

ANNUAL REPORT



2001-2002

VENUS SUGAR LTD.

AN ISO 9001 : 2000 CERTIFIED COMPANY



VENUS SUGAR LIMITED

11TH ANNUAL REPORT

2001-2002

BOARD OF DIRECTORS

Dr. Hari Krishna, IAS	Chairman	(Nominee of UPSIDC)
Shri A. K. Bajaj	Director	(Nominee of UPSIDC)
Shri B. D. Dikshit	Director	
Dr. Ishwar Singh	Director	
Shri Rajeev Kumar Gupta	Director	
Smt. Shashi Rani	Director	
Shri M.P. Singh	Managing Director	
Vice President	Shri Mohan Sharma	
General Manager (Corporate)	Shri Vipul Jindal	
Company Secretary	Shri Ankur Jain	

BANKERS

State Bank of India, Chandausi
Punjab & Sind Bank, New Delhi
Oriental Bank of Commerce, New Delhi

AUDITORS

M/s. G. K. Nigam & Associates
Chartered Accountants
New Delhi

PRINCIPAL & CORPORATE OFFICE

C-493, Yojna Vihar,
Delhi - 110092
Ph. : 011-2160479, 2160489
Fax : 011-2163473

REGISTERED OFFICE & WORKS

Shiv Shakti Nagar,
Tehsil Chandausi
Distt. Moradabad (U.P.)
Ph. : 05921-50841, 50842
Fax : 05921-56914

MEERUT OFFICE

78, Bank Street
Meerut-250001
Ph. : 0121-641017
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VENUS SUGAR LIMITED

Registered Office : Shiv Shakti Nagar, Tehsil Chandausi (District Moradabad) U.P.

NOTICE TO MEMBERS

NOTICE is hereby given that the 11th Annual General Meeting of the Company will be held on Tuesday, the 29th day of October, 2002 at 10.00 A.M. at the Registered Office of the Company situated at Shiv Shakti Nagar, Tehsil Chandausi, District Moradabad, (U.P.) to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June, 2002 and the Profit and Loss Account for the year ended on that date and the reports of Auditors and Directors thereon.
2. To appoint a Director in place of Dr. Ishwar Singh, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajeev Kumar Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration and in this regard to consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT M/s G.K. Nigam & Associates, Chartered Accountants, be and are hereby appointed Auditors of the Company for holding the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as recommended by Audit Committees and Board of Directors of the Company."

By Order of the Board
For VENUS SUGAR LIMITED

Dated : 29.08.2002
Place : New Delhi

(ANKUR JAIN)
Company Secretary

NOTES :

1. Explanatory statements as required under Section 173(2) of the Companies Act, 1956 are attached hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The proxy form is attached herewith. Proxies in order to be effective must reach at the registered office of the Company not less than 48 hours before the time for holding the meeting.
3. Members who hold their shares in dematerialised form are requested to bring their CLIENT ID and DP ID numbers for easy identification of attendance at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 2

Dr. Ishwar Singh is a Private Practitioner in the Medical field. He is associated with the Company since its incorporation and has been extensively involved in the affairs of the Company for the past 11 years. He is a member of the shareholders/Investors Grievance Committee of the Company.

ITEM NO. 3

Mr. Rajeev Kumar Gupta is a Graduate and is associated with the Company since its incorporation. He is an industrialist with rich & wide business experience. Company has been immensely benefited from his rich experience.

ITEM NO. 4

Pursuant to the Provisions of Section 224A of the Companies Act, 1956 in case of a Company in which not less than twenty five percent of the subscribed share capital is held, whether singly or in any combination by Public/State Financial Institution(s)/Banks then the appointment of Statutory Auditors will be made by a Special Resolution passed by the member of the Company in Annual General Meeting. Consequent upon the allotment of shares made in the year 2000 to the ICICI, IFCI and IDBI by the Company, their shareholding alongwith UPSIDC in aggregate has exceeded 25% of the Subscribed Share Capital of the Company which requires approval of members of the Company by passing a Special Resolution for appointment of Statutory Auditors from the conclusion of the ensuing Annual General Meeting until the Conclusion of the next Annual General Meeting.

Accordingly, your Directors recommend the resolution embodied as Resolution No. 4 for your approval which is to be passed as a Special Resolution.

Members are requested to pass this resolution as a Special Resolution. None of the Director is interested in the said resolution.



VENUS SUGAR LIMITED

Registered Office : Shiv Shakti Nagar,
Teh. Chandausi, Distt. Moradabad, U.P.

PROXY FORM

I/We.....of
..... in the district of
..... being member(s) of the above
company hereby appoint.....
of.....of
in district of..... as my/our proxy
to attend and vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the
Company to be held on Tuesday, the 29th day of October, 2002 at 10.00 A.M at Registered Office of the
Company at Shiv Shakti Nagar, Teh. Chandausi, Distt. Moradabad, U.P.

As Witness my/our hand(s) this..... Client ID

Signed by the said..... DP ID

Folio No.

No. of Shares held

Affix
revenue
stamp of
50 paise.

Note : The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours
before the time for holding the aforesaid meeting.

-----TEAR HERE-----



VENUS SUGAR LIMITED

Registered Office : Shiv Shakti Nagar,
Teh. Chandausi, Distt. Moradabad, U.P.

ATTENDANCE SLIP

Please complete the attendance slip and hand it over to the person at entrance of the Hall.

I hereby record my presence at the Eleventh Annual General Meeting of the Company to be held at
Registered Office : Shiv Shakti Nagar, Teh. Chandausi, Distt. Moradabad, U.P. on Tuesday, the 29th
day of October, 2002 at 10.00 A.M.

Full Name of the Shareholder (in Block Letters)

Father's/Husband's Name

Full Name of Proxy, if applicable

Folio No. Client ID

No. of Shares held..... DP ID

Signatures



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2002.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs) Year Ended June 30, 2002	(Rs. in Lacs) Year Ended June 30, 2001
Sale & Other Income	5858.77	3635.72
Operating Profit before Interest & Depreciation	160.60	248.47
Less : Interest	609.55	572.40
Depreciation	147.27	273.82
Profit/(Loss) for the year	(596.22)	(597.75)

REVIEW OF OPERATIONS

Your sugar factory started crushing operations for season 2001-02 on 10th November, 2001 and completed its crushing on 25th April 2002. Operational Figures are given below:

	SEASON 2001-2002	SEASON 2000-2001
Duration of Season (days)	167	153
Sugar Cane Crushed (in lac qtls.)	46.29	36.59
Average Recovery (in percentage)	9.10	9.23
Sugar Produced (in lac qtls.)	4.22	3.37
Cane Crushed Per Day (in thousand qtls.)	27.72	23.91

During the crushing season 2001-2002, your factory achieved a crushing of 46.29 Lac qtls. which is approximately 26.50% higher than the crushing of last season. Accordingly, number of bags increased to 4.22 lacs in comparison of 3.37 lacs bags in last season. The season ended with a recovery of 9.10%. Due to adverse Climatic conditions, recovery of whole central U.P. remained low from 0.10% to 0.60%.

CANE AND SUGAR POLICY

High Cane Price, Low Sugar Price and huge stocks practically eroded the profit margins of sugar industry in 2001-02. The current distress situation is primarily due to irrationally high cane price which led to excessive production of cane and sugar and has called for rationalisation of cane price throughout the country.

Government of India's approach to the industry has been favourable, both in areas of decontrol as well as exports. Levy obligation on Sugar Mills has been brought down to 10% from the 15% w.e.f. 1st April, 2002.

However, from this year the levy obligation was applicable on your factory and accordingly 15% (upto 31st March, 2002) and 10% (w.e.f. 1st April, 2002) of total produced bags was/shall be sold to the Government of India at the Price fixed by Government of India.

According to the joint communique issued by ISMA & National Federation of Cooperative Sugar Factories Ltd. the total output/production during the season of 2001-2002 was 180.91 lacs tonnes as against 180.98 lacs tonnes during the corresponding period last season. The total off take/consumption till May during the season 2001-2002 was 105.57 lacs tonnes for internal consumption. The closing stock of sugar as on 31.05.2001 was 182.23 lacs tonnes as against 171.13 lacs tonnes for the corresponding period last year.

MANAGEMENT ANALYSIS AND DISCUSSION

1. Industry structure & Development

India has been known as the original home of sugar and sugar cane, Indian mythology supports the fact as it contains legends showing the origin of sugarcane. The advent of modern sugar processing industry in India began in 1930 with grant of tariff protection to the Indian Sugar Industry. The number of sugar mills increased from 30 in the year 1930-31 to 450 in 2000-2001. Uttar Pradesh consists of 125 sugar mills. Out of which 68 mills belongs to Co-operative/Corporation and rest 57 mills are in Private sector. Since, this is an Agricultural based industry (as the major raw material is sugar cane) hence the operations heavily depend on the monsoon season. For the past 3 consecutive years, the industry is facing the problem of excess production and huge stocks despite consistent growth in population and personal income. Export efforts have yielded limited results as domestic Prices are higher than international quotes. The irony of the Industry is that even a decade after India decided to deregulate and liberalize its economy, the sugar industry continues to remain heavily regulated. Not only does the Government of India impose a levy quota on the produce (no doubt it is vanishing with the passage of time), it also decides what quantum of the sweetener will be released by the mills in the open market each month. But, for the last three years Government of India had initiated a series of measures, which have cumulatively resulted in considerable operational freedom for the sugar industry. Once the industry becomes fully decontrolled, it will be a healthy development of future trades in sugar which would also result into a positive development of industry.

2. Outlook

Considering the increasing storage and interest carrying cost of large stocks year after year, sugar industry appears to be leading for a future crisis. But after the phased decontrol over past few years, Government of



India is endeavouring to completely free the industry by the beginning of the new season of 2002-2003. It is hoped that these efforts will give industry the much needed boost.

According to the official explanations, Government will keenly look into the following issues before implementing the complete decontrol of sugar sector:-

- Improving viability of sugar mills.
- Encouraging the profitable use of by products by giving loans from the sugar development fund.
- Providing transport subsidy for sugar exports.
- Ensuring functioning of future trading in India.
- Establishing credibility of Indian sugar in terms of quality in the international market.

3. Risks, Threats and Opportunities

Sugar industry consumes nearly 60% cane, therefore unplanned increase in cane output causes excessive sugar production leading to accumulated stocks and lowers prices while the cost of production increases with increase in cane prices. Every year, there is a big difference in prices fixed by the Centre and the States for Sugar Cane and usually the State Advised Prices (SAP) is much higher than the Statutory Minimum Price (SMP) leading to delay in payments from factories. The main sufferers of the vast difference between SAP & SMP of sugar cane are the sugar factories.

However, the positive point for the industry is the Government of India's decision which mandates the sale of petrol blended with ethanol at 5% level.

4. Segmentwise Performance

As your company owns only sugar factory situated at Shiv Shakti Nagar, Tehsil Chandausi, Moradabad, U.P., the segmentwise performance is not applicable.

5. Internal Control system and their adequacy

Your company maintains adequate internal Control Systems designed to provide reasonable assurance that assets are safeguarded. Transactions are executed in accordance with management's authorization and are properly recorded and accounting records are adequate for preparation of financial statements and financial information. The internal audit function performs internal audit periodically to ascertain their adequacy and effectiveness. The Audit Committee of the Board also reviews the performance of the Audit & Compliance department and reviews the effectiveness of controls and compliances in consonance with the regulatory guidelines.

6. Financial and operational Performance

During the year under review, your Company crushed 4629331 Qtls. of sugar cane which is 26.50% higher than last year and produced 4,22,500 bags of sugar (including Brown Sugar) which are 24.55% higher than last year. But, due to unfavourable climatic conditions viz. less rain, the recovery of whole Central U.P. Sugar Mills remained low from 0.10% to 0.60% as compared to previous years. In spite of this adverse season, the recovery of your company remained at 9.10% which was only 0.13% less than last year.

Further, during the year under review, turnover was Rs. 5858.77 lacs, which is 66.08% higher than last year. But due to lower recovery and lower price realisation of sugar in the market, a loss of Rs. 596.22 lacs has been incurred.

The financial statements are prepared in Compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management of company accepts the responsibility for the integrity and objectivity of these financial statements.

7. Human Resources and No. of employees employed

The Company recruits manpower according to its needs. To facilitate employee growth within the Company, all new openings including senior level positions are generally offered to the current employees. The nature of work, skill sets requirements and experience levels are highlighted to the employees. Since, the industry is of seasonal nature, hence during season time (from November to April) skilled contractual labour is also hired. Total number of employees (excluding contractual labour) as on June 2002 were 488.

ISO CERTIFICATION

During the year under review, your Company got the ISO:9001:2000 certification from M/s NQA Quality Systems Register Ltd. in collaboration with JAS-ANZ- a joint Accreditation system of Australia & New Zealand.

AUDITORS OBSERVATION

The observations of Auditors as referred to in the Auditors Report are suitably explained in Notes to the Accounts.

DIRECTORS

Dr. Ishwar Singh and Mr. Rajeev Kumar Gupta, Directors of the Company, will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. During the year under review, UPSIDC has substituted Dr. Hari Krishana, IAS as Chairman in Place of Mr. Harminder Raj Singh, IAS. Further, Mr. Arun Kumar Singhal, IAS, (nominee director of UPSIDC), Mr. Atul Kumar and Mrs. Shubhra Singh had resigned from the Directorship of the Company. The Board of Directors places on record their appreciation for the valuable services rendered by Mr. Harminder Raj Singh, IAS, Mr. Arun Kumar Singhal, IAS, Mr. Atul Kumar and Mrs. Shubhra Singh during their tenure as Directors of the Company.

Your Directors recommend the reappointment of Dr. Ishwar Singh & Mr. Rajeev Kumar Gupta.

FIXED DEPOSITS

The Company had not accepted any fixed deposits from the public during the period from July 2001 to June 2002. Accordingly, there is no amount outstanding on the part of the company on account of fixed deposits. The Fixed Deposits issued in lieu of cane payment had been fully paid alongwith the interest.



ALLOTMENT OF EQUITY SHARES AND ZERO COUPON DEBENTURES

During the year under review, 14,64,342 equity shares of Rs. 10/-each were allotted to Promoters, their friends, relatives and associates. Further, on account of conversion of Funded Interest term loan and other charges, your Company had allotted 21,19,080 Non-Convertible zero coupon debentures of Rs. 100/- each aggregating to Rs. 21,19,08,000/- to ICICI, IDBI and IFCI on 31st August, 2001.

AUDITORS AND THEIR APPOINTMENT

M/s. G.K. Nigam & Associates, Chartered Accountants, New Delhi hold office until conclusion of the forthcoming Annual General Meeting. They have shown their willingness to be reappointed as Auditors for the next year. It has been proposed to appoint M/s. G.K. Nigam & Associates, Delhi as Auditors for the financial year 2002-2003 on a remuneration to be fixed in consultation with them by the Board of Directors. The necessary certificate required under section 224(1B) of the Companies Act, 1956 has been obtained from them.

CONSERVATION OF ENERGY, WATER MANAGEMENT, FOREIGN EXCHANGE, ETC.

The Plant was set up with most modern equipments in order to minimize energy consumption and increase profitability. Captive power generation and generation of steam from bagasse also provide cost reduction in energy consumption. High pressure boiler along with double effect Evaporators, Vapour Bleeding and Vapour Lime Juice Heater are some of energy saving measures.

No objection Certificate and consent from the State Pollution Control Board for the year under review has since been obtained. As a result of various energy saving measures adopted, the quantity of bagasse saved during the year under review has increased as compared to previous year.

Details of energy conservation and research and development activities undertaken by the Company along with the informations in accordance with the provisions of Section 217(1) (e) of Companies Act, 1956 read with Company's disclosure of particulars in the Report of Board of Directors Rules, 1998 are given in Annexure 'A' to this Director's Report.

Expenditure in Foreign Currency is Rs. NIL for the current year, 2001-2002 (last year Rs. 459808/-).

PARTICULARS OF THE EMPLOYEES AND INDUSTRIAL RELATION

Requisite information in accordance with Sub-section (2A) of section 217 of the Companies Act, 1956 read with Companies (Particular of employees) Rules, 1975 and forming part of Directors Report for the year ended 30 June 2002 is annexed as Annexure-B.

CORPORATE GOVERNANCE

The Securities & Exchange Board of India has introduced a code of Corporate Governance for implementation by the listed companies. As per the prescribed schedule, this code was required to be implemented by your Company by 31st March, 2002.

Even before the aforesaid requirement becomes applicable, your Company has been following the Corporate Governance practices viz. setting up the Audit Committee, Share holders Grievance Committee, adequate disclosure of information & business to be deliberated by the Board etc. The detailed report on the different aspects of Corporate Governance is however annexed to this Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 it is hereby stated that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for the period;
- the Directors had 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
- the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors convey their sincere thanks to the Company's Customers, Suppliers, Shareholders, Financial Institutions viz. ICICI, IDBI, IFCI, Bankers viz. State Bank of India, Punjab & Sind Bank and Oriental Bank of Commerce and various departments of Government of Uttar Pradesh and Government of India for the continued cooperation and support extended to the Company at all times. Your Directors further express their deep appreciation for the significant contributions made by the employees for their dedicated services towards the growth of the Company.

For & on behalf of the Board of Directors of
VENUS SUGAR LIMITED

PLACE : NEW DELHI
DATED : 29.08.2002

M. P. Singh
Managing Director

B. D. Dikshit
Director

A. K. Bajaj
Director