

**Annual Report
2008-2009**



K M SUGAR MILLS LIMITED





1.	Report of the Board of Directors	2
3.	Corporate Governance Report	5
2.	Management Discussion & Analysis	9
4.	Auditors Report	11
5.	Balance Sheet	15
6.	Profit & Loss account	16
7.	Schedules	17
8.	Cash flow Statement	34
9.	Balance Sheet Abstract	35

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

Company Information ...

BOARD OF DIRECTORS

Chairman

L K Jhunjhunwala

Whole Time Director

Aditya Jhunjhunwala, *Managing Director*
Sanjay Jhunjhunwala, *Joint Managing Director*
Subhash Chandra Aggrawal, *Executive Director*

Non Executive Director

H P Singhania
S K Gupta
Dr. Kirti Singh
R. S. Shukla

Company Secretary

Ajay Mishra

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

To,
The Members,

Your Directors have pleasure in placing the director's report along with the Audited Statement of Accounts for the financial year ended on 30th September, 2009.

Financial Performance

After two consecutive financial years of losses your company has earned net profit for the year Rs. 426.32 Lacs before tax. However that is not sufficient to cover the accumulated losses of the last two financial years. The details are as under:

(Rupees in Lacs)

	2008-09	2007-08
Profit before interest, depreciation & tax	3203	1534
Less: Interest	(1196)	(1029)
Depreciation	(1581)	(1605)
Profit before tax	426	(1100)
Provision for taxation (including FBT)	(2)	(8)
Provision for taxation (deferred)	36	(111)
Net Profit before extraordinary Items	460	(1219)
Add: Extra ordinary item	(39)	4
Net Profit	421	(1215)
Add: Balance brought forward from Previous year	(2967)	(1746)
Transfer to Molasses Reserve Fund	(2)	(6)
Amount available for Appropriation	(2548)	(2967)
Transfer to general reserve	NIL	NIL
Balance carried to Balance Sheet	(2548)	(2967)

Overall Performance

For the year ended on 30th September, 2009 sales stood at Rs. 1511.18 Lacs (net of excise duty) against the Rs. 3133.80 (net of excise duty) of last year. The fall in sales is due to absence of opportunity for trading of sugar activities during the reported financial year. During the last financial year the company had done trading of sugar for Rs. 2200.33 Lacs whereas during the reported financial year trading activity was done only for Rs. 749.79 Lacs. Profit after interest and depreciation stood at Rs. 426 Lacs against the loss of Rs. 1215 Lacs in last year. Profit after tax for the year ended September 30, 2009 was Rs. 421 Lacs compared to loss of Rs. 1219 lacs of the previous year.

Dividend

Due to accumulated losses your directors have not declared any dividend for the financial year ended September 30, 2009.

Performance of Divisions

Sugar Division

Crushing season 2008-09 was one of the shortest seasons in the history of the Company from the point of view of the cane availability. The company has crushed only 32.74 Lacs qtl. and the season was ran only for 79 days. The other details are as under:

	Season 2008-09	Season 2007-08
Gross Working days	79	117
Total Cane Crushed (qtls.)	3274866.32	5446996.57
Average cane crushed per day (qtls.)	4151.401	46555.52
Average Recovery	8.92%	9.50 %

Cane Management

Cane management is the most indispensable part of the whole sugar manufacturing process. The quality as well as price of sugar cane determines the prospects of the company. For the season 2008-09 State Advisory Price was higher at Rs. 140 in comparison of last season. Whereas the ground realities was much different and to achieve the optimum level of cane crushing your company paid incentive. In spite of that the company crushed merely 32.74 lacs qtl towards the end of the season, for which there were several reasons like untimely rains, shifting of farmers from cane crop to other crops and which reduced cane yield during the season 2008-09. Moreover, to meet the challenges of low sugar cane yield the company has started immense drive for cane development in the area by distributing pesticides, seeds, fertilizers etc. The results are overwhelming and we are expecting good sugar cane during the current season 2009-10.

Co-Generation:

Low cane crushing has also affected the power production during the crushing season 2008-09. The bagasse generated by the lower crushing was not enough to run the Co-Gen plant once the crushing was stopped. During the crushing season reported the capacity utilization was merely 46.58% as the company produced only 22079 MWh power, and exported 19588 MWh to UPPCL.

Distillery

The year 2008-09 was not good for the distillery also. As the lower cane crushing not only affected the sugar division but all related activities. The distillery division was also no exception. Its performance was badly affected as the captive molasses was not available in required quantities. The price of molasses was also high leading to higher cost of production as the molasses price in open market peaked up to Rs. 500 per qtl.

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.

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.

Directors

At the ensuing Annual General Meeting Dr. Kirti Singh and Shri R. S. Shukla both are independent Directors of your Company are due to retire by rotation u/s 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for the same



Public Deposits

During the year 2008-09 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. However, the National Stock Exchange Limited has suspended the trading on the basis of some non compliance of the Listing agreement. Although the company has completed all the compliances but the resumption of trading is awaited.

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, 2009 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 separate section on 'Corporate Governance' including a certificate from the Auditors of the Company regarding the confirmation of the compliance of conditions of the Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchanges is given in 'Annexure -3' and forms part of 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 Relation

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

Acknowledgments

Your Directors place on record their acknowledgment 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.

L. K. Jhunjhunwala

Chairman

Date: 29.01.2010

Place: Lucknow

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 September, 2009	Previous year ended at 30 September, 2008
Electricity			
Purchased Unit	Kwh	298612.38	2245200
Total Amount	Rs.	3250990.4	6735600
a) Own Generation			
i) Through Diesel Generation	Kwh	15822	
Units per litre of diesel kwh/litre	ltr/kwh	0.27	0.28 ltr/kwh
ii) Through Steam Turbine generation	Kwh	28308150	
Kg of Bagasse required kwh	Kg/kwh	1.95	2.1 kg/kwh
iii) Total units Generated	Kwh	28323972	
Total Cost/ Unit	Rs./kwh	3.44	2.44 Rs./kwh

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	Mill House and Boiling House
2.	Benefits derived as results of the above R & D	As per detail given below
3.	Further plan of action	(a) Conversion of 4Mill Rollers' pitch from 35 to 50 mm (b) Expansion for 10,000 TCD (c) Steam Economy equipments for Boiling House (d) Modification in 100 TPH Boiler for coal firing also
4.	Expenditure on R & D	
	i) Capital	30 Lac
	ii) Recurring Expenditure	20 Lac
	iii) Total	50 Lac
	iv) Total R & D expenditure as a percentage of total turnover	0.32%

II. Technology absorption, adaptation and innovation:
(A) Mill House

1. Cane Unloader.

Hydraulic grab pumps suction line modified.

Benefit

Hydraulic pumps failure stopped and improved the unloader's working

2. Preparatory Device

8 Nos Chopper Knives increased from 52 to 60 Nos. with 60 mm extra length of knives from 480 to 540

Clearance in between knives and slates reduced 100 mm

Benefit

- (a) Head on cutter load reduced
- (b) P.I. Improved from chopper
- (c) Cane jamming problems stopped
- (d) Cane crush rate increased

3. Milling Station

- (a) Top roller scrapper lever design changed
- (b) Mill bye pass chute modified

Benefits

- (a) After changing scrapper lever design the failure of scrapped stopped
- (b) Top roller, scrapper, etc, visibility improved and rollers are smoothly arching

(B) Boiling House

1. Steam Saving

Pan washing, chemical boiling and molasses conditioning adopted by 1st vapour instead of exhaust steam.

Benefit

Steam saving in house 1% on Cane.

2. Vapour Line Juice Heater.

Vapour line juice heater vapour inlet area increased.

Benefit

Velocity at inlet point reduced which avoided damage of tubes

I. Foreign Exchange earnings & Outgo

i)	Activities relating to exports initiative taken to increase exports	
ii)	Development of new export market for product and services and export plan	NIL
iii)	Total foreign exchange earnings (Rs. Lacs)	NIL
iv)	Used (Rs. Lacs)	NIL

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, 2009.

A. Employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000 per annum.

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

A. Employed for part of the financial year and were in receipt of monthly remuneration of not less than Rs. 2,00,000.

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.

Date: 29.01.2010

Place: Lucknow

L. K. Jhunjhunwala
Chairman



Annexure 3

Directors' Report on Corporate Governance

1. Company's Philosophy on Code of Governance

The Directors present the report on Corporate Governance for the year ended on 30th September 2009. The Company has developed good Corporate Governance in order to fulfill its social and corporate responsibility towards its stakeholders, which is based upon the principles of monitoring, accountability, growth oriented approach, trusteeship, corporate citizenship and environmental consciousness. The Company maintains the highest level of transparency and accountability in all its interaction with its stakeholders, government, its employees and lenders. The Board of the Company acknowledges its responsibility towards its stakeholders for servicing and protection of long-term interest of all the stakeholders.

The management of the Company follows the policies of compliance, protection of rights and interest of the stakeholders, equality in dealing with all the shareholders, and acts as a trustee of the shareholders' capital. The Company also maintains the effective internal and external communication and makes timely disclosures. The Company authorizes the Board to evaluate and review the operations conducted by the Company and to take the decisions and improve returns of the stakeholders.

2. Board of Directors

At present, the Company is having an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2009, the board consist 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, 2009, four Board meetings were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. 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 other 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	1
2. Aditya Jhunjhunwala	Promoter, Executive	2	1	4	-
3. Sanjay Jhunjhunwala	Promoter, Executive	-	1	3	1
4. S. C. Agarwal	Independent, Executive	-	-	4	-
5. H. P. Singhania	Independent, Non-executive	1	3	4	1
6. Dr. Kirti Singh	Independent, Non-executive	-	-	2	-
7. R. S. Shukla	Independent, Non-executive	-	2	3	1
8. S. K. Gupta	Independent, Non-executive	-	2	4	1

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
30.12.2008	8	8
30.01.2009	8	7
30.04.2009	8	6
30.07.2009	8	6

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. Mr. H. P. Singhania acts as the chairman to the Committee. The Chief Financial Officer, the External and Internal Auditors are the regular invitees.

During the year Four meetings of the company were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. The details are as follows:

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

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 oversee 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.

Remuneration Committee

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhania acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. The details are as follows:

Sl no.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1.	Mr. H. P. Singhania	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 30th September, 2009 is as under:

Name	Salary & Allowance	Perquisites & other profits	Incentive and Bonus paid	Sitting fees
L. K. Jhunjhunwala	22,25,000	2,86,328	NIL	NIL
Aditya Jhunjhunwala	12,00,000	6,43,065.50	NIL	NIL
Sanjay Jhunjhunwala	12,00,000	6,43,065.50	NIL	NIL
S. C. Agarwal	6,30,000	33,000	NIL	NIL
H. P. Singhania	---	---	NIL	20000
R. S. Shukla	---	---	NIL	15000
Dr. Kirti 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 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. The details are as follows:

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

General Body Meeting

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

Day & Date : Friday, March 08, 2010.

Time: 11.00 AM

Venue: Check Mate Banquet Hall, 7/17/12, Parvati Vagla Road, Tilak Nagar, Kanpur., Uttar Pradesh-208001

Dates of Book Closure:

Thursday February 25, 2010.

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

Financial Year	Day & Date	Location	Time
2005-06	Monday 26.02.2007	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur -208001	11:00 A.M.
2006-07	Wednesday, 26.03.2008	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur -208001	11.00AM
2007-08	Thur sday 26.03.2009	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.

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.

Communication

The quarterly and annual results of the Company are published in prominent newspapers viz. Business Standard and Aaj/other local paper. 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.

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 Website: www.nseindia.com

Listing fees for the financial year 2008-09 has been paid to all the concerned stock exchanges by the Company.

Depositories:

1. National Securities Depository Ltd.,

Trade Worlds, 4th floor,
Kamala mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai - 400013

2. Central Depository Services (India) Ltd.,

Phiroze Jeejeebhoy Towers,
17th floor, Mumbai 400023

Compliance officer

Mr. Ajay Misra 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 08	19.15	10.70	11.10	18.45	11.95	11.95
November 08	12.00	9.01	9.30	12.05	10.00	10.00
December 08	11.92	8.10	11.02	11.55	9.80	11.20
January 09	12.38	8.95	9.68	12.45	8.85	9.80
February 09	10.22	7.90	8.12	10.55	8.40	8.85
March 09	10.50	7.75	8.72	10.50	8.00	8.60
April 09	14.24	8.80	14.24	14.70	8.80	14.40
May 09	27.20	14.00	25.89	16.75	14.00	16.05
June 09	27.25	20.25	21.30	-	-	-
July 09	23.25	17.90	18.75	-	-	-
August 09	29.10	18.90	22.45	-	-	-
September 09	24.70	19.65	20.90	-	-	-

Shareholding pattern as on September 30, 2009

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	17	12,343,711	343711	67.09%
ii) Foreign Promoters	NIL	NIL	NIL	NIL
B) Public Shareholding				
i) Institutions	NIL	NIL	NIL	NIL
→ Financial institution/banks				
ii) Non-institution				
→ Bodies corporate	272	1,607,824	1,607,823	8.74%
→ Individuals				
Holding nominal Share Capital upto Rs. 1 lacs	8,809	2,728,722	2,728,517	14.83%
Holding Nominal Share capital more than Rs.1 lacs	26	12,45,435	12,45,435	6.76%
→ Trust	-	-	-	-
→ Non- Resident Indian	77	35,030	35,030	0.19%
→ Clearing members	19	6,099	6,099	0.03%
→ HUF	291	433,213	433,213	2.35%
TOTAL	9,511	18,400,034	6,399,828	100.00%

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 (Amount)	No. of Share holders	%	Physical	NSDI Demat	CDSL Demat	Total No. of Shares	%
Upto- 2,500	6931	72.874	2060	5214910	2365140	7582110	4.121
2,501-5,000	1352	14.215	NIL	3440350	2029040	5469390	2.972
5,001-10,000	662	6.960	NIL	3165910	2353060	5518970	2.999
10,001-20,000	285	2.997	NIL	2650550	1796610	4447160	2.417
20,001- 30,000	100	1.051	NIL	1575910	994360	2570270	1.397
30,001- 40,000	50	0.526	36000	1226880	552060	1814940	0.986
40,001- 50,000	32	0.336	NIL	755280	750570	1505850	0.818
50,001- 1,00,000	38	0.400	NIL	1809010	1093940	2902950	1.578
1,00,001 & Above	61	0.641	119964000	21668260	10556440	152188700	82.711
TOTAL	9511	100.00	120002060	41507060	22491220	184000340	100.00

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

After a deficit season of 2007-08 the World sugar economy is facing a second successive year of significant gap between world consumption and production. In its first assessment of world sugar market for the season 2009-2010 International Sugar Organization (ISO) estimates World sugar production at 159.042 million tonnes up by 4.817 million tonnes from the last season. Global consumption in 2009-10 is estimated to grow at the rate of 1.73% per annum to reach a level of 167.446 million tonnes raw value thus leaving a shortfall in supply of 8.404 million tonnes as against a shortfall of 10.368 million tonnes projected in sugar season 2008-2009.

India

However, the current sugar season 2009-10 is good for sugar industry but the year 2008-09 was the sequel of 2007-08 and perhaps the sugar industry faced the most difficult year in its history. The sugar season 2008-09 begins with a high sugar inventory in the country manifested by extremely unremunerative price of non-levy sugar. The problem was compounded by the as the estimates of sugar production which predicted yet another year of bumper production. The Government of Uttar Pradesh announced a price of INR 125 per quintal of sugarcane. The price announced in the given circumstance was extremely high and mills had no option but recourse to the Courts to seek relief. The industry finally paid a price of INR 110 per quintal under a directive from the Supreme Court. There was no rally in the price of sugar prices as the country had abundant sugar stock and the estimate of production was also high. It was only towards the second half of the year that realization dawned that sugar production would not be as high as originally estimated and that the outlook of sugar production for the year 2008-09 would be extremely depressing.

The fortune of the sugar industry changed from that point of time and prices then started firming up although by then irreparable damage had already been inflicted and sugar mills could do very little to bounce back. The profitability of most sugar mills was by then severely eroded and their bottom-line was

already in the red.

Although the last two years were globally characterized by higher production and lower consumption, it was extensively believed there would be role reversal in the season of 2008-09. In India, the original estimates were drawn at 23 million tons. There have been one too many downward revisions thereafter and now that most of the sugar mills are inching towards the closure of their crushing season and the present number is fastened at around 16 million tons, a near 30% decline from the last year's production.

The significant features of the season 2008-09 was as follows:

1. Uttar Pradesh the largest sugarcane producer and second largest sugar producing state in India has suffered the most due to delayed monsoon and various other factors. Earlier it was expected that production will bounce back in the season 2009-10 but poor and delayed monsoon together with decline in sugarcane area in the state, as well as severe competition for sugar cane procurement from the manufactures of Gur and Khandsari has severely dented the production of sugar in the season ended 2008-09. Lower cane availability had forced the mills to end crushing earlier than expected. Mills in Uttar Pradesh and the northern states were operating at sub-optimal capacity. The crushing clocked by sugar mills is only 50% to 60% of the cane crushed in the last year. The duration of the crushing season had ranged from 75 days to 100 days as against a healthy average of 150 days. In fact some mills concluded their crushing as early as in January, 2009.

There were near 40% decline in sugar production UP. The same was the case in most other States. The lower production of sugar was on account of nearly 1% drop in the recovery, and other reasons as explained above.

2. In a bewildering move State Government announced a SAP of INR 140 per quintal for the crushing season. The kneejerker reaction of the industry was one of despair and once again industry made a beeline to the Courts. However the plea of the industry was dismissed by the High Court. With lower

crushing operations and lower cane availability menacingly lurking large on the horizon the industry reconciled to paying the SAP. One mill after another started paying higher sugarcane price with a view to lure the farmers. Unscrupulous poaching of cane from the command area of other sugar mills became the unwritten rule. Caution was thrown to the winds and long term benefits were sacrificed at the altar of short term gains. The industry has been in a state of total disarray in so far as procurement of sugarcane is concerned.

- From July 2008 sugar prices have been on the upward spiral. In January, 2009 sugar price reached record high levels. With an eye on the impending elections, the Central Government announced a spate of measures aimed at controlling the sugar prices. Political rhetoric has taken precedence over logic of economics. However sugar has remained a politically sensitive commodity for several decades. Nearly 1 to 1.5 million ton of raw sugar has been contracted to be imported. However it will not in any significant way change the dynamics of domestic sugar market.

Going forward, it is expected that undue attention accorded to increase in sugar price wanes away and the market forces are allowed to operate freely and independently and sugar prices attain their logical levels. Only if the sugar prices are remunerative and economically viable, will the industry survive and only then the fortunes of sugarcane growing farmers will flourish.

SWOT ANALYSIS :

Strength:

- India is the second largest sugar producer in the world after Brazil.
- Three fully integrated complexes with sugar, power and alcohol ensures de-risked business profile.
- It is having strong agri linkage with over 40,000 farmers supplying sugarcane.
- The focal point is the rural socio-economic development.

- A regulated industry as its consumption is considered to be essential for the mass consumption.

Weaknesses:

- Climatic conditions, having an overriding impact on the availability of raw material.
- Cyclical nature of the sugar industry and recently Completed low sugar cycle.
- Low mill efficiency.

Opportunities:

- Increased demand for high value by products such as exportable power through bagasse.
- It is capable enough to enhance sugar production and recovery rate.
- Technological upgradation will help in recovery.
- Conversion from an adverse sugar cycle to a favorable sugar cycle.

Threats:

- Diversion of farmers to other crops.
- Excess use of fertilizers and pesticides that may result in reducing soil potency.
- Political intervention in the matter of raw material pricing and sale timing.



Auditor's & CEO/CFO Certification...

Auditor's & CEO/CFO Certification...

Auditor's Certificate on Corporate Governance

We have reviewed the implementation of Corporate Governance procedures by K.M. Sugar Mills Ltd during the year ended at September 30, 2009 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 conditions 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 explanations 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 required by the Guidance Note issued by the Institute of Chartered Accounts of India, we have to state that as per the records maintained by the Company there were no investor grievances received by the Company remaining pending for more than 30 days. As regards, investor's grievances communicated by 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 future 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 : Jan 29, 2010

CEO/CFO Certification

The Board of Directors
K.M. Sugar Mills Ltd.
11, Moti Bhawan, Collectrojanj,
Kanpur 208001

Re : Certification by CEO/CFO for Financial Year ended 30th September 2009.

I, Subhash Chandra Aggarwal, Executive Director, of K.M. Sugar Mills Ltd. to the best of my knowledge and belief, certify that

- (a) I have reviewed the Balance Sheet as at September 30, 2009, Profit & Loss account, Cash Flow Statement and the Director's Report for the Financial Year 2008-09 and based upon our knowledge and information confirm that
 - (i) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading :
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered in to by the Company during the year which were fraudulent, illegal or violative of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting for the Company and we have
 - (i) Evaluated the effectiveness of the internal control systems of the Company
 - (ii) Disclosed to the auditors and the audit committee of the Board, deficiencies in the design or operation of the internal controls, if any, of which we are aware and
 - (iii) Taken necessary steps or proposed to take to rectify these deficiencies.
- (d) I have indicated to auditors and the audit committee of the Board that there have been
 - (i) no significant changes in internal control over the financial reporting during the year.
 - (ii) No significant changes in accounting policies during the year
 - (iii) No instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or and employee having significant role in Company's internal control systems.

sd/-
Subhash Chandra Aggarwal
Executive Director
(CEO)
Place : Lucknow
Dated : Jan 29, 2010

Auditor's Report

The Member of
K.M. Sugar Mills Ltd.

1. We have audited the attached Balance Sheet of K.M. SUGAR MILLS LIMITED as at 30th September, 2009 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 30th September, 2009 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, 2009
 - (ii) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For and on behalf of
Mehrotra & Mehrotra
Chartered Accountants

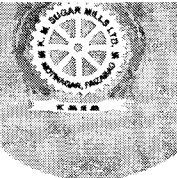
sd/-
Rajesh Jhalani
Partner
Membership No. 74809

Place : Lucknow

Dated : 19th December, 2009

ANNEXURE TO THE AUDITORS REPORT

- (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) 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 as per information provided to us.
 - (b) According to information 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 an unsecured loan to a company covered in the register maintained under section 301 of the Companies Act, 1956 and a sum of Rs. 10 lacs was outstanding as on 30.09.2009

(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 prima facie prejudicial to interest of the Company except that it is interest free loan but however, the repayment is within the terms and condition 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. Further, the loans taken in the immediate preceding financial year ending 30.09.2008 has been repaid during the year.

(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 systems.

(v) (a) As per information and explanations given to us by the management, we are of the opinion that all the particulars in respect of certain contracts or arrangements referred to in section 301 of the Companies Act, 1956 and need 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 has in house internal audit systems which requires further to strengthen 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 to the production of sugar 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 which were outstanding for a period of more than six months as on 30.09.2009.

(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 30.09.2009, 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
Central Excise Act, 1944	Central Matter-2005-06	0.51	The Commissioner (Appeals), Allahabad
U.P. Trade Tax, Act, 1948	Trade Tax - A.Y. 2005-06 and 2006-07	22.13	The Joint Commissioner (Appeals) Faizabad
	Entry Tax - A.Y. 2005-06 and 2006-07	260.31	The Joint Commissioner (Appeals), Faizabad Demand is stayed by the Hon'ble Allahabad Court.
Central Sales Tax Act	CST	87.84	The Joint Commissioner (Appeals) Faizabad
Income Tax Act, 1961	Income Tax	60.79	The Commissioner of Income Tax (Appeals) Faizabad
Total		431.58	

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'

- (x) The Company has not incurred losses during the financial year ending 30.09.2009 and its accumulated losses as on 30.09.2009 are not more than 50% of its net worth. The Company has not incurred cash losses during the current financial year and in the immediately preceding financial year ending 30.09.2008
- (xi) 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 not defaulted in the repayment of the dues to the financial Institutions and Banks as per details given here-under.
- (a) The term loan installment of Rs. 58.43 lacs payable during the year towards loan from Sugar Development Fund (SDF) could not, be paid till 30.09.2009. Further interest of Rs 115 lacs payable to SDF is also unpaid till 30.09.2009
- (b) The repayment terms of the term loan availed by the company from a Bank has been rescheduled during the year. As per rescheduled terms the quarterly installment of Rs. 110 lacs due for payment on 30th June, 2009 was paid with some delay. Further, the interest of Rs. 68.06 lacs payable on the said term loan was unpaid till 30.09.2009.
- (XII) 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.
- (XIII) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society, therefore clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (xiv) 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.
- (xv) 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 10.48 lacs was outstanding at the year end 30.09.2009 on this account.
- (xvi) According to the information and explanations given to us, terms loans were applied for the purpose for which the

loans were obtained.

- (xvii) According to the information and explanation given to us and based on an overall examination of the balance sheet, cash flow and other relevant records we report that the funds raised on short term basis have not been used during the year for long term purposes.
- (xviii) 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.
- (xix) According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit.
- (xxi) 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.
- (xxi) Based on the audit procedure performed for the purpose of reporting the true and fair view of the financial statement 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

sd/-
Rajesh Jhalani
Partner
Membership No. 74809

Place : Lucknow
Dated : 19th December, 2009



Balance Sheet as at 30th September 2009

PARTICULARS	Schedule No.	Current Year				Previous Year			
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
SOURCES OF FUNDS :									
1. Shareholders' Funds									
a) Share Capital	1	184,000,340.00				184,000,340.00			
b) Reserves & Surplus	2	403,160,727.18				404,157,300.08			
				587,161,067.18				588,157,640.08	
2. Loan Funds									
a) Secured Loans	3	916,612,502.43				1,098,292,148.97			
b) Unsecured Loans	4	1,040,840.00				87,026,830.00			1,185,318,978.97
3. Deferred Tax Liability									87,844,500.95
Total				1,589,088,827.56				1,861,321,120.00	
APPLICATION OF FUNDS :									
1. Fixed Assets	5								
a) Gross Block		1,856,876,593.25				1,852,062,427.91			
b) Less: Depreciation		967,290,316.39				822,626,717.94			
c) Net Block		889,586,276.86				1,029,435,709.97			
d) Capital Work-in-Progress		3,905,548.71			893,491,825.57	12,226,700.61			1,041,662,410.58
2. Investments	6			1,021,300.00					1,021,300.00
3. Current Assets, Loans & Advances :									
a) Current Assets	7								
Inventories		245,475,171.49				617,670,821.78			
Sundry Debtors		133,531,816.69				71,504,212.74			
Cash & Bank Balances		17,063,494.22				66,733,640.69			
b) Loans & Advances	8	189,857,459.58				240,861,787.52			
Total (A)		585,927,941.98				996,770,462.73			
Less : Current Liabilities & Provision	9								
a) Liabilities		146,070,780.14				456,918,255.87			
b) Provisions		5,744,682.24				29,161,795.97			
Total (B)		151,815,462.38				486,080,051.84			
Net Current Assets (A-B)				434,112,479.60				510,690,410.89	
Miscellaneous Expenditure				5,585,827.00				11,171,653.04	
Preliminary/Public Issue Expenditure (To the extent not written off or Adjusted)									
Debit Balance in Profit & Loss Account				254,877,395.39				296,775,345.49	
Accounting Policies & Notes on Accounts	17								
Total				1,589,088,827.56				1,861,321,120.00	

As per our report of even date attached hereto
For **MEHROTRA & MEHROTRA**
Chartered Accountants

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjunwala
Jt. Managing Director

Sd/-
Aditya Jhunjunwala
Managing Director

Profit & Loss for the year ended 30th September 2009

PARTICULARS	Schedule No.	Current Year				Previous Year			
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
INCOME:									
Gross Sales	10	1,568,832,041.24					3,229,410,480.65		
Less: Excise duty		57,651,176.00		1,511,180,885.24		95,604,854.58		3,133,805,626.07	
Other Income	11			32,467,718.92				27,704,918.80	
Increase/(Decrease) in Stock	12			- 326,391,008.01				193,245,981.34	
Total (A)				1,217,257,576.15				3,354,756,526.21	
EXPENDITURE:									
Raw Materials Consumed	13			634,626,100.66				743,390,511.41	
Purchase of sugar for trading				51,667,597.00				2,076,296,913.00	
Manufacturing, Operational, Administrative and other Expenses	14			159,787,418.63				330,070,696.90	
Employees Cost	15			49,007,249.79				50,495,730.17	
Interest	16			119,571,259.17				102,916,227.54	
Denaturation fees				121,800.00				1,099,050.00	
Bad debts written off				1,223,882.54					
Provision for Doubtful debts				480,162.43					
Depreciation		159,105,657.30				161,697,992.85			
Less : Transferred from Revaluation Reserve		965,793.32		158,139,883.98		1,140,655.87		160,557,336.98	
Total (B)				1,174,825,334.20				3,464,826,466.00	
Net Profit/(Loss) for the Year (A-B)				42,632,241.95				- 110,069,939.79	
Add: Tax/other adjustments relating to prior period				- 3,801,917.50				467,595.06	
Profit Before Tax:				38,830,324.45				- 109,602,344.73	
Current Tax									
Deferred Tax				- 3,570,083.00				11,054,608.00	
Fringe Benefits Tax				242,208.93				834,506.60	
Profit After Tax				42,158,198.52				- 121,491,459.33	
Balance Brought forward				- 296,775,345.49				- 174,672,574.28	
Transfer to Molasses Storage Fund				260,248.42				611,311.88	
Profit Available for Appropriation				- 254,877,395.39				- 296,775,345.49	
Balance Carried to Balance Sheet				- 254,877,395.39				- 296,775,345.49	
Earning per Equity Share of Rs.10/- each (Note -16 of Scheule 17 - Basic/Diluted)	17			2.29				6.60	
Accounting Policies & Notes on Accounts									

As per our report of even date attached hereto
For **MEHROTRA & MEHROTRA**
Chartered Accountants

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjunwala
Jt. Managing Director

Sd/-
Aditya Jhunjunwala
Managing Director



Schedule '1' - Share Capital

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
AUTHORISED 20,000,000 Equity Shares of Rs. 10/- each	20,00,00,000.00		20,00,00,000.00	
ISSUED, SUBSCRIBED AND PAID UP 18,400,034 Equity Shares of Rs. 10/- each fully paid up	184,000,340.00		184,000,340.00	
(i) Of the above 1,80,000 equity shares of Rs. 10/- each were allotted as fully paid up for consideration other than cash pursuant to a contract.				
(ii) Of the above 50,000 equity shares of Rs. 10/- each were allotted as fully paid up for redemption of 5,000 cumulative preference shares of Rs. 100/- each.				
(iii) Of the above 1,07,80,000 equity shares of Rs. 10/- each were allotted as fully paid bonus shares by way of capitalisation of Reserve.				
TOTAL	184,000,340.00		184,000,340.00	

Schedule '2' - Reserves and Surplus

PARTICULARS	Current Year				Previous Year				
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	
A. GENERAL RESERVE: As per last account Add: Transfer from Profit & Loss A/c	122,019,139.87		122,019,139.87		122,019,139.87		-		122,019,139.87
B. CAPITAL RESERVE: Capital Subsidy			4,833,000.00						4,833,000.00
C. INITIAL DEPRECIATION RESERVE:			172,449.73						172,449.73
D. MOLASSES STORAGE FUND: As per last account Add: For current year	4,455,847.35 260,248.42				3,844,535.47 611,311.88				
Deduct: Funded with State Bank of India (as per contra)	4,716,095.77 3,955,122.58		760,973.19		4,455,847.35 3,664,094.58				791,752.77
E. FIXED ASSETS REVALUATION RESERVE: As per Last Account Less: Transferred to Profit & Loss Account	6,300,021.66 965,793.32		5,334,228.34		7,440,677.53 1,140,655.87				6,300,021.66
F. SUGAR PRICE EQUALISATION RESERVE: As per Last Account Less: Paid during the year	1,239,508.05 -		1,239,508.05		1,239,508.05 -				1,239,508.05
G. SHARES SECURITIES PREMIUM ACCOUNT			268,801,428.00						268,801,428.00
TOTAL			403,160,727.18						404,157,300.08

Schedules ...

Schedule '3' - Secured Loans

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
SECURED LOANS				
(a) From State Bank Of India (Secured by first pari passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare 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 two directors)	225,345,513.44		284,295,862.87	
(b) From Punjab National Bank (Secured by first pari passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare parts and book debts and third pari passu charge on entire fixed assets of the Company and personal guarantee of two directors)			144,675,499.74	
(c) From Federal Bank (Secured by first pari passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare parts and book debts and third pari passu charge on entire fixed assets of the Company and personal guarantee of two directors)	88,427,210.00		65,172,552.00	
Term Loans				
(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)	17,535,200.00		23,373,600.00	
(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.165.00 lacs)	165,000,000.00		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.605.00 lacs)	305,534,312.90		313,500,000.00	
(d) From State Bank Of India (SEAFASU) (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 (SEAFASU) (Amount due within next one year - 125.50 lac)	50,200,000.00		50,200,000.00	
(e) From Punjab National Bank (SEAFASU) (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 (SEAFASU) (Amount due within next one year - 118.64 lac)	35,600,000.00		35,600,000.00	
(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 - 24.00 lac)	12,455,992.00			
(g) From Punjab National Bank of India STL for Repairs (Collateral Security provided by creating residual charge by way of equitable mortgage in respect of land together with all buildings, super structures, plant & machinery constructed or to be constructed) (Amount due within next one year - 148.00 lac)	14,800,000.00			
(h) Interest due and payable	19,396,282.04		13,473,634.38	
TOTAL	816,612,542.43		1,098,232,148.87	



Schedule '4' - Unsecured Loans

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
UNSECURED LOANS:								
a) Loans from U.P.Government			1,450,000.00		1,450,000.00			
Deduct : Fixed Deposit held by District Magistrate, Faizabad against the above loan			1,450,000.00	-	1,450,000.00			-
(b) From Others				1,040,840.00			87,026,830.00	
TOTAL				1,040,840.00				

Schedule '6' - Investment

PARTICULARS	Face Value	Cost i.e. Book Value	Current Year		Previous Year	
			Rs.	P.	Rs.	P.
A. LONG TERM INVESTMENT : (Non-trade and unquoted)						
Chamoli Hydro Power (p) Ltd. (1,000 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. CURRENT INVESTMENT: (Quoted)						
(1) Reliance Industries Ltd (42 Equity Shares)						
(2) Reliance Communication (42 Equity Shares) *	420.00		11,300.00		11,300.00	
(3) Reliance Energy (3 Equity Shares) *						
(4) Reliance Capital (2 Equity Shares) *						
(5) Reliance Natural (42 Equity Shares) *						
Shares of Rs. 10/- each fully paid up) (Market Value Rs.1,03,505/-)						
* Received on demerger of Reliance Industries Ltd.						
TOTAL			1,021,300.00		1,021,300.00	

Schedules ...



Schedule 5 - Fixed Assets

S.NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 1/10/2008	ADDITION	SALE/ ADJUSTMENT	BAL AS AT 30/09/2009	1/10/2008	DURING THE PERIOD	SALE/ ADJUSTMENT	BAL AS AT 30/09/2009	BAL AS AT 30/09/2008	BAL AS AT 30/09/2009
1	LEASE HOLD LAND	2010875.67	0.00	0.00	2010875.67	0.00	0.00	0.00	2010875.67	2010875.67	
2	BUILDING	37294743.61	111836.50	0.00	37406580.11	14099322.75	2078242.96	16177565.71	21229014.40	23198421.12	
3	PLANT & MACHINERY	1780336352.00	18877854.58	14160452.11	1784853754.47	785070059.15	154597851.67	926053972.75	858799781.72	995286292.75	
4	FURNITURE & FIXTURES	7184331.56	798775.57	0.00	7983107.13	5475041.63	411410.38	5886452.01	2086655.12	1709289.93	
5	VEHICLE & CONVEYANCE	12297691.80	0.00	1070066.00	11227625.80	8424935.40	996911.39	8593726.05	2633899.75	3872756.40	
6	OFFICE EQUIPMENTS	4675235.29	110153.00	0.00	4785388.29	3238996.56	238662.16	3477658.72	1307729.57	1436238.73	
7	COMPUTER	6775348.68	346084.00	0.00	7121412.58	4883395.24	782433.79	5650829.03	1470583.55	1906953.34	
8	TRACTORS AGRICULTURE IMPLEMENTS AND PUMP SETS	1487849.20	0.00	0.00	1487849.20	1449967.17	144.95	1450112.12	37737.08	37882.03	
	SUB TOTAL	1852062427.71	20044683.65	15230518.11	185676593.25	822626717.90	159105657.30	14442058.81	89586276.86	1028438709.97	
9	PLANT & MACHINERY UNDER ERECTION	17242029.51	3382365.68	11703517.59	4920877.60	0.00	0.00	0.00	8920877.60	17242029.51	
	LESS: IMPAIRMENT OF ASSETS	- 5015328.90	0.00	0.00	- 5015328.90	0.00	0.00	0.00	- 5015328.90	- 5015328.90	
	NET ASSETS UNDER ERECTION										
	SUB TOTAL	12226700.62	3382365.68	11703517.59	3905548.70	0.00	0.00	0.00	3905548.71	12226700.61	
	TOTAL	1864289128.32	23427049.33	26934035.70	1860782141.95	822626717.90	159105657.30	14442058.81	893491825.56	1047665410.58	
	GRAND TOTAL	1864289128.32	23427049.33	26934035.70	1860782141.95	822626717.90	159105657.30	14442058.81	893491825.56	1047665410.58	
	PREVIOUS YEAR	1885249056.49	439150123.60	0.00	1884289128.52	660928725.06	161697928.85	0.00	1041662410.58	1021320931.43	

Note: Lease land includes land valuing Rs. 16 Lacs acquired through official liquidator. However, the said land is still unregistered in the name of the company



Schedule '7' - Current Assets

PARTICULARS	Current Year						Previous Year					
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.		
INVENTORIES (As valued and certified by the management)												
(1) Stores & spares			45,179,238.79						49,643,178.33			
(2) Raw Material												
(a) Molasses in Distillery Division	2,375,796.50							13,442,901.98				
(b) Raw Material	-							-				
(c) Bio Compost Culture	-		2,375,796.50					83,107.00		13,526,008.98		
(3) Finished Goods												
(a) Spirit & Alcohol	14,345,476.39							3,388,147.36				
(b) Sugar	148,815,173.60							489,281,057.69				
(c) Molasses	2,861,975.92							8,805,076.76				
(d) Moti Super	2,029,809.49							2,706,412.66				
(e) Banked Power with UPPCL	1,401,004.00							2,739,969.00				
(f) Stock of sugar in trade	28,466,696.80		197,920,136.20					46,823,519.00		553,744,182.47		
(4) Stock in process												
(a) Sugar	-							721,052.00				
(b) Molasses (at estimated realisable value)	-				245,475,174.49			36,400.00		757,452.00	617,670,821.78	
SUNDRY DEBTORS (Unsecured)												
(a) Outstanding for a period exceeding six months												
(i) Considered Good	8,141,897.39							8,313,935.64				
(ii) Considered Doubtful	-							-				
(b) Other debts (Considered Good)	125,389,919.30		133,531,816.69		133,531,816.69			63,190,277.10		71,504,212.74	71,504,212.74	
CASH AND BANK BALANCE												
(a) Cash in Hand			114,861.64							389,974.06		
(b) Cash at Bank with Scheduled Banks												
(i) In Current Account			10,718,732.55							54,316,707.60		
(2) In Fixed Deposit			6,210,000.00							10,000.00		
(c) Molasses Storage Fund Deposit with State Bank of India (S/B Account)	3,955,122.58							3,664,094.58				
Less: Molasses Storage Fund (as per contra)	3,955,122.58							3,664,094.58				
(4) Cheques and Drafts in Transit			19,900.03		17,083,494.22					12,016,959.03	66,733,640.69	
Total					396,070,482.40					755,908,675.21		

Schedules ...

Schedule '8' - Loans and Advances

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
LOANS AND ADVANCES (Unsecured):								
(i) Advances recoverable in cash or in kind or for value to be received								
(a) Considered Good	169,890,523.21				169,457,590.76			
(b) Considered Doubtful	4,987,959.75				4,987,959.75			
	<u>174,878,482.96</u>				<u>174,445,550.51</u>			
Less: Provisions made for doubtful debts	4,987,959.75		169,890,523.21		4,987,959.75		169,457,590.76	
(ii) Advance Excise duty			4,185,756.38				4,597,808.78	
(iii) Security Deposits			13,746,138.14				35,501,405.14	
(iv) Tax Payments:			594,562.56				21,884,333.12	
(v) Loan to others	1,920,649.72				9,420,649.72			
Less: Provision For Taxation	460,162.43		1,440,487.29				9,420,649.72	
TOTAL			188,857,459.58				240,861,787.52	

Schedule '9' - Current Liabilities & Provisions

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
A. CURRENT LIABILITIES								
(i) Sundry Creditors	117,563,727.77				325,116,612.13			
(ii) Excise Duty Payable on Closing Stock	7,243,692.34				36,764,784.71			
(iii) Advance from Customers	5,486,161.51				75,967,320.91			
(iv) Security Deposits	8,423,499.52				8,704,809.48			
(v) Interest accrued but not due	7,353,489.00		146,070,780.14		10,364,728.64		456,918,255.87	
B. PROVISIONS								
(i) For Taxation								
Op Bal	19,801,068.18				19,801,068.18			
ADD provision for the year								
Less adjustment during the year	<u>19,755,102.00</u>		45,966.18				19,801,068.18	
(ii) For Fringe Benefit Tax								
Opening Balance	3,860,615.13				2,158,239.35			
Provision for the year	213,865.93				834,508.60			
Adjustment for earlier years					667,869.18			
Adjustments during the year	<u>3,038,844.00</u>		1,035,637.06				3,860,615.13	
(iii) Gratuity			2,554,113.00				451,493.66	
(iv) Leave encashment			1,629,316.00				1,065,039.00	
(v) Other provisions			479,650.00				3,983,580.00	
TOTAL			151,815,462.38				488,080,051.84	



Schedule '10' - Sales

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sugar (Including Trading Sales of Rs.74979391/-) (Previous Year -Rs.2200330327/-)	1,294,316,697.06		2,854,121,411.34	
Molasses	76,633,716.50		149,154,103.27	
Bagasse	31,093,807.08		18,385,691.00	
Pressmud	-		1,800,000.00	
Special Denaturated Spirit	5,898,246.00		127,573,678.00	
Extra Neutral Alcohol	-		2,000,000.00	
Rectified Spirit	90,620,500.00		3,610,000.00	
Ethanol	15,011,712.00		25,268,706.00	
Power	55,257,362.60		47,496,891.04	
Total	1,568,832,041.24		3,229,410,480.65	

Schedule '11' - Other Income

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Interest	309,251.52		245,623.00	
Miscellaneous Income	5,492,212.40		8,410,003.83	
Rent	549,892.58		537,066.32	
Misc. Balances Written Back	466,309.22		178,277.12	
Insurance Claim Received	1,254,118.00		822,300.00	
Buffer Stock Subsidy	15,365,763.00		8,561,896.00	
Profit on Sale of Assets	8,941,540.70		-	
Excess Provision Written Bcak	88,631.50		8,949,752.53	
Total	32,467,718.92		27,704,918.80	

Schedules ...

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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Opening Stock								
Finished Goods	551,037,769.81				349,075,607.74			
Work in Progress	757,452.00		551,795,221.81		5,350,520.00		354,426,127.74	
Closing Stock								
Finished Goods	195,890,326.71				551,037,769.81			
Work in Progress	-		195,890,326.71		757,452.00		551,795,221.81	
Difference of Excise Duty on opening and closing stock			- 29,513,887.09		-		4,123,112.73	
INCREASE/(DECREASE) IN STOCK			- 326,391,008.01		-		193,245,981.34	

Schedule '13' - Raw Material Consumed

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
SUGAR DIVISION								
Cane Price	485,931,723.08				599,153,767.30			
Commission on Cane	7,976,096.52				13,267,047.24			
Cane Transport Charges	7,229,857.26				11,081,960.66			
Purchase Tax on Cane	6,550,133.00				2,017,878.03			
Development Expenses	7,798,935.42				10,895,169.22			
Miscellaneous Expenses	873,517.40		516,360,262.68		737,773.79		637,153,596.24	
DISTILLERY DIVISION								
Molasses Purchased	78,232,604.50				97,495,872.68			
Add: Opening Stock Molasses	13,442,901.98				1,573,749.47			
Less: Closing Stock Molasses	2,375,796.50		89,299,709.98		13,442,901.98		85,626,720.17	
POWER DIVISION								
Bagasse consumed			28,805,400.00				19,480,620.00	
Shifting & Transportation			160,728.00				1,129,575.00	
Total			634,626,100.66				743,390,511.41	



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			24,325,715.88				48,045,944.18		
Power and Fuel			31,554,650.11				42,413,613.82		
Repairs and Maintenance :									
Plant & Machinery	41,098,499.46				52,143,420.48				
Buildings	7,109,517.11				10,613,316.47				
Other Assets	3,442,449.96		31,649,466.53		4,133,935.89		66,890,672.84		
Printing & Stationery			492,949.64				751,713.48		
Rent, Rates and Taxes			3,505,631.50				3,206,095.76		
Charity & Donation			61,304.00				71,139.00		
Insurance			2,158,814.87				2,680,509.63		
Selling Expenses :									
Commission to Selling Agents	2,961,114.00				1,800,092.04				
Other Selling Expenses	4,773,482.36				9,421,028.86				
Selling Expenses on Sugar Trading	1,025,537.00		8,660,133.36		118,568,822.00		129,789,942.90		
Communication Expenses			895,013.82				1,298,765.20		
Travelling Expenses			10,313,921.30				8,805,910.52		
Advertisement			473,259.00				437,133.85		
Consultancy & Legal Expenses			2,587,982.00				1,349,353.95		
Bank Charges			3,091,016.85				3,988,448.87		
Lab Chemical			45,016.00				56,985.00		
Auditors' Remuneration :									
Statutory Audit fee	200,000.00				224,720.00				
Tax Audit Fee	100,000.00		300,000.00		100,000.00		324,720.00		
Directors' Sitting Fee			60,000.00				51,000.00		
Directors' Remuneration			5,255,000.00				5,280,000.00		
Miscellaneous Expenses			7,370,832.12				8,600,125.40		
Licence Fees			337,550.00				341,012.00		
Balance Written off			89.32				112,606.14		
Sample Testing Fee			5,920.00				8,960.00		
Preliminary expenses written off			5,585,826.04				5,585,823.48		
Transit Sugar Loss			451.09				220.86		
Loss on Sale of obsolete stores			1,057,775.20				-		
TOTAL			159,787,418.63				330,070,696.90		

Schedule 15- Payments to & Provisions for Employees

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Salaries and Wages	41,367,865.63		44,956,123.27	
Bonus & Ex-gratia	1,019,946.12		1,098,379.50	
Contribution to provident Fund and other Funds	3,594,634.00		3,628,753.00	
Workmen and Staff Welfare Expenses	831,259.04		755,671.74	
Gratuity	2,193,545.00		56,802.66	
TOTAL	49,007,249.79		50,495,730.17	

Schedule '16' Interest

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
CC LIMIT	67,336,246.00		67,076,144.49	
Term Loan	51,911,770.17		35,838,823.05	
Others	323,243.00		1,260.00	
Total	119,571,259.17		102,916,227.54	



Schedule '17' Notes to the accounts

Schedules ...

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 Material, stores & spares and other components

Manufacturing Units	Basis
Sugar - Raw Material	First in First Out
- Stores & Spares and	Weighted monthly
Distillery -Raw Material	First in First Out
- Stores & Spares and	Weighted monthly
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) 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 of 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.

k) 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.

l) Public Issue Expenditure

The company amortizes miscellaneous expenditure representing public issue expenses over a period of 5 years.

m) 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.

n) Provisions and Contingent Liabilities

Contingent Liabilities are not recognized in the accounts but are disclosed after a critical evaluation of the facts and legal issues involved in that regard.

- o) 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.
- p) The interests on fixed deposit with bank and insurance claims have been accounted for on cash basis as per past practice.

2. CONTINGENT LIABILITIES (to the extent not provided for)

- (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.47.36 lacs. (Previous Year - Rs.44.16 lacs).
- (b) Claims against the company not acknowledged as debts (as certified by the management) in respect of criminal and Civil Cases - Rs.42.10 lacs. (Previous Year-Rs.23.50 lacs).
- (c) Estimated value of contracts remaining to be executed on capital account and not provided for-Rs.37.32 lacs.(Previous Year - Rs.99.57 lacs).
- (d) Bank guarantees given to the Central Government, Excise Department, Indian Oil Corporation and U.P. Pollution Control Board aggregating to Rs.39.70 lacs. (Previous Year - Rs39.70 lac).
- (e) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company - outstanding loan as on 30.09.2009 - RS 10.48 lacs. (Previous Year - Rs.14.36 lacs).
- (f) Interest of Rs.167.42 lacs on Short Term Loan of Rs.858 lacs received during the F.Y. 2007-2008 under the Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 (SEFASU) payable in case, the terms and conditions of the loan are not complied with by the Company. (Previous Year-Rs. 64.46)
- (g) Disputed sales tax and excise duty cases - Rs.431.58 lacs (Previous Year-98.95 lacs)

Description	Amount (Rs.) Current Year	Amount(Rs) Previous year
Central Excise Act	0.51 lacs	0.51 lacs
Sales Tax/Trade Tax/Entry Tax	370.28 lacs	37.65 lacs
Income Tax	60.79 lacs	
Total	431.58 lacs	38.16 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.35,94,634/-	Rs.36,28,753/-

b) Defined benefits plans

- Gratuity
- 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		Leave Encashment	
	Current year	Previous year	Current year	Previous Year
Discount rate (per annum)	8.00%	8.00%	7.00%	8.50%
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
I. Expenses recognized in profit and loss account				
Current service cost	956399	765840	318975	237005
Interest cost	752035	727600	74348	65875
Expected return on plan assets	-	-	-	-
Net actuarial loss/ (gain) recognized in the year	750185	1456637	451576	(12841)
Net expenses recognized	2458619	1747151	844899	290039
II. Net liability/(assets) recognized in the balance sheet as at 30th September, 2009				
Present value of obligation at the end of period	11403812	9426269	1629316	1065039
Fair value of the plan asset at the end of period	9273707	9079722	-	-
Funded status [(surplus)/(deficit)]	(2166505)	(346547)	(1629326)	(1065039)
Net asset/(liability) as at 30 th September, 2009	11403812	9426269	(1629326)	(1065039)
III. Change in present value of obligation during the year				
Present value of obligation at the beginning of period	9426269	8560000	1065039	775000
Current service cost	956399	765840	318975	237005
Interest cost	752035	726600	74348	65875
Benefits paid	(481076)	(800982)	(280622)	-
Actuarial loss/ (gain) on obligations	750185	233771	451576	(12841)
Present value of obligation at the year end	11403812	9426269	1629316	1065039
IV. Change in present value of fair value of plan assets				
Fair value of plan assets as at the beginning of period	9079722	8560000	-	-
Expected return on plan assets	-	-	-	-
Contributions	-	-	-	-
Benefits paid	(481076)	(800882)	-	-
Actuarial loss/ (gain)	(638661)	(1400304)	-	-
Fair value of plan assets at the year end	9273707	9079722	-	-
Details of plan asset				
	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 given by the management. However, the gratuity liability of Rs.3,60,568/- of Distillery Division is not funded.

- 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 of capital goods, which are adjustable against the supply of goods but are running due from the earlier years. The management has undertaken an extensive exercise for recovery of such advances and is confident of recovering the same in near future. Accordingly, provision against the same has not been considered at this stage.

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

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

- 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 therefore, amount shown in respect of those bank accounts in the financial statements are as per books of account only.
- The company has paid road transport freight amounting to Rs.835.47 lacs in relation to sugar trading activities undertaken by it during the F.Y. 2007-2008 without depositing service thereon. The estimated service tax liability of Rs.25.82 lacs is worked out on the same, which in the opinion of the management is not payable as the sugar sold by them has been ultimately consumed for export purposes and as per them there is complete exemption of service tax in case the services are used for export of goods.
- 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 lac is lying in the Sugar Price Equalization Reserve

Schedules ...

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.

9. 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 last some years. However, the balances disclosed in the financial statements are as per books of account only and no provision against them has been considered in the books by the management as in their view, 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 any 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.
10. 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., and therefore, the liability on this account for the accounting period has been shown as contingent liability in para 2 above.
11. The quantity of pressmud and bagasse has not been ascertained as on 30.09.2008 and therefore, the value of closing stock of pressmud and bagasse is shown at Nil.
12. 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 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.
13. 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 from 01.03.02 onwards from the molasses stock.
14. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.

15. In order to mitigate the risk of price fluctuations of the sugar being manufactured by the Company, it engaged itself in the commodity hedging contracts and resultant gains/(loss) is generally included in the sugar sales.

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

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 (Group B)

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

iii. Associates (Group C)

- K. M. Vyapar (P) Ltd. (Formerly K.M. Gases (P) Ltd.)
- K.M. Plantations (P) Ltd. (Formerly K. M. Constructions (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.
- K.R. Modi Drinks (P) Ltd.
- K.M. Sakhar Karkhana (P) Ltd.
- Shailja Propertied (P) Ltd.
- Zar International (P) Ltd.

iv. Companies/ Parties in which Key management person or his



relatives have substantial interest/ significant influence (Group D)

- Virdhi Trust
- Shivam Trust
- Vatsal Trust
- Laxmi Public Charitable Trust

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	68.60 (59.30)	- (-)	- (-)	- (-)	68.60(59.30)
4	Sugar Sale	- (-)	- (-)	2083.31 (19920.77)	- (-)	2083.31(19920.77)
5	Commission Paid	- (-)	- (-)	3.11 (5.14)	- (-)	3.11 (5.14)
6	Rent	- (-)	- (-)	11.40(17.23)	- (-)	11.40 (17.23)
7	Advance given	- (-)	5.44 (5.44)	0 (-)	- (-)	5.44 (5.44)
8	Advance taken	- (-)	- (-)	1897.25 (-)	- (-)	1897.25 (-)
9	Outstanding Bal as on 30.09.2009 on a/c of					
	a) Advance given	- (-)	5.44 (5.44)	- (75.00)	- (-)	5.44 (80.44)
	b) Advance taken	- (-)	- (-)	16.08 (712.92)	- (-)	16.08 (712.92)
	b) Loans Received	- (-)	- (-)	- (859.85)	- (-)	- (859.85)
	c) Receivables	1.16 (5.43)	- (-)	1561.70 - (190.29)	- (-)	1562.86 (195.72)
	d) Payables	7.13 (12.13)	- (-)	1.06 (941.63)	- (-)	8.19 (953.76)

17. Segment Reporting: Information on the Segment Reporting of the Group for the year ended 30.09.09

(Figures in Rs. Lakhs)

Particulars	Sugar		Distillery		Co-Generation		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
External	12977.97	29075.78	1115.30	1584.52	354.10	268.17	-	-	14447.37	30928.47
Inter-Segment	1042.47	1158.83	-	-	198.47	206.80	-	-	1240.94	1365.63
Total Revenue	14020.44	30234.61	1115.30	1584.52	552.57	474.97	-	-	15688.31	32294.10
Segment Result	2333.88	529.54	(7.08)	41.47	(704.40)	((642.02)	(0.38)	(0.52)	1622.02	(71.53)
Less: Interest	673.58	676.17	19.24	15.63	502.89	337.36	0.00	0.00	1195.71	1029.16
Extra-ordinary items	38.72	(4.98)	0.00	0.00	(0.70)	0.30	0.00	0.00	38.02	4.68
Profit before Tax	1621.58	(141.66)	(26.32)	25.84	(1206.58)	(979.68)	(0.38)	(0.52)	388.30	(1096.02)
Other Information										
Segment Assets	9481.22	14039.05	710.39	939.84	4594.01	5396.46	18.79	19.16	14804.41	20394.51
Segment Liabilities	5425.10	11464.51	249.05	295.57	5012.57	4945.94	7.96	7.96	10694.68	16713.98
Capital Expenditure*	90.37	1324.03	0.10	0.24	28.64	466.14	-	-	119.12	1790.41
Depreciation	710.31	726.28	61.69	61.23	818.67	828.88	.38	0.52	1591.05	1616.92

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

18. (a) Sundry Creditors (Schedule-9) includes a sum aggregating Rs.39.24 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 date are Annapurna Gases, Anshuman Industries, Austin Engineering Company, Balaji Industries, Bharat Engineering & Castings, Brylplast Pvt. Ltd., Diffusion Engineers, Digital Utilities, Gita Flopumps India (P) Ltd., Imperial Gases Ltd., Kemtech Polymer, P.P.I Pumps (P) Ltd., Paltech Cooling Tower, Parveen Perforators, Pelicon Valves, Prem Chand Industry, Rajukesh Industry, S.P. Enterprises, S.S. Chemicals, Sagar Rubber Udyog, Tri Square Switch Gears, Universal Transformers, Vishal Conveyor System. 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, small 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.

19. Earning Per Share

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

	2008-09	2007-08
	(Amount in Rs. lacs)	
Net Profit/Loss after tax as per Profit & Loss account	421.58	(1214.91)
No. of Equity Shares of Rs. 10 each	18400034	18400034
Earning Per Equity Share (Basic & diluted)	2.29	-6.60

20. Directors' Remuneration:-

S. No.		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	2225000 (2400000)	2400000 (2400000)	630000 (480000)
b)	Contribution to Provident Fund (Previous Year)	267000 (288000)	288000 (288000)	-
c)	Perquisites:			
	(i) Residence			
	-Furnished (Previous Year)	17270 (17270)	-	(-)
	(ii) Residence			
	-Unfurnished (Previous Year)	-	-	33000 (33000)
	(iii) Medical Reimbursement (Previous Year)	2058 (0.00)	276650 (23327)	-
	(iv) Other benefits foreign Traveling family		721481 (0.00)	0.00 (0.00)
	Total (Previous Year)	2511328 (2705270)	3686131 (2711327)	663000 (513000)

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

21. 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	(Figure in Rs.)	
	Deferred Tax Liability/(Assets)	
	2009	2008
Fixed Assets	181727362	166145217
Accumulated Losses	(87123549)	(76975569)
Others	(10329395)	(1325147)
Net deferred tax liability	84274418	87844501

On the basis of future projections taken on record by the Board of Directors of the company after considering the 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. However, taking a conservative approach the management has decided to restrict the recognition of the deferred tax assets to Rs.97452944/-.

22. 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)	6500TCD	317048 (229544)	217 (Nil)	262355 (320387)	(4036)	NA	637919 (428769)	2193.37 (6557.91)	71201 (317042)
2	Molasses Current Year (Previous Year)		119190.81 (98182.24)	240.25 (342010.80)	1749.19	0.00 (14292.68)	0	173478.15 (407541.26)	788.34 (1491.54)	119180.81 (619196.91)
3	Sugar for Trading Current Year (Previous Year)		2958 (Nil)	772.15 (Nil)	NA	NA	23734	42814.85 (737524.50)	749.79 (22007.38)	9668.08 (29508)

* 217 bags damaged due fire claim lodged with insurance

** storage loss

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.

(ii)



Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock	Stock Age	Production	Transfer to other process	Sales	Sale Value	Closing Stock
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs. Lacs	Rs.
DISTILLERY DIVISION									
1	Residual Spirit (Previous Year)	(S&M PD)	15633.98		441674.78	734021.20	5172650.00	908.25	55936.7
			(3028.18.90)	589	(7942504.80)	(742288.98)	(140000.0)	(38.10)	(4933.50)
2	Spirits Denatured Spirit (Previous Year)		11360.00		18776.2	0	136000.0	58.98	4147.1
			(2355.40)		(283031.70)	0	(275000.0)	(1275.74)	(11350.80)
3	Extra Neutral Alcohol (Previous Year)		4596.4				(100000.0)	(80.05)	(4086.4)
			(10486.40)						
4	Ed. Unit (Previous Year)		107861.4	503.0	514382.8		922000.0	150.15	0
			(67118.40)		(188992.50)		(522000.0)	(252.60)	(107021.30)
BIO-COMPOST									
1	Production Compost (Previous Year)		43780 Bags						43780 Bags
			(43780 Bags)						(43780 Bags)

2008-09 2007-08
(Amount in Rs. lacs)

- Audit Fee	2.00	2.25
- Tax Audit Fee	1.00	1.00
Total	3.00	3.25

* shortage 503.8

(iii) Co-generation Division

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock (Units)	Production (Units)	Sales (Units)	Sale Value Rs. Lakhs	Used for captive consumption	Closing Stock (Units)
1	Power (Previous Year)	(25 MW)	913233	22708000	19568058	352.57	2938124	463490
			159775		20537620	474.97	1416823	913232

B) Expenditure in Foreign Currency:-

Traveling (Directors) Rs 13.87 lacs (P.Y.-Rs.6.81 lacs)

C) Break up of Raw Materials and components consumed.

1) Raw Material	Qty	Rs. In Lacs
	(Qtls.)	
Cane- Sugar Division	3274866.32	4859.32
(Previous Year)	(5446995.57)	(5991.54)
Molasses-		
Distillery Division	208948.55	892.99
(Previous Year)	(325667.35)	(856.27)
2) Stores	---	243.26
(Previous Year)		(480.46)
3) Bagasse (Co-Generation)	960180.0	288.05
(Previous year)	(1253048.0)	(194.81)

23. Payments to Auditors:-

For and on behalf of
For MEHROTRA & MEHROTRA
Chartered Accountants

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

For & on behalf of Board of Directors

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjunwala
Jt. Managing Director

Sd/-
Aditya Jhunjunwala
Managing Director

Schedules ...

Cash Flow Statement

S.No.	Particulars	Current Year		Previous Year	
		Amount in Lacs (Rs)	Amount in Lacs (Rs)	Amount in Lacs (Rs)	Amount in Lacs (Rs)
	Cash Flow from operating activities				
	Net Profit before Tax		388.30		(1096.02)
	Adjustment for :-				
	Depreciation for the year	1581.40		1605.51	
	Prior period Items	0.00			
	Interest income received	(3.09)		2.46	
	Balance written off	(5.55)		0.00	
	Profit on sale of Fixed Assets	(89.42)		0.00	
	Loss on Sale of obsolete Stores	10.58		0.00	
	Preliminary expenses & amortisation written off	55.86		55.86	
	Provision for leave encashment/Gratuity	26.67		3.47	
	Bad debts written off	12.24		0.00	
	Provision for Bad debts	4.80		39.84	
	Interest expenses	1195.71	2789.20	1029.16	2735.64
	Operating Profit before working capital changes		3177.50		1639.62
	(Increase)/Decrease in trade receivables	(620.28)		(199.83)	
	(Increase) / Decrease in inventories	3721.96		(2134.54)	
	Increase / (Decrease) in trade payables & Others	(3312.53)		161.50	
	Cash Generated from Operations		(210.850)		(2172.88)
	Direct Tax Paid		0.00		7.90
	Other adjustments		0.00		(5.51)
A.	Net Cash From Operating Activities		2966.65		(530.88)
	Cash Flow from investing activities				
	Purchase of fixed assets	(168.41)		(1790.41)	
	(Increase) / Decrease in deposits and advances	510.05		768.58	
	Proceeds from Sale of fixed assets	97.30		0.00	
	Interest income received	3.09		2.46	
B.	Net Cash From Investing Activities		442.03		(1019.37)
	Cash Flow From Financing activities				
	Proceeds from Share Application Money	0.00		0.00	
	Proceeds from long term borrowings	(642.89)		901.25	
	Proceeds from short term borrowings	(2082.09)		2143.49	
	Dividend and corporate dividend tax paid	0.00		0.00	
	Interest Paid	(1177.50)		(1067.88)	
C.	Net Cash From Financing Activities		(3902.48)		1976.86
	Net increase in Cash & Cash Equivalents (A+B+C)		(493.80)		426.61
D.	Cash & Cash Equivalents at the beginning of the Year		703.98		277.37
E.	Cash & Cash Equivalents at the end of the year		210.18		703.98
	Increase in Cash & Cash Equivalents (D-E)		(493.80)		426.61

Note: Cash & cash equivalents includes margin given to the banks.

As per our report of even date attached hereto
For MEHROTRA & MEHROTRA
Chartered Accountants

For & on behalf of Board of Directors

RAJESH JHALANI
Partner
M.No. 74809
Place: Lucknow
Date: December 19, 2009

Sd/-
AJAY MISHRA
(Company Secretary)

Sd/-
S. JHUNJHUNWALA
Jt. Managing Director

Sd/-
A.K.JHUNJHUNWALA
Managing Director



Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No	3492	State Code	20
Balance Sheet Date	30.09.2009		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	1,589,088.82	Total Assets	1,589,088.82
-------------------	--------------	--------------	--------------

Sources of Funds:

Paid up Capital	184,000.34	Reserves & Surplus	403,160.72
Share Application money	-	Unsecured Loans	1,040.84
Secured Loans	916,612.50	Deferred Tax Liability	84,274.42

Application of Funds:

Net Fixed Assets	893,491.82	Investments	1,021.30
Net Current Assets	434,112.47	Misc. Expenditure	5,585.82
Accumulated Losses	254,877.39		

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

Turnover	151,1180.86	Total Expenditure	1,174,625.33
Profit/Loss Before Tax	38,830.32	Profit/Loss after Tax	42,158.19
Earning per Share (Rs.)	2.29	Dividend	Nil

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No. (ITC Code)	170199.02
Production Description	CANE SUGAR
Item Code No. (ITC Code)	29.05
Production Description	INDUSTRIAL ALCOHOL POWER

For MEHROTRA & MEHROTRA
Chartered Accountants

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjunwala
Jt. Managing Director

Sd/-
Aditya Jhunjunwala
Managing Director

Place: Lucknow
Date: December 19, 2009



Notice to Shareholders

Notice is hereby given that the 37th Annual General Meeting of the K. M. Sugar Mills Ltd. will be held at, Check Mate Banquet Hall, 7/17/12, Partvati Vagal Road, Tilak Nagar, Kanpur, on Monday 8th day of March, 2010 at 11:00 AM to transact the following business:

ORDINARY BUSINESSSES:

1. To receive, consider and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date together with the Auditors thereon.
2. To appoint a director in place of Mr. R. S. Shukla, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Dr. Kirti Singh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the year 2009-10 and fix their remuneration. Present Auditor of the company, M/s Mehrotra & Mehrotra, Chartered Accountants, New Delhi, retire at this Annual General Meeting and are eligible for re- appointment.

SPECIAL BUSINESSSES:

5. To consider the proposal for sub-division of the equity shares of the company from Rs. 10 each share to Rs 2 each share and if thought fit to pass, with or without modification (s), the following as a Ordinary Resolution:

"RESOLVED THAT pursuant to section 94(1) (d) and other applicable provisions, if any, of the Companies Act, 1956, and Article 5 of Articles of Association of the company, ONE equity shares of Rs. 10/- each in the share capital of the Company be and are hereby sub divided in to FIVE equity shares of Rs. 2/- each.

"RESOLVED FURTHER THAT all the present shareholders holding in all 1,84,00,034 issued, subscribed and fully paid equity shares of Rs.10 (Rupees ten) each be issued in lieu of their present shareholding, the number of fully paid consolidated equity shares of Rs. 2 (Rupees two) each of the aggregate value equal to the amount paid by each shareholder on his/her existing fully paid equity shares of Rs. 10 (Rupees ten) each."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to take all the necessary steps for giving effect the foregoing resolution, including recall of the existing share certificates, issue of new share certificates in lieu of the existing issued share certificates if any, as per provision of Companies (Issue of Share Certificates) Rules, 1960 and give instruction to the Depositories (NSDL/CDSL) to credit the number of increased shares in the accounts of shareholders."

6. To consider and thought fit pass the following resolution with or without modification for taking effect of above proposal and alteration of Clause V (Authorised Share Capital Clause) of Memorandum of Association.

"RESOLVED THAT Clause V of the Memorandum of

Association of the Company including the marginal notes thereto be deleted and the following new clause be substituted therefore:

Capital of the Company:

- V. The authorized share capital of the company is Rs. 20,00,00,000 (Rs. Twenty Crore Only) divided into 10,00,00,000 equity shares of Rs. 2/-each.
7. To consider the proposal to avail external commercial borrowings in the form of ADR and GDR and if thought fit to pass, with or without modification (s), the following as the as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, including any amendments thereto or re-enactment thereof, the provisions of the Foreign Exchange Management Act, 2000 ("FEMA") as amended, including the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended and subject to any required approval, consent, permission and/or sanction of the Ministry of Finance (Department of Economic Affairs) and of Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), the Securities and Exchange Board of India ("SEBI") Regulations and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India ("GOI") the Reserve Bank of India ("RBI"), SEBI and/or any other competent authorities, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI ICDR Regulations") (and including any amendment thereto or re-enactment thereof for the time being in force) and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the stock exchanges on which the Company's shares are listed and subject to necessary approvals, permissions, consents and sanctions of concerned statutory and other authorities ("Requisite Approvals") and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company as may be permitted), with or without an over allotment option, either in India or in the course of international offering(s) in one or more foreign markets such number of equity shares of the Company ("Equity Shares"), Global Depository Receipts ("GDRs"), Foreign Currency



Notice to Shareholders

Convertible Bonds ("FCCBs"), and/or any other financial instruments convertible into Equity Shares, or giving the holder a right to subscribe to Equity Shares including fully / partly convertible debentures, bonds, warrants, whether attached to other securities or otherwise, or any other securities (hereinafter collectively referred to as "Securities") or any combination thereof, whether secured by way of charge on the assets of the company or unsecured as may be decided by the Board, in one or more tranches of public and/or private offerings and/or qualified institutional placement and/or on preferential allotment basis or any combination thereof through issue of prospectus and /or placement document and/ or other permissible/requisite offer document, to any eligible person, including but not limited to Domestic / Foreign Investors/ Foreign Institutional Investors, Non Resident Indians, Companies, Bodies Corporate, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals, Employees of the Company and any other categories of investors ("Investors") as may be decided by the Board in its discretion and permitted under applicable laws and regulations by offering the Securities in one or more countries at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories and combination of investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead managers, financial advisors and legal advisors up to an amount not exceeding Rs. 300 Crores (Rs. Three hundred crores) (including any over allotment option) and inclusive of such premium as may be determined by the Board.

RESOLVED FURTHER THAT the Board hereby delegate all or any of its power to the Financial Resources Committee ("FRC"), to be formed by the Board, to give effect to the aforesaid resolution and is authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of securities including but not limited to:

- (a) Approving the draft placement document, preliminary placement document and the placement document and filing the same with any authority or persons as may be required;
- (b) Appoint the lead managers, registrar, bankers, advisors and all such agencies as may be involved or concerned in such offering of equity shares and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memorandum, documents etc with such agencies;
- (c) Approving the issue price, the number of equity shares/other securities to be allotted, the basis of allocation and allotment of equity shares/other securities;
- (d) Arranging the delivery and execution of all contracts, agreements and all other documents, deeds, and instruments as may be required or desirable in connection with the issue of equity shares/other securities by the Company;
- (e) Opening a separate special account with a scheduled bank to receive monies in respect of the issue of the equity shares/other securities of the Company and opening such other bank accounts and demat accounts as may be required for the transaction;
- (f) Making applications for listing of the equity shares of the Company on one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s), depositories, registrars and other intermediaries;
- (g) Finalization of the allotment of the securities on the basis of the bids received;
- (h) Finalization and arrangement for the submission of the placement document(s) and any amendments supplements thereto, with any applicable government and regulatory authorities, institutions or bodies as may be required;
- (i) Approval of the preliminary and final placement document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers/underwriters/advisors in accordance with all applicable laws, rules, regulations and guidelines;
- (j) Finalization of the basis of allotment in the event of over-subscription;
- (k) Acceptance and appropriation of the proceeds of the issue of the securities;
- (l) Authorization of the maintenance of a register of holders of the securities;
- (m) Authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as authorized person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the Securities;



- (n) Seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue and allotment of the Securities;
- (o) Seeking the listing of the Securities on any stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
- (p) Affixing the Common Seal of the Company on any agreement(s)/ document(s) as may be required to be executed in connection with the above as per the procedure prescribed in the articles of association of the Company;
- (q) Doing all such acts, deeds, matters and things and executing all such other documents and paying all such fees, as it may in its absolute discretion, deem necessary or desirable for the purpose of the transactions;
- (r) Making all such necessary applications with the appropriate authorities and making the necessary regulatory filings in this regard;
- (s) Authorizing or delegating all or any of the powers herein above conferred to any or more persons, if need be;
- (t) Giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
- (u) Deciding the pricing and terms of the Securities, and all other related matters and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the Securities."
- 8 To, consider and if thought fit, to pass with or without modification(s), the following resolution as on ordinary resolution:

"RESOLVED THAT the consent of the members be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(d) and other applicable provisions, if any of the Companies Act, 1956 for borrowing monies from time to time for the business purposes of the Company, notwithstanding that monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being, of the paid-up share capital of the company and its free reserve, that is to say, reserves not set apart for any specific purpose, provided however, that the aggregate amount of monies which may be borrowed shall not at any time exceed the limit of Rs. 700 crores."

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and is hereby authorized to do such acts to give effect of forgoing resolution."

By the Order of the Board
For K. M. Sugar Mills Ltd.

Sd/-
Ajay Misra
Company Secretary

Place: Lucknow
Dated: 29.01.2010

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. The proxy need not be member of the company. Proxy to be valid shall be deposited with company not later than 48 hours before the time for holding the meeting.
2. As per clause 49 (A) of the Listing Agreement with stock Exchanges, the brief resume, functional expertise of the directors proposed for reappointment is given below

Sl. No	Name of the Director	Date of Birth	Year of Appointment	Specialized Expertise	Qualification	Directorship of other public co. as on 30.09.2009	Chairman/ Member of Committees of other Companies as on 30.09.2009
1.	Dr. Kirji Singh	26.05.1934	1998	Ex Vice Chancellor of SKU Fazalabad processing vast experience of agri. business	Phd (USA)	NIL	NIL
2.	Mr. R. S. Shuka	14.05.1934	1996	Technocrat and acting as technical advisor for many sugar projects in India as well as abroad	B. Sc. (Engg.)	NIL	3

3. The relevant Explanatory Statement pursuant to Section 173 of the companies Act, 1956, in respect of Special Business is annexed.
4. The register of Members and share transfer books of the Company will remain closed on Thursday, Feb 25, 2010.
5. Shareholders are requested to intimate to the Company or to the Share Transfer Agent of the Company, M/s. Link In time (India) Pvt. Ltd. (Formerly known as In Time Spectrum Registry Ltd), change if any, in their registered addresses.
6. Members are requested to bring their copies of the Report and Accounts to the meeting.
7. Members who require any information about the accounts to be explained in the meeting are requested to inform the Company about the intended query at least seven days in advance of the meeting.
8. Section 109 A of the Companies Act, 1956, has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular, those holding shares in single name, are requested to avail of the above facility by furnishing to the company the particulars of their nominations. Shareholders may please write to the company for the prescribed Nomination Form.



K.M.SUGAR MILLS LIMITED

Notice to Shareholders

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956:

Item No. 5 & 6

From the last season crushing season firm sugar prices has increased the performance of the sugar industry which is reflected in share price in the stock exchanges. Some companies' shares have touched their life time high. This hike in share price has become barrier for the small investors. Since management of your company always believing in more participation of small investors therefore for their convenience management has decided to split equity stock from its face value of ONE equity shares of Rs. 10 each in to FIVE equity shares of Rs. 2 each.

Therefore, the proposed resolutions are recommended to the members for their consideration and approval.

The directors of the Company are interested in the proposed resolutions to the extent of their respective shareholdings in the Company.

Item No. 7

In order to grasp the opportunity of better industry scenario the management of your company has also planning to modernize and expand its existing capacity of sugar, alcohol, power capacities, as part of future growth strategy. In the span of 10 years the company has substantially increased its capacity in sugar cane crushing from 2500TCD (year 2000) to 6500TCD (in year 2006). The milestones of the company's growth are:

- ❖ 2000 Increase in crushing capacity from 2500 TCD to 3500 TCD
- ❖ 2003 Increase in crushing capacity from 3500 TCD to 4500 TCD
- ❖ 2003 Started production of fuel Grade Ethanol
- ❖ 2006 Capacity increased from 5000TCD to 6500TCD
- ❖ 2008 Commissioning of 20MWh Co-Gen Plant.

In view of the increase in size and growth of the organization, it is proposed to raise funds by way of issue of securities in the international or domestic markets in order to reduce the long term commercial borrowings and interest burden to improve financial leverage and strength of the Company.

The proposed resolution seeks authorization of the members of the company to the Board of Directors to raise additional funds through above mentioned instruments in the international or domestic markets, including any public rights or private offerings and or by way of Qualified Institutional Placement (QIP) with the Qualified Institutional Buyer (QIB), in accordance with the provisions of chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and or Depository Receipts (DR) in accordance with Issue of Foreign Currency Convertible

Bonds and Ordinary Shares (through Depository Receipts Mechanism) Scheme, 1993 and or/ any other Securities for an amount not exceeding 300 Cores or its equivalent in one or more currencies, in one or more tranches, in such form, terms etc as may be considered appropriate by the Board of Directors.

As per the present guidelines, the pricing of QIP and DR will not be less than the average of the weekly high and low of the closing price of the equity shares of the company quoted on the stock exchanges during the two weeks preceding the relevant

date. The relevant date for the determination of applicable price of QIP or DR shall be date of meeting in the Board of Directors of the Company decide to open proposed issue of QIP/DR.

Section 81 of the Companies Act 1956, provides that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such shares shall be offered to the person who on the date of the offer are holders of the equity shares, in proportion to capital paid up on those shares as of that unless the members of the company decide otherwise. The special resolution under the provision of Section 81 (A) of the Companies Act, 1956, is required to passed for seeking consent and authorization of the members to the Board of Directors, to make the proposed issue to the others, in consultation with the Lead Managers, Legal advisors and other intermediaries, and shares on conversion as may be required to be issued in accordance with the applicable provisions of rules, regulations and guidelines.

Therefore, the proposed resolutions are recommended to the members for their consideration and approval.

The directors of the Company are interested in the proposed resolutions to the extent of their respective shareholdings in the Company.

Item No. 8

Since the company is planning to increase its capacity in all terms i.e. in the sugar, alcohol, power and to meet out the increased capital and working capital requirement there would be borrowing from banks, financial institutions etc. Presently the borrowing limit of the company is Rs. 500 crores which is proposed to increased from Rs. 500 Crores to 700 Crores.

Therefore, the proposed resolutions are recommended to the members for their consideration and approval.

None of the directors is interested in the proposed resolution.

By the Order of the Board
For K. M. Sugar Mills Ltd.

Sd/-
Ajay Misra
Company Secretary

Place: Lucknow
Dated: 29.01.2010

**K. M. SUGAR MILLS LTD.
11, MOTI BHAWAN COLLECTORGANJ, KANPUR 208001**

ATTENDANCE SLIP

Thirty Seventh Annual General Meeting March 08, 2010

Regd. Folio No./ DP ID/ Client ID _____

No. of shares held _____

I certify that I am registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Thirty Seventh Annual General Meeting of the Company held on Monday, 08, March 2010 at 11.00 a.m. **Check Mate Banquate Hall, 7/17/12, Partvati Vagal Road, Tilak Nagar, Kanpur,**

Name of the member/proxy
(in BLOCK letters)

Signature of member/proxy

Note:

Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Shareholders are informed that no duplicate attendance slips will be issued at the venue of meeting. Members are requested to bring their copies of the Annual Report to the meeting.

**K. M. SUGAR MILLS LTD.
REGD. OFFICE : 11, MOTI BHAWAN COLLECTORGANJ, KANPUR 208001**

PROXY FORM

DP Id*	
Client Id*	

No. of Shares	
Master Folio No.	

I/Weof.....
being the member(s) of The K.M. Sugar Mills Limited hereby appoint
of.....or failing him/her

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Members of the K.M Sugar Mills Limited to be held on Monday 8th Day of March 2010 at Check Mate Banquet Hall, 7/17/12, Partvati Vagal Road, Tilak Nagar, Kanpur- 208 001 at 11:00 AM and any adjournment thereof.

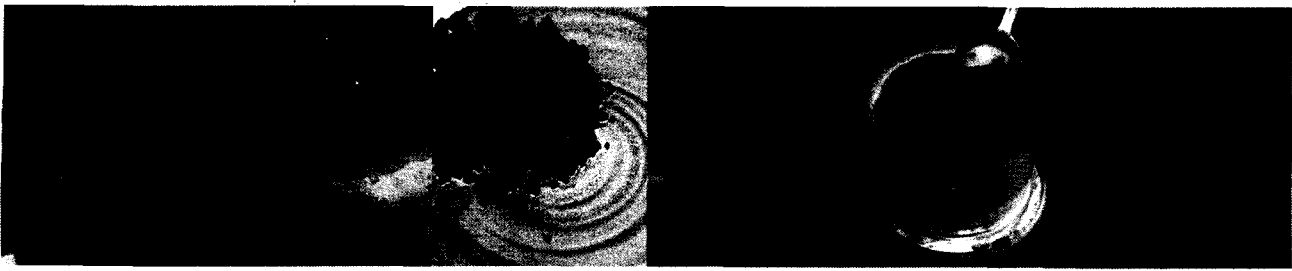
AS WITNESS my/our hands(s) this day of2010

.....
Signature of the Member (s)

.....
Signature of Proxy (ies)

Affix 1 Paise Revenue Stamp

*Applicable for investors holding shares in electronic form



Registered Office :

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

Corporate Office and Works :

Post Office Moti Nagar, District Faizabad-224 201
Tel No: (05278) 254 059, 254 173, Fax No: (05278) 254 031
Email: cs@kmsugar.com Website: www.kmsugar.com

