

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 20th Annual Report with the audited financial statements for the year ended 31st March 2006.

FINANCIAL HIGHLIGHTS	2005-06	2004-05 Rs.
Total Income	263,16,05,820	183,45,39,991
Profit before Interest		
And depreciation	65,90,38,987	40,05,08,779
Less: Interest charges	10,40,03,076	6,18,36,337
Less: Depreciation	9,32,51,877	7,60,14,322
Profit before Tax	46,17,84,034	26,26,58,120
Appropriations		
i) Provision for Direct Taxes	3,98,50,000	2,53,00,000
Deferred tax	10,57,09,000	5,10,55,000
ii) Prior period items	76,87,361	26,52,867
iii) Income tax of prior years	27,65,091	6,000
iv) VRS payment written off	--	1,58,43,000
v) Extraordinary item	76,87,361	--
vi) Proposed Dividend	11,34,58,500	6,80,75,100
vii) Provision for dividend tax	1,59,12,555	96,34,754
viii) Transfer to General Reserve	16,00,00,000	9,00,00,000

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs...../- per share.

FINANCIAL PERFORMANCE

In the year 2005-06, the Company earned a pre-tax profit of Rs.46.18 Crores as against Rs.26.26 crores earned in the previous year recording an increase of 76%. The total income increased by 43% to Rs.263.16 Crores as against Rs.183.45 crores recorded in the previous year. The Company has been able to sustain the growth momentum during the year due to better sugar price realization, additional revenue from the new cogeneration plant and increased capacity utilization on account of availability of sugarcane.

OPERATIONAL PERFORMANCE

Sugar Division

The normal monsoon in 2004 and 2005 has resulted in higher availability of sugarcane in the year 2005-06 when compared to the previous year. The sugarcane crushed during the year 2005-06 were as follows

	Sugarcane crushed(MT)	
	2005-06	2004-05
Unit I	387696	174538
Unit II	1045248	574329
Total	1432944	748867

During the year, the Company processed 12012 MT of raw sugar in Unit I. The Company exported 3,888 MT of sugar as against the export obligation of 18,095 MT of sugar under the Advance Licence Scheme. The remaining export obligation is expected to be completed during the current year 2006-07.

In January 2006, the capacity expansion at Unit II from 3500 TCD to 5000 TCD was completed and since then the plant has been operational at the enhanced capacity level.

Distillery Division

The Company produced 69,12,738 litres of Alcohol in 2005-06 as against 80,25,026 litres of Alcohol in the previous year. The Central Government has restarted the ethanol programme and the oil companies have starting lifting anhydrous ethanol from December 2005.

Cogeneration of Power

The 22 MW bagasse based cogeneration plant at Mundiampakkam was commissioned on 1st June 2005 and the surplus power exported to TNEB has contributed to the revenues of the Company. In 2005-06, 9,29,11,292 units of power were generated as against 2,38,50,388 Units in the previous year. After captive consumption, 4,88,19,582 units were exported to TNEB as against 18,61,731 units in the previous year.

During the year, the cogeneration project at Mundiampakkam unit was registered under the CDM project activity with UNFCCC which enables the company to get credit of 80,157 CERs in a year.

Others

The land and building which previously housed the Textile division has been rented out during the year. During the year, no real estate properties were purchased or sold.

In November 2005, the Company had sold the entire shares held in M/s. Chincholi Sugar Mills Limited and consequently Chincholi Sugar Mills Limited is no more a subsidiary of the Company. The difference between the sale proceeds and investment has been written off in the Profit and Loss Account.

FUTURE OUTLOOK

In May 2006, the Company acquired the entire share capital of Trident Sugars Limited having a 2500 TCD sugar factory at Madhunagar, Zaheerabad, Medak Dt., Andhra Pradesh for an enterprise value of Rs.62 crores and since then it has become a wholly owned subsidiary company of our company. The production in this unit will commence during the October 2006 after the off season.

The Company has decided to setup two greenfield sugar plants of 5000 TCD each in Madhubani and East Champaran Districts of Bihar State. The financing for the same will be out of equity and borrowings, for which the shareholders have accorded the required approval at the Extraordinary General Meeting held on 08.06.2006. The new sugar plants are expected to be operational by 2008.

With the command areas of the sugar plants in Theni and Mundiampakkam experiencing good rainfall in 2005 and also with the expected normal monsoon in 2006, the sugarcane availability during the sugar season 2006-07 is likely to be better.

The expected better raw material supply is likely to help the distillery and cogen divisions to operate at normal capacity during 2006-07.

DIRECTORS

Mr.R.C.H.Reddy and Mr.G.S.V.Subba Rao were appointed as Additional Directors on 30th December 2005 and they hold office upto the ensuing Annual General Meeting. Notices have been received from shareholders proposing their candidature for the office of Directorship which is being placed at the ensuing Annual General Meeting. Mr.Raja M.J.Abdeen and R.Varadarajan, Directors retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.

AUDITORS

M/s Srikishen & Co, Chartered Accountants, the present auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. They have furnished necessary certificate in terms of Sec.224(1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

None of the employees of the Company were in receipt of remuneration, which in the aggregate exceeded the limits fixed under sub-section (2A) of the Section 217 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that in the preparation of the annual accounts, the applicable standards have been followed; they have 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 of the company for that period; they have 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 that the annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY

Particulars required to be furnished under sub section 1(e) of section 217 of the Companies Act, 1956 are also annexed to this report. (Annexure 1)

CORPORATE GOVERNANCE

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report. (Annexure 2)

ACKNOWLEDGEMENT

Your Directors thank the Banks and Financing Institutions for their valuable and timely financial assistance and support provided to the Company. Your Directors also thank the cane growers, suppliers, Government Institutions and others for the cooperation extended to the Company. The Board also places on record its appreciation of the dedicated services rendered by the employees of the Company.

May Goddess Lakshmi shower Her blessings for the continued prosperity of the Company.

For and behalf of the Board

Place: Coimbatore
Date : 08.06.2006

RAJSHREE PATHY
Chairman and Managing Director