



THIRU AROORAN SUGARS LIMITED

ANNUAL REPORT 2006 - 07



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Board of Directors

Mr. R V Tyagarajan,
Chairman and Managing Director.

A graduate in Chemical Engineering from the IIT Madras and a Master of Science in Management from the Sloan School of Management at MIT, Cambridge, Massachusetts, USA. Also a Director of Tube Investments of India Ltd. (Among others)

Dr. A Ramachandran,
Director.

Chairman of the Advisory Committee and R&D Committee in the Ministry of Non-conventional Energy Sources. Also a Director in IL&FS Trust Limited. Has formerly held the positions of Under-Secretary General and Executive Director of the United Nations Centre for Human Settlements (Habitat), Director General of the CSIR and Secretary to the Government of India in the Ministry of Science and Technology.

Ms. Malathi Ram Tyagarajan,
Director.

Represents the promoter shareholders.

Mr. R Vijayaraghavan,
Director.

Professionally an advocate, also holds directorships in Amrutanjan Ltd., Redington (India) Ltd and Sanco Trans Ltd (Among others)

Mr. V. Thirupathi,
Director.

A Finance professional, has held senior executive positions at ICICI Bank Ltd. and has wide and varied experience. Holds directorship in Hydro S & S Industries Ltd. (Among others).

Company Secretary

Mr. R.R. Karthikeyan

Bankers

- State Bank of India
- Axis Bank Limited
- Union Bank of India
- UCO Bank
- ICICI Bank Limited
- Punjab National Bank

Auditors

M/s. S.N.S. Associates

Registered Office

Eldorado, Fifth Floor,
112, Nungambakkam High Road,
Chennai - 600 034
Phones : 2827 6001, 2827 8267
Fax : 044-2827 0470

Shareholders' information

Date and Venue of Annual General Meeting

Saturday, December 29, 2007 at 10.45 A.M. at the Auditorium of the Tamil Nadu Pollution Control Board, No. 76, Mount Salai, Guindy, Chennai 600 032.

Financial Calendar

The Financial Year of the Company is from October to September, so as to coincide with the Sugar Year.

Financial Reporting for the Quarter Ended

December 31, 2007	On or before Jan 31, 2008
March 31, 2008	On or before April 30, 2008
June 30, 2008	On or before July 31, 2008
September 30, 2008	On or before December 31, 2008

Date of Book Closure

The Register of Members and the Share Transfer Books of the Company will remain closed from December 22, 2007 to December 29, 2007 (both days inclusive).

Share Price Movements

The high and low prices of the Company's shares on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited between October, 2006 and September, 2007 are as under:

Month	National Stock Exchange		Bombay Stock Exchange,	
	High Rs.	Low Rs.	High Rs.	Low Rs.
October, 2006	233.00	192.00	229.90	199.00
November, 2006	225.90	159.10	224.00	160.00
December, 2006	203.00	147.00	205.00	142.20
January 2007	197.90	149.40	192.00	147.15
February, 2007	168.10	125.00	171.35	121.10
March, 2007	145.00	112.00	140.50	112.50
April, 2007	169.40	118.95	167.00	118.20
May, 2007	142.95	120.30	142.00	121.00
June, 2007	132.85	114.20	129.90	113.25
July, 2007	141.40	113.25	141.40	103.00
August, 2007	119.00	83.00	118.65	91.10
September, 2007	131.95	90.50	135.65	95.15

Listing and Trading of Company's Equity Shares

The Company's Equity Shares are listed on the following Stock Exchanges in India. The Company has paid the annual renewal fees upto March 31, 2008 to all the Stock Exchanges on which its Equity Shares are listed.

Name and address of the Stock Exchange	Stock Code	Market Lot
National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra - Kurla Complex Bandra (E), Mumbai 400 051.	THIRUSUGAR	One Equity Share
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001.	507450	One Equity Share

The shares of the Company have been delisted from the Madras Stock Exchange Ltd as per Securities Exchange Board of India (Delisting of Securities Guidelines), 2003 and communication has been received from Madras Stock Exchange to this effect.

Dematerialisation of Equity Shares

The trading in the Company's Equity Shares on the specified Stock Exchanges has to be compulsorily settled in the electronic form by all the investors. The Company has entered into tripartite agreement along with the Registrar and Share Transfer Agents of the Company with two depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Equity Shares of the Company have been admitted for dematerialisation by these depositories with the International Securities Identification Number (ISIN) - INE 409A01015. Members desiring to know further details may contact the Depositories at the following address:

National Securities Depository Limited
Trade World, 4th Floor
Kamala Mills Compound
Senapati Bapat Marg,
Lower Parel
Mumbai 400 013

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street,
Mumbai 400 001

Registrars and Share Transfer Agents

M/s. Integrated Enterprises (India) Limited
2nd Floor, Kences Towers
No 1, Ramakrishna Street
North Usman Road
T.Nagar
Chennai 600 017
Tel : 044 - 28140801
Fax : 044 - 28142479
Email : yesbalu@ieplindia.com

Integrated Enterprises (India) Ltd, a SEBI registered Registrar & Share Transfer Agent (R&T Agent), maintains all work related to share registry in terms of both physical and electronic shareholding as mandated by SEBI vide its Circular No.D&CC/FITTC/CIR-15/2002 dated December 27, 2002.

Share Transfer System

As already stated, the Company's shares are traded on the Stock Exchanges compulsorily in demat mode. Therefore, investors / shareholders are requested to kindly note that physical documents, viz., Demat Request Forms (DRF) and Share Certificates, etc. should be sent by their Depository Participants (DPs) directly to the Share Transfer Agents. Any delay on the part of the DPs in sending the DRF and the Share Certificates beyond 15 days from the date of generation of the DRN by the DP will be rejected / cancelled.

This is being done to ensure that no demat requests remain pending with the Share Transfer Agent beyond a period of 30 days. Investors / Shareholders should, therefore, ensure that their DPs do not delay sending the DRF and Share Certificates to the Share Transfer Agent after generating the DRN.

Nomination Facility

The Companies Act, 1956 and the Rules prescribed thereunder provides for nomination of shares. The shareholders can now nominate a person with whom the shares shall vest in the event of death of the shareholders. The nomination can be made only by individuals holding shares of the Company either in sole name or jointly with another (not exceeding one joint holder). The nominee shall be an individual. In the case of nominee being a minor he / she may be represented by his / her natural guardian or a Court appointed guardian. The transfer of shares in favour of a nominee shall be a valid discharge by the Company against the legal heirs. The nomination shall stand rescinded upon transfer of shares. The nomination by a shareholder can be changed or cancelled at any time by giving due notice and upon execution of a fresh nomination form.

Communication

All share transfers should be forwarded to the Registrars & Share Transfer Agents of the Company. All communications should be forwarded to the Registered Office of the Company marked to the attention of the Company Secretary. Share Transfers will normally be registered and returned within 30 days from the date of receipt of correct documents.

Investors' complaints / grievances not resolved within 30 days should be addressed to the Chairman and Managing Director for redressal.

Distribution of shareholding

No. of Equity Shares held	As on September 30, 2007				As on September 30, 2006			
	No. of Share holders	% of Share holders	No. of Shares held	% Share holding	No. of Share holders	% of Share holders	No. of Shares held	% Share holding
1 - 100	3258	72.76	232370	2.05	2788	71.99	212803	1.88
101 - 200	496	11.08	85045	0.75	393	10.15	67359	0.60
201 - 500	346	7.72	126183	1.12	307	7.93	115094	1.02
501 - 1000	150	3.35	119799	1.06	148	3.82	120489	1.06
1001 - 5000	179	4.00	404803	3.58	176	4.54	406419	3.59
5001 - 10000	19	0.42	131735	1.16	25	0.64	175504	1.55
10001 and above	30	0.67	10216789	90.28	36	0.93	10219056	90.30
Total	4478	100.00	11316724	100.00	3873	100.00	11316724	100.00

Categories of shareholding

As on September 30,2007					As on September 30,2006			
No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares held	% Share holding	No. of Share holders	% of Share holders	No. of Shares held	% Share holding
Promoters	7	0.16	5595011	49.44	7	0.18	5570311	49.22
Mutual Funds	1	0.02	100	0.00	2	0.05	7052	0.06
Banks & Financial Institutions	3	0.07	2600	0.02	3	0.08	2600	0.03
FII's	7	0.16	2083947	18.42	6	0.15	1973885	17.44
Corporates	187	4.17	990268	8.75	166	4.29	1129047	9.98
Individuals (inclg. clearing Members)	4230	94.46	1741921	15.39	3652	94.29	1726782	15.25
NRI's/OCBs	43	0.96	902877	7.98	37	0.96	907047	8.02
Total	4478	100.00	11316724	100.00	3873	100.00	11316724	100.00

Plant locations : **Tirumandankudi Village**
Papanasam Taluk
Thanjavur District
Tamil Nadu State
Pincode : 612 301

A. Chittur

Virudhachalam Taluk
Cuddalore District
Pincode : 606 105

Other useful information for Shareholders:

In terms of Section 205A of the Companies Act, 1956, unclaimed equity dividend for the financial year(s) upto 1993-94 has been transferred to the General Revenue Account of the Central Government. Shareholders who have so far not claimed or collected their dividend for the said financial year(s), may claim the same from the Registrar of Companies, Tamil Nadu by submitting an application in the prescribed form.

In terms of Section 205A of the Companies Act, 1956, unclaimed equity dividend for the financial year(s) 1994-95,

1995-96, 1996-97, 1997-98 and 1998-99 has been transferred to the Investor Education and Protection Fund of the Central Government. It may be noted that no claims shall lie against the Company in respect of such amounts and no payment shall be made against such claims subsequent to the date of the aforesaid transfer.

Investor correspondence

All queries on the Annual Report and other clarifications may be addressed to the Registered Office of the Company at

"Eldorado", 5th floor
112, Nungambakkam High Road
Chennai 600034
Phone : 28276001 Fax : 28270470
Email :

Disclosure of Information pursuant to clause 49 VI A of the Listing Agreement

Disclosure of Information to shareholders pursuant to clause 49 VI A of the Listing Agreement pertaining to re-appointment of Directors is furnished as part of the Notice convening the Annual General Meeting.

Report of the Board of Directors

Dear Shareholders,

Your Directors present their 52nd Annual Report on the working of the Company for the year ended Sept. 30, 2007.

(Figures in Rupees)

	2006-2007	2005-2006
Profit before Interest, Depreciation & Extraordinary expenditure	104,929,595	576,751,631
Less: Interest and Finance Charges	191,980,323	172,396,449
Depreciation	123,253,234	114,990,893
Extraordinary Expenditure	8,494,188	34,905,358
Profit/(Loss) before Tax	(218,798,150)	254,458,931
Less : Tax for Current year		
- Income Tax	4,982,222	23,940,820
- Fringe Benefit Tax	950,345	791,713
- Wealth Tax	25,000	12,000
- Deferred Tax	(68,786,522)	74,928,198
- Excess Provision for Taxation for earlier year	(13,684,023)	-
Profit/(Loss) after Tax	(142,285,172)	154,786,200
Balance brought forward from previous year	98,524,961	64,034,804
Profit available for appropriation	(43,760,211)	218,821,004
Appropriation:		
Capital Redemption Reserve	-	72,671,763
Transfer to General Reserve	-	11,610,000
Preference Dividend paid	-	11,214,444
Distribution Tax paid	-	1,572,826
Proposed Dividend on Equity Shares	-	20,370,103
Tax and Cess on distributed Profit	-	2,856,907
Surplus carried to Balance Sheet	-	98,524,961
TOTAL	(43,760,211)	218,821,004

Dividend :

In view of the loss reported for the year, no dividend is being recommended.

Operations :

On the whole, it was a difficult year for the industry as well as for the Company. The operations for the year under report reflect the performance of the Sugar and Distillery Divisions. During the year under review, despite improvement in the operating

performance of both the divisions, profitability of operations suffered a severe erosion due to the steep decline of about 22% in sugar realisation. This was further compounded by the liquidation of the sizeable opening stock of sugar at a much lower realisation than its valuation.

Sugar :

The quantity of sugarcane crushed by both the factories during the year was higher at 1.829 million MTs compared to 1.778 million MTs crushed during the previous year. The sugar recovery was marginally lower at 9.03% as against 9.09% recorded in the previous year.

The Government of India had fixed the Statutory Minimum Price (SMP) of sugarcane for 2006-07 at Rs. 802.50 per MT linked to average recovery of 9% which translated to a price of Rs. 829.50 per MT for the Tirumandankudi unit and Rs. 802.50 per MT for the A.Chittur unit as against 856.60 per MT and Rs. 821.40 per MT fixed respectively for the 2005-06 season.

However, with a view to enthrusting farmers to plant more sugarcane for the 2007-08 season and having regard to the State Advised Price announced by the Government of Tamil Nadu, the Company had announced payment of an additional amount of Rs.222.50 per MT for the Tirumandankudi unit and Rs. 222.50 per MT for the A.Chittur unit, as advance to be adjusted against any additional cane price that may become payable to the farmers under Clause 5 A of the Sugarcane (Control) Order, 1966. Accordingly the cane price paid by the Company worked out to Rs. 1,052/- per MT and Rs. 1,025/- per MT for the Tirumandankudi and A Chittur units respectively.

The Government of India lifted the ban on export of sugar in January 2007, upon which the Company took expeditious steps to export sugar despite declining international prices and continuing appreciation of the Rupee vis-a-vis the U.S. Dollar, in order to bring down the inventory levels. In the wake of continuing increase in ocean freights, new opportunities emerged for export of raw sugar from India to markets in South East Asia and the Middle East, which were hitherto catered to by Brazil and Australia. Quick to seize the emerging opportunities that the international market presented, the Company commenced, for the first time, production of raw sugar for export at both the units. A total quantity of 66,002 MTs of sugar was exported during the year, including 35,760 MTs of Raw Sugar as against 15325 MTs of white sugar during the previous year. Considering the subsidies announced for sugar exports under OGL and the extension of the period allowed for fulfilling Export Obligation against Advance Licences, the bulk of the aforesaid exports during the year were effected under OGL, leaving a residual Export Obligation of 68,477 MTs still to be fulfilled.

In order to mitigate the current financial crisis faced by the industry, the Government of India announced various support measures from time to time as under :

- Creation of Buffer Stock of 5 million Mts;
- Inland Freight Subsidy for export @ Rs. 1,350/- per MT for coastal States;
- DEPB @ 4% on sugar including Raw Sugar;

- Extension of time for completion of export obligation under ALS; and
- Loan equivalent to Excise Duty paid/payable, at concessional rate and on repayment terms yet to be announced.

Distillery :

During the year under review, the distillery operated at optimum capacity and produced 22,488 KL of Alcohol. The average realisation on sale of alcohol was Rs. 30.59 per litre (Rs. 24.83 per litre during 2005-06).

Offtake of IMFL in the State continued to record a high growth rate leading to increased demand and consequent higher prices for Rectified Spirit (RS) and Extra Neutral Alcohol (ENA). In view of the increasing demand for Rectified Spirit and ENA, the Government of Tamil Nadu restrained the mills from producing Ethanol since November 2006. As a result, though the Company had entered into a contract with Oil Companies for supply of 32,915 KL of Ethanol during the 3-year period from November 1, 2006 to Oct 31, 2009 at Rs. 21.50 per litre, only 367 KL of Ethanol (3104 KL of Alcohol during the previous year) supplies could be effected.

Prospects for the 2007-08 season :

Sugar :

The Government of India has fixed the Statutory Minimum Price (SMP) of sugarcane for 2007-08 at Rs. 811.80 per MT linked to average recovery of 9% which translates to a price of Rs. 829.80 per MT for the Tirumandankudi unit and Rs. 811.80 per MT for the A. Chittur unit. Subsequent thereto, the Government of Tamil Nadu has announced State Advised Price for the 2007-08 season at Rs.1,034/- per MT linked to average recovery of 9%, which would imply a price of Rs. 1,061/- per MT for the Tirumandankudi unit and Rs. 1,034/- per MT for the A.Chittur unit.

Closing stock of sugar in the country at the end of the 2006-07 season is estimated at 11.5 million MTs (including the Buffer Stock of 5 million MTs) as against 3.64 million MTs at the end of the 2005-06 season. Sugar production during 2007-08 is estimated to be 30 million MTs as against 28.3 million MTs during 2006-07. Even with consumption at 20 million MTs and projected export of about 3 million MTs, there will be a heavy overhang of supply during 2007-08 with closing stock of 18.5 million MTs, i.e. nearly 90% of estimated consumption for 2008-09. As such, domestic prices will continue to remain depressed, if not decline further, during the year. Though new export avenues have opened up, export realisations will also continue to be under pressure due to mounting worldwide surplus, apart from continuing appreciation of the Rupee against the U.S. Dollar.

In this scenario, your Company expects to crush the same quantum of cane during 2007-08 as crushed during the 2006-07 season. However, notwithstanding the various support measures announced by the Government of India, the continuing pressure on domestic and export realisations is unlikely to enable any improvement in the financial performance of the Sugar division during 2007-08.

Distillery :

The 5% blending of Ethanol with petrol has been made mandatory across the country from October 2007, except in Jammu & Kashmir, the North East and the Island Territories. The Cabinet Committee on Economic Affairs has also accorded its approval to make 10% blending optional from October 2007 and the same will become mandatory from October 2008, except in the afore-mentioned exempted areas. The Cabinet Committee on Economic Affairs has further approved a uniform ex-factory price of Rs. 21.50 per litre for supply of Ethanol across the country for the next three years.

The offtake of IMFL is likely to remain strong during 2007-08 resulting in higher offtake of RS and ENA. The new capacities for distillation coming up in the State are bound to ease the tight supply position of RS and ENA, and in turn enable the Government of Tamil Nadu to permit distilleries to resume supply of Ethanol during 2007-08.

In this scenario, the Distillery is expected to perform well during 2007-08.

Subsidiary Company :

The Company – Terra Energy Ltd - has recorded a turnover of Rs. 1103.95 million and achieved a PBT of Rs. 21.77 million for the year ended September 30, 2007 as against a turnover of Rs. 455.21 million and PBT of Rs. 106.13 million for the year ended September 30, 2006.

Directors :

Mr. V. Thirupathi and Mrs. Malathi Ram Tyagarajan, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Directors' Responsibility statement :

As required under Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors 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 view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- (iv) the Directors have prepared the annual accounts on a going concern basis.

Corporate Governance and Management Discussion and Analysis Reports :

The Corporate Governance and Management Discussion and Analysis Reports form an integral part of this Report and are set out as separate annexures to this Report. The Certificate from the Auditors of the Company certifying compliance of conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is also annexed to the Report on Corporate Governance.

Fixed Deposits :

59 Deposits aggregating to Rs. 1.66 million due for repayment on or before September 30, 2007 were not claimed by the depositors on that date. As on the date of the Report, deposits aggregating to Rs. 0.12 million thereof have been claimed and paid or renewed.

Auditors :

The statutory auditors, M/S. S N S Associates, Chartered Accountants, Chennai, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Statutory Information :

Particulars of employees' remuneration u/s. 217 (2-A) of the Companies Act, 1956:

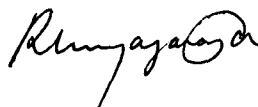
The Company does not have any employee drawing remuneration warranting disclosure under the Companies (Particulars of Employees) Rules, 1975.

The information required as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

Acknowledgement

Your Directors wish to place on record their thanks and appreciation to the Shareholders, Sugarcane Growers, Employees, Bankers, Financial Institutions and also the Central and State Governments for their continued cooperation and support.

On behalf of the Board



R V Tyagarajan
Chairman and Managing Director
November 20, 2007

Annexure to the Directors' Report

Information under Section 217(1)(e) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

	Year ended September 30, 2007	Year ended September 30 2006
	Sugar Units	Sugar Units
A Power and Fuel Consumption		
1) Electricity		
(a) Purchased	-	-
Units (KWH)	-	-
Total amount (Rs.)	-	-
Rate per unit (Rs.)	-	-
(b) Power purchased from Terra Energy Limited (Units)	49,891,445	46,720,699
(c) Own generation		
Through Diesel Generator Units (KWH)	-	-
Units / litre of Diesel	-	-
Cost per unit (Rs.)	-	-
Through steam turbine/generator (Generated out of our own bagasse consumption) (Units)	-	-
2) Lignite		
Quantity (Tonnes)	-	-
Total cost	-	-
Average cost	-	-
Lecofine	-	-
Quantity (Tonnes)	-	-
Total cost	-	-
Average cost	-	-
3) Furnace Oil		
Quantity (Litres)	-	-
Total amount (Rs.)	-	-
Average rate (Rs. per K Ltr)	-	-
4) Other / Internal Generation		
Firewood (Quantity in MT's)	-	-
Total (Rs.)	-	-
Rate / MT (Rs.)	-	-
B Consumption per quintal of Sugar		
Electricity (Units)	30.14	27.65
Furnace Oil (Litres)	-	-
Firewood (Kgs)	-	-
Sugar Produced (Quintals)	1,655,233	1,689,823