BOOK POST

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Shree Renuka Sugars Ltd.

**Registered Office:**

BC 105, Havelock Road, Camp, Belgaum-590 001.

Tel.: 91-831-2404000 (7 lines) Fax: 91-831-2404961

www.renukasugars.com


# OLD IDEALS.
# NEW IDEAS.

**Shree Renuka Sugars Limited** | Annual Report 2007-08

# FORWARD-LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to know our product portfolio, business logic and direction and comprehend our prospects. This report and other statements - written and oral - that we periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'plan', 'project' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialize, or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated or projected. Readers may bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# CORPORATE INFORMATION

## Board of Directors

| | |
|---|---|
| **Mrs. Vidya M. Murkumbi** | *Executive Chairperson* |
| **Mr. Narendra M. Murkumbi** | *Vice Chairman & Managing Director* |
| **Dr. B.P. Baliga** | *Director* |
| **Mr. J.J. Bhagat** | *Director* |
| **Mr. Sanjay K. Asher** | *Director* |
| **Mr. Nandan V. Yalgi** | *Director-Commercial* |
| **Mr. Robert Taylor** | *Director* |
| **Mr. S.M. Kaluti** | *Director (President)* |
| **Mr. Jonathan Kingsman** | *Director* |
| **Mr. Hrishikesh Parandekar** | *Director* |
| **Mr. S. K. Tuteja** | *Director* |
| **Mr. Nitin Puranik** | *Executive Director* |

## Auditors

**M/s. Ashok Kumar, Prabhashankar & Co.**
*Chartered Accountants*, Bangalore.

## Registered Office

BC 105, Havelock Road, Camp, Belgaum-590 001.
Tel.: 91-831-2404000 (7 Lines) Fax: 91-831-2404961.

## Corporate Office

7th Floor, Devchand House, Shiv Sagar Estate,
Dr. Annie Besant Road, Worli, Mumbai-400 018.
Tel: 91-22-2497 7744 / 4001 1400
Fax: 91-22-2497 7747.

## Plant Locations

**Unit -I: Munoli**
Sugar, Distillery, Co-generation and Sugar Refinery
Taluka Saundatti, District: Belgaum, Karnataka.

**Unit – II Ajara (Leased)**
Sugar,
Tauka Ajara District Kolhapur, Maharashtra.

**Unit – III: Arag (Leased)**
Sugar & Co-Generation
Taluka Miraj, District- Sangli, Maharashtra.

**Unit – IV: Athani**
Sugar, Distillery, Co-Generation and sugar refinery
Taluka Athani, District Belgaum, Karnataka.

**Unit – V: Havalga**
Sugar, Distillery & Co-Generation
Taluka: Afzalpur, Dist: Gulbarga, Karnataka.

**Unit – VI Aland (Leased)**
Sugar
Taluka: Aland, District: Gulbarga, Karnataka.

**Unit – R1: Haldia**
Sugar Refinery
Haldia, Kolkata, West Bengal.

**Unit – E1: Khopoli**
Ethanol
Taluka: Khalapur, District: Raigad, Maharashtra.

**Unit – VII – Balaghat (Leased)**
Sugar
Taluka:Ahmadpur, Dist: Latur, Maharashtra.

**Unit – VIII – Raibag (Leased)**
Sugar
Taluka: Raibag, Dist: Belgaum, Karnataka.

## Bankers

ABN AMRO Bank N.V.
Axis Bank Limited
IDBI Bank Limited
ING Vysya Bank Limited
Standard Chartered Bank
State Bank of India

IT SAYS SOMETHING ABOUT A COMPANY'S BLUEPRINT WHEN IT GROWS ITS REVENUES AND PROFITS IN FOUR YEARS OUT OF FIVE, IN WHAT IS GENERALLY DISMISSED AS A CYCLICAL INDUSTRY.

# CYCLICAL BUSINESS. STABLE PROXY.

# THIS IS HOW WE EMERGED AS ONE.

Most sugar companies have a 160-day season.

At Shree Renuka Sugars, our season lasts an average of 200 days.

Most sugar companies embark on greenfield or brownfield expansions.

At Shree Renuka Sugars, we embarked on greenfield, brownfield and leased capacity expansions.

Most sugar companies enjoy a recovery of 10%.

At Shree Renuka Sugars, we reported a recovery of 11.5-12%.

Most sugar companies do not export at all.

At Shree Renuka Sugars, we account for 20% of India's sugar exports.

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Shree Renuka Sugars Limited is three companies in one.

Sugar company. Biofuels company. Power co-generation company.

Operating in one business but catering to three industries.

Possessing the largest respective capacities per tonne of cane crushed. With a blueprint of making these capacities one of the largest in India within the shortest possible time.

# VISION

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country.

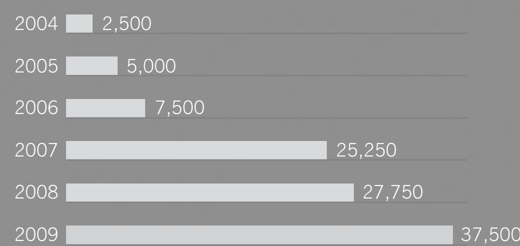
## Our business activities

- Engaged in the manufacture and marketing of sugar, ethanol and power.
- Sugar capacity of 37,500 TCD (captive and leased), ethanol capacity of 600 KLPD and energy capacity of 129 MW.
- Leader in India's fuel ethanol business with a near 21% market share.
- The largest (4,000 TPD) raw sugar refining capacity in India.
- Accounts for 20% of India's international sugar trade.

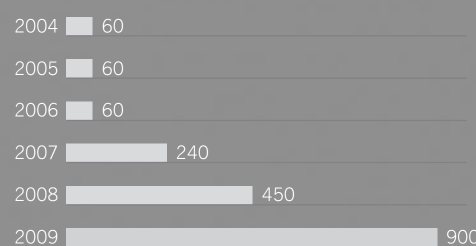
## Financial performance, 2007-08

- Net income increased 120% from Rs. 9,682 million in 2006-07 to Rs. 21,295 million in 2007-08.
- EBIDTA grew 79% from Rs.1,496 million in 2006-07 to Rs. 2678 million in 2007-08.
- Pre-tax profit surged 51% from Rs. 1,066 million in 2006-07 to Rs. 1,608 million in 2007-08.
- Cash profit grew 58% from Rs. 1,079 million in 2006-07 to Rs. 1,708 million in 2007-08.
- Earnings per share (EPS, basic) improved 31% from Rs. 33.01 in 2006-07 to Rs. 4.31* in 2007-08

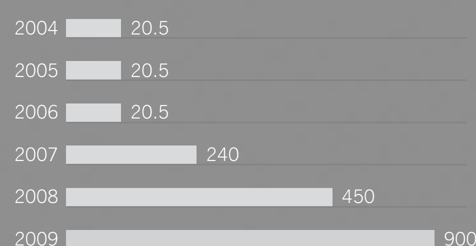
**The equity shares of the Company were sub-divided (split) from a face value of Rs. 10 to Re.1 each with effect from April 21, 2008; accordingly the high/low/closing share prices from April to September 2008 are on face value of Re.1 each*



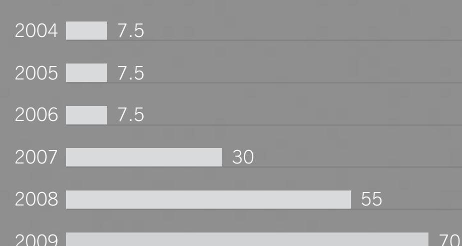

Sugar plant capacity (TCD)




Ethanol plant capacity (KLPD)




Power plant capacity (MW)




Exportable power capacity (MW)

# OUR STRENGTHS

### Extensive integration

Shree Renuka Sugars is extensively integrated, extracting the maximum value out of sugarcane through the processing of cane, molasses and bagasse to produce sugar, power and ethanol. In 2007-08, revenues of the Company's non-sugar business increased from 15% in 2006-07 to 28% in 2007-08, and its proportion in the bottomline enhanced from 28% to 77% during the period.

### Strong global presence

The Company is the second largest exporter of sugar from India with a presence in the Middle East, South East Asia and East Africa, among others. This export revenue provides the Company with an enhanced trade flow larger than its production, acting as a consolidator and enabling it to capitalise on global price as well as purchasing trends.

### Preferred supplier status

The Company is a sugar 'supplier of choice' across brand-enhancing multinational companies that produce carbonated soft drinks, fruit juices, chocolates, baby foods and dairy products. Its clients include reputed names like Coca Cola, Pepsi, ITC, Britannia, Nestle and Cadbury, among others.

### Successful acquisitions

The Company scaled capacity by acquiring co-operative mills and leased production assets, reducing direct and opportunity costs. It acquired a standalone ethanol plant of 100 KL expanded to 300 KL, to cater to the ethanol requirements of oil marketing companies (OMC) located in the coastal states of Goa, Maharashtra and Kerala for exports. The Company also acquired a strategic 54% stake in KBK Chem-Engineering Pvt. Ltd., engaged in providing turnkey solutions (EPC contracts) in the field of distilleries, ethanol plants and biofuels.

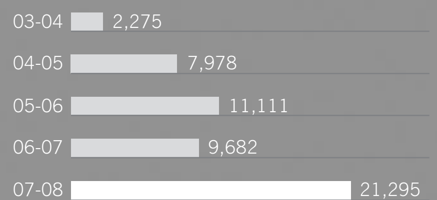
### Increasing capacities

The Company has relentlessly enhanced its capacity. Since its IPO in October 2005, its sugar capacity grew seven-fold (5,000 TCD to 37,500 TCD), ethanol capacity 15-fold (60 KLPD to 450 KLPD to 900 KLPD by March 2009) and power capacity eight-fold (20 MW to 158 MW).

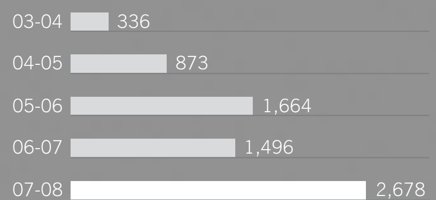
### Moderating the impact of sugar cyclicality

The Company is unique in consuming multiple feedstock (sugarcane and raw sugar). During the off-season, it consumes raw sugar for conversion, enhancing its asset utilisation and sustaining cash flows.

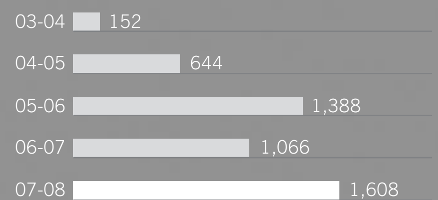
# UNCONVENTIONAL BUSINESS MODEL



Revenue (Rs. million)



EBIDTA (Rs. million)



PBT (Rs. million)

### Superior fixed asset utilisation

The Company enjoys one of the industry's highest capacity utilisation and asset turnover ratios on the back of a longer operating season, higher sugar content availability in cane and dual raw material capability. It produces 20 tons of sugar per TCD capacity, as against the top four sugar companies by market capitalisation (excluding SRSL) which produce 10 tons of sugar per TCD capacity.

### Technical expertise

The Company has tied up with Tate & Lyle Industries PLC of UK – a GBP 4.07-billion organisation and one of Europe's largest sugar refiners (for the Company's refinery business). The international partner provides a robust technical expertise in refining.

### Institutional focus

The Company directly markets sugar to institutional buyers – a paradigm shift from the tradition of selling to wholesale agents and dealers. This has translated into a relatively large market share, an effective hedge against price-driven risks. This has also rationalised working capital outlay and has reduced the Company's dependence on sugar brokers.

### Locational advantage

The Company enjoys a number of advantages on account of its South Indian location. It enjoys a longer crushing season (over 200 days, starting from October till May), higher recovery (10-20% higher than that of other regions), matured market for co-generation power as well as port proximity (160-200 kms).

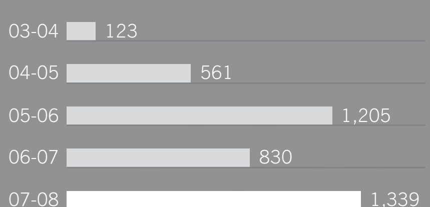
### Excellent farmer relationships

Farmer dues are cleared on time, encouraging them to grow more sugarcane than switching to alternatives. Being shareholders, farmers also enjoy a preferential sale and an attractive dividend income. The Company enjoys the benefit of healthy relationships with more than 5,000 farmers as shareholders.

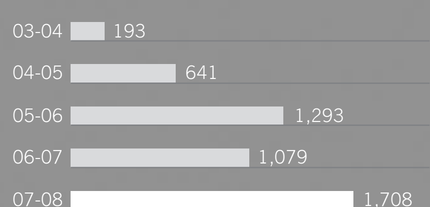
### Seamless sugarcane collection network

The Company possesses a dedicated department to supervise cane development and procurement. It is engaged in organising the harvesting programme for desired cane quantity and quality to be harvested daily, with adequate transportation to the mills. Besides, it acquires cane directly from the farmers without going through intermediaries.

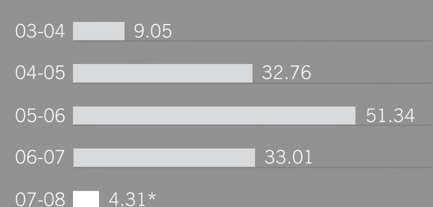
# FASTER-THAN-INDUSTRY GROWTH



PAT (Rs. million)



Cash profit (Rs. million)



EPS (Rs.)

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# HOW DO YOU CREATE ONE OF INDIA'S LARGEST SUGAR CAPACITIES IN ONE OF THE SHORTEST TENURES – WITHOUT LAYING A SINGLE BRICK?

## BY THINKING DIFFERENT.

Nowhere is this more visibly highlighted at Shree Renuka Sugars than its decision to extend from the management of owned sugar capacities to the management of leased assets.

Shree Renuka Sugars is unique in that it was the first Indian sugarcane products company to have made this daring extension. This is the result: of the Company's portfolio of 10 units, five are leased, corresponding to nearly 27% of its total crushing capacity.

This relatively untested leasing model has been vindicated on a number of counts: it has reduced the lead time required to commission a new mill as well as completely circumvented the need for fixed costs. Besides, with variable costs being directly under our control, we have a greater leverage on mill profitability. The cumulative effect of these benefits has translated into a lower capital investment and a quicker time-to-market.

The effectiveness of the implementation of this contrarian strategy is reflected in the numbers: over the years, the Company has turned around every single one of its sick leased units, creating viability out of a liability.

# HOW DO YOU EXTEND A 150-DAY SUGAR SEASON TO 365 DAYS – WITHOUT CRUSHING ANY ADDITIONAL CANE?

## BY ENTERTAINING THE LATERAL.

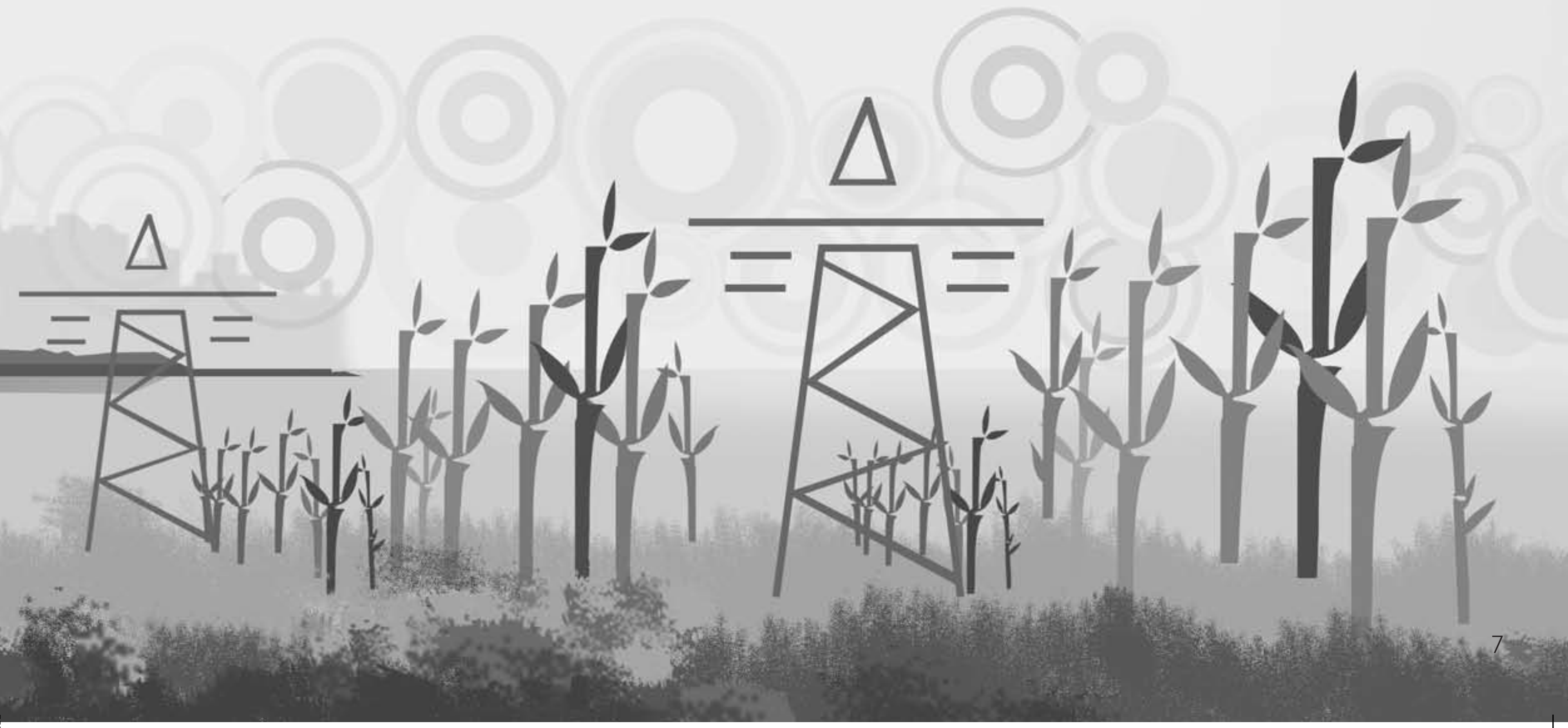
Until a few years ago, Shree Renuka Sugars was like most other sugar companies in the country – idling for more months than working. Until it embarked on the seminal initiative to commission a refinery to extend its business model from the conventional cane-to-sugar conversion to a raw sugar-to-sugar value-addition.

In doing so, Shree Renuka Sugars has become one of the first companies in India to seriously consider raw sugar refining as an intrinsic part of its business portfolio.

Over the years, Shree Renuka Sugars has graduated this segment of its business to the status of national leadership. It possesses the largest raw sugar refinery capacity in India (4,000 TCD). This consolidated capacity comprises an export-oriented unit in the port-city of Haldia (2,000 TCD, operationalised in June 2008) and two units in the existing Munoli and Athani plants (1,000 TCD each) in Karnataka.

What makes this business extension special is the quality of throughput. Shree Renuka's refineries are among the few in India to produce EU-grade sulphurless sugar (Euro II-compliant) for a global market. The Company utilises raw material being generated from within as well as imports, enhancing its sourcing flexibility. Besides, the Company's refining capacities are competently equipped in transforming poor raw sugar into the finest quality of end product.

Because of the season-independent nature of business and the consequent high asset utilisation that it facilitates, refining provides a financial stability to the business of Shree Renuka Sugars. Besides, the capital cost for setting up a sugar refinery is lower than commissioning a greenfield sugar manufacturing unit (from cane) to the extent of nearly 75% per TCD, accelerating payback.



# HOW DO YOU CREATE ONE OF INDIA'S LARGEST AUTOMOTIVE FUEL CAPACITIES – WITHOUT DIGGING INTO THE SOIL?

## BY THINKING OUTSIDE THE BARREL.

Shree Renuka Sugars created India's largest ethanol capacity in response to the growing optimism, following a statutory 5% blending with petrol.

The Company supplied 39 million litres of ethanol in 2007-08. For every litre of alcohol produced, the Company generated a mere three litres of effluent (compared with the industry average of 10-12 litres). The Company finished 2007-08 with a three-year ethanol order book of 217 million litres from oil marketing companies.

The Company addressed the industry opportunity through various initiatives: the acquisition of a standalone ethanol unit (100 KLPD, expanded to 300 KLPD) in Khopoli, Maharashtra at a capital cost of Rs. 60 million. This was done with the

SRSL has signed a Memorandum of Understanding for the formation of a joint venture company with Hindustan Petroleum Corporation Limited for setting up an integrated sugar and ethanol plant in Maharashtra.

objective to reduce transportation time and cost in supply to customers in Goa, Karnataka and Kerala as well as to ports for onward export. This manufacturing facility will specialise in directly producing ethanol from rectified spirit.

It acquired ethanol EPC and equipment manufacturing capabilities through the acquisition of a 54% stake in KBK Chem-Engineering Pvt. Ltd. (KBK) for a consideration of Rs. 370 million. KBK is primarily engaged in providing turnkey solutions (EPC contracts) in the field of distilleries, ethanol plants and biofuels; about 40% of its revenues are derived from overseas projects. This acquisition provides the Company with a robust platform for leading innovation in flexi-production, new feedstocks and cellulosic processes. It also undertakes research and development on design and development of process technology. The order book registered a 48% growth to Rs. 3,700 million (as on September 30, 2008).

The Company's focus on this business is reflected in its investment consistency: even though its sugar capacities expanded since its IPO in October 2005, its ethanol capacity grew 15-fold. Going ahead, the Company expects to double its overall ethanol production capacity to 900 KLPD with the flexibility to switch between molasses and sugarcane juice, reinforcing its uniqueness among sugar mills in India.

# HOW DO YOU CREATE A THRIVING CANE COMMUNITY – WITHOUT SPEAKING A WORD?

## BY DOING WHAT HAS NEVER BEEN ATTEMPTED BEFORE.

For decades, the farmer who supplied cane to the miller was, well, a vendor. Until Shree Renuka Sugars graduated this relationship and made him a shareholder as well.

The result is that the farmers who provide cane to Shree Renuka Sugars possibly represent the biggest community of farmer-shareholders in India today. In 1999, farmers who provided sugarcane for the first factory subscribed to the Company's equity shares for Rs. 10 each; in return, the Company prioritised them when it came to cane purchase. When the Company's shares were listed following the IPO, a number of farmer divested a part of their holdings and acquired larger plots for enhanced cane supply to the Company, while retaining the rest for a stable dividend income. This integrated farmer-miller prosperity is probably unique in the Indian sugar industry.

Over the years, the Company has reinforced farmer relationships through the following initiatives:

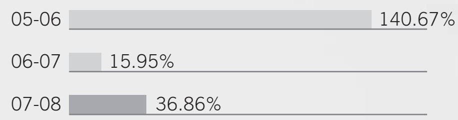
- 100% direct purchase of sugarcane from farmers without the involvement of any intermediaries (including cane societies).
- Timely payments for cane supplier irrespective of the prevailing industry cycle.
- Assisting farmers in enhancing their yields.
- Coordinating cane harvesting and transportation, saving farmers' effort, time and money and enhancing the Company's access to fresh and mature sugarcane.
- Working with commercial banks and government agencies to provide soft loans to sugarcane growers.
- Creating Shree Renuka Sugars Development Foundation, a trust focused on the promotion of education, healthcare and overall enhancement of life quality of farmers and the community at large.

The result is that, today, the Company draws cane from a large farmer base of more than 50,000; it has reported a year-on-year increase in cane procurement since inception; the Company now reports to a near 100% drawal rate.

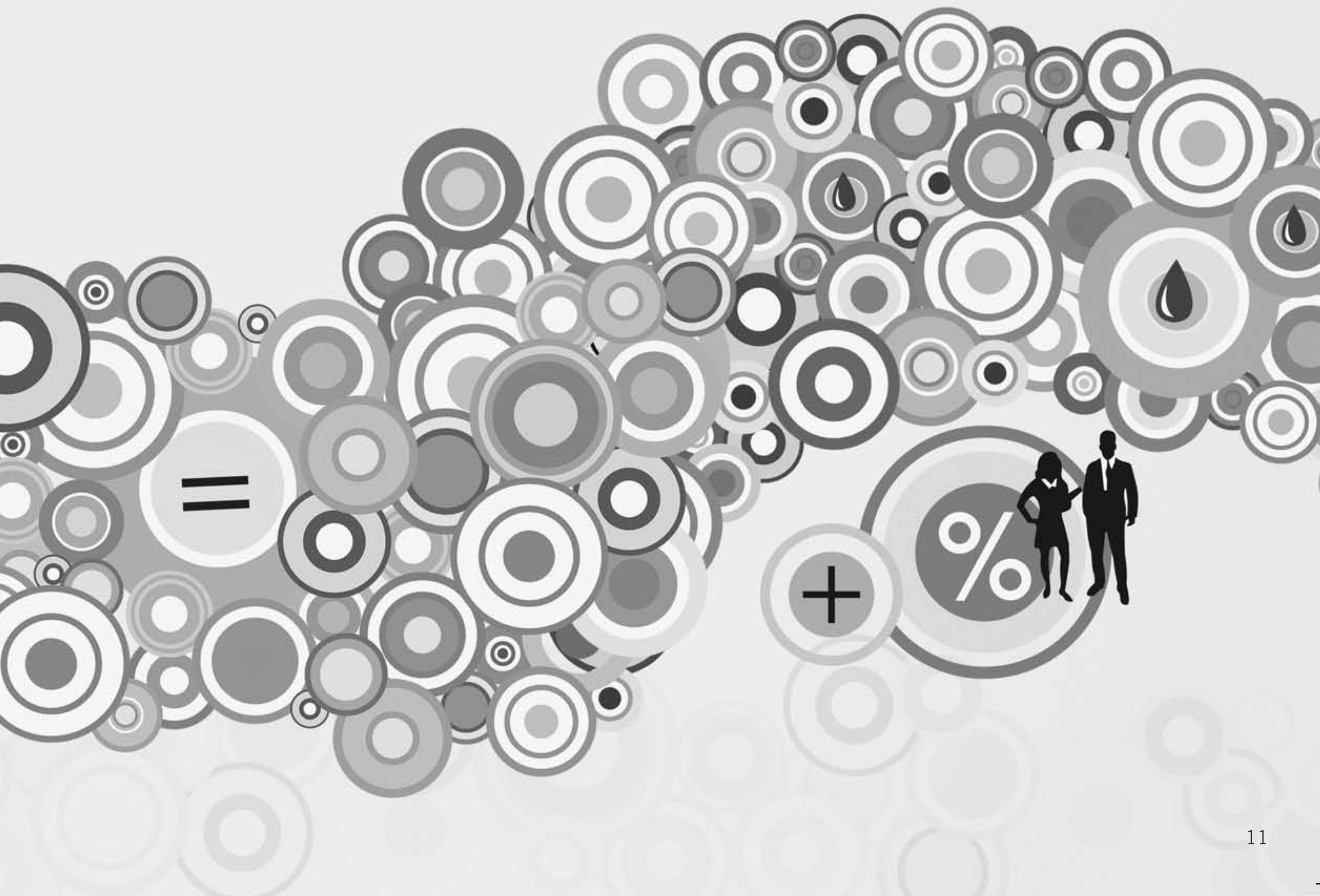
# TOTAL SHAREHOLDERS' RETURN (TSR)

Shree Renuka Sugars enhanced value for shareholders in 2007-08, reflected in TSR growth during the financial year.

SRSL reported a TSR of 36.86% in 2007- 08. TSR reflected the gain earned by the shareholders – directly and indirectly (directly in the form of the dividend received by them; indirectly in the form of the capital appreciation registered by the stock during the financial year under review).




Total shareholders' return (TSR)



# MANAGING DIRECTOR'S REVIEW

**Mr. Narendra Murkumbi**, *Co-founder, Vice-Chairman and Managing Director*, elaborates on the vision of the Company and its future outlook.

The biggest achievement of Shree Renuka Sugars in the last two years, perhaps the most cyclical period in the history of the Indian sugar industry, has been our demonstrated counter-cyclicality.

Our numbers are proof: in 2006-07, when the industry passed through its biggest challenge, Shree Renuka Sugars reported a bottomline of Rs. 830 million. In 2007-08, the year under review, we reported a 61.33% increase in our bottomline to Rs. 1,339 million.

As a logical extension of this demonstrated counter-cyclicality, Shree Renuka Sugars has emerged as the most valuable sugar company in India with a market capitalisation of Rs. 28,400 million (as on September 30, 2008). In doing so, we enhanced the value of shareholdings of all those who invested in our IPO in 2005 by 261% (from the date of listing), even as the BSE Sensitive Index increased only 63% and our industry passed through a challenging downtrend.

At Shree Renuka Sugars, we outperformed the broad stock market index on the one hand and the industry valuation on the other, for two important reasons: a differentiation in our strategy and a differentiation in our execution.

## Differentiated strategy

Shree Renuka Sugars has always believed that the older an industry, the greater the room for a differentiated strategy. There is a good reason for this: things are generally done in a certain way because they have always been done in a certain way. The sugar industry has been a relevant instance; even as global commerce evolved rapidly, the changes that filtered down to the industry were few and cosmetic. The result was a widening divergence between industry reality and possibility.

At Shree Renuka Sugars, we responded proactively to this mismatch. For instance:

- The industry believed ethanol and power were by-products, reflecting in their investment size and commitment. We graduated the importance of these products to equivalent importance in terms of revenue and profit as sugar. While other sugar companies struggled to set-up ethanol capacities, we transformed the problem into an opportunity through the proactive acquisition of a majority control of KBK-Chem Engg. Ltd., an ethanol technology company.
- The industry's assets idled for a major part of the year when cane could not be harvested; we utilised our idling assets through the conversion of raw sugar into the end product.
- The industry focused on general sugar varieties, playing the mass volumes game; we graduated to the refined sugar end, in return for value-added realisations.
- The industry preferred the greenfield route in enhancing organisational scale and in the instances that it ventured inorganically, it preferred to buy assets or companies outright; we preferred to lease assets, saving high acquisition costs on the one hand and leveraging our turnaround capabilities on the other.
- The industry avoided making acquisitions during the two-year downtrend; we grew the number of our leased units by two in 2006-07, one in 2007-08 and one in October 2008.
- The industry largely focused on the large and growing domestic consumption of sugar; we explored organisational derisking through a growing international presence as well.

## Differentiated execution

Strategy is just one driver of organisational differentiation; a culture of execution excellence enables the vision to translate into a viable reality. At Shree Renuka Sugars, we reinforced our organisational differentiation through the successful implementation of the following:

- We extended successfully from direct sugar manufacture to trading, refining and the downstream processing of by-products, evolving us from a singular dependence to a diversified revenue focus.

◎ We graduated from scaling profitable plants to the turnaround of losing plants, a far more challenging exercise involving the effective management of diverse locational blockers. In doing so, we enhanced the average utilisation levels from 30% (pre-lease) to an average 110% in two years and reaching break-even point within a year of acquiring management control.

◎ We crushed more than our industry peers – 20 MT of cane per tons of daily crushing capacity, twice the Uttar Pradesh average and 20 days longer per season, compared with most regional peers.

◎ We evolved from an India-centric focus to a point of being one of the most visible interfaces of the Indian industry in the global market; we are India's largest single importing and exporting corporate, accounting for over 20% of her international trade flow.

◎ We extended from the manufacture of a commodity product to a growing exposure to sugar-centric renewable products, increasing our exposure from 15% of overall revenues derived from cane (except refinery) in 2006-07, to 27% in 2007-08 and a projected 50% in the next two years.

## Outlook

At Shree Renuka Sugars, we expect to play an active role in the industry's consolidation, working with the existing managements for mutual benefit.

From a core business perspective, there exists a large scope: five years ago, India's largest sugar company accounted for only 2% of the country's market share; today, it accounts for 5% and we expect that scale and consolidation will increase this share over the foreseeable future.

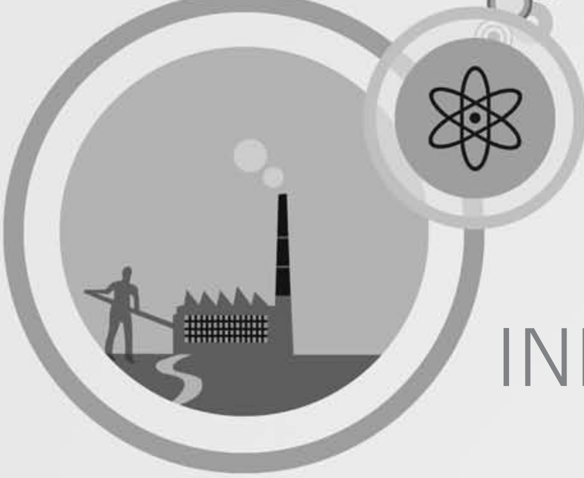
From a renewables perspective, we see an optimistic long-term future for ethanol. We feel that oil price volatility will encourage governments to continue with policies that enhance national resource security. This will create a conducive environment for enhanced ethanol investments; it is with this perspective that we entered into an ethanol manufacturing and marketing MoU with HPCL Ltd. We aim to continue and consolidate our leadership position in the fuel ethanol market.

Even as power is a scarce resource in India, there has been considerable under-investment by the sugar industry in building cogeneration capacities. We aim to work with sound managements in the co-operative sector to jointly develop bagasse-based power projects on a BOOT basis.

If someone had asked me what kind of growth I would have been happy with when we went public in 2005 with a capacity of 7,500 TCD, I would probably have said '15,000 TCD'. We finished 2007-08 with an aggregate operational (leased or owned) capacity of 37,500 TCD, a six-fold increase in power capacity and a seven-fold increase in ethanol capacity in a mere three years, even as we passed through one of our most challenging industry cycles.

I will now not hazard a guess on where the Company is headed, except for assuring our shareholders that if we enhanced the value of their holdings during the most trying industry environment over the last two years, we are competently placed to turn in considerably more attractive numbers over the foreseeable future – irrespective of the volatility of individual product markets.

**Narendra Murkumbi**
*Co-founder, Vice-Chairman and Managing Director*



# INDUSTRY REVIEW

## Global sugar industry

The International Sugar Organisation reported that the global sugar supply will exceed demand by 9.8 million tons in 2007-08. More than 65% of the total world sugar production was accounted for by the top 10 sugar producing countries.

**Country-wise sugar production**

| (million tons) | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08E |
|---|---|---|---|---|---|---|
| Brazil | 23.8 | 26.4 | 28.2 | 26.9 | 31.6 | 32.9 |
| India | 20.1 | 13.5 | 12.7 | 19.3 | 28.5 | 27.0 |
| EU | 18.7 | 17.1 | 21.6 | 21.4 | 17.8 | 16.7 |
| China | 11.4 | 10.7 | 9.8 | 9.4 | 12.6 | 13.0 |
| US | 7.6 | 7.8 | 7.1 | 6.7 | 7.7 | 7.5 |
| Thailand | 7.3 | 7.0 | 5.2 | 4.8 | 6.6 | 6.9 |
| Russia | 1.6 | 1.9 | 2.3 | 2.5 | 3.2 | 3.0 |
| Indonesia | 1.8 | 1.7 | 2.1 | 2.1 | 1.9 | 2.0 |
| Cuba | 2.3 | 2.6 | 1.3 | 1.2 | 1.5 | 1.5 |

*Source: MF Global Research Report*

**World sugar balance**

| | 2007-08 | 2006-07 | Change | |
|---|---|---|---|---|
| | | | In million tons | In % |
| Production | 168.44 | 166.03 | 2.41 | 1.45 |
| Consumption | 159.13 | 154.82 | 4.31 | 2.78 |
| Surplus/(deficit) | 9.31 | 11.21 | | |
| Import demand | 46.03 | 46.05 | (0.02) | (0.04) |
| Export availability | 49.31 | 46.13 | 3.19 | 6.91 |
| End stocks | 73.95 | 67.93 | 6.02 | 8.87 |
| Stocks/Consumption ratio in % | 46.47 | 43.88 | | |

*(Source: The International Sugar Organisation outlook, February 2008)*

**Production:** The global sugar production increased at a CAGR of 2.5% from 148 million tons in 2002-03 to 168 million tons in 2007-08, led by Brazil (32.9 million tons). The global sugar production increased by 1.45% from 166.1 million tons in 2006-07 to 168.4 million tons in 2007-08. Developing countries were the key production drivers, accounting for 127.5 million tons, a 2.1% growth over 2006-07. Sugar production in the developed countries declined by 1.8% over 2006-07 to 40.4 million tons in 2007-08. Asian production declined to 65.8 million tons in 2007-08, following production declines in India and China.

The global sugar industry is largely driven by Brazil (19.58% global share) followed by India.

**Consumption:** World sugar consumption increased 2.78% to

159.1 million tonne in 2007-08 from 154.8 million tons in 2006-07, marginally above the 10-year average of 2.5%. It is estimated that 69% of the global production is consumed in the country of origin, while the balance is traded on global markets.

Sugar consumption increased in China, following a strong demand from the domestic food and beverages industry, as well as a lower competition alternative sweeteners.

Consumption also increased in Latin America and Caribbean, led by Brazil and Mexico.

The global per capita sugar consumption increased from 23.6 kg in 2006-07 to 23.9 kg in 2007-08, with India being the largest consumer; Brazil enjoyed the highest per capita consumption (58 kg per person).

## Cogeneration in India

The Indian energy sector has been going through a severe power shortage (in terms of peaking power and energy) for several years. While average deficit in the past five years was 7.3%, deficit in peak demand was as high as 11.8%. A constraint suffered by private sector power generation growth was an unchecked monopoly of various state transmission and distribution utilities. However, following reforms of the Electricity Act, 2003, a significant potential exists for renewable power producers to be linked to the open market.

## Open access system

With the Electricity Act, 2003 coming into force, consumers now have the opportunity to access power from any captive power generator and not necessarily from the state electricity boards. The open access model allows generators to contact with distributors or large consumers, without the need of intermediate state electricity boards (SEBs) and vice versa, where a group of consumers (bulk consumers) can exercise their choice to purchase power either through generation companies or intermediaries (traders or distribution companies). The open access system has created a range of opportunities for generating companies, as they can get tariffs much higher than the existing rates with SEBs. Besides, this system of functioning enjoys a proven track record among buyers, sellers and power traders. Importantly, the open access system plays a major role in stabilising demand-supply economics in the power industry.

The Electricity Act, 2003 also provides that electricity cogeneration and generation from non-conventional sources will be promoted by the state electricity regulatory commissions (SERCs) by providing suitable measures for grid connectivity and electricity sale to any individual and also by specifying – for purchase of electricity from such sources – a percentage of electricity consumption in the area of distribution licencee.

Though there exists immense potential for the development and growth of power generation using bagasse, there is still a long way to go in terms of achieving the full potential for the sugar industry. Under the ministry of non-conventional energy resources (MNES), nearly 537 MW of capacity has been commissioned and 536 MW is under installation. Besides, there are some fiscal incentives provided for power generation using bagasse.

## Fuel ethanol

The world ethanol market is making rapid advances in scale and competitiveness. Its attractiveness is based on considerations of energy security, environmental benefits and growing economic viability.

The two key drivers for the growing market size are the mandates in the US, India, Thailand and other countries as well as the ethanol-blending demand-supply dynamics, driven by the competition between ethanol and gasoline in Brazil. Besides, the US market is driven by renewable fuel standards (RFS), which mandate the blending of ethanol with gasoline. RFS sets forth a phase-in for renewable fuel volumes beginning with 9 billion gallons in 2008, going up to 36 billion gallons in 2022. Most of the ethanol in the US is from corn with some imports of Brazilian sugarcane ethanol. The current global mandates of ethanol are presented in the table below:

Brazilian ethanol is made from the direct conversion of sugarcane juice and is driven by a strong domestic market, with motorists having the choice between a 25% blended gasoline and a 100% hydrous ethanol. Brazil consumed about 20 billion litres of ethanol in 2007-08 and exported about 4 billion litres, its two principal exports markets being Europe and the US. Though the US continues to import ethanol from Brazil, there has been a sharp drop in imports because domestic ethanol (made from corn) prices in US have dropped below the import parity.

However, Brazilian ethanol prices are at a considerable discount to the domestic Brazilian petrol price. The current Brazilian petrol price (at the pump) in the southern part of the country (which accounts for 80% of domestic consumption), is about Real 2.40 per litre, whereas ethanol spot price is about Real cents 90 per litre (ex-mill) and at the pump, it is about Real 1.40 per litre. After adjusting for the differing mileage achieved by ethanol and gasoline, ethanol is still 25% cheaper.

The present worldwide biofuel production (of which the major chunk comprises ethanol) is estimated at 1.5 million barrels per day, and ranks 18th in the list of the globe's top oil producers in 2008.

By 2013, the global biofuel production (as shown in the table on page 17) is expected to climb to the fifth position among the leading oil producing nations, growing at 20% over the next five years. This clearly reflects a growing urgency with which biofuel programmes are being accepted the world over.

## India ethanol programme

The Indian ethanol programme was restarted in 2006 with a 5% blend, where Oil Marketing Companies (OMCs) purchased ethanol at a fixed price for a three-year period. For 2008, around 360 million litres of ethanol was blended with petrol and this figure is expected to touch 480 million litres in 2009. In October 2007, the 5% blending was mandated by the Government of India, with blending proposed to go up to 10% from October 2008. Currently, though blending is still at the

| Upto 5% doping | 5- 10% Doping | 10–20% Doping | 20-100% Doping |
|---|---|---|---|
| EU | India | Canada | Brazil |
| Japan | China | Sweden | |
| Poland | S. Africa | USA | |
| | Peru | Thailand | |
| | Columbia | | |
| | Australia | | |

5% level, tests are being conducted in two districts of India (Bareli, UP and Belgaum, Karnataka). These tests are to be conducted for a period of six months to assess the effect of a 10% blend on the existing two-and-four-wheelers. In its new biofuels policy, the Indian Government has compulsorily mandated a 20% blending of ethanol (E20) from 2017. This provided the auto industry with ample time to switch over to E20-compatible cars and two-wheelers for the India vehicle fleet to accept higher blends of ethanol by 2017.

Countrywise oil production, 2008

| Sl. No. | Country | Mn bbl/Day |
|---|---|---|
| 1. | Saudi Arabia | 10.86 |
| 2. | Russian Federation | 9.77 |
| 3. | USA | 6.87 |
| 4. | Iran | 4.34 |
| 5. | China | 3.68 |
| 6. | Mexico | 3.68 |
| 7. | Canada | 3.15 |
| 8. | UAE | 2.97 |
| 9. | Venezuela | 2.82 |
| 10. | Norway | 2.78 |
| 11. | Kuwait | 2.70 |
| 12. | Nigeria | 2.46 |
| 13. | Algeria | 2.01 |
| 14. | Iraq | 2.00 |
| 15. | Libya | 1.84 |
| 16. | Brazil | 1.81 |
| 17. | UK | 1.64 |
| **18.** | **World biofuel supply** | **1.50** |
| 19. | Kazakhstan | 1.43 |
| 20. | Angola | 1.41 |
| 21. | Qatar | 1.13 |
| 22. | Indonesia | 1.07 |

Growth @ 20% for 5 years

Countrywise oil production, 2013

| Sl. No. | Country | Mn bbl/Day |
|---|---|---|
| 1. | Saudi Arabia | 10.86 |
| 2. | Russian Federation | 9.77 |
| 3. | USA | 6.87 |
| 4. | Iran | 4.34 |
| **5.** | **World biofuel supply** | **3.73** |
| 6. | China | 3.68 |
| 7. | Mexico | 3.68 |
| 8. | Canada | 3.15 |
| 9. | UAE | 2.97 |
| 10. | Venezuela | 2.82 |
| 11. | Norway | 2.78 |
| 12. | Kuwait | 2.70 |
| 13. | Nigeria | 2.46 |
| 14. | Algeria | 2.01 |
| 15. | Iraq | 2.00 |
| 16. | Libya | 1.84 |
| 17. | Brazil | 1.81 |
| 18. | UK | 1.64 |
| 19. | Kazakhstan | 1.43 |
| 20. | Angola | 1.41 |
| 21. | Qatar | 1.13 |
| 22. | Indonesia | 1.07 |

# EXCELLENCE AT SHREE RENUKA

## 1 OPERATIONS

In a business with diverse manufacturing opportunities, there is a premium on product, process and capacity selection leading to competitiveness.

Shree Renuka Sugars consciously selected to integrate sugar manufacture with downstream possibilities in its factories across Maharashtra and Karnataka. It invested in integration within a year of inception, emphasising its understanding of multi-product profitability. The Company processes co-products to generate ethanol, power and bio-fertilisers. Of its five factories, three possess integrated facilities, while the rest are in the process of integration.

### a) Sugar

The Company's ten manufacturing units enjoy a cumulative capacity of 37,500 TCD. Most of these units were situated near ports – the closest was port-based, while the most distant was only 150 kms away - enhancing their flexibility to address domestic and export markets. The Munoli and Athani raw sugar units (1,000 TPD each) enhanced off-season asset utilisation, while the Company commissioned a 2,000-TPD sugar refinery, strategically located in the port-town of Haldia to facilitate imports and enhance exports.

#### Highlights 2007-08

- All sugar manufacturing units achieved a near 100% capacity utilisation.
- The Company averaged over 20 tons of sugar production per TCD of crushing capacity, twice the industry standard.

### b) Ethanol

Ethanol will enjoy growing demand, following an enhanced demand for 'green' energy and an expanding need for increased oil security amid depleting reserves. The Company's distilleries (600 KLPD going to 900 KLPD) convert molasses and/or juice into ethanol for fuel and potable purposes.

#### Highlights 2007-08

- It acquired a 54% stake in KBK Engineering, an ethanol technology company. The stake will be increased to 67% in August 2009.
- It invested Rs. 60 million in Dhanuka Petroleum (100 KLPD), which specialises in direct fuel ethanol production from rectified spirit.

#### Outlook

- It redesigned its ethanol plants to flexibly produce ethanol from molasses and/or sugarcane juice depending on the relative prices of sugar and ethanol.
- It is expected to increase its current capacity from 600 KLPD to 900 KLPD in SY 08-09.

### c) Co-generation

In a power-intensive business like sugar manufacture, the saving grace is the Company's ability to generate power from sugar by-product bagasse. The Company enjoys a 129 MW co-generation capacity, leaving an adequate exportable surplus of 70 MW. The bagasse-based co-generation units qualify as a clean development mechanism project, helping the Company earn carbon credits.

#### Highlights 2007-08

The export of power increased by 302% from 38 million units in 2006-07 to 153 million units in 2007–08.

#### Outlook

An additional 40.5 MW will be made operational during 2008-09.

## 2 CANE MANAGEMENT

In a business where the growing space is finite and the options varied, the Company is required to consistently demonstrate cane viability at all times.

To incentivise sugarcane planting and protect the sugarcane acreage in its command areas, the Company remunerates farmers higher than the SMP. The Company is favourably located; its manufacturing units are located in southwest India, a region that enjoys a high cane recovery; besides, the state enjoys a crushing season of six-seven months against four-five months in other sugar producing regions. The consequent viability in growing cane translates into enhanced availability for the Company, leading to related economies of scale and consequent growth. Besides, both states of the Company's presence do not have State Administered Prices (SAP) of cane.

The Company undertakes various cane development initiatives and provides crop loans to augment cane production in its various command areas. It also provides numerous other agro-inputs and fertiliser subsidies to encourage sugarcane production. Dedicated cane procurement teams manage cane procurement. The Company purchases sugarcane directly from farmers, eliminating intermediaries. Its harvesting programme is based on crop age, variety and maturity for desired cane quantity and quality leading to streamlined procurement. Cane managers issue cutting orders or harvesting permits, based on date-wise cum pre-harvesting maturity surveys.

### Highlights 2007-08

The Company's cane crushing increased 71% from 2,702,200 tons in 2006-07 to 4,623,550 tons in 2007- 08.

## 3 FARMER RELATIONSHIPS

In a business where the raw material supplier enjoys the flexibility to market produce to another buyer or shift focus to alternative crops, there is a premium on the need to graduate a transaction to a relationship of mutual sustainable benefit.

The building block of growth at Shree Renuka Sugars is trusted farmer relationships. Over the years, this trust has translated into a willingness to grow cane in good years and bad, leading to increased crushing in every single year of the last five years.

This distinctive company-farmer relationship is enshrined in a paradigm understanding: at the Company, farmers are not just treated as vendors, but partners. There is a broad realisation that if growth is to be sustainable, one will need the other.

This inevitability has been most visibly manifested in a large number of farmers – accounting for a significant 9% of the Company's equity - being shareholders.

This trust has been manifested in various other initiatives undertaken by the Company:

- Coordination and management of cane harvest and transportation, saving farmers' effort, time and money.
- Education of farmers in cane economics over competing crops.
- Development of small irrigation sources on a collective basis to widen acreage under cultivation.
- Close working with commercial banks and government agencies to provide soft loans to sugarcane growers.

The Company also formed a trust – Shree Renuka Sugars Development Foundation – to promote sustainable education, healthcare and holistic wellbeing of farmers and the local community.

## ④ MARKETING

In a business where the Company markets diverse products across different customer segments, there is a need to identify the nature of the customer, with the objective to enhance organisational value.

Shree Renuka Sugars markets around 25% of its sugar to institutional buyers, 5% to retail stores and the rest to domestic and international customers through spot trading.

The Company accounts for 20% of the country's ethanol market. It entered into a three-year agreement with major oil marketing companies to supply 217 million litres, at an agreed price of Rs. 21.50 per litre.

### Highlights 2007-08

- Ethanol supply to customers in four states (Karnataka, Andhra Pradesh, Goa and Kerala).
- Packaged sugar marketing through retail brands like Big Bazaar and Metro.

### Outlook

The Company intends to enhance its market share of the fuel ethanol market. A proprietary brand of refined sugar will be launched for the retail market.

## ⑤ QUALITY

In a business where the raw material is drawn from diverse points, it is imperative to produce an end product of consistently high quality at all times.

Shree Renuka Sugars has invested consistently and comprehensively in quality management. The Company complies with stringent quality guidelines demanded by clients. Besides, its plants, processes and practices are periodically inspected for quality standards. The Company has standardised operating procedures across its owned and leased units, leading to a high level of operational consistency.

### Highlights 2007-08

- The Company applied for HACCP certification.
- Its reduced the sugar rejection rate to below 0.5% of the aggregate sugar sold.

### Outlook

Going ahead, the Company seeks to enhance quality standards.

# COMMUNITY AND SOCIAL RESPONSIBILITY

Shree Renuka Sugars believes in superior performance linked to a spirit of prosperity-sharing with stakeholders – underlining its approach to corporate social responsibility.

To institutionalise this approach, the Company created Shree Renuka Sugars Development Foundation, a trust working in the field of education, healthcare and hygiene. To serve the broader interests of its employees and their families, the Company created a trust called Shree Renuka Sugars Employee Welfare Trust to service education, health, recreation, financial and social requirements. These trusts enjoy their respective corpus, enhancing accountability. Collectively, these trusts own 4.81% of the Company's equity, generating a precious dividend income for onward deployment.

**Education:** The Company created schools for the children of cane harvesters who travel a long distance during the cane harvesting period. These elementary schools (*Sakhar Shala*) are functional near most of our units. The Foundation also runs primary schools with an emphasis on good teaching staff and facilities for quality education.

Scholarships were provided to deserving students, especially the girl child.

**Healthcare:** Primary healthcare facilities were made available at all plant locations supported by qualified doctors and state-of-the-art equipment. A focus on first-aid and timely ailment diagnosis facilitated effective medical support. A speciality multi-bed hospital is being planned for the Burlatti village in Athani Taluka (Belgaum district) to cater to the rural population. Health check-up camps were organised quarterly, attended by employees and local residents.

**Hygiene and environment:** Safe drinking water was provided free to employees. Environment protection was prioritised. The local forest department worked with the Company to create green belts in the plant vicinity. Village camps were conducted for children and adults to enhance the awareness of hygiene and environment protection. A large land area was dedicated to the production of bio-fertilisers of the distillery effluent, ensuring 100% bio-degradation and waste recycling contributing to the green revolution. The Company donated budgeted funds to various educational, art and cultural institutes as well as to relevant initiatives around the factory area.

# RISK MANAGEMENT AT SRSL

Risks can be expressed as uncertainties about events, which can have a significant material impact on organisational performance. Risk governance at Shree Renuka Sugars covers potential risk identification and mitigation as a pre-emptive strategy, leading to a stable and sustainable business model.

| Risk | Risk definition | Risk mitigation |
|---|---|---|
| Industry risk | A global economic downturn could affect sugar industry growth. | ◎ Sugar comprises a small proportion of the household budget; its staple importance relatively insulates the sugar industry from the economic slowdown.<br>◎ Global sugar consumption is expected to increase by 3% in 2008-09. |
| Regulatory risk | Unfavourable government regulations could impact the Company's growth. | ◎ The government mandated a 5% ethanol blending with petrol, ensuring steady offtake.<br>◎ A new biofuel policy mandates a 20% ethanol blend by 2017.<br>◎ Open access regulations for power generating companies minimise the risk arising out of a single buyer hegemony.<br>◎ Sugarcane prices in Maharashtra and Karnataka are linked to sugar realisations, enhancing organisational viability. |
| Cyclicality risk | A downtrend in the sugar industry cycle could erode profitability. | ◎ The Company's integrated business model produces value-added sugar by-products like ethanol, exportable power and bio-fertilisers, an effective hedge.<br>◎ The Company created a significant capacity in sugar refinery, enabling it to process raw sugar into white sugar even during downturns. |
| Funding risk | The Company is embarking on a huge organic and inorganic capacity expansion. Inability to raise funds at competitive rates could dampen expansions. | ◎ Fully funded capex programme.<br>◎ Long-term debt-equity ratio of less than 1.<br>◎ Strong balance sheet providing comfort in tight credit conditions.<br>◎ Strong operating cash flows. |

| Risk | Risk definition | Risk mitigation |
|---|---|---|
| Location risk | An inappropriate location could impact profitability. | ◎ The Company's plants are located in Maharashtra and Karnataka, favourable sugarcane producing areas.<br>◎ These two states are relatively less regulated in sugarcane pricing.<br>◎ They possess a longer crushing season of 200-plus days.<br>◎ The sucrose content in these areas is 10-20% higher than elsewhere in the country.<br>◎ Coastal proximity facilitates cost-effective export and import. |
| Marketing risk | An inefficient marketing network could affect offtake. | ◎ The Company markets directly to corporates and industrial buyers, eliminating intermediaries.<br>◎ It produces sulphur-free Euro II grade sugar enjoying international acceptability.<br>◎ It engaged in continuous process and quality upgradation.<br>◎ It made forward sugar sales on the international commodity exchanges, protecting its interests. |
| Raw material risk | A decline in sugarcane production in Maharashtra and Karnataka can affect cane availability and enhance procurement cost. | ◎ The Company developed robust farmer relationships, facilitating procurement.<br>◎ It deployed a dedicated team to look after cane development in the command area and cane procurement.<br>◎ It coordinated with banks for farmer crop loans.<br>◎ It developed irrigation and additional land to increase the cane acreage. It provided quality seeds, fertiliser subsidies and other agricultural inputs to encourage sugarcane cultivation. |

# NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of Shree Renuka Sugars Limited will be held on Friday, the January 2, 2009 at Maratha Mandir Hall, Near Railway Over Bridge, Khanapur Road, Belgaum - 590 006 at 9:30 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2008 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended September 30, 2008.
3. To appoint a Director in place of Mr. Sanjay K. Asher who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hrishikesh Parandekar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Jonathan Kingsman who retires by rotation and being eligible offers himself for re-appointment.
6. To re-appoint Auditors and fix their remuneration.

By Order of the Board of Directors

Place: Mumbai
Date : November 14, 2008

**D V Iyer**
*Company Secretary*

**Regd. Office:**
B C 105, Havelock Road Camp,
Belgaum – 590 001
Karnataka

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the Company. The proxy form duly completed must reach the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. All documents referred to in the accompanying notice is open for inspection at the Registered Office of the Company on all working days between 11:00 a.m. to 1:00 p.m. up to the date of Annual General Meeting.
3. The dividend on Equity Shares for the year ended September 30, 2008, if declared will be paid :
   a) to those members, holding shares in physical form, whose names appear in the Register of Members as on December 24, 2008.
   b) in respect of shares held in electronic mode, on the basis of beneficial ownership, as per details furnished by National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on December 24, 2008.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, December 24, 2008 to Friday, January 2, 2009 (both days inclusive)
5. Members holding shares in physical form are requested to kindly send all correspondence relating to change of address, transfer of shares, etc. directly to the Company's Registrar & Share Transfer Agents - Karvy Computershare Private Limited. Members holding shares in electronic form are requested to intimate their respective Depository Participants (DP) about any change of address or Bank mandate.
6. Member / proxies should bring their attendance slip duly

completed for attending the meeting.

7. Members who have not yet encashed their dividend warrants for previous years are advised to forward such warrants to the Registered Office for revalidation. Pursuant to the provisions of the Section 205-A of the Companies Act, 1956 dividend, which remains unclaimed for a period of seven years, will be transferred to the Investor Education and Protection Fund of the Central Government.

8. As required under clause 49 VI(A) of the listing agreement, the relevant information in respect of the Directors seeking re-appointment at the ensuing Annual General Meeting is provided in the Report on Corporate Governance forming part of the Annual Report.

**By Order of the Board of Directors**

Place: Mumbai
Date : November 14, 2008

**D V Iyer**
*Company Secretary*

**Regd. Office:**
B C 105, Havelock Road Camp,
Belgaum – 590 001
Karnataka

# DIRECTORS' REPORT

To the shareholders of
**Shree Renuka Sugars Limited**

The Directors are pleased to present the 13th Annual Report of the Company together with the audited financial statements for the year ended September 30, 2008.

## Financial results

*(Rs. in million)*

| Particulars | 2007-08 | 2006-07 |
|---|---|---|
| Revenues | 18,246 | 7,486 |
| Profit before financial expenses and depreciation | 2,187 | 1,209 |
| Interest | 685 | 180 |
| Depreciation and amortisation | 365 | 249 |
| Profit before provision for tax | 1,137 | 780 |
| Provision for taxation | | |
| - Current | 133 | 91 |
| - Deferred tax | 259 | 145 |
| Net Profit | 745 | 544 |
| Add: Excess provision for depreciation written back | 182 | – |
| Profit brought forward | 327 | 382 |
| Profit available for appropriation | 1,255 | 926 |
| Transfer to general reserves | 500 | 500 |
| Dividend on preference shares | – | 36 |
| Dividend on equity shares | 60 | 50 |
| Dividend tax | 10 | 14 |
| Balance carried over | 685 | 327 |

## Operational highlights

The total turnover of the Company, net of excise duty including other income for the year ended September 30, 2008 was Rs. 18,246 million compared with Rs. 7,486 million for the previous year ended September 30, 2007, which is an increase by 144%. The Company has reported an EBITDA of Rs. 2,187 million compared with Rs. 1,209 million for the previous year ended September 30, 2007, which is an increase by 81% and a net profit of Rs. 927 million (includes depreciation written back) for the year under review, compared with Rs. 544 million in the previous year, an increase of 70% over the previous year.

## Dividend

Your Directors recommend a dividend of 20% on equity share capital of the Company (i.e. Re. 0.20 per equity share of Re. 1 each) for the year ended September 30, 2008. The payment of dividend will be subject to the approval of the shareholders at the ensuing Annual General Meeting.

## Transfer to reserves

The Company proposes to transfer Rs. 500 million to the general reserve out of the amount available for appropriation and an amount of Rs. 685 million is proposed to be retained in the profit and loss account.

## Sub-division of shares

The face value of the equity shares of the Company has been sub-divided w.e.f. April 21, 2008 from Rs.10 each to Re.1 each.

## Deposits

The Company has not accepted any public deposits and, as such, no amount of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

## Further issue of capital and warrants

The Company has in accordance with the statutory provisions, including SEBI (Disclosure and Investor Protection) Guidelines, 2000 and with the approval of the members in the Extraordinary General Meeting held on August 27, 2008, issued and allotted 18,000,000 warrants convertible into equity shares of the Company of Re. 1 each at a price of Rs. 114.37 including premium of Rs. 113.37, determined in accordance with the SEBI Guidelines, to the promoters on a preferential basis. This was done with the objective to augment long-term resources of the Company for meeting fund requirements of ongoing capital expenditure, new acquisitions, improve manufacturing capacity and for general corporate purposes.

Further, the Company has allotted 6,000,000 equity shares of Re. 1 each at a price of Rs. 62.571 including a premium of Rs. 61.571 each fully paid-up, consequent to the exercise of the option of conversion of 6,000,000 warrants, in accordance with the SEBI guidelines, to the promoters on a preferential basis.

The above issues of shares have resulted in an increase in the paid-up equity share capital of the Company from Rs. 269,963,160 to Rs. 275,963,160, consisting of 275,963,160 equity shares of Re.1 each.

## Strategic acquisitions and developments

The Company has entered into an agreement with the promoters of Ratnaprabha Sugars Ltd., for purchase of 100% equity shares of the Company, acquired in a bid granted by the Government of Maharashtra, Godavari Dudhana SSK, having a sugar-manufacturing unit in central Maharashtra with 1,250 tons of sugarcane crushing capacity and a distillery with a capacity of 30 kilo-litres per day. The plant has excellent sugarcane potential and over 250 acres of land, which can be developed for future expansions.

As part of its focus on the fuel ethanol market, the Company has acquired Godavari Biofuel Pvt. Ltd., which has 4.8 acres of land adjacent to the Company's 300- KLPD ethanol plant in Khopoli, Maharashtra. The Company has a license to produce ethanol from alcohol. The land would be used to build ethanol storage tanks as it is strategically located near the Mumbai port to cater to SRSL's clients and /or for exports.

The Company has acquired a majority shareholding in Gokak Sugars Ltd. in October 2008, having a 2,500-TCD sugar-manufacturing unit and a 14-MW co-generation power plant at Kolavi village, Taluka Gokak, Belgaum in Karnataka.

The Company has taken Raibag SSK Niyamit, Raibag, in Belgaum district, Karnataka and Balaghat SSK Limited, Balaghat, in Latur district, Maharashtra on lease basis.

## MoU with Hindustan Petroleum Corporation Limited (HPCL)

The Company has signed a Memorandum of Understanding for formation of a joint venture Company with Hindustan Petroleum Corporation Limited for the purpose of setting up an integrated sugar and ethanol plant in the state of Maharashtra.

## Subsidiary companies and consolidated financial statements

The Company had two subsidiaries in the beginning of the year.

During the year, the following companies have become subsidiaries of the Company viz., KBK-Chem Engineering Private Limited, Shree Renuka Energy Ltd., Shree Renuka Agri Ventures Ltd., Godavari Biofuel Pvt. Ltd., Ratnaprabha Sugars Ltd., Shree Renuka Southern Africa Holdings FZC and Renuka Energy Resource Holdings FZE.

In accordance with the Accounting Standards AS-21 on consolidated financial statements, your Directors have pleasure in attaching the consolidated financial statements, which form part of the Annual Report and Accounts. These consolidated financial reports provide financial information about your Company and its subsidiaries as a single entity.

The Company has obtained approval from the Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956, for exempting the Company from attaching its Annual Report, the copies of the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Reports and other documents required to be attached under Section 212(1) of the act of all its subsidiary companies.

Accordingly, the said documents are not attached to the financial statements of the Company. A gist of the financial performance of the subsidiaries is given in this Annual Report. The annual accounts of the subsidiary companies are open for inspection by any Member, and the Company will make available these documents/details upon request by any member of the Company/Subsidiaries of the Company interested in obtaining the same.

## Directors

Mr. Sanjay Asher, Mr. Hrishikesh Parandekar, Mr. Jonathan Kingsman and Dr. B P Baliga retire by rotation. Except Dr. Baliga all others, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting. Dr. B. P. Baliga has expressed in writing his desire to retire from the Board. He will therefore be vacating his office on the date of the ensuing Annual General Meeting. The Board wishes to place on record their deep appreciation for the valuable services and guidance rendered by Dr. Baliga during his tenure with the Company for over 10 years.

A brief resume of the above Directors, nature of their expertise in specific functional areas, names of companies in which they hold the directorships /chairmanships of Committees of the Board as stipulated under Clause 49 of the Listing Agreement with the stock exchanges are given in the Section on Corporate Governance, elsewhere in the Annual Report.

## Employees Stock Option Scheme

The grant of stock options to employees is a mechanism to align the interest of employees with those of the Company, to provide them with an opportunity to share the growth of the Company as also to foster long-term commitment. Towards achieving this goal, approval of the members was obtained in the Annual General Meeting held on December 28, 2006 for introduction of the Stock Option Scheme.

The Employees Stock Compensation Committee, constituted in accordance with the SEBI Employees Stock Option Scheme and Employees Stock Purchase Scheme Guidelines, 1999, administers and monitors the scheme.

The disclosures under the guidelines are as under:

Total Options Granted/ in force 2,380,000*

**Pricing Formula:** Rs. 59.10*

**Options Vested/Exercised:** NIL

Employee wise details of options granted to:

**i) Senior Managerial Personnel**
1,372,000*

**ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year:** G.K. Sood – 150,000*

*(*after adjusting for split)*

**iii) Any other employees who have been granted options equal to or exceeding 1% of the issued capital of the Company at the time of grant:** NIL

## Auditors and Auditors' Report

M/s Ashok Kumar Prabhashankar and Co., Chartered Accountants, Bangalore, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been obtained to the effect that their re-appointment, if made, would be within the limits specified under Section 224 (1B) of the Companies Act, 1956.

The Auditors' Report to the shareholders for the year ended September 30, 2008 does not contain any qualification and therefore do not call for any explanation/comments.

## Directors' Responsibility Statement

The Board of Directors in terms of Section 217 (2AA) states that:

a) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures from the same;

b) the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the Company as at September 30, 2008 and of the Profit and Loss of the Company for the year ended on that date;

c) the Directors 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;

d) the Directors have prepared the annual accounts on a "going concern" basis.

## Conservation of energy, technology absorption, foreign exchange earnings and outgo

Information as per the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo form a part of the report and is annexed hereto.

## Corporate Governance

During the year under review, your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement have been complied with. A separate report on governance along with the Auditors' Certificate on its compliance, forms part of the Report and is annexed hereto.

## Particulars of employees

Information as required under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules 1975, as amended, are given in an Annexure forming part of this report.

## Human Resource

Industrial relations remained cordial throughout the year. As in the earlier years, the Company conducted several training programmes. Your Directors place on record their appreciation for the significant contribution made by all the employees at all levels; their competence, perseverance, and hard work that has enabled the Company to cross new milestones on a continual basis.

## Management Discussion and Analysis Report (MDA)

The Management Discussion and Analysis Report on the business and operations of the Company is attached to this report.


## Acknowledgements

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, government authorities, customers, vendors and cane producers and finally to all shareholders, for their trust and confidence reposed on the Company. The Directors also express their deep sense of appreciation for the committed services of the executives, staff and workers of the Company.


**On Behalf of the Board of Directors**

Place: Mumbai — **Vidya M. Murkumbi**
Date : November 14, 2008 — *Chairperson*

# ANNEXURE TO THE DIRECTORS REPORT

**Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended September 30, 2008.**

*(Rs. in million)*

| Sr. No. | Name | Age | Designation and nature of duties | Remuneration (Rs.) | Nature of employment | Qualification and experience in years | Date of commencement of employment | Particulars of last employment |
|---|---|---|---|---|---|---|---|---|
| 1. | Mrs. Vidya M. Murkumbi | 60 | Executive Chairperson, entrusted with Managerial Functions | 13.98 | Contractual | B. Sc. 26 years | 01-04-2004 | First Employment |
| 2. | Mr. Narendra M. Murkumbi | 38 | Vice Chairman & Managing Director, entrusted with Managerial Functions | 13.98 | Contractual | B.E. & PGDM IIM-A 12 years | 20-09-1997 | First Employment |
| 3. | Mr. Sidram M. Kaluti | 63 | Whole Time Director designated as President entrusted with Managerial Functions | 2.57 | Contractual | B A. H.D.C, N.I.S. 38 years | 17-11-2005 | Government Service |
| 4. | Mr. Nitin A. Puranik | 49 | Whole Time Director designated as Executive Director, entrusted with Managerial Functions. | 3.98 | Contractual | Chemical Engineer from I.I.T. Kharagpur 26 years | 20-04-2007 | South Asian Petrochem Ltd. |
| 5. | Mr. Nandan V. Yalgi | 39 | Whole Time Director designated as Director Commercial, entrusted with Managerial Functions. | 2.57 | Contractual | B.E. E & C Small and Medium Enterprise Management Programme from IIM 12 years | 24-09-2004 | Murkumbi Bio Agro Pvt. Ltd. |
| 6. | Mr. Shripad R. Nerlikar | 53 | Executive Director - Cane Head of Cane Dept. | 3.04 | Employee | B.Sc. Agri, | 01-10-2003 | Halasidhanath SSK Ltd' |
| 7. | Mr. Krishna K Kumbhat* | 50 | Chief Financial Officer Head of Finance and Accounts Dept. | 2.96 | Employee | B. Com, ACA, ACS. 28 Years | 12-03-2008 | Ashapura Minechem Ltd. |
| 8. | Mr. Gopal Krishan Sood* | 69 | Director - Corporate Affairs Head of Corporate Affairs | 4.00 | Employee | B. Com, MA. 33 years | 01-04-2008 | Louis Dreyfus India |
| 9. | Mr. Nitin Kumar Bhandari | 32 | Sr. Manager Trading Head of Trading Dept., | 3.75 | Employee | B. Sc. 7 years | 01-10-2005 | Consultant for Soya complex, cotton & agro commodities |

* employed for part of the year

**Note:** 1) No employee was in receipt of remuneration during the year in excess of that drawn by the Managing Director and Whole Time Director and holds by himself or along with his/her spouse and dependent children not less than two percent of the equity shares of the Company.

2) Except Mrs. Vidya M. Murkumbi and Mr. Narendra M. Murkumbi who are relatives, no other employee is relative of any other Director.

3) In addition to the above remuneration, employees are entitled to gratuity, medical benefits, retirement benefits, etc. in accordance with company rules.

# ANNEXURE TO THE DIRECTOR'S REPORT

**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

## A. Conservation of Energy:

**1. Energy Conservation measure taken:**

At Unit IV in Athani, optimisation of the process to achieve the design level of steam consumption was taken up.

At Unit I in Munoli, condensate flash system for new evaporator station was commissioned.

a. The evaporator configuration was changed from DEVC Quadruple to Quintuple

b. Two juice heaters were converted to dynamic type

**2. No additional investment / proposal are put forth for energy conservation measures:**

**3. Impact of the measures taken:**

At Athani the cane crushing has stabilised and with constant crushing, steam losses have reduced.

At Munoli, the above actions have resulted in a reduction of steam % cane by almost 1% on cane.

**4. Total Energy Consumption:**

Energy consumption per unit of production as per Form A enclosed.

# FORM A

**Disclosure of particulars with respect to conservation of Energy**

| A. | Power & Fuel Consumption | 2007-08 | 2006-07 |
|---|---|---|---|
| 1. | ELECTRICITY | | |
| | Purchased Units | 1,806,800 | 796,500 |
| | **Total Amount** | **Rs. 7,850,546** | **Rs. 3,147,852** |
| | a) Own Generation | | |
| | i) Through Diesel Generation Units Kwh | 115,515 | 48,670 |
| | Units Per litre of Diesel kwh/litre | 3.35 | 3.20 |
| | ii) Through Steam Turbine Generation | 268,469,500 | 92,040,849 |
| | Kg of Bagasse required Kwh Actual | 3.57 | **** |
| | iii) Total Units Generated | 268,585,015 | 92,886,019 |
| | Total Cost/Unit | 2.38 | **** |
| B. | Consumption per Unit of Production | | |
| | Total Generation of Electricity Kwh | 268,469,500 | 92,040,849 |
| | Less: Consumption of Cogen plant Kwh | 26,851,779 | 11,766,185 |
| | Less: Consumption of Distillery plant Kwh | 12,803,742 | 7,087,168 |
| | Less: Export to HESCOM Kwh | 153,731,780 | 38,462,511 |
| | Consumption for Sugar plant Kwh | 75,082,199 | 34,724,985 |
| | **Electricity - Kwh/MT of Sugar** | **254.41** | **230.96** |

**** Kg of bagasse required and the total cost / unit generated is not defined as there is a mixture of coal and bagasse which are used as fuels for steam generation in our case.

# FORM B

## A. Disclosure of particulars with respect to Technology Absorption Research & Development (R&D)

**1. Specific areas in which R&D carried out by the Company:**

The Company has initiated implementation of the incineration boiler using spent wash from the distillery

**2. Benefits derived as a result of the above R&D measures:**

NA – The results will be seen in the year 2008-09

**3. Further Plan of Action:**

Will be decided after the results of the trials with the incineration boiler

**4. Expenditure on R & D:**

| | |
|---|---|
| (a) Capital | – Nil |
| (b) Recurring Expenditure | – 14.73 |
| (c) Total | – Nil |

(d) Total R & D expenditure is 0.07% of total turnover

## B. Technology absorption, adaptation and innovation.

The incineration boiler using spent wash from the distillery is a new technology which has yet to be proven. The Company is working closely with the boiler manufacturers to develop this technology.

## C. Foreign exchange earnings and outgo:

| | |
|---|---|
| 1. Foreign exchange earning: | Rs. 10,971.23 million |
| 2. Foreign exchange outgo: | Rs. 330.42 million |

# CORPORATE GOVERNANCE REPORT

## Company philosophy

Shree Renuka Sugars Limited is committed to good governance practices that create long term sustainable shareholder value. The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of it's operations and in all it's interactions with it's shareholders, employees, the Government and the lenders.

## Board of Directors

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors. The strength of the Board of Directors as on September 30, 2008 was twelve. Five were Executive Directors including Executive Chairperson and Vice Chairman & Managing Director and seven, non-executive independent Directors.

During the year six Board Meetings were held on November 22, 2007, November 30, 2007, January 23, 2008, April 24 2008, July 23 2008, and August 1, 2008.

The composition of Board of Directors and their attendance at the Board Meetings during the year and the last Annual General Meeting as also number of other Directorships and membership of the Committees of the Board as on September 30, 2008 are as follows :

| Sl. No. | Name of Director | Nature of Directorship | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorships* | No. of committee positions held in other Public Companies | |
|---|---|---|---|---|---|---|---|
| | | | | | | Member | Chairman |
| 1 | Mrs. Vidya M. Murkumbi | Executive Chairperson | 4 | Yes | 3 | - | - |
| 2 | Mr. Narendra M. Murkumbi | Vice Chairman & Managing Director | 6 | Yes | 5 | 2 | - |
| 3 | Dr Bantval Prabhakara Baliga | Non Executive Director | 1 | - | 1 | - | - |
| 4 | Mr. Jeewan Jyoti Bhagat | Non Executive Director | 3 | - | 2 | - | - |
| 5 | Mr. Sanjay K. Asher | Non Executive Director | 4 | Yes | 14 | 2 | 2 |
| 6 | Mr. Hrishikesh Parandekar | Non Executive Director | 3 | - | - | - | - |
| 7 | Mr. Nandan V. Yalgi | Whole Time Director | 4 | Yes | 3 | - | - |
| 8 | Mr. Robert Taylor | Non Executive Director | 4 | - | - | | - |
| 9 | Mr. Sidram. M. Kaluti | Whole Time Director | 4 | - | 1 | - | - |
| 10 | Mr. Jonathan Kingsman | Non Executive Director | 2 | - | - | - | - |
| 11 | Mr. Surender Kumar Tuteja | Non Executive Director | 5 | - | 13 | 7 | 3 |
| 12 | Mr. Nitin Puranik | Whole Time Director | 4 | - | 1 | - | - |

*excludes private/foreign companies

## Board Committees

Currently, the Board has five committees, the Audit Committee, the Remuneration Committee, Investor Grievance Committee, Strategy Management Committee and Risk Management Committee. The Board is responsible for constituting, assigning, co-opting for Committee Members to various Committee meetings.

The Vice Chairman & Managing Director, in Consultation with the Executive Chairperson, determines the frequency of meetings and duration of the Committee.

The quorum for meeting is either two members or one-third of the members of the committees, whichever is higher.

## Audit Committee

### Composition

The Audit Committee comprises of three Non-executive Independent Directors. The audit Committee met four times during the year on November 30, 2007, January 23, 2008, April 24, 2008 and July 23, 2008. Attendance of the members at the meeting was as under:

| Sl. No. | Name | Status | No. of meetings attended |
|---|---|---|---|
| 1. | Mr. Sanjay K. Asher | Chairman | 4 |
| 2. | Mr. Robert Taylor | Member | 2 |
| 3. | Mr. Hrishikesh Parandekar | Member | 3 |

The Chief Financial Officer, the External and Internal Auditors are the permanent invitees. The Company Secretary is the Secretary of the Committee.

### Terms of Reference and Powers:

- Oversee Company's financial reporting process and disclosure of it's financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommend the appointment and removal of external auditor, fixing audit fees and also approval for payment for any other service.
- Review with management the quarterly, half yearly and annual financial statements before submission to the Board.
- Review with the management External and Internal Auditors, adequacy of internal control system.
- Review the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with the Internal Auditors, any significant findings and follow up thereon.
- Review the findings of any internal investigation by the Internal Auditors in to matters where there is suspected fraud.
- Discussion with External Auditors before the audit commences nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Review Company's Financial Risk Management Policies and also to look into the reasons for substantial defaults in payments to depositors, shareholders and creditors.
- Review any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose shall have full access to information contained in the records of the Company and obtain external professional advice, if necessary.

## Remuneration Committee

### Composition

The Board has constituted a Remuneration Committee, comprising of three Non-Executive Independent Directors viz. Dr. B. P. Baliga, Mr. J. J. Bhagat and Mr. Sanjay K. Asher. During the year, the Committee met once on November 24, 2007 and was attended by Mr. J J Bhagat and Mr. Sanjay Asher. The Committee has been constituted to recommend / review remuneration of the Managing Director/Whole Time Directors based on their performance and defined assessment criteria and to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

**Details of remuneration paid/payable to the Directors for the year ended September 30, 2008.**

Executive Directors

*(Rs. in million)*

| Sl. No. | Name | Salary | Perquisites/ ex-gratia | Retirement benefits | Commission | Other |
|---|---|---|---|---|---|---|
| 1. | Mrs. Vidya Murkumbi | 2.10 | NIL | 0.25 | 11.63 | NIL |
| 2. | Mr. Narendra Murkumbi | 2.10 | NIL | 0.25 | 11.63 | NIL |
| 3. | Mr. Nandan Yalgi | 1.44 | 0.12 | 0.17 | NIL | 0.84 |
| 4. | Mr. Sidram Kaluti | 1.44 | 0.12 | 0.17 | NIL | 0.84 |
| 5. | Mr. Nitin Puranik | 1.98 | 0.17 | 0.01 | NIL | 1.82 |

Non-Executive Directors

The Company paid sitting fees to all the independent Directors for attending the meetings of the Board and / or Committees thereof amounting to Rs. 0.675 million. The details are as under.

*(Rs. in million)*

| Sl. No. | Name | Sitting fees |
|---|---|---|
| 1 | Dr. B. P. Baliga | 0.015 |
| 2 | Mr. J. J. Bhagat | 0.06 |
| 3 | Mr. Sanjay K. Asher | 0.165 |
| 4 | Mr. Robert Taylor | 0.15 |
| 5 | Mr. Jonathan Kingsman | 0.03 |
| 6 | Mr. Surender Kumar Tuteja | 0.165 |
| 7 | Mr. Hrishikesh Parandekar | 0.09 |

## Investors Grievance Committee

### Composition

The Investors Grievance Committee comprises of two Executive and two Non Executive, Directors. The Committee met five times during the year on November 22, 2007, December 26, 2007, February 12, 2008, April 24, 2008 and June 20, 2008 Attendance of the members at the meeting were as under :

| Sl. No. | Name | Status | No. of meetings attended |
|---|---|---|---|
| 1. | Mr. Sanjay K. Asher # | Chairman | 2 |
| 2. | Mrs. Vidya M. Murkumbi | Member | 5 |
| 3. | Mr. Narendra M. Murkumbi | Member | 5 |
| 4 | Mr. Surender Kumar Tuteja | Member | 5 |

# Appointed as member and Chairman of the Committee with effect from November 13, 2007.

Chief Financial Officer and Company Secretary are the invitees of the Committee.

Terms of Reference : Look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend, etc.

## Risk Management Committee

The Risk Management Committee comprises of Mr. Narendra M. Murkumbi and Mr. Nandan V. Yalgi, Executive Directors and Mr. Robert Taylor, Independent Director, as members. The Committee meets at regular intervals to monitor price fluctuation of commodities and review financial and risk management policies of the Company.

## General Body Meeting

Location and time of last three Annual General Meetings

| Year | Location | Date and time | Special Resolutions passed |
|---|---|---|---|
| 2004-05 | Maratha Mandir Hall (Near Railway Over Bridge) Khanapur Road, Belgaum. | 30-12-2005 9.30 a.m. | 1. Resolution u/s 309 of the Companies Act, 1956.<br>2. Resolution u/s 293(1)(d) of the Companies Act, 1956 |
| 2005-06 | Maratha Mandir Hall (Near Railway Over Bridge) Khanapur Road, Belgaum. | 28-12-2006 9.30 a.m. | 1. Resolution for amending of sub clause (b) of Clause V of the Memorandum of Association of the Company.<br>2. Resolution for increasing the Authorised Share Capital of the Company.<br>3. Resolution for consequential alteration of Articles of Association of the Company.<br>4. Resolution for introduction of Stock Option Scheme. |
| 2006-07 | Maratha Mandir Hall (Near Railway Over Bridge) Khanapur Road, Belgaum | 05-01-2008 9.30 a.m. | – |

## Resolutions passed through Postal Ballot

During the year, the Company passed the following special resolutions through postal ballot:

| Sl. No. | Description | Voting pattern | | | |
|---|---|---|---|---|---|
| | | No. of votes cast | | % of votes cast | |
| | | In favour of Resolution | Against the Resolution | In favour | Against |
| a | Resolution under Section 94 (1) (d) of the Companies Act, 1956 for sub-division of equity shares from the Face Value of Rs. 10/- each to Face Value Re. 1/- each. | 16,767,466 | 1,266 | 99.99% | 0.01% |
| b | Resolution under Section 16 of the Companies Act, 1956 for consequential alteration of the Capital Clause of the Memorandum of Association of the Company. | 16,765,849 | 2,883 | 99.98% | 0.02% |
| c | Resolution under Section 31 of the Companies Act, 1956 for alteration of the Articles of Association of the Company relating to Capital. | 16,764,684 | 3,868 | 99.98% | 0.02% |

The postal ballot exercise was conducted by Shri Gururaj P.Mutalik Advocate, Belgaum as a scrutinizer in a fair and transparent manner.

The resolutions were passed in terms of Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

## Shares held by Non executive Directors

| Sl. No. | Name of the Director | No. of shares held |
|---|---|---|
| 1. | Dr. B. P. Baliga | 385,100 |
| 2. | Mr. J. J. Bhagat | 1,400,000 |
| 3. | Mr. Sanjay K. Asher | 450,000 |

## Other disclosures

I. During the year there were no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.

II. There were no instances of non-compliance on any matter related to capital markets, during the last three years.

III. Secretarial Audit: A qualified Practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Ltd., (NSDL) and Central Depository Services (India) Ltd., (CDSL) and the total issued and listed capital. The Secretarial Audit Report confirms that the total issued/paid up capital is in agreement with the total number of shares n physical form and the total numbers of dematerialised shares held with NSDL and CDSL.

## Compliance Officer

Mr. D V Iyer is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreements with the Stock Exchanges in India.

## Means of Communication

The Company publishes quarterly financial results, notices and other advertisements in Financial Express (English Daily) and Kanadamma, Karnataka, (Kannada Daily) regularly. Additionally the results and other important information are displayed on the Company's Website www.renukasugars.com.

## General Shareholder's Information

i. The Annual General Meeting of the Company has been convened to take place on Friday, January 2, 2009 at Maratha Mandir Hall (Near Railway Over Bridge) Khanapur Road, Belgaum – 590 006 at 9.30 a.m.

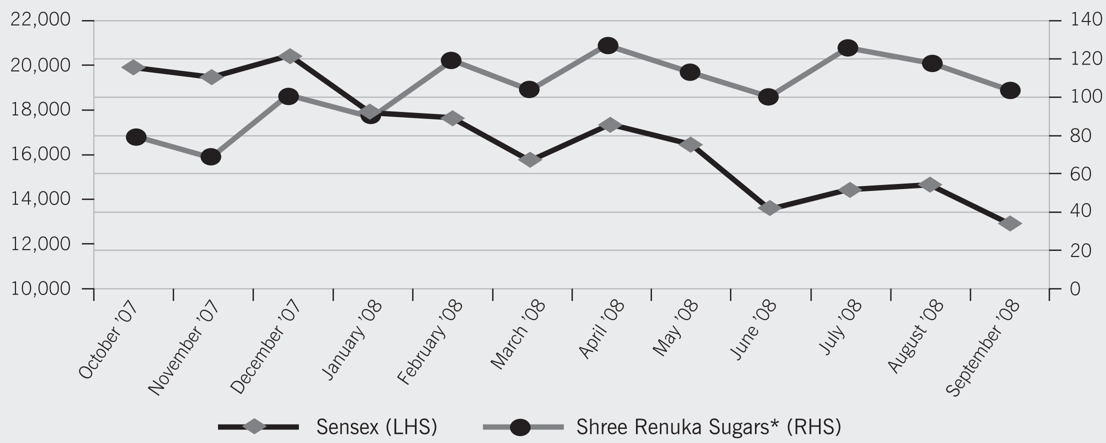
| | |
|---|---|
| **ii. Financial calendar 2008-09** | **Tentative dates** |
| 1st Quarterly results | before end of January 2009 |
| 2nd Quarterly results | before end of April 2009 |
| 3rd Quarterly results | before end of July 2009 |
| 4th quarterly results | before end of November 2009 |
| **iii. Book closure** | December 24, 2008 to January 2, 2009 (both days inclusive) to determine the members entitled to dividend. |
| **iv. Dividend payment date** | on or after January 7, 2009 |
| **v. Listing on stock exchanges** | The Company has paid listing fees for the year 2007-08 and the shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). |
| **vi. Stock code** | BSE:532670<br>NSE: Renuka<br>ISIN – E087H01022 |

### vii. Market price data

| Month | NSE | | | BSE | | |
|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | Closing (Rs.) | High (Rs.) | Low (Rs.) | Closing (Rs.) |
| Oct, 2007 | 874.70 | 675.35 | 782.25 | 875.00 | 707.55 | 785.65 |
| Nov, 2007 | 802.00 | 614.90 | 693.75 | 800.00 | 656.00 | 672.50 |
| Dec, 2007 | 1,058.00 | 684.10 | 1,010.95 | 1,059.00 | 685.00 | 1,013.90 |
| Jan, 2008 | 1,360.00 | 735.50. | 857.05 | 1,362.00 | 659.00 | 881.70 |
| Feb, 2008 | 1,245.00 | 741.15 | 1,183.00 | 1,270.00 | 744.00 | 1,183.20 |
| Mar, 2008 | 1,199.00 | 826.10 | 966.25 | 1,200.00 | 826.00 | 1,021.25 |
| #Apr, 2008 | 135.75 | 92.11 | 126.60 | 135.80 | 92.21 | 126.60 |
| May, 2008 | 141.00 | 109.55 | 112.20 | 139.45 | 109.80 | 111.95 |
| June, 2008 | 115.35 | 87.05 | 98.60 | 115.50 | 87.05 | 98.55 |
| July, 2008 | 127.80 | 93.00 | 126.05 | 127.60 | 93.10 | 125.20 |
| Aug, 2008 | 142.40 | 113.00 | 117.30 | 142.20 | 112.95 | 117.25 |
| Sep, 2008 | 123.50 | 95.00 | 102.90 | 123.45 | 95.00 | 102.90 |

# The equity shares of the Company was sub-divided (split) from face value of Rs. 10 to Re. 1 each w.e.f. April 21, 2008 and accordingly the high/low/closing share prices from April to September 2008 are on face value of Re. 1 each.

### viii Performance comparison: SRSL v/s sensex




# The equity shares of the Company was sub-divided (split) from face value of Rs. 10 to Re. 1 each w.e.f. April 21, 2008 and accordingly the share prices from October 2007 to March 2008 were adjusted for a face value of Re. 1 to give a comparatives presentation.

### ix. Registrar & Transfer Agents

KKarvy Computershare Pvt. Ltd
Unit: Shree Renuka sugars Limited
Plot No. 17-24, Vithalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel. No. 91 40 23440627
Fax No. +91 40 23311968
e-mail: renukasugars@karvy.com

### x. Share Transfer System

The Company's shares are traded on the stock exchanges compulsorily in demat mode. Shares in physical mode, which are lodged for transfer, are processed and returned within the stipulated time.

### xi. Distribution of shareholding (as on September 30, 2008)

| Category (amount) | No. of cases | % of cases | Total shares | Amount | % of amount |
|---|---|---|---|---|---|
| 1 – 5000 | 32,930 | 97.42% | 18,608,201 | 18,608,201 | 6.74% |
| 5001 – 10000 | 378 | 1.12% | 3,142,240 | 3,142,240 | 1.14% |
| 10001 – 20000 | 162 | 0.48% | 2,476,145 | 2,476,145 | 0.90% |
| 20001 – 30000 | 96 | 0.28% | 2,434,944 | 2,434,944 | 0.88% |
| 30001 – 40000 | 37 | 0.11% | 1,343,877 | 1,343,877 | 0.49% |
| 40001 – 50000 | 20 | 0.06% | 950,071 | 950,071 | 0.34% |
| 50001 – 100000 | 50 | 0.15% | 3,779,358 | 3,779,358 | 1.37% |
| 100001 – Above | 127 | 0.38% | 243,228,324 | 243,228,324 | 88.14% |
| **Total** | **33,800** | **100%** | **#275,963,160** | **#275,963,160** | **100%** |

### xii. Categories of shares as on September 30, 2008

| Category | Shareholding | Percentage |
|---|---|---|
| Promoters | 115,408,430 | 41.82 % |
| Mutual Funds | 23,790,630 | 8.62% |
| Financial Institutions / Banks | 4,629,340 | 1.68% |
| Foreign Institutional Investors | 64,863,556 | 23.50% |
| Foreign Nationals | 1,019,000 | 0.37% |
| Private Corporate Bodies | 9,900,985 | 3.59 % |
| NRIs | 4,226,153 | 1.53% |
| Trusts | 12,987,660 | 4.71 % |
| Indian Public | 39,137,406 | 14.18 % |
| **Total** | **#275,963,160** | **100.00%** |

*#The Company has issued 60 lakh equity shares to promoters on preferential basis on September 11, 2008, the final in-principle approval for listing of which is pending from BSE & NSE*

### xiii. Dematerialisation of shares and liquidity

As on September 30, 2008, 15,150,150 equity shares of the Company (5.61% of the total issued & listed capital) were held in physical form and 254,813,010 equity shares (94.39 % of the total issued & listed capital) were held in dematerialised form. Registrar and Transfer Agents are appointed for transfer of shares in dematerialisation mode and in physical mode.

### xiv. Outstanding GDRs/ADRs/Warrants or any convertible instrument.

4 million warrants convertible into equity shares of Re. 1/- each at a price of Rs. 62.571 determined in accordance with SEBI Guidelines were issued on September 7, 2007, to acquirers on preferential basis. (During the financial year 2007-08, out of 10 million warrants, 6 million warrants have been converted into equal number of equity shares.)

18 million warrants convertible into equity shares of Re. 1/- each at a price of Rs. 114.37 determined in accordance with SEBI Guidelines were issued on September 11, 2008, to the promoters on preferential basis.

All the above warrants are convertible into one equity share. Warrant holders have option of conversion of warrants into Equity Shares at any time within a period of 18 months from the date of allotment.

### xv. Address for correspondence

Shareholders correspondence for transfer/ Dematerialisation of shares, payment of dividend and any other query should be directed to

**Karvy Computershare Private Limited**
Unit: Shree Renuka Sugars Limited
Plot No. 17-24, Vithalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel. No. 91 40 23440627
Fax No. +91 40 23311968
e-mail: renukasugars@karvy.com

All other queries on Annual Report should be directed to:
**Shree Renuka Sugars Limited**
B C 105, Havelock Road,
Cantonment, Belgaum 590001
Tel No. 0831 2404000
Fax No. 0831 2404961
E-mail: iyer.dv@renukasugars.com

## Details of the Directors seeking appointment / re-appointment in the forthcoming Annual General meeting (In pursuance of clause 49 of the Listing Agreement)

| Name of the Director | Mr. Sanjay Asher | Mr. Jonathan Kingsman | Mr. Hrishikesh Parandekar |
|---|---|---|---|
| Date of birth | 26-11-1964 | 09-11-1956 | 19-07-1972 |
| Date of appointment | 05-08-1999 | 29-05-2006 | 13-11-2006 |
| Expertise in specific functional Area | He is fellow member of Institute of Chartered Accountants of India and Bar Council of Maharashtra and Goa. Mr. Asher is a partner of Crawford Bayley & Co., a renowned Law Firm. He is having rich knowledge in legal, finance and Corporate law matters. | He is a World leading independent analyst and commentator on sugar and ethanol markets. After graduating from Cambridge in 1978 with a Master's degree in Economics, he began his career in the sugar business with Cargill Inc, working both in London and Minneapolis. He started his own sugar brokerage company (Societe J Kingsman) in France in 1990 and soon developed a reputation as a market analyst and report writer. The Company is now among the leaders in terms of brokerage, price reporting and analysis with representative offices in Australia, Brazil and the USA | He is the Chief Executive Officer of Karvy Wealth Management helping to build the wealth Management business of Karvy. Earlier Mr. Parandekar worked for Morgan Stanley, as Managing Director and as a Senior Consultant with McKinsey. He specialised in serving investment houses, banks, and insurers, on issues related to strategy, investments and product management. |
| Qualification | ACA, LLB (Solicitor) | Masters Degree in Economics from Cambridge | B.Com, MBA – IIM (Ahmedabad) |
| Directorship held in other public companies | 1.Asian Electronics Limited<br>2. Bajaj Allianz Life Insurance Co. Ltd<br>3.Bajaj Allianz General Insurance Co. Ltd<br>4.Dewas Soya Ltd<br>5.Divinet Access Technologies Limited<br>6.Finolex Cables Ltd<br>7.Kryfs Power Components Limited<br>8.Mandhana Industries Limited<br>9.Paess Industrial Engineers Limited<br>10.Plastro Plasson Industries (India) Ltd<br>11.Repro India Ltd<br>12.Schlafhorst Engineering (India) Ltd<br>13.Sharp India Limited<br>14.Sparsh BPO Services Limited | NIL | NIL |
| Membership / Chairman of the Committees of the Board of public Companies in which he / she is a Director on 30th September 2008 | 1. Finolex Cables Ltd. - Member of Audit Committee & Share Transfer / Investor Grievance Committee<br>2. Repro Ltd. - Chariman of Audit Committee & Share Transfer / Investors Grievance Committee | NIL | NIL |
| Number of shares held in the Company as on 30/09/2008 | 4,50,000 | NIL | NIL |

# AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members of**
**SHREE RENUKA SUGARS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Shree Renuka Sugars Limited, for the year ended on September 30, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that, based on the information received from the Company's Registrar and Share Transfer Agents and as per the records maintained by the Investor Grievance Committee, no investor grievance is pending for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Ashok Kumar, Prabhashankar & Co.**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No. 19575

Place: Mumbai
Date : November 14, 2008

# CEO/CFO CERTIFICATION

We, Narendra M. Murkumbi, Vice Chairman & Managing Director and K K Kumbhat, Chief Financial Officer of SHREE RENUKA SUGARS LIMITED, to the best of our knowledge and belief, hereby certify that: :

(A) We have reviewed the Balance Sheet as at September 30, 2008, Profit & Loss Account for the year ended on that date along with all its schedules, notes to accounts and also the cash flow statement for the year and based on our knowledge and information, confirm that:-

(i) these statements do not contain any materially untrue statements or omit to state any material fact or Contain statements that might be misleading.

(ii) these statements together present a true and fair view of the Company's affair and are in compliance with existing accounting standards, applicable laws and regulations.

(B) Based on our knowledge and information, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.

(C) We along with Company's other certifying officers accept responsibility for establishing and maintaining internal controls and that we have:-

(i) evaluated the effectiveness of the internal control systems of the Company; and

(ii) disclosed to the auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(D) We along with Company's other certifying officers, have indicated to the auditors and the Audit Committee of the Company, the following:-

(i) significant changes in internal control during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

| | | |
|---|---|---|
| Place: Mumbai | **Narendra M. Murkumbi** | **K K Kumbhat** |
| Date : November 14, 2008 | *Vice Chairman & Managing Director* | *Chief Financial Officer* |

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL DETAILS

### Company performance

| Key Operational Parameters Cumulative | 2007-08 | 2006-07 |
|---|---|---|
| **(A) Sugar Plant** | | |
| Sugarcane Crushed (Tons) | 4,623,550 | 2,702,200 |
| Raw Sugar Processed (Tons)* | 72,296 | 42,059 |
| Recovery (weighted average) | 11.43% | 10.81% |
| **Sugar Produced** | | |
| From Cane (Tons) | 523,797 | 292,204 |
| From Raw Sugar (Tons) | 67,845 | 40,454 |
| **Total Sugar produced (Tons)** | **591,641** | **332,658** |
| **(B) Cogeneration Plant – Munoli & Athani** | | |
| Generation of Power (Million kwh) | 268.47 | 92.04 |
| Power Exported (Million kwh) | 153.73 | 38.46 |
| Captive Consumption (Million kwh) | 114.82 | 53.51 |
| **(C) Ethanol Plant – Munoli & Athani** | | |
| **Total Spirit Produced (Kiloliters)** | **47,020** | **25,434** |

**Includes trial run production at Haldia Refinery.*

### Financial figures of the Company

**On Consolidated Basis** *Rs. in million*

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|
| Total Income | 7,978 | 11,111 | 9,682 | 21,295 |
| EBIDTA | 873 | 1,664 | 1,496 | 2,678 |
| PBT | 644 | 1,388 | 1,066 | 1,608 |
| PAT | 561 | 1,205 | 830 | 1,339 |
| EPS | 32.76 | 51.34 | 33.01 | 4.31* |
| Net worth | 791 | 2,944 | 4,417 | 8,320 |
| Net block | 1,055 | 1,194 | 5,623 | 7,516 |

**The equity shares of the Company were sub-divided (split) from a face value of Rs. 10 to Re.1 each with effect from April 21, 2008; accordingly the high/low/closing share prices from April to September 2008 are on face value of Re.1 each*

## Key Ratios

| Ratios | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|
| Long term debt / equity | 0.47 | 0.87 | 0.98 | 0.87 |
| EBIDTA / Total income | 10.94% | 14.98% | 15.45% | 12.58% |
| PBT / Total income | 8.07% | 12.49% | 11.01% | 7.55% |
| PAT / Total income | 7.03% | 10.85% | 8.57% | 6.29% |

## Consolidated Annual Results at a glance

- The total income increased by 120% from Rs. 9,682 million in the year 2006-07 to Rs. 21,295 million in 2007-08
- Profit before tax (PBT) increased by 51% from Rs. 1,066 million in the year 2006-07 to Rs. 1,608 million in 2007-08
- The profit after tax (PAT) increased by 62% from Rs. 830 million in the year 2006-07 to Rs. 1,339 million in 2007-08

## On Standalone Basis

| Particulars | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|---|
| Total Income | 2,934 | 2,275 | 6,415 | 8,066 | 7,486 | 18,246 |
| EBIDTA | 227 | 336 | 704 | 1,021 | 1,209 | 2,187 |
| PBT | 43 | 152 | 491 | 746 | 780 | 1,137 |
| PAT | 28 | 123 | 407 | 563 | 544 | 927 |
| EPS | 2.06 | 9.05 | 23.79 | 23.98 | 21.04 | 2.78* |
| Net worth | 188 | 311 | 637 | 2,149 | 3,336 | 6,383 |
| Net block | 882 | 962 | 1,055 | 1,194 | 5,623 | 6,912 |

**The equity shares of the Company were sub-divided (split) from a face value of Rs. 10 to Re.1 each with effect from April 21, 2008; accordingly the high/low/closing share prices from April to September 2008 are on face value of Re.1 each*

## Key Ratios

| Particulars | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|---|
| Long term debt / equity | 1.82 | 1.60 | 0.58 | 1.16 | 1.30 | 1.13 |
| EBIDTA / Total income | 7.72% | 14.76% | 10.98% | 12.66% | 16.15% | 11.99% |
| PBT / Total income | 1.45% | 6.67% | 7.65% | 9.24% | 10.42% | 6.23% |
| PAT / Total income | 0.95% | 5.39% | 6.35% | 6.98% | 7.27% | 5.08% |

## Standalone Annual Results at a glance

- The total income increased by 144% from Rs. 7,486 million in the year 2006-07 to Rs. 18,246 million in 2007-08
- Profit before tax (PBT) increased by 46% from Rs. 780 million in the year 2006-07 to Rs. 1,137 million in the year 2007-08
- The profit after tax (PAT) increased by 70% from Rs. 544 million in the year 2006-07 to Rs. 927 million in 2007-08

## Segment performance

The Company's operations are classified into the following segments

*Rs. in million*

| Segment | 2006-07 | 2007-08 |
|---|---|---|
| Sugar | 5,408 | 7,645 |
| % of total income | 67.77% | 38.58% |
| Trading | 1,638 | 9,102 |
| % of total income | 20.53% | 45.93% |
| Co-generation | 497 | 1,838 |
| % of total income | 6.23% | 9.28% |
| Ethanol | 427 | 1,203 |
| % of total income | 5.35% | 6.07% |
| Others | 10 | 28 |
| % of total income | 0.13% | 0.14% |
| **Total** | **7,981** | **19,816** |

# FINANCIAL REVIEW (STANDALONE)

## Revenues

Our total turnover including total revenues net of excise duty and including other income, for the year ending September 30, 2008 was Rs. 18,246 million as compared to Rs. 7,486 million in the year ending September 30, 2007, which is an increase by 144%.

Our total turnover increased mainly due to increase in the segment sales of Sugar to Rs. 7,645 million from Rs. 5,408 million, which has increased by 41%; an increase in segment sales of Ethanol and other products to Rs. 1,203 million in the year ending September 30, 2008 from Rs. 427 million in year ending September 30, 2007, which is an increase of 182%, increase in segment sales of trading sugar to Rs. 9,102 million in year ending September 30, 2008 from Rs. 1,639 million in year ending September 30, 2007, which is an increase of 455%. Further, there is an increase in segment sales of power generation to Rs. 1,838 million in year ending September 30, 2008 from Rs. 497 million year ending September 30, 2007, which has increased by 270%.

The segment sales of Manufactured Sugar increased by 69% from 317,674 MT to 535,644 MT of sugar sold in year ending September 30, 2008 with an average net realisation of Rs. 12,962/- per MT (including exports) for the year. The lower EBITDA margins in sugar were due to lower sugar realisations in the last year though mitigated by a lower cost of cane.

Revenue from cogeneration plant was Rs.1,838 million, due to increase in export of power to Grid by 337% from 38 million units to 153 million units. Also there has been a sharp increase in net realisation from Rs. 4 to Rs. 6.5 for per unit export of power, which is an increase by 63%.

Sales from Ethanol plant in the year ending September 30, 2008 have increased by 181% as compared to the sales for the year ending September 30, 2007 due to increase in distillation capacity which has resulted in higher sales during the year from 20,378 KL to 51,115 KL with average realisation from Rs. 20,954/- to Rs. 23,515/- which is an increase of 12%.

**The revenue share from Renewable Segment (Ethanol & Power) has increased from 15% to 28% from Rs. 924 million in 2007 to Rs. 3,041 million in 2008.**

The profit (PBIT) from Renewables (Ethanol & Power) has increased from Rs. 331million in 2007 to Rs. 1,417 million in 2008 an increase of 328%. **Profit from Renewables contributed 77% of the total manufacturing profit.**

## Other Income

Other Income for the year has reduced from 162 million to 4 million.

The Company's exposure to Forex Derivatives and currency risk is as explained below:

- The Company's cross currency exposure to the Japanese Yen (JPY) is on account of our External commercial borrowing (ECB) to the tune of US Dollar (USD) 60million loan. On account of another ECB of US Dollar (USD) 60million loan, we have total outstanding ECB's of USD 120million of which there would be a repayment of USD 20million this year.

- The currency exposures on both the ECBs are hedged as of the 3rd Quarter of year 2007-08.

## Production

As there has been an appreciable increase in the capacity utilisation of our new plants which were a part of Capital Expenditure Program of the Company, the cane crushing totaled 4,623,550 MT in the year ending September 30, 2008, as compared to 2,702,200 MT in the year ending September 30, 2007 a growth of 71%. Sugar bagged rose to 528,249 MT from 292,204 MT, an increase of 81%. Sugar yield [recovery] per ton of cane from has increased to 11.43% for 2008 from 10.81% for 2007.

## Expenditure

Our total expenditure excluding provisions for tax, interest & depreciation was Rs. 16,059 million in year ending September 30, 2008 which is an increase by 156%, as compared to Rs. 6,277 million in year ending September 30, 2007.

## Major Raw materials

The total consumption of raw materials for the sugar plant in year ending September 30, 2008 was Rs. 13,409 million as compared to Rs. 4,968 million in year ending September 30, 2007. The increase is on account of increase in cane crushing.

## Interest

Interest cost in year ending September 30, 2008 increased to Rs. 685 million from Rs. 180 million in year ending September 30, 2007, which is an increase by 280%. This was primarily due to increase in term borrowings for capital expenditure programs and increased working capital borrowings for the additional manufacturing and trading activities. As a percentage of total revenues the interest cost has marginally increased to 3.75 % in year ending September 30, 2008 from 2.40 % in year ending September 30, 2007.

## Profit before Tax

Our Profit before Tax in year ending September 30, 2008 was Rs. 1,137 million as compared to Rs. 780 million in year ending September 30, 2007. This represents an increase of 46%. This increase is due to the changes in various revenue and cost items as discussed above.

## Provision for Income Tax

Provision for Income Tax increased to Rs. 392 million in year ending September 30, 2008 from Rs. 236 million in year ending September 30, 2007 – an increase of 66%. This is primarily due to increase in taxable income.

## Profit after Tax

Our Profit after Tax in year ending September 30, 2008 was Rs. 745 million as compared to Rs. 544 million in year ending September 30, 2007 which is an increase of 37%. This increase is due to the changes in various revenue and cost items as discussed above.

## Dividend Payment

In order to be conservative, the Company declared a dividend of 20% for the financial year 2007-08 in line with the previous year despite increased profits. Hence the dividend payout ratio has gone down from 5.9% in 2006-07 to 4.1% in 2007-08.

# Auditors' Report

To
The Members of
**Shree Renuka Sugars Limited**

We have audited the Balance Sheet of SHREE RENUKA SUGARS LIMITED as at September 30, 2008, the Profit and Loss Account and Cash Flow Statement for the year ended as on that date both 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.

1. 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 mis-statement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by The Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 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 it appears from our examination of those books;
   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
   e) In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on September 30, 2008 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required, and present a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at September 30, 2008.
      (ii) in so far as it relates to the Profit and Loss Account of the Profit of the Company for the year ended on that date; and
      (iii) in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Ashok Kumar, Prabhashankar & Co.**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No. 19575

Camp: Mumbai
Date: November 14, 2008

# Annexure to Auditors' Report

**Referred to in Paragraph 2 of our report of even date**

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

   b. As explained to us, all fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.

   c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

2. a. As explained to us, inventories have been physically verified by the management at regular intervals.

   b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management is reasonable and is adequate in relation to the size of the Company and nature of its business .

   c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.

3. In respect of the loans, secured or unsecured granted or taken by the Company to / from companies, firms or other parties covered in the Register maintained under section 301 of the companies Act 1956 :

   a. The Company has taken loan from a subsidiary Company. In respect of the said loan, the maximum amount outstanding at any time during the year was Rs. 1,560.00 million and the year end balance is Rs. 1,334.00 million.

   b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions, are not prima facie prejudicial to the interest of the Company.

   c. The principal amount is repayable on demand and there is no repayment schedule. The Company is regular in payment of interest.

   d. In respect of the said loan, the same is repayable on demand and therefore the question of overdue amount does not arise. In respect of interest there is no over due amount.

   e. The Company has not given any loans during the year secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act 1956.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

5. a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

   b. In our opinion and according to the information and explanation given to us where such transaction is in excess of Rs. 5 lacs, the transaction has been made at prices which is prima facie reasonable having regard to the prevailing market prices at the relevant time.

6. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of provisions of Section 58A and 58AA of the Companies Act 1956 and the rules framed thereunder. Hence clause (vi) of the order is not applicable.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. The Central Government has prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act 1956 for some products of the Company. We have broadly reviewed these records of the Company and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of such records.

9. a. According to the records of the Company and as per the information and explanations given to us, the Company does not have any undisputed statutory dues including Provident Fund, Income-tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues which are outstanding for a period in excess of six months as on September 30, 2008. The Company is not having ESI Scheme and Investor Education and Protection Fund.

   b. According to the information and explanations given to us and as per the records examined by us, there were no disputed amounts due in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess as on September 30, 2008

10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.

12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.

14. The Company does not deal or trade in shares, securities, debentures and other investments. Hence provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.

15. The Company has given guarantees for loans taken by others from banks or financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima facie prejudicial to the interests of the Company.

16. The term loans borrowed during the year have been utilised for the purposes for which they were raised.

17. According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment.

18. a) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

    b) As per the information and explanations given to us the price at which such preferential allotment of shares made is not prejudicial to the interest of the Company.

19. The Company has not issued any debentures.

20. The Company has not raised any money by way of public issues during the year.

21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For **Ashok Kumar, Prabhashankar & Co.**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No. 19575

Camp: Mumbai
Date: November 14, 2008

# Balance Sheet as at September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | Schedule No. | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| **Shareholders' Funds** | | | |
| Share capital | 1 | 506.86 | 310.67 |
| Reserves and surplus | 2 | 5,892.56 | 3,046.77 |
| | | **6,399.42** | **3,357.44** |
| **Loan Funds** | | | |
| Secured loans | 3 | 8,275.84 | 6,210.91 |
| Unsecured loans | 4 | 1,597.64 | 259.07 |
| | | **9,873.48** | **6,469.98** |
| **Deferred Tax Liability** | 5 | 461.16 | 201.93 |
| **Total** | | **16,734.06** | **10,029.35** |
| APPLICATION OF FUNDS | | | |
| **Fixed Assets** | 6 | | |
| Gross block | | 7,788.73 | 6,313.65 |
| Less : Depreciation | | 877.17 | 690.62 |
| **Net block** | | **6,911.56** | **5,623.03** |
| Capital work-in-progress including capital advances | | 5,139.51 | 2,077.26 |
| **Investments** | 7 | **1,505.67** | **167.61** |
| **Current Assets, Loans and Advances** | | | |
| Inventory | 8 | 1,869.08 | 1,001.69 |
| Sundry debtors | 9 | 486.40 | 386.85 |
| Cash and bank balances | 10 | 133.86 | 306.71 |
| Other current assets | 11 | 853.06 | 323.32 |
| Loans and advances | 12 | 1,994.07 | 1,333.83 |
| **Less: Current Liabilities and Provisions** | | | |
| Current liabilities | 13 | 1,644.35 | 822.32 |
| Provisions | 14 | 530.93 | 389.77 |
| **Net Current Assets** | | **3,161.19** | **2,140.31** |
| **Miscellaneous Expenditure** | 15 | | |
| (to the extent not written off or adjusted) | | | |
| Deferred revenue expenses | | 16.13 | 21.14 |
| **Total** | | **16,734.06** | **10,029.35** |
| Significant Accounting Policies | 26 | | |
| Notes on Accounts | 27 | | |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Profit & Loss Account for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | Schedule No. | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| INCOME | | | |
| Revenue (net) | 16 | 18,241.69 | 7,323.69 |
| Other income | 17 | 4.36 | 161.76 |
| **Total** | | **18,246.05** | **7,485.45** |
| EXPENDITURE | | | |
| Raw materials consumed | 18 | 5,360.81 | 3,378.51 |
| Cost of traded goods | 19 | 8,048.67 | 1,589.18 |
| (Increase)/Decrease in Inventory | 20 | 23.59 | 115.32 |
| Personnel expenses | 21 | 341.27 | 237.85 |
| Operating and administrative expenses | 22 | 1,562.25 | 735.07 |
| Selling and distribution expenses | 23 | 722.75 | 220.72 |
| Depreciation and amortization | 6 | 364.84 | 249.16 |
| Financial expenses | 24 | 684.86 | 179.73 |
| **Profit before tax** | | **1,137.01** | **779.91** |
| Provision for tax | | | |
| Current tax | | 128.82 | 88.40 |
| Fringe benefit tax | | 3.49 | 2.10 |
| Deferred tax | | 259.23 | 145.08 |
| **Profit after tax and before prior period items** | | **745.47** | **544.33** |
| Prior period items | | | |
| Add : Excess provision of depreciation written back | | 182.39 | – |
| **Net Profit** | | **927.86** | **544.33** |
| Balance brought forward from previous year | | 326.88 | 382.15 |
| **Profit available for appropriation** | | **1,254.74** | **926.48** |
| Dividend on preference shares | | – | 35.51 |
| Dividend on equity shares | | 59.56 | 49.62 |
| Corporate dividend tax | | 10.12 | 14.47 |
| Transfer to General reserve | | 500.00 | 500.00 |
| **Surplus carried to Balance Sheet** | | **685.06** | **326.88** |
| Basic and diluted earnings per share (in rupees per share) | 25 | 2.78 | 21.04 |
| [Nominal value of shares - Re. 1/- each] | | | |
| [Previous year, nominal value of shares - Rs.10/- each] | | | |
| Significant Accounting Policies | 26 | | |
| Notes on Accounts | 27 | | |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Cash Flow Statement for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 1,137.01 | 779.91 |
| **Adjustments to reconcile profit before tax to net cash provided by operating activities** | | |
| Depreciation | 364.84 | 249.16 |
| Interest income | (7.10) | (13.43) |
| Financial expenses | 684.86 | 179.73 |
| Purchase tax deferment | 4.57 | 84.94 |
| Loss/(Profit) on sale of fixed assets | 0.16 | (1.76) |
| Income from investments | (15.00) | – |
| Miscellaneous and prior period expenses (net) | 5.01 | 7.05 |
| **Operating profit before working capital changes** | **2,174.35** | **1,285.60** |
| **Changes in operating assets and liabilities:** | | |
| Trade receivables | (99.55) | 152.27 |
| Other receivables | (1,043.41) | (826.01) |
| Inventory | (867.39) | 120.14 |
| Trade and other payables | 825.31 | (90.88) |
| **Cash generated from operations** | **989.31** | **641.12** |
| Income-tax paid | (156.69) | (55.98) |
| **Net Cash Flow From Operating Activities** | **832.62** | **585.14** |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (4,533.70) | (3,407.72) |
| Proceeds from sale of fixed assets | 0.31 | 7.12 |
| Purchase of investments | (1,338.06) | (162.07) |
| Income from investments | 15.00 | – |
| Interest received | 7.10 | 13.43 |
| **Net Cash Flow From Investing Activities** | **(5,849.35)** | **(3,549.24)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in capital | 196.19 | 72.57 |
| Share premium | 1,987.61 | 615.71 |
| Dividend paid | (53.99) | (83.13) |
| Proceeds from long-term borrowings | 3,204.01 | 1,882.41 |
| Proceeds from short-term borrowings | 588.95 | 912.28 |
| Repayment of long-term borrowings | (394.03) | (120.96) |
| Interest paid | (684.86) | (179.73) |
| **Net Cash Flow From Financing Activities** | **4,843.88** | **3,099.15** |
| **Net increase in cash and cash equivalents** | (172.85) | 135.05 |
| Opening cash and cash equivalents | 306.71 | 171.66 |
| **Closing cash and cash equivalents** | **133.86** | **306.71** |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **1 SHARE CAPITAL** | | |
| **Authorised** | | |
| 350,000,000 equity shares of Re.1/- each | 350.00 | 350.00 |
| (Previous year 35,000,000 equity shares Rs. 10/- each) | | |
| 70,000,000 preference shares of Rs. 10/- each | 700.00 | 700.00 |
| | **1,050.00** | **1,050.00** |
| **Issued, Subscribed and Paid up** | | |
| 275,963,160 equity shares of Re. 1/- each fully paid | 275.96 | 248.10 |
| (Previous year 24,809,649 shares of Rs. 10/- each fully paid) | | |
| Equity Warrants : | | |
| i) 4,000,000 Warrants convertible into equity share of Re.1 each at a premium of Rs. 61.571 per share. The allottees have deposited 10% of the entire value including amount of premium as per the terms of the issue. (Previous year 1,000,000 Warrants convertible into equity shares of Rs.10 each at a premium of Rs. 615.71). Warrants were alloted on September 7, 2007 on preferential basis to the promoters and other acquirers. | 25.03 | 62.57 |
| ii) 18,000,000 Warrants convertible into equity share of Re.1 each at a premium of Rs. 113.37 per share having an option to exercise over a period of 18 months were allotted on September 11, 2008 on preferential basis to the promoters. The allottees have deposited 10% of the entire value including amount of premium as per the terms of the issue. | 205.87 | – |
| | **506.86** | **310.67** |

i) 2,186,667 Equity Shares of Rs.10/- each at a premium of Rs.740 per share have been alloted on December 31, 2007 through Qualified Institutions Placement (QIP).

ii) 6,000,000 Equity Shares of Re. 1/- each at a premium of Rs. 61.571 per share have been alloted on September 11, 2008 to promoters on exercise of options available through equity warrants.

iii) The Equity shares of the Company have been subdivided w.e.f. April 21, 2008 from Rs. 10/- each fully paid up into 10 equity shares of Re. 1/- each fully paid-up.

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **2 RESERVES AND SURPLUS** | | |
| Capital Reserve | | |
| i) Subsidy received from the Govt of Karnataka towards Co-generation | | |
| As per last balance sheet | 18.75 | 18.75 |
| ii) Others | | |
| As per last balance sheet | 0.26 | 0.26 |
| | 19.01 | 19.01 |
| Capital Redemption Reserve | | |
| As per last balance sheet | 8.50 | 8.50 |
| | | |
| Share Premium | | |
| As per last balance sheet | 1,663.36 | 1,047.65 |
| Addition during the year | 1,987.61 | 615.71 |
| | 3,650.97 | 1,663.36 |
| General Reserve | | |
| As per last balance sheet | 1,029.02 | 529.02 |
| Add : Transfer from profit and loss account | 500.00 | 500.00 |
| | 1,529.02 | 1,029.02 |
| | **5,207.50** | **2,719.89** |
| Surplus in profit and loss account | 685.06 | 326.88 |
| | **5,892.56** | **3,046.77** |

## Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **3 SECURED LOANS** | | |
| Term loans from banks and financial institutions | 7,200.82 | 4,347.06 |
| (Secured by first/second charge on the immovable properties of the Company and second charge on stocks and book debts) | | |
| Cash/ Export credit facilities from banks | 1,012.43 | 1,757.47 |
| (Secured by hypothecation of stocks and book debts and a third charge on moveable and immovable properties of the Company) | | |
| Interest accrued but not due | 62.59 | 76.27 |
| Interest accrued and due | – | 30.11 |
| | **8,275.84** | **6,210.91** |

Interest accrued but not due represents interest on certain long-term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as a part of secured loans.
Repayment due within one year in respect of term loans aggregate to Rs. 1,209.45 million.

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **4 UNSECURED LOANS** | | |
| Inter corporate deposits from subsidiary | 1,334.00 | – |
| Sugar development fund | 24.97 | 24.97 |
| Deferred purchase tax | 238.67 | 234.10 |
| | **1,597.64** | **259.07** |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **5 DEFERRED TAX LIABILITY (NET)** | | |
| **Deferred Tax Liability** | | |
| Depreciation | 843.93 | 405.86 |
| Others | 1.20 | 1.20 |
| **Gross Deferred Tax Liability** | **845.13** | **407.06** |
| **Deferred Tax Asset** | | |
| Provision for deferred interest on SDF loan | 17.74 | 17.74 |
| Others | 366.23 | 187.39 |
| **Gross Deferred Tax Asset** | **383.97** | **205.13** |
| **Net Deferred Tax Liability** | **461.16** | **201.93** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | October 1, 2007 | Additions | Deductions/ Adjustments | September 30, 2008 |
|---|---|---|---|---|
| **6 FIXED ASSETS** | | | | |
| **Gross Block** | | | | |
| Land- freehold | 181.52 | 30.02 | – | 211.54 |
| Land- leasehold | 125.92 | – | – | 125.92 |
| Buildings | 864.48 | 90.41 | – | 954.89 |
| Plant and machinery | 4,990.25 | 1,311.87 | – | 6,302.12 |
| Furniture and fittings | 99.77 | 21.69 | 0.08 | 121.38 |
| Vehicles | 51.71 | 21.74 | 0.57 | 72.88 |
| **Total** | **6,313.65** | **1,475.73** | **0.65** | **7,788.73** |
| *Previous Year* | *1,629.56* | *4,690.88* | *6.79* | *6,313.65* |
| **Accumulated Depreciation** | | | | |
| Land- freehold | – | – | – | – |
| Land- leasehold | – | – | – | – |
| Buildings | 66.61 | 25.78 | – | 92.39 |
| Plant and machinery | 598.56 | 326.17 | 182.39 | 742.34 |
| Furniture and fittings | 16.40 | 11.36 | – | 27.76 |
| Vehicles | 9.05 | 5.74 | 0.11 | 14.68 |
| **Total** | **690.62** | **369.05** | **182.50** | **877.17** |
| Less : Pre-operative Depreciation | | 4.21 | | |
| **Depreciation charged to profit and loss** | | **364.84** | | |
| *Previous Year* | *436.04* | *256.00* | *1.42* | *690.62* |
| **Net Block** | | | | |
| Land- freehold | 181.52 | | | 211.54 |
| Land- leasehold | 125.92 | | | 125.92 |
| Buildings | 797.87 | | | 862.50 |
| Plant and machinery | 4,391.69 | | | 5,559.78 |
| Furniture and fittings | 83.37 | | | 93.62 |
| Vehicles | 42.66 | | | 58.20 |
| **Total** | **5,623.03** | | | **6,911.56** |
| **Capital Work-in-progress** | **2,077.26** | | | **5,139.51** |
| *Previous Year* | *1,193.52* | | | *5,623.03* |

The Capital Work-in-progress includes pre-operative expenses of the projects to the extent of Rs. 720.41 million.

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **7 INVESTMENTS** | | |
| **Long Term Investments (At Cost)** | | |
| **Non-Trade** | | |
| **Government Securities** | | |
| National Saving Certificate | 0.02 | 0.02 |
| **Equity shares fully paid-up (Unquoted)** | | |
| Esugar India Clearing Corporation Ltd. | 0.05 | 0.05 |
| 5,000 Equity Shares of Rs.10 each | | |
| Pachhapur Urban Co-op Bank Ltd., Pachhapur | 0.00 | 0.00 |
| 500 Equity Shares of Rs.10 each | | |
| Shree Renuka Infra Projects Ltd. | 2.60 | – |
| 260,000 Equity Shares of Rs.10 each | | |
| Belgaum DCC Bank Ltd., Belgaum | 0.50 | 0.50 |
| 5,000 Equity Shares of Rs.100 each | | |
| **Equity shares fully paid-up (Quoted)** | | |
| Sakthi Sugars Ltd. | 45.03 | – |
| 531,470 Equity Shares of Rs.10 each | | |
| Rajshree Sugars & Chemicals Ltd. | 72.59 | – |
| 1,026,185 Equity Shares of Rs.10 each | | |
| Dwarikesh Sugar Industries Ltd. | 28.77 | – |
| 300,000 Equity Shares of Rs.10 each | | |
| **Units in mutual fund fully paid-up (Quoted)** | | |
| ABN AMRO Mutual Fund | 160.00 | – |
| 16,000,000 Units of Rs.10 each | | |
| **In Subsidiary Companies fully paid-up (Unquoted)** | | |
| Renuka Commodities DMCC, Dubai | 4.97 | 4.97 |
| 40 Equity Shares of AED 10,000 each | | |
| Shree Renuka Biofuels Holdings (FZE), Sharjah | 1.67 | 1.67 |
| 1 Equity Share of AED 150,000 | | |
| Shree Renuka Energy Ltd. | 804.94 | – |
| 80,494,000 Equity Shares of Rs.10 each | | |
| Shree Renuka Agri Ventures Ltd. | 0.50 | – |
| 50,000 Equity Shares of Rs.10 each | | |
| KBK Chem-Engineering Pvt Ltd. | 365.38 | 160.40 |
| 52,184 Equity Shares of Rs.100 each | | |
| (Previous year 19,883 Equity Shares Rs.100 each) | | |
| Godavari Biofuels Pvt Ltd. | 17.14 | – |
| 46,000 Equity Shares of Rs.10 each | | |
| Ratnaprabha Sugars Limited | 1.51 | – |
| 150,000 Equity Shares of Rs.10 each | | |
| | **1,505.67** | **167.61** |
| Aggregate value of the quoted investments | 306.39 | – |
| Aggregate value of the un-quoted investments | 1,199.28 | 167.61 |
| Market value of quoted investments | 276.89 | – |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **8 INVENTORY** | | |
| Stores and spares | 455.87 | 205.25 |
| Raw materials and components | 362.90 | 192.61 |
| Intermediate products | 105.05 | 91.11 |
| Work-in- progress | 74.04 | – |
| Finished goods | | |
| Manufactured | 837.47 | 449.12 |
| Others | 33.75 | 63.60 |
| | **1,869.08** | **1,001.69** |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **9 SUNDRY DEBTORS** | | |
| Unsecured | | |
| Debts over six months | | |
| Considered good | 138.23 | 62.61 |
| Considered doubtful | – | – |
| Others | | |
| Considered good | 348.17 | 324.24 |
| | **486.40** | **386.85** |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **10 CASH AND BANK BALANCES** | | |
| Cash on hand | 4.02 | 2.94 |
| Balances with scheduled banks | | |
| On current accounts | 66.71 | 188.67 |
| On deposit accounts | 59.19 | 99.59 |
| Balance with other banks | | |
| On current accounts | 3.94 | 15.51 |
| | **133.86** | **306.71** |

Balances with banks in deposit accounts include amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **11 OTHER CURRENT ASSETS** | | |
| Export incentives accrued | 637.56 | 179.24 |
| Interest accrued | 4.55 | 3.57 |
| Others | 210.95 | 140.51 |
| | **853.06** | **323.32** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **12 LOANS AND ADVANCES** | | |
| Unsecured and considered good | | |
| Advances recoverable in cash or kind or for value to be received | 258.87 | 362.66 |
| Balances with customs, excise, etc. | 915.31 | 563.20 |
| Deposits | 393.44 | 130.86 |
| Advance income tax | 426.45 | 277.11 |
| | 1,994.07 | 1,333.83 |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **13 CURRENT LIABILITIES** | | |
| Sundry creditors | | |
| Small scale industries (to the extent identified with available information) | 2.80 | 3.10 |
| Others | 638.60 | 474.96 |
| Advance from customers | 325.14 | 46.15 |
| Sundry deposits | 281.14 | 135.44 |
| Interest accrued but not due on loans | 116.53 | 25.36 |
| Other liabilities | 280.14 | 137.31 |
| | 1,644.35 | 822.32 |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **14 PROVISIONS** | | |
| Provision for taxation | 447.06 | 318.23 |
| Provision for gratuity | 6.11 | 2.69 |
| Provision for leave encashment | 4.79 | 5.91 |
| Provision for fringe benefit tax | 8.40 | 4.89 |
| Provision for dividend on equity shares | 55.19 | 49.62 |
| Provision for corporate dividend tax | 9.38 | 8.43 |
| | 530.93 | 389.77 |

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **15 MISCELLANEOUS EXPENDITURE** | | |
| Expenditure towards voluntary retirement scheme | 0.01 | 0.07 |
| Deferred revenue expenditure to the extent not written off | 16.12 | 21.07 |
| | 16.13 | 21.14 |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

## 16 REVENUE

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Sale of manufactured sugar | 7,330.77 | 5,630.88 |
| Sale of traded sugar | 9,102.43 | 1,638.42 |
| Sale of power | 1,837.82 | 496.92 |
| Sale of ethanol and other products | 1,328.50 | 499.43 |
| Stock transfer for trial run | 664.23 | – |
| Others | 27.89 | 10.15 |
| | **20,291.64** | **8,275.80** |
| Less: Excise duty | 475.95 | 295.25 |
| Intersegment sales | 1,574.00 | 656.86 |
| | **18,241.69** | **7,323.69** |

## 17 OTHER INCOME

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Interest on bank deposits | 7.10 | 13.43 |
| Miscellaneous income | (2.74) | 148.33 |
| | **4.36** | **161.76** |

## 18 RAW MATERIALS CONSUMED

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Opening stock as on October 01, 2007 | 192.61 | 111.17 |
| Add : Purchases and related expenses | 6,261.92 | 3,781.11 |
| Less : Intersegment purchases | 730.82 | 321.16 |
| | **5,723.71** | **3,571.12** |
| Less: Closing stock as on September 30, 2008 | 362.90 | 192.61 |
| | **5,360.81** | **3,378.51** |

## 19 COST OF TRADED GOODS

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Opening stock as on October 01, 2007 | 63.60 | 444.05 |
| Add : Purchases | 8,018.82 | 1,208.73 |
| | **8,082.42** | **1,652.78** |
| Less : Closing stock as on September 30, 2008 | 33.75 | 63.60 |
| | **8,048.67** | **1,589.18** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| **20 (INCREASE)/DECREASE IN INVENTORY** | | | |
| Opening stock as on October 01, 2007 | | | |
| Work-in-progress | | – | – |
| Finished goods and intermediate products | | 540.23 | 488.02 |
| Trial run stock of finished goods and intermediate products | | – | 167.53 |
| | A | **540.23** | **655.55** |
| Less: Closing stock as on September 30, 2008 | | | |
| Work-in-progress | | 49.14 | – |
| Finished goods and intermediate products | | 467.50 | 540.23 |
| | B | **516.64** | **540.23** |
| | (A - B) | **23.59** | **115.32** |

| | | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| **21 PERSONNEL EXPENSES** | | | |
| Salaries, wages and bonus | | 301.41 | 200.32 |
| Contribution to provident fund and others | | 25.22 | 22.43 |
| Contribution to gratuity | | 9.80 | 5.66 |
| Contribution to leave encashment | | 4.84 | 9.44 |
| | | **341.27** | **237.85** |

| | | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| **22 OPERATING AND ADMINISTRATIVE EXPENSES** | | | |
| A. Manufacturing | | | |
| Consumption of stores and spares | | 270.90 | 67.59 |
| Processing charges | | 421.80 | 252.84 |
| Power and fuel | | 1,016.18 | 371.84 |
| Lease rentals | | 155.71 | 113.50 |
| Repairs and maintenance | | | |
| Plant and machinery | | 125.64 | 34.87 |
| Buildings | | 4.74 | 3.90 |
| Others | | 20.96 | 13.51 |
| Less : Intersegment expenses | | (843.18) | (335.70) |
| | A | **1,172.75** | **522.35** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **22 OPERATING AND ADMINISTRATIVE EXPENSES** (Contd.) | | |
| B. Administrative expenses | | |
| Rent, rates and taxes | 28.32 | 14.79 |
| Insurance | 22.15 | 15.34 |
| Travelling and conveyance | 41.10 | 30.68 |
| Printing and stationery | 7.07 | 4.82 |
| Communication expenses | 15.11 | 12.26 |
| Legal and professional fees | 43.86 | 17.74 |
| Remuneration to directors | | |
| Remuneration | 9.00 | 6.75 |
| Commission | 23.26 | 15.88 |
| Directors' sitting fees | 0.71 | 0.67 |
| Auditor's remuneration | 1.30 | 0.85 |
| Donations and contributions | 5.54 | 1.62 |
| Loss on sale of fixed assets (net) | 0.16 | 0.58 |
| Loss on sale of investments | 2.80 | – |
| Research and development | 14.73 | 4.24 |
| Others | 174.39 | 86.50 |
| B | **389.50** | **212.72** |
| (A + B) | **1,562.25** | **735.07** |

| **23 SELLING AND DISTRIBUTION EXPENSES** | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Freight and forwarding charges | 599.86 | 199.53 |
| Advertising and sales promotion | 44.70 | 11.98 |
| Brokerage and discounts | 67.58 | 6.15 |
| Commission and market development expenses | 10.61 | 3.06 |
| | **722.75** | **220.72** |

| **24 FINANCIAL EXPENSES** | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Interest | | |
| on term loans | 272.42 | 87.35 |
| on working capital | 339.99 | 75.27 |
| others | 31.10 | 0.09 |
| Bank charges | 41.35 | 17.02 |
| | **684.86** | **179.73** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **25 EARNINGS PER SHARE** | | |
| The calculations of earnings per share (basic and diluted) are based | | |
| on the earnings and number of shares as computed below. | | |
| **Reconciliation of earnings** | | |
| Profit for the year ended September 30, 2008 | 745.47 | 544.33 |
| Less: Preference dividends (including tax thereon) | – | 41.54 |
| **Net profit attributable to equity shareholders** | **745.47** | **502.79** |
| **Reconciliation of number of shares** | **Shares** | **Shares** |
| Shares outstanding at the beginning of the period | 248,096,490 | 23,809,649 |
| Shares outstanding at the end of the period | 275,963,160 | 24,809,649 |
| **Weighted average number of equity shares** | **268,498,679** | **23,892,982** |
| **Basic and Diluted Earnings Per Share (in Rupees per share)** | **2.78** | **21.04** |
| [Nominal value of shares - Re. 1/- each] | | |
| [Previous year, nominal value of shares - Rs.10/- each] | | |

## 26 SIGNIFICANT ACCOUNTING POLICIES

*All amounts in million Indian Rupees, unless otherwise stated*

a. *Basis of presentation*

The accompanying financial statements have been presented for the year ended September 30, 2008 along with comparative information for the year ended September 30, 2007. The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as stated hereunder.

b. *Use of estimates*

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, the actual results could differ from those estimates.

c. *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been allocated to the sugar, power generation and ethanol units on a reasonable basis.

d. *Borrowing costs*

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are capitalised as a part of the cost of the asset.

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

## 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

e. *Depreciation*

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method. The depreciation on Cogeneration assets upto September 30, 2007 was computed on written down value method. From the financial year beginning October 1, 2007 the method of depreciation on Cogeneration assets has also been changed to Straight Line Method. The effect of write back of depreciation with retrospective effect is Rs.182 million which is accounted in the first quarter of the year 2007-08. As per estimates of the management, these rates are representative of the economic useful life of these assets. Had the Company continued the written down value method on Cogeneration assets, depreciation for the year would have been higher by Rs.79.43 million and profit for the year would have been lower to that extent.

No depreciation is provided on assets held for sale.

f. *Leases*

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

g. *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost or fair value, determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/loss on sale of investments is computed with reference to their average cost.

h. *Inventory*

Inventory is valued as follows:

*Raw materials, stores and spares and packing materials*

Lower of cost or net realizable value. However, materials and other items held for use in the production of inventory are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out (‘FIFO’) basis.

*Finished goods*

Lower of cost or net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

*Work-in-process*

Lower of cost upto estimated stage of process or net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*By-products*

By-products are valued at cost. Inter-unit transfers of by-products also include the cost of transportation, duties, etc.

*Inter-segment*

The inter-segment transfers of inventory are valued at cost.

i. *Revenue recognition*

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns.

Revenue from sale of power is recognised when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the purchasing party.

**26** **SIGNIFICANT ACCOUNTING POLICIES** (Contd.)

j. *Foreign currency transactions*

*Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

*Conversion*

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

*Exchange Rate Differences*

Exchange rate differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets until the date of capitalization, where the exchange gains/losses are adjusted to the cost of such assets.

*Forward Exchange Contracts not intended for trading or speculation purposes*

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

k. *Retirement benefits*

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

l. *Income tax*

Tax expenses comprise both current and deferred taxes.

Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

m. *Miscellaneous expenditure*

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years. Expenses incurred on the leased units before the starting of operations are treated as deferred revenue expenses and written off over the lease period.

n. *Government grants*

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholders' funds.

o. *Financial derivatives and commodity futures*

Transactions in financial derivatives and commodity futures are accounted based on the mode of final settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognised as income/ expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take delivery, are recorded at gross, as purchases and sales as a part of the Company's sugar manufacturing activities.

## 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

p. *Provisions, contingent liabilities and contingent assets*

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- The Company has a present obligation as a result of a past event
- A probable outflow of resources is expected to settle the obligation and
- The amount of the obligation can be easily estimated.

Contingent Liability is disclosed in the case of:

- A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- A possible obligation, unless the probability of outflow of resources is remote.

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liability. In respect of statutory matters, contingent liability is disclosed only for those demand(s) that are contested by the Company.

Contingent Assets are neither recognised nor disclosed.

q. *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. *Segment reporting*

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company, with the following additional policies for segment reporting:

(i) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

(iii) Gains/losses from transactions in commodity futures, which are ultimately settled net, with/without taking delivery, are recorded as 'Other revenue' under the Sugar segment.

(iv) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

s. *Impairment of assets*

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine,

a. The provision for impairment loss, if any, required or

b. The reversal, if any, required of impairment loss recognised in previous periods

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

## 27 NOTES TO THE FINANCIAL STATEMENTS

*All amounts in million Indian Rupees, unless otherwise stated*

i. **Excise Duty on Finished Goods**

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Company's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Company is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/paid only at the time of clearance of the goods from the factory.

ii. **Leases**

The Company has entered into various operating leases for office, residential and factory premises. These are generally short-term leases and cancelable by serving adequate notice. The minimum amount of lease rentals payable on non-cancelable leases is as follows:

- Within a period of one year – Rs. 150 million (Previous year Rs. 121 million )
- Period from one year to five years – Rs. 385 million (Previous year Rs. 287 million )

iii. **Outstanding Commitments**

As at September 30, 2008, the Company had the following outstanding commitments:

- Bank Guarantees outstanding – Rs. 693 million (Previous Year Rs. 737 million. )
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for – Rs. 445 million (Previous year Rs. 1,485 million.)

iv. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

v. In terms of accounting standard AS 28 on impairment of assets, there were no impairment indicators existing as of the reporting date as per the internal management estimates and hence no impairment charge is recognised during the year under review.

vi. List of Small Scale Industrial undertakings, to whom the Company has payments due, have been identified from available information as at September 30, 2008 :

1. Jain Engineers, Belgaum
2. Inteltech Engineers, Belgaum
3. Spechem Industries Pvt Ltd., Chennai
4. Yashaswi Engineers, Belgaum
5. Techno Trade Links, Belgaum
6. Patil Thermoplastics, Palus
7. R. K Enterprises, Kolhapur
8. Satish Steel Works, Jalandhar
9. Shri Yash Enterprises, Belgaum
10. Ceramic Products Limited,Khanapur
11. Group Engineers, Sangali

## 27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

**vii.** Additional information pursuant to Paragraphs 3 and 4 of Part-II of Schedule VI to the Companies Act, 1956

**A. Licensed and Installed Capacities**

| Plants | Owned / Leased | Crushing Capacity (TCD) Licensed TCD | Installed TCD | Production MT |
|---|---|---|---|---|
| Munoli | Owned | 7,500 | 7,500 | 160,171 |
| Ajara | Leased | 2,500 | 2,500 | 49,949 |
| Arag | Leased | 4,000 | 4,000 | 83,469 |
| Athani | Owned | 5,000 | 6,000 | 113,150 |
| Havalga | Owned | 4,000 | 4,000 | 76,985 |
| Aland | Leased | 1,250 | 1,250 | 20,973 |
| Balaghat | Leased | 2,500 | 2,500 | 19,100 |
| **Total** | **Total** | **26,750** | **27,750** | **523,797** |

**B. Turnover**

| | September 30, 2008 | | | September 30, 2007 | | |
|---|---|---|---|---|---|---|
| Particulars | Qty | Unit | Amount in million | Qty | Unit | Amount in million |
| **1. Manufacturing** | | | | | | |
| Sugar | 479,645 | MT | 6,447 | 317,674 | MT | 4,762 |
| Ethanol | 51,115 | K Lt | 1,328 | 20,378 | K Lt | 499 |
| Power | 153 | Mn Kwh | 995 | 38 | Mn Kwh | 152 |
| Stock transfer for trial run | 55,999 | MT | 664 | | | – |
| Others | | | 182 | | | 568 |
| **2. Trading** | | | | | | |
| White sugar | 738,450 | MT | 9,102 | 117,202 | MT | 1,638 |
| **Gross Turnover** | | | **18,718** | | | **7,619** |
| Less : Excise duty | | | 476 | | | 295 |
| **Net Turnover** | | | **18,242** | | | **7,324** |

| | September 30, 2008 | | | September 30, 2007 | | |
|---|---|---|---|---|---|---|
| Particulars | Qty | Unit | Amount in million | Qty | Unit | Amount in million |
| **1. Power** | | | | | | |
| Captive consumption | | | | | | |
| Sugar plant | 75 | Mn Kwh | 319 | 30 | Mn Kwh | 122 |
| Distillery plant | 13 | Mn Kwh | 54 | 6 | Mn Kwh | 27 |
| Export of power | 153 | Mn Kwh | 995 | 38 | Mn Kwh | 152 |
| **2. Steam** | | | | | | |
| Captive consumption | | | | | | |
| Sugar plant | 1,397,545 | MT | 376 | 503,773 | MT | 136 |
| Distillery plant | 174,883 | MT | 94 | 95,449 | MT | 51 |

## 27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

C. Raw materials consumed

| | September 30, 2008 | | | September 30, 2007 | | |
|---|---|---|---|---|---|---|
| Particulars | Qty | Unit | Amount in million | Qty | Unit | Amount in million |
| Sugarcane | 4,623,550 | MT | 5,073 | 2,702,200 | MT | 2,974 |
| Raw Sugar | 8,893 | MT | 93 | 27,288 | MT | 300 |
| Bagasse | 958,932 | MT | 641 | 318,956 | MT | 227 |
| Coal | – | MT | – | 2,039 | MT | 8 |
| Molasses | 166,817 | MT | 285 | 92,515 | MT | 191 |
| | | | 6,092 | | | 3,700 |
| Less: Intersegment | | | 731 | | | 321 |
| | | | 5,361 | | | 3,379 |

viii. Consumption of Raw Materials, Stores and Spares *(Rs. million)*

| | | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| | Raw materials | | |
| | Imported | 6 | – |
| | Domestic | 5,355 | 3,379 |
| | **Total** | **5,361** | **3,379** |
| | Stores & spares | | |
| | Imported | 4 | 2 |
| | Domestic | 267 | 66 |
| | **Total** | **271** | **68** |
| **ix.** | **Expenditure in Foreign Currency** | 60 | 114 |
| | a) Traveling expenses | 3 | 5 |
| | b) Others | 57 | 109 |
| **x.** | **Dividends remitted in Foreign Currency** | 0.59 | 1.24 |
| | Year to which dividend relates | 2006-07 | 2005-06 |
| | Number of non-resident shareholders | 2 | 4 |
| | Number of shares held by them | 295,500 | 620,000 |
| **xi.** | **Earnings in Foreign Currency** | **10,971** | **3,464** |
| **xii.** | **Auditors Remuneration** | | |
| | Audit fees | 1.00 | 0.65 |
| | Tax audit services | 0.30 | 0.20 |
| | Reimbursement of expenses | 0.24 | 0.15 |

## 27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

xiii. Managerial Remuneration *(Rs. million)*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **1. Executive director's remuneration** | | |
| Salary | 9.06 | 9.51 |
| Ex-gratia | 0.41 | 0.27 |
| Commission | 23.26 | 15.88 |
| Contribution to provident fund | 0.86 | 0.83 |
| Others including perquisites | 3.50 | 1.00 |
| **2. Directors' sitting fees** | **0.71** | **0.67** |
| **Computation of managerial commission** | | |
| Profit before tax & managerial commission | 1,160 | 796 |
| Less : Profit on sale of assets | – | 2 |
| Add : Loss on sale of fixed assets | – | 1 |
| Add : Loss on sale of investments | 3 | – |
| **Net Profit as per Section 198 of the Companies Act, 1956** | **1,163** | **795** |
| **Maximum Permissible remuneration to whole time directors** | **10%** | **10%** |
| **Restricted to as per service contracts to** | **23.26** | **15.88** |

xiv. Details of balances with Non Scheduled Banks *(Rs. million)*

| Name of the Bank | Balance 30-Sep-08 | Maximum Balance | Balance 30-Sep-07 | Maximum Balance |
|---|---|---|---|---|
| The Belgaum District Central Co-op Bank Ltd | 1.33 | 59.30 | 3.13 | 64.36 |
| The Bagalkot District Central Co-op Bank Ltd | 0.02 | 0.22 | 0.22 | 0.27 |
| Bijapur Grameena Bank, Uttur. | 0.01 | 0.23 | 0.08 | 0.94 |
| Kanakadas Urban Co-op Society Ltd., Yaragatti. | 0.07 | 0.07 | 0.07 | 0.07 |
| Kolhapur District Central Co-op Bank Ltd | 0.25 | 73.03 | 2.19 | 50.01 |
| Krishna Grameena Bank | 0.59 | 56.45 | – | 25.82 |
| Karnataka Vikas Grameena Bank | 1.35 | 125.14 | 9.74 | 120.03 |
| Latur District Co-op Bank, Latur. | 0.25 | 19.59 | – | – |
| Raddi Sahakar Bank Niyamit | 0.02 | 0.02 | 0.02 | 0.02 |
| Sangli District Co-op Credit Bank, Arag. | 0.05 | 8.90 | – | – |
| The Mudalgi Co-op Bank Ltd., Mudalgi | – | 0.06 | 0.06 | 0.06 |
| **Total** | **3.94** | **343.01** | **15.51** | **261.58** |

These bank accounts are used to make cane payments to the farmers.

xv. **Dividend and Distribution Tax** – The provision of dividend and distribution tax includes short provision of the previous year of Rs. 5.11million in respect of offering of securities made after the Balance Sheet date.

27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

xvi. Related Party Disclosures

Related parties

(a) Subsidiary Companies

i) Renuka Commodities DMCC - Dubai.
ii) Shree Renuka Biofuels Holdings (FZE), Sharjah.
iii) Shree Renuka Energy Limited.
iv) Shree Renuka Agri Ventures Limited.
v) KBK Chem Engineering Private Limited.
vi) Godavari Biofuels Private Limited.
vii) Ratnaprabha Sugars Limited.
viii) Shree Renuka Southern Africa Holdings (FZC), Sharjah.
ix) Renuka Energy Resource Holdings (FZE), Sharjah.

(b) Key managerial persons

i) Mrs. Vidya Murkumbi
ii) Mr. Narendra Murkumbi
iii) Mr. S. M. Kaluti
iv) Mr. Nandan Yalgi
v) Mr. Nitin Puranik

Transactions with related parties

a) Transactions with subsidiary companies

i) Renuka DMCC, Dubai.

*(Rs. million)*

| Nature of Transaction | 2007-08<br>Advaces recieved | 2006-07<br>Advaces refunded |
|---|---|---|
| Volume of transactions during the year | 3.02 | 2.56 |
| Outstanding as at the end of the year | 2.87 | 2.56 |
| Investment in subsidiary | – | – |

ii) Renuka Bio-fuels Holdings FZE, Sharjah.

*(Rs. million)*

| Nature of Transaction | Advances paid | Advances paid |
|---|---|---|
| Volume of transactions during the year | 3.28 | 0.97 |
| Outstanding as at the end of the year | 4.03 | 0.97 |
| Investment in subsidiary | – | 1.67 |

iii) Shree Renuka Agri Ventures Ltd.

*(Rs. million)*

| Nature of Transaction | Advances paid | Advances paid |
|---|---|---|
| Volume of transactions during the year | 1.50 | – |
| Outstanding as at the end of the year | 1.00 | – |
| Investment in subsidiary | 0.50 | – |

27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

iv) Shree Renuka Energy Ltd.

*(Rs. million)*

| 1. Nature of Transaction | 2007-08 Interest payable | 2006-07 Interest payable |
|---|---|---|
| Volume of transactions during the year | 31.10 | – |
| Outstanding as at the end of the year | 15.40 | – |

*(Rs. million)*

| 2. Nature of Transaction | Investment | Investment |
|---|---|---|
| Volume of transactions during the year | 804.94 | – |
| Outstanding as at the end of the year | 804.94 | – |
| Investment in subsidiary | 804.94 | – |

*(Rs. million)*

| 3. Nature of Transaction | Inter-corporate deposit | Inter-corporate deposit |
|---|---|---|
| Volume of transactions during the year | 1,560.00 | – |
| Outstanding as at the end of the year | 1,334.00 | – |
| Inter-Corporate Deposit | 1,334.00 | – |

v) KBK Chem Engineering Pvt. Ltd.

*(Rs. million)*

| Nature of Transaction | Advances paid | Advances paid |
|---|---|---|
| Volume of transactions during the year | 599.31 | – |
| Outstanding as at the end of the year | 118.23 | – |
| Investment in subsidiary | 154.50 | – |
| Purchases plant and machinery | 369.68 | – |

vi) Ratnaprabha Sugars Ltd.

*(Rs. million)*

| Nature of Transaction | Advances paid | Advances paid |
|---|---|---|
| Volume of transactions during the year | 239.43 | – |
| Outstanding as at the end of the year | 267.99 | – |
| Investment in subsidiary | 1.50 | – |

vii) Godavari Biofuels Pvt. Ltd.

*(Rs. million)*

| Nature of Transaction | Investment | Investment |
|---|---|---|
| Volume of transactions during the year | 17.14 | – |
| Outstanding as at the end of the year | 17.14 | – |
| Investment in subsidiary | 17.14 | – |

**b) Transactions with key management personnel**

*(Rs. million)*

| | | |
|---|---|---|
| Remuneration including contributions to PF | 37.09 | 27.49 |
| Outstanding remuneration payable | 1.08 | 0.45 |
| Outstanding Commission payable | 23.26 | 15.88 |
| Outstanding Ex-gratia Payable | 0.41 | 0.33 |
| **Rent Paid** | | |
| Volume of transactions during the year | 1.72 | 1.35 |
| Outstanding as at the end of the year | – | 0.11 |

27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

xvii. Segment Reporting for the year ended 30.09.2008

(Rs. million)

| Particulars | Sugar | | Trading | | Co-Generation | | Ethanol | | Others | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| REVENUE | | | | | | | | | | | | | | |
| External sales | 6,914.23 | 5,086.88 | 9,102.43 | 1,638.42 | 994.64 | 161.22 | 1,202.50 | 427.02 | 27.89 | 10.15 | – | – | 18,241.69 | 7,323.69 |
| Inter–segment sales | 730.82 | 321.16 | – | – | 843.18 | 335.70 | – | – | – | | (1,574.00) | (656.86) | – | – |
| **Total Revenue** | **7,645.05** | **5,408.04** | **9,102.43** | **1,638.42** | **1,837.82** | **496.92** | **1,202.50** | **427.02** | **27.89** | **10.15** | **(1,574.00)** | **(656.86)** | **18,241.69** | **7,323.69** |
| Results | 412.06 | 862.55 | 357.50 | 1.09 | 932.88 | 139.79 | 484.60 | 190.56 | 11.55 | (2.75) | | – | 2,198.59 | 1,191.24 |
| Unallocated corporate expenses | | | | | | | | | | | | | 381.08 | 393.36 |
| Operating profit | | | | | | | | | | | | | 1,817.51 | 797.88 |
| Interest expenses | | | | | | | | | | | | | 684.86 | 179.73 |
| Interest and other income | | | | | | | | | | | | | 4.36 | 161.76 |
| Profit from ordinary activities | | | | | | | | | | | | | 1,137.01 | 779.91 |
| Extra–ordinary items | | | | | | | | | | | | | – | – |
| **Net Profit** | | | | | | | | | | | | | **1,137.01** | **779.91** |
| OTHER INFORMATION | | | | | | | | | | | | | | |
| Segment assets | 9,255.54 | 4,829.75 | 33.75 | 63.60 | 2,550.60 | 1,582.99 | 1,716.70 | 787.18 | 21.87 | 19.10 | – | – | 13,578.46 | 7,282.62 |
| Unallocated corporate assets | | | | | | | | | | | | | 5,330.88 | 3,958.82 |
| **Total Assets** | **9,255.54** | **4,829.75** | **33.75** | **63.60** | **2,550.60** | **1,582.99** | **1,716.70** | **787.18** | **21.87** | **19.10** | **–** | **–** | **18,909.34** | **11,241.44** |
| Segment liabilities | 2,982.42 | 2,045.24 | – | – | 53.51 | 59.46 | – | 4.60 | – | – | – | – | 3,035.93 | 2,109.30 |
| Unallocated corporate liabilities | | | | | | | | | | | | | 15,873.41 | 9,132.14 |
| **Total Liabilities** | **2,982.42** | **2,045.24** | **–** | **–** | **53.51** | **59.46** | **–** | **4.60** | **–** | **–** | **–** | **–** | **18,909.34** | **11,241.44** |
| Capital expenditure | 7,452.69 | 4,609.29 | – | – | 1,974.81 | 1,842.98 | 1,365.79 | 694.38 | 539.51 | 43.95 | – | – | 11,332.80 | 7,190.60 |
| Unallocated corporate capital expenditure | | | | | | | | | | | | | 1,595.44 | 1,200.31 |
| **Total Capital Expenditure** | **7,452.69** | **4,609.29** | **–** | **–** | **1,974.81** | **1,842.98** | **1,365.79** | **694.38** | **539.51** | **43.95** | **–** | **–** | **12,928.24** | **8,390.91** |
| Depreciation | 521.70 | 298.55 | – | – | 224.92 | 315.59 | 86.69 | 49.90 | 1.44 | 1.15 | – | – | 834.75 | 665.19 |
| Unallocated corporate depreciation | | | | | | | | | | | | | 42.42 | 25.43 |
| **Total Depreciation** | **521.70** | **298.55** | **–** | **–** | **224.92** | **315.59** | **86.69** | **49.90** | **1.44** | **1.15** | **–** | **–** | **877.17** | **690.62** |

# Schedules forming part of the Financial Statements for the year ended September 30, 2008

## 27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

**xviii. Subsequent events after the Balance Sheet date**

a) Acquisition of Gokak Sugars Ltd. in Karnataka.

The Company has acquired 87% shareholding in Gokak Sugars Ltd., for a consideration of Rs. 693 million which includes assumption of pre-existing debt of Rs.650 million. Gokak Sugars Ltd., has 2,500 TCD sugar manufacturing unit and 14 MW co-generation power plant at Kolavi village, Taluka Gokak, Belgaum District in Karnataka.

b) 30 Year lease of Raibag Sahakari Sakhar Karkhana Niyamit, Raibag, Karnataka.

The Government of Karnataka has awarded Shree Renuka Sugars Ltd. 30 year lease of Raibag Sahakari Sakhar Karkhana Niyamit. Raibag SSKN has a sugar manufacturing capacity of 2,500 TCD.

**xix. Previous year figures**

Previous year figures have been regrouped / recast wherever considered necessary to make them comparable with those of the current year.

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## 27 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

xviii. **Balance Sheet Abstract and Company's General Business Profile**

The Companies Act (1 of 1956) SCHEDULE VI - PART IV

I. **Registration Details:**

| | | | |
|---|---|---|---|
| Registration No. | 19046 | State Code | 08 (Refer Code List) |
| Balance Sheet Date | 30 09 2008 | | |

II. **Capital raised during the year** (Amount in Rs. Thousands)

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placements | 27860 |

III. **Position of mobilization and deployment of funds** (Amount in Rs. Thousands)

| | | | |
|---|---|---|---|
| Total Liabilities | 16734060 | Total Assets | 16734060 |
| **Sources of funds** | | | |
| Paid-up Capital | 506860 | Reserves & Surplus | 5892560 |
| Secured Loans | 8275840 | Unsecured Loans | 1597640 |
| Deferred Tax Liability | 461160 | | |
| **Application of funds** | | | |
| Net Fixed Assets | 12051070 | Investments | 1505670 |
| Net Current Assets | 3161190 | Misc. Expenditure | 16130 |
| Accumulated Losses | NIL | | |

IV. **Performance of Company** (Amount in Rs. Thousands)

| | | | |
|---|---|---|---|
| Total Income | 18246050 | Total Expenditure | 17109040 |
| + - Profit/Loss Before Tax | +1137010 | + - Profit / Loss After Tax | +745470 |
| Earning Per Share in Rs. | 2.78 | Dividend @ % | 20% |

V. **Generic names of three principal products/services of Company** (as per monetary terms)

| | |
|---|---|
| Item Code No. (ITC Code) | 170199.02 |
| Product Description | SUGAR |
| Item Code No. (ITC Code) | 999300.09 |
| Product Description | POWER GENERATION |
| Item Code No. (ITC Code) | 220720.00 |
| Product Description | ETHANOL |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**

*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Statement regarding Subsidiary Companies

**Pursuant to Section 212 of the Companies Act, 1956**

*All amounts in million Indian Rupees, unless otherwise stated*

| Sr. No. | Name of the Subsidiary Company | Number of shares held by the Company and / or its subsidiaries | Extent of holdings | Profit/(losses) so far it concerns the members of the holding company and not dealt with within the books of account of the holding company for financial of the subsidiary | For the previous financial year(s) since it became a subsidiary | Profit/(losses) so far it concerns the members of the holding company and dealt with within the books of account of then holding company for financial of the subsidiaries | For the previous financial year(s) since it became a subsidiary |
|---|---|---|---|---|---|---|---|
| 1 | Renuka Commodities DMCC, Dubai | 40 | 100% | – | – | 381.53 | 1,081.38 |
| 2 | Shree Renuka Biofuels Holdings (FZE), Sharjah | 1 | 100% | – | – | – | – |
| 3 | Shree Renuka Southern Africa Holdings (FZC), Sharjah | 1,500 | 100% | – | – | – | – |
| 4 | Shree Renuka Energy Ltd. | 80,494,000 | 66.32% | – | – | – | – |
| 5 | Renuka Energy Resource Holdings (FZE), Sharjah | 1 | 100% | – | – | – | – |
| 6 | Shree Renuka Agri Ventures Ltd. | 50,000 | 100% | – | – | – | – |
| 7 | Ratnaprabha Sugars Ltd. | 150,000 | 100% | – | – | – | – |
| 8 | KBK Chem-Engineering Pvt. Ltd. | 52,184 | 53.99% | 25.35 | – | 28.98 | – |
| 9 | Godavari Biofuels Pvt. Ltd. | 46,000 | 100% | – | – | – | – |

Note: 1. All subsidiary companies have the accounting year ending as on September 30, 2008.

2. The date on which the companies have become subsidiary either by virtue of incorporation or acquisition as mentioned below.
   a. Shree Renuka Southern Africa Holdings (FZC), Sharjah (subsidiary company of Shree Renuka Biofuels Holdings (FZE), Sharjah) incorporated as on July 21, 2008.
   b. Renuka Energy Resource Holdings (FZE), Sharjah (subsidiary company of Shree Renuka Energy Ltd) incorporated as on July 13, 2008.
   c. Shree Renuka Energy Ltd. incorporated as on February 28, 2008.
   d. Shree Renuka Agri Ventures Ltd. incorporated as on July 18, 2008.
   e. Ratnaprabha Sugars Ltd. became subsidiary as on July 23, 2008.
   f. KBK Chem-Engineering Pvt. Ltd. became subsidiary as on October 9, 2007.
   g. Godavari Biofuels Pvt. Ltd. became subsidiary as on July 23, 2008.

For and on behalf of the Board
**Shree Renuka Sugars Limited**

**K. N. Prabhashankar**
*Partner*
Membership No.19575

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

Place: Mumbai
Dated: November 14, 2008

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Information of Subsidiary Companies

**for the year ended September 30, 2008 disclosed as per the terms of exemption under Section 212(8) of the Companies Act 1956 granted by the Central Government.**

*(Rs. in million)*

| Sr No. | Particulars | Renuka Commodities DMCC, Dubai # | Shree Renuka Biofuels Holdings (FZE) Sharjah # | Shree Renuka Southern Africa Holdings (FZC) Sharjah # | Shree Renuka Energy Limited | Renuka Energy Resource Holdings (FZE) Sharjah # | Shree Renuka Agri Ventures Ltd. | KBK Chem Engineering Pvt. Ltd. | Ratnaprabha Sugars Ltd. | Godavari Biofuels Pvt. Ltd. |
|---|---|---|---|---|---|---|---|---|---|---|
| a | Capital | 4.97 | 1.67 | 1.77 | 981.45 | 1.77 | 0.50 | 9.67 | 1.50 | 0.46 |
| b | Reserves | 1,462.91 | – | – | 669.71 | – | – | 275.61 | – | 3.24 |
| c | Total Assets* | 1,467.88 | 1.67 | 1.77 | 1,651.16 | 1.77 | 1.50 | 346.18 | 269.49 | 3.70 |
| d | Total Liabilities** | 1,467.88 | 1.67 | 1.77 | 1,651.16 | 1.77 | 1.50 | 346.18 | 269.49 | 3.70 |
| e | Investment Other than investment in Subsidiary | – | – | – | – | – | – | 0.03 | 0.02 | – |
| f | Turnover (including other income) | 1,583.61 | – | – | – | – | – | 1,465.32 | – | – |
| g | Profit Before Taxation | 381.53 | – | – | – | – | – | 89.54 | – | – |
| h | Provision for Taxation | – | – | – | – | – | – | 35.21 | – | – |
| i | Profit After Taxation | 381.53 | – | – | – | – | – | 54.33 | – | – |
| j | Proposed Dividend | – | – | – | – | – | – | – | – | – |

# Assets and liabilities have been converted from reporting currency UAE Dirham (AED) into Rupees @ 12.74 as on September 30, 2008

* Total assets are net of current liablities

** Total liabilities does not include current liabilities

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

Place: Mumbai
Dated: November 14, 2008

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Auditors' Report on the Consolidated Financial Statements

To
The Board of Directors of
**Shree Renuka Sugars Limited**

1. We have examined the attached Consolidated Balance Sheet of SHREE RENUKA SUGARS LIMITED ("the Company") and its nine Subsidiaries as at September 30, 2008, Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended as on that date, both 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 mis–statement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The accounts include total assets of Rs.975 million and total revenue of Rs.1,584 million and cash flow amounting to Rs.1,118 million relating to five Subsidiaries Companies which have been audited by us and consolidated on the basis of audited accounts.

4. We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets of Rs. 222 million as at September 30, 2008, total revenue of Rs.1,465 million and cash flow amounting to Rs. 75 million for the year ended as on that date.

5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (consolidated financial statements), issued by Institute of Chartered Accountants of India and on the basis of the audited financial statements of the Company and separate audited accounts of nine subsidiaries which has been included in the consolidated financial statements.

6. Based on our audit as aforesaid, and on consideration of reports of other auditors on separate financial statements, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. in the case of the consolidated Balance Sheet of the consolidated state of affairs of the Company and its subsidiaries as at September 30, 2008.
   ii. in the case of the consolidated Profit and Loss Account of the consolidated results of the operations of the Company and its subsidiaries for the year ended on that date; and
   iii. in the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For **Ashok Kumar, Prabhashankar & Co.**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No. 19575

Camp: Mumbai
Date: November 14, 2008

# Consolidated Balance Sheet as at September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | Schedule No. | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| **Shareholders' Funds** | | | |
| Share capital | 1 | 506.86 | 310.67 |
| Reserves and surplus | 2 | 7,829.38 | 4,128.15 |
| | | **8,336.24** | **4,438.82** |
| Minority interests | | 533.32 | – |
| **Loan Funds** | | | |
| Secured loans | 3 | 8,330.91 | 6,210.91 |
| Unsecured loans | 4 | 263.64 | 259.07 |
| | | **8,594.55** | **6,469.98** |
| **Deferred Tax Liability** | 5 | 466.99 | 201.93 |
| **Total** | | **17,931.10** | **11,110.73** |
| APPLICATION OF FUNDS | | | |
| **Fixed Assets** | 6 | | |
| Gross block | | 8,400.79 | 6,313.82 |
| Less : Depreciation | | 884.31 | 690.66 |
| **Net block** | | **7,516.48** | **5,623.16** |
| Capital work-in-progress including capital advances | | 5,211.63 | 2,086.80 |
| **Investments** | 7 | **309.61** | **160.97** |
| **Current Assets, Loans and Advances** | | | |
| Inventory | 8 | 2,252.11 | 1,001.69 |
| Sundry debtors | 9 | 1,603.29 | 861.11 |
| Cash and bank balances | 10 | 226.94 | 916.62 |
| Other current assets | 11 | 853.46 | 322.69 |
| Loans and advances | 12 | 2,727.13 | 1,333.83 |
| **Less: Current Liabilities and Provisions** | | | |
| Current liabilities | 13 | 2,213.28 | 828.42 |
| Provisions | 14 | 572.42 | 389.77 |
| **Net Current Assets** | | **4,877.23** | **3,217.75** |
| **Miscellaneous Expenditure** | 15 | | |
| (to the extent not written off or adjusted) | | | |
| Deferred revenue expenses | | 16.15 | 22.05 |
| **Total** | | **17,931.10** | **11,110.73** |
| Significant Accounting Policies | 26 | | |
| Notes on Accounts | 27 | | |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Consolidated Profit & Loss Account for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | Schedule No. | 30-Sep-08 | 30-Sep-07 |
|---|---|---|---|
| INCOME | | | |
| Revenue (net) | 16 | 21,142.68 | 9,506.42 |
| Other income | 17 | 152.30 | 175.72 |
| **Total** | | **21,294.98** | **9,682.14** |
| EXPENDITURE | | | |
| Raw materials consumed | 18 | 6,526.91 | 3,378.51 |
| Cost of traded goods | 19 | 9,219.18 | 3,370.65 |
| (Increase)/Decrease in Inventory | 20 | 20.95 | 115.32 |
| Personnel expenses | 21 | 418.85 | 238.98 |
| Operating and administrative expenses | 22 | 1,654.59 | 861.73 |
| Selling and distribution expenses | 23 | 776.51 | 221.59 |
| Depreciation and amortization | 6 | 369.18 | 249.18 |
| Financial expenses | 24 | 700.73 | 180.46 |
| **Profit before tax** | | **1,608.08** | **1,065.72** |
| Provision for tax | | | |
| Current tax | | 158.57 | 88.40 |
| Fringe benefit tax | | 5.22 | 2.10 |
| Deferred tax | | 262.96 | 145.08 |
| **Profit after tax and before minority interest & prior period items** | | **1,181.33** | **830.14** |
| Less : Minority interest | | 25.35 | – |
| Prior period items | | | |
| Add : Excess provision of depreciation written back | | 182.39 | – |
| Income tax of earlier period | | 1.90 | – |
| Less : Prior period expenses | | 1.13 | – |
| **Net Profit** | | **1,339.14** | **830.14** |
| Balance brought forward from previous year | | 1,408.26 | 1,177.72 |
| **Profit available for appropriation** | | **2,747.40** | **2,007.86** |
| Dividend on preference shares | | – | 35.51 |
| Dividend on equity shares | | 59.56 | 49.62 |
| Corporate dividend tax | | 10.12 | 14.47 |
| Transfer to General reserve | | 500.00 | 500.00 |
| **Surplus carried to Balance Sheet** | | **2,177.72** | **1,408.26** |
| Basic and diluted earnings per share (in rupees per share) | 25 | 4.31 | 33.01 |
| [Nominal value of shares - Re. 1/- each] | | | |
| [Previous year, nominal value of shares - Rs.10/- each] | | | |
| Significant Accounting Policies | 26 | | |
| Notes on Accounts | 27 | | |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Consolidated Cash Flow Statement

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 1,608.08 | 1065.72 |
| **Adjustments to reconcile profit before tax to net cash provided by operating activities** | | |
| Depreciation | 369.18 | 249.18 |
| Minority interest | (25.35) | – |
| Interest income | (15.30) | (27.39) |
| Financial expenses | 700.73 | 180.46 |
| Purchase tax deferment | 4.57 | 84.94 |
| Loss/(Profit) on sale of fixed assets | 0.16 | (1.76) |
| Income from investments | (15.00) | – |
| Miscellaneous and prior period expenses (net) | 8.77 | 6.14 |
| **Operating profit before working capital changes** | **2,635.84** | **1,557.29** |
| **Changes in operating assets and liabilities:** | | |
| Trade receivables | (742.18) | (246.16) |
| Other receivables | (1,782.32) | (825.16) |
| Inventory | (1,250.42) | 120.14 |
| Trade and other payables | 1,398.15 | (98.24) |
| **Cash generated from operations** | **259.07** | **507.87** |
| Income-tax paid | (151.87) | (55.98) |
| **Net Cash Flow From Operating Activities** | **107.20** | **451.89** |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets (including goodwill) | (5,205.40) | (3,407.06) |
| Proceeds from sale of fixed assets | 0.31 | 7.12 |
| Purchase of investments | (148.64) | (160.40) |
| Income from investments | 15.00 | – |
| Interest received | 15.30 | 27.39 |
| **Net Cash Flow From Investing Activities** | **(5,323.43)** | **(3,532.95)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in capital | 196.19 | 72.57 |
| Share premium | 1,987.61 | 615.71 |
| Minority interest | 533.32 | – |
| Reserves arising on consolidation | 444.16 | – |
| Dividend paid | (53.99) | (83.13) |
| Proceeds from long-term borrowings | 3,259.07 | 1,882.41 |
| Proceeds from short-term borrowings | (745.05) | 912.28 |
| Repayment of long-term borrowings | (394.03) | (120.96) |
| Interest paid | (700.73) | (180.46) |
| **Net Cash Flow From Financing Activities** | **4,526.55** | **3,098.42** |
| **Net increase in cash and cash equivalents** | (689.68) | 17.36 |
| Opening cash and cash equivalents | 916.62 | 899.26 |
| **Closing cash and cash equivalents** | **226.94** | **916.62** |

As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**

*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **1 SHARE CAPITAL** | | |
| **Authorised** | | |
| 350,000,000 equity shares of Re.1/- each | 350.00 | 350.00 |
| (Previous year 35,000,000 equity shares Rs.10/- each) | | |
| 70,000,000 preference shares of Rs.10/- each | 700.00 | 700.00 |
| | **1,050.00** | **1,050.00** |
| **Issued, Subscribed and Paid up** | | |
| 275,963,160 equity shares of Re. 1/- each fully paid | 275.96 | 248.10 |
| (Previous year 24,809,649 shares of Rs. 10/- each fully paid) | | |
| Equity Warrants : | | |
| i) 4,000,000 Warrants convertible into equity share of Re.1 each at a premium of Rs. 61.571 per share. The allottees have deposited 10% of the entire value including amount of premium as per the terms of the issue. (Previous year 1,000,000 Warrants convertible into equity shares of Rs.10 each at a premium of Rs. 615.71). Warrants were alloted on September 7, 2007 on preferential basis to the promoters and other acquirers. | 25.03 | 62.57 |
| ii) 18,000,000 Warrants convertible into equity share of Re.1 each at a premium of Rs. 113.37 per share having an option to exercise over a period of 18 months were allotted on September 11, 08 on preferential basis to the promoters. The allottees have deposited 10% of the entire value including amount of premium as per the terms of the issue. | 205.87 | – |
| | **506.86** | **310.67** |

i) 2,186,667 Equity Shares of Rs.10/- each at a premium of Rs.740 per share have been alloted on December 31, 2007 through Qualified Institutions Placement (QIP).

ii) 6,000,000 Equity Shares of Re.1/-each at a premium of Rs.61.571 per share have been alloted on September 11, 2008 to promoters on exercise of options available through equity warrants.

iii) The Equity shares of the Company have been subdivided wef. April 21, 2008 from Rs.10/- each fully paid up into 10 equity shares of Re.1/- each fully paid up.

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **2 RESERVES AND SURPLUS** | | |
| Capital Reserve | | |
| i) Subsidy received from the Govt of Karnataka towards Co-generation | | |
| As per last balance sheet | 18.75 | 18.75 |
| ii) Others | | |
| As per last balance sheet | 0.26 | 0.26 |
| | 19.01 | 19.01 |
| Capital Redemption Reserve | | |
| As per last balance sheet | 8.50 | 8.50 |
| | | |
| Share Premium | | |
| As per last balance sheet | 1,663.36 | 1,047.65 |
| Addition during the year | 1,987.61 | 615.71 |
| | 3,650.97 | 1,663.36 |
| Reserves on Consolidation | | |
| As per last balance sheet | – | – |
| Addition during the year | 444.16 | – |
| | 444.16 | – |
| General Reserve | | |
| As per last balance sheet | 1,029.02 | 529.02 |
| Add : Transfer from profit and loss account | 500.00 | 500.00 |
| | 1,529.02 | 1,029.02 |
| | **5,651.66** | **2,719.89** |
| Surplus in profit and loss account | 2,177.72 | 1,408.26 |
| | **7,829.38** | **4,128.15** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **3 SECURED LOANS** | | |
| Term loans from banks and financial institutions | 7,202.93 | 4,347.06 |
| (Secured by first/second charge on the immovable properties of the Company and second charge on stocks and book debts) | | |
| Cash/ Export credit facilities from banks | 1,065.39 | 1,757.47 |
| (Secured by hypothecation of stocks and book debts and a third charge on moveable and immovable properties of the Company) | | |
| Interest accrued but not due | 62.59 | 76.27 |
| Interest accrued and due | – | 30.11 |
| | **8,330.91** | **6,210.91** |

Interest accrued but not due represents interest on certain long-term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as a part of secured loans.

Repayment due within one year in respect of term loans aggregate to Rs. 1,210.29 million.

| **4 UNSECURED LOANS** | | |
|---|---|---|
| Sugar development fund | 24.97 | 24.97 |
| Deferred purchase tax | 238.67 | 234.10 |
| | **263.64** | **259.07** |

| **5 DEFERRED TAX LIABILITY (NET)** | | |
|---|---|---|
| **Deferred Tax Liability** | | |
| Depreciation | 843.93 | 405.86 |
| Others | 7.03 | 1.20 |
| **Gross Deferred Tax Liability** | **850.96** | **407.06** |
| **Deferred Tax Asset** | | |
| Provision for deferred interest on SDF loan | 17.74 | 17.74 |
| Others | 366.23 | 187.39 |
| **Gross Deferred Tax Asset** | **383.97** | **205.13** |
| **Net Deferred Tax Liability** | **466.99** | **201.93** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | October 1, 2007 | Additions | Deductions/ Adjustments | September 30, 2008 |
|---|---|---|---|---|
| **6 FIXED ASSETS** | | | | |
| **Gross Block** | | | | |
| Goodwill on consolidation | – | 254.55 | – | 254.55 |
| Land- freehold | 181.52 | 57.67 | – | 239.19 |
| Land- leasehold | 125.92 | – | – | 125.92 |
| Buildings | 864.48 | 249.75 | – | 1,114.23 |
| Plant and machinery | 4,990.25 | 1,445.80 | – | 6,436.05 |
| Furniture and fittings | 99.94 | 52.65 | 0.08 | 152.51 |
| Vehicles | 51.71 | 27.20 | 0.57 | 78.34 |
| **Total** | **6,313.82** | **2,087.62** | **0.65** | **8,400.79** |
| *Previous Year* | *1,629.72* | *4,690.89* | *6.79* | *6,313.82* |
| **Accumulated Depreciation** | | | | |
| Goodwill on consolidation | – | – | – | – |
| Land- freehold | – | – | – | – |
| Land- leasehold | – | – | – | – |
| Buildings | 66.61 | 27.75 | – | 94.36 |
| Plant and machinery | 598.56 | 327.23 | 182.39 | 743.40 |
| Furniture and fittings | 16.44 | 14.85 | – | 31.29 |
| Vehicles | 9.05 | 6.32 | 0.11 | 15.26 |
| **Total** | **690.66** | **376.15** | **182.50** | **884.31** |
| Less : Pre-operative & opening depreciation of subsidiaries | | 6.97 | | |
| **Depreciation charged to profit and loss** | | **369.18** | | |
| *Previous Year* | *436.06* | *256.02* | *1.42* | *690.66* |
| **Net Block** | | | | |
| Goodwill on consolidation | – | | | 254.55 |
| Land- freehold | 181.52 | | | 239.19 |
| Land- leasehold | 125.92 | | | 125.92 |
| Buildings | 797.87 | | | 1,019.87 |
| Plant and machinery | 4,391.69 | | | 5,692.65 |
| Furniture and fittings | 83.50 | | | 121.22 |
| Vehicles | 42.66 | | | 63.08 |
| **Total** | **5,623.16** | | | **7,516.48** |
| **Capital Work-in-progress** | **2,086.80** | | | **5,211.63** |
| *Previous Year* | *1,193.66* | | | *5,623.16* |

The Capital Work-in-Progress includes pre-operative expenses of the projects to the extent of Rs. 720.41 million.

The additions in gross block and depreciation include opening balances of subsidiary companies respectively which have become subsidiaries during the year.

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **7 INVESTMENTS** | | |
| **Long Term Investments (At Cost)** | | |
| **Non -Trade** | | |
| **Government Securities** | | |
| National Saving Certificate | 0.04 | 0.02 |
| **Equity shares fully paid-up (Unquoted)** | | |
| Esugar India Clearing Corporation Ltd. | 0.05 | 0.05 |
| 5,000 Equity Shares of Rs.10 each | | |
| Pachhapur Urban Co-op Bank Ltd., Pachhapur | – | – |
| 500 Equity Shares of Rs.10 each | | |
| Shree Renuka Infra Projects Ltd. | 2.60 | – |
| 260,000 Equity Shares of Rs.10 each | | |
| Belgaum DCC Bank Ltd., Belgaum | 0.50 | 0.50 |
| 5,000 Equity Shares of Rs.100 each | | |
| Saraswat Co-op Bank | 0.03 | – |
| 2,500 Equity Shares of Rs.10 each | | |
| KBK Chem-Engineering Pvt Ltd. | – | 160.40 |
| 52,184 Equity Shares of Rs.100 each | | |
| (Previous year 19,883 Equity Shares Rs.100 each) | | |
| **Equity shares fully paid-up (Quoted)** | | |
| Sakthi Sugars Ltd. | 45.03 | – |
| 531,470 Equity Shares of Rs.10 each | | |
| Rajshree Sugars & Chemicals Ltd. | 72.59 | – |
| 1,026,185 Equity Shares of Rs.10 each | | |
| Dwarikesh Sugar Industries Ltd. | 28.77 | – |
| 300,000 Equity Shares of Rs.10 each | | |
| **Units in mutual fund fully paid-up (Quoted)** | | |
| ABN AMRO Mutual Fund | 160.00 | – |
| 16,000,000 Units of Rs.10 each | | |
| | **309.61** | **160.97** |
| Aggregate value of the quoted investments | 306.39 | – |
| Aggregate value of the un-quoted investments | 3.22 | 160.97 |
| Market value of quoted investments | 276.89 | – |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **8 INVENTORY** | | |
| Stores and spares | 775.25 | 205.25 |
| Raw materials and components | 362.90 | 192.61 |
| Intermediate product | 105.05 | 91.11 |
| Work-in-progress | 137.69 | – |
| Finished goods | | |
| Manufactured | 837.47 | 449.12 |
| Others | 33.75 | 63.60 |
| | **2,252.11** | **1,001.69** |

**9 SUNDRY DEBTORS**

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Unsecured | | |
| Debts over six months | | |
| Considered good | 199.31 | 62.61 |
| Considered doubtful | – | – |
| Others | | |
| Considered good | 1,403.98 | 798.50 |
| | **1,603.29** | **861.11** |

**10 CASH AND BANK BALANCES**

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Cash on hand | 9.42 | 3.03 |
| Balances with scheduled banks | | |
| On current accounts | 114.45 | 675.66 |
| On deposit accounts | 90.33 | 222.42 |
| Balance with other banks | | |
| On current accounts | 12.74 | 15.51 |
| | **226.94** | **916.62** |

Balances with banks in deposit accounts include amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

**11 OTHER CURRENT ASSETS**

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Export incentives accrued | 637.56 | 179.24 |
| Interest accrued | 4.95 | 3.70 |
| Others | 210.95 | 139.75 |
| | **853.46** | **322.69** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **12 LOANS AND ADVANCES** | | |
| Unsecured and considered good | | |
| Advances recoverable in cash or kind or for value to be received | 1,027.18 | 362.66 |
| Balances with customs, excise, etc. | 944.99 | 563.20 |
| Deposits | 311.92 | 130.86 |
| Advance income tax | 443.04 | 277.11 |
| | 2,727.13 | 1,333.83 |

| | | |
|---|---|---|
| **13 CURRENT LIABILITIES** | | |
| Sundry creditors | | |
| Small scale industries (to the extent identified with available information) | 2.80 | 3.10 |
| Others | 924.88 | 475.29 |
| Advance from customers | 565.17 | 46.15 |
| Sundry deposits | 281.14 | 135.44 |
| Interest accrued but not due on loans | 116.53 | 25.36 |
| Other liabilities | 322.76 | 143.08 |
| | 2,213.28 | 828.42 |

| | | |
|---|---|---|
| **14 PROVISIONS** | | |
| Provision for taxation | 488.25 | 318.23 |
| Provision for gratuity | 6.11 | 2.69 |
| Provision for leave encashment | 4.79 | 5.91 |
| Provision for fringe benefit tax | 8.70 | 4.89 |
| Provision for equity shares dividend | 55.19 | 49.62 |
| Provision for corporate dividend tax | 9.38 | 8.43 |
| | 572.42 | 389.77 |

| | | |
|---|---|---|
| **15 MISCELLANEOUS EXPENDITURE** | | |
| Expenditure towards voluntary retirement scheme | 0.01 | 0.07 |
| Deferred revenue expenditure to the extent not written off | 16.14 | 21.98 |
| | 16.15 | 22.05 |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

## 16 REVENUE

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Sale of manufactured sugar | 7,330.77 | 5,630.88 |
| Sale of traded sugar | 10,552.99 | 3,821.15 |
| Sale of power | 1,837.82 | 496.92 |
| Sale of ethanol and other products | 1,328.50 | 499.43 |
| Sale from engineering division | 1,527.06 | – |
| Stock transfer for trial run | 664.23 | – |
| Others | 27.89 | 10.15 |
| | **23,269.26** | **10,458.53** |
| Less : Excise duty | 552.58 | 295.25 |
| Intersegment sales | 1,574.00 | 656.86 |
| | **21,142.68** | **9,506.42** |

## 17 OTHER INCOME

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Interest on bank deposits | 15.30 | 27.39 |
| Miscellaneous income | 137.00 | 148.33 |
| | **152.30** | **175.72** |

## 18 RAW MATERIALS CONSUMED

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Opening stock as on October 01, 2007 | 192.61 | 111.17 |
| Opening stock of subsidiaries | 226.62 | – |
| Add: Purchases and related expenses | 7,520.78 | 3,781.11 |
| Less: Intersegment purchases | 730.82 | 321.16 |
| | **7,209.19** | **3,571.12** |
| Less: Closing stock as on September 30, 2008 | 682.28 | 192.61 |
| | **6,526.91** | **3,378.51** |

## 19 COST OF TRADED GOODS

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Opening stock as on October 01, 2007 | 63.60 | 444.05 |
| Add : Purchases | 9,189.33 | 2,990.20 |
| | **9,252.93** | **3,434.25** |
| Less: Closing stock as on September 30, 2008 | 33.75 | 63.60 |
| | **9,219.18** | **3,370.65** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

## 20 (INCREASE)/DECREASE IN INVENTORY

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Opening stock as on October 01, 2007 | | |
| Work-in-progress | | |
| Work-in-progress of subsidiaries | 63.65 | – |
| Finished goods and intermediate products | 540.23 | 488.02 |
| Trial run stock of finished goods and intermediate products | – | 167.53 |
| A | **603.88** | **655.55** |
| Less: Closing stock as on September 30, 2008 | | |
| Work-in-progress | 115.43 | – |
| Finished goods and intermediate products | 467.50 | 540.23 |
| B | **582.93** | **540.23** |
| (A - B) | **20.95** | **115.32** |

## 21 PERSONNEL EXPENSES

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Salaries, wages and bonus | 376.61 | 201.45 |
| Contribution to provident fund and others | 25.22 | 22.43 |
| Contribution to gratuity | 12.18 | 5.66 |
| Contribution to leave Encashment | 4.84 | 9.44 |
| | **418.85** | **238.98** |

## 22 OPERATING AND ADMINISTRATIVE EXPENSES

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| A. Manufacturing | | |
| Consumption of stores and spares | 270.90 | 67.59 |
| Processing charges | 421.80 | 252.84 |
| Direct expenses (engineering) | 37.40 | – |
| Power and fuel | 1,019.29 | 371.84 |
| Lease rentals | 156.55 | 114.22 |
| Repairs and maintenance | | |
| Plant and machinery | 125.83 | 34.87 |
| Buildings | 4.74 | 3.90 |
| Others | 20.96 | 13.51 |
| Less : Intersegment expenses | (843.18) | (335.70) |
| A | **1,214.29** | **523.07** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **22 OPERATING AND ADMINISTRATIVE EXPENSES** (Contd.) | | |
| B. Administrative and General Expenses | | |
| Rent, rates and taxes | 39.89 | 14.99 |
| Insurance | 23.79 | 15.34 |
| Travelling and conveyance | 53.41 | 30.86 |
| Printing and stationery | 9.43 | 4.83 |
| Communication expenses | 19.06 | 12.35 |
| Legal and professional fees | 45.47 | 25.68 |
| Remuneration to directors | | |
| Remuneration | 9.00 | 6.75 |
| Commission | 23.26 | 15.88 |
| Directors' sitting fees | 0.71 | 0.67 |
| Auditor's remuneration | 1.80 | 0.85 |
| Donations and contributions | 5.54 | 1.62 |
| Loss on sale of fixed assets (net) | 0.16 | 0.58 |
| Loss on sale of investments | 2.80 | – |
| Research and development | 14.73 | 4.24 |
| Others | 191.25 | 204.02 |
| B | **440.30** | **338.66** |
| (A + B) | **1,654.59** | **861.73** |

**23 SELLING AND DISTRIBUTION EXPENSES**

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Freight and forwarding charges | 633.96 | 199.53 |
| Advertising and sales promotion | 56.33 | 11.98 |
| Brokerage and discounts | 74.21 | 7.02 |
| Commission and market development expenses | 12.01 | 3.06 |
| | **776.51** | **221.59** |

**24 FINANCIAL EXPENSES**

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| Interest | | |
| on term loans | 272.96 | 87.35 |
| on working capital | 343.30 | 75.27 |
| others | 31.10 | 0.09 |
| Bank charges | 53.37 | 17.75 |
| | **700.73** | **180.46** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

*All amounts in million Indian Rupees, unless otherwise stated*

| | 30-Sep-08 | 30-Sep-07 |
|---|---|---|
| **25 EARNINGS PER SHARE** | | |
| The calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below. | | |
| **Reconciliation of earnings** | | |
| Profit for the year ended September 30, 2008 (net of minority interest) | 1,155.98 | 830.14 |
| Less: Preference dividends (including tax thereon) | – | 41.54 |
| **Net profit attributable to equity shareholders** | **1,155.98** | **788.60** |
| **Reconciliation of number of shares** | **Shares** | **Shares** |
| Shares outstanding at the beginning of the period | 248,096,490 | 23,809,649 |
| Shares outstanding at the end of the period | 275,963,160 | 24,809,649 |
| **Weighted average number of equity shares** | **268,498,679** | **23,892,982** |
| **Basic and Diluted Earnings Per Share (in Rupees per share)** | **4.31** | **33.01** |
| [Nominal value of shares - Re. 1/- each] | | |
| [Previous year, nominal value of shares - Rs.10/- each] | | |

## 26 SIGNIFICANT ACCOUNTING POLICIES

*All amounts in million Indian Rupees, unless otherwise stated*

a. *Basis of presentation*

The accompanying financial statements have been presented for the year ended September 30, 2008 along with comparative information for the year ended September 30, 2007. The financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as stated hereunder.

b. *Consolidation*

The accompanying Consolidated Financial Statements comprise the accounts of Shree Renuka Sugars Limited and its subsidiaries Renuka Commodities DMCC, incorporated in October 2004, Shree Renuka Biofuels Holdings (FZE), incorporated in August 2007, KBK Chem-engineering Pvt. Ltd. acquired in October 2007, Shree Renuka Energy Ltd. incorporated in February 2008, Ratnaprabha Sugars Ltd. and Godavari Biofuels Pvt. Ltd. acquired in July 2008, Shree Renuka Southern Africa Holdings (FZC), incorporated in July 2008 and Renuka Energy Resource Holdings (FZE), incorporated in July 2008 after eliminating all material inter-company accounts, transactions, profits and losses. A subsidiary is an entity in which the Group has either direct or indirect majority ownership interest and has the power to control the financial and operating policies of that entity.

c. *Use of estimates*

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, actual results could differ from those estimates.

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

d. *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been allocated to the sugar, power generation and ethanol units on a reasonable basis.

e. *Borrowing costs*

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are capitalised as a part of the cost of the asset.

f. *Depreciation*

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method. The depreciation on Cogeneration assets upto September 30, 2007 was computed on written down value method. From the financial year beginning October 1, 2007 the method of depreciation on Cogeneration assets has also been changed to Straight Line Method. The effect of write back of depreciation with retrospective effect is Rs.182 million which is accounted in the first quarter of the year 2007-08. As per estimates of management, these rates are representative of the economic useful life of these assets. Had the Company continued the written down value method on Cogeneration assets, depreciation for the year would have been higher by Rs.79.43 million and profit for the year would have been lower to that extent.

No depreciation is provided on assets held for sale.

g. *Leases*

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

h. *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost or fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/loss on sale of investments is computed with reference to their average cost.

i. *Inventory*

Inventory is valued as follows:

*Raw materials, stores and spares and packing materials*

Lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out (‘FIFO’) basis.

*Finished goods*

Lower of cost or net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

*Work-in-process*

Lower of cost upto estimated stage of process or net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

*By-products*

By-products are valued at cost. Inter-unit transfers of by-products also include the cost of transportation, duties, etc.

*Inter-segment*

The inter-segment transfers of inventories are valued at cost.

j. *Revenue recognition*

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns.

Revenue from sale of power is recognised when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the purchasing party.

k. *Foreign currency transactions*

*Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

*Conversion*

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

*Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets until the date of capitalization where the exchange gains/losses are adjusted to the cost of such assets.

*Forward Exchange Contracts not intended for trading or speculation purposes*

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

*Translation of financial statements of foreign subsidiaries*

The consolidated financial statements are presented in Indian Rupees, which is the functional currency of the parent company of the primary economic environment in which it operates.

In the consolidated financial statements, the separate financial statements of the subsidiary, originally presented in a currency different from the Group's presentation currency, have been converted into Indian Rupees. Assets and liabilities have been translated into Indian Rupees at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. The resulting translation adjustments are recorded under the currency translation reserve in equity.

The functional currency of subsidiaries Renuka Commodities, DMCC-Dubai, Shree Renuka Bio-Fuels Holdings (FZE),Sharjah, Shree Renuka Southern Africa Holdings (FZC),Sharjah and Renuka Energy Resource Holdings (FZE),Sharjah, is UAE Dirham ('AED').

l. *Retirement benefits*

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

m. *Income tax*

Tax expenses comprise both current and deferred taxes.

Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

n. *Miscellaneous expenditure.*

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are being written-off over a period of five years. Expenses incurred over the leased units before the starting of operation is treated as deferred revenue expenses and written off over the lease period.

o. *Government grants*

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholders' funds.

p. *Financial derivatives and commodity futures*

Transactions in financial derivatives and commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognised as income/expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take such delivery, are recorded at gross, as purchases and sales as part of the Company's sugar manufacturing activities.

q. *Provisions, contingent liabilities and contingent assets*

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- The Company has a present obligation as a result of a past event
- A probable outflow of resources is expected to settle the obligation and
- The amount of the obligation can be easily estimated.

Contingent Liability is disclosed in the case of

- A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- A possible obligation, unless the probability of outflow of resources is remote.

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Company.

Contingent Assets are neither recognised nor disclosed.

r. *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

s. *Segment reporting*

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group, with the following additional policies for segment reporting:

(i) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

(iii) Gains/losses from transactions in commodity futures, which are ultimately settled net, with/without taking delivery, are recorded as 'Other revenue' under the Sugar segment

(iv) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

t. *Impairment of assets*

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

a. The provision for impairment loss, if any, required or

b. The reversal, if any, required of impairment loss recognised in previous periods

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

## 27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*All amounts in million Indian Rupees, unless otherwise stated.*

i. **Excise Duty on Finished Goods**

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Company's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Company is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/paid only at the time of clearance of the goods from the factory.

ii. **Leases**

The Company has entered into various operating leases for office, residential and factory premises. These are generally short-term leases and cancelable by serving adequate notice. The minimum amount of lease rentals payable on non-cancelable leases is as follows:

- Within a period of one year – Rs. 150 million (Previous year Rs. 121 million)
- Period from one year to five years – Rs. 385 million (Previous year Rs. 287 million)

iii. **Outstanding Commitments**

As at September 30, 2008, the Company had the following outstanding commitments:

- Bank Guarantees outstanding - Rs. 963 million (Previous year Rs. 737 million.)
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for – Rs. 1,156 million (Previous year Rs. 1,485 million.)
- Amount payable for Purchase of Property in Dubai Rs. 1.83 million (Previous year Rs.4 million.)

# Schedules forming part of the Consolidated Financial Statements
for the year ended September 30, 2008

**27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Contd.)

iv. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

v. In terms of accounting standard AS 28 on impairment of assets there was no impairment indicators exist as of reporting date as per the internal management estimates done and hence no impairment charge is recognised during the year under review.

vi. Managerial Remuneration

*(Rs. million)*

| | 2007-08 | 2006-07 |
|---|---|---|
| **1. Executive director's remuneration** | **2007-08** | **2006-07** |
| Salary | 17.22 | 9.51 |
| Ex-gratia | 0.90 | 0.27 |
| Commission | 23.26 | 15.88 |
| Contribution to provident fund | 0.86 | 0.83 |
| Others including perquisites | 3.50 | 1.00 |
| **2. Directors' sitting fees** | 0.71 | 0.67 |
| **Computation of managerial commission** | | |
| Profit before tax & managerial commission | 1,631 | 1,082 |
| Add : Loss on sale of fixed assets | – | 1.00 |
| Add : Loss on sale of investments | 3 | – |
| Less : Profit on sale of assets | – | 2.00 |
| Net Profit as per Section 198 of the Companies Act, 1956 | 1,634 | 1,081 |
| **Maximum Permissible remuneration to whole time directors** | **10%** | **10%** |
| **Restricted to as per service contracts to** | **23.26** | **15.88** |

vii. Related Party Disclosures

Related parties

(a) Subsidiary Companies
- i) Renuka Commodities DMCC- Dubai.
- ii) Shree Renuka Biofuels Holdings (FZE), Sharjah.
- iii) Shree Renuka Energy Limited.
- iv) Shree Renuka Agri Ventures Limited.
- v) KBK Chem Engineering Private Limited.
- vi) Godavari Biofuels Private Limited.
- vii) Ratnaprabha Sugars Limited.
- viii) Shree Renuka Southern Africa Holdings (FZC), Sharjah.
- ix) Renuka Energy Resource Holdings (FZE), Sharjah.

(b) Key managerial persons
- i) Mrs. Vidya Murkumbi
- ii) Mr. Narendra Murkumbi
- iii) Mr. S. M. Kaluti
- iv) Mr. Nandan Yalgi
- v) Mr. Robert Taylor
- vi) Mr. Nitin Puranik

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

**Transactions with related parties** *(Rs. million)*

| a) Transactions with key management personnel | 2007-08 | 2006-07 |
|---|---|---|
| Remuneration including contributions to PF | 45.74 | 27.49 |
| Professional charges payable | – | 7.93 |
| Outstanding remuneration payable | 1.08 | 0.45 |
| Outstanding commission payable | 23.26 | 15.88 |
| Outstanding ex-gratia payable | 0.41 | 0.33 |
| **Rent Paid** | | |
| Volume of transactions during the year | 1.72 | 1.35 |
| Outstanding as at the end of the year | – | 0.11 |

viii. **Details of balances with Non Scheduled Banks** *(Rs. million)*

| Name of the Bank | Balance 30-Sep-08 | Maximum Balance | Balance 30-Sep-07 | Maximum Balance |
|---|---|---|---|---|
| The Belgaum District Central Co-op Bank Ltd | 1.33 | 59.30 | 3.13 | 64.36 |
| The Bagalkot District Central Co-op Bank Ltd | 0.02 | 0.22 | 0.22 | 0.27 |
| Bijapur Grameena Bank, Uttur. | 0.01 | 0.23 | 0.08 | 0.94 |
| Kanakadas Urban Co-op Society Ltd., Yaragatti. | 0.07 | 0.07 | 0.07 | 0.07 |
| Kolhapur District Central Co-op Bank Ltd | 0.25 | 73.03 | 2.19 | 50.01 |
| Krishna Grameena Bank | 0.59 | 56.45 | – | 25.82 |
| Karnataka Vikas Grameena Bank | 1.35 | 125.14 | 9.74 | 120.03 |
| Latur District Co-op Bank, Latur. | 0.25 | 19.59 | – | – |
| Raddi Sahakar Bank Niyamit | 0.02 | 0.02 | 0.02 | 0.02 |
| Sangli District Co-op Credit Bank, Arag. | 0.05 | 8.90 | – | – |
| The Mudalgi Co-op Bank Ltd., Mudalgi | – | 0.06 | 0.06 | 0.06 |
| The Yergatti Urban Co-op Credit Bank Ltd., Yaragatti. | – | – | – | – |
| Banco de Oro Universal Bank, Philippines | 8.80 | 8.80 | – | – |
| **Total** | **12.74** | **351.81** | **15.51** | **261.58** |

ix. **Dividend and Distribution Tax** – The provision of dividend and distribution tax includes short provision of the previous year of Rs. 5.11 million in respect of offering of securities made after the Balance Sheet date.

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

### x. Segment Reporting for the year ended 30.09.2008

*(Rs. million)*

| Particulars | Sugar | | Trading | | Co-Generation | | Ethanol | | Engineering | | Others | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| **REVENUE** | | | | | | | | | | | | | | | | |
| External sales | 6,914.23 | 5,086.88 | 10,552.99 | 3,821.15 | 994.64 | 161.22 | 1,202.50 | 427.02 | 1,450.43 | – | 27.89 | 10.15 | – | – | 21,142.68 | 9,506.42 |
| Inter-segment sales | 730.82 | 321.16 | – | – | 843.18 | 335.70 | – | – | | | – | – | (1,574.00) | (656.86) | – | – |
| **Total Revenue** | **7,645.05** | **5,408.04** | **10,552.99** | **3,821.15** | **1,837.82** | **496.92** | **1,202.50** | **427.02** | **1,450.43** | **–** | **27.89** | **10.15** | **(1,574.00)** | **(656.86)** | **21,142.68** | **9,506.42** |
| Results | 412.06 | 862.55 | 605.98 | 272.92 | 932.88 | 139.79 | 484.60 | 190.56 | 74.65 | – | 11.55 | (2.75) | | – | 2,521.72 | 1,463.07 |
| Unallocated corporate expenses | | | | | | | | | | | | | | | 381.08 | 392.61 |
| Operating profit | | | | | | | | | | | | | | | 2,140.64 | 1,070.46 |
| Interest expenses | | | | | | | | | | | | | | | 684.86 | 180.46 |
| Interest and other income | | | | | | | | | | | | | | | 152.30 | 175.72 |
| Profit from ordinary activities | | | | | | | | | | | | | | | 1,608.08 | 1,065.72 |
| Extra-ordinary items | | | | | | | | | | | | | | | – | – |
| **Net Profit** | | | | | | | | | | | | | | | **1,608.08** | **1,065.72** |
| **OTHER INFORMATION** | | | | | | | | | | | | | | | | |
| Segment assets | 9,255.54 | 4,829.75 | 1,524.36 | 1,158.54 | 2,550.60 | 1,582.99 | 1,716.70 | 787.18 | 1,045.70 | – | 21.87 | 19.10 | – | – | 16,114.77 | 8,377.56 |
| Unallocated corporate assets | | | | | | | | | | | | | | | 4,602.03 | 3,951.36 |
| **Total Assets** | **9,255.54** | **4,829.75** | **1,524.36** | **1,158.54** | **2,550.60** | **1,582.99** | **1,716.70** | **787.18** | **1,045.70** | **–** | **21.87** | **19.10** | **–** | **–** | **20,716.80** | **12,328.92** |
| Segment liabilities | 2,982.42 | 2,045.24 | 1,490.61 | 1,094.94 | 53.51 | 59.46 | – | 4.60 | 1,045.70 | – | – | – | – | – | 5,572.24 | 3,204.24 |
| Unallocated corporate liabilities | | | | | | | | | | | | | | | 15,144.56 | 9,124.68 |
| **Total Liabilities** | **2,982.42** | **2,045.24** | **1,490.61** | **1,094.94** | **53.51** | **59.46** | **–** | **4.60** | **1,045.70** | **–** | **–** | **–** | **–** | **–** | **20,716.80** | **12,328.92** |
| Capital Expenditure | 7,452.69 | 4,609.29 | 0.38 | 0.17 | 1,974.81 | 1,842.98 | 1,365.79 | 694.38 | 105.21 | – | 539.51 | 43.95 | – | – | 11,438.39 | 7,190.77 |
| Unallocated corporate capital expenditure | | | | | | | | | | | | | | | 2,174.03 | 1,209.85 |
| **Total Capital Expenditure** | **7,452.69** | **4,609.29** | **0.38** | **0.17** | **1,974.81** | **1,842.98** | **1,365.79** | **694.38** | **105.21** | **–** | **539.51** | **43.95** | **–** | **–** | **13,612.42** | **8,400.62** |
| Depreciation | 521.70 | 298.55 | 0.06 | 0.04 | 224.92 | 315.59 | 86.69 | 49.90 | 7.09 | – | 1.44 | 1.15 | – | – | 841.90 | 665.23 |
| Unallocated corporate depreciation | | | | | | | | | | | | | | | 42.41 | 25.43 |
| **Total Depreciation** | **521.70** | **298.55** | **0.06** | **0.04** | **224.92** | **315.59** | **86.69** | **49.90** | **7.09** | **–** | **1.44** | **1.15** | **–** | **–** | **884.31** | **690.66** |

# Schedules forming part of the Consolidated Financial Statements

for the year ended September 30, 2008

## 27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

**xi. Subsequent events after the Balance Sheet date**

a) Acquisition of Gokak Sugars Ltd. in Karnataka.

The Company has acquired 87% shareholding in Gokak Sugars Ltd., for a consideration of Rs. 693 million which includes assumption of pre-existing debt of Rs.650 million. Gokak Sugars Ltd., has 2,500 TCD sugar manufacturing unit and 14 MW co-generation power plant at Kolavi village, Taluka Gokak, Belgaum District in Karnataka.

b) 30 Year lease of Raibag Sahakari Sakhar Karkhana Niyamit, Raibag, Karnataka.

The Government of Karnataka has awarded Shree Renuka Sugars Ltd. 30 year lease of Raibag Sahakari Sakhar Karkhana Niyamit. Raibag SSKN has a sugar manufacturing capacity of 2,500 TCD.

**xii. Previous year figures**

Previous year figures have been regrouped/recast wherever considered necessary to make them comparable with those of the current year.

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As per our Report of even date

For **Ashok Kumar, Prabhashankar & Co.,**
*Chartered Accountants*

**K. N. Prabhashankar**
*Partner*
Membership No.19575

Place: Mumbai
Dated: November 14, 2008

For and on behalf of the Board

**Vidya M. Murkumbi**
*Executive Chairperson*

**Narendra M. Murkumbi**
*Vice-Chairman & Managing Director*

**K. K. Kumbhat**
*Chief Financial Officer*

**D. V. Iyer**
*Company Secretary*

Shree Renuka Sugars Ltd.

Regd Off.: B.C. 105, Havelock Road, Camp, Belgaum-590 001.

# FORM OF PROXY

| | |
|---|---|
| DP Id No | |
| DP Id No | |

| | |
|---|---|
| Folio No. | |
| No. of Shares | |

I/We_______________________________________ of ___________________________ being a member/members of Shree Renuka Sugars Limited, hereby appoint ___________________________________ of _________________________________ or failing him/her _________________________________in the district of ________________________________as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, the 2nd January, 2009 at 9.30 a.m. at Maratha Mandir Hall (Near Railway Over Bridge), Khanapur Road , Belgaum – 590 006 and any adjournment thereof.

Signed this____________day of _____________200

Re.1/- Revenue Stamp

Signed by the said__________________________

Note: The Proxy Form duly signed and completed must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. The proxy need not be a member of the Company.

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Shree Renuka Sugars Ltd.

Regd Off.: B.C. 105, Havelock Road, Camp, Belgaum-590 001.

# ATTENDANCE SLIP

| | |
|---|---|
| DP Id No | |
| DP Id No | |

| | |
|---|---|
| Folio No. | |
| No. of Shares | |

Name of the Shareholder_______________________________________________________

holding_______________________________________ shares of the Company, hereby record my / our presence at the Annual General Meeting of the Company held at Maratha Mandir Hall (Near Railway Over Bridge), Khanapur Road, Belgaum – 590 006 on Friday, 2nd January, 2009 at 9.30 a.m.

_______________________________

Signature of the Shareholder/Proxy

Proxy's Full Name_______________________________________________________

**Note:** 1. Please fill this Attendance Slip and hand over at the entrance of the Meeting Hall.
2. Duplicate slips will not be issued at the entrance of the Hall.
3. Shareholders are requested to bring their copy of the Notice.

Shree Renuka Sugars Ltd.

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