

RAJSHREE SUGARS & CHEMICALS LIMITED

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2007

1) SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF ACCOUNTING & REVENUE RECOGNITION

The financial statements are prepared under historical costing convention on a going concern basis, with revenue recognised and expenses accounted on accrual – concept (including provisions and adjustments) and in accordance with the applicable accounting standards referred to in sub section 3C of section 211 of the Companies Act, 1956.

ii) RETIREMENT BENEFITS

The gratuity and superannuation liabilities of the Company are covered under Master policies with LIC of India and HDFC Standard Life Insurance Company Limited. The annual contribution under the scheme are charged to the revenue.

iii) FIXED ASSETS

Fixed assets are stated at historical cost including allocable borrowing costs and net of specific subsidies, cenvat credit, if any and depreciation.

iv) FOREIGN CURRENCY TRANSACTIONS

Export earnings from Direct Export sales, if any, are accounted in equivalent rupee value at the time of the transaction. Gains or losses on the settlement of these transactions, if any, within the same accounting year are recognized in the Profit & Loss Account prepared for the said year on a net off basis. The carrying amount as on 31.03.2007 are restated.

v) INVENTORY VALUATION

Inventory is valued at lower of cost and net realizable value as under:

- a) In respect of sugar and industrial alcohol, cost is arrived at on historical cost basis after deducting the realisable value of the by products. In respect of manufactured finished goods, excise duty and cess payable are added to the cost, wherever applicable
- b) In respect of immovable property cost is taken as the net payment for acquisition and expenses incurred therewith till the date of title perfection.
- c) In respect of semi finished goods (in process) cost is taken as cost of input raw materials and estimated cost of manufacture upto the various stages of completion.
- d) Stores and spares are valued at Weighted Average cost basis.

vi) INVESTMENTS

Investments are stated at cost inclusive of expenses incidental to acquisition.

vii) DEPRECIATION

Depreciation is provided on straight line method pro rated to the number of days used during the year in accordance with the provisions of Section 205 (2) (b) of the Companies Act, 1956. In respect of plant and machinery costing less than Rs.5,000/-, 100% depreciation is provided.

viii) INCOME AND EXPENDITURE RECOGNITION

Revenue on sales transactions is recognised as and when the property in the goods sold is transferred to the buyers for a definite consideration. Revenue from other sources and expenses are recognised on accrual basis and are accounted as liabilities on the due dates.

ix) EXCISE DUTY

Excise duty in respect of goods manufactured is accounted at the time of removal of goods from the factory for sale.

Cenvat credit, if any, in respect of capital goods is deducted from the respective assets. Cenvat credit in respect of revenue items are deducted in the respective expenditure itself.

x) TAXATION

Provision for taxation is made as per estimated total income after considering various reliefs admissible under the provisions of the Income Tax Act, 1961.

In accordance with the Accounting Standard 22, the deferred tax for the timing differences between the book and tax profits for the year, is accounted for using the tax rates and laws in force as of the balance sheet date.

- xii) Sales are stated inclusive of excise duty and cess net of discount and rebate but exclusive of sales tax collected wherever applicable. Export sales includes export incentives.

xii) Impairment of assets

Impairment is recognized to the extent that the recoverable amount of an asset is less than its carrying amount and is charged to the Profit and Loss Account as prescribed by the ICAI in AS-28.

2) LICENCED AND INSTALLED CAPACITY AND PRODUCTION

PRODUCT	LICENSED CAPACITY	INSTALLED CAPACITY	PRODUCTION		UNIT
			2006-2007	2005-2006	
Sugar	N.A	7500 TCD	206541	150755	MT
Molasses	N.A	N.A	102550	65291	MT
Bagasse	N.A	N.A	624526	391062	MT
Indl. Alcohol	45 KLPD	45 KLPD	10089972	6912738	Lit
Electricity	N.A	34 MW	185995428	92911292	KWH
Organic Manure	N.A	30 T/Day	6980	6912	MT

3. QUANTITATIVE PARTICULARS

A) RAW MATERIAL CONSUMED

PRODUCT	UNIT	2006 – 2007		2005 - 2006	
		QTY.	VALUE (Rs. Lacs)	QTY.	VALUE (Rs. Lacs)
SUGARCANE	MT	2174632	25341.43	1432943	14628.72
RAW SUGAR	MT	0	0	12012	1476.37
MOLASSES	MT	43298	--	30562	---
BAGASSE	MT	587782	--	377140	---

B) PARTICULARS IN RESPECT OF STOCK AND SALE OF GOODS MANUFACTURED (Value Rs. in lacs)

PRODUCT	UNIT	OPENING STOCK		CLOSING STOCK		SALES	
		QTY	VALUE	QTY	VALUE	QTY	VALUE
SUGAR	MT	54395 (42550)	8045.06 (5193.22)	55559 (54395)	7861.89 (8045.06)	204725 (138910)	31762.70 (22216.88)
MOLASSES	MT	15859 (8593)	184.97 (176.70)	20103 (15859)	212.57 (184.97)	55008 (27457)	140.44 (467.37)
BAGASSE	MT	5100 (603)	7.36 (0.68)	1300 (5100)	1.98 (7.36)	40544 (9425)	274.04 (86.17)
ALCOHOL	LIT	892439 (1749741)	135.45 (232.84)	551376* (892439)	83.92 (135.45)	10425275 (7731742)	2024.03 (1325.70)
ELECTRICITY	KWH	-- --	-- --	-- --	-- --	111764257 (48819582)	3470.59 (1523.60)
ORGANIC MANURE	MT	2977 (3024)	8.97 (9.17)	1318 (2977)	34.51 (8.97)	8638 (6959)	132.58 (120.01)

* After adjustment for addition of denaturants and evaporation loss.

C) PARTICULARS IN RESPECT OF STOCK AND SALE OF TRADING GOODS

(Value Rs. in lacs)

PRODUCT	UNIT	OPENING STOCK		CLOSING STOCK		PURCHASES		SALES	
		QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
PROPERTY	NOS	7 (7)	491.67 (491.67)	7 (7)	530.61 (491.67)	- (-)	- (-)	- (-)	- (-)

- 4) Estimated amount of contracts pending to be executed on capital account as on 31/03/2007 is Rs.12471.58 lacs (previous year :Rs.184.84 lacs)

5. CONTINGENT LIABILITIES NOT PROVIDED FOR

- a. Disputed Sales tax in respect of which stay from High Court at Chennai is obtained Rs.8,80,76,131/- (Previous year Rs.8,80,76,131)
- b. Disputed interest on sales tax for the years 1995-96 to 1997-98 in respect of which stay from High Court at Chennai is obtained Rs.42,49,634/- (Previous year: Rs.42,49,634)
- c. Disputed purchase tax on Cess on purchase of sugarcane for the year 1995-96 Rs. 5,98,353/- (Previous year:Rs.5,98,353)
- d. The Company has paid statutory minimum price at the rate of Rs.645/- per ton linked to 8.5% recovery, for sugarcane for the season 2002-03 as notified by the Central Government on 12th December 2002. The South Indian Sugar Mills Association on behalf of the member mills has disputed the arbitrary and adhoc increase in the above SMP by Rs.50 per ton linked at 8.5% recovery, for the season 2002-03, vide notification dated 9th January 2003, before the Honorable High Court at Chennai which has admitted the petition and stayed the notification and the case has now been transferred to the Supreme Court. The disputed liability amounting to Rs.341 lacs and the additional sales tax of Rs.8.52 lacs on the same, payable for the financial year 2002-03 and Rs.439 lacs and the additional sales tax of Rs.10.98 lacs payable for the financial year 2003-04 has not been provided for in the accounts.
- e. The Government had fixed the SMP for the sugar season 2003-04 at Rs.730/- per ton linked to 8.5% base recovery and the same has been contested before the Honourable High Court at Chennai which had admitted the petition and stayed the notification. The disputed liability amounting to Rs.171.67 lacs and the additional sales tax of Rs.4.29 lacs on the same, payable for the financial year 2003-04 and the disputed liability of Rs.99.57 lacs and the additional sales tax of Rs.2.5 lacs payable for the financial year 2004-05 has not been provided for in the accounts.
- f. The Company has provided a corporate guarantee of Rs.11.65 crores to State Bank of India in respect of Term loan and cash credit facilities sanctioned to the subsidiary company Trident Sugars Limited.

6. Secured Loans

- a) Term loans from Banks with limit of Rs.15 crores are secured by first mortgage of the Company's immovable properties at Varadaraj Nagar, Theni Dt. and first charge on all the plant and machinery and other movable assets of the Company at Varadaraj Nagar, Theni District.
- b) Term loans from Banks with limit of Rs.8 crores are secured by first mortgage of the sugar factory's immovable properties at Mundiampakkam , first charge of Mundiampakkam sugar factory's movables including plant and machinery present and future and second charge on the current assets of Unit II and guarantee by a Director.
- c) Term loans from Banks with limit of Rs.45 crores is secured by first charge on all the plant and machineries of the cogeneration plant at Mundiampakkam, and first charge on immovable properties of cogen factory at Mundiampakkam and third charge on immovable properties of sugar factory at Mundiampakkam.
- d) Term loan of Rs.17.49 crores from Sugar Development Fund is secured by way of exclusive second charge on plant and Machineries, equipments, furniture and fittings related to cogen and sugar factory at Mundiampakkam and by way of exclusive second charge on immovable properties of the Company at Mundiampakkam.
- e) Working capital limits of Rs.80 crores are secured by hypothecation of current assets of the Company on first charge basis and guaranteed by a Director. It is also secured by way of second charge on immovable properties at Varadaraj Nagar and third charge on immovable properties of cogen factory at Mundiampakkam and fourth charge on immovable properties of sugar factory at Mundiampakkam.
- f) Corporate loan of Rs.30 crores from Bank is secured by way of equitable mortgage of Company's immovable property situated at Peelamedu, Coimbatore and pari passu first charge on current assets of the Company with existing Working capital lenders.
- g) Term loan of Rs.0.60 crores from Bank is secured by way of hypothecation of plant and machineries of the bio-fertiliser plant of 300 MTPA under implementation.
- h) Term loan of Rs.10 crores from Bank is secured by way of equitable mortgage of property at New Delhi acquired during the year.

7. MANAGERIAL REMUNERATION	2006-07 Rs.	2005-06 Rs.
Salary	44,40,000	37,15,077
Commission	1,18,32,404	2,15,65,830
Company's contribution to P.F	18,720	20,280
Monetary value of perquisites	43,200	1,65,066
Contribution to Superannuation Fund	2,43,000	74,000
Reimbursement of Medical Expenses	1,35,000	78,923
Encashment of Earned leave	1,45,641	Nil
Leave Travel Allowance	2,25,641	Nil
Total	1,70,83,606	2,56,19,176

Computation of Net Profit under section 198/349 of the Companies Act, 1956.

Profit before taxation	26,92,96,241	45,40,96,675
Add: Depreciation as per books	10,31,22,726	9,32,51,877
Loss on sale of assets/investments	13,28,388	7,76,894
Remuneration – Managing Director	1,42,63,364	2,39,96,790
Remuneration-Whotetime Directors	28,20,242	16,22,386
Directors' sitting fees	4,00,000	2,30,000
	39,12,30,961	57,39,74,622
Less: Depreciation u/s 350	10,31,30,090	9,32,51,877
Profit on sale of assets	71,468	7,86,948
Compensation on acquisition-Surplus	27,62,120	--
	10,59,63,678	9,40,38,825
Net Profit	28,52,67,283	47,99,35,795
Remuneration @ 5% of above to the Managing Director	1,42,63,364	2,39,96,790

8. No amount is due to Small Scale Industries in respect of sundry creditors. This is as per information available with the company about the status of the parties concerned.

9.		2006-07	2005-06
CIF Value of Imports			
- Raw materials-Raw sugar	Rs.	NIL	NIL
- Capital Goods	Rs.	1,22,60,637	NIL
- Consumable spares	Rs.	17,27,398	NIL

10. Earnings in Foreign Exchange

Export of goods calculated on FOB basis	Rs.	22,42,06,240	6,44,48,634
Sale of carbon credits	Rs.	5,76,72,595	NIL

11. Expenditure in Foreign Currency. .

i) professional, consultation and services	Rs.,	2,27,22,902	37,89,588
ii) interest		41,08,372	NIL
iii) others		1,00,09,245	48,68,755

12. Consumption

a) Raw materials			
i) Imported-Raw Sugar		NIL (0%)	14,76,37,467 (9.17%)
ii) Indigenous		253,41,43,361 (100%)	146,28,72,271 (90.83%)
b) Stores & spares:			
i) Imported	Rs.	17,27,398 (0.81%)	NIL NIL
ii) Indigenous	Rs.	21,08,42,026 (99.19%)	14,50,81,480 (100%)

13. a) Amount of Dividend remitted during the year in Foreign Exchange currencies

	Rs.	57,49,315	34,49,589
b) Number of Non-resident shareholders		156	125
c) Number of shares held by the above persons		25,92,528	26,66,240

14. Tax deducted at source on interest income	Rs	13,66,586	94,075
Tax deducted at source on Contract	Rs.	NIL	NIL
Tax deducted at source on rental income	Rs.	6,74,283	4,22,224
Tax deducted at source on compensation	Rs.	4,09,688	NIL

15. Contribution towards Gratuity and superannuation schemes has been made upto date in Unit I & II as per the demands received from Life Insurance Corporation of India and HDFC Standard Life Insurance Company Limited.

16. Quantum of Excise Duty included in closing stock of finished goods is Rs.6,35,22,117/- (Previous year : Rs. 5,74,22,192/-).

17. Borrowing costs capitalized during the year is Rs.16,07,017/- (Previous year : Rs. 61,86,401/-). Borrowing cost included in Capital Work in progress- Rs.33,06,565/-.

18. In terms of AS-28, the company has carried out an exercise to ascertain the impairment, if any, in the carrying values of its Fixed assets. The exercise has not revealed any impairment of assets during the year 2006-07.

19. Prior period income - Ocean freight subsidy for exports realised from the Central Government Rs.4,55,400/-
20. Loss on sale of discarded assets relates to old boilers of outdated technology in Unit II, Mundiampakkam dismantled and sold during the year.
21. Property purchase represent the amount of additional stamp duty paid for completion of registration in respect of property at Coimbatore acquired in an earlier year.
22. In respect of the property at Delhi wherein the 1st and 2nd floors were acquired during the year, the ground floor portion has been taken on a long term lease of 20 years on a monthly rental of Rs.75,000/- with option to renew for further 20 years on the same terms. The refundable interest free security deposit made for this purpose is Rs.1,62,50,000/-.
23. Interest on Fixed deposits include Rs.2,47,108 paid to Ms.Rajshree Pathy, Chairman and Managing Director in respect of fixed deposits held by her.
24. The Company has been awarded a compensation of Rs.48,34,458/- by the State Government in respect of part of land and portion of building thereon acquired by them for extension of National Highway in Mundiampakkam, Villupuram Dt. A balance amount of Rs.11,83,051/- is due from the State Government.
25. Donation includes Rs.10 lacs made to All India Anna Dravida Munnetra Kazhagham, a political party.
26. In accordance with AS-22, the current year's net deferred tax liability of Rs.2,68,96,000/- arising out of timing difference in claim for depreciation, VRS payment and tax credit on book profit tax has been recognised in the Profit & Loss A/c. Deferred tax effects in respect of co-generation division in Unit I at Varadarajnagar has not been recognised as the income from the division is exempt from tax.

Deferred tax workings:

	Opening balance	During the year	Closing balance
Deferred tax liabilities			
Depreciation	31,82,56,977	2,42,55,239	34,25,12,216
Total	31,82,56,977	2,42,55,239	34,25,12,216
Deferred tax assets			
Compensation under voluntary retirement scheme	(54,82,854)	26,40,761	(28,42,093)
Total	(54,82,854)	26,40,761	(28,42,093)
Net Deferred tax liability	31,27,74,123	2,68,96,000	33,96,70,123

27. Information about Segments: Primary segment-Business segments

	Sugar	Distillery	Others	Consolidated Total
REVENUE				(Rs.'000)
External Sales	38,17,308	2,30,091	-	40,47,399
Inter-segment Sales	28,322			28,322
Total Revenue	38,45,630	2,30,091	-	40,75,721
RESULT				
Segment result	4,26,298	1,30,490	-	5,56,788
Unallocated corporate expenses				61,826
Operating Profit				4,94,962
Interest Expense				1,66,333
Interest Income				--
Income Taxes				42,656
Profit from ordinary activities				2,85,973
Extraordinary Loss:				(60,001)
Net Profit				2,25,972
OTHER INFORMATION				
Segment assets	45,05,124	79,036	--	45,84,160
Unallocated corporate assets				--
Total Assets				45,84,160
Segment Liabilities	31,23,443	154	--	31,23,597
Unallocated Corporate Liabilities				1,08,679
Total Liabilities				32,32,276
Capital Expenditure				2,63,451
Depreciation	98,368	4,755	--	1,03,123
Non-cash expenses other than depreciation	-	-	-	-

Notes:

a. The Company has identified business segments as primary segments. The reportable business segments are based on segment results.

b. Composition of the business segments and types of products in each of them is as under:

a. Sugar	White Crystal Sugar & Cogeneration of Electricity
b. Distillery	Rectified spirit, Denatured Spirit, Anhydrous Alcohol & Organic Manure
c. Others	Property Development

c. Inter Segment revenues are recognised at net realisable price as on the date of transaction and are eliminated in consolidation

d. The Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis

e. Secondary Segment:

Geographical segment has been identified as secondary segment based on segment revenue.

Domestic Sales	Rs.	343,06,70,960
Export Sales incl carbon credit	Rs.	<u>61,67,28,170</u>
Total	Rs.	<u>404,73,99,130</u>

22. RELATED PARTY DISCLOSURE

Transactions with related parties

Particulars	Subsidiaries	Key Management Personnel	Relatives of key management personnel	Other Related Parties	Total
Remuneration	--	17083606	90000	--	17173606
	(-)	(25619176)	(283846)	-	(25903022)
Purchase of Goods	--	--	65481	849792	915273
	(-)	(-)	(-)	(643870)	(643870)
Purchase of Assets / materials	64695	--	--	423799	488494
	(-)	(-)	(-)	(974000)	(974000)
Sale of Assets / materials	2148602	--	--	--	2148602
	(-)	(-)	(-)	(-)	(-)
Rendering of Services	--	--	--	43328	43328
	(-)	(-)	(-)	(26567)	(26567)
Receiving of Services	--	--	--	2275159	2275159
	--	--	--	(1248738)	(1248738)
Finance(including loans and equity contributions In cash or kind)	161126598	--	--	--	161126598
	(9589)	(-)	(-)	(-)	(9589)
Interest paid	--	247108	--	--	247108
	(-)	(-)	(-)	(-)	(-)
Interest received	5045639	--	--	--	5045639
	(-)	(-)	(-)	(-)	(-)
Guarantee on behalf of Subsidiary company	116500000	--	--	--	116500000
	(-)	(-)	(-)	(-)	(-)
Lease rent paid	--	--	--	589105	589105
	--	--	(71200)	(717697)	(788897)
Vehicle repairs	--	--	--	280910	280910
	--	--	--	(657592)	(657592)
Rent received	--	--	--	48000	48000
	--	--	--	(48000)	(48000)
Total	284885534	17330714	155481	4510093	306881822
	(9589)	(25619176)	(355046)	(4316464)	(30300275)
Outstandings					
Payable	--	11832404	--	167331	11999735
	(-)	(21565830)	(-)	(109545)	(21675375)
Receivable	73326450	--	--	--	73326450
	(-)	(-)	(-)	(652850)	(652850)

Note:

Names of Related parties and description of relationship

1. Holding Companies
None
2. Subsidiaries
Trident Sugars Limited
3. Fellow Subsidiaries
None
4. Associates
None
5. Key Management Personnel
1. Ms. Rajshree Pathy-
2. Mr. R. Varadarajan
6. Relatives of Key Management Personnel
Ms. Aiswarya Pathy
7. Other Related Parties
 1. RSCL Properties Pvt Ltd
 2. Ganga Textiles Ltd
 3. CAI Industries Ltd.
 4. Rajshree Automotive Ltd.
 5. Aloha Tours & Travels (P) Ltd
 6. P S G G M Trust
 7. Rajshree Spinning Mills Limited
 8. Raj Fabrics and Accessories (Cbe) Ltd
 9. Lakshmi Mills Company Limited

23.	Earnings per share	31.3.07	31.3.06
	a) Net profits after tax available for equity shareholders	22,66,40,241	30,85,37,675
	b) Weighted average number of equity shares of Rs.10/-each outstanding during the year	22,691,700	22,691,700
	c) Basic/Diluted earnings per share (Rs.)	9.96	13.48

24. Previous year figures have been regrouped wherever necessary to conform to current year's classification. Paise are rounded off to the nearest rupee.

As per our report of even date
For Srikishen & Co.
Chartered Accountants

K. Murali Mohan
Auditors, Proprietor
Membership No. 14328

P. K. Viswanathan
Chief Financial Officer &
Company Secretary

Rajshree Pathy
Chairman and Managing Director

Place: Coimbatore
Date : 13.06.2007

R. Varadarajan
Director & Chief Operating Officer