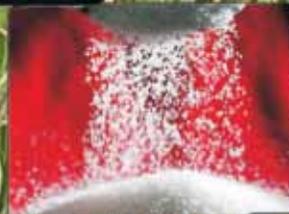




# ANNUAL REPORT 2010 -2011



**K. M. SUGAR MILLS LTD.**

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## **Forward Looking Statement**

*Statement in this report that describe the company's objectives, projections, estimates, expectations or predications of the future may be 'forward looking statements' within the meaning of applicable securities laws and regulations. The Company cautions that such statements involve risk and uncertainty and that actual results could differ materially from those expressed and implied*



## Company Information

### BOARD OF DIRECTORS

#### Chairman

L.K. Jhunjhunwala

#### Whole Time Director

Aditya Jhunjhunwala, *Managing Director*

Sanjay Jhunjhunwala, *Joint Managing Director*

Subhash Chandra Agarwal, *Executive Director*

#### Non Executive and Independent Director

H.P. Singhania

Dr. Kirti Singh

R. S. Shukla

S. K. Gupta

#### Company Secretary

Akhilesh Kumar Singh

#### Auditors

M/s MEHROTRA & MEHROTRA

Chartered Accountants

C-561, DEFENCE COLONY,

NEW DELHI - 110 024

#### Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

#### Registered Office

11, Moti Bhawan, Collectorganj,

Kanpur U.P. - 208 001

#### Corporate Office & Works

Motinagar, Distt. Faizabad (U.P.) - 224 201



## Directors' Report ...

# Directors Report ...

To,  
The Members,

Your Directors have pleasure in placing the 39<sup>th</sup> director's report along with the Audited Statement of Accounts for the financial year ended on 30<sup>th</sup> September, 2011.

### Financial Performance

The Financial performance of the Company during the year 2010-2011 as under:

(Rupees in Lacs)	2010-11	2009-10
Profit before interest, depreciation & tax	1583	172
Less: Interest	(1420)	(1284)
Depreciation	(1229)	(1359)
Profit before tax	(1066)	(2471)
Provision for taxation (including FBT)		
Provision for taxation (deferred)	47	(643)
Net Profit before extraordinary Items	(1113)	(1828)
Add: Extra ordinary item	(9)	(1)
Net Profit	(1122)	(1829)
Add: Balance brought forward from Previous year	(4382)	(2549)
Transfer to Molasses Reserve Fund	(4)	(3)
Amount available for Appropriation	(5508)	(4382)
Transfer to general reserve	Nil	Nil
Balance carried to Balance Sheet	(5508)	(4382)

### Overall Performance

For the year ended on 30<sup>th</sup> September, 2011 sales stood at Rs. 30676.02 Lacs (net of excise duty) against Rs. 17824.54 (net of excise duty) of last year. During the last financial year the company had done trading of sugar for Rs. 1760.98 Lacs whereas during the reported financial year trading activity was done for Rs. 13247.93 Lacs. Loss after interest and depreciation stood at Rs. 1065 Lacs against the loss of Rs. 2471 Lacs in last year. Loss after tax for the year ended September 30, 2011 was Rs. 1122 Lacs compared to loss of Rs. 1829 Lacs of the previous year.

### Dividend

Due to accumulated losses the directors have not proposed any dividend for the financial year ended September 30, 2011.

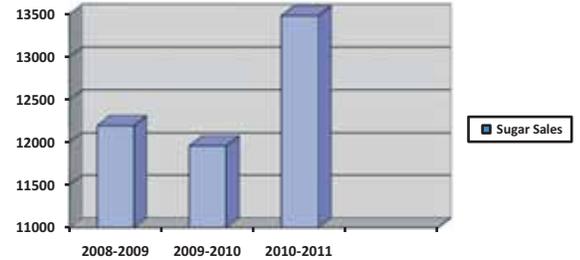
### Performance of Divisions

#### Sugar Division

Crushing season 2010-2011 was long Season for the Company. The company has crushed 54.85 Lacs qtl . in Sugar season of 104 days. The other details are as under:

	Season 2010-11	Season 2009-10
Gross Working days	104	93
Total Cane Crushed (qtls.)	5485290.31	5070800.71
Average cane crushed per day (qtls.)	52743.18	54524.74
Average Recovery	9.45%	8.97%

Sugar Sales during last Three year

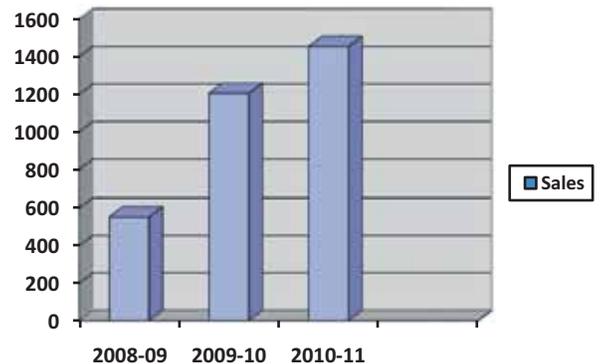


### Cane Management

Cane management is the most indispensable part of the whole sugar manufacturing process. It is said " Sugar is produced in the field and extracted in the factory " This make the Cane management as most important part of the Sugar Industry .The quality as well as price of sugar cane determines the prospects of the company. The Central Government fixed Fair and Remunerative Price (FRP) for the Sugar Season 2010-2011 of Rs 139.12 per qtl at 9.50% recovery with an increase of Rs 1.46 per qtl for 0.1% recovery as compared to the last sugar season. The U P Government fixed state Advised Price (SAP) of Rs 205 per qtl for general variety and Rs. 210/- per qtl for early maturing variety for the season 2010-2011

### Co-Generation:

Sale of Power during Last Three Years



### Distillery

The year 2010-11 Company produces 53.98 Lacs bl of rectified spirits with recovery of 20.60% which was less by 8.46% in comparison of last year production. The previous year production was 58.97Lacsbl.

In current sugar season 2011-12, Company expect better margin due to improvement in the alcohol price in the market due to high demand and lesser input cost because the availability of excessive cane, the availability of molasses in the open market as well as captive production shall be more.



## Auditors

M/s. Mehrotra & Mehrotra, Chartered Accountants, New Delhi, Auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. They have furnished a certificate to the effect that their proposed reappointment, if made, will be in accordance within the limits specified u/s 224 (1B) of the Companies Act, 1956. The Board of Directors recommends to the shareholders the appointment of M/s Mehrotra & Mehrotra as Auditors of the Company.

## Auditors' Report

The comments on the statement of account referred to in the report of the auditors are self-explanatory, and explained in the appropriate notes to the accounts and hence do not call for any further information and explanation under Section 217(3) of the Companies Act, 1956.

## Directors

At the ensuing Annual General Meeting Dr. Kirti Singh and Shri R. S. Shukla shall retire by rotation u/s 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for the same. The Board commends for their re-appointment at ensuing AGM.

## Public Deposits

During the year 2010-2011 the company has not accepted any public deposits.

## Listing Agreement

The equity shares of the company are listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited.

## Directors' Responsibility Statement

In pursuance of sub-section (2AA) of Section 217 of the Companies Act, 1956, in respect of Directors' Responsibility Statement, the Board of Directors confirms:

- (i) that in the preparation of the annual accounts for the year ended on September 30, 2011 the applicable accounting standard have been followed by the Company.
- (ii) that the directors of the company have selected such accounting policies, applied them consistently, made judgments estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date.
- (iii) that the directors of the Company have taken proper and sufficient care for the maintenance of adequate

accounting in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for detecting fraud and other irregularities; and

- (iv) that the directors of the Company have prepared the annual accounts on a going concern basis.

## Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988 are given in 'Annexure 1' and forms part of this Report.

## Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are given in 'Annexure 2' and forms part of this Report.

## Corporate Governance

A certificate from M/s Amit Gupta & Associates, Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement alongwith the report on corporate Governance is attached as Annexure-3 to this report.

## Management Discussion and Analysis Report

The Management Discussion and Analysis Report on the business and operations of the company is attached to this report as 'Annexure-4'.

## Research and Development

The details relating to Research and Development activities carried out by the company during the year are stated in Form B of the this report as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

## Industrial Relations

The industrial relations have been cordial at all plants of the Company during the year.

## Acknowledgements

Yours Directors place on record their acknowledgement and sincere appreciation of all the bankers and financial institutions for their continued assistance. They further appreciate and



acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

For and on behalf of the Board  
of K. M. Sugar Mills Ltd.

Sd/-

Date:13.02.2012  
Place: Lucknow

L. K. Jhunjhunwala  
Chairman

**Annexure to the Directors Report**

**Annexure 1**

Conservation of Energy , Technology Absorption and Foreign Exchange and Outgo

**Form A**

Disclosure of particulars with respect to conservation of Energy

Particulars	Units	Current year ended at 30 <sup>th</sup> September, 2011	Previous year ended at 30 <sup>th</sup> September, 2010
<b>Electricity</b>			
Purchased Unit	Kwh	Nil	Nil
<b>Total Amount</b>	Rs.	Nil	Nil
<b>a) Own Generation</b>			
i) Through Diesel Generation Units per litre of diesel kwh/litre	Kwh	Nil Nil	Nil Nil
ii) Through Steam Turbine generation Kg of Bagasse required kwh	Kwh	45561530 4.15	41207000 3.95
iii) Total units Generated Total Cost/ Unit	Rs.	45561530 2.08	41207000 1.98

**Form B**

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

1.	Specific areas in which R & D carried out by the Company	1- Mud transferred to fourth Mill. 2- Energy Saving at Boiling House – (1) Sulphur Furnace (2) Super Heated Wash Water Heating System by VAPCON for "A" massecuite curring. 3- Curring On B and C massecuite Exhaust Steam connection provided. In place of live steam. 4- Heat recovery system provided for heating of RO water and 15 MW condensing water. 5- Agetation Steam connection for B and C massecuite boiling in B and C Continuous Pans.
2.	Benefits derived as results of the above R & D	1- ICUMSA of the juice and sugar, mud level at clarifire increased. 2- 2% steam consumption reduced. ROI of the unit within 30 days. 3- Live steam stopped completely. Very satisfactory. ROI - 15 days 4- Temp. Increased of condensate + RO water from 50 <sup>o</sup> C to 90 <sup>o</sup> - 95 <sup>o</sup> C.Observation very satisfactory. System ROI - with in 40 days. 5- Above 7500 TCD crushing done without any problem. Reduced water boiling in Pan i.e. save steam consumption. Very satisfactory.
3.	Further plan of action	1Ind row Juice Heater by 1st vapor condensate. Apx. Cost of System Rs- 38 to 40 Lacs. We'll be benefitted as 1% steam consumption on cane will be reduced. ROI of the System is - 40-45 days.
4.	Expenditure on R & D i) Capital ii) RecurringExpenditure iii) Total iv) Total R & D expenditure as a percentage of total turnover	30 Lacs 30 Lacs

II. Technology absorption, adaptation and innovation

III. Foreign Exchange earnings & Outgo

Sr. No.	Activities relating to exports initiative taken to increase exports	Rs. In Lac
i)	Development of new export market for product and services and export plan	20.41
ii)	FCNR Interest	97.49
iii)	Total foreign exchange earnings (Rs. Lac)	10763.46
	Used (Rs. In Lac)	10881.36

**Annexure 2**

Information pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended September 30, 2011.

A. Employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 60,00,000 per annum.

Sl.	Name	Age Yrs.	Designation	qualification	experience (in years)	Date of commencement of employment	Remuneration Rs. In Lacs	Previous employment
				NIL				

B. Employed for part of the financial year and were in receipt of monthly remuneration of not less than Rs. 5,00,000.

Sl.	Name	Age Yrs.	Designation	qualification	experience (in years)	Date of commencement of employment	Remuneration Rs. In Lacs	Previous employment
				NIL				

For and on behalf of the Board of  
K. M. Sugar Mills Ltd.

Sd/-

Date: 13.02.2012  
Place: Lucknow

L. K. Jhunjhunwala  
Chairman



### Annexure 3

#### Directors' Report on Corporate Governance

##### 1. Philosophy on Code of Governance

Corporate Governance refers to a set of Laws regulations and good practices that enable an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders. Hence your company recognizes that good corporate governance is a continuous exercise.

Your company, since its inception, being always guided by ethical principles and being transparent and fair in its business dealings and administration, have adequate system of control and check in place to ensure that the executive decisions should result in optimum growth and development.

##### 2. Board of Directors

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2011, the board consists of eight directors; out of which four are executive directors and four are non-executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

- Three Promoters, Executive Directors
- One Non-Promoter, Executive Director
- Four Independent, Non-Executive Directors

During the year ended on 30th September, 2011, four Board meetings were held on 30.11.2010, 14.02.2011, 14.05.2011 and 12.08.2011. As on 30th September the composition of the Board of Directors, the number of other board of directors or Board committees of which they are member or chairperson and the attendance of each director at these board meeting and the last Annual General Meeting are as under:

Name of director	Category	No. of directorships (Public Limited Company)	No. of Chairmanship/ Membership on other Board Committees	No. of Board Meeting attends	Attendance at last AGM
1. L. K. Jhunjhunwala	Promoter, Executive	-	-	4	Yes
2. Aditya Jhunjhunwala	Promoter, Executive	2	1	3	Yes
3. Sanjay Jhunjhunwala	Promoter, Executive	-	1	2	Yes
4. S. C. Agarwal	Independent, Executive	-	-	4	Yes
5. H. P. Singhania	Independent, Non-executive	1	3	4	Yes
6. Dr. Kirti Singh	Independent, Non-executive	-	-	2	No
7. R. S. Shukla	Independent, Non-executive	-	2	3	Yes
8. S. K. Gupta	Independent, Non-executive	-	2	4	Yes

##### Board Procedure

The Board Meeting of the Company held at least once in each quarter in order to review the quarterly performance and the financial results. The intimation of the Board Meeting is given to the members of the Board at least seven clear days before the date of the Board Meeting in writing and over the phone as well the agenda of the meeting and the relevant notes are sent to each director in advance and only in exceptional circumstances it is tabled at the meeting. All the items of agenda are accompanied with detailed notes providing information on the related subject.

The information as per Annexure I to clause 49 of the listing agreement is regularly made available to the members of the Board.

The members of the Board are informed at every meeting about the overall performance of the company during the quarter, which enable the Board to discharge their duties and responsibilities more efficiently. Apart from the matters statutorily requiring board's approval, all other major decision including policy formulation, capital expenditure budgets, new investments, compliance with statutory / regulatory requirements are also considered by the Board.

The Minutes of the Board Meeting are circulated to all the members of the board in advance and are confirmed at subsequent Board Meeting.

During the year Four Board meetings were held. The details are as follows :-

Date of Board Meeting	Board Strength	Directors Present
12.08.2011	8	6
14.05.2011	8	6
14.02.2011	8	7
30.11.2010	8	7

Details of the director seeking reappointment at the Annual General Meeting in respect of appointment or reappointment of directors, all the relevant information is given in the notice for Annual General Meeting including brief resume of the Directors, nature of their expertise in any specific area and name of the companies in which they are director and member of any Board Committee.

##### 3. Board Committees

The Board has constituted three committees, the Audit Committee, the Remuneration Committee and Investor Grievance Committee, the Company Secretary of the Company acts as the Secretary to all the Committees.

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

##### Audit Committee

The Audit Committee comprises of four directors out of which three are Non-Executive Independent Directors and one is Promoter and Executive Director. Mr. H. P. Singhania acts as the chairman to the Committee. The Company Secretary acts as the Secretary of the Committee. The Chief Financial Officer, the External and Internal Auditors are the regular invitees. The Composition of the the Audit Committee meets the requirement of the Clause 49 and the provisions of the Companies Act 1956.

The Composition of the Audit Committee:-

Sl No.	Name of the Member	Position
1	Mr. H. P. Singhania	Chairman
2	Mr. R. S. Shukla	Member
3	Mr. Sanjay Jhunjhunwala	Member
4	Mr. S. K. Gupta	Member

##### Terms of Reference and Powers :

All the members of the Committee have sound knowledge of finance and accounts. The terms of reference and powers of the audit committee covers areas mentioned under clause 49 of the listing agreement and section 292A of the Companies act, 1956 (hereinafter referred as "the act")

Further, the Committee Oversees Company's financial reporting process and disclosure of its 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 services.

Review the quarterly, half yearly annual financial statements with the management before submission to the Board.

Review the external and internal auditors, and adequacy of internal control system with the management.

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.

Discuss any significant findings with the internal auditors and follow up thereon.

Review the findings of any internal investigation by the Internal Auditors into matters where there is suspected fraud.

Discussion with External Auditors before the commencement of Audit about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

Review of company's financial risk management policies also to look into the reasons for substantial defaults in payments to depositors, shareholders and creditors.

#### Meetings and Attendance:-

During the year four meetings of the company were held on 30.11.2010, 14.02.2011, 14.05.2011 and 12.08.2011

Sl. No.	Name of the Member	Name of Meetings Attended
1	Mr. H. P. Singhanian	4
2	Mr. R. S. Shukla	3
3	Mr. Sanjay Jhunjhunwala	2
4	Mr. S. K. Gupta	4

#### Remuneration Committee

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhanian acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 30.11.2010, 14.02.2011, 14.05.2011 and 12.08.2011. The details are as follows :

Sl No.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1.	Mr. H. P. Singhanian	Chairman	4	4
2.	Mr. R. S. Shukla	Member	4	3
3.	Mr. S. K. Gupta	Member	4	4

#### Remuneration Policy

The remuneration as applicable to executive/non-executive directors provides for the following:

#### Non-Executive Directors

The remuneration to the non-executive directors is decided and approved by the Board of Directors of the Company unanimously. The sitting fees paid to the non- executive directors is Rs. 5000/- for each

Board meeting and each meeting of any Board Committee attended by them.

#### Executive Directors

The executive directors are paid remuneration as decided and recommended by the remuneration committee to the Board of Directors. The remuneration package for the Chairman, Managing Director, Jt. Managing Director & Executive Directors is subject to the limit prescribed under the Companies Act, 1956.

The remuneration paid to the directors during the year ending on 30<sup>th</sup> September, 2011 is as under:

Name	Salary & Allowance	Perquisites & other profits	Incentive and Bonus paid	Sitting fees
L. K. Jhunjhunwala	2100000	-	NIL	NIL
Aditya Jhunjhunwala	12,00,000	148000	NIL	NIL
Sanjay Jhunjhunwala	12,00,000	148000	NIL	NIL
S. C. Agarwal	782231	72808	NIL	NIL
H. P. Singhanian	---	---	NIL	20000
R. S. Shukla	----	----	NIL	15000
Dr. Kriti Singh	----	----	NIL	10000
S. K. Gupta	----	----	NIL	20000

#### Shareholders' Grievance Committee

The shareholders' Grievance Committee comprises of four directors out of which one executive and three non- executive Independent Directors.

During the year, 4 meetings of the Committee were held on 30.11.2010, 14.02.2011, 14.05.2011 and 12.08.2011. The details are as follows:

Sl. No.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1	Mr. H. P. Singhanian	Chairman	4	4
2	Mr. R. S. Shukla	Member	4	3
3	Mr. S. K. Gupta	Member	4	4
4	Mr. Aditya Jhunjhunwala	Member	4	3

#### General Body Meeting

Day, date, time and venue of the Annual General Meeting

Day & Date: Monday, 19<sup>th</sup> March, 2012

Time: 11.00 AM

Venue: Kanha Continental 111A/16, G. T. Road Near CoCa Cola Crossing, Kanpur, Uttar Pradesh-208012

#### Dates of Book Closure:

Thursday March 15<sup>th</sup>, 2012 to Monday March 19<sup>th</sup>, 2012 both days inclusive

The details of the last three Annual General Meetings are as follows:-

Financial Year	Day & Date	Location	Time
2007-08	Thursday 26.03.2009	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur-208001	11:00 A.M.
2008-09	Monday 08.03.2010	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur-208001	11.00AM
2009-10	Friday 25.03.2011	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur-208001	11.00AM

#### Extra ordinary General Meeting

No Extra ordinary General meeting was held during the year.

#### Postal Ballot

No resolution was passed through postal ballot during the year.



**Disclosures**

**a) Related Party Transaction**

There are no transactions of the Company with promoters, directors, management, subsidiaries or relatives etc. which is of material nature, having potential conflict with the interest of the Company at large.

Adequate disclosure has been made as per Accounting standard 18 in page No. 30-31.

**b) Disclosure of accounting treatment**

The financial statements are prepared under the historical cost convention and have been prepared in accordance with the applicable mandatory accounting standards prescribed by The Institute of Chartered Accountants of India and relevant presentational requirements of the Act.

**Compliance**

The Board has complied with all the Compliance related to Clause 49 of Listing Agreement

Compliance with Corporate Governance Norms:-

The Company has complied with Mandatory requirements of the Code of Corporate Governance as Stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has submitted its Compliance Report in the prescribed format to the Stock Exchange for the quarters ended 31.12.2010, 31.03.2011, 30.06.2011 & 30.09.2011 . Amit Gupta & Associates, Practicing Company Secretaries, Lucknow have certified that the company has complied with the Corporate Governance norms as stipulated by the Stock Exchanges under Clause 49 of the Listing agreement. The said certificate is send to the Stock Exchanges Where Company is listed.

**Reconciliation of the Share Capital Audit:**

As Stipulated by Securities and Exchange Board of India (SEBI), an Independent Company Secretary carries out the Reconciliation of the Share Capital Audit to reconcile the total admitted Capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total Issued and Listed Capital. The Audit is Carried out every quarter and the report thereon is submitted to the Stock Exchanges, NSDL and CDSL and is also placed before the Board of Directors.

**Code of Conduct**

The Board of Directors has laid down a Code of conduct for the Members of the Board members as well as the employees in the senior Management of the Company , The Managing Director has confirmed and declared that all the Members of the Board as well of the employees in the senior Management have affirmed Compliance with the Code of Conduct

**Communication**

The quarterly and annual results of the Company are published in prominent newspapers viz. Business Standard and Rastriya Sahara. The results are sent to stock exchanges, immediately after approval of the board. The Company has its website www.kmsugar.com, which provides the Comprehensive details of the operations of the Company. The management discussion and analysis report forms a part of the annual report.

**Green initiatives in Corporate Governance:**

Ministry of Corporate Affairs have taken a Green Initiative in Corporate Governance by allowing paperless Compliance by the Companies after considering the relevant sections of the Information Technology Act 2000, for legal validity of Compliance under Companies Act , through electronic mode.

The MCA Circular No 17/2011 dated 21.04.2011 clarified that a company would have complied with Section 53 of the Companies Act 1956 , if the Service of document has been through electronic mode , provide the Company has obtained the e-mail of members for sending the Notice and document through e-mail by giving advance opportunity to every shareholder to register his /her e-mail address and change therein from time to time with the Company.

In pursuance of the said circular, the Company is in the process of obtaining the e-mail address / change in their e-mail address of the members to effectively implement the said Green Initiative of MCA. And for those shareholders we already have there email id Company will provide Annual report through Electronic mode

**Listing on Stock Exchanges**

Equity Shares	Equity Shares
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. Tel: 91-22-22721233/34 Fax:91-22-22721072 Website: www.bseindia.com	National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Mumbai. Tel: 91-22-26598100 Fax: 91-22-26598237/38

Listing fees for the financial year 2010-11 has been paid to all the concerned stock exchanges by the Company.

**Depositories:**

1. National Securities Depository Ltd., Trade Worlds, 4<sup>th</sup> floor, Kamala mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013

2. Central Depository Services (India) Ltd., Phiroze Jeejeebhoy Towers, 17<sup>th</sup> floor, Mumbai 400023

**Compliance officer**

Mr. Akhilesh Kumar Singh is the Compliance Officer of the Company.

**Registrar & Share Transfer Agent**

Link Intime (India) Pvt. Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup West, Mumbai-400078

**Stock Market Data**

Month	Quotation at BSE			Quotation at NSE		
	High	Low	Closing	High	Low	Closing
October 10	5.55	5.25	5.25	5.45	4.50	5.20
November 10	5.00	4.87	4.93	5.00	4.80	4.90
December 10	5.00	4.87	4.93	5.00	4.80	4.90
January 11	4.49	4.07	4.09	4.90	4.00	4.15
February 11	4.55	4.16	4.21	4.50	4.00	4.10
March 11	3.89	3.60	3.61	3.75	3.55	3.70
April 11	3.78	3.35	3.60	3.80	3.55	3.65
May 11	3.65	3.26	3.38	3.65	3.20	3.40
June 11	3.59	2.85	3.17	3.60	3.20	3.30
July 11	3.40	2.55	3.06	3.20	3.00	3.00
August 11	2.96	2.56	2.94	3.10	2.70	2.95
September 11	2.71	2.52	2.54	2.70	2.50	2.55



Shareholding pattern as on September 30, 2011

Category of Shareholder	No. of Share holders	Total no. of Shares	Total no. of Shares held in dematerialized form	Total Shareholding as a % of total No. of Shares
A) Shareholding of Promoter & Promoter Group i) Indian Promoter ii) Foreign Promoters	16 NIL	61619325 NIL	61619325 NIL	66.98% NIL
B) Public Shareholding i) Institutions Financial institution/banks ii) Non- institution Bodies corporate Individuals	NIL 250	NIL 7,748,807	NIL 7,748,802	NIL 8.42%
Holding nominal Share Capital upto Rs. 1 lacs	9,276	13,273,975	13,272,950	14.43%
Holding Nominal Share capital more than Rs.1 lacs	32	7,445,190	7,445,190	8.09%
Any others	375	1,912,873	1,912,873	2.08%
Non- Resident Indian	75	134,798	134,798	0.15%
Clearing members	10	6,594	6,594	0.01%
HUF	290	1,771,481	1,771,481	1.93%
<b>TOTAL</b>	<b>9,949</b>	<b>92,000,170</b>	<b>91,999,140</b>	<b>100.00%</b>

**Demat of Shares**

The trading of the Company's equity shares falls under the category of compulsory delivery in dematerialized mode and are available for trading on both the depository system of India, National Securities Depository Ltd. and Central Depository Services (India) Ltd.

**Share Transfer System**

A valid share transfers are normally affected within maximum of 30 days from the date of receipt.

**Distribution of Shareholding**

Category	No. of Share holders	%	Physical	NSDI Demat	CDSL Demat	Total No. of Shares	%
Upto- 2,500	7495	75.334	2060	4918974	2808086	7729120	4.201
2,501-5,000	1245	12.514		2945786	1978278	4924064	2.676
5,001-10,000	669	6.724		3090378	2217764	5308142	2.885
10,001-20,000	275	2.764		2413092	1784198	4197290	2.281
20,001- 30,000	84	0.844		1308664	862036	2170700	1.180
30,001- 40,000	42	0.422		800236	724220	1524456	0.829
40,001- 50,000	26	0.261		598150	608178	1206328	0.656
50,001- 1,00,000	47	0.472		1951014	1382946	3333960	1.812
1,00,001& Above	66	0.663		139997436	13608844	153606280	83.482
<b>TOTAL</b>	<b>9949</b>	<b>100</b>	<b>2060</b>	<b>158023730</b>	<b>25974550</b>	<b>184000340</b>	<b>100.00</b>

**Plant Location**

Unit: Sugar, Cogeneration, Distillery, District Faizabad, Uttar Pradesh.

**Non- Mandatory Requirements**

Non-Mandatory requirement has not been adopted by the Company.



## Management Discussion and Analysis Report

### Global Sugar Industry

The Global sugar production is dominated by Brazil, India and China, accounting for around 40% of total produce. During 2010-2011 sugar production stood at 166.958 million tons as against 157.994 million tons in 2009-2010, an increase of 5.67% over the previous year. The Sugar consumption for 2010-2011 on the other hand, stood at 166.179 million tons as against 162.619 million tons in 2009-2010 an increase of 2.19% over the previous year.

Given the increasing trend of sugar production and an estimated 167 millions MT production in Sugar year 2012, it is unlikely that sugar prices will have any upward buoyancy over the next year.

**World Sugar Balance**  
(million tonnes, raw value)

	2010/11	2009/10	Change	
			in mln t	in %
PRODUCTION	166.958	157.994	8.964	5.67
CONSUMPTION	166.179	162.619	3.560	2.19
SURPLUS/DEFICIT	0.779	-4.625		
IMPORT DEMAND	50.422	53.776	-3.354	-6.24
EXPORT AVAILABILITY	51.287	54.236	-2.949	-5.44
END STICKS	56.159	56.199	-0.040	-0.07
STOCKS / CONSUMPTION RATION IN %	33.79	34.56		

Source: isosugar.org

### Global Sugar Prices

The world sugar market continues to experience considerable price volatility. The world indicator price for raw sugar witnessed a succession of peaks and downward corrections in 2010 before soaring to a 30-year high of USD 36.08 cts/lb (USD 795.4/t) in February 2011.

International sugar prices are expected to ease back over the remainder of 2011 and into 2011-12, as production responds around the world to recent high prices and the global balance moves into a larger surplus that allows the start of stock rebuilding.

While sugar prices may not exhibit any upward trend in SY2012 as compared to SY2011, the high cost of production in India (mainly due to exorbitantly high cane price) and Brazil, will set the floor prices for sugar both domestically and in the international markets

### INDUSTRY SCENARIO

After registering a record shortfall in sugar output during the last year 2009-10, the production level recovered significantly during the year 2010-11. The sugar output is estimated to be at around 24.5 million tons in 2010-11 against 18.9 million tons in the previous year, representing a growth of about 30%. Good rainfall coupled with high realization of sugar cane encouraged farmers to increase cane plantation, resulting in increase of cane area by 16% and higher sugar production by 30%.

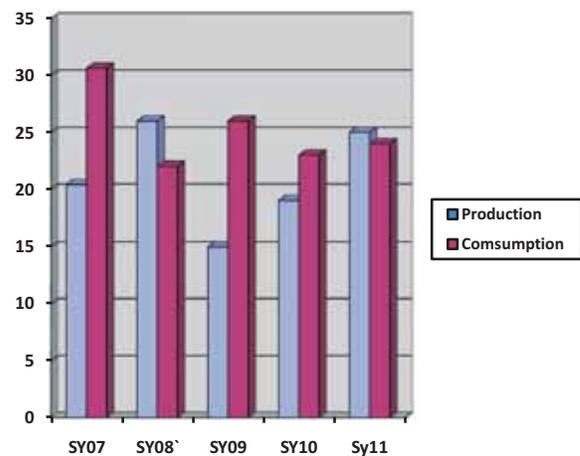
Sugarcane is the main raw material in the production of sugar and accounts for around 65-70% of the cost of production. Financial

performance therefore has a high co-relation to cane prices. Any increase in the sugarcane price adversely impacts profitability. Minimum price of sugarcane are regulated by the Government and upper side by market demand-supply. The Central Government decides the minimum price called the Fair and Remunerative Price (FRP), which is the basis for minimum price to be paid by the sugar mills to purchase cane from farmers across the country. The FRP was based on the recommendations of the Commission for Agricultural Costs and Prices.

### Consumption and Production of Sugar

India is considered to be the largest consumers of sugar in the world. Its sugar consumption has been increasing at an average of 3.5% annually over the last decade fuelled by rising incomes, population growth, substitution of by-products and food sector (ice creams, confectionaries, sweets and other household products who account for about 60% of mill sugar demand). Despite this growth, India's per capita sugar consumption of 20 kg is still lower than most developed countries. The consumption for 2010-11 has been estimated around 22 million tones, an increase of 2% over the previous year.

**Domestic Sugar Production and Consumption (Million Tonnes)**



### SWOT ANALYSIS :

#### Strengths and Opportunities

- The promoters are in this line for over 4 decades and are having good experience of the line.
- Company has integrated Sugar Plant. Along with distillery and Co Generation.
- Company has ability to Process Raw Sugar.
- Company Produces Ethanol which enhances the Revenue of the Company.
- Company is also involved in Trading of Sugar. Hence if there



is excessive Sugar Produced, company can export whereas if Country is facing shortage, company can go for Import of Raw/White Sugar.

**Weaknesses and Threats**

- i) Though de-licensed, sugar industry remains a highly regulated industry with the acts and orders through which government regulates the sugar Industry
- ii) Sugarcane being an agricultural commodity, its availability is dependent on vagaries of monsoon.
- iii) During recent period there has been non availability of sugar cane as such the sugar mill as well as cogeneration power plants are running at low capacity.
- iv) Sugar Industry has high Political interference.

**AUDITOR'S CERTIFICATION**

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

We have reviewed the implementation of corporate governance procedures by K.M. Sugars Mills Ltd during the year ended at September 30, 2011 as stipulated in the clause 49 of the listing agreement of the said company with Stock Exchanges, with the relevant records and documents maintained by the company furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedure and implementation thereof, adopted by the Company for ensuring the Compliances of condition of Corporate Governance. 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 information and explanation given to us, and the representations made by Directors and The Management, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

As require by the guidelines note issued by the Institute of Chartered Accountants of India , we have to state that as per the records maintained by the company there were no Investor Grievances communicated by the Shareholders to the Registrar & Share Transfer Agent, they have certified that there were no investor grievances remaining pending for more than 30 days.

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

For Amit Gupta & Associates  
Company Secretaries

Sd/-  
(Amit Gupta)  
Proprietor  
C.P. No. 4682

Place: Lucknow  
Dated: Feb 13, 2012

**CEO AND CFO CERTIFICATION**

We S C Agarwal, CEO and A. K Gupta, CFO, responsible for the Finance function certify that:

- a) We have reviewed the financial statements and cash flow statements for the year ended 30<sup>th</sup> September 2011 and to the best of our knowledge and belief:
  - (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading .
  - (2) these statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting standards , applicable laws and regulations
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 30<sup>th</sup> September, 2011 are fraudulent, illegal or violative of the Company's Code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluate the effectiveness of internal controls systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any of, which we are aware have been disclosed to the auditor and the Audit committee and steps have been taken to rectify these deficiencies.
- d)
  - (1) there has not been any significant change in internal control over financial reporting during the year under reference,
  - (2) There has not been any significant change in accounting policies during the year
  - (3) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.
- e) We confirm that all Directors and Members of the Senior Management have affirmed compliance with companies code of Business Conduct and Ethics.

Lucknow  
13.02.2012

Sd/-  
SC Agarwal

Sd/-  
AK Gupta



## Auditor's Report

# Auditor's Report

The Shareholders of  
K.M. Sugar Mills Ltd.  
Kanpur

1. We have audited the attached Balance Sheet of K M Sugar Mills Ltd. as at 30<sup>th</sup> September, 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
- (iii) The Balance Sheet, Profit & Loss Account and Cash

Flow Statement dealt with by this report are in agreement with the books of account of the Company;

(iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(v) On the basis of the written representation received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the director is disqualified as on 30<sup>th</sup> September, 2011 from being appointed as a director in terms Section 274(1)(g) of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes to the Accounts in Schedule '17' give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-

(i) In the case the Balance Sheet, of the state of affairs of the Company as at 30th September, 2011;

(ii) In the case of the Profit & Loss Account, of the loss for the year ended on that date; and

(iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of

Mehrotra & Mehrotra  
Chartered Accountants  
FRN: 00226C

Sd/-  
Rajesh Jhalani  
Partner  
Membership No.74809

Place : Lucknow  
Dated: 29th November, 2011



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 3 of our report of even date)

- (i) (a) *The Company has generally maintained records to show particulars, including quantitative details and situation of fixed assets but still it is incomplete and its updation is pending.*
- (b) The Fixed Assets of the Company have been physically verified by the management during the year as per information provided to us and as explained no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information given to us, the Company has not disposed off any substantial part of fixed assets during the year and hence, going concern status of the company is not affected.
- (ii) (a) As explained to us, the inventory has been physically verified by the Management to the extent practicable at reasonable intervals during the year or at the end of the year.
- (b) According to information and explanations given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has granted unsecured loan to one party covered in the register maintained under Section 301 of the Companies Act, 1956 and a sum of Rs.9.04 lacs was outstanding as on 30.09.2011 (Previous year outstanding Rs.10.88 lacs).
- (b) to (d) In our opinion and according to the information and explanations given to us, the terms and conditions of the said loan given by the company are not prime facie prejudicial to interest of the Company except that it is interest free loan but however, the repayment is within the terms and conditions of the loan.
- (e) According to the information and explanations given to us, the Company has not taken during the year any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us during the course of audit, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars in respect of certain contracts or arrangements referred to in section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under that section, have been so entered.
- (b) As far as we could ascertain on the basis of our selective checking and according to the information and explanations given to us, the transaction made in pursuance to aforesaid contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year within the meaning of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956



and the rules framed there-under.

(vii) *In our opinion, the Company's existing in-house internal audit system does not cover all the areas and which requires to be strengthened to make it commensurate with the size and nature of the business of the Company.*

(viii) We are informed by the management that the required cost records pursuant to the order made by Central Government under Section 209(1)(d) of the Companies Act, 1956 regarding production have been maintained by the Company and are of the opinion that prima-facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanation given to us and the records examined by us, the undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to the company have generally been regularly deposited by it with the appropriate authority except delays in certain cases. As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.

(b) *According to the information and explanation given to us, there is no material undisputed amount payable in respect of aforesaid dues except contributions in Molasses Fund as per U.P. Molasses Control Act amounting to Rs.2.72 lacs outstanding as on 30.09.2011 out of which Rs.0.83 lcs is outstanding for a period of more than six months.*

(c) According to the information and explanation given to us, the particulars of dues of excise duty, sales tax, trade tax and income tax outstanding as at 30.09.2011, which have not been deposited on account of dispute, are as follows:-

Name of the Statute	Nature of Dues	Amount (Rs. In lacs)	Forum, where the dispute is pending
Entry Tax Act	Entry Tax-A.Y 2004-2005, 2005-06, 2006-07, 2007-08 and 2010-11	342.50	Joint Commissioner (Appeal)
UP Trade Tax Act, 1948	Trade Tax -A.Y 2005-2006 and 2006-07	1.69	Additional Commissioner (Appeal)
Excise Act	Excise Duty F.Y 2005-2006	32.00	Joint Commissioner and CEGAT CEGAT Asst. Commissioner and Commissioner of Excise
	FY 2006-07	120.45	
	FY 2007-08	22.40	
	Total	<b>519.04</b>	

All aforesaid dues are not accounted for in the books of account and are shown as contingent liabilities in the Schedule 17 - 'Notes to Accounts'.

(i) *The Company has incurred losses amounting to Rs. 1121.76 lacs during the financial year ended 30.09.2011 and its accumulated losses as on 30.09.2011 are more than 50% of its net worth. The Company has not incurred cash losses during the current financial year. However, there was cash loss in the immediately preceding financial year ended 30.09.2010.*

(ii) *Based on our audit procedures and as per information and explanation given to us by the management, we are of the opinion that the Company has generally defaulted in repayment of the dues to the Financial Institutions and Banks during the year and the details of continuing defaults as on 30.09.2011 are given here-under:-*

(a) *The installments of Rs.513.43 lacs payable during the year towards term loan from Sugar Development Fund (SDF) could not be paid till 30.09.2011. Further, interest of Rs.124.76 lacs on the said loan was overdue as at 30.09.2011.*

(b) *Interest of Rs.84.24 lacs on Crop Loan was overdue as at 30.09.2011.*

(c) *Overdue amount in respect of Term Loan and FITL from PNB is Rs.93.28 lacs.*



- (iii) In our opinion and as per information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (iv) In our opinion, the company is not a chit fund, or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- (v) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirement of Para 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- (vi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions except guarantees given to the banks on behalf of its employees, who have taken vehicle loans from the banks and a sum of Rs.1.17 lacs was outstanding at the year-end 30.09.2011 on this account.
- (vii) According to the information and explanations given to us, term loans were generally applied for the purpose for which the loans were obtained.
- (viii) *According to the information and explanations given to us and based on an overall examination of the balance sheet, cash flow and other relevant records, we report that short term funds of Rs.752 lacs (approx) have been used during the year for long term purposes.*
- (ix) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (x) According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit.
- (xi) According to the information and explanations given to us, the company has not raised any money by way of public issue during the period covered by our audit.
- (xii) Based on the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit nor we have been informed of such case by the management that causes the financial statements to be materially misstated.

For Mehrotra & Mehrotra  
Chartered Accountants  
FRN: 00226C

Sd/-  
Rajesh Jhalani  
Partner

Membership No.74809

Place : Lucknow

Dated: 29th November, 2011



## Balance Sheet as at 30th September 2011

# Balance Sheet...

PARTICULARS	Schedule No.	-----Current Year-----				-----Previous Year-----			
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>SOURCES OF FUNDS :</b>									
<b>1. Shareholders' Funds</b>									
a) Share Capital	1	184,000,340.00				184,000,340.00			
b) Reserves & Surplus	2	<u>400,348,038.77</u>				<u>401,587,544.06</u>			
				584,348,378.77				585,587,884.06	
<b>2. Loan Funds</b>									
a) Secured Loans	3	844,410,046.90				882,949,022.51			
b) Unsecured Loans	4	<u>190,660,057.00</u>		1,035,070,103.90		<u>106,443,418.00</u>		989,392,440.51	
<b>3. Deferred Tax Liability</b>								19,959,104.95	
<b>Total</b>				<u>1,644,059,356.62</u>				<u>1,594,939,429.52</u>	
<b>APPLICATION OF FUNDS :</b>									
<b>1. Fixed Assets</b>	5								
a) Gross Block		1,886,182,967.97				1,869,037,111.39			
b) Less: Depreciation		<u>1,220,614,289.29</u>				<u>1,103,143,208.13</u>			
c) Net Block		665,568,678.68				765,893,903.26			
d) Capital Work-in-Progress		<u>1,801,663.32</u>		667,370,342.00		<u>13,809,034.78</u>		779,702,938.04	
<b>2. Investments</b>	6				1,021,300.00			1,021,300.00	
<b>3. Current Assets, Loans &amp; Advances :</b>									
a) Current Assets	7								
Inventories		393,925,799.21				349,813,939.02			
Sundry Debtors		18,926,651.17				12,441,000.00			
Cash & Bank Balances		14,450,535.19				10,109,997.42			
b) Loans & Advances	8	<u>161,900,179.36</u>				<u>153,280,526.93</u>			
<b>Total (A)</b>		<b>589,203,164.93</b>				<b>525,645,463.37</b>			
<b>Less : Current Liabilities &amp; Provision</b>	9								
a) Liabilities		137,984,986.01				142,455,906.70			
b) Provisions		<u>26,360,086.24</u>				<u>7,207,734.24</u>			
<b>Total (B)</b>		<b>164,345,072.25</b>				<b>149,663,640.94</b>			
<b>Net Current Assets (A-B)</b>				<b>424,858,092.68</b>				<b>375,981,822.43</b>	
Debit Balance in Profit & Loss Account				550,809,621.94				438,233,369.05	
Accounting Policies & Notes on Accounts	17								
<b>Total</b>				<u>1,644,059,356.62</u>				<u>1,594,939,429.52</u>	

As per our report of even date attached hereto  
For MEHROTRA & MEHROTRA  
Chartered Accountants  
FRN: 00226C

For & on behalf of Board of Directors

0.00

Date: November 29, 2011  
Place: Lucknow

Sd/-  
RAJESH JHALANI  
Partner  
M.No.74809

Sd/-  
A. K. JHUNJHUNWALA  
Managing Director

Sd/-  
S. C. AGARWAL  
Executive Director

Sd/-  
AKHILESH K. SINGH  
Company Secretary



Profit & Loss for the year ended 30th September 2011

Profit & Loss Account...

PARTICULARS	Schedule No.	Current Year				Previous Year			
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>INCOME:</b>									
Gross Sales	10	3,130,622,195.17					1,825,455,719.53		
Less: Excise duty		63,019,675.87		3,067,602,519.30		43,001,650.88		1,782,454,068.65	
Other Income	11			34,387,098.12				21,197,712.04	
Increase/(Decrease) in Stock	12			41,364,887.66				102,395,946.13	
<b>Total (A)</b>				<b>3,143,354,505.08</b>				<b>1,906,047,726.82</b>	
<b>EXPENDITURE:</b>									
Raw Materials Consumed	13			1,355,664,972.02				1,475,041,205.12	
Purchase of sugar for trading				1,202,167,411.27				154,709,095.00	
Manufacturing, Operational, Administrative and other Expenses	14			310,905,233.13				192,944,518.12	
Employees Cost	15			63,219,823.57				66,063,727.06	
Interest	16			141,953,168.03				128,418,809.96	
Denaturation fees				808,050.00				100,500.00	
Provision for Doubtful debts				52,268,874.00				-	
Depreciation				123,639,924.33			136,734,578.95		
Less : Transferred from Revaluation Reserve				692,378.09		122,947,546.24	817,737.20	135,916,841.75	
<b>Total (B)</b>				<b>3,249,935,078.26</b>				<b>2,153,194,697.01</b>	
<b>Net Profit/(Loss) for the Year (A-B)</b>				- 106,580,573.18				- 247,146,970.19	
Less: Tax/other adjustments relating to prior period				- 913,528.91				- 140,218.39	
Profit Before Tax:				- 107,494,102.09				- 247,287,188.58	
Current Tax				-				-	
Deferred Tax				4,681,769.00				64,315,313.00	
Fringe Benefits Tax				-				-	
Profit After Tax				- 112,175,871.09				- 182,971,875.58	
Balance Brought forward				- 438,233,369.05				- 254,877,395.39	
Transfer to Molasses Storage Fund				400,381.80				384,098.08	
Profit Available for Appropriation				- 550,809,621.94				- 438,233,369.05	
Balance Carried to Balance Sheet				- 550,809,621.94				- 438,233,369.05	
Earning per Equity Share of Rs.2/- each (Note -18 of Scheule 17 - Basic/Diluted)				-		1.22		-	1.99
Accounting Policies & Notes on Accounts	17								

As per our report of even date attached hereto  
For MEHROTRA & MEHROTRA  
Chartered Accountants  
FRN: 00226C

For & on behalf of Board of Directors

Date: November 29, 2011  
Place: Lucknow

Sd/-  
RAJESH JHALANI  
Partner  
M.No.74809

Sd/-  
A. K. JHUNJHUNWALA  
Managing Director

Sd/-  
S. C. AGARWAL  
Executive Director

Sd/-  
AKHILESH K. SINGH  
Company Secretary



## Schedule '1' - Share Capital

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
<b>AUTHORISED</b>				
100,000,000 Equity Shares of Rs. 2/- each	<u>20,00,00,000.00</u>		<u>20,00,00,000.00</u>	
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
92,000,170 Equity Shares of Rs. 2/- each fully paid up	<b>184,000,340.00</b>		184,000,340.00	
(i) Of the above 9,00,000 equity shares Rs.2/- each were allotted as fully paid up for consideration other than cash pursuant to a contract.				
(ii) Of the above 2,50,000 equity shares of Rs. 2/-each were allotted as fully paid up for redemption of 5,000 cumulative preference shares of Rs.100/- each.				
(iii) Of the above 5,39,00,000 equity shares of Rs.2/- each each were allotted as fully paid bonus shares by way of capitalisation of Reserve.				
<b>TOTAL</b>	<b>184,000,340.00</b>		184,000,340.00	

## Schedule '2' - Reserves and Surplus

PARTICULARS	I-----Current Year-----I				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>A. GENERAL RESERVE :</b>								
As per last account	122,019,139.87				122,019,139.87			
Add: Transfer from Profit & Loss A/c	<u>-</u>		122,019,139.87		<u>-</u>		122,019,139.87	
<b>B. CAPITAL RESERVE:</b>								
Capital Subsidy			4,833,000.00				4,833,000.00	
<b>C. INITIAL DEPRECIATION RESERVE:</b>								
			172,449.73				172,449.73	
<b>D. MOLASSES STORAGE FUND:</b>								
As per last account	4,100,193.85				4,716,095.77			
Less: Withdrawal	1,000,000.00				1,000,000.00			
Add: For current year	<u>400,381.80</u>				<u>384,098.08</u>			
	3,500,575.65				4,100,193.85			
Deduct: Funded with State Bank of India (as per contra)	<u>4,042,175.58</u> -		541,599.93		<u>4,094,666.58</u>		5,527.27	
<b>E. FIXED ASSETS REVALUATION RESERVE:</b>								
As per Last Account	4,516,491.14				5,334,228.34			
Less: Transferred to Profit & Loss Account	<u>692,378.09</u>		3,824,113.05		<u>817,737.20</u>		4,516,491.14	
<b>F. SUGAR PRICE EQUALISATION RESERVE:</b>								
As per Last Account	1,239,508.05				1,239,508.05			
Less: Paid during the year	<u>-</u>		1,239,508.05		<u>-</u>		1,239,508.05	
<b>G. SHARE SECURITIES PREMIUM ACCOUNT</b>								
			268,801,428.00				268,801,428.00	
<b>TOTAL</b>			<b>400,348,038.77</b>				401,587,544.06	



Schedule '3' - Secured Loans

Schedules ...

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
<b>SECURED LOANS</b>				
<b>Cash Credit</b>				
(a) From State Bank Of India (Secured by first pari passu charge on stock of raw materials, crystal crystal, molasses, sugar in process, stores & spares and book debts and exclusive first charge on entire current assets of distillery division and third pari passu charge on entire fixed assets of the Company and personal guarantee of three directors) (This includes a sum of Rs.10,76,35,660/- towards loan availed in foreign currency) (Previous year Rs.10,24,81,500/-)	133,347,213.44		283,389,481.80	
(b) From Punjab National Bank (Secured by pledge of stock of Crystal sugar, third pari passu charge on entire fixed assets of sugar division of the Company and personal guarantee of two Directors )	237,950,087.00		-	
(c) From Federal Bank (Secured by first pari passu charge on stock of raw materials crystal sugar, molasses, sugar in process, stores & spares parts and book debts and third pari passu charge on entire fixed assets of the Company and personal guarantee of two directors)	4,368,546.10		13,715,323.60	
<b>Term Loans</b>				
(a) From Govt. of India (Sugar Development Fund) (Modernisation) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs.58.43 lacs)	5,843,400.00		11,686,800.00	
(b) From Govt. of India (SDF New Loan Account) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs.495.00 lacs)	148,500,000.00		165,000,000.00	
(c) From Punjab National Bank (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties ( save and except book debts ) including movable plant & machinery, machinery spares, tools and accessories present & future and personal guarantee of two directors) (Amount due within next one year - Rs.825.00 lacs)	180,393,000.00		246,109,294.95	
(d) From State Bank Of India (SEFASU) (Secured by residual 4th charge on entire fixed assets of the company on pari passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 88.00 lacs)	8,800,000.00		34,100,000.00	
(e) From Punjab National Bank (SEFASU) (Secured by residual 4th charge on entire fixed assets of the company on pari passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 74.22 lacs)	7,421,864.00		25,229,864.00	
(f) From Punjab National Bank (Funded Interest Term Loan) (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties (save and except book debts ) including movable plant & machinery, machinery spares, tools and accessories present & future) (Amount due within next one year - 28.00 lacs)	7,252,193.00		9,892,043.00	
(g) From Punjab National Bank of India STL for Repairs (Collateral Security provided by creating residual charge on fixed assets of the company and personal guarantee of two directors) (Amount due within next one year - 304.00 lacs)	30,400,000.00		23,018,904.00	
(h) Sugar Development Fund (SDF) from Govt. of India (Modernisation) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - 125.00 lacs)	25,000,000.00		25,000,000.00	
(i) Sugar Development Fund (SDF) from Govt. of India (Cane Development) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - 125.00 lacs)	25,000,000.00		25,000,000.00	
(j) Interest due and payable	30,133,743.36		20,807,311.16	
<b>TOTAL</b>	<b>844,410,046.90</b>		<b>882,949,022.51</b>	



## Schedule '4' - Unsecured Loans

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>UNSECURED LOANS:</b>								
(a) Loans from U.P.Government			1,450,000.00				1,450,000.00	
Deduct : Fixed Deposit held by District Megistrate, Faizabad against the above loan			<u>1,450,000.00</u>				<u>1,450,000.00</u>	
(b) Crop Loan				189,619,217.00				105,402,578.00
(c) From Others				1,040,840.00				1,040,840.00
<b>TOTAL</b>				<b>190,660,057.00</b>				<b>106,443,418.00</b>

## Schedule '6' - Investment

Particulars	Face Value	Current Year	Previous Year
<b>A. LONG TERM INVESTMENT :( Non-trade and unquoted)</b>			
Chamoli Hydro Power (p) Ltd. (1000 Equity Shares of Rs.10/- each fully paid up)	10,000.00	10,000.00	10,000.00
K M Shakar Karkhana Pvt Ltd (25000 equity shares of RS.10/- each fully paid up)	250,000.00	1,000,000.00	1,000,000.00
<b>B. CURRENT INVESTMENT: (Quoted)</b>			
(1) Reliance Industries Ltd.( 84 Equity Shares)**	420.00	11,300.00	11,300.00
(2) Reliance Communication Ltd. (42 Equity Shares)			
(3) Reliance Infrastructure Ltd. (3 Equity Shares)			
(4) Reliance Capital Ltd. (2 Equity Shares)			
(5) Reliance Power Ltd. (10 Equity Shares)* Shares of Rs. 10/-each fully paid up (Market Value Rs.73,430/- previous year Rs.96,319/-)			
* Received on demerger of Reliance Industries Ltd.			
**Received 42 equity shares on issue bonus 1:1			
<b>TOTAL</b>		<b>1,021,300.00</b>	<b>1,021,300.00</b>



# Schedules ...

## Schedule 5 - Fixed Assets

Sl. No.	Particular	GROSS BLOCK				DEPRECIATION				Net Block	
		As on 01.10.2010	Additions	Sales/ Adjustment	Total as on 30.09.2011	Upto 30.09.2010	Sales/ Adjustment	For the year	Total Upto 30.09.2011	W.D.V. 30.09.2011	W.D.V. 30.09.2010
1	LEASE HOLD LAND	2,010,875.67	-	-	2,010,875.67	-	-	-	-	2,010,875.67	2,010,875.67
2	BUILDING	37,406,580.11	-	-	37,406,580.11	17,777,992.90	-	1,749,059.74	19,527,052.64	17,879,527.47	19,628,587.21
3	PLANT & MACHINERY	1,791,650,213.97	22,831,238.64	5,159,011.38	1,809,322,441.23	1,058,257,936.28	5,043,322.23	119,012,982.81	1,172,227,596.86	637,094,844.37	733,392,277.69
4	FURNITURE & FIXTURE	8,454,748.44	133,220.00	-	8,587,968.44	6,363,862.59	-	413,704.28	6,777,566.87	1,810,401.57	2,090,885.85
5	VEHICLE & CONVEYANCE	15,456,704.80	-	460,000.00	14,996,704.80	9,228,615.54	409,353.00	1,612,447.39	10,431,709.93	4,564,994.87	6,228,089.26
6	OFFICE EQUIPMENTS	4,788,241.62	86,789.00	-	4,875,030.62	3,659,291.78	-	173,565.71	3,832,857.49	1,042,173.13	1,128,949.84
7	COMPUTER	7,781,897.58	430,025.00	-	8,211,922.58	6,405,295.46	-	678,164.40	7,083,459.86	1,128,462.72	1,376,602.12
8	TRACTOR & IMPLEMENTS	1,487,849.20	-	716,404.68	771,444.52	1,450,213.58	-	716,167.94	734,045.64	37,398.88	37,635.62
	<b>Sub Total (1 TO 8)</b>	<b>1,869,037,111.39</b>	<b>23,481,272.64</b>	<b>6,335,416.06</b>	<b>1,886,182,967.97</b>	<b>1,103,143,208.13</b>	<b>6,168,843.17</b>	<b>123,639,924.33</b>	<b>1,220,614,289.29</b>	<b>665,568,676.68</b>	<b>765,893,903.26</b>
9	Capital Work in progress	18,824,363.68	3,792,207.18	15,799,578.65	6,816,992.21	-	-	-	-	6,816,992.21	18,824,363.68
	Less: Impairment of Assets	5,015,328.90	-	-	5,015,328.90	-	-	-	-	5,015,328.90	5,015,328.90
	Net Assets under Erection	13,809,034.78	-	-	1,801,663.31	-	-	-	-	1,801,663.31	13,809,034.78
	<b>GRAND TOTAL(1 TO 9)</b>	<b>1,882,846,146.17</b>	<b>27,273,479.82</b>	<b>22,134,994.71</b>	<b>1,887,984,631.28</b>	<b>1,103,143,208.13</b>	<b>6,168,843.17</b>	<b>123,639,924.33</b>	<b>1,220,614,289.29</b>	<b>667,370,342.00</b>	<b>779,702,938.04</b>
	<b>PREVIOUS YEAR</b>	<b>1,860,782,141.95</b>	<b>29,618,528.91</b>	<b>7,554,524.70</b>	<b>1,882,846,146.17</b>	<b>967,290,316.39</b>	<b>881,687.21</b>	<b>136,734,578.95</b>	<b>1,103,143,208.13</b>	<b>779,702,938.04</b>	<b>-</b>

Note: Leasehold land includes land valuing Rs.16 lacs acquired through Official Liquidator. However, the said land is not registered in the name of the company.



## Schedule '7' - Current Assets

Schedules ...

PARTICULARS	Current Year						Previous Year						
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	
<b>INVENTORIES (As valued and certified by the management)</b>													
(1) Stores & spares				40,783,197.92							43,611,419.64		
(2) Raw Material													
Molasses in Distillery Division		3,473,992.00			3,473,992.00				2,526,172.38			2,526,172.38	
(3) Finished Goods													
(a) Spirit & Alcohol		2,209,560.00							10,883,368.45				
(b) Sugar		333,374,838.56							288,026,523.24				
(c) Molasses		12,170,074.77							2,076,448.35				
(d) Moti Super		569,578.96							1,125,898.96				
(e) Banked Power with UPPCL		1,344,557.00		349,668,609.29		393,925,799.21			1,564,108.00		303,676,347.00		349,813,939.02
<b>SUNDRY DEBTORS (Unsecured)</b>													
(a) Outstanding for a period exceeding six months													
(i) Considered Good		15,756,256.35							7,346,416.17				
(ii) Considered Doubtful		28,048,874.00							-				
(b) Other debts (Considered Good)		3,170,394.82		46,975,525.17					5,094,583.83		12,441,000.00		
Less: Provision made				28,048,874.00		18,926,651.17					-		12,441,000.00
<b>CASH AND BANK BALANCE</b>													
(a) Cash in Hand (as certified by the management)				5,841,606.51							837,908.74		
(b) Cash at Bank with Scheduled Banks													
(I) In Current Account				7,047,717.68							8,242,188.65		
(II) In Fixed Deposit				1,010,000.00							1,010,000.00		
(c) Molasses Storage Fund Deposit with													
(I) State Bank of India (S/B Account)		4,042,175.58							4,094,666.58				
Less: Molasses Storage Fund		4,042,175.58							4,094,666.58				
(II) In Current Account											19,900.03		
(d) Cheques and Drafts in Transit				551,211.00		14,450,535.19							10,109,997.42
<b>Total</b>													427,302,985.57
													372,364,936.44



Schedule '8' - Loans and Advances

PARTICULARS	<-----Current Year----->				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>LOANS AND ADVANCES (Unsecured):</b>								
(i) Advances recoverable in cash or in kind or for value to be received								
(a) Considered Good		128,956,948.36				123,986,291.70		
(b) Considered Doubtful		<u>37,281,957.12</u>				<u>4,987,959.75</u>		
		166,238,905.48				128,974,251.45		
Less: Provisions made for doubtful debts		<u>29,207,959.75</u>		137,030,945.73		<u>4,987,959.75</u>		123,986,291.70
(ii) Advance Excise duty				4,261,489.64				4,907,111.24
(iii) Security Deposits				16,479,158.14				20,278,130.14
(iv) Tax Payments:				2,688,098.56				2,668,506.56
(v) Loan to others		1,920,649.72				1,920,649.72		
Less: Provision		<u>480,162.43</u>		1,440,487.29		<u>480,162.43</u>		1,440,487.29
<b>TOTAL</b>				<b>161,900,179.36</b>				<b>153,280,526.93</b>

Schedule '9' - Current Liabilities & Provisions

PARTICULARS	-----Current Year-----				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>A. CURRENT LIABILITIES</b>								
(i) Sundry Creditors		108,717,120.98				114,450,152.94		
(ii) Excise Duty Payable on Closing Stock		15,223,216.92				10,195,052.53		
(iii) Advance from Customers		3,660,915.67				3,300,186.11		
(iv) Security Deposits		9,014,910.77				9,136,061.77		
(v) Interest accrued but not due on Term Loan		<u>1,368,821.67</u>		137,984,986.01		<u>5,374,453.35</u>		142,455,906.70
<b>B. PROVISIONS</b>								
(i) For Taxation								
Opening Balance		45,966.18				45,966.18		
Add: Provisions for the year		-				-		
Less: Adjustments during the year		<u>-</u>		45,966.18		<u>-</u>		45,966.18
(ii) For Fringe Benefit Tax								
Opening Balance		59,581.06				1,035,637.06		
Less: Adjustments during the year		<u>-</u>				<u>976,056.00</u>		
				59,581.06				59,581.06
(iii) Gratuity				3,374,241.00				4,461,125.00
(iv) Leave Encashment				2,498,291.00				2,361,062.00
(v) Other Provisions				20,382,007.00				280,000.00
<b>TOTAL</b>				<b>164,345,072.25</b>				<b>149,663,640.94</b>



### Schedule '10' - Sales

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sugar (Including Trading Sales of Rs.1324793857/-) (Previous Year -Rs.176098943/-)	<b>2,672,849,373.35</b>		1,371,831,136.83	
Molasses	<b>90,032,127.82</b>		103,992,546.90	
Bagasse	<b>68,022,000.00</b>		70,651,320.00	
Biocompost fertilizer	<b>600,000.00</b>		1,063,200.00	
Special Denaturated Spirit	<b>87,871,714.00</b>		16,016,410.00	
Rectified Spirit	<b>5,312,500.00</b>		141,470,400.00	
Ethanol	<b>59,532,759.00</b>		-	
Power	<b>146,401,721.00</b>		120,430,705.80	
<b>Total</b>	<b>3,130,622,195.17</b>		<b>1,825,455,719.53</b>	

### Schedule '11' - Other Income

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Interest	<b>294,518.00</b>		598,578.48	
Miscellaneous Income	<b>15,094,488.54</b>		3,422,659.65	
Rent	<b>412,959.82</b>		415,528.53	
Misc. Balances Written Back	<b>181,013.65</b>		1,622,969.38	
Insurance Claim Received	<b>1,598,226.00</b>		267,572.00	
Profit on Sale of Assets	<b>2,194,256.11</b>		58,106.00	
Carbon Credit Receipt	-		14,812,298.00	
Export Incentive	<b>14,611,636.00</b>		-	
<b>Total</b>	<b>34,387,098.12</b>		<b>21,197,712.04</b>	

Schedules ...



*Schedule '12' - Increase/(Decrease) in Stock*

PARTICULARS	-----Current Year-----				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Opening Stock								
Finished Goods		<b>303,676,347.01</b>				197,920,136.20		
			<b>303,676,347.01</b>				197,920,136.20	
Closing Stock								
Finished Goods		<b>349,668,609.29</b>				303,676,347.00		
			<b>349,668,609.29</b>				303,676,347.00	
Difference of Excise Duty on opening and closing stock			<b>4,627,374.62</b>				3,360,264.67	
<b>INCREASE/(DECREASE) IN STOCK</b>			<b>41,364,887.66</b>				<b>102,395,946.13</b>	

*Schedule '13' - Raw Material Consumed*

PARTICULARS	<-----Current Year----->				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>SUGAR DIVISION</b>								
Cane Price		<b>1,152,019,093.03</b>				1,216,027,278.95		
Commission on Cane		<b>22,899,357.98</b>				19,754,629.55		
Cane Transport Charges		<b>8,850,791.66</b>				6,656,796.29		
Purchase Tax on Cane		<b>10,973,432.04</b>				10,143,103.18		
Development Expenses		<b>2,757,629.00</b>				35,184,935.00		
Miscellaneous Expenses		<b>2,265,800.68</b>	<b>1,199,766,104.39</b>			<b>2,059,082.82</b>	<b>1,289,825,825.79</b>	
<b>DISTILLERY DIVISION</b>								
Molasses Purchased		<b>88,488,381.25</b>				114,566,329.20		
Add: Opening Stock Molasses		<b>2,526,172.38</b>				2,375,796.50		
Less: Closing Stock Molasses		<b>3,473,992.00</b>	<b>87,540,561.63</b>			<b>2,526,172.38</b>	<b>114,415,953.33</b>	
<b>POWER DIVISION</b>								
Bagasse consumed			<b>68,022,000.00</b>				70,651,320.00	
Shifting & Transportation			<b>336,306.00</b>				148,106.00	
<b>Total</b>			<b>1,355,664,972.02</b>				<b>1,475,041,205.12</b>	



## Schedule '14'

### Manufacturing, Operational, Administrative and Other Expenses

PARTICULARS	<-----Current Year----->				<-----Previous Year----->			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Consumption of Stores & Spares				36,082,809.23			30,330,647.53	
Power and Fuel				62,549,513.47			49,055,464.38	
Repairs and Maintenance :								
Plant & Machinery	43,593,440.33				43,428,580.52			
Buildings	2,221,826.75				5,788,169.74			
Other Assets	<u>3,066,846.00</u>		48,882,113.08		<u>2,876,922.01</u>		52,093,672.27	
Printing & Stationery				666,764.25			541,185.77	
Rent, Rates and Taxes				3,748,003.57			4,353,681.49	
Charity & Donation				66,857.00			127,710.00	
Insurance				1,887,852.96			2,252,497.00	
Selling Expenses :								
Commission to Selling Agents	2,922,120.00				7,323,705.00			
Other Selling Expenses	7,365,469.70				6,184,886.00			
Selling Expenses on Sugar Trading	<u>82,374,970.63</u>		92,662,560.33		<u>2,357,006.00</u>		15,865,597.00	
Communication Expenses				1,331,069.69			1,173,917.27	
Travelling Expenses				11,206,590.37			10,965,564.68	
Advertisement				386,227.00			311,093.86	
Consultancy & Legal Expenses				5,533,474.00			2,803,795.50	
Bank Charges				4,819,222.66			4,893,821.00	
Lab Chemical				92,092.00			124,326.00	
Auditors' Remuneration :								
Statutory Audit fee		200,000.00				200,000.00		
Tax Audit Fee		<u>100,000.00</u>		300,000.00		<u>100,000.00</u>		300,000.00
Directors' Sitting Fee				25,000.00			35,000.00	
Directors' Remuneration				5,280,000.00			5,282,321.00	
Miscellaneous Expenses				28,679,925.21			6,491,740.51	
Licence Fees				337,550.00			337,550.00	
Balances Written off				120,455.69			-	
Sample Testing Fee				10,400.00			8,726.00	
Preliminary expspenses written off				-			5,585,827.00	
Exchange Fluctuation				6,236,750.20			-	
Store adjustment				2.42		-	209.60	
Loss on Sale of Fixed Assets				-			10,589.46	
<b>TOTAL</b>				<b>310,905,233.13</b>			<b>192,944,518.12</b>	

## Schedule 15- Payments to & Provisions for Employees

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Salaries and Wages			55,813,306.78	55,600,612.07
Bonus & Ex-gratia			1,241,591.00	1,256,025.00
Contribution to Provident Fund and other Funds			4,439,405.00	4,255,844.00
Workmen and Staff Welfare Expenses			491,061.79	1,471,433.99
Gratuity			1,234,459.00	3,479,812.00
<b>TOTAL</b>			<b>63,219,823.57</b>	<b>66,063,727.06</b>



*Schedule '16' Interest*

PARTICULARS	Rs.	P.	Current Year		Previous Year	
			Rs.	P.	Rs.	P.
Cash Credit Limit			<b>73,884,755.75</b>		67,550,857.39	
Term Loan			<b>66,198,521.23</b>		59,632,306.57	
Others			<b>1,869,891.05</b>		1,235,646.00	
<b>Total</b>			<b>141,953,168.03</b>		128,418,809.96	



## Schedule '17' Notes to the Accounts

### 1. Significant Accounting Policies

#### a) Basis of Preparation of Financial Statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention except for revaluation of certain Fixed Assets, in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. There is no change in the system of accounting as being consistently followed from earlier years unless otherwise stated.

#### b) Fixed Assets

- i) Fixed Assets are stated at cost net of cenvat credit and/or at revalued price less accumulated depreciation. All costs including financing costs relating to borrowing till commencement of commercial production attributable to the fixed assets are capitalized.
- ii) Depreciation on fixed assets is provided on written down value method at the rates and the manner prescribed in Schedule XIV of the Companies Act, 1956. The additional depreciation, on increase in cost on account of revaluation, is transferred to the Profit & Loss account from Revaluation Reserve and is thus not charged to Profit & Loss account of the year.
- iii) Fixed Assets costing upto Rs.5,000/- are being depreciated fully in the year of their put to use.
- iv) Intangible Assets: - Computer software is amortized over a period of four years.

#### c) Revenue Recognition

Revenue from the sale of products is recognized when the property in goods is transferred to the buyer for a consideration. Revenue from service transaction is recognized as the service is performed.

#### d) Inventories are valued as under:

- Raw Materials and Finished Goods (except molasses) are carried at lower of cost or net realisable value.
- Stock of Molasses are carried at net realizable value.
- Stock & Spares are carried at cost.
- Goods in Process / WIP is carried at lower of cost or net realizable value.
- Banked power with UPPCL is carried at lower of cost or net realizable value.

Cost for the purpose of valuations of raw material and

components, stores & spares are considered on following basis:-

Raw Materials, stores & spares and other components

Manufacturing Units		Basis
Sugar	- Raw Material	First in First Out
	- Stores & Spares and other components	Weighted monthly average
Distillery	-Raw Material	First in First Out
	-Stores & Spares	Weighted monthly average
	Other components	
Co-generation- Raw Material		First in First Out

#### e) Investments

Long term Investments are carried at cost. However, provision for diminution is made to recognize decline, other than temporary, in the value of investment, if any. Current Investment is carried at cost or market value, whichever is lower.

#### f) Employees Benefits

Provision is made in the accounts towards Company's liability in respect of Gratuity and Leave Encashment benefits payable to the employees on the basis of actuarial valuation done by the competent authority as required by the Accounting Standard-15 on 'Employees Benefits' issued by the Institute of Chartered Accountants of India.

#### g) Borrowing Costs

Borrowing costs attributable to the qualifying assets are capitalized up to the period such assets are ready for the intended use and commenced commercial production. All other borrowing cost is charged to the Profit & Loss account.

#### h) Government Grants

Government Grants in the nature of Government promoters' contribution, i.e. which have reference to the total investment in an undertaking or by way of contribution towards total capital outlay, are credited to capital reserve.

- i) Financial Derivatives and Commodity Hedging Transactions  
Financial Derivatives and commodity hedging contracts



are accounted for on the date of their settlement and realized gain/loss in respect of settled contracts are recognized in the profit & loss account, along with the underlying transactions.

**j) Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items which are covered by forward exchange contracts, the difference between the year end and the rate on the date of contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life of the forward contract. The exchange differences arising on settlement/translation are recognized in the Profit and Loss account.

**k) Taxes on Income**

- Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.
- Deferred Tax is recognized on timing differences between accounting income and taxable income for the period, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
- Deferred Tax Assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets in respect to brought forward losses/unabsorbed depreciation is recognized only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**l) Impairment of Assets**

Impairment of individual assets/cash generating unit (a group of assets that generates identified independent cash flows) are identified using external and internal sources of information and impairment loss if any, is determined and recognized in accordance with the Accounting Standard 28 issued in this regard by the Institute of Chartered Accountants of India.

**m) Public Issue Expenditure**

The company amortizes miscellaneous expenditure

representing public issue expenses over a period of 5 years.

**n) Leases**

Assets acquired as leases where a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.

**o) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent asset is neither recognized nor disclosed in the financial statements.

**p) Segment Reporting**

Primary Segment

Based on the guiding principles given in the Accounting Standard-17 "Segment Reporting" issued by ICAI, the Company's segments are Sugar, Power Generation and Distillery.

Revenue and expenses have been accounted for on the basis of their relationship to the operating activities of the respective segment.

Segment Identification

Business segments have been identified on the basis of the nature of products/ services, the risk return profile of individual business, the organizational structure and the internal reporting system of the company.

q) Excise duty in respect of finished goods held in stock has been accounted for at the end of the year and is included in the value of closing stock.

r) Insurance claims have been accounted for on cash basis as per past practice.

**2. CONTINGENT LIABILITIES (to the extent not provided for and as certified by the management)**

(a) Claims against the Company not acknowledged as debts (as certified by the management) in respect of pending cases of employees under labour laws - Rs.108.80 lacs (Previous Year Rs.105.67 lacs).



- (B) Claims against the company not acknowledged as debts (as certified by the management) in respect of criminal and Civil Cases Rs.34.13 lacs (Previous Year Rs.35.23 lacs).
- (c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous Year Rs. Nil).
- (d) Bank guarantees given to the Central Government, Excise Department, Indian Oil Corporation and U.P. Pollution Control Board aggregating to Rs.122.38 lacs (Previous Year Rs.39.70 lacs).
- (e) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company - outstanding loan as on 30.09.2011 Rs.1.17 lacs (Previous Year - Rs.6.84 lacs).
- (f) Disputed sales tax and excise duty cases - Rs.648.49 lacs (Previous Year Rs.500.20 lacs)

Description	Amount (Rs.) Current Year	Amount(Rs) Previous year
Central Excise Act	174.85 lacs	0.51 lacs
Sales Tax/Trade Tax/ Entry Tax	411.97 lacs	438.02 lacs
Income Tax	61.67 lacs	61.67 lacs
Total	648.49 lacs	500.20 lacs

**3. Employee Benefits**

The Company has during the year adopted Accounting Standard - 15 (revised 2005) 'Employees Benefits' for recognizing liability of employees benefits. The Company has classified the various benefits provided to employees as under: -

- a) Defined contribution plans  
Provident Fund

During the year, the Company has recognized the following amounts in the profit & loss account:

	Current Year	Previous year
Employers' contribution to provident fund	Rs.44,39,405/-	Rs.42,55,844/-

- b) Defined benefits plans

- i) Gratuity
- ii) Leave encashment

In accordance with the Accounting Standard 15, actuarial valuation was done in respect of the aforesaid defined

benefits plans and details of the same are given below:

	(Amount in Rs.)			
	Gratuity Current year	Gratuity Previous Year	Leave Encashment Current Year	Leave Encashment Previous Year
Discount rate (per annum)	8.50%	8.00%	8.50%	8.00%
Future salary increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	0%	0%	0%	0%
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
<b>I. Expenses recognized in profit and loss account</b>				
Current service cost				
Interest cost	10,81,106	10,72,724	3,51,934	3,98,331
Expected return on plan assets	12,61,642	9,09,806	2,00,140	1,16,221
Net actuarial loss/ (gain) recognized in the year	-	-	(57,664)	-
	(2,36,689)	18,51,928		3,89,753
<b>Net expenses recognized</b>	<b>21,06,059</b>	<b>38,34,458</b>	<b>4,94,410</b>	<b>9,04,305</b>
<b>II. Net liability/(assets) recognized in the balance sheet as at 30<sup>th</sup> September, 2011</b>				
Present value of obligation at the end of period	1,61,18,083	1,48,83,624	24,98,291	23,61,062
Fair value of the plan asset at the end of period	1,13,66,157	1,07,87,581	-	-
Funded status [(surplus)/(deficit)]	(47,51,926)	(40,96,043)	(24,98,291)	(23,61,062)
<b>Net (asset)/liability as at 30<sup>th</sup> September, 2011</b>	<b>1,61,18,083</b>	<b>1,48,83,624</b>	<b>24,98,291</b>	<b>23,61,062</b>
<b>III. Change in present value of obligation during the year</b>				
Present value of obligation at the beginning of period	1,48,83,624	1,14,03,812	23,61,062	14,56,757
Current service cost	10,81,106	10,72,724	3,51,934	3,98,331
Interest cost	12,61,642	9,09,806	2,00,140	1,16,221
Benefits paid	(8,71,600)	(3,54,646)	(3,57,182)	-
Actuarial loss/ (gain) on obligations	(2,36,689)	18,51,928	(57,663)	3,89,753
<b>Present value of obligation at the year end</b>	<b>1,61,18,083</b>	<b>1,48,83,624</b>	<b>24,98,291</b>	<b>23,61,062</b>
<b>IV. Change in present value of fair value of plan assets</b>				
Fair value of plan assets as at the beginning of period	1,07,87,851	92,34,235	-	-
Expected return on plan assets	2,30,729	6,93,182	-	-
Contributions	23,21,343	15,72,800	-	-
Benefits paid	8,71,600	3,54,646	-	-
Actuarial loss/ (gain)	11,02,166	3,57,990	-	-
<b>Fair value of plan assets at the year end</b>	<b>1,13,66,157</b>	<b>1,07,87,581</b>	<b>-</b>	<b>-</b>
<b>Details of plan asset</b>	Gratuity Trust	Gratuity Trust	N/A	N/A

Note: The Company funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is based on the information certified by the management. However, the gratuity liability of Rs.6,04,688/- of Distillery Division & Rs.17,31,494/- of Co-Gen Division is not funded.

- 4. Advances recoverable in cash or in kind or for value to be received shown under Schedule '8' includes certain advances given to suppliers of raw material, revenue purchases and capital goods, which are adjustable against the supply of goods but are running due in the books since long. During the year, the management has done an intensive study of these accounts from its realization point of view and based on management's working, the required provisions in respect thereof has been considered in these financial statements, wherever necessary. As far as other balances are concerned, the management is of the opinion that these balances are recoverable/adjustable in future and accordingly, provision against the same has not been considered at this stage.

These advances also include a sum of Rs.24.50 lacs seized by the Income Tax authorities from the possession of one of the staff member of the company five years back. The income tax/appellate proceedings subsequent thereto are under progress. The company has also filed writ petition before the Hon'ble Allahabad High Court in this matter, which is pending for disposal.



These advances also include an amount of Rs.99.00 lacs due from U.P. State Government as per order of the Hon'ble Allahabad High Court on account of claim lodged by the Company for compensation towards acquisition by the State Government of one of the sugar mills owned by the company. The matter is sub-judice and is pending for execution before the Commissioner, Lucknow. The management is hopeful to recover the said amount along with interest.

5. Certain bank accounts included in Schedule 7 of 'Current Assets' under the sub-head 'Bank Balance' are non-operating for last some period and are also subject to reconciliation and receipt of confirmation and therefore, amount shown in respect of those bank accounts in the financial statements are as per books of account only.
6. In view of the decision of Hon'ble Supreme Court, extra price and excise duty realized on levy sugar in earlier years amounting to Rs.67.11 lacs for funding under the Sugar Price Equalization Fund Act, 1976 was transferred to Sugar Price Equalization Reserve Account. Later on as per the order dated 22.09.1993 of Hon'ble Supreme Court, a sum of Rs.17.90 lacs was paid to the Government out of bank guarantee furnished by the Company and further, during the year 1998-99 a sum of Rs.1.00 lacs was paid towards Excise Duty on the above. The company has further made a payment of Rs.35.81 lacs during the year 2005-06 to the Government of India against the bank guarantee furnished by it along with interest of Rs.118.25 lacs thereon. Still a sum of Rs.12.40 lacs is lying in the Sugar Price Equalisation Reserve as on 30.09.11 shown under Schedule-2 of "Reserve & Surplus".
7. The Company has accounted for cane purchases for Sugar season 2007-08 at Rs.110 per quintal, the rate at which it has made payment to the cane growers as per the interim order of the Hon'ble Supreme Court, against the State Advised Price of Rs.125 per quintal fixed by Uttar Pradesh State Government. Necessary adjustments, if any, will be made in accordance with subsequent orders of the Hon'ble Supreme Court in the matter.
8. Certain balances in personal account of various debtors, advances, deposits account, and creditors are subject to reconciliation and confirmation by the respective parties and in some of the cases, the amount is overdue for a long period. Consequential revenue impact, if any, is not ascertainable. During the year, the management has done an intensive study of these accounts from its realization point of view and based on management's working, the required provisions in respect thereof has been considered in these financial statements, wherever necessary. As far as other balances are concerned, the management is of the opinion that these balances are recoverable/adjustable in future and accordingly, provision against the same has not been considered at this stage and these balances are disclosed in the financial

statements as per books of account only. The management is of the view that the realization from these assets in the ordinary course of business would not be less than the amount at which they are stated in the books of account. Further, there is no system of charging interest on amount due from sundry debtors and the parties to whom advances extended in the ordinary course of business and which remains due for a substantial period.

9. The company received a loan of Rs.858 lacs under the Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 (SEFASU) during the year for payment of cane dues of the season 2006-07 at zero rate of interest. However, if company defaults in complying with the terms and conditions of the said loan, it would be liable to pay interest at the rate of 12% p.a. The amount outstanding as at 30 September, 2011 is Rs.162.22 lacs (Previous Year Rs.593.30 lacs).
10. The quantity of pressmud and bagasse has not been ascertained as on 30.09.2011 and therefore, the value of closing stock of pressmud and bagasse is shown at Nil.
11. Unsecured Loans includes a loan from U.P. Government amounting to Rs.14.50 lacs. The issue relating to interest payable thereon is under dispute and is sub-judice before the Hon'ble Allahabad High Court. However, as per the interim order of the Court a fixed deposit of Rs.14.50 lacs has been kept with the District Magistrate, Faizabad. In opinion of the management, the interest due on fixed deposit is sufficient to meet out the interest liability of the Company on the said loan and as such, no interest is being provided for in these financial statements.
12. Advance excise duty includes excise duty paid under protest Rs.30.85 lakhs on clearance of Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) on stock held on 28.02.02 and manufactured and cleared after 01.03.02 from the molasses stock.
13. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.
14. The company has earned income during the year from derivatives trading/transaction in commodities/currency, which is included in Miscellaneous Income in Schedule 11-Other Income.
15. Related Party Disclosures:-  
  
Pursuant to compliance of Accounting Standard (AS 18) on related party disclosure, the relevant information is provided here below:-
  - a) Related party where control exist
    - Shri. L. K. Jhunjhunwala -Chairman
    - Shri. Aditya Jhunjhunwala -Managing Director



- Shri. Sanjay Jhunjunwala -Joint Managing Director
- Shri. S. C. Agarwal -Executive Director

- Smt. Priti Jhunjunwala (Wife of S. K. Jhunjunwala)
- Smt. Reena Agarwal (Wife of Shri. S. C. Agarwal)
- Shri Ayush Agarwal
- Shri Payoush Agarwal

b) Details of the related parties with whom transactions have taken place during the year:

i. Key Management Persons (Group A)

- Shri. L. K. Jhunjunwala -Chairman
- Shri. Aditya Jhunjunwala -Managing Director
- Shri. Sanjay Jhunjunwala -Joint Managing Director
- Shri. S. C. Agarwal -Executive Director

ii. Key Management Persons' relatives (GroupB)

- Shri P. C. Jhunjunwala
- P. C. Jhunjunwala (HUF)
- L. K. Jhunjunwala (HUF)
- A. K. Jhunjunwala (HUF)
- S. K. Jhunjunwala (HUF)
- Smt. Naina Jhunjunwala (Wife of Shri L.K. Jhunjunwala)
- Smt. Priti Jhunjunwala (Wife of A. K. Jhunjunwala)

iii. Associates (Group C)

- K. M. Vyapar (P) Ltd.
- K.M. Plantations (P) Ltd.
- Marvel Business (P) Limited.
- Francoise Commerce (P) Limited
- Nidhi Financial Services (P) Limited.
- Shree Shakti Credit Limited.
- Prakash Properties Limited.
- Promissing Logistics (P) Ltd.
- Shailja Properties (P) Ltd.
- Zar International (P) Ltd.

iv. Companies/ Parties in which Key management person or his relatives have substantial interest/ significant influence (Group D)

- Vridhi Trust
- Shivam Trust
- Vatsal Trust
- Laxmi Public Charitable Trust Shree K.R. Modi Drinks (P) Ltd.
- K. M. Sakhar Karkhana (P) Ltd.

c) Details of transactions with the related parties during the year

(Rs. In Lacs)

S.No	Nature of Transaction	Group				Total Current Year (Previous year)
		A C.Y. (P.Y.)	B C.Y. (P.Y.)	C C.Y. (P.Y.)	D C.Y. (P.Y.)	
1	Interest paid	- (-)	- (-)	- (-)	- (-)	- (-)
2	Interest received	- (-)	- (-)	- (-)	- (-)	- (-)
3	Remuneration	52.80 (52.80)	9.10 (2.94)	- (-)	- (-)	61.90 (55.74)
4	Sugar Sale	- (-)	- (-)	114.69 (1533.73)	- (-)	114.69 (1533.73)
5	Commission Paid	- (-)	- (-)		9.94 (-)	9.94 (-)
6	Sugar Purchases			- (355.77)		- (355.77)
7	Rent	- (-)	1..80 (-)	13.38 (12.03)	- (-)	15.18 (12.03)
8	Advance given	3.75 (9.24)	- (-)	1362.67 (518.83)	170.78 (-)	1537.20 (528.07)
9	Advance taken	9.25 (15.20)	- (-)	1206.37 (689.12)	156.74 (0.22)	1372.36 (704.54)
10	Security deposit given	- (-)	- (-)	- (81.00)	- (-)	- (81.00)
11	Security deposit refund received	- (-)	- (-)	81.00 (-)	- (-)	81.00 (-)
12	Outstanding Balances as on 30.09.2011 on account of:					
	a) Receivables	- (1.32)	5.44 (5.44)	285.21(139.76)	9.04 (-)	299.69 (146.52)
	b) Payables	48.60 (19.44)	2.03 (-)	(-) 6.88 (6.18)	4.43 (1.01)	61.94 (26.63)
	c) Security deposit given	- (-)	- (-)	- (81.00)	- (-)	- (81.00)



16. Segment Reporting: Information on the Segment Reporting of the Group for the year ended 30.09.11

Particulars	Sugar		Distillery		Co-Generation		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenue</b>										
External	26756.96	13728.94	1527.17	1574.86	1032.40	883.96	-	-	29316.53	16187.76
Inter Segment	1558.07	1746.44	-	-	431.62	320.34	-	-	1989.69	2066.78
Total Revenue	28315.03	15475.38	1527.17	1574.86	1464.02	1204.30	-	-	31306.22	18254.54
<b>Segment Result</b>	1094.08	(948.58)	(235.52)	(49.84)	18.06	(188.58)	(0.21)	(0.28)	876.41	(1187.28)
Less: Interest	932.98	780.03	32.74	18.66	453.81	485.49	0.00	0.00	1419.53	1284.18
Extra-ordinary items	531.82	0.84	-	0.00	-	(2.24)	0.00	0.00	531.82	(1.40)
Profit/(Loss) before Tax	(370.72)	(1727.77)	(268.26)	(68.50)	(435.75)	(676.31)	(0.21)	(0.28)	1074.94	(2472.86)
<b>Other Information</b>										
Segment Assets	8621.63	8526.89	634.58	622.05	3301.44	3896.26	18.30	18.50	12575.95	13063.70
Segment Liabilities	8021.69	6706.67	424.62	255.38	3539.88	4420.55	7.96	7.96	11994.15	11390.56
Capital Expenditure*	111.61	233.89	3.12	0.52	-	0.00	-	-	114.73	234.41
Depreciation	593.32	616.68	44.61	52.42	591.34	697.96	0.21	0.28	1229.48	1367.34

\*Capital expenditure includes fixed assets capitalized during the year and net increase/decrease in capital work-in-progress.

17. (A) Sundry Creditors (Schedule-9) includes a sum aggregating Rs.43.60 lacs due to small scale industrial undertakings out of which the parties from whom the Company owes any sum which is outstanding for more than 30 days from the Balance Sheet . The above information has been compiled in respect of the parties which could be certified as small scale industrial undertakings on the basis of information in possession of the company to the extent.

(B) The company is in the process of identifying the micro and medium enterprises as defined under “the Micro, Small and Medium Enterprises Development Act, 2006 and therefore information to be disclosed in this regard is not given in the accounts.

18. Earning Per Share

In compliance of Accounting Standard (AS-20) on Earning per Share, the relevant information is provided here below:-

	2010-11	2009-10
	(Amount in Rs. lacs)	
Net Profit/Loss after tax as per Profit & Loss account	(1121.76)	(1829.71)
No. of Equity Shares of Rs. 2 each	92000170	92000170
Earning Per Equity Share (Basic & diluted)	(1.22)	(1.99)


**19. Directors' Remuneration:-**

S. No.		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	2100000 (2100000)	2400000 (2400000)	780000 (780000)
b)	Contribution to Provident Fund (Previous Year)	840000.00 (-)	288000 (288000)	9360 (9360)
c)	Perquisites:			
	(i) Residence			
	-Furnished (Previous Year)	- (-)	- (-)	- (-)
	(ii) Residence			
	-Unfurnished (Previous Year)	- (-)	- (-)	58500 (33000)
	(iii) Medical Reimbursement (Previous Year)	- (-)	241676 (8000)	4049 (4948)
	(iv) Other benefits	- (-)	- (-)	65000 (42321)
	Total (Previous Year)	2184000 (2100000)	2929676 (2696000)	895129 (895129)

Note: The value of perquisites shown above is as per the income tax provisions.

- a) During the year, the company has incurred losses and because of inadequate profit, the remuneration to the directors have been paid in accordance with the limits as prescribed in Section-II of Schedule XIII read with section 198 of the Companies Act, 1956.

**21. Statement of additional information:-**

- A) Licensed and Installed capacities, actual production and trading:-

(i) Sugar Division

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock Qtls.	Stock Adj. Qtls.	Production Qtls.	Re-Processing Qtls.	Purchases Qtls.	Sales Qtls.	Sale Value Rs. Lakhs	Closing Stock Qtls.
1	Sugar Current Year (Previous Year)	6500 TCD	105114.00 (71201.00)	0.00 (0.00)	522586.00 (457567.00)	5168.00 (3453.00)	Nil	484342.00 (420201.00)	13480.55 (11957.32)	138190.00 (105114.00)
2	Molasses Current Year (Previous Year)		126798.78 (123642.75)	- (-)	297000.00 (259221.48)	- (Nil)	Nil	268017.45 (256065.45)	900.32 (1039.93)	155781.33 (126798.78)
3	Sugar for Trading Current Year (Previous Year)		- (9955.00)	51.50* (-)	NA NA	NA NA	406553.00 52217.00	406501.50 62172.00	13247.94 1760.99	- (-)

- 51.50 Qtl sugar for trading lost in transit.

Note: Installed capacity of sugar unit during the year was 6500 TCD as certified by the management.

Note: The stock of Molasses includes 70158.76 qtls. relating to years 1978-79 to 1996-97 valued at Rs. Nil as it has deteriorated in quality. The company has sought the permission from the Commissioner of Excise, U.P. to drain off the above stock, which is yet to be received as informed by the management.

**20. Provision for Deferred Tax**

In compliance with the Accounting Standard (AS 22) on "Accounting for Taxes on Income", the Break-up of Net Deferred Tax Liability is as under:-

Particulars	Deferred Tax Liability/(Assets)	
	2011	2010
Fixed Assets	132256530	155122426
Accumulated Losses	(102603878)	(133832667)
Others	(5011778)	(1330654)
Net deferred tax liability	24640874	19959105

On the basis of future projections taken on record by the management of the company after considering improved margins in sugar in the current domestic sugar market scenario, the management is confident that there is a virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized in the normal course of business of the company.



**K.M.SUGAR MILLS LIMITED**

**Schedules ...**

(ii)

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock Qtls.	Stock Adj. Qtls.	Production Qtls.	Re-Processing Qtls.	Purchases Qtls.	Sales Qtls.	Sale Value Rs. Lakhs	Closing Stock Qtls.
1	Sugar Current Year (Previous Year)	6500 TCD	105114.00 (71201.00)	0.00 (0.00)	522586.00 (457567.00)	5168.00 (3453.00)	Nil	484342.00 (420201.00)	13480.55 (11957.32)	138190.00 (105114.00)
2	Molasses Current Year (Previous Year)		126798.78 (123642.75)	- (-)	297000.00 (259221.48)	- (Nil)	- Nil	268017.45 (256065.45)	900.32 (1039.93)	155781.33 (126798.78)
3	Sugar for Trading Current Year (Previous Year)		- (9955.00)	51.50* (-)	NA NA	NA NA	406553.00 52217.00	406501.50 62172.00	13247.94 1760.99	- (-)

(iii) Co-generation Division

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock (Units KW)	Production (Units KW)	Sales (Units KW)	Sale Value Rs. Lakhs	Used for captive consumption	Closing Stock (Units KW)
1	Power (Previous Year)	(25 MW)	404476 (465450)	41141400 (36766000)	36978360 (32752307)	1464.02 (1204.30)	4226863 (4074667)	340653 404476

B) Expenditure in Foreign Currency: -

Travelling Expenses	Rs.15.25 lacs (P.Y.-Rs.11.59 lacs)
Bank Charges	Rs. 1.51 lacs (P.Y.- Nil)
Commission	Rs. 1.23 lacs (P.Y.- Nil)
Others	Rs. 2.42 lacs (P.Y.- Nil)
FCNR interest	Rs. 97.49 lacs (P.Y.- Rs.25.55)

22. Payments to Auditors:-

	2010-11	2009-10
	(Amount in Rs. lacs)	
- Audit Fee	2.00	2.00
- Tax Audit Fee	1.00	1.00
<b>Total</b>	<b>3.00</b>	<b>3.00</b>

C) Earning in Foreign Currency: -

F.O.B. Value of Exports Rs.10763.46 lacs (P.Y.-Nil)

23. The company had approached the Lenders for restructuring of various loans availed by it under Corporate Debt Restructuring Mechanism (CDR) and the application of the company in this regard has been admitted by CDR EG in their meeting held on 29.09.2011. The company would be submitting the final restructuring package for approval of the Lenders and CDR EG.

D) Break up of Raw Materials and components consumed.

	Qty. (Qtls.)	Rs. In Lacs
1) Raw Materials		
Cane- Sugar Division (Previous Year)	5485290.31 (5070800.71)	11520.19 (12160.27)
Molasses- Distillery Division (Previous Year)	261998.75 (280366.20)	875.41 (1144.16)
2) Stores (Previous Year)	-----	360.83 (303.30)
3) Bagasse (Co-Generation) (Previous year)	1360430.00 (1177520.00)	683.58 (707.99)

24. Sales includes inter division transfer of molasses for Rs.877.85 lacs (P.Y. Rs.1039.93 lacs) bagasse for Rs.680.22 lacs (P.Y. Rs.706.51 lacs) and power for Rs.431.62 lacs (P. Y. Rs.320.34 lacs) for own consumption at market price.

25. The figures of production, sales and closing stock of Alcohol and molasses have been taken as per the records maintained under Central Excise Rules.

26. Figures of previous year are regrouped or rearranged wherever necessary.

27. Schedule 1 to 17 forming part of the Balance Sheet as at 30th September, 2011 and Profit & Loss Account for the year ended on that date.

For and on behalf of  
MEHROTRA & MEHROTRA  
Chartered Accountants  
FRN: 00226C

Sd/-  
**Rajesh Jhalani**  
Partner  
M. No. 74809

For and on behalf of the Board of Directors

Sd/-  
**A. K. Jhunjunwala**  
Managing Director

Sd/-  
**S. C. Agarwal**  
Executive Director

Sd/-  
**Akhilesh K. Singh**  
Company Secretary

Place: Lucknow  
Date: 29.11.2011



## Cash Flow Statement

# Cash Flow Statement...

S.No.	Particulars	Sep' 10	
		Amount in lacs (RS)	Amount in Lacs (Rs)
	<b>Cash Flow from operating activities</b>		
	Net Profit before Tax	(1074.94)	(2472.87)
	<b>Adjustment for :-</b>		
	Depreciation for the year	1229.48	1359.17
	Interest income received	(2.95)	(5.99)
	Profit on sale of Fixed Assets	(21.94)	(0.48)
	Preliminary expenses & amortisation written off	0.00	55.86
	Miscellaneous expenses written off/(back) (Net)	(0.61)	(16.23)
	Provision for leave encashment/Gratuity	(9.50)	26.39
	Provision for bad debt	522.69	0.00
	Interest expenses	1419.53	1284.19
	<b>Operating Profit before working capital changes</b>	<b>2061.76</b>	<b>230.04</b>
	(Increase)/Decrease in trade receivables	(345.35)	1210.91
	(Increase) / Decrease in inventories	(683.32)	(1043.39)
	Increase / (Decrease) in trade payables & Others	156.92	(31.68)
	Cash Generated from Operations	(871.75)	135.84
	Direct Tax Paid	0.00	(25.00)
	Other adjustments	(10.00)	(6.65)
A.	<b>Net Cash From Operating Activities</b>	<b>1180.01</b>	<b>334.23</b>
	<b>Cash Flow from investing activities</b>		
	Purchase of fixed assets	(114.73)	(234.41)
	(Increase) / Decrease in deposits and advances	(86.20)	390.77
	Proceeds from sale of fixed assets	23.61	2.09
	Interest income received	2.95	5.99
B.	<b>Net Cash From Investing Activities</b>	<b>(174.37)</b>	<b>164.44</b>
	<b>Cash Flow From Financing activities</b>		
	Proceeds from long term borrowings	(422.10)	659.01
	Proceeds from short term borrowings	785.61	33.37
	Interest Paid	(1326.27)	(1259.18)
C.	<b>Net Cash From Financing Activities</b>	<b>(962.75)</b>	<b>(566.80)</b>
	<b>Net increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>42.88</b>	<b>(68.13)</b>
D.	Cash & Cash Equivalents at the beginning of the Year	142.05	210.18
E.	Cash & Cash Equivalents at the end of the year	184.93	142.05
	<b>Increase in Cash &amp; Cash Equivalents (D-E)</b>	<b>42.88</b>	<b>(68.13)</b>

Note: Cash and cash equivalents represent cash and bank balances.

For and on behalf of  
MEHROTRA & MEHROTRA  
Chartered Accountants  
FRN: 00226C

For and on behalf of the Board of Directors

Place: Lucknow  
Date: 29.11.2011

Sd/-  
**Rajesh Jhalani**  
Partner  
M. No. 74809

Sd/-  
**A. K. Jhunjhunwala**  
Managing Director

Sd/-  
**S. C. Agarwal**  
Executive Director

Sd/-  
**Akhilesh K. Singh**  
Company Secretary



## Balance Sheet Abstract and Company's General Business Profile

## Balance Sheet Abstract ...

<b>I. Registration Details</b>			
Registration No	3492	State Code	20
Balance Sheet Date	30.09.2011		
<b>II. Capital raised during the Year (Amount in Rs.Thousands)</b>			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)</b>			
Total Liabilities	1,644,059	Total Assets	1,644,059
Sources of Funds:			
Paid up Capital	184,000	Reserves & Surplus	400,348
Share Application money	-	Unsecured Loans	190,660
Secured Loans	844,410	Deferred Tax Liability	24,641
Application of Funds:			
Net Fixed Assets	667,370	Investments	1,021
Net Current Assets	424,858	Misc. Expenditure	-
Accumulated Losses	550,810		
<b>IV. Performance of Company (Amount in Rs. Thousands)</b>			
Turnover	3,143,354	Total Expenditure	3,250,850
Profit/(Loss) Before Tax	(107,494)	Profit/Loss after Tax	(1,122)
Earning per Share (Rs.)	(1.22)	Dividend	Nil
<b>V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b>			
Item Code No.(ITC Code)	170199.02		
Production Description	CANE SUGAR		
Item Code No.(ITC Code)	29.05		
Production Description	INDUSTRIAL ALCOHOL POWER		

For and on behalf of  
MEHROTRA & MEHROTRA  
Chartered Accountants  
FRN: 00226C

For and on behalf of the Board of Directors

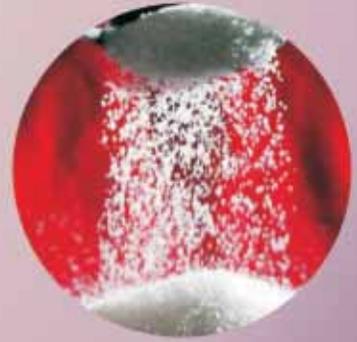
Place: Lucknow  
Date: 29.11.2011

Sd/-  
**Rajesh Jhalani**  
Partner  
M. No. 74809

Sd/-  
**A. K. Jhunjunwala**  
Managing Director

Sd/-  
**S. C. Agarwal**  
Executive Director

Sd/-  
**Akhilesh K. Singh**  
Company Secretary





*Registered Office :*

11, Moti Bhawan, Collectorganj, Kanpur-224 001  
Tel No. (0512) 2310762, Fax No. (9512) 2310762

*Corporate Office and Works :*

Post Office Moti Nagar, District Faizabad-224 201  
Tel. No. (05278) 254059, 254173, Fax No. (05278) 254031  
E-mail : cs@kmsugar.com website : www.kmsugar.com