38th ANNUAL REPORT 2010-11

SRI CHAMUNDESWARI SUGARS LIMITED

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SRI CHAMUNDESWARI SUGARS LIMITED

REGISTERED OFFICE
No 76, Ulsoor Road,
Bengaluru – 560042

FACTORIES
1.Bharathinagara (K.M.Doddi)
Maddur Tq. Mandya Dist.
Karnataka State
(Sugar, Distillery,
Co-Generation & Bio-Compost Plant)

2. Srinivasapura
Channarayapatna Taluk
Hassan Dist. Karnataka State
(Sugar Plant)

AUDITORS
P.N. Raghavendra Rao & Co.
Chartered Accountants
Coimbatore

INTERNAL AUDITORS
Brahmayya & Co.,
Chartered Accountants
Bengaluru

BANKERS & FINANCIAL INSTITUTIONS
IDBI Bank Ltd
Allahabad Bank
State Bank of Mysore
Vijaya Bank
Syndicate Bank
State Bank of Travancore
State Bank of India
The Lakshmi Vilas Bank Ltd
IFCI Ltd.
IDFC Ltd.

Dr. N. Mahalingam, B.Sc., FIE
CHAIRMAN

Sri M. Srinivaasan, B.E., MBA
MANAGING DIRECTOR

Sri K. Prakash, B.A.
EXECUTIVE DIRECTOR

DIRECTORS
Dr. M. Manickam, M.Sc., MBA
Sri M. Balasubramaniam, M.Com, MBA
Sri K.N.V. Ramani, M.A., B.L.
Sri V.K.Swaminathan, B.Com
Sri A. Arjunaraj, B.Sc., FCA
Dr. A. Selvakumar, M.E., Phd
Sri S. Srinivasan, B.Sc, B.L., CAIIB
Sri H. Shivaram, B.Com, LLB, CAIIB
(Nominee - IFCI)
Dr. Mallappa Rachappa Desai, M.B.B.S
(w.e.f. 10.11.2010)

COMPANY SECRETARY
Sri B. Vijayakumar
(w.e.f. 31st October 2010)

Sri M. Rajendraprasath
(upto 30th October 2010)

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Members of the Company will be held at **NDK Kalyana Mandira, 13th Main, HAL II Stage, 100 Feet Road, Indiranagar, Bengaluru - 560 008 on Monday, the 26th September, 2011 at 3.00 p.m. to transact the following business :**

1. To consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March 2011, the Audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri. K N V Ramani, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Sri. A Arjunaraj, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Sri. V K Swaminathan, who retires by rotation and is eligible for reappointment.
5. To appoint M/s. P.N. Raghavendra Rao & Co., Chartered Accountants, as Auditors of the company for holding office upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. **To consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION:**

RESOLVED THAT pursuant to Section 260 of the Companies Act, 1956, Dr Mallappa Rachappa Desai who was co-opted as Additional Director of the Company on the Board as per Article 99 of the Articles of Association of the Company and holds office upto the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the company, liable to retire by rotation.

By order of the Board

Date: 10th August 2011
Place: Coimbatore

B Vijayakumar
Company Secretary

Note:

1. The relative Explanatory Statement as required under Section 173 of the Companies Act 1956 in respect of Special Business is given forming part of the Notice.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy. Proxy need not be a member of the Company. Proxy so appointed shall not have any right to speak at the meeting. The Proxy Form stamped and signed should reach the Company's Registered Office atleast 48 hours before the time of the meeting.
3. The Register of Members of the company will be closed from 19th September, 2011 to 26th September, 2011 (Both days inclusive).
4. M/s.Canbank Computer Services Limited, Bangalore are the authorized Registrars and Share Transfer Agents. Members are requested to correspond with them directly for non-receipt of share certificates for share transfers, transmission, change of address, consolidation, splits, registration of Power of Attorney, non-receipt of dividend and on all other queries in the following address.

   Canbank Computer Services Ltd
   Unit: Sri Chamundeswari Sugars Ltd.,
   No.218, J.P.Royale, 1st Floor
   2nd Main, Sampige Road (Near 14th Cross)
   Malleswaram, Bangalore – 560003.
   Ph:080-23469661/62, 080-23469664/65
   Fax:080-23469667/68
   e.mail: canbank_computer@dataone.in

5. E.mail ID

   Company has provided an exclusive E.mail ID **complianceofficer@chamundisugars.com** for investors to send their requests/grievances/complaints in electronic mode.

6. Nomination facility:

   Section 109(A) of the Companies Act, 1956 provides inter-alia the facility of nomination for shareholders and debenture holders. Nomination can be made by either single or joint holders.

7. A brief resume in respect of the proposed re-appointment / appointment of Directors is attached herewith in terms of Clause 49 of the Listing Agreement.

8. Members are requested to bring their copies of the Annual Report to the meeting.
9. Attendance slip has to be signed and delivered at the entrance of the meeting venue.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT,1956

Item No.6:

Dr Mallappa Rachappa Desai aged 65 years was appointed as an Additional Director of the Company as per Article 99 of the Articles of Association of the Company by the Board of Directors at their meeting held on 10th November 2010. He holds office till the conclusion of the ensuing Annual General Meeting and a resolution to appoint him as a director of the Company is proposed under Item No.6 of the agenda.

He is a qualified doctor. He is representing India internationally with respect to promotion and development of sugar industry namely World Association of Beet and Cane Growers (WABCG), International Sugar Organization (ISO), World Sugar Research Organization (WSRO), Global Sugar Alliance (GSA). He is also acting as Vice President for World Association of Beet and Cane Growers (WABCG). He also holds Directorship and committee positions in various sugar manufacturing companies like The Ugar Sugar Works Ltd. He was a past member of Cogen India Ltd. He also served as a Chairman for Federation of Co-op. Sugar Factories, Bengaluru for the period from 1999 to 2010 and as Director for National Federation of Co-op. Sugar Factories, Delhi from 1996 to 2010.

The Board feels that his rich experience in sugar industry will be of immense help to our organization in its future growth.

Except Dr Mallappa Rachappa Desai, none of the other directors are interested in the resolution.

Particulars of Dr Mallappa Rachappa Desai as required in terms of Clause 49 of Listing Agreement is given in the Annexure to the notice.

By order of the Board

Date: 10th August 2011
Place: Coimbatore

B Vijayakumar
Company Secretary

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Company Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that Annual Report / Notice for the Annual General Meeting can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, are requested to register their concerned e-mail addresses, in respect of electronic holding with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their email addresses with Canbank Computer Services Ltd.

RE-APPOINTMENT / APPOINTMENT OF DIRECTORS (ANNEXURE TO NOTICE)

A brief resume in respect of the proposed re-appointment/appointment of Directors is given below in terms of Clause 49 of the Listing Agreement.

PARTICULARS	K.N.V. RAMANI	A. ARJUNARAJ	V.K.SWAMINATHAN	DR. MALLAPPA RACHAPPA DESAI
DIN	00007931	00015073	00210869	01625500
Date of Birth & Age	5th October,1931(79 years)	5th November 1949 (61 years)	7th January 1953 (58 years)	28th July 1946 (65 years)
Date of Appointment on Board	14th February,1997	21st August 2006	27th February 1989	10th November 2010 (As Additional Director)
Qualifications	M.A.,B.L.	B.Sc., FCA	B.Com	M.B.B.S.
Experience	Leading Advocate specialized in corporate laws with rich experience of more than four decades.	Practicing Chartered Accountant over two decades.	Rich Experience in the Sugar Industry	Qualified Doctor and having rich experience in the Sugar Industry
Directorships held in other Companies	Sri Kannapiran Mills Ltd., Bannari Amman Spinning Mills Ltd., K.G.Denim Ltd., L.G.B.Forge Ltd., K.P.R. Mill Ltd, Shiva Texyarn Ltd,	NIL	Sakthi Sugars Ltd Boimed Hitech Industrial Ltd	The Ugar Sugar Works Ltd. Ugar Consultancy Ltd
Memberships / Chairmanships of Committee across Public Limited Companies	**AUDIT COMMITTEE** **Chairman** Sri Kannapiran Mills Ltd Shiva Texyarn Ltd **Member** Bannari Amman Spinning Mills Ltd· K G Denim Ltd **REMUNERATION COMMITTEE** **Chairman** Sri Chamundeswari Sugars Ltd Sri Kannapiran Mills Ltd K G Denim Ltd L G B Forge Ltd **Member** Bannari Amman Spinning Mills Ltd	**AUDIT COMMITTEE** **Chairman** Sri Chamundeswari Sugars Ltd **REMUNERATION COMMITTEE** **Member** Sri Chamundeswari Sugars Ltd	**AUDIT COMMITTEE** **Member** Sri Chamundeswari Sugars Ltd	**AUDIT COMMITTEE** **Member** The Ugar Sugar Works Ltd
No.of shares held in the company	1397	666	2693	500
Relationship with other Directors	None	None	None	None

REPORT OF THE DIRECTORS

Your directors present their 38th Annual Report together with Audited Financial Accounts of the Company for the year ended 31st March 2011.

FINANCIAL RESULT

Particulars	₹ in Lakhs	
Profit Before Interest and Depreciation		**7,723.78**
Less: Interest	3,346.30	
Depreciation and Ammortisation	1,742.59	5,088.89
Profit Before Tax		**2,634.89**
Less : Income Tax Expenses	525.15	
Deferred Tax Liability	831.18	
Add : MAT Credit Entitlement	525.15	831.18
Profit After Tax		**1,803.71**
Add : Surplus from the Previous Year		1,744.32
		3,548.03
Less: Appropriations		
Preference Dividend Paid	200.00	
Tax on Dividend	33.22	
Capital Redemption Reserve	500.00	
Transfer to General Reserve	1,500.00	2,233.22
Surplus Carried over to Balance Sheet		**1,314.81**

REVIEW OF OPERATIONS

Division-wise Performance is as under:

Units	Cane Crushed	Raw Sugar Processed	Sugar Produced	Recovery	Production of Alcohol	Co-generation (Power Generated)
	Lakhs MTs	*MTs*	*Lakhs Qtls.*	*(%)*	*Lakhs Ltrs.*	*Crores Units*
Bharathinagara 2010 – 2011 (2009 – 2010)	7.94 (4.45)	Nil (3,374)	7.35 (4.17)	9.26 (8.65)	152.20 (93.80)	14.21 (9.22)
Srinivasapura 2010 – 2011 (2009 – 2010)	2.59 (1.52)	Nil Nil	2.49 (1.42)	9.62 (9.42)	- -	- -

During the year under review, the sugar cane crush was higher compared to previous year resulting in increased turnover. Inspite of lower realization of sugar prices and increased cost of inputs compared to previous year, the profits are higher on account of higher sugar cane crush.

Future Outlook

Expansion:

M/s. Indian Renewable Energy Development Agency Limited have sanctioned a term loan of ₹76 Crores for the establishment of COGEN Power Plant of 18 MW capacity at Srinivasapura unit. The project is under implementation. The Sugar expansion programme at Srinivasapura Unit from 1250 TCD to 3500 TCD is under progress.

New Equity Capital :

The preliminary work for issue of equity to public is almost completed.

Current Year :

In the current year the sugar prices continue to be low. The cane availablity is adequate and in both the units it is expected to crush approximately 11 lakh tonnes. Your directors are optimistic of favourable working results provided the cost of inputs mainly sugar cane does not increase to very high level without corresponding increase in sugar, distillery and power realization.

Deposits

All Fixed Deposits and Cumulative deposits matured and claimed as on 31.03.2011 have been paid. At the end of the financial year, 11 deposits amounting to ₹ 5,13,696/-, which were due for repayment remain unclaimed.

Issue of Bonus Shares

The Company has issued and allotted 61,13,582 equity shares during the financial year by way of bonus shares in the ratio of 1:3 by capitalization of reserves of the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Out Go:

The particulars required to be included in terms of Section 217(1)(e) of the Companies Act, 1956 with regard to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure – I to this report.

Particulars of Employees:

Particulars of employees as required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 and forming part of this report have been provided in Annexure – II to this report.

Directors:

Sri K.N.V. Ramani, Sri V.K. Swaminathan and Sri A. Arjunaraj are liable to retire by rotation in the ensuing Annual General Meeting and are eligible for reappointment. Further, Dr. Mallappa Rachappa Desai, Additional Director is to be appointed as Director by the shareholders in the ensuing Annual General Meeting.

Auditors:

M/s. P.N. Raghavendra Rao & Co., Chartered Accountants, who were appointed as auditors at the previous Annual General Meeting hold office till the conclusion of this Annual General Meeting and are eligible for re-appointment.

Cost Audit:

The Central Government has approved the appointment of Sri. G. I. Srinivasa Murthy, Cost Accountant as Cost Auditor for the year ended 31.03.2011.

Director's Responsibility Statement:

Pursuant to requirements under Section 217 (2AA) of the Companies Act 1956 with respect to Director's responsibility statement, it is hereby confirmed:

i) that in the preparation of the annual accounts for the financial year ended 31.03.2011, the applicable accounting standards had been followed.

ii) that the directors had 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 the year under review.

iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) that the directors had prepared the annual accounts on a going concern basis.

Corporate Governance:

As per the requirement of the Listing Agreement, a Report on Corporate Governance together with Auditor's Certificate and its compliance is included as part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report as required under the Listing Agreement is given in the Section on Corporate Governance.

ACKNOWLEDGEMENT:

Board of Directors wish to express their thanks to all the Cane Growers, Shareholders, State and Central Governments, Financial Institutions, Consortium of Bankers, Local Authorities and also appreciation to the Employees at all levels for their services and excellent support rendered to the Company.

By order of the Board

Date: 20th May 2011
Place: Coimbatore

M.SRINIVAASAN	**V.K.SWAMINATHAN**
Managing Director	Director

Annexure – I

Disclosure of Particulars in the Report of Board of Directors Rule, 1988

A) Conservation of Energy:

a) Energy Audit has been carried out in SUGAR and COGEN divisions to reduce the energy requirement thereby enhancing the power exported.

b) Extraction of Thermal energy from available hot water by Flash Heat Recovery System.

c) (i) It is proposed to go for expansion of sugar plant at Srinivasapura from the existing 1250 TCD to 3500 TCD with 18 MW Bagassee based Co-generation power plant.

(ii) During expansion, the Company plans to introduce all energy conservation system in sugar plant, i.e., extraction of thermal energy by utilizing available hot water, introducing VFD to all A. C. drives, introducing planetary gear to all driving units, single entry condensers, etc. By introducing above technology, we can achieve steam economy of 42% on cane from the existing 52% on cane (including raw sugar and refinery sugar).

B) Technology Absorption:

Technology absorption is made as per Form-B of the Annexure.

C) Foreign Exchange Earnings and Outgo:

Foreign Exchange used	- Nil
Foreign Exchange earned	- 300000 Euros

Form - A

Disclosure of Particulars with respect to Conservation of Energy from 01.04.2010 to 31.03.2011. (Figures in bracket pertains to the year 2009-10)

a. Power and Fuel Consumption

Particulars	Unit	Sugar Division		Distillery Division	Co-generation Division
		Unit I	Unit II		
1. Electricity					
a. Purchased on LT – Units	Kwh	2,25,060 (1,74,800)	2,21,076 (4,28,391)	72,945 (Nil)	Nil (Nil)
Total Amount	₹	14,45,021 (16,61,355)	17,52,606 (16,27,885)	3,57,983 (Nil)	Nil (Nil)
Rate per Unit	₹	6.42 (9.50)	7.93 (3.80)	4.91 (Nil)	Nil (Nil)
b. Own Generation (i) Through Diesel Generator	Kwh	1,048 (2,624)	17,200 (29,000)	6,120 (Nil)	10,760 (22,120)
Units per Litre of Diesel Oil	Kwh	3.49 (2.52)	4.00 (2.41)	2.15 (Nil)	2.88 (3.46)
Cost per Unit	₹	11.92 (14.27)	10.50 (16.47)	19.27 (Nil)	14.43 (10.84)
Total Amount	₹.	12,492 (37,440)	1,80,600 (4,77,630)	1,17,905 (Nil)	1,55,317 (2,30,220)
(ii) Through Steam Turbine / Generator	Kwh	Nil (Nil)	64,28,300 (36,11,200)	Nil (Nil)	14,35,69,830 (10,93,51,767)
Units per MT of Steam	Kwh	Nil (Nil)	83 (83)	Nil (Nil)	196* / 250** (196* / 250**)
Cost per Unit	₹		Own Generation		Own Generation
2. Coal Quantity	MT	Nil (Nil)	Nil (Nil)	Nil (Nil)	37,320 (37,389)
Total Cost	₹	Nil (Nil)	Nil (Nil)	Nil (Nil)	16,64,04,437 (17,09,80,951)
Average Rate per MT	₹	Nil (Nil)	Nil (Nil)	Nil (Nil)	4,459 (4,573)
3. Bio-Mass Quantity	MT	Nil (Nil)	367 (1,422)	3,639 (5,514)	17,631 (8,259)
Total Cost	₹	Nil (Nil)	6,20,266 (24,78,543)	54,13,291 (77,55,431)	2,62,27,273 (1,12,94,431)
Average Rate per MT	₹	Nil (Nil)	1,689 (1,743)	1,488 (1,406)	1,488 (1,368)
4. External Bagasse Consumption	MT	Nil (Nil)	Nil (Nil)	Nil (Nil)	1,127 (Nil)
Total Cost	₹	Nil (Nil)	Nil (Nil)	Nil (Nil)	17,71,516 (Nil)
5. Internal Generation Bagasse Quantity	MT	2,27,769 (1,20,214)	78,948 (45,373)	Nil (Nil)	Nil (Nil)
6. Internal Bagasse Consumption	MT	Nil (Nil)	78,948 (45,373)	Nil (Nil)	2,27,769 (1,20,214)
Total Cost	₹		Own Bagasse Used		Own Bagasse Used

* Generation during Crushing Season ** Generation during off Season

b. Consumption per Unit of Production

Product	Per Quintal White Crystal Sugar		Per Litre Alcohol	Per Mw
	Unit I	Unit II		
Electricity (Kwh)	28.89 (34.81)	26.82 (28.59)	0.196 (0.226)	0.101 (0.118)

Form – B

Disclosure of Particulars with respect to Technology Absorption

Research and Development (R&D):

1. **Specific areas in which R&D carried out by the Company**

   a) Mechanisation in cane cultivation by introducing all the tractor drawn implements. Demo in farmer's field is being conducted to popularize 6 ft. spacing cane cultivation to facilitate mechanical harvest.

   b) Introduction of 4 ft. spacing in sugarcane cultivation in the R&D farm and introduced 140 acres of cane in inter row spacing in farmer's field.

   c) Introduced cane cultivation in pit and trench method with drip irrigation. Presently about 180 acres of land is under this drip irrigation method. Special development programme to promote cane plantation of sugar rich varieties, viz., CO86032, CO419 and CO7804.

   d) Introduction of single seedling Method of new variety cane CO419 and CO86032 to improve the yield by extra 20% per acre.

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

   Economic water consumption for the crop, easy inter cultural operations, mechanization in cane cultivation, reduction in cost of cultivation, inter cropping-interim income, stabilization of cane cultivation and increase in yield by 20% and recovery by 0.5%. Decomposition of organic waste in between the rows, thereby improvement in soil fertility and increases the cane yield per acre.

3. **Future Plan of Action**

   a) Arranging cane harvest by machines to the suitable fields. Maintaining three tier seed nursery program. Enrichment of soil fertility by introducing intercropping with legumes.

   b) Application of bio-fertilizers, Bio-compost and application of micronutrients along with fertilizer to cane field.

   c) Multiplication of high yielding sugar rich varieties for another 15% to 20% such as CO86032 and CO419 by single seedling method.

   d) R&D Farm trials is being taken with new promising sugar rich varieties, new cropping method like pit method, inter space cropping.

Technology Absorption, Adaption and Innovation:

1. **Specific areas in which Technology Absorption carried out by the Company**

   a) Old evaporator system of DEVC + Quad has been converted to quintuple effect with spare body arrangement.

   b) Low head injection pumps (17 Mtrs.) were replaced with high head injection pumps (27 Mtrs head)

   c) A natural draught cooling tower has been commissioned for cooling of sugar factory evaporator condensate water which is used in Distillery process.

2. **Benefits derived as a result of the above Technology Absorption**

   Evaporator can handle higher rate of crush with reduced steam consumption by 3-4 units. Attaining of vacuum for boiling at evaporator and pan station by which better capacity utilisation is achieved, saves energy and reduces freshwater consumption in distillery unit.

3. **Future Plan of Action**

   a) Installation of Rotary screen (erection under progress) to get better filtration of M. J. which will give better result in juice clarification.

   b) Process modification: Manufacture of sulphurless sugar by defeco melt process to get good colour sugar for which the following units' erection is going on.

      i) Melt Clarification System.

      ii) Installation of Batch and Conti centrifugal machines, Continuous pan for C-Massecuite and MVC for C-Massecuite.

   c) Expansion at Srinivasapura Unit to 3500 TCD Sugar Plant with 18 MW Cogeneration Power Plant.

By order of the Board

Date: 20th May 2011

Place: Coimbatore

M.SRINIVAASAN — Managing Director

V.K.SWAMINATHAN — Director

Annexure – II

Name	**M. Srinivaasan**
Designation (Nature of Duties)	Managing Director (Overall Management of the Company)
Remuneration	₹53,53,139/-
Qualification	BE, MBA.
Experience (Years)	18
Date of Commencement of Employment	09.06.1993
Age	44
Last Employment held	-