



**Rajshree Sugars & Chemicals Limited**

**23<sup>rd</sup>**

Report Junction.com

*Annual Report*  
2008 2009

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## BOARD OF DIRECTORS

Mr. RAJA M.J.ABDEEN

Dr. P SURULINARAYANASAMI

Mr. G.R. 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  
 Chairperson and Managing Director

\*\* Resigned on 29.1.2009

### Registered Office

'The Uffizi'  
 338 Avanashi Road  
 Peelamedu  
 Coimbatore 641 004

### Factory Unit I Sugar, Cogeneration & Distillery

Varadarajnagar 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 Sugar & Cogeneration

Mundiyampakkam PO  
 PIN 605 601  
 Villupuram Taluk & District

### Chief Financial Officer

Mr. A. Sathyamurthy

### Factory Unit III Sugar & Cogeneration

Semmedu Village, Gingee Taluk  
 PIN 604 153.  
 Villupuram District

### General Manager (Finance) & Company Secretary

Mr. R. Anand

### Bankers

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

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 23<sup>rd</sup> Annual Report with the audited financial statements for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL HIGHLIGHTS

	2008-09 Rs.	2007-08 Rs.
Total Income	372,72,89,172	351,15,50,356
Profit before Interest, Depreciation and exceptional items	76,12,67,631	29,49,79,871
Less: Interest	26,00,06,375	14,12,63,223
Depreciation	13,56,09,790	10,56,36,112
Exceptional items	2,40,53,530	10,15,49,622
Profit before Tax	34,15,97,936	(5,34,69,086)
Direct taxes	4,17,50,000	13,75,000
Deferred taxes	7,70,50,000	(1,32,53,000)
Income tax of prior years	28,897	61,93,083
Profit after Tax	22,27,69,039	(4,77,84,169)
i) Transfer to General Reserve	2,00,00,000	NIL
ii) Proposed Dividend	2,26,91,700	NIL
iii) Provision for dividend tax	38,56,454	NIL
Basic / Diluted Earnings per Share of Rs.10/- each before extraordinary items	9.82	2.37
Basic / Diluted Earnings per Share of Rs.10/- each after extraordinary items	9.82	(2.11)

### DIVIDEND

The Directors are pleased to recommend a dividend of Re. 1/- per share.

### FINANCIAL PERFORMANCE

Your Company earned an income of Rs. 372.73 crores in the year 2008-09 as against Rs.351.15 crores during the previous year. The Company earned an after tax profit of Rs 22.28 crores as against the loss of Rs.4.78 crores during the previous year. Higher profitability is on account of better price realization for sugar and alcohol during the year under review.

### OPERATIONAL PERFORMANCE

#### Sugar Division

Due to inadequate rainfall in the command area of the factories during the year, the sugarcane crushing has declined in 2008-09. The sugarcane crushed during the year 2008-09 were as follows:

	Sugarcane crushed (MT)	
	2008-09	2007-08
Unit I	329,249	720,841
Unit II	1,304,440	1,437,059
Unit III	107,302	----
Total	1,740,991	2,157,900

Your company has processed 1350 MT raw sugar in its Unit I and produced 1287 MT white sugar at an average recovery of 95.31%.

The Central Government has permitted to sell out the buffer stock allocated during last year which would enable the factories to liquidate their stocks.

During the year, the Company exported 37,987 MT of sugar as against the previous year export of 1,04,604 MT of sugar on account of acceptance of Indian sugar in the international market.

#### Distillery Division

The Company produced 1,11,93,124 litres of Alcohol in 2008-09 as against 1,01,03,154 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.

## **Cogeneration of Power**

The Cogeneration plants in Unit I, II and III generated 17,75,12,300 units of electricity in 2008-09, as against 19,51,65,348 units of power generated during the previous year. After captive consumption, 11, 39, 36, 513 units of power were exported to TNEB as against 12,05,22,889 units exported in the previous year. The Company has earned 77,914 units of carbon credits for the year ending 30.9.2008 as against 81,628 units earned in the corresponding previous year.

## **Commissioning of the new unit at Gingee**

The new sugar and cogeneration units at Gingee Taluk, Villupuram District commenced its operations from January 2009.

## **Operations of subsidiary company**

The wholly owned subsidiary Company, Trident Sugars Limited crushed 3,55,169 MT of sugarcane during the financial year 2008-09 as against 3,96,363 MT of sugarcane crushed in the previous year. The annual accounts of the subsidiary company is enclosed alongwith the accounts of the Company.

## **Issue of Preferential warrants**

At the Extraordinary General Meeting held on 28th May 2009, the shareholders approved to issue 11,00,000 warrants on preferential basis to Ms. Rajshree Pathy, Chairperson and Managing Director at an exercise price of Rs. 62/- computed at Rs.10/- per share with a premium of Rs. 52/- per share. The price has been worked out as per the formula laid down by SEBI.

## **FUTURE OUTLOOK**

Sugarcane crushing for the year 2009-10 is expected to be lower than the crushing for the year 2008-09 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.

The country's current sugar production would be 14.5 mln. tons as against the domestic requirement of 23 mln. tons. The Government of India has permitted the sugar factories to import raw sugar to meet the deficit of sugar production in the country during the year, without any conditions to sugar export obligations.

In view of the lesser cane availability, your company is utilizing the opportunity of processing raw sugar in our plants. To achieve this perspective, your company has so far imported about 10,000 tons of raw sugar for processing at our sugar plants in Tamilnadu.

## **DIRECTORS**

Mr. Mydur Anand had resigned from the Board of Directors. Your Directors wish to place on record their appreciation of the contribution made by him to the growth of the Company during his tenure.

M/s R.C.H. Reddy and G.S.V.Subba Rao, 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;

- I. the applicable 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 profit 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 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 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 on behalf of the Board

Place: Coimbatore  
 Date : 28th May 2009

**RAJSHREE PATHY**  
 Chairperson and Managing Director

## Addendum to the Directors' Report

## DERIVATIVE TRANSACTION

The company had filed a case in the Madras High Court against Axis Bank to declare that the derivative contract it had entered into with it was void as it violated RBI regulations. A single judge of the Madras High Court had held that while the suit is maintainable, the injunction granted restraining the bank from enforcing the contract was vacated.

The bank then made a claim of Rs 40,27,91,929/- against the company on 15th October 2008 and filed a recovery petition with the Debt Recovery Tribunal, Mumbai. In the meanwhile, on appeal by the company, a Division Bench of the Madras High Court on 20th October 2008, stayed the order of the single judge and passed status quo orders restraining both parties from proceeding further.

The Bank then filed a petition in the Supreme Court seeking transfer of the civil suit in the Madras High Court to the Debt Recovery Tribunal, Mumbai to be heard along with the banks recovery petition. The Supreme Court after having heard final arguments on this and various other cases of similar nature together on 13th February 2009, has reserved its judgment.

The status quo order of the Division Bench of the Madras High Court is therefore still in force.

For and on behalf of the Board

Place: Coimbatore  
 Date : 28th May 2009

**RAJSHREE PATHY**  
 Chairperson 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 for the year 2008-09	Qualification & Experience	Date of commencement of employment	Age	Last employment
1	Ms.Rajshree Pathy	Chairperson and Managing Director	Rs.1,56,54,434/-	B.Com 33 years	16.03.1989	53 years	General Manager Ganga Textiles Ltd
2	Mr.R.Varadarajan	Director and Chief Operating Officer	Rs.40,28,229/-	MBA 26 years	16.07.1987	51 years	Head, Department of Management Studies PSG College of Arts & Science
3	Mr. A. Sathyamurthy	Chief Financial Officer	Rs. 4,11,253/-	B.Com A.I.C.W.A 17 years	06.02.2009	38 years	Chief Financial Officer Supermarket in Aditya Birla Retail 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

In Mundiampakkam Unit, ACC fans were operated in variable speed mode, which resulted in reduction of energy conservation by 1920 Units, a day.

No additional investments and proposals were being carried on.

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**

Particulars	Unit	Sugar Division	Distillery Division	Co-generation Division
1. Electricity				
a. Purchased	KWH	15,75,545 (8,58,945)	52,440 (47,523)	63,617 (36,952)
Total amount	Rs. in lakhs	167.93 (109.86)	4.98 (4.14)	6.04 (3.22)
Rate per unit (including demand charges)	Rs.	10.66 (12.79)	9.50 (8.71)	9.50 (8.71)
b. Own Generation				
i) Through Diesel Gensets	KWH	1,54,014 (57,470)	NIL (NIL)	NIL (NIL)
Qty. Produced				
Units per ltr of Diesel		2.32 (2.05)	NIL (NIL)	NIL (NIL)
Cost per unit	Rs.	15.88 (16.53)	NIL (NIL)	NIL (NIL)
ii) Through steam turbine(Co-generation)	KWH	3,99,36,304 (4,81,01,304)	18,13,610 (17,75,360)	1,96,71,026 (2,26,03,044)
Qty. consumed				
Units per MT of steam		140 (152)	94 (116)	145 (156)
Cost/unit	Steam produced from own bagasse (Steam produced from own bagasse)			
2. Coal	Not Used			
3. Furnace Oil	Ltrs	NIL (NIL)	NIL (NIL)	Nil (16,000)
Quantity				
Total value	Rs. in lakhs	NIL (NIL)	NIL (NIL)	Nil (3.26)
Average rate	Rs.	NIL (NIL)	NIL (NIL)	Nil (20.40)



Particulars		Sugar Division	Distillery Division	Co-gen. Division
4. Firewood Quantity	MT	NIL (NIL)	NIL (NIL)	9,051 (1,873)
Total value	Rs. in Lakhs	NIL (NIL)	NIL (NIL)	186.76 (32.22)
Average Rate	Rs.	NIL (NIL)	NIL (NIL)	2,063 (1,720)
5. Others/internal generation - Bagasse Quantity	MT	10,436 (NIL)	NIL (NIL)	4,61,376 (5,75,506)
Total cost	Own Bagasse consumed (Own Bagasse consumed)			
Rate/unit				

**b. Consumption per unit of production**

Product	Per Quintal White Crystal Sugar	Per Litre Alcohol
Electricity (KWH)	24.73 (24.14)	0.17 (0.18)

**B. TECHNOLOGY ABSORPTION:****FORM B**

Form for disclosure of particulars with respect to absorption

**Research and development**

## 1. Specific areas in which R &amp; D carried out by the Company.

In Sugar Unit-I:

- Effect of Mycorrhizal bio-fertilizer on sugarcane tissue culture seedlings.
- Sugarcane tissue culture seedlings production through meristem culture technique.

## 2. Benefits derived as a result of the above R &amp; D

In Sugar Unit-I:

- Production of healthy and robust sugarcane tissue culture seedlings.
- Production of disease free seedlings and avoid spreading of devastating Yellow Leaf viral Disease.

## 3. Expenditure on R &amp; D

- Capital Rs. Nil
- Recurring Rs. 4,03,490/-
- Total Rs. 4,03,490/-
- Total R & D expenditure as a percentage of total turnover 0.01%

**Technology absorption, adaptation and innovation**

## (1) Efforts in brief towards technology absorption, adaptation and innovation.

In Sugar Unit-I:

- Introduction of CHIP BUD technology for production of sugarcane seedlings.
- Formulation of Biomixture for sugarcane.

## (2) Benefits derived as a result of the above R &amp; D

In Sugar Unit-I:

- Low cost technology. Sugarcane after chipping cane be used for factory. Less seed rate per acre and gives higher yield.
- Value addition of organic manure. Complete and effective organic food for sugarcane crop.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Total foreign exchange used and earned

Foreign exchange earned : Rs. 57,63,45,225/-

Foreign exchange outgo : Rs. 14,36,21,740/-





## 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
- 3 Independent Non-Executive Directors Mr. G.R. Karthikeyan  
Mr. R.C.H. Reddy  
Mr. G.S.V. Subba Rao

Attendance of Directors at Board meetings and Annual General meeting during the year 2008-09.

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	14	--	--
Mr. R. Varadarajan	8	Yes	3	1	--
Mr. G.R. Karthikeyan	8	Yes	2	--	1,50,000
Dr. P. Surulinarayanasami	3	No	1	--	30,000
Mr. Raja M.J. Abdeen	7	Yes	13	--	1,30,000
Mr. Mydur Anand*	1	No	--	--	20,000
Mr. R.C.H. Reddy	7	Yes	5	1	1,30,000
Mr. G.S.V. Subba Rao	8	Yes	--	--	1,40,000

\* Resigned from the Board on 29.1.2009.

8 Board meetings were held during the year on 30th May 2008, 19th June 2008, 28th July 2008, 25th August 2008, 29th September 2008, 23rd October 2008, 24th January 2009 and 13th March 2009.

#### 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. 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
Mr. Mydur Anand*	(Member)	Non-Executive and Independent Director

\* till 29.1.2009

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 2008-09, 6 audit committee meetings were held on 30th May 2008, 19th June 2008, 28th July 2008, 25th August 2008, 23rd October 2008 and 24th January 2009. Members' attendance at the meetings were as follows:

Name of the Member	No. of meetings attended
Mr.G.S.V.Subba Rao	6
Mr.Mydur Anand	1
Mr.G.R. Karthikeyan	6
Mr.Raja M.J.Abdeen	5
Mr.R.C.H.Reddy	5

#### 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.R.C.H.Reddy	(Member)	Non-Executive and Independent Director
Mr.Raja M.J.Abdeen	(Member)	Non-Executive and Non-Independent Director
Mr.Mydur Anand*	(Member)	Non-Executive and Independent Director

\* till 29.1.2009

During the year, one meeting of the Remuneration Committee was held on 30th May 2008. Members' attendance at the meetings were as follows:

Name of the Member	No. of meetings attended
Mr.G.R. Karthikeyan	1
Mr.Mydur Anand	--
Mr.Raja M.J.Abdeen	1
Mr.R.C.H.Reddy	1

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 2008-2009 were as follows (in Rs.):

Managerial remuneration:	Ms. Rajshree Pathy	Mr. R.Varadarajan
Salary	24,00,000	32,05,935
Commission	126,81,539	--
Perquisites	5,72,895	8,22,294
<b>Total</b>	<b>156,54,434</b>	<b>40,28,229</b>

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	10,10,000
Mr.G.R.Karthikeyan	1,040
Mr.R.C.H.Reddy	832
Mr.G.S.V.Subba Rao	None