

Energy

for the future



Shree Renuka Sugars Limited
Annual Report 2006-07

Board of Directors :

Mrs. Vidya M. Murkumbi	-	Executive Chairperson
Mr. Narendra M. Murkumbi	-	Managing Director
Dr. B. P. Baliga	-	Director
Mr. J. J. Bhagat	-	Director
Mr. Sanjay K. Asher	-	Director
Mr. Nandan V. Yalgi	-	Director - Commercial
Mr. Robert Taylor	-	Director
Mr. S. M. Kaluti	-	Director (President)
Mr. Jonathan Kingsman	-	Director
Mr. Hrishikesh Parandekar	-	Director
Mr. Surender Kumar Tuteja	-	Additional Director w.e.f. January 25, 2007
Mr. Nitin Puranik	-	Additional Director w.e.f. April 20, 2007

Auditors :

M/s. Ashok Kumar, Prabhashankar & Co.
Chartered Accountants, Bangalore..

Registered Office :

BC 105, Havelock Road, Camp, Belgaum - 590 001.
Tel.: 91-831-2404000 (7 Lines), Fax: 91-831-2404961.

Corporate Office :

7th Floor, Devchand House, Shiv Sagar Estate,
Dr. Annie Besant Road, Worli, Mumbai - 400 018.
Tel: 91-22-2497 7744, Fax: 91-22-2497 7747.

Plant Locations :

**Unit -I : Sugar, Ethanol, Co-generation
and Sugar Refinery**

at Munoli, Taluka Saudatti, District: Belgaum

Unit -II : Sugar

Gavase, Taluka Ajara, District Kolhapur

Unit -III : Sugar and Co-Generation

At Mohannagar, Taluka Miraj, District Sangli

Unit -IV : Sugar, Ethanol and Co-Generation

At Kokatnur, Taluka Athani, District Belgaum

Unit - V : Sugar

Havalga, Tal: Afzalpur, Dist: Gulbarga

Unit -VI : Sugar

Bhusanoor, Tal: Aland, Dist: Gulbarga

Unit -VII : Sugar Refinery

Haldia, Kolkata, West Bengal

Bankers :

State Bank of India
Standard Chartered Bank
ABN AMRO Bank N.V.
Axis Bank Limited
ING Vysya Bank Limited
ICICI Bank Limited
IDBI Bank Limited

Contents :	Pages Nos.
Notice	01
Director's Report	05
Management Discussion & Analysis	28
Auditor's Report	31
Balance Sheet	34
Profit & Loss Account	35
Cash Flow Statement	36
Schedules and Notes to Accounts	37
Statement of Interests in the Subsidiaries	56
Reports and Accounts of Subsidiaries	57
Auditors Report on Consolidated Financial Statements	64
Consolidated Financial Statements	65
Schedules & Notes to Consolidated Accounts	68

NOTICE

NOTICE is hereby given that the **Twelfth Annual General Meeting** of Shree Renuka Sugars Limited will be held on **Saturday, the 5th January, 2008 at Maratha Mandir Hall, Near Railway Over Bridge, Khanapur Road, Belgaum – 590 006 at 9.30 a.m.** to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2007 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended September 30, 2007.
3. To appoint a Director in place of Mr. Nandan V. Yalgi who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sidram M. Kaluti who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Robert Taylor who retires by rotation and being eligible offers himself for re-appointment.
6. To re-appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED THAT dividend paid on 9% Cumulative Redeemable Preference Shares of Rs.10/- each at the rate of 9% as declared by the Board at its meeting held on 14th August, 2007 up to the date of redemption, be and is hereby approved and confirmed.”
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mr. Surender Kumar Tuteja who was appointed by the Board of Directors as an Additional Director of the Company with effect from 25th January, 2007 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, ('Act') 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation.”
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mr. Nitin Puranik who was appointed by the Board of Directors as an Additional Director of the Company with effect from 20th April, 2007 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, ('Act') 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation.”
10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED THAT approval of the members be and is hereby accorded to the increase in the sitting fees as set out in the Explanatory Statement payable to each Director other than the Managing Director or any other Director who is in the Whole Time employment of the Company for attending each meeting of the Board of Directors or specified Committees of the Board, made by the Board of Directors in its meeting held on 20th April, 2007.”
11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary resolution:
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, approval of the Company be and is hereby accorded to the upward revision in the remuneration payable to Mr. Nandan V. Yalgi, Director Commercial from Rs. 1,20,000/- to Rs.2,00,000/-, made by the Board of Directors in its meeting held on 30th November, 2007,

with effect from 1st October, 2007 and that clause 4 (a) of the agreement dated 29th October, 2004 executed between the Company and Mr. Nandan V. Yalgi in relation to salary be treated as amended accordingly.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.

Mumbai
30th November, 2007

By Order of the Board of Directors

Regd. Office:
B.C. 105, Havelock Road
Camp, Belgaum – 590 001

Narendra M. Murkumbi
Managing Director

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy form duly completed must reach the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the items of Special Business to be transacted at the meeting is annexed hereto.
3. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. to 1.00 p.m. up to the date of Annual General Meeting.
4. The dividend on Equity Shares for the year ended 30th September 2007, if declared will be paid
 - a) to those members, holding shares in physical form, whose names appear in the Register of Members as on 5th January, 2008.
 - b) in respect of shares held in electronic mode, on the basis of beneficial ownership, as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on 5th January, 2008.
5. The Register of Members and the Share transfer books of the Company will remain closed from 24th December, 2007 to 5th January 2008 (both days inclusive).
6. Members holding shares in physical form are requested to advise about change of address to Karvy Computershare Private Limited. Members holding shares in electronic form are requested to intimate their respective Depository Participants (DP) about any change of address or Bank mandate and not to the Company or Registrar and Transfer Agents.
7. Members / proxies should bring their attendance slip duly completed for attending the meeting.
8. Members who have not yet encashed their dividend warrants for the year 2003-04, 2004-2005 and 2005-2006 are advised to forward such warrants to the Registered Office for revalidation. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend, which remains unclaimed for a period of seven years, will be transferred to the Investor Education and Protection Fund of the Central Government.
9. As required under clause 49 VI(A) of the listing agreement, the relevant information in respect of the Directors seeking reappointment at the ensuing Annual General Meeting is provided in the Report on Corporate Governance forming part of the Annual Report.
10. The Company has obtained the approval of the Registrar of Companies, Karnataka, Bangalore under Sub section (1) of Section 166 of the Companies Act, 1956 for extension of time for holding the Annual General Meeting of the Company.

ANNEXURE TO NOTICE
Explanatory Statement
(Pursuant to Section 173(2) of the Companies Act, 1956)

The following explanatory statement sets out all material facts relating to the business under items 7 to 11 mentioned in the accompanying notice of the Twelfth Annual General Meeting to be held on 5th January, 2008.

Item No. 7

The Board of Directors in its meeting held on 26th July, 2007 decided to redeem 9% Cumulative Redeemable Preference Shares of Rs. 10/- each at par. The Board of Directors in its meeting held on 14th August 2007 declared dividend on redemption of 9% Cumulative Redeemable Preference Shares at the rate of 9% for the period from 29th December, 2006 to 25th August, 2007. The capital and dividend thereon have been paid to the respective shareholders.

No Director other than Mrs. Vidya M. Murkumbi and Mr. Narendra M. Murkumbi being Directors of Private Limited Companies, which held 9%, Cumulative Redeemable Preference Shares is concerned or interested in the resolution.

Item No. 8

The Board of Directors appointed Mr. Surender Kumar Tuteja as an Additional Director of the Company with effect from 25th January, 2007. Pursuant to Section 260 of the Companies Act, 1956 he holds office upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with deposit of Rs.500/- proposing candidature of Mr. Surender Kumar Tuteja for the office of Director under section 257 of the Companies Act, 1956.

Mr. Surender Kumar Tuteja holds a Masters Degree in Commerce and is a member of the Institute of Company Secretaries of India. Mr. Tuteja belonged to the Indian Administrative Service and retired as Secretary, Food and Public Distribution, Government of India During his distinguished service career spanning over 38 years, Mr. Tuteja has held several key positions with the State and Central Government. He is having rich knowledge and experience in the field of finance, commerce, management and corporate affairs. His appointment as director on the Board will be in the interest of the Company. The Board therefore recommends his appointment as director.

Mr. Surender Kumar Tuteja is entitled to the sitting fees of Rs.15,000/- for attending each meeting of the Board or committees thereof.

No Director other than Mr. Surender Kumar Tuteja is concerned or interested in the resolution.

Item No 9

The Board of Directors appointed Mr. Nitin Puranik as an Additional Director of the Company with effect from 20th April, 2007. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with deposit of Rs.500/- proposing candidature of Mr. Nitin Puranik for the office of Director under Section 257 of the Companies Act, 1956.

Mr. Puranik is a Chemical Engineer from I.I.T., Kharagpur and is a Post Graduate in Business Management & MMS (Marketing) from Pune University. He is having rich knowledge and experience in the areas of production, quality control, commerce, project planning, operations, maintenance and management. Keeping in view, experience and expertise of Mr. Puranik, his appointment on the Board is recommended.

Being in the whole time employment of the Company, Mr. Nitin Puranik is in the position of Whole Time Director designated as an Executive Director. The shareholders in the Extraordinary General Meeting held on 25th August, 2007 approved his appointment and remuneration.

No Director other than Mr. Nitin Puranik is concerned or interested in the resolution.

Item No. 10

The Board of Directors in its meeting held on 20th April, 2007 decided to increase the sitting fees payable to the Directors other than the Managing Director and Directors in the Whole Time Employment of the Company for attending each meeting of the Board or Committees of the Board, from Rs. 7500/- to Rs. 15000/-.

Clause 49 of the Listing Agreement provides that all fees or compensation, if any, paid to the Non-Executive Directors, including independent Directors shall be fixed by the Board of Directors and shall require approval of the shareholders in General Meeting. Approval of the shareholders is therefore being sought for increase in sitting fees to Non-Executive Directors.

The Non-Executive Directors may be deemed to be interested in this resolution as the same relates to their fees.

Item No. 11

Mr. Nandan V. Yalgi has been associated with the Company since its inception and is working as Whole Time Director designated as Director- Commercial with effect from 24th September, 2004 and his present salary is Rs. 1,20,000/- per month. Apart from salary, he is entitled to perquisites and allowances as per the Agreement dated 29th October, 2004 entered in to with him.

Considering his efforts, performance, experience, knowledge and additional responsibilities shouldered, the Board of Directors on the recommendation of Remuneration Committee decided to revise and increase his salary to Rs.2,00,000/- per month with effect from 1st October, 2007. No changes are proposed in the perquisites and allowances to which he is entitled to as per Agreement dated 29th October 2004. The members in the Annual General Meeting held on 15th December, 2004 approved the terms contained in Agreement dated 29th October, 2004.

The above may also be treated as an abstract of the terms of the contract / agreement between the Company and Mr. Nandan V. Yalgi pursuant to Section 302 of the Companies Act, 1956.

No Director other than Mr. Nandan V. Yalgi is concerned or interested in the resolution.

Mumbai
30th November, 2007

By Order of the Board of Directors

Regd. Office
B.C. 105, Havelock Road
Camp, Belgaum – 590 001

Narendra M. Murkumbi
Managing Director

DIRECTOR'S REPORT

The Shareholders of Shree Renuka Sugars Limited

The Directors are pleased to present the Twelfth Annual Report of the Company together with the audited financial statements for the year ended 30th September, 2007.

Financial Results

(Rs. in Millions)

Particulars	2006-2007	2005-2006
Net Revenues	7439	8066
Profit before financial expenses and depreciation	1162	1021
Interest	133	188
Depreciation and Amortization	249	88
Profit before provision for tax	780	745
Provision for Taxation - Current	91	166
- Deferred tax	145	16
Net Profit	544	563
Prior period item (Net)	-	7
Profit brought forward	382	181
Profit available for appropriation	926	737
Transfer to General Reserves	500	300
Dividend on Preference shares	35	-
Dividend on Equity shares	50	48
Dividend tax	14	7
Balance carried over	327	382

Despite the turbulence faced by the sugar industry in the last two years, resulting in sharp drop in sugar prices, the Company has been able to achieve a healthy 15% EBITDA margin on the overall turnover with the sugar segment reporting a gross margin of 16%. For the year ended 30th September, 2007, the Company earned Total Revenues of Rs. 7439 Millions, a drop of 8% as compared to the previous years figures of Rs. 8066 Millions, and a Net profit of Rs. 544 Millions as compared to Rs. 563 Millions in the previous year, a drop of 3%.

Dividend

The Directors recommend a dividend of 20% (i.e. Rs.2/- per share), for the year ended 30th September, 2007. The payment of dividend will be subject to the approval of the shareholders at the ensuing Annual General Meeting.

Transfer of Reserves

It is decided to transfer Rs. 500 Millions to the General Reserve out of the amount available for appropriation and an amount of Rs. 327 Millions is proposed to be retained in the Profit & loss Account.

Deposits

The deposits accepted by the company have been repaid in full along with interest by the end of March 2007. There is no proposal to further accept the deposits from the public.

Redemption of Preference Shares

The Company redeemed 9% Cumulative Redeemable Preference Shares of Rs. 10/- each at par on 25th August, 2007. The capital and dividend thereon have been paid to the respective shareholders.

Further Issue of Capital & Warrants

To augment long term resources of the Company for meeting fund requirements of ongoing capital expenditure, new acquisitions, improve manufacturing capacity and for general corporate purposes, the Company has in accordance with the statutory provisions, including SEBI (Disclosure and Investor Protection) Guidelines, 2000 and with the approval of the members in the Extraordinary General Meeting held on 25th August, 2007:

- a) issued and allotted 10,00,000 equity shares of Rs. 10/- each at a price of Rs. 625.71 fully paid up and 10,00,000 warrants convertible into equity shares of the Company of Rs. 10/- each at a price of Rs. 625.71, including premium of Rs. 615.71, determined in accordance with the SEBI Guidelines to the promoters and other acquirers on preferential basis.
- b) made Qualified Institutions Placement under Chapter XIII A of the SEBI (DIP) Guidelines, 2000 and issued and allotted 21,86,667 equity shares of Rs. 10/- each at a premium of Rs 740/- per share fully paid up to Qualified Institutional Buyers.

The above issues have resulted in increase of paid-up equity share capital of the Company from Rs.23,80,96,490/- to Rs.26,99,63,160/- consisting of 2,69,96,316 equity shares of Rs.10/- each.

Significant Developments and Acquisitions

The Company has entered into definitive agreement with Promoters of KBK Chem-Engineering Private Ltd. based in Pune and bought a substantial stake in the Company. This Company provides turnkey solutions, engineering, design and consulting services in the field of distillery, ethanol plants and Biofuels. The financial & operational results of the subsidiary will be reported from the next financial year of the Company.

The company has purchased from M/s Dhanuka Petrochem, a division of Dhanuka Cold Storage Private Limited, a standalone distillery unit which converts rectified spirit to Ethanol, located at Khopoli in Maharashtra.

Subsidiary Companies

During the year Shree Renuka Biofuels Holdings (FZE) was set up in the month of August 2007 to cater to overseas investments. The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of Wholly Owned Overseas Subsidiaries of the company Renuka Commodities DMCC and Shree Renuka Biofuels Holdings (FZE) forms part of the Annual Report.

Directors

Mr. Nandan V. Yalgi, Mr. Sidram M. Kaluti and Mr. Robert Taylor retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

The period of appointment of Mr. Narendra Murkumbi as Managing Director of the Company ended on 19th September, 2007. The Company under his leadership made significant improvements in its financial and operational performance and strategic steps and rapid strides in new businesses. Shree Renuka Sugars Limited counts among the top sugar companies in India. Considering qualification, experience, rich knowledge and past performance of Mr. Narendra Murkumbi, the Board of Directors at its meeting held on 26th July, 2007 re-appointed him as Managing Director of the Company for a further term of five years. His appointment and remuneration was approved by the Shareholders in the Extraordinary General Meeting held on 25th August, 2007.

The Board of Directors appointed Mr. Surender Kumar Tuteja and Mr. Nitin Puranik as Additional Directors of the Company. They hold office up to the date of the ensuing Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956 proposing their candidatures for the office of Director and the Board recommends their appointment.

Brief resume of the above Directors, nature of their expertise in specific functional areas, names of companies in which they hold the Directorships /Chairmanships of Committees of the Board as stipulated under clause 49 of the listing agreement with the stock exchanges are given in the Section on Corporate Governance, elsewhere in the Annual Report.

Mr. Nitin Puranik being the Whole Time employee is in the position of Whole Time Director of the Company. His appointment and remuneration has been approved by the shareholders in the Extraordinary General Meeting held on 25th August, 2007.

Consolidated Financial Statements

In accordance with the Accounting Standards AS-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

Employees Stock Option Scheme

Grant of stock options to employees is a mechanism to align the interest of employees with those of the company, to provide them with an opportunity to share the growth of the Company as also to foster long term commitment. Towards achieving this goal approval of the members was obtained in the Annual General Meeting held on 28th December, 2006 for introduction of Stock Option Scheme.

The Employees Stock Compensation Committee, constituted in accordance with the SEBI Employees Stock Option Scheme and Employees Stock Purchase Scheme Guidelines, 1999 administers and monitors the Scheme.

The disclosures under the guidelines are as under :

Total Options Granted/ in force 2,38,000.

Pricing Formula: Rs. 591.10, being the closing market price on National Stock Exchange on 25th May, 2007 as rounded off to Rs.591/-.

Options Vested/Exercised : NIL.

Number of Options Granted to Senior Managerial Personnel 1,48,600.

Neither any employee has been granted options equal to or exceeding 1% of the issued capital of the Company at the time of grant nor any employee has been granted options amounting to 5% or more of the total options granted during the year.

Auditors

M/s Ashok Kumar Prabhashankar and Co., Chartered Accountants, Bangalore, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been obtained to the effect that their re-appointment, if made, would be within the limits specified under Section 224 (1B) of the Companies Act, 1956.

Auditors Report

The Auditors Report to the shareholders for the year ended 30th September, 2007 contain observation regarding short provision of incremental dividend and distribution tax. Expiations to the observation is given hereunder :

Explanation to Auditors' observation:

The obseration of Auditors in respect of short provision of incremental dividend and distribution tax of Rs 5.12 Million in respect of recent offering of its securities on private placement basis to Qualified Institutions placement (QIP) after the Balance Sheet date is inadvertently omitted and the same will be provided as an additional appropriation out of the profits of the Company for the period ending September 30, 2008.

The Directors commend to all the shareholders on record date i.e. January 5, 2008 for the payment of dividend including for the recent offering of securities out of the profits of the Company @ Rs. 2/- per share, ranking pari passu with the existing shares of the Company. As it is an appropriation, there is no impact on the EBIDTA and Net Profit of the operations.