



Rajshree Sugars & Chemicals Limited

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**18th Annual Report
2003 - 2004**



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BOARD OF DIRECTORS

Mr. JA RAJ MOHAMMED

Dr. P SURULINARAYANASAMY

Mr. GR KARTHIKEYAN

Mr. MYDUR ANAND

Mr. R VARADARAJ
Director & Chief Operating Officer

Ms. RAJINI VARADARAJAN
Wholetime Director

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

Factory Unit II - Sugar

Mundiyampakkam PO
PIN 605 601
Villupuram Taluk & District

Auditors

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

Factory-Textiles

6/7-A Vilankurichi Road
Peelamedu
Coimbatore 641 004

Bankers

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



DIRECTORS' REPORT

Your Directors have pleasure in presenting the 18th Annual Report with the audited financial statements for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS

	2003-04 Rs.	2002-03 Rs.
Total Income	1,647,014,434	2,213,763,001
Profit before Interest and depreciation	302,853,640	293,327,049
Less: Interest charges	100,236,269	106,841,987
Less: Depreciation	79,020,109	77,277,922
Profit before Tax	123,597,262	109,207,140
Investment allowance reserve utilized	----	18,773,000
Profit b/f from previous year	20,944,597	22,481,772

Appropriations :

i) Provision for Direct Taxes	8,725,000	6,025,000
Deferred tax	23,942,682	35,215,004
ii) Prior period expenses/(income)	646,655	--
iii) Income tax of prior years	823,620	6,494,706
iv) VRS payment written off	----	13,384,000
v) Proposed Dividend	34,037,550	34,037,545
vi) Provision for dividend tax	4,361,061	4,361,060
vii) Transfer to General Reserve	36,253,879	30,000,000

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.50 per share.

FINANCIAL REVIEW

During the year 2003-04, your Company earned a profit before tax of Rs.12.36 crores when compared to the profit before tax of Rs.10.92 crores during the previous year 2002-03. The total income in 2003-04 was Rs.164.70 crores while during the corresponding previous year it was Rs.221.38 crores. The Company consciously reduced the export of sugar during the year in anticipation of better sugar prices. There was pressure on sales realization during 2003-04 and also lower release of sugar by the Government. Hence the accounts reflect lower income when compared to the previous year.

REVIEW OF OPERATIONS

Sugar Division

The deficient monsoon rains during the last 4 years resulted in decline in water availability in the reserved area and hence cane planting was affected. This resulted in the lower quantum of sugarcane availability.

	Sugarcane crushed (MT)		Sugar produced (MT)		Recovery (in %)	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Unit I	579,620	660,544	60,669	70,211	10.47	10.63
Unit II	811,797	970,444	83,065	99,345	10.23	10.24
Total	1,391,417	1,630,988	143,734	169,556		

Distillery Division

The Anhydrous Ethanol plant set up by the Company commenced production in July 2003. However delay in lifting of ethanol by the Petroleum Companies resulted in curtailment of production. During the year 4,501,260 B.Ltrs of Industrial alcohol and 841,507 B Ltrs of Anhydrous Ethanol were produced as against 3,734,763 B Ltrs of Industrial Alcohol in the year 2002-03.



Cogeneration of Power

During the year, the Company generated 47,586,859 KWH of power as against 54,968,757 KWH during the previous year. After captive consumption, the Company exported 8,558,760 KWH power to TNEB as against 10,759,910 KWH of power during the previous year. The lower generation during the year under review is due to inadequate availability of bagasse.

Textile

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

Property Development

The Company has purchased two properties at Coimbatore during the year and there was no sale of property.

FUTURE OUTLOOK

As the members are aware, sugar being an agro based industry, its prospects depend upon good monsoon. Even though the country was blessed with good monsoon during the last year, the rainfall was deficient in South India and particularly in Tamil Nadu. Hence the crushing during the sugar season 2003-04 is being considerably affected. This will have its adverse impact on the revenue and profitability during the current year. But with prices firming up due to estimated lower production in the sugar season 2003-04, this negative impact is likely to be reduced to a great extent. Your Directors hope that with the prediction of normal southwest monsoon this year, the crushing during the sugar season 2005-06 will be better.

The Oil companies have placed orders with your company for purchase of anhydrous ethanol and commenced lifting ethanol for the purpose of supplying eco-friendly fuel to the consumers. This is likely to add up to the revenues of the company.

The installation of 22 MW Co-generation facility at Mundiampakkam is under progress and is expected to be commissioned by January 2005.

DIRECTORS

Ms.Jaishree Varadaraj and Mr.Jesper Hougaard have resigned from the Board of Directors. ICICI Bank Limited withdrew its nominee Director, Mr.S.Kishore from the Board of Directors with effect from 19th May 2004 on repayment of all the loans availed from them. Your Directors wish to place on record their appreciation of the contribution made by the above Directors to the growth of the Company during their tenure.

Mr.Mydur Anand and Mr.J.A.Raj Mohammed, Directors retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.

Consequent to the reduction in the number of Directors, as required under the Companies Act, 1956, the number of retiring Directors have to be increased to 5 out of 7 and hence the proposal for making Mr.R.Varadaraj liable to retire by rotation has been placed before the members for their approval in the forthcoming Annual General Meeting.

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 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 behalf of the Board

Place: Coimbatore
Date : 14th July 2004

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. automation of pan condensing station and installation of mist cooling system,
2. installation of collective common condensate water system for juice heaters and evaporators & pans,
3. installation of variable frequency drive for Boiler forced draft fan.

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

	Units	Sugar Division	Distillery Division	Co-gen. Division	Textile Division
1. Electricity					
a. Purchased	KWH	862,958 (725,352)	62,002 (33,800)	NIL (NIL)	3,750,840 (2,565,580)
Total amount	Rs. in million	6.72 (6.22)	0.46 (0.282)	NIL (NIL)	18.56 (14.66)
Rate per unit (including demand charges)	Rs.	7.79 (8.58)	7.50 (8.34)	NIL (NIL)	4.95 (5.71)
b. Own Generation					
i) Through Diesel Gensets Qty. Produced	KWH	91,802 (81,420)	NIL (NIL)	NIL (NIL)	143,065 (131,090)
Units per ltr of Diesel		2.92 (2.47)	NIL (NIL)	NIL (NIL)	2.80 (2.95)
Cost per unit	Rs.	7.73 (8.32)	NIL (NIL)	NIL (NIL)	7.81 (6.37)
ii) Through steam turbine(Co-generation) Qty. consumed	KWH	33,288,777 (39,215,861)	843,180 (741,770)	679,782 (632,806)	3,600,780 (3,028,040)
Units per MT of bagasse		125.57 (125.36)	125.57 (125.36)	125.57 (125.36)	125.57 (125.36)
Cost/unit	Rs.	Own Bagasse (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)	2,000 (NIL)	NIL (NIL)
Total value	Rs in million	NIL (NIL)	NIL (NIL)	0.002 (NIL)	NIL (NIL)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	7.91 (NIL)	NIL (NIL)
4. Others/internal generation (Bagasse) Quantity	MT	NIL (NIL)	NIL (NIL)	378,962 (438,486)	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)	23.79 (23.60)	0.17 (0.21)	4.19 (5.66)

B. TECHNOLOGY ABSORPTION:**FORM B**

Form for disclosure of particulars with respect to absorption

RESEARCH AND DEVELOPMENT

1. A new drought tolerant and high yielding sugarcane variety CO 92008 with 0.1% higher recovery and 0.4% higher fibre content than the existing ruling variety CO 86032 has been released for special season commercial planting in Unit I.
2. Two new high yielding sugarcane varieties CO 94019 and 83R23 with high fibre and sugar content has been introduced for early and mid season planting and COJn86572 - a high quality variety for special season planting in Unit II.
3. A low cost technology using distillery by products for the reclamation of high pH problem soils and calcareous soils has been developed in association with Tamil Nadu Agricultural University to improve their agricultural productivity.

Expenditure on R & D

(a) Capital	Nil
(b) Recurring	Rs.1,366,286
(c) Total	Rs.1,366,286
(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. Effective automated process control through PLC based integrated clarification system.	Consistent juice flow to process. Savings in chemicals consumption Better quality of clarified juice Higher sugar recovery.
b. Effective control of major pests of sugarcane i.e. internode borer and early shoot borer using sex pheromone technology developed in association with Sugarcane Breeding Institute, Coimbatore and Indian Institute of Chemical Technology, Hyderabad	Low cost eco-friendly technology. Prevention of loss in sugarcane yield upto 5.0 MTs per acre and recovery by 0.2%.
c. Complete control of a major pest in sugarcane i.e. white fly through captive multiplication, release and augmentation of a parasitoid, Amytus minervae.	Low cost eco-friendly and sustainable technology to prevent yield loss and quality of sugarcane.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**1. Activities relating to exports**

Since the international price of sugar is lower than the domestic prices, exports are not remunerative.

2. Total Foreign Exchange used and earned

Foreign exchange earned	: Rs.263,417,560/-
Foreign exchange outgo	: Rs. 7,818,808/-



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
- 2 Non promoter Executive Directors	Ms. Rajini Varadarajan Mr. R.Varadaraj
- 4 Independent Non-Executive Directors	Mr. G.R.Karthikeyan Dr. P. Surulinarayanasami Mr. J.A. Raj Mohammed Mr. Mydur Anand

Attendance of Directors at Board meetings and Annual General meeting during the year 2003-04.

<u>Name of Directors</u>	<u>No. of Board Meetings held</u>	<u>Attended</u>	<u>Last AGM Attended</u>	<u>Sitting fees paid</u>
Ms.Rajshree Pathy	5	5	Yes	--
Ms.Rajini Varadarajan	5	5	Yes	--
Mr.R.Varadaraj	5	4	Yes	--
Ms.Jaishree Varadaraj *	5	2	Yes	Rs. 7,000/-
Mr. G.R Karthikeyan	5	5	Yes	Rs.22,000/-
Dr.P. Surulinarayanasami	5	1	No	Rs. 5,000/-
Mr.J.A. Raj Mohammed	5	4	Yes	Rs.20,000/-
Mr.Mydur Anand	5	5	Yes	Rs.22,000/-
Mr.Jesper Hougaard *	5	2	Yes	Rs. 7,000/-
Mr.S.Kishore *	5	1	No	Rs. 5,000/-

5 Board meetings were held during the year on 5th June 2003, 30th July 2003, 31st October 2003, 28th January 2004 and 24th March 2004.

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

* Ms.Jaishree Varadaraj and Mr.Jesper Hougaard resigned from the Board with effect from 10/3/2004 and 29/4/2004 respectively. ICICI Bank Limited withdrew the nomination of Mr.S.Kishore from 19/5/2004.

b. Audit Committee

The Audit Committee constituted by the Board of Directors consisted 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.Jesper Hougaard	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 2003-04, the committee met three times. Members' attendance at the meetings were as follows:

Date of Meeting	No. of Members present
05.06.2003	3
31.10.2003	2
28.01.2004	2

c. Remuneration Committee

The Remuneration Committee constituted by the Board of Directors to approve remuneration to Executive Directors consisted 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.Jesper Hougaard	Member	Non-Executive and Independent Director

During the year 2003-04, the committee met once. Members' attendance at the meetings were as follows:

Date of Meeting	No. of Members present
05.06.2003	3

The remuneration paid to wholtime Directors for the year 2003-2004 are as follows:

Managerial remuneration:	Rs.
Salary	3,211,652
Commission	4,712,944
Company's contribution to Provident Fund	26,400
Contribution to Superannuation Fund	72,000
Reimbursement of medical expenses	55,795
Monetary value of perquisites	21,600
Total	8,100,391

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.J.A.Raj Mohammed	- Chairman
2.Ms.Rajshree Pathy	- Member
3.Ms.Rajini Varadarajan	- 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 2004, there are no complaints/queries pending reply.