of sugar and sold 47,168 tons of sugar during the financial year as against 41,385 tons of production and 44,879 tons of sales in the previous year.

Rajshree Power Private Limited

There were no operations of the said subsidiary company during the year under review.

Accounts of Subsidiaries

Pursuant to the resolution passed in accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, by the Board of Directors at its meeting held on 19th May 2012, it was decided that the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

Commencement of operation of new Distillery

As reported last year, your company has successfully commissioned its new green-field distillery with an installed capacity of 80 KL per day at Semmedu village, Gingee, Villupuram District in Tamilnadu and commenced operations on 27th April 2012. Thus, your company has now made Unit II (Mundiyampakkam) & Unit III (Semmedu) also integrated complexes with the molasses produced from Unit II & Unit III sugar divisions being the feedstock for conversion into alcohol in the new Distillery.

FUTURE OUTLOOK

As per the forecast of Department of Agriculture as well as Indian Sugar Mills Association, there is an increase in planting of sugarcane and hence sugarcane crushing for the next season is expected to be higher than the current season. The Union Government's recent decision to allow sugar export without quantitative restrictions would facilitate clearing up of inventory as well as stabilizing the domestic sugar price at reasonable levels.

India has tremendous renewable energy potential and the demand for biomass based green power sector is likely to grow exponentially. Thus, with the increase in cane crushing & hence bagasse availability, our cogeneration can optimize power generation and contribute to our profitability.

Recently, Government of Tamilnadu has announced its participation in the ethanol blending programme thereby allowing resumption of ethanol production in sugar mills. Your company with its new addition to production capacity sees a good potential in the ethanol production. By maintaining a proper product mix of alcohol for sale to potable, industrial & blending sector, your company would strive to derive the optimum realization.

Overall, with the outlook remaining positive, your company is committed to bettering the performance year after year and confident of improving the profitability.

DIRECTORS

M/s G.S.V.Subba Rao and Raja MJ Abdeen, Directors retire by rotation at the ensuing Annual General Meeting and are being eligible have offered themselves for reappointment.

AUDITORS

M/s Srikishen & Co, Chartered Accountants, the present auditors of the Company, retires 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

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that in the preparation of annual financial statements for the financial year ended 31.3.2012;

- I. the applicable accounting standards have been followed;
- II. they have selected such accounting policies and applied them consistently and made judgments 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 losses of the company for that period;
- III. 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
- IV. 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 the recommendations on Corporate Governance are annexed to this report. (Annexure 3)

ACKNOWLEDGEMENT

Your Directors thank the Banks and Financial Institutions for their valuable and timely financial assistance and support provided by them 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 : 19th May 2012

RAJSHREE PATHY
Chairperson and Managing Director

ANNEXURE 1 TO DIRECTORS' REPORT

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

S.No.	Name of the Employee	Designation	Remuneration for the year 2011-12	Qualification & Experience	Date of commencement of employment	Age	Last employment
1	Ms.Rajshree Pathy	Chairperson and Managing Director	₹ 15,009,360/-	B.Com 36 years	16.03.1989	56 years	General Manager Ganga Textiles Ltd

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:

At Varadarajnagar (Unit-I)

- New maintenance free battery with auto charger was installed with 300kva DG set, which resulted in 75 litre of Diesel saving in every month.
- 200HP Pre-leveler has been stopped during low crushing rate (below 2000 ton/day), which saved 1200 units of power during low crushing periods.
- Lighting energy saver auto transformer tap position changed during off peak hours which saved 100 units per day.
- 15 Nos. 250W SV lamps replaced by 150W lamp for street light in outer area, which saved 450 units of power per month.

At Mundiampakkam (Unit-II)

- One number of 7.5KW pump is used to transfer 'B' seed magma from Vacuum crystallizer to 'B' continuous Pan. Now this flow was made as gravity flow and the pump was permanently stopped. This enables saving of 43,740 Units of power per season.

At Semmedu (Unit-III)

- Commissioned new parallel set evaporator with first 3 bodies as radial flow and took 3 body vapour to continuous pans and achieved steam % cane 35% (average) with the new set of evaporator in operation.
- Introduced 75KW High capacity vacuum pump for mud filters operation and removed 2 nos 55KW (each) individual pumps. Energy savings achieved 10KWH.

The impact of the above measures are expected to reduce the consumption of energy substantially and consequently the cost of production.

Form A

(The total energy consumption and energy consumption per unit of production)

a. Power and Fuel Consumption

Particulars	Units	Sugar Division	Distillery Division	Co-generation Division
1. ELECTRICITY				
a. Purchased	KWH	9,92,690 (11,04,230)	59,560 (56,510)	7,59,210 (9,38,600)
Total amount	₹ in lakhs	89.31 (94.82)	4.99 (4.71)	75.01 (90.22)
Rate per unit	₹	9.00 (8.59)	8.38 (8.33)	9.88 (9.61)
b. Own Generation				
i) Through Diesel Gensets Qty. Produced	KWH	23,110 (17,508)	6,790 (1,950)	18,920 (15,422)
Units per ltr of Diesel		2.66 (2.34)	3.31 (2.37)	2.51 (1.70)
Cost per unit	₹	16.64 (17.07)	13.50 (16.74)	17.64 (23.57)
ii) Through steam turbine (Co-generation) Qty. consumed	KWH	5,63,92,360 (4,17,09,555)	15,72,670 (8,44,700)	2,94,91,970 (2,34,90,945)
Units per MT of steam		151 (161)	103 (94)	161 (169)
Cost/unit	Steam produced from own bagasse (Steam produced from own bagasse)			
2. COAL				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	6,222 (23,465)
Total Value	₹ in lakhs	NIL (NIL)	NIL (NIL)	246.38 (776.23)
Average rate per unit	₹	NIL (NIL)	NIL (NIL)	3,960 (3,308)
3. FIRE WOOD				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	20,117 (35,509)
Total value	₹ in lakhs	NIL (NIL)	NIL (NIL)	548.33 (845.10)
Average Rate	₹	NIL (NIL)	NIL (NIL)	2,726 (2,380)

Particulars	Units	Sugar Division	Distillery Division	Co-generation Division
4. COCONUT HUSK				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	- (435)
Total value	₹ in lakhs	NIL (NIL)	NIL (NIL)	- (2.89)
Average Rate	₹	NIL (NIL)	NIL (NIL)	- (664)
5. CORN COBS				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	- (72)
Total value	₹ in lakhs	NIL (NIL)	NIL (NIL)	- (1.00)
Average Rate	₹	NIL (NIL)	NIL (NIL)	- (1400)
6. OTHERS/INTERNAL GENERATION	Nil			

b. Consumption per unit of production

Product	Per Quintal of White Crystal Sugar	Per Litre of Alcohol
Electricity (KWH)	25.09 (25.38)	0.14 (0.15)

B. TECHNOLOGY ABSORPTION :

FORM B

(Research & Development and technology absorption)

Research & Development

1) Specific areas in which R&D carried out by the Company:

- a) Breeding - Varietal improvements program:
Identification of high yielding and high sugar varieties suitable for our command area in coordination with leading Research Institutions in the country
- b) Bio Technology:
Production of yellow mosaic disease (YLD) free and grassy shoot disease (GSD) free seedling through Production of breeder seed and supply for primary nursery through Tissue culture Technology:
- c) Pest and disease surveillance :
Production and supply of Trichogramma sp for the control of inter node borer and Pest survey in our command area. Establishment of biocontrol lab at Mundiampakkam and production of tetrastichus.

d) Research on Crop Agronomy

Soil health management, soil fertility mapping and Nutrient requirement studies of the command area.

2) Benefits derived as a result of above R&D:

- a) Obtained more than 150 promising hybrid clones from Sadhana Agri Tech, Bangalore and evaluated for its suitability, around 32 clones are superior to Co 86032 in quality. Varieties from AICRP (S), Co-ordinated Agronomic Experiments (CAE) are also studied.
- b) The R&D developed YLD and GSD free Tissue culture seedlings accredited by premier institutions like Sugarcane Breeding Institute, Coimbatore and used for breeder seed production.
- c) A rare parasite Tetrastichus sp was identified and mass production technique with artificial diet established at Mundiampakkam and successfully produced around 1.5 lakh insects and released to farmer field (2011-12). This will help to improve the yield of crop and quality of juice.
- d) The pathologist conducted survey of diseases (Red Rot) for better plant surveillance. Random pest and disease survey was done in all our units.
- e) Produced better quality disease free breeders seed 185% of the target.
- f) A beneficial parasite, highest ever released. Trichogramma sp own production was stepped-up to 16069 cc. Total issued to farmers was 28135 cc, in Unit-1, 44265 cc in Unit-2, organized through the outsourced agency.
- g) Soil fertility studies are under progress with Taminadu Agricultural University, Madurai campus.
- h) Extension and farmer training services are taking the technology to the farms with village meetings, demonstrations, etc.

3) Future plan of action:

- a) Establishment of soil Testing laboratory in Mundiampakkam.
- b) Fertility mapping of our command area and random soil analysis in all units.
- c) Development of nutrient and fertigation schedules for Drip Irrigation.
- d) Multiplication of superior clones from the Sadhana, AICRP (S) and CAE.
- e) Stabilization and increasing the production of trichogramma and tetrastichus.
- f) Screening of best varieties
- g) Pest disease surveillance

4) Expenditure on R & D

₹ in lakhs

- | | |
|---|--------|
| (a) Capital | 17.68 |
| (b) Recurring | 96.18 |
| (c) Total | 113.86 |
| (d) Total R & D expenditure as a percentage of total turnover | 0.16% |

Technology absorption, adaptation and innovation

- 1) Efforts in brief towards technology absorption, adaptation and innovation.
 - a) Focus was given for implementation of nursery system and five yield improvement activities in extension.
 - b) Sugarcane Harvester Imported and the crop Agronomy to suit the harvesters are evolved.
 - c) A innovative technology, sustainable sugarcane Initiative(SSI) introduced and superior quality seedlings are produced.
- 2) Benefits derived as a result of the above efforts:
 - a) Focus was given to SSI chip bud method for nursery which gives better yield and cost reduction.
 - b) The Billet cane Harvester demonstration to promote wider spacing planting is on.
 - c) Entrepreneurs are identified and farmers services centre to provide farm Implements at the village level initiated.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign exchange used and earned	₹ in lakhs
Foreign exchange earned	9,534.48
Foreign exchange outgo	5,390.58

The Company constantly utilizes the export possibilities to its fullest potential

CORPORATE GOVERNANCE REPORT

Rajshree Sugars believes that good corporate governance is essential to achieve long term corporate goals and enhance shareholder 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 maintained throughout the organization.

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

- Attendance of Directors at Board meetings and Annual General meeting during the year 2011-12:

Name of Director	No. of Board Meetings held	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 (₹)
Ms.Rajshree Pathy	5	4	Yes	14	1	--
Mr. R.Varadarajan	5	5	Yes	5	1	--
Mr. G.R.Karthikeyan	5	5	Yes	3	--	1,10,000
Dr. P.Surulinarayanasami	5	4	Yes	1	--	40,000
Mr. Raja M.J.Abdeen	5	5	Yes	16	--	1,10,000
Mr. R.C.H. Reddy	5	4	Yes	6	2	80,000
Mr. G.S.V.Subba Rao	5	4	Yes	--	--	80,000
Dr. K.Mohan Naidu	5	5	Yes	1	1	1,00,000

During the year, the meetings were held on 18th May 2011, 10th August 2011, 14th September 2011, 10th November 2011 and 30th January 2012.