



Rajshree Sugars & Chemicals Limited



**20th**  
*Annual Report*  
2005-2006



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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

### Chief Financial Officer & Company Secretary

Mr. PK VISWANATHAN

### Factory Unit I

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

### Auditors

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

### Factory Unit II

Mundiyampakkam PO  
PIN 605 601  
Villupuram Taluk & District

### Bankers

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



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Report with the audited financial statements for the year ended 31<sup>st</sup> March 2006.

### FINANCIAL HIGHLIGHTS

	2005-06 Rs.	2004-05 Rs.
Total Income	263,16,05,820	183,45,39,991
Profit before Interest and depreciation	65,90,38,989	40,05,08,779
Less: Interest charges	10,40,03,076	6,18,36,337
Less: Depreciation	9,32,51,877	7,60,14,322
Profit before Tax	46,17,84,036	26,26,58,120

### Appropriations

i) Provision for Direct Taxes	3,98,50,000	2,53,00,000
Deferred tax	10,57,09,000	5,10,55,000
ii) Prior period expenses / (income)	(77,70,000)	26,52,867
iii) Income tax of prior years	27,65,091	6,000
iv) VRS payment written off	----	1,58,43,000
v) Extraordinary item	1,54,57,361	----
vi) Proposed Dividend	11,34,58,500	6,80,75,100
vii) Provision for dividend tax	1,59,12,555	96.34,754
viii) Transfer to General Reserve	16,00,00,000	9,00,00,000

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 5/- per share.

### FINANCIAL PERFORMANCE

In the year 2005-06, the Company earned a pre-tax profit of Rs.46.18 Crores as against Rs.26.26 crores earned in the previous year recording an increase of 76%. The total income increased by 43% to Rs.263.16 Crores as against Rs.183.45 crores recorded in the previous year. The Company has been able to sustain the growth momentum during the year due to better sugar price realization, additional revenue from the new cogeneration plant and increased capacity utilization on account of availability of sugarcane.

### OPERATIONAL PERFORMANCE

#### Sugar Division

The normal monsoon in 2004 and 2005 has resulted in higher availability of sugarcane in the year 2005-06 when compared to the previous year. The sugarcane crushed during the year 2005-06 were as follows

	Sugarcane crushed (MT)	
	2005-06	2004-05
Unit I	3,87,695	1,74,538
Unit II	10,45,248	5,74,329
Total	14,32,943	7,48,867

During the year, the Company processed 12012 MT of raw sugar in Unit I. The Company exported 3,888 MT of sugar as against the export obligation of 18,095 MT of sugar under the Advance Licence Scheme. The remaining export obligation is expected to be completed during the current year 2006-07.

In January 2006, the capacity expansion at Unit II from 3500 TCD to 5000 TCD was completed and since then the plant has been operational at the enhanced capacity level.



## Distillery Division

The Company produced 69,12,738 litres of Alcohol in 2005-06 as against 80,25,026 litres of Alcohol in the previous year. The Central Government has restarted the ethanol programme and the oil companies have starting lifting anhydrous ethanol from December 2005.

## Cogeneration of Power

The 22 MW bagasse based cogeneration plant at Mundiampakkam was commissioned on 1<sup>st</sup> June 2005 and the surplus power exported to TNEB has contributed to the revenues of the Company. In 2005-06, 9,29,11,292 units of power were generated as against 2,38,50,388 Units in the previous year. After captive consumption, 4,88,19,582 units were exported to TNEB as against 18,61,731 units in the previous year.

During the year, the cogeneration project at Mundiampakkam unit was registered under the CDM project activity with UNFCCC which enables the company to get credit of 80,157 CERs in a year.

## Others

The land and building which previously housed the Textile division has been rented out during the year. During the year, no real estate properties were purchased or sold.

In November 2005, the Company had sold the entire shares held in M/s. Chincholi Sugar Mills Limited and consequently Chincholi Sugar Mills Limited is no more a subsidiary of the Company. The difference between the sale proceeds and investment has been written off in the Profit and Loss Account.

## FUTURE OUTLOOK

In May 2006, the Company acquired the entire share capital of Trident Sugars Limited having a 2500 TCD sugar factory at Madhunagar, Zaheerabad, Medak Dt., Andhra Pradesh for an enterprise value of Rs.62 crores and since then it has become a wholly owned subsidiary of our company. The production in this unit will commence during October 2006 after the off season.

The Company has proposed to setup two greenfield sugar plants of 5000 TCD each in Madhubani and East Champaran Districts of Bihar State. The financing for the same will be out of equity and borrowings, for which the shareholders have accorded the required approval at the Extraordinary General Meeting held on 08.06.2006. The new sugar plants are expected to be operational by 2008.

With the command areas of the sugar plants in Theni and Mundiampakkam experiencing good rainfall in 2005 and also with the expected normal monsoon in 2006, the sugarcane availability during the sugar season 2006-07 is likely to be better.

The expected better raw material supply is likely to help the distillery and cogen divisions to operate at normal capacity during 2006-07.

## DIRECTORS

Mr.R.C.H.Reddy and Mr.G.S.V.Subba Rao were appointed as Additional Directors on 30<sup>th</sup> December 2005 and they hold office upto the ensuing Annual General Meeting. Notices have been received from shareholders proposing their candidature for the office of Directorship which is being placed at the ensuing Annual General Meeting. Mr.Raja M.J.Abdeen and 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)

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 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.

Place: Coimbatore  
Date : 8th June 2006

For and on behalf of the Board

**RAJSHREE PATHY**  
Chairman and Managing Director

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## 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. Installation of VFD Panel for Raw juice pump
2. Installation of Lighting transformer.
3. Installation of VFD Panel for Cane Carrier
4. Vapour line juice heater for raw juice heating
5. Direct contact juice heater for sulphited juice heating and clear juice heating.
6. Molasses conditioner for 'A' heavy, 'B' heavy and 'C' light Molasses
7. Condensate flash cigar for condensate flash recovery
8. Melter for 'B' and 'C' sugar
9. Radiator for sugar drier with filter
10. Condensing automation system.
11. VFD Drive for cane carrier and rake cane carrier
12. Bagasse belt conveyor in place of slat conveyor
13. Auto slip regulator for Fibrizor
14. Changing of centrifugal pump by screw pump for melter
15. Changing of imbibition water pump from split casing to KPD

The above measures have resulted in reduction in steam consumption and power 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	32,26,360 (13,16,218)	64,165 (42,790)	3,588 (NIL)
Total amount	Rs. in million	28.31 (9.34)	0.58 (0.32)	0.03 (NIL)
Rate per unit (including demand charge)	Rs.	8.78 (7.10)	8.99 (7.38)	8.99 (NIL)
b. Own Generation				
i) Through Diesel Gensets	KWH	1,03,967 (1,60,032)	NIL (NIL)	NIL (NIL)
Qty. Produced				
Units per ltr of Diesel		2.58 (2.59)	NIL (NIL)	NIL (NIL)
Cost per unit	Rs.	12.00 (10.62)	NIL (NIL)	NIL (NIL)
ii) Through steam turbine(Co-generation)	KWH	3,57,92,773 (1,80,74,747)	12,18,265 (19,66,889)	60,84,354 (2,34,512)
Qty. consumed				
Units per MT of steam		137 (80)	123 (80)	147 (80)
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)	13000 (29000)
Total value	Rs in million	NIL (NIL)	NIL (NIL)	0.27 (0.28)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	20.40 (9.64)
4. Firewood Quantity	MT	NIL (NIL)	NIL (NIL)	18,825 (23,100)
Total value	Rs in million	NIL (NIL)	NIL (NIL)	23.09 (24.62)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	1226 (1066)
5. Others/internal generation Bagasse Quantity	MT	NIL (NIL)	NIL (NIL)	3,77,140 (191,789)
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 (22.80)	0.19 (0.25)

**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.**

- Improvement of the yeast strain *Schizosaccharomyces pombe* employed in the distillery fermentation process.
- Research on the effect of the inoculation of Plant Growth Promoting Rhizobacteria (PGPR) on the development of micro-propagated sugarcane plants.

**2. Benefits derived as a result of the above R & D**

- High temperature tolerant mutants of yeast strain *Schizosaccharomyces pombe* isolated.
- The results showed a clear physiological effect on the development of the inoculated plants resulting in enhanced dry matter accumulation and root growth.

**3. Expenditure on R & D**

- Capital Nil
- Recurring Rs.9,70,061/-
- Total Rs.9,70,061/-
- Total R & D expenditure as a percentage of total turnover. 0.04 %





### 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. Use of meristem culture instead of apical buds for sugarcane micropropagation.	Plants derived from such cultures are healthy and showing high vigour.
b. Incorporation of vermicompost and biofertilizer in the hardening medium	Hardening efficiency of tissue culture seedlings has been increased from 80% to 90%

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign exchange used and earned

foreign exchange earned : Rs. 6,44,48,634/-

foreign exchange outgo : Rs.19,48,84,722/-





## Annexure 2 to Directors' Report

## CORPORATE GOVERNANCE REPORT

## Company's philosophy on Code of Governance

1. 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 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 2005-06.

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	13	--	--
Mr.R.Varadarajan	5	yes	2	--	--
G.R.Karthikeyan	4	yes	2	--	60,000
Dr.P. Surulinarayanasami	1	No	1	--	10,000
Mr.Raja M.J.Abdeen	4	yes	10	--	70,000
Mr.Mydur Anand	4	No	2	--	70,000
Mr.R.C.H.Reddy*	1	No	5	2	10,000
Mr.G.S.V.Subba Rao*	1	No	--	--	10,000

\* Mr.R.C.H.Reddy and Mr.G.S.V.Subba Rao were appointed as additional Directors with effect from 30/12/2005

5 Board meetings were held during the year on 15<sup>th</sup> June 2005, 27<sup>th</sup> July 2005, 31<sup>st</sup> October 2005, 30<sup>th</sup> December 2005, and 30<sup>th</sup> January 2006.

## 3. Audit Committee

The Audit Committee constituted by the Board of Directors consists 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. Raja M.J. Abdeen	(Member)	Non-Executive and Non-Independent Director
Mr. G.S.V. Subba Rao	(Member)	Non-Executive and Independent Director (appointed on 3-5-2006)

The terms of reference of the Audit Committee include the matters specified under clause 49 of the Listing Agreement entered into with the stock exchanges as well those in section 292A of the Companies Act and includes :

- 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