



ANNUAL
REPORT
2002-2003

VENUS SUGAR LTD.

AN ISO 9001 : 2000 CERTIFIED COMPANY



VENUS SUGAR LIMITED

12TH ANNUAL REPORT

2002-2003

BOARD OF DIRECTORS

Mr. G. B. Pattanaik, 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	
Executive Director	Dr. R. S. Hooda	
General Manager (Corporate)	Shri Vipul Jindal	
Company Secretary	Shri Sanjeev Gupta	

BANKERS

State Bank of India, Lucknow
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. : 011-22160479, 22160489
Fax : 011-22163473

REGISTERED OFFICE & WORKS

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Tehsil Chandausi
Distt. Moradabad (U.P.)
Ph. : 05921-250841, 250842
Fax : 05921-256914

MEERUT OFFICE

78, Bank Street
Meerut-250001
Ph. : 0121-2641017-18
Fax : 0121-2647064

REGISTRAR AND SHARE TRANSFER AGENT In Time Spectrum Registry Limited

A-31, IIIrd Floor, Naraina,
Phase-I, New Delhi
Ph. No. : 011-51410592/94

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2003.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs) Year Ended June 30, 2003	(Rs. in Lacs) Year Ended June 30, 2002
Sale & Other Income	4186.11	5858.77
Operating Profit before Interest & Depreciation	(27.51)	160.60
Less : Interest	633.15	609.55
Depreciation	218.24	147.27
Profit/(Loss) for the year	(878.91)	(596.22)

REVIEW OF OPERATIONS

Your sugar factory started crushing operations for season 2002-03 on 2.12.2002, which lasted till 4.05.2003. The production was started late due to higher fixation of cane price by the State Government and the decision taken by ISMA. Highlights of the physical operational results are as under:

	SEASON 2002-2003	SEASON 2001-2002
Duration of Season (days)	153	167
Sugar Cane Crushed (in lac qtls.)	39.52	46.29
Average Recovery (in percentage)	9.24	9.10
Sugar Produced (in lac qtls.)	3.67	4.22
Cane Crushed Per Day (in thousand qtls.)	25.83	27.72

Due to late start of crushing, the sugar production is lower as compared to the previous year. During the crushing season 2002-2003, your factory achieved cane crushing of 39.52 Lacs qtls, which is approximately 14.63% lower than the crushing of last season. Accordingly, number of sugar bags produced decreased to 3.67 lacs in comparison to 4.22 lacs bags in last season. The season ended with a recovery of 9.24 %, which is higher by 0.14% as compared to last year.

Cane and Sugar Policy

The Indian Sugar Industry passed through a difficult phase during the year 2002-03 mainly on account of higher cane price fixed by the Government and lower realisation of sugar price. Low sugar prices and huge stocks practically eroded the profit margins of sugar industry in 2002-03. The current distress situation is primarily due to consistent decrease in realisation of sugar in the free market.

Due to consistent decrease in sugar prices and increase in quantum of court orders in connection with release of sugar in the open market, the Government has made an amendment in the Essential Commodities (Amendment) Act, which will give special powers to the government for strict control on the sugar release mechanism. Besides this, it will improve the price realisation in the free market in the future.

Your directors have informed in their last report that the levy obligation on sugar mills has been brought down to 10% from the 15% w.e.f 1st April 2002. But due to slump in the free sale market, government did not lift the levy sugar since last 4 months.

According to the joint communique issued by ISMA & National Federation of Cooperative Sugar Factories Ltd, the total output/production of sugar during the season of 2002-03 was 186.22 lacs tonnes as against 176.07 lacs tonnes during the corresponding period last season. The total off take till April during the season 2002-2003 was 101.91 lacs tonnes for internal consumption. The closing stock of sugar as on 30.4.2003 was 193.31 lacs tonnes as against 190.39 lacs tonnes for the corresponding period last year.

ISO CERTIFICATION

As you are already aware, your company got the ISO:9001:2000 certification, during the year 2001-2002, from M/s NQA Quality Systems Register Ltd. in collaboration with JAS-ANZ-a joint Accreditation system of Australia & New Zealand. In this regard, they have completed their audit satisfactorily during the year under review.

AUDITORS OBSERVATION

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

DIRECTORS

Smt. Shashi Rani and Shri B.D Dikshit, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment. During the year under review, UPSIDC has substituted Shri G.B Pattanaik, IAS as Chairman in place of Dr. Hari Krishna, IAS. The Board of Directors places on record their appreciation for the valuable services rendered by Dr. Hari Krishna, IAS, during his tenure as Director of the Company.

Your Directors recommend the reappointment of Smt. Shashi Rani and Shri B.D Dikshit.

FIXED DEPOSITS

The Company had not accepted any fixed deposits from the public during the period from July 2002 to June 2003. 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 in the past year had been fully paid along with the interest.



APPLICABILITY OF THE PROVISIONS OF SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that at the end of any financial year, if accumulated losses of an industrial Company result in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, such Company shall, within a period of sixty days from the date of finalisation of the duly audited accounts of the Company for the relevant financial year, report the fact of such erosion to the shareholders. According to the above provision, your company has convened the Extraordinary General Meeting on 9.6.2003 and the Form -C has been filed with the BIFR. The position of the Company as on 30.6.2003 is as under :-

	(Rs. in Lacs)
Peak net worth during the immediately preceding four financial years	3650.00
Accumulated losses as at the end on 30.06.2003	3442.00

The Company is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

ALLOTMENT OF EQUITY SHARES AND ZERO COUPON DEBENTURES

Your company has not issued any security during the year under review.

AUDITORS AND THEIR APPOINTMENT

The auditors, M/s. G. K. Nigam & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting of the Company. They have indicated their willingness to accept re-appointment. The necessary certificate required under section 224(1B) of the Companies Act, 1956 has been obtained from them. Your Directors request you to appoint the aforesaid auditor and fix their remuneration.

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

The Plant was set up with most modern equipment 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 Heaters are some of energy saving measures.

No objection Certificate and consent from the State Pollution Control Board for the year under review has been renewed. As a result of various energy saving measures adopted, the power generated per MT of steam is more by 2.38 units in comparison to that of previous year.

Details of energy conservation and research and development activities undertaken by the Company alongwith the information's 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/Income in Foreign Currency is Rs. NIL for the year, 2002- 2003 (last year Nil).

CORPORATE GOVERNANCE REPORT

Your Company attaches considerable significance to good Corporate Governance as an important step towards building investor's confidence, improving investor's protection and maximizing long term shareholders value. The certificate of the Statutory Auditors, M/s G. K Nigam & Associates, confirming compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement of the Stock Exchanges has been obtained.

A separate report on Corporate Governance is attached as a part of the Annual Report

DIRECTORS RESPONSIBILITY STATEMENT

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

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
- That 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 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 that period.
- That 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.
- That the Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS & EMPLOYEES

The Directors record their appreciation of the commitment and support of the employees at all levels and look forward to their continued support.

The information as required under sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 (as amended) in respect of employees of the Company is given in Annexure 'B' and forms part of this report.

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 continuous 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 : 25.08.2003

M.P. Singh
Managing Director

G.B. Pattanaik
Chairman



ANNEXURES TO THE DIRECTORS' REPORT

ANNEXURE 'A'

Information as required under section 217 (1) (e) read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY

The Plant was set up with most modern equipment 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.

Total energy consumption and energy consumption per unit of production is given here below:

FORM - A

Particulars	2002-2003	2001-2002
A POWER AND FUEL CONSUMPTION		
1. Electricity		
— Unit (KWH)	NIL	203191
— Total Amount (Rs./KWH)	NIL	964834
— Rate (Rs./KWH)	NIL	3.90
(b) Own Generation		
(i) (Through Steam Turbine generator)		
— Unit (KWH)	8026429	9607671
— Unit per MT of Steam	34.36	31.98
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION		
— Electricity (KWH/KG)	0.21	0.22
— Steam (kg/kg)	6.40	7.11

ANNEXURE 'B'

Statement of particulars under section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 30th June, 2003.

Employed throughout the financial year under review and were in receipt of remuneration for the financial year in aggregate of not less than Rs. 12,00,000/-

Name	Designation Nature of Duties	Remuneration Received in Rs.	Qualification	Experience (Year)	Date of Commencement	Age Yrs.	Particulars of Last employment
M. P. Singh	Managing Director	1500000/-	B.Sc. Eng. (Mech)	31 Years	10.10.91	54	Managing Director, Venus Cements Ltd.



MANAGEMENT ANALYSIS AND PERCEPTION

1. Industry structure & Development

India has been known as the original home of sugar and sugar cane. Indian mythology supports this fact as it contains legends showing the origin of sugarcane. The modern word "sugar" is a derivative of the word Sarkara. The advent of modern sugar processing industry in India began in 1930 with grant of tariff protection to the Indian Sugar industry. Sugar is amongst the largest agro processing industries in India. More than 35 million farmers and their families besides large mass of agriculture labour are involved in sugarcane cultivation and its harvesting operations. The interface between the industry and the farmers is of maximum intensity as compare to other agro based industries. The number of sugar mills in the country increased from 30 in the year 1930-31 to 450 in 2000-2001 out of which 125 sugar mills are located in Uttar Pradesh. Since, this is an agriculture based industry, the operations heavily depend on the monsoon season. For the past 3 consecutive years, the industry is facing the problem of excess production despite consistent growth in population and economy. 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 has not yet 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 produces, it also decides what quantum of the sweetener will be released by the mills in the open market each month.

2. Outlook

Earlier, Government was planning to implement the complete decontrol of sugar sector. But with the implementation of new norms governing sugar release mechanism under Essential Commodities (Amendment), Act which have come into force from June 2003, the government now has strict control over the free sale sugar release mechanism. In the coming monsoon session of the Parliament, the Essential Commodities (amendment) Act will be placed in the ninth Schedule of the Constitution, which will give special power to the Government for strict control on the sugar release mechanism. After that, no company can move to any court for release of additional sugar in the market, which will increase the sugar prices in the market. By passing the Sugar Control Act, the Govt. has controlled the supply of sugar in the market and the rate of sugar has also firmed up from a low of Rs. 1090/- per quintal to Rs. 1250/- per quintal in past two months.

The Government also created the buffer of 20 Lacs tonnes w.e.f 18.12.2002 for one year. Your company's allocation is 32870 Bags

3. Risks, Threats and Opportunities

Sugar industry consumes approximately 60% of the total cane production. Therefore, the unplanned increase in cane output causes excessive sugar production leading to accumulated stocks and lower price realisation while the cost of production increases with increase in cane price. Every year, there is a big difference in prices fixed by the Center 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. In view of the above, ISMA filed a petition in Hon'ble Supreme Court of India claiming that State Government has no right to declare the SAP and the Companies should pay the individual SMP as calculated by the Govt. of India. Thus, your company has paid SMP in the current season subject to Supreme Court Order.

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

Your company is having only one business segment i.e manufacture of white crystal sugar. As already explained in the Directors Report the results for the year under review have been adversely affected due to lower realisation of sugar price in the open market and the lower valuation of stock.

5. Internal Control system and their adequacy

Your company maintains adequate Internal Control Systems designed to provide reasonable assurance that assets are safeguarded, transaction 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 control system of the Company is monitored and evaluated by internal auditors and their Internal Audit reports are periodically reviewed by the Audit Committee of the Board of Directors. The observation and comments of the Audit Committee are appraised to the Board.

6. Financial and operational Performance

During the year under review, your Company crushed 3952040 Qtls. of sugar cane which is 14.63% lower than last year and produced 367090 bags of sugar which are 13.10 % lower than last year. The recovery of your company was 9.24% which was 0.14% more than last year.

Further, during the year under review, turnover was of Rs.4186.12 Lacs, which is 28.55% lower than last year. But due to lower valuation of stock and lower price realisation of sugar in the market, a loss of Rs. 888.86 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 there financial statements.

7. Human Resources and No. of employees employed

That employees are a key resource of an organisation is indisputable. Organisations differ in their ability to harness the full potential of their employees to the creative pursuit of attaining excellence. We believe, it is our people alone who provide us with the greatest sustainable and competitive advantage. Your Company's employees fully identify with your Company's vision and business goals. Training needs are identified in a systematic manner and regular training programmes are organised both in house and externally where employees are nominated to participate. 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 2003 were 452.

8. Industrial Relations

The management and the workers in Venus Sugar Limited maintain cordial and harmonious relations - unanimous in their belief that they have one common objective- sustainable success of the Company. All areas concerning employees' involvement, safety, health and training development elicits their unqualified participation.



AUDITORS' REPORT

TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of VENUS SUGAR LIMITED as at 30th June 2003 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Central Government in terms of section 224(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the company, so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3c) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on June 30, 2003 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on 30th June, 2003 from being appointed as director, in terms of clause (g) of sub-section (1) to section 274 of the act;
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 30th June 2003 and,
 - ii) In the case of the Profit & Loss Account, of the loss for the year ended on that date.
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **G.K. Nigam & Associates**
Chartered Accountants

Place : New Delhi
Dated : 25.08.2003

Sd/-
Hari Om
Partner

ANNEXURE REFERRED TO THE AUDITORS REPORT

1. Proper records of fixed assets have been maintained to show full particulars including quantitative details and situation. Physical verification of the fixed asset has been carried out by the management during the year and no discrepancy is stated to have been noticed on such verification as compared to book records. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and the nature of the assets.
2. None of the fixed assets have been revalued during the year.



3. Physical verification has been conducted by the management at reasonable intervals in respect of stores.
4. The procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. No discrepancy has been noticed on physical verification of stocks as compared to book records.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of stocks is as in the preceding year.
7. The company has not taken any loans secured or unsecured, during the year from companies, firms or other parties listed in the register maintained under section 301 and section 370 (1-C) of the Companies Act 1956, However in view of Companies Amendment Act, 1999 provisions of section 370 (1-C) are not applicable.
8. The company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 and 370 (1-C) of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans have been given by the company are repaying the principle amounts as stipulated and are also regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases or stores, raw materials, plant and machinery, equipment & other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions for the purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 and aggregating during the year to Rs. 50,000 or more in respect of each party.
12. The company has not accepted any deposit from the public during the year, hence provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder do not apply.
13. In our opinion, records have been maintained by the company for the sale and disposal of realisable scrap and by-products.
14. As explained to us, the company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. No such items have been determined by the Company during the year.
15. In our opinion the company has an internal audit system commensurate with the size and nature of its business.
16. The central government has prescribed for the maintenance of Cost record under section 209(1) (d) of the Companies Act 1956 and we are of opinion that, prima-facie, the prescribed records have been maintained.
17. The Company is generally regular in depositing its Provident Fund and Employees State Insurance dues with the appropriate authorities
18. According to the information and explanation given to us and the books and records examined by us, there are no undisputed amounts payable in respects of Income Tax, Custom Duty and Excise Duty outstanding as at 30th June 2003 for a period exceeding six months from the date they became payable.
19. The Company has a policy of authorising expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorised on the basis of contractual obligation or accepted business practices having regard to Company's Business needs and exigencies. In terms of these observations we have not come across any expenses which in our opinion and judgement and to the best of our knowledge and belief could be regarded as personal expenses.
20. The Company is not a Sick Industrial Company within the meaning of Clause (0) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. However, the Company has made the reference of being potentially Sick Industrial Company to the BIFR.

For G.K. Nigam & Associates
Chartered Accountants

Place : New Delhi
Dated : 25.08.2003

Sd/-
Hari Om
Partner