

16th

Annual

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Board of Directors

Shri JA RAJ MOHAMMED
 Dr P SURULINARAYANASAMY
 Shri GR KARTHIKEYAN
 Shri S KISHORE (ICICI NOMINEE)
 Shri MYDUR ANAND
 Smt. JAISHREE VARADARAJ
 Shri. JESPER HOUGAARD
 Ms. RAJINI VARADARAJAN
 Wholetime Director
 Ms. RAJSHREE PATHY
 Chairman and Managing Director

Chief Financial Officer & Company Secretary

Shri PK VISWANATHAN

Auditors

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

Registered Office

'The Uffizi'
 338 Avanashi Road
 Peelamedu
 Coimbatore 641 004

Factory Sugar & Distillery

Varadaraj Nagar P.O.
 PIN 625 562
 Periyakulam Taluk
 Theni 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 Ltd.
 ICICI Bank Ltd.

**DIRECTORS' REPORT TO SHAREHOLDERS**

Ladies and Gentlemen

Your Directors have pleasure in presenting the 16th Annual Report with the audited financial statements on the working and affairs of the Company for the year ended 31st March 2002.

FINANCIAL HIGHLIGHTS

	2001-2002 Rs	2000-2001 Rs
Total Income	1,206,988,850	1,093,995,282
Profit before interest and depreciation	232,329,138	251,811,227
Less: Interest Charges	93,428,575	102,287,389
Cash Profit	138,900,563	149,523,838
Less: Depreciation	51,387,524	48,816,833
Profit before Tax	87,513,039	100,707,005
Appropriations:		
i) Provision for Direct Taxes	8,025,000	8,750,000
Deferred tax	1,244,278	-
ii) Prior period expenses/(income)	(8,224)	438,300
iii) Income Tax of prior years	(30,178,021)	(1,803,753)
iv) Proposed Dividend	27,229,787	22,690,599
v) Provision for Dividend Tax	--	2,314,441
vi) Transfer to General Reserve	60,000,000	25,000,000
Total	66,312,820	57,389,587
vii) Surplus	21,200,219	1,281,556

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.20 per share.

OPERATIONS**a) SUGAR**

During the year under review, the factory crushed 680,178 tons of sugarcane as against 588,172 tons during the previous year. The additional 55 TPH Boiler has been installed and commissioned during the year and is working satisfactorily.

b) DISTILLERY

The Distillery worked for almost same number of days as in last year and produced 5,097,660 B.Lts of alcohol as against 5,000,721 B.Lts during the last year.

c) CO-GENERATION OF POWER

Your company generated 38,016,024 KWH of power during the year as against 32,066,132 KWH during the previous year and exported 12,750,400 KWH to the grid out of which 6,365,568 KWH have been consumed in the textile division under wheeling arrangements with TNEB and consumed the balance 25,265,624 KWH captively in the sugar, distillery and cogeneration divisions.

d) TEXTILE

The textile unit continued to operate on job work during the year under review.

e) PROPERTY DEVELOPMENT

Due to the unfavourable real estate market conditions throughout the year, no property was sold during the year.

PROSPECTS

The planting of sugarcane for the ensuing crushing season is encouraging and the scientific methods adopted by the company has resulted in higher yield. However, 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.

Rajshree Sugars & Chemicals Limited

The levy quota has been reduced to 10% effective from 1st March 2002 and the futures market is being opened up for sugar. These and other government initiatives may stabilize the sugar market in the long term.

ACQUISITION

Your Company has acquired the entire issued and subscribed capital of South India Sugars Limited, situated at Mundiampakkam, Villupuram Taluk & District. The factory has an installed capacity to crush 3500 Tons of sugarcane per day. The crushing for the current season commenced on 19th January 2002 and the factory is expected to crush about 8,00,000 tons of sugarcane during the current sugar season.

DIRECTORS

Dr. V. Genguswamy resigned as Director of the company due to increasing work commitments. The Board wishes to place on record its appreciation of the valuable services rendered by him during his association with the company.

Shri J.A. Raj Mohammed and Shri Mydur Anand, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

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

PUBLIC DEPOSITS

One fixed deposit amounting to Rs.2,000/- accepted under the Fixed Deposit Scheme and matured during the year 1997-98 remained unpaid / unrenewed for want of instructions from the depositor concerned both as at the close of the year and till date.

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 report 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 : 14th June 2002

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, 1986

A. POWER AND FUEL CONSUMPTION

	Units	Sugar Division	Distillery Division	Co-gen. Division	Textile Division
1. Electricity					
a. Purchased	KWH	438,360 (544,810)	25,800 (30,750)	NIL (NIL)	1,493,020 (2,685,540)
Total value	Rs. in million	3.12 (3.13)	0.184 (0.172)	NIL (NIL)	9.66 (13.50)
Rate per unit (including demand charge)	Rs.	7.13 (5.74)	7.13 (5.74)	NIL (NIL)	6.47 (5.03)
b. Own Generation					
i) Through Diesel Gensets					
Qty. Produced	KWH	4,835 (8,285)	NIL (NIL)	NIL (NIL)	287,137 (366,619)
Units per ltr of Diesel		2.13 (2.49)	NIL (NIL)	NIL (NIL)	1.56 (3.01)
Cost per unit	Rs.	8.53 (7.46)	NIL (NIL)	NIL (NIL)	5.43 (4.87)
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)
iii) Through Co-generation					
Qty. Produced	KWH	23,829,579 (19,966,688)	959,655 (1,167,940)	476,390 (361,664)	5,786,880** (5,497,520)
Total value	Rs in million	68.39 (54.51)	2.75 (3.19)	0.386 (0.300)	18.29 (16.51)
Rate per unit	Rs.	2.87 (2.73)	2.87 (2.73)	0.81 (0.83)	3.16 (3.00)
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)	38,016,024 (32,066,132)	NIL (NIL)
Cost per unit	Rs	NIL (NIL)	NIL (NIL)	0.81 (0.83)	NIL (NIL)
Bagasse Consumed Quantity	MT	NIL (NIL)	NIL (NIL)	182,655 (155,982)	NIL (NIL)
Total value	----- Own Bagasse consumed -----				

** excluding wheeling charges of 10%

B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Per Quintal White Crystal Sugar	Per Litre Industrial Alcohol	Per KG Cotton Yarn
Electricity (KWH)	34.15 (33.79)	0.19 (0.24)	4.33 (4.13)

Note

01 Power produced by the Co-generation division includes 31,631,192 (less wheeling charges) units captively consumed (*Previous year units : 26,993,812*).

02 Previous year figures are shown in the parenthesis

C. RESEARCH & DEVELOPMENT

A tie-up research project with Tamilnadu Agricultural University on the utilisation of spentwash in dry lands and high pH soils of Theni District has yielded very good results and the research work is being continued.

Collaborative work with Sugarcane Breeding Institute, Coimbatore was undertaken to standardise the use of sex attractants to control internode borer of sugarcane under field conditions.

Collaborative research works with Sugarcane Breeding Institute, Coimbatore and Tamilnadu Agricultural University to select sugarcane varieties suitable to the area of operation is being continued.

4. Expenditure on R&D : (Rs.)

a) Capital	:	47,558
b) Recurring	:	593,773
c) Total	:	641,331
d) Total R&D expenditure as a percentage of total turnover	:	0.05%

D. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts, in brief, made towards technology absorption, adaptation and innovation

a) 2 bio fertilisers (fixing atmospheric Nitrogen and to solubilise phosphorous in the soil) and 3 bio products, (BIO-D to decompose sugarcane trash, BIO-T to control soil pathogens and pseudomonas a growth promoting bacteria useful for several agricultural crops) were released for commercial exploitation.

b) A consortium of micro-organisms combining bacteria, fungi and actinomycetes which hasten decomposition of organic wastes was standardised and is being supplied to various organisations commercially.

c) Fuel bricks utilising boiler ash and spentwash was produced and is awaiting commercial release.

d) The wet scrubber, Lime grid separator, SS multijet condensers and mincer hammer carbide tips have been installed at the factory.

2. Benefits derived as a result of the above efforts:

a) Sugarcane seed nursery programme is fully backed by tissue culture laboratory by supplying tissue cultured plantlets to cover the entire primary nursery programme.

b) Trashmulching, a drought management practice is being adopted successfully by utilising BIO-D.

c) Stack emission has been reduced. Lime grits have been separated from milk of lime, leading to improvement in juice clarity. Pan startup time has been minimised and also power consumption has been reduced. Hammer hard facing has been avoided leading to reduction in consumption of welding electrodes.

3. Imported Technology

Nil.

E. FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange Earned	:	Rs. 141,707,082/-
Foreign Exchange Outgo	:	Rs. 1,171,855/-



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 our 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
 - 1 Promoter Executive Director Ms. Rajshree Pathy
 - 1 Non-Promoter Executive Director Ms. Rajini Varadarajan
 - 1 Promoter Non-Executive Director Shri G.R. Karthikeyan
 - 1 Nominee Director representing ICICI Shri S. Kishore
 - 5 Non Executive Directors Dr. P. Surulinarayanasami
 - (of which 4 are independent) Ms. Jaishree Varadaraj
 - Shri Mydur Anand
 - Shri Jesper Hougaard
 - Shri J.A. Raj Mohammed

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

Name of Director	No. of Board Meetings held	Attended	Last AGM Attended	Sitting fees paid
Ms. Rajshree Pathy	6	5	Yes	--
Ms. Rajini Varadarajan	6	6	Yes	--
Ms. Jaishree Varadaraj	6	3	No	Rs. 6,000/-
Shri G.R. Karthikeyan	6	5	Yes	Rs. 10,000/-
Dr. P. Surulinarayanasami	6	1	Yes	Rs. 2,000/-
Shri J.A. Raj Mohammed	6	2	Yes	Rs. 4,000/-
Shri Mydur Anand	6	5	Yes	Rs. 10,000/-
Shri S. Kishore	6	4	No	Rs. 8,000/-
Shri Jesper Hougaard	6	3	Yes	Rs. 6,000/-

6 Board meetings were held during the year on 21st May 2001, 29th June 2001, 25th July 2001, 5th September 2001, 20th October 2001 and 31st January 2002.

b. Audit Committee

The Company has constituted an Audit Committee on 29th January 2001, comprising of three non-Executive Directors under the Chairmanship of Shri Mydur Anand. The other members in the committee are Shri G.R. Karthikeyan and Shri 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 21st May 2001, 20th October 2001 and 31st January 2002.

The attendance record of Audit Committee members are given below:

Name of the Audit Committee member	No. of meeting held	No. of meetings attended
Shri Mydur Anand	3	3
Shri G.R. Karthikeyan	3	2
Shri Jesper Hougaard	3	2

c. Remuneration Committee

The company has only two wholetime Directors on the Board and their appointment and remuneration are fixed by the Board in terms of resolution passed by the members. In view of this, no Remuneration Committee is constituted.

d. Shareholders' Committee

The company has constituted a share transfer committee consisting of Ms. Rajshree Pathy, Chairman and Managing Director, Ms. Rajini Varadarajan, Wholetime Director and Mr. P.K. Viswanathan, Chief Financial Officer & Company Secretary and the meetings are held every week. The Company has also constituted a Shareholders/Investor Grievance Committee consisting of non-Executive Directors with Shri GR Karthikeyan as its Chairman. The Company Secretary has been designated as the Compliance Officer. As of 31st March 2002, 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.

e. General Body meetings

Location and time for the last three Annual General Meetings

<u>Year</u>	<u>AGM</u>	<u>Location</u>	<u>Date</u>	<u>Time</u>
1998-99	AGM	Nani Kalai Arangam, Coimbatore	09.08.1999	3.00 PM
1999-00	AGM	-do-	08.09.2000	3.00 PM
2000-01	AGM	-do-	05.09.2001	3.00 PM

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

f. Disclosures

There are no materially significant transactions with related parties viz. promoters, directors or the management, their subsidiaries or relatives conflicting with company's interests.

No penalty or strictures have been imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

g. Means of Communication

The company is publishing quarterly unaudited financial results and notice advertisements in The Hindu-Business Line and Dinamalar (vernacular language) regularly. The company has posted the quarterly results in the Company's Website www.rajshreesugars.com. Official news are also displayed on the Website. Management discussions and analysis report form part of the Annual Report.

h. General shareholder information

i. AGM Date, time and venue	26 th September 2002 at 3.00 PM Nani Kalaiarangam, Pappanaickenpalayam Coimbatore 641 037.
ii. Financial calender 2002-03 First quarterly results Second quarterly results Third quarterly results Audited yearly results	Before end of July 2002 Before end of October 2002 Before end of January 2003 Before end of June 2003
iii. Book Closure Date	17 th September 2002 to 26 th September 2002
iv. Dividend payment date	On or after 26th September 2002
v. Listing on Stock Exchange	Madras, Bombay, Delhi, Ahmedabad and National Stock Exchanges
vi. Stock Code Madras Stock Exchange The Stock Exchange, Mumbai The Delhi Stock Exchange Assn. Ltd. Stock Exchange, Ahmedabad National Stock Exchange Ltd.	RAJSHRESUG A 1517 5932 48350 RAJSREESUG



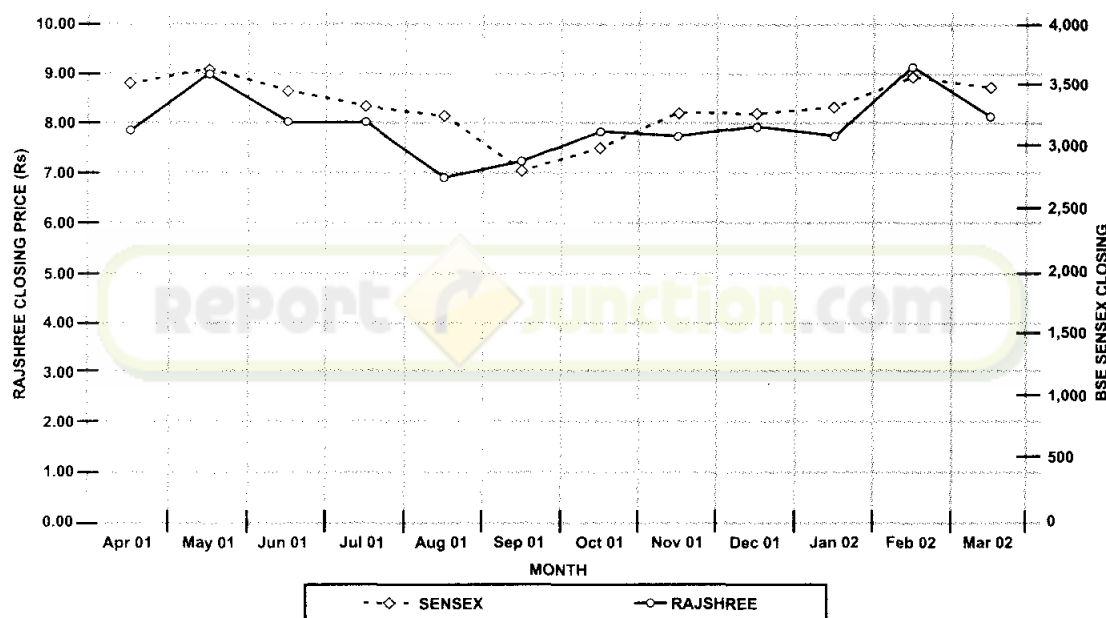
Rajshree Sugars & Chemicals Limited

vii. Market Price Data High/Low during each month of the Financial Year 2001-02

Month	High (Rs.)	Low (Rs.)
April	8.10	6.75
May	9.50	7.70
June	8.90	7.55
July	9.20	8.05
August	8.00	6.90
September	7.50	6.45
October	7.90	7.20
November	8.30	7.00
December	8.50	7.50
January	8.00	7.55
February	9.25	7.35
March	9.00	7.60

viii. Performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

RAJSHREE vs BSE SENSEX



ix. Registrars and Share Transfer Agents	M/s SKDC Consultants Limited Post Box No. : 2979, No.7, Seth Narayandas Layout, Street No.1 Tatabad P.O. Coimbatore 641 012.
x. Share transfer system.	Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are cleared in all respects, by the Committee which meets every week.