

**BOARD OF DIRECTORS**

Mr. RAJA M.J.ABDEEN

Dr. P SURULINARAYANASAMI

Mr. G.R. KARTHIKEYAN

Mr. G.S.V.SUBBA RAO

Mr. R.C.H.REDDY

Dr. K.MOHAN NAIDU

Mr. R VARADARAJAN  
Wholetime Director

Ms. RAJSHREE PATHY  
Chairperson and Managing Director

**Auditors**

M/s Srikishen & Co.  
Kanapathy Towers, 3rd Floor  
1391/A-1, Sathy Road  
Ganapathy  
Coimbatore 641 006.

**Chief Financial Officer**

Mr. A. Sathyamurthy

**Company Secretary**

Mr. R. S. Gowdhaman

**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

**Factory Unit II  
Sugar & Cogeneration**

Mundiyampakkam PO  
PIN 605 601  
Villupuram Taluk & District

**Factory Unit III  
Sugar, Cogeneration  
& Distillery under construction**

Semmedu Village, Gingee Taluk  
PIN 604 153.  
Villupuram District

**Bankers**

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

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## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 25th Annual Report with the audited financial statements for the year ended 31st March 2011.

### FINANCIAL HIGHLIGHTS

	2010-11 ₹.	2009-10 ₹.
Total Income	6,414,697,369	5,521,644,992
Profit before Interest, Depreciation and exceptional items	590,722,540	1,393,295,061
Less: Interest	536,026,340	474,797,050
Depreciation	230,308,569	226,900,946
Exceptional items	250,000,000	35,400,629
Profit before Tax	(425,612,369)	656,196,436
Direct taxes	250,000	113,588,000
Deferred taxes	(58,594,000)	109,653,000
Income tax of prior years	1,907,085	1,261,756
Profit after Tax	(369,175,454)	431,693,680
i) Transfer to General Reserve	-	50,000,000
ii) Proposed Dividend	-	68,075,100
iii) Provision for dividend tax	-	11,569,363
Basic Earnings per Share of ₹.10/- each before extraordinary items	(5.18)	19.02
Basic Earnings per Share of ₹.10/- each after extraordinary items	(16.04)	19.02
Diluted Earnings per Share of ₹.10/- each after extraordinary items (after considering allotment of 1,100,000 warrants) for the previous year	-	18.14

### DIVIDEND

Since the Company has incurred loss during the year 2010-11, the Board of Directors has not recommended dividend for the year ended 31.3.2011.

### FINANCIAL PERFORMANCE

Your Company earned an income of ₹.641.47 crores in the year 2010-11 as against ₹.552.16 crores during the previous year. The Company incurred a net loss of ₹.36.92 crores as against the net profit of ₹.43.17 crores during the previous year.

The above net loss includes one time expenditure of ₹.25 crores towards out of court settlement of the Derivative disputes with Axis Bank Ltd. With reference to the operations, lesser sugar price realizations coupled with increased raw materials cost added to the loss in operations during the year under review.

### OPERATIONAL PERFORMANCE

#### Sugar Division

The sugarcane crushing in 2010-11 has increased substantially over the previous year on account of adequate sugarcane planting in the command area of the factories. The sugarcane crushed during the year 2010-11 was as follows:

	Sugarcane crushed (MT)	
	2010-11	2009-10
Unit I	230,453	234,187
Unit II	912,733	717,988
Unit III	581,953	475,757
Total	1,725,139	1,427,932

Your company has produced 168,743 MT of sugar (including 14,084 MT of sugar processed from raw sugar) as against 174,472 MT of sugar (including 44,429 MT of sugar processed from raw sugar) in the previous year. The company has sold 165,452 MT of Sugar as against 166,476 MT during the previous year. The company has exported 17,212 MT of sugar during the year under review to benefit from the higher price prevailing in the International market.

### **Distillery Division**

The Company produced 6,087,978 litres of Alcohol in 2010-11 as against 10,326,903 litres of Alcohol in the previous year on account of lesser cane crushed in the Unit 1. The company sold 61,179 tons of molasses in the year 2010-11 as against 25,271 tons of molasses sold during 2009-10. In view of higher conversion cost of operations of Distillery unit with externally sourced biomass fuel (due to lesser availability of cane), your company sold molasses to take advantage of the higher margin.

### **Cogeneration of Power**

The Cogeneration plants in Unit I, II and III generated 226.33 million units of electricity in 2010-11, as against 190.95 million units of power generated during the previous year. After captive consumption, 158.03 million units of power were exported to TNEB as against 127.98 million units exported in the previous year. The company has received 110,696 units of carbon credits during the year ended 31st March 2011 which has been accounted during the year under review.

### **Operations of subsidiary company**

There has been substantial improvement in the performance of the wholly owned subsidiary Company, Trident Sugars Limited, which crushed 396,506 MT of sugarcane during the financial year 2010-11 as against 310,632 MT in the previous year. The company produced 41,100 MT of sugar and sold 44,879 MT of Sugar during the financial year as against 30,702 MT of production and 21,600 MT of sales in the previous year. The annual accounts of the subsidiary company is enclosed alongwith the accounts of the Company.

### **Allotment of equity shares**

Pursuant to the special resolution passed by the shareholders at the Extraordinary General Meeting held on 28th May 2009, your Company has allotted 1,100,000 Equity Shares at ₹.10/- each at a price of ₹.62/- each including a premium of ₹.52/- per share to Ms.Rajshree Pathy, Chairperson and Managing Director on 9th December 2010 on receipt of the entire payment, on exercise of the rights attached to the share warrants. The said 1,100,000 equity shares are subject to lock-in for 3 years upto 9th December 2013.

After this allotment, the paid-up capital has increased to ₹.237,917,000/-. The share premium account has also gone up by ₹.57,200,000/-.

### **FUTURE OUTLOOK**

Sugarcane crushing for 2010-11 season is expected to be better than the crushing season of 2009-10 on account of increase in cane planting and better monsoon. The Unit II at Mundiampakkam has recorded the highest cane planting in Tamilnadu, thereby ensuring better cane availability for the subsequent year as well.

With this improvement in cane crushing, the value addition from the Cogeneration and Distillery is expected to be better during the current year.

Your company has commenced construction activities for a green-field distillery with an installed capacity of 80 KL per day as part of its 3500 TCD integrated sugar complex at Semmedu village, Gingee, Villupuram District in Tamil Nadu. The molasses produced from Unit II & Unit III will be the feedstock for conversion into alcohol in the new Distillery. We expect to commission the plant by the end of this financial year.

### **DIRECTORS**

Dr.P.Surulinarayanasami and Mr.R.C.H.Reddy, Directors retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.

Mr.R.Varadarajan has been reappointed as Wholetime Director for a further period of 3 years from 5th June 2011 by the Board of Directors in its meeting held on 18th May 2011 subject to approval of the shareholders at the ensuing Annual General Meeting of the company.

The Board in its meeting held on 18th May 2011 also approved the re-appointment of Ms.Rajshree Pathy, Chairperson and Managing Director for a further term of 3 years from 16th March 2012 subject to approval of the shareholders at the ensuing Annual General Meeting of the company and the Central Government.

## **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 Section 224(1B) of the Companies Act, 1956.

## **COMPANY SECRETARY**

Mr.R.Anand, General Manager (Finance) & Company Secretary resigned from the services of the company on 31st January 2011. The company has appointed Mr.R.S.Gowdhaman as Company Secretary and he has joined your company on 13th May 2011.

## **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).

## **DERIVATIVE TRANSACTION**

The company entered into an out-of-court settlement of ₹.25 crores on account of dispute pertaining to the Derivative transactions with Axis Bank Ltd. Consequent on such settlement, both the parties have withdrawn all actions initiated by each of them and necessary final orders have been obtained from the Madras High Court.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors' confirms that in the preparation of annual accounts for the financial year ended 31.03.2011 :

- 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 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 behalf of the Board

Place :Coimbatore  
Date : 18th May 2011

**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 2010-11	Qualification & Experience	Date of commencement of employment	Age	Last employment
1	Ms.Rajshree Pathy	Chairperson and Managing Director	₹.15,009,360/-	B.Com 35 years	16.03.1989	55 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)

- During the lower crushing rate, the 200HP preleveller motor was stopped, and as a result, 0.7 units of power saved per tonne of cane crushed.
- Instead of running two nos. of 180 HP pumps for pumping boiler feed water pump, one no of 180HP pump and another of 100 HP pump have been used. This resulted in power saving of 720 units per day.
- A 40 HP pump was installed instead of 150 HP pump for cooling FR-2 Turbine alternator water, which resulted in saving of 2,100 units of power per day.
- During low crushing rates, one no of 35 HP water pump is stopped, to save 582 units of power per day.
- Existing flash heat recovery system modified and the flash heat available is used in heating boiler feed water, which saves 6 tonnes of steam per day.
- Boiler vent, drain & Turbine drain class 800 valves replaced with class 1500 valve, which saves 5 tonnes of steam per day.

At Mundiampakkam (Unit-II)

- Imbibition hot water pump is operated in VFD Mode, which saves 336 units of power per day.
- Stopped molasses pump of weighing scale by installing molasses flow meter, which saves about 189 units of power per day.
- Stopped hot water spray pump of vacuum filter by utilising the hot water from cigar, which saves about 120 units of power per day.

**At Semmedu (Unit-III)**

- x) Steam consumption % to cane crushing has been reduced from 41.99% to 38.41% by debottlenecking the capacity issues and implementation of Automation control.
- xi) Power/MT of cane has been reduced from 27.23Kwh/Mt to 25.69Kwh/MT .
- xii) Raw Water consumption has been reduced to zero by installing hot water cooling towers and utilized sugar condensate for process.

The Company has also invested ₹. 364.31 lakhs in automation of sugar factory at Semmedu (Unit-III).

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	1,104,230 (9,47,053)	56,510 (63,650)	938,600 (967,417)
Total amount	₹. in lakhs	94.82 (81.61)	4.71 (5.00)	90.22 (88.57)
Rate per unit	₹.	8.59 (8.62)	8.33 (7.86)	9.61 (9.16)
b. Own Generation				
i) Through Diesel Gensets Qty. Produced	KWH	17,508 (23,223)	1,950 (4,990)	15,422 (25,431)
Units per ltr of Diesel		2.34 (1.86)	2.37 (1.66)	1.70 (1.37)
Cost per unit	₹.	17.07 (19.25)	16.74 (21.98)	23.57 (26.12)
ii) Through steam turbine (Co-generation) Qty. consumed	KWH	41,709,555 (38,015,470)	844,700 (1,530,530)	23,490,945 (22,150,380)
Units per MT of steam		161 (149)	94 (93)	169 (156)
Cost/unit	Steam produced from own bagasse (Steam produced from own bagasse)			
2. Coal				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	23,465 (10,453)
Total Value	₹. in lakhs	NIL (NIL)	NIL (NIL)	776.23 (151.86)
Average rate per unit	₹.	NIL (NIL)	NIL (NIL)	3,308 (1,453)

Particulars	Units	Sugar Division	Distillery Division	Co-generation Division
3 LIGNITE				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	NIL (3,874)
Total Value	₹. in lakhs	NIL (NIL)	NIL (NIL)	NIL (123.65)
Average rate per unit	₹.	NIL (NIL)	NIL (NIL)	NIL (3,192)
4 FURNACE OIL	Not Used			
5 FIRE WOOD				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	35,509 (67,498)
Total value	₹. in lakhs	NIL (NIL)	NIL (NIL)	845.10 (1601.50)
Average Rate	₹.	NIL (NIL)	NIL (NIL)	2,380 (2,373)
6 COCONUT HUSK				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	435 (Nil)
Total value	₹. in lakhs	NIL (NIL)	NIL (NIL)	2.89 (Nil)
Average Rate	₹.	NIL (NIL)	NIL (NIL)	664 (Nil)
7 CORN COBS				
Quantity Consumed	MT	NIL (NIL)	NIL (NIL)	72 (Nil)
Total value	₹. in lakhs	NIL (NIL)	NIL (NIL)	1.00 (Nil)
Average Rate	₹.	NIL (NIL)	NIL (NIL)	1400 (Nil)
8 OTHERS/INTERNAL GENERATION	Not Used			

**b. Consumption per unit of production**

Product	Per Quintal of White Crystal Sugar	Per Litre of Alcohol
Electricity (KWH)	25.38 (30.03)	0.15 (0.15)



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

(Research and development and technology absorption)

**Research and development**

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

- a) Varietal improvements Program at Unit-I and Unit-II.  
Identification of high yielding and high sugar varieties suitable for our command area in coordination with Leading research Institutions in the country

Benefits derived: Varieties from AICRP (S), Co-ordinated Agronomic Experiments (CAE) and Sadhana Agritech Private Services were evaluated for yield and quality parameters. The selected clones with higher yield & CCS% were identified for future multiplication.

- b) Tissue culture Technology at Unit-I  
Production of yellow mosaic disease (YLD) free and grassy shoot disease (GSD) free seedling through tissue culture for rejuvenation of Co 86032.

Benefits derived: The first batch of YLD and GSD free seedlings developed by our R&D was used as mother culture for the breeder nursery program.

- c) Pest and disease surveillance at Unit-I, II and III.  
Production and supply of Trichogramma sp for the control of inter node borer and Pest survey in our command area.

Benefits derived: Random pest and disease survey was done in all the units.

- d) Bio products development at Unit-I  
Development and production of Bio Fertilizers, Bio pesticides which are Eco friendly

Benefits derived: Trichogramma sp produced in our R&D distributed to our cane growers

## 2. Future plan of action:

- a) Establishment of R&D centre with soil, sugar and bio-control laboratories at Unit-II.  
b) Fertility mapping of our command area and random soil analysis in all the units.  
c) Development of nutrient and fertigation schedules for Drip Irrigation at all the units  
d) Multiplication of superior clones from Sadhana Agritech Private Services, AICRP (S), Co-ordinated Agronomic Experiments (CAE) at Unit-I and Unit-II.  
e) Establishing production facility for other Bio control agents like Tetrastichus for inter node borer control at Unit-II.  
f) Recruitment and training of Cane cultivation and extension team at all the units.

## 3. Expenditure on R &amp; D

(a) Capital	₹. Nil
(b) Recurring	₹. 5,288,120/-
(c) Total	₹. 5,288,120/-
(d) Total R & D expenditure as a percentage of total turnover	- 0.09%

**Technology absorption, adaptation and innovation**

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

- (a) Sugar cane Harvester Imported and suitable technology on crop Agronomy modifications evolved at Unit-II.

Benefits derived: Mitigation of labour problems and cost reduction in harvest charges.

(b) Hi-tech drip irrigation technology promotion at all the units.

Benefits derived: Savings in fertilizers application and water.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign exchange used and earned  
 Foreign exchange earned : ₹. 942,252,253/-  
 Foreign exchange outgo : ₹. 882,794,389/-

The Company constantly utilizes the export possibilities to its fullest potential.

## 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 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.

#### 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
- 4 Independent Non-Executive Directors              Mr. G.R.Karthikeyan  
    Mr. R.C.H.Reddy  
    Mr. G.S.V.Subba Rao  
    Dr. K.Mohan Naidu

Attendance of Directors at Board meetings and Annual General meeting during the year 2010-11:

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 (₹.)
Ms.Rajshree Pathy	5	Yes	14	--	--
Mr. R.Varadarajan	6	Yes	5	--	--
Mr. G.R.Karthikeyan	4	Yes	4	--	90,000
Dr. P.Surulinarayanasami	2	Yes	1	--	20,000
Mr. Raja M.J.Abdeen	6	Yes	13	--	110,000
Mr. R.C.H. Reddy	6	Yes	6	2	120,000
Mr. G.S.V.Subba Rao	5	Yes	--	--	90,000
Dr. K.Mohan Naidu	4	Yes	--	--	40,000

6 Board meetings were held during the year on 17th May 2010, 29th July 2010, 20th September 2010, 12th November 2010, 9th December 2010 and 7th February 2011.