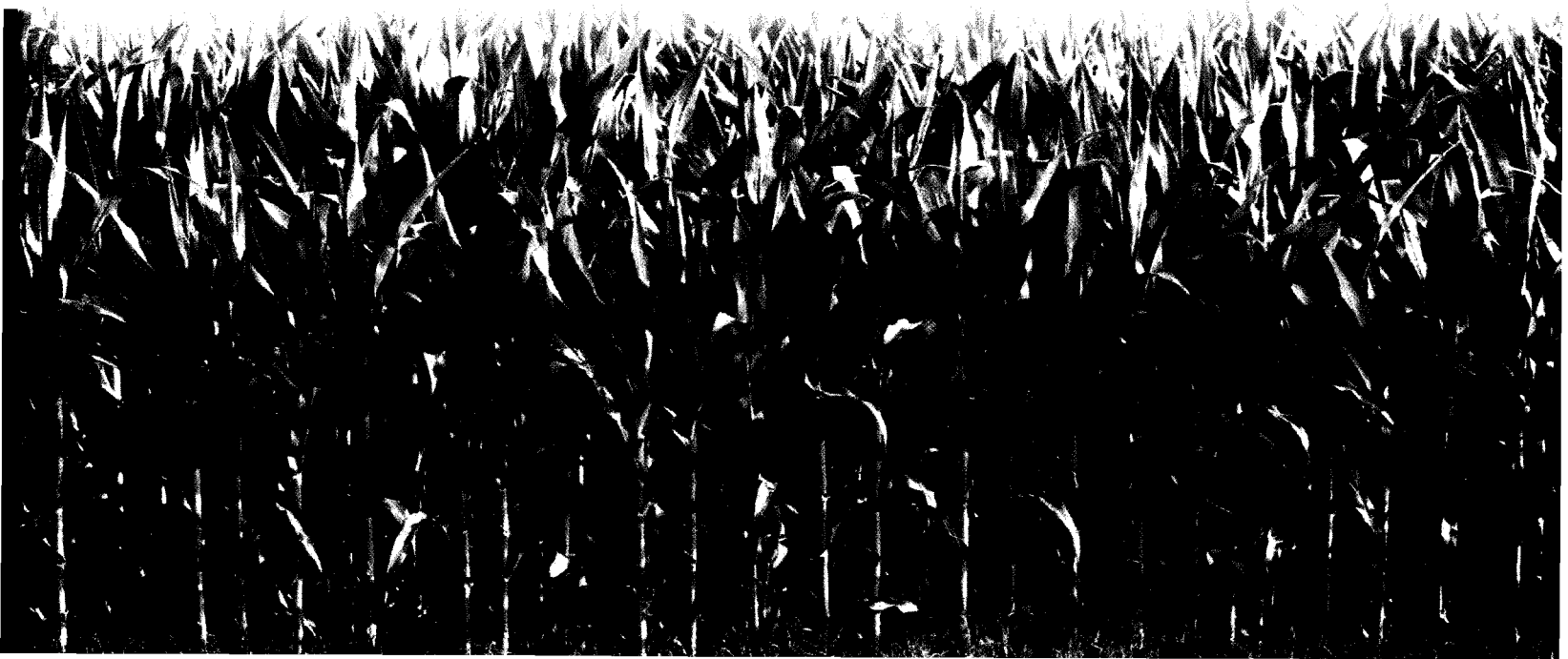




# **K.M.SUGAR MILLS LIMITED**

Annual Report  
2012-2013





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**Forward Looking Statement**

Statement in this report that describe the company's objectives, projections, estimates, expectations or predications of the future may be 'forward looking statements' within the meaning of applicable

securities laws and regulations. The Company cautions that such statements involve risk and uncertainty and that actual results could differ materially from those expressed and implied.



## Company Information

### BOARD OF DIRECTORS

#### Chairman

Shri L. K. Jhunhunwala

#### Whole Time Director

Shri Aditya Jhunhunwala, Managing Director

Shri Sanjay Jhunhunwala, Joint Managing Director

Shri Subhash Chandra Agarwal, Executive Director

#### Non Executive and Independent Director

Shri H. P. Singhania

Dr. Kirti Singh

Shri R. S. Shukla

Shri S. K. Gupta

#### Nominee Director

Mr. P. N. Mathur (P.N.B.)

#### Company Secretary

Mr. Rajeev Kumar

#### Auditors

M/s. MEHROTRA & MEHROTRA,

Chartered Accountants,

C-561, DEFENCOLONY,

NEW DELHI - 110024

#### Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

ALLAHABAD BANK

#### Registered Office

11, Moti Bhawan, Collectorganj,

Kanpur - 208001 U. P.

#### Corporate Office & Works

Motinagar, Distt. Faizabad - 224201 (U.P.)

Company Information ...



Directors' Report ...

Directors Report ...

To,  
The Members,

Your Directors have pleasure in placing the 41st Director's Report along with the Audited Statement of Accounts for the financial year ended on 30th September, 2013.

Financial Performance

The Financial performance of the Company during the year 2012-13 as under :  
(Rupees in Lacs)

	2012-2013	2011-2012
Profit before interest, depreciation & tax	3504	1862
Less: Interest	(1324)	(1390)
Depreciation	(901)	(1034)
Profit before tax	1279	(562)
Provision for taxation (including FBT)		
Provision for taxation (deferred)	(19)	(62)
Net Profit before extraordinary Items	1260	(624)
Add: Extra ordinary item	(0)	(0)
Net Profit	1260	(624)
Earning Per Share of Rs 2/- each	1.37	0.68

Overall Performance

For the year ended on 30th September, 2013 sales stood at Rs. 27258.79 Lacs (net of excise duty) against the Rs. 25456.41 (net of excise duty) of last year. During the financial year under review, the company had done trading of sugar for Rs. Nil lacs whereas during the preceding financial year trading activity was done for Rs. 1330.34 lacs). Profit after interest and depreciation stood at Rs. 1279 Lacs as against the loss of Rs. 562. Lacs in preceding year. Profit after tax for the year ended September 30, 2013 was Rs.1260 Lacs compared to loss of Rs. 624 Lacs in the preceding year.

Dividend

Due to accumulated losses your directors have not recommended any dividend for the financial year ended September 30, 2013.

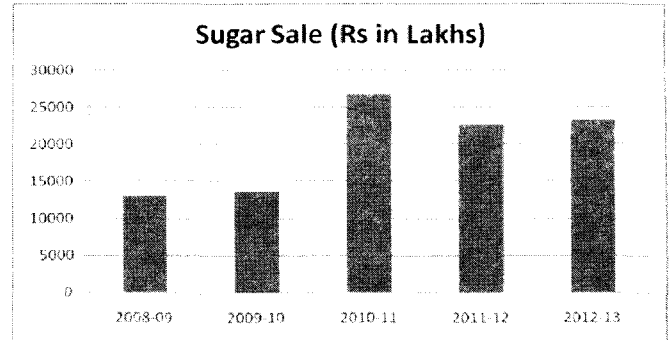
Performance of Divisions:-

Sugar Division

Crushing season 2012-2013 was comparatively a long Season for the Company. The company has

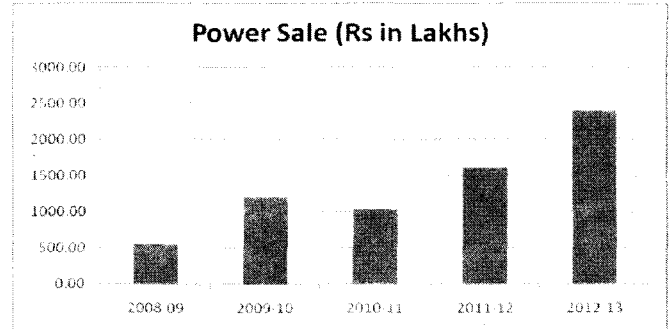
crushed 91.57 Lacs qtls. of cane and the season ran for 142 days. The other details are as under:

	Season 2012-2013	Season 2011-2012
Gross Working days	142	116
Total Cane Crushed (qtls .)	9156678	6841971
White sugar Produced (qtls)	877655	653170
Average Recovery	9.60%	9.57%



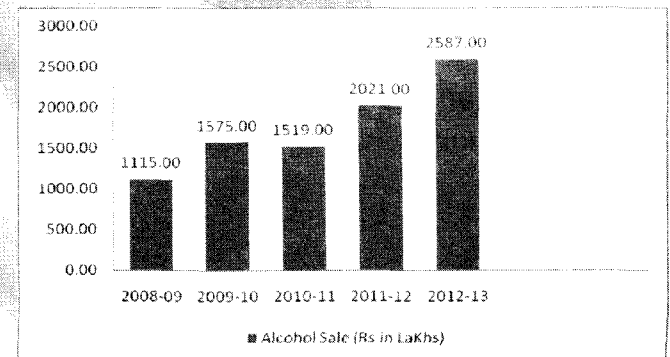
Co-Generation:

During the crushing season reported the company produced 8,06,32,125 KWH power and exported 5,78,05,627 KWH to UPPCL.



Distillery

The year 2012-2013 Company Produced 85.96 Lacs BL of Rectified Spirit with recovery of 20.41% which is much better in comparison of preceding year production of 71.51 Lacs BL. , but recovery has decreased by 0.63% from preceding Financial Year 2011-2012.





In current year 2013-14, the Company expects better margins due to increase in alcohol price in the market.

**Reference to BIFR Under Section 15 and Other Applicable provisions of the Chapter III of the Sick Industrial Companies (Special Provisos) Act, 1985**

It was reported in the last report that the Net worth of the Company was completely eroded during the financial year 2011-12 and accordingly a reference was registered with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 on 28-02-2013.

**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.

**Cost Auditors**

The Central Government approved the appointment of M/s. Aman Malviya & Company, Cost Auditor, Lucknow as Cost Auditors for conducting Cost Audit for Sugar and Industrial Alcohol businesses for the financial year 2013-14.

**Directors**

Mr. P. N. Mathur was appointed as the Nominee Director in the meeting of the Board of Directors of the Company held on 10-08-2013, pursuant to Clause 41 of Annexure 1 of CDR and letter of approval dated 27-03-2012. Mr. P.N. Mathur is Circle Head, Punjab National Bank, Lucknow Circle and has a vast experience in Banking services. His guidance and suggestions will be in the interest of the Company. The Board recommended his appointment as Director, subject to confirmation by the Shareholders in the General Meeting.

At the ensuing Annual General Meeting Shri Sanjay Jhunjunwala and Shri Subhash Chandra Agarwal Directors of your Company, retire by rotation u/s 256 of the Companies Act, 1956 and are being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

**Public Deposits**

During the year 2012-2013 the company has not accepted any public deposits.

**Listing Agreement**

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

**Directors' Responsibility Statement**

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

- (i) that in the preparation of the annual accounts for the year ended on September 30, 2013 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 and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for 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.



# Directors 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**

The Directors' Report on Corporate Governance is attached as Annexure-3 to this report. A certificate from M/s. Amit Gupta & Associates, Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated under 49 of the Listing Agreement is also annexed to this report.

**Management Discussion and Analysis Report**

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

**Research and Development**

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

**Industrial Relation**

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

**Acknowledgements**

Yours 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.  
Sd/-**

**Date: 08.02.2014  
Place: Lucknow**

**L. K. Jhunjunwala  
Chairman**

**Annexure to the Directors Report  
Annexure 1**

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

**Form A**

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

Particulars	Units	Current year ended at 30 <sup>th</sup> September, 2013	Previous year ended at 30 <sup>th</sup> September, 2012
Electricity			
Purchased Unit	Kwh	168323.2	258477.6
Total Amount	Rs.	2295553	2694697
a) Own Generation			
i) Through Diesel Generation Units per litre of diesel kwh/litre	Kwh	Nil	Nil
ii) Through Steam Turbine generation Kg of Bagasse required kwh	Kwh	80632125	56118115
iii) Total units Generated	Kwh	80632125	56118115
Total Cost/ Unit	Rs.	2.55	2.92

**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	<p>1. <b>COGENERATION</b> - load sharing between two turbines 15mw &amp; 10MW and between grid.</p> <p>2. <b>CANE PREPARATION</b> - 1500KW motor (stand by drive) provided along with 2.5 MW Steam turbine of Shredder.</p> <p>3. <b>MILLS</b> - less efficient steam turbine of 4 mills replaced by D.C. Motor drive.</p> <p>4. <b>PLATE TYPE HEAT EXCHANGER</b> - Boiling House Raw Juice Heating.</p> <p>5. <b>DIRECT CONTACT HEATER</b> - Boiling House Sulphited Juice Heating.</p>
2.	Benefits derived as results of the above R & D	<p>1. <b>COGENERATION</b> - Sudden grid failure stoppages of turbines mostly eliminated, resulting more power generated and saved fuel.</p> <p>2. <b>CANE PREPARATION</b> - Steam saving during 6000 TCD crush rate.</p> <p>3. <b>MILLS</b> - Steam saving and improved the mill extraction and reduced sugar losses in bagasse.</p> <p>4. <b>PLATE TYPE HEAT EXCHANGER</b> - Utilizing heat of condensate to heat raw juice from 45 - 68 degree centigrade resulting reduced Boiling House Steam Consumption.</p> <p>5. <b>DIRECT CONTACT HEATER</b> - Using bleed steam one step before to heat the sulphited juice by steam directly.</p> <p><b>NOTE:</b> We have reduced steam consumption in Boiling House from 48% to 44% on 55% of maceration.</p>



3.	Further plan of action	To reduce boiling house steam consumption 36%.
4.	Expenditure on R & D	
	i) Capital	Rs.352 .00 lacs
	ii) Recurring Expenditure	Rs. 0.00 lacs
	iii) Total	Rs.352.00 lacs
	iv) Total R & D expenditure as a percentage of total turnover	1.28%

**Benefits :** The benefits were derived in the form of cost reduction and improvement in the quality of products continuously be available to the Company.

**Particulars of technologies imported during the last 5 years :** Not applicable

**Foreign Exchange earnings & Outgo**

i)	Activities relating to exports initiative taken to increase exports	The Company made efforts to explore the foreign markets to export the sugar.
ii)	Development of new export market for product and services and export plan	Efforts are being made to explore the foreign markets for consumer products including sugar
iii)	Total foreign exchange earnings (Rs. Lacs)	NIL
iv)	Used (Rs. Lacs)	13.13

**I. Technology absorption, adaptation and innovation:**

**Efforts made :** The steps taken and efforts made in the earlier years towards technology absorption, adaption and innovations in respect of latest technology were kept continued during the year under review.

**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, 2013.

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

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

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

Sl	Name	Age Yrs.	designation	qualification	Experience In yrs.	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: 08-02-2014

Place: Lucknow

Sd/  
L. K. Jhunjunwala  
Chairman



# Corporate Governance Report

# Corporate Governance Report

## Annexure - 3

### Directors' Report on Corporate Governance

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are:

#### 1. Company 's Philosophy On Code of Governance:

- Transparency in policies and action.
- Maximizing long term shareholders' value
- Socially valued enterprise and
- Commitment to excellence and customer satisfaction
- Independence to develop and maintain a healthy work culture.
- Growth for stakeholders.
- Caring for people and environment.
- Accountability for performance.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value and commitment to high standard of business ethics.

The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practiced by its entire management cadre.

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

#### 2. Board of Directors

The Board periodically reviews Compliance Reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non-compliances, if any.

Pursuant to the provisions of Clause 49 of the Listing Agreement, the Board has laid down a Code of Conduct for all Board members and Senior

Management of the Company and the same is available on the website of the Company (www.kmsugar.com). All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2013, the board consists of nine directors; out of which four are executive directors and four are non- executive directors and one Nominee Director. 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
- One Nominee, Non-Executive Director

During the year ended on 30th September, 2013, four Board meetings were held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013. As on 30th September,2013, 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 meetings and the last Annual General Meeting are as under:

Name of Director	Category	No. of other directorships (Public Limited Company)	No. of Board Meeting attends	Attendance at last AGM
1. Sh. L. K. Jhunjhunwala	Promoter, Executive	-	4	No
2. Sh. Aditya Jhunjhunwala	Promoter, Executive	2	-	No
3. Sh. Sanjay Jhunjhunwala	Promoter, Executive	2	2	Yes
4. Sh. S. C. Agarwal	Independent, Executive	-	1	No
5. Sh. H. P. Singhania	Independent, Non-executive	1	1	No
6. Dr. Kirti Singh	Independent, Non-executive	-	-	No
7. Sh. R. S. Shukla	Independent, Non-executive	-	4	No
8. Sh. S. K. Gupta	Independent, Non-executive	-	4	Yes
9. Mr. P.N. Mathur *	Nominee- Non-Executive	-	1	NA

\* Mr. P.N. Mathur was inducted on the Board in the Board's Meeting held on 10-08-2013





### 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 by mail / postal service / courier and over the phone as well as 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.

All divisions/departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussions/approval/ decisions in the Board and Committee Meetings. All such matters are communicated to the Secretary in advance by the Departments /Divisions. Secretary segregates the matters that can be discussed and decided internally and the matters, which need to be put up before the board, in consultation with the Chairman, Managing Director and Joint Managing Director.

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.

**Details of Directors seeking re-appointment at the ensuing Annual General Meeting.**

In respect of Directors seeking appointment or re-appointment, the Notice for the Annual General Meeting contains all the relevant information, like brief resume of the Directors, nature of their expertise in specific functional areas and name of the companies in which they hold Directorship and Membership of any Committee of the Board.

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

Date of Board Meeting	Board Strength	Directors Present
30.11.2012	8	5
11.02.2013	8	3
13.05.2013	8	4
10.08.2013	8	4

### 3. Board Committees

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

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

#### Audit Committee

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

#### The Composition of the Audit Committee:-

Sl no.	Name of the Member	Position	Category
1	Mr. H. P. Singhania	Chairman	Non-Executive Independent Director
2	Mr. R. S. Shukla	Member	Non-Executive Independent Director
3	Mr. Sanjay Jhunjunwala	Member	Promoter Executive Director
4	Mr. S. K. Gupta	Member	Non-Executive Independent Director



**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.

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

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

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

**Meetings and Attendance:-**

During the year four meetings of the company were

held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013

SI no.	Name of the Member	Number of Meetings Attended
1	Mr. H. P. Singhania	1
2	Mr. R. S. Shukla	4
3	Mr. Sanjay Jhunjhunwala	2
4	Mr. S. K. Gupta	4

**Remuneration Committee**

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhania acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013. The details are as follows :

SI no.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1.	Mr. H. P. Singhania	Chairman	4	1
2.	Mr. R. S. Shukla	Member	4	4
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, 2013 is as under:

Name	Salary & Allowance (Rs.)	Perquisites & other profits (Rs.)	Incentive and Bonus paid (Rs.)	Sitting fees
Shri L. K. Jhunjhunwala *	630000	-	-	-
Shri Aditya Jhunjhunwala	360000	-	-	-
Shri Sanjay Jhunjhunwala	360000	26940	-	-
Shri S. C. Agarwal	195000	8059	-	-
Shri H. P. Singhania	-	-	-	5000
Shri R. S. Shukla	-	-	-	20000
Dr. Kriti Singh	-	-	-	-
Shri S. K. Gupta	-	-	-	20000

\* The Company, in the Extra Ordinary General Meeting held on 23-12-2013, approved the payment of remuneration to Mr. L K Jhunjhunwala, Mr. Aditya Jhunjhunwala, Mr. Sanjay Jhunjhunwala and Mr. S C Agarwal, w.e.f. 01.04.2013 within limits set out in section 198 & 309 of the Companies Act, 1956. It has also authorized the Board to change the remuneration of aforesaid managerial personnel's from time to time within the statutory limits set out by the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force). Hence, provision for remuneration has been made in the accounts for the period April, 2013 to Sept., 2013 in view of profit earned by the Company in financial year under review.

#### Shareholders' Grievance Committee

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

The Shareholders/Investors Grievance Committee looks after the cordial investor relations and oversees the mechanism for redressing of shareholders and investors complaints like non-receipt of Annual Report, non-receipt of declared dividend warrants and transfer of shares. Share transfers/transmissions are approved by the Share Transfer Committee and are placed at the Board

Meeting from time to time.

Besides, it monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

During the year, 4 meetings of the Committee were held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013. 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	1
2	Mr. R. S. Shukla	Member	4	4
3	Mr. S. K. Gupta	Member	4	4
4	Mr. Aditya Jhunjhunwala	Member	4	-

#### General Body Meeting

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

**Day & Date:** 22nd March, 2014

**Time:** 11.00 AM

**Venue:** 11- Moti Bhawan, Collector Ganj, Kanpur-208001

#### Dates of Book Closure:

From 17th March 2014 to 22nd March 2014, both days inclusive

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

Financial Year	Day & Date	Location	Time
2009-10	25.03.2011	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur - 208001	11.00 AM
2010-2011	19.03.2012	Kahana continental Coco cola Crossing Kanpur	11.00 AM
2011-2012	22.03.2013	Kahana continental Coco cola Crossing Kanpur	11.00 AM



### Extra ordinary General Meeting

Extra ordinary General meeting was held during the year on 23rd December, 2013.

### Postal Ballot

No resolution was passed through postal ballot during the year.

### Disclosures

#### a) Related Party Transaction

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

Adequate disclosure has been made as per Accounting Standard 18 in Note no. 2.29 (11)(d) of the Financial Statements.

#### 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.

c) Business risk evaluation and management is an ongoing process within the Company, which is periodically reviewed by the Board of Directors for determining its effectiveness.

d) There have been no instances of non-compliance, penalties, structures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

### Compliance

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

### Compliance with Corporate Governance Norms

The Company has complied with Mandatory requirements of the Code of Corporate Governance as Stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has submitted its Compliance Report in the prescribed format to the Stock Exchange for the

quarters ended 31.12.2012 , 31.03.2013 , 30.06.2013 and 30.09.2013. The Statutory Auditors have certified that the company has complied with the Corporate Governance norms as stipulated by the Stock Exchanges under Clause 49 of the Listing agreement. The said certificate is send to the Considered Stock Exchange where Company is listed.

### Reconciliation of the Share Capital Audit

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

### Code of Conduct

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

### Communication

The quarterly and annual results of the Company are published in prominent newspapers viz. The Financial Express and Rashtriya Sahara. The results are sent to stock exchanges, immediately after approval of the board. The Company has its website [www.kmsugar.com](http://www.kmsugar.com), which provides the Comprehensive details of the operations of the Company. The management discussion and analysis report forms a part of the annual report.

### Green initiatives in Corporate Governance

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



The MCA vide its circulars bearing no.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 clarified that a Company would have to comply with section 53 of the Companies Act,1956, if the service of document has been sent through electronic mode, provided that the Company has obtained the e-mail of members for sending the Notice and document through e-mail by giving advance opportunity to every shareholder to register his / her e-mail address and change therein from time to time with the Company.

In pursuance of the said circulars, various notices/ documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, etc) are being sent to the shareholders through electronic mode to the registered e-mail addresses of the shareholders.

The Company has not issued any Press Release or made any presentation to the investors or analysts about its financial results during the year

**Listing on Stock Exchanges**

Equity Shares	Equity Shares
Bombay Stock Exchange Limited, 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. Tel: 91-22-22728527/ 8307 Fax:91-22-22721072 Website: www.bseindia.com	National Stock Exchange of India Limited, Exchange Plaza, C-1, Block - 'G', Bandra Kurla Complex, Bandra(E), Mumbai-51 Tel: 91-22-26598100 Fax: 91-22-26598237/38 Website: www.nseindia .com

Listing fees for the financial year 2012-2013 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. Rajeev Kumar, Company Secretary, 76-Eldeco Green, Gomti Nagar, Lucknow-226010 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

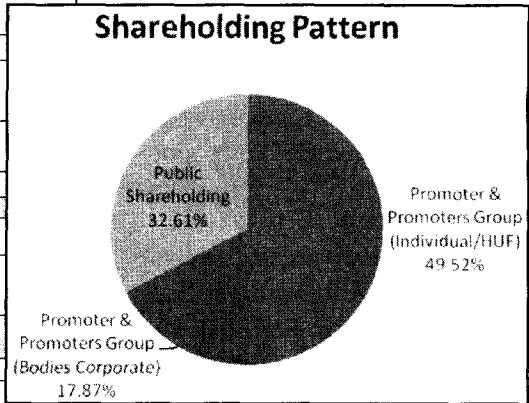
**Stock Market Data**

Month	Quotation at BSE			Quotation at NSE		
	High	Low	Closing	High	Low	Closing
October, 12	2.80	2.29	2.34	2.75	2.25	2.35
November, 12	2.60	1.92	2.13	2.40	2.00	2.20
December,12	2.44	1.57	1.62	2.35	1.55	1.65
January, 13	1.79	1.40	1.40	1.70	1.20	1.40
February, 13	1.66	1.33	1.52	1.80	1.40	1.45
March, 13	1.64	1.17	1.50	1.65	1.15	1.50
April ,13	1.87	1.27	1.37	1.85	1.25	1.35
May,13	1.37	1.18	1.34	1.40	1.20	1.30
June, 13	1.40	1.14	1.15	1.35	1.15	1.15
July, 13	1.26	1.11	1.20	1.20	1.10	1.20
August, 13	1.25	1.00	1.02	1.20	1.05	1.10
September, 13	1.37	0.97	1.32	1.35	1.10	1.35



**Shareholding pattern as on September 30, 2013**

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares
<b>(A) Shareholding of Promoter and Promoter Group</b>				
<b>(1) Indian</b>				
Individuals / Hindu Undivided Family	17	45557054	45180755	49.52
Bodies Corporate	5	16438570	16438570	17.87
<b>Sub Total</b>	<b>18</b>	<b>61995624</b>	<b>61995624</b>	<b>67.39</b>
<b>(2) Foreign</b>				
<b>Total shareholding of Promoter and Promoter Group (A)</b>	<b>22</b>	<b>61995624</b>	<b>61995624</b>	<b>67.39</b>
<b>(B) Public Shareholding</b>				
<b>(1) Institutions</b>				
Central Government / State Government(s)	1	1140	1140	0
<b>Sub Total</b>	<b>1</b>	<b>1140</b>	<b>1140</b>	<b>0</b>
<b>(2) Non-Institutions</b>				
<b>Bodies Corporate</b>				
	182	6657208	6657208	7.24
<b>Individuals</b>				
Individual shareholders holding nominal share capital up to Rs. 1 lakh	9478	14592578	14591553	15.86
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	39	8275595	8275595	8.99
<b>Any Others (Specify)</b>	<b>120</b>	<b>478025</b>	<b>478025</b>	<b>0.52</b>
Non Resident Indians	80	201311	201311	0.22
Clearing Members	40	276714	276714	0.3
<b>Sub Total</b>	<b>9819</b>	<b>30003406</b>	<b>30002381</b>	<b>32.61</b>
<b>Total Public shareholding (B)</b>	<b>9820</b>	<b>30004546</b>	<b>30003521</b>	<b>32.61</b>
<b>Total (A)+(B)</b>	<b>9842</b>	<b>92000170</b>	<b>919999145</b>	<b>100</b>
<b>(C) Shares held by Custodians and against which Depositor y Receipts have been issued</b>				
<b>(1) Promoter and Promoter Group</b>				
	0	0	0	0
<b>(2) Public</b>				
	0	0	0	0
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total (A)+(B)+(C)</b>	<b>9842</b>	<b>92000170</b>	<b>919999145</b>	<b>100</b>



**Notes:**

**Demat of Shares**

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

**Share Transfer System**

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

**Distribution of Shareholding**

Category	No. of Share Holders	% of Total	Shares	% of Total
1-5000	9234	93.82	9052248	9.84
5,001-10,000	310	3.15	2351012	2.56
10,001-20,000	155	1.58	2302177	2.50
20,001- 30,000	45	0.46	1107099	1.20
30,001- 40,000	17	0.17	577356	0.63
40,001- 50,000	13	0.13	596485	0.65
50,001- 1,00,000	26	0.26	1952524	2.12
1,00,001 & Above	42	0.43	74061269	80.50
<b>TOTAL</b>	<b>9842</b>	<b>100.00</b>	<b>92000170</b>	<b>100.00</b>

**Plant Location**

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

**Non- Mandatory Requirements**

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

**Declaration**

It is hereby declared that all the members of the Board and Senior Management personnel have affirmed compliance with the "Code of Conduct for Members of the Board and Senior Management of K M Sugar Mills Ltd." during the Financial Year ended 30th September, 2013.

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

Sd/-  
L. K. Jhunjhunwala  
Chairman

Date: 08-02-2014

Place: Lucknow



## Management Discussion and Analysis Report

### Annexure - 4

#### Global Sugar Industry

Global Sugar Industry, in the year 2012-2013, has managed the growth in demand for a third consecutive year. The estimated sugar production for 2012-13 was 174.5 mmt(rv) as against consumption of 163.8mmt(rv), with a surplus of 10.7 mmt(rv)(source : USDA Trade Report-May,2013). However, the sugar production in Brazil was 38.6 mmt higher by 8% than the previous year. Brazil exported 26.8mmt during 2012-13, the second highest in its history. There was record production of sugar cane in 2012-13 and expectation for record production of sugar during 2013-14, the raw sugar prices are moving down for the forward months. The Brazilian Government announced a series of measures towards assisting the sugar and ethanol sectors including tax rebate on ethanol. India, China, Thailand, Russia and Australia have been the major producers. The production of sugar in Thailand was 10mmt, which was almost similar to produced last year 10.2mmt. In China, import demand remained the main price supportive factor in the World Sugar Markets. Import in 2012-13 in China was 2.8mmt. Due to significant premium, import continue even when sugar is not needed for consumption and replenishment of stocks. On account of sustained demand of white sugar, the premium remained high at an average of USD111 pmt during 2012-13.

The white sugar prices in the International Markets are also showing a declining trend in line with raws, with an average of USD 519 pmt in 2012-13 as against USD 616 pmt in 2011-12.

Further, a moderate global sugar surplus is expected in the year 2013-14, continue to remain positive for the fourth consecutive year. As per the latest estimates, the Sugar Production forecast is at 174.8 mmt , with a likely surplus of 6.5 mmt in the sugar year 2013-2014. Consumption for the 2013-2014 is expected to be at 167.3 mmt, shows a growth of 2.3 %.

The surplus in production forecast is based on certain assumptions normal weather and continuing incentive given to the Cane and Beet Growers in many countries . However, in a number of countries, low sugar prices should lead to farmers planting less sugar cane and beet.

#### Indian Sugar Industry

The Government of India in its recent decision has dispensed with the regulated release mechanism of sugar for domestic consumption. Further, obligation to supply sugar as levy on production at a control rate for Public Distribution System (PDS) has also been done away with for sugar produced . Now, the PDS requirements will be procured by the States through open market and the gap will be supported by the Central Government. These measures shall facilitate the Sugar Industry to plan their cash flows and reduce the working capital requirement. However, the deregulation process remained incomplete as they have not addressed the issues of the State Control on cane prices with lack of parity between sugar and cane prices.

#### Industry Facts :-

- Sugar is one of world's major agro- based industries and is also one of the most actively traded soft commodities on the exchange
- More than 80 % of Sugar produced is from sugarcane while balance is from sugar beet.
- Top 5 sugar producers in the world, namely, Brazil, India, EU, China & Thailand , account for over 60 % of the total production .
- The global sugar prices have been seen high level of volatility.

#### INDUSTRY SCENARIO

Cane management is the most indispensable part of the whole sugar manufacturing process. It is said "Sugar is produced in the field and extracted in the factory". This make the Cane management, as most important part of the Sugar Industry. The Uttar Pradesh Government has announced an unprecedented increase in State Advised Cane Price ( SAP ) by Rs.40/- per quintal for the year 2012-13, which increased the Cane Prices in the State to the range of Rs.275/- to Rs.290/- per quintal, from the Sugar Season 2011-2012 Rs.240/- per quintal. Sugar Mills in U.P. pay SAP for sugar cane which historically is significantly higher than the FRP fixed by the Central Government. This has made an aggregate increase of Rs.150/- per quintal in SAP of cane in the last four years. The gap between SAP and FRP stands at nearly Rs.100/- per quintal. The Cost of Sugar in U.P. has become the highest in the Country. This escalation in cane price



announced by the U.P. State Government has rendered the U.P. Sugar Industry cash-crunched and uncompetitive.

#### Government Policies

During the period, GOI started taking Initiatives and evaluating policies for de-regulating the domestic sugar industry after a high cost of production during the crop season, resulted in huge losses during the period, Government of India de-regulated the domestic sugar industry. It took a number of steps to *manage the surplus by allowing regular sugar exports under open general license (OGL).*

The Government is becoming aware of the woes of the sugar industry on account of stifling Government intervention, policy inertia and absence of realistic initiatives. The GOI, during the year under review, dispensed with the system of allocating sugar mill-wise export quota and permit export of sugar without any restrictions.

#### Trend in Sugar Industry Trade

Domestic sugar prices have continued moving downwards during the year, except for a brief upsurge seen after decontrol in April, 2013. Weakening world market prices have made export parity negative as sales of sugar to the world market are not commercially attractive to the Indian Sugar Industry. Indian refiners imported about 1.6mmt raws out of which 0.5 mmt is re-exported and 0.4 mmt is sold in deficit eastern region in the country. Domestic Sugar Stock at the end of March, 2013 was around 18.6 mmt, higher by 5% than last year.

The Government of India increased the levy sugar price for the part of season 2012-13 from Rs.1889.85 to Rs.1974.90 per quintal. The domestic sugar prices during the financial year 2012-13 remained subdued and range bound. The prices at the major markets during the year have been volatile. The prices of sugar in 2011-12 ( Aug., 2012) moved upto Rs.3900/- per quintal and came down throughout the year hovered in the band of Rs. 2900/- to Rs.3100/- per quintal. For the fear of food inflation being stoked, Government policies aimed at pegging domestic sugar prices at lower level continued, regardless of the fact that the incidence of sugar price of inflation is miniscule. Going forward, any significant strengthening of domestic sugar prices in the near future is uncertain.

#### Power Sector

As per the report of Central Electricity Authority (CEA), the renewable power constitutes about 25,600mw or 12% of the Indian Power generation capacity. Total Bagasse based surplus generation for the year 2012-13 has been about 912 billion units (BU). The exportable bagasse based generation installed capacity has been 3,200 mw in 2011-12, against which sugar mills have generated a surplus exportable power of about 2000mw during 2012-13. There is potential to increase this capacity to 10,000 mw.

#### Ethanol Sector

The Central Government had made 10% ethanol blending mandatory with petrol across the country procured at market. In order to give boost to ethanol blending program, the State Oil Firms (OMC) have decided to procure 1 billion liters of ethanol for the year 2013-14 at the market price of Rs.34/- to Rs.36/- per liter. OMCs had invited bid for 1.05 billion liters of ethanol from the domestic and international suppliers for blending with petrol in the sugar year 2013.

#### SWOT ANALYSIS:

KM Sugar Mills consists of manufacturing and trading facilities of sugar, alcohol and power. Each of its business segments has its own strengths and weaknesses and exposures to a variety of opportunities and threats. The Company has the following SWOT attributes broadly:

#### Strengths and Opportunities

- i) The promoters are in this line for over 4 decades and are having good experience of the line.
- ii) Company has integrated Sugar Plant, alongwith distillery and Co-Generation situated in the sugarcane-rich Indian State of U.P.
- iii) Company has integrated facilities to produce sugar and also has ability to Process Raw Sugar.
- iv) Company Produces Ethanol, Power which enhances the Revenue of the Company.

#### Weaknesses and Threats

- i) Though de-licensed, sugar industry remains a highly regulated industry with the acts and orders through which government regulates the sugar Industry.
- ii) Sugarcane being an agricultural commodity, its availability is dependent on vagaries of monsoon.
- iii) Non availability of sugar cane may adversely affect the sugar mills as well as cogeneration power





plants.

iv) Sugar Industry has political intervention.

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,  
The Shareholders  
K M Sugar Mills Limited  
Moti Nagar Faizabad.

1. We have examined the compliance of conditions of Corporate Governance by K M Sugar Mills Limited for the year ended 30th September ,2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

3. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with National Stock Exchange Limited. and Bombay Stock Exchange Ltd. have been complied with in all material respect by the Company.

4. We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by share holders/investor grievance committee.

5. We further state that such compliance 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

Date: 07.02.2014  
Place: Lucknow

**CEO and CFO Certification**

We, S. C. Agarwal , CEO and A K Gupta, CFO of K M Sugar Mills Limited , to the best of our knowledge and belief, hereby certify that:

(A) We have reviewed the financial statements and cash flow statements for the year ended at 30th September 2013 , and that based on our knowledge and belief :-

- (i) these statements do not contain any materially untrue statements or omit to state any material fact or contain statements that might be misleading; and
- (ii) these statements present a true and fair view of the Company's affair and are in compliance with existing accounting standards, applicable laws and regulations.

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

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

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

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

- (i) significant changes in internal control during the year;
- (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Date: 08-02-2014  
Place: Lucknow

Sd/- S C Agarwal  
Sd/- A K Gupta



## Auditor's Report

# Auditor's Report

To  
The Members  
K.M. Sugar Mills Ltd.  
Kanpur

### Report on the Financial Statements

1. We have audited the accompanying financial statements of K.M. Sugar Mills Ltd. (the "Company"), which comprise the Balance Sheet as at 30th September, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

### Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2013;
  - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Act;
  - (e) On the basis of written representations received from the directors as on September 30, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 30th September, 2013, from being appointed as a director in terms of Section 274(1)(g) of the Act.

For Mehrotra & Mehrotra  
Chartered Accountants  
(FRN - 0226C)

Sd/-

CA. Rajesh Jhalani  
Partner  
(M.No. 074809)

Place: Lucknow  
Date: 28th November, 2013



**ANNEXURE TO DRAFT INDEPENDENT AUDITORS' REPORT  
REFERRED TO IN PARAGRAPH (7) OF OUR REPORT OF EVEN DATE  
Re: K.M. Sugar Mills Ltd. for the year ended 30th September, 2013**

- (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 in progress.**
- (b) The Fixed Assets of the Company have been physically verified by the management during the year in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of all the assets at reasonable intervals. Accordingly to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information given to us, the Company has not disposed off any substantial part of fixed assets during the year and hence, going concern status of the company is not affected.
- (ii) (a) As explained to us, the inventory has been physically verified by the Management to the extent practicable at reasonable intervals during the year.
- (b) In our opinion and according to information and explanations given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) to (d) As the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act, clauses (iii) (b) to (iii) (d) of paragraph 4 of the said order are not applicable to the Company.
- (e) According to the information and explanations given to us, the Company has taken unsecured loans from three parties covered in the register maintained under Section 301 of the Companies Act, 1956 and a sum of Rs.154 lacs was outstanding as on 30.09.2013. (Previous Year - Rs.154 lacs).
- (f) to (g) In our opinion and according to the information and explanations given to us, the terms and conditions of the said loan taken by the company are not prime facie prejudicial to interest of the Company.
- Further, the repayment of these loans is not due hence no repayment was made during the year.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- a) The particulars in respect of certain contracts or arrangements referred to in section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under that section, have been so entered.
- b) As far as we could ascertain on the basis of our selective checking and according to the information and explanations given to us, the transaction made in pursuance to aforesaid contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year. Hence, provisions of section 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and rules of Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
- (vii) In our opinion, the internal audit system of the company is commensurate with the size and nature of the business of the Company.
- (viii) We are informed by the management that the required cost records pursuant to the order made by Central Government under Section 209(1)(d) of the Companies Act, 1956 regarding production have been maintained by the Company and are of the opinion that prima-facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanation given to us and the records examined by us, the undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to the company have generally been regularly deposited with the appropriate authority except small delays



in certain cases and no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 30th September, 2013 for a period of more than six months from the date of becoming payable. 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, the particulars of dues of excise duty, entry tax, central sales tax and income tax outstanding as at 30.09.2013, which have not been deposited on account of disputes, are as follows:-

Name of the Statute	Nature of Dues	Amount (Rs. In lacs)	Forum, where the dispute is pending
Entry Tax Act	Entry Tax 2007-08	0.04	Commercial Tax Tribunal, Faizabad
	2011-12	1.69	Additional Comm. (A)
	2012-13	36.00	--do--
Central Sales Tax Act	CST 2009-10	1.90	Additional Comm. (A)
Central Excise Act	Excise Duty F.Y 2005-2006	32.00	Joint Comm. & CESTAT
	FY 2006-07	467.30	
	FY 2007-08	16.09	
Income Tax Act	A.Y. 20 10-11	8378.89	CIT(A)
	Total	<b>8933.91</b>	

All aforesaid dues are not accounted for in the books of account and are shown as contingent liabilities in Note No. 2.29 of the Financial Statements.

- (x) The Company's accumulated losses as on 30.09.2013 are of Rs.4872.15 lacs, which is not less than 50% of its net worth. The Company has not incurred cash losses during the current financial year as well as in the immediate preceding financial year.
- (xi) **Based on our audit procedures and as per information and explanation given to us by the management, the loans were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. This CDR package has since been implemented and necessary impact has been considered in these financial statements to the extent allowed by the banks. Outstanding loan amount on account of default is Nil at the year end. Interest of Rs.33.90 lacs become due as on 30.09.2013 has been subsequently paid.**

**Other continuing defaults as on 30.09.2013 are given here-under :**

**Overdue installments amounting to Rs.1173 .43 lacs of various loans taken from Sugar Development Fund (SDF) could not be paid till 30.09.2013. Further, interest of Rs.211.62 lacs on the said loans was overdue as on 30.09.2013.**

- (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 (Auditors' Report) Order, 2003 is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanation given to us, 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 bank on behalf of its employees, who have taken vehicle loans from a bank and a sum of Rs.0.42 lacs was outstanding at the year-end 30.09.2013 on this account.
- (xvi) According to the information and explanations given to us, term loans were generally applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and based on an overall examination of the balance sheet, cash flow and other relevant records, we report that no funds raised on short term basis have been used for long term purposes during the year.
- (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.
- (xx) 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 statements and as per the information and explanation given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit nor we have been informed of such case by the management that causes the financial statements to be materially misstated.

**For Mehrotra & Mehrotra  
Chartered Accountants  
FRN: 00226C**

Sd/-

**Rajesh Jhalani  
Partner  
M. No. 074809**

Place: Lucknow  
Date: 28th November, 2013



## Balance Sheet as at 30th September, 2013

(Amount in Rs.)

PARTICULARS	Notes No.	Current Year		Previous Year	
		As at 30th September-2013		As at 30th September-2012	
		Rs.	P.	Rs.	P.
<b>EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
(a) Share Capital	2.1	184,000,340.00		184,000,340.00	
(b) Reserves & Surplus	2.2	<u>(83,349,063.99)</u>	100,651,276.01	<u>(209,025,870.58)</u>	(25,025,530.58)
<b>2. Non-current liabilities</b>					
(a) Long term borrowings	2.3	338,326,890.70		530,786,853.91	
(b) Deferred tax liabilities (Net)	2.4	32,835,473.00		30,888,352.00	
(c) Other Long term liabilities	2.5	2,246,321.85		2,246,321.85	
(d) Long term provisions	2.6	<u>25,335,542.00</u>	398,744,227.55	<u>24,833,521.00</u>	588,755,048.76
<b>3. Current liabilities</b>					
(a) Short term borrowings	2.7	588,242,088.73		129,500,076.50	
(b) Trade payables	2.8	139,244,305.83		86,513,551.87	
(c) Other current liabilities	2.9	301,515,942.61		231,497,381.84	
(d) Short term provisions	2.10	<u>1,847,688.00</u>	1,030,850,025.17	<u>1,422,767.00</u>	448,933,777.21
<b>Total</b>			<u>1,530,245,528.73</u>		<u>1,012,663,295.39</u>
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>1. (a) Fixed Assets</b>					
(i) Tangible Assets	2.11	508,026,045.31		583,734,625.55	
(ii) Intangible assets		43,452.50		102,219.50	
(iii) Capital Work-in-Progress		<u>44,394,553.75</u>	552,464,051.56	-	583,836,845.05
(b) Non current investments	2.12	1,021,300.00		1,021,300.00	
(c) Long term loans and advances	2.13	25,379,879.64		18,771,663.84	
(d) Other non current assets	2.14	<u>1,879,215.82</u>	28,280,395.46	<u>1,788,543.82</u>	21,581,507.66
<b>2. Current Assets</b>					
(a) Inventories	2.15	766,366,880.96		225,250,488.67	
(b) Trade receivables	2.16	85,902,712.06		62,404,281.57	
(c) Cash and cash equivalents	2.17	28,082,749.29		28,297,759.13	
(d) Short term loans and advances	2.18	62,348,789.40		90,050,684.63	
(e) Other current assets	2.19	<u>6,799,950.00</u>	949,501,081.71	<u>1,241,728.68</u>	407,244,942.68
<b>Total</b>			<u>1,530,245,528.73</u>		<u>1,012,663,295.39</u>
Significant accounting policies	1				
Notes on financial statements	2				

As per our report of even date attached hereto  
**For MEHROTRA & MEHROTRA**  
 Chartered Accountants  
 F.R. No.0226C

For & on behalf of Board of Directors

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

Sd/-  
 S. C. Agrawal  
 Executive Director

Sd/-  
 Sanjay Jhunjunwala  
 Jt Managing Director

Sd/-  
 Rajeev Kumar  
 Company Secretary



**Statement of Profit & Loss for the year ended 30 September, 2013**

**Profit & Loss Account...**

PARTICULARS	Notes No.	Current Year		Previous Year	
		Year ended 30th September, 2013		Year ended 30th September, 2012	
		Rs.	P.	Rs.	P.
<b>I. Revenue from operations (Gross)</b>	<b>2.20</b>	<b>2,825,352,789.97</b>		2,636,624,897.30	
Less: Excise duty and cess		<b>99,473,654.08</b>		90,983,759.11	
Revenue from operations (net)			<b>2,725,879,135.89</b>		2,545,641,138.19
II. Other Income	<b>2.21</b>		<b>34,146,765.33</b>		18,385,890.38
<b>III. Total Revenue (I + II)</b>			<b>2,760,025,901.22</b>		2,564,027,028.57
<b>IV. Expenses</b>					
Cost of material consumed	<b>2.22</b>		<b>2,602,737,488.06</b>		1,826,719,669.70
Purchase of Stock in trade	<b>2.23</b>		-		116,922,432.59
Change in inventory of finished goods, work in progress and stock in trade	<b>2.24</b>		<b>(505,455,945.50)</b>		157,407,123.87
Employee benefits expenses	<b>2.25</b>		<b>83,433,912.29</b>		73,393,212.88
Finance costs	<b>2.26</b>		<b>137,608,387.03</b>		144,718,421.65
Depreciation and amortization expense	<b>2.27</b>		<b>90,118,028.44</b>		103,397,808.40
Other Expenses	<b>2.28</b>		<b>223,620,639.79</b>		197,642,170.39
<b>Total Expenses</b>			<b>2,632,062,510.11</b>		2,620,200,839.48
V. Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)			<b>127,963,391.11</b>		(56,173,810.91)
VI. Exceptional items			-		-
VII. Profit/(Loss) before extraordinary items and tax (V-VI)			<b>127,963,391.11</b>		(56,173,810.91)
VIII. Extraordinary item			-		-
IX. Profit/(Loss) before tax (VII-VIII)			<b>127,963,391.11</b>		(56,173,810.91)
X. Tax expense					
(1) Current Tax			-		-
(2) Deferred Tax			<b>1,947,121.00</b>		6,247,478.05
XI. Profit/(Loss) for the year (IX-X)			<b>126,016,270.11</b>		(62,421,288.96)
XII. Earning per equity share (Nominal value of Rs.2 each)					
(1) Basic (Rs. Per share)			<b>1.37</b>		(0.68)
(2) Diluted (Rs. Per share)			<b>1.37</b>		(0.68)
Significant accounting policies	<b>1</b>				
Notes on financial statements	<b>2</b>				

As per our report of even date attached hereto  
**For MEHROTRA & MEHROTRA**  
 Chartered Accountants  
 F.R. No.0226C

For & on behalf of Board of Directors

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

Sd/-  
 S. C. Agrawal  
 Executive Director

Sd/-  
 Sanjay Jhunjunwala  
 Jt Managing Director

Sd/-  
 Rajeev Kumar  
 Company Secretary

Place: Lucknow  
 Date: 28.11.2013

## Cash Flow Statement for the year ended 30th September, 13

PARTICULARS	Year ended 30th Sept. 2013				Year ended 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>								
Net Profit/(Loss) before tax and exceptional items			1279.63				(561.74)	
<b>Adjustment for :</b>								
Depreciation and amortisation expense	901.18				1033.98			
Finance costs	1376.08				1447.18			
Transfer to storage fund for molasses	6.57				5.31			
Provision for doubtful debts	57.79				36.03			
Balances written off	13.40				0.00			
Interest income	(126.37)				(7.84)			
Profit on sale of fixed assets	(1.07)				(34.37)			
Unspent liabilities/balances written back	(1.60)				(9.81)			
Storage fund for molasses written back	(5.00)				(1.30)			
Provision for tax for earlier years written back	0.00		2220.98		(0.60)		2468.58	
<b>Operating Profit before working capital changes</b>			3500.61				1906.84	
<b>Adjustment for :</b>								
(Increase)/Decrease in trade and other receivables	(151.73)				32.98			
(Increase) / Decrease in inventories	(5411.17)				1686.76			
Increase / (Decrease) in trade payables & Others	827.62				(42.00)			
<b>Cash Generated from Operations</b>			(4735.28)				1677.74	
Direct Tax Paid								
<b>Net Cash From Operating Activities (A)</b>			(1234.67)				3584.58	
<b>Cash Flow from investing activities</b>								
Purchase of fixed assets	(592.68)				(210.79)			
Proceeds from sale of fixed assets	1.34				40.65			
Interest income received	126.37				7.84			
<b>Net Cash From Investing Activities</b>			(464.97)				(162.30)	
<b>Cash Flow From Financing activities</b>								
Borrowings (Net)	2741.38				(2473.11)			
Finance cost paid	(1043.89)				(872.17)			
<b>Net Cash From Financing Activities</b>			1697.49				(3345.28)	
<b>Net increase in Cash &amp; Cash Equivalents (A+B+C)</b>			(2.15)				77.00	
<b>D. Opening cash and cash equivalents</b>			282.98				205.98	
<b>E. Closing cash and cash equivalents</b>			280.83				282.98	
<b>Increase in Cash &amp; Cash Equivalents (D-E)</b>			(2.15)				77.00	

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

As per our report of even date attached hereto  
For Mehrotra & Mehrotra  
Chartered Accountants  
F.R. No.0226C

For & on behalf of Board of Directors

Sd/-  
Rajesh Jhalani  
Partner  
M.No.74809

Sd/-  
S. C. Agarwal  
Executive Director

Sd/-  
Sanjay Jhunjunwala  
Jt Managing Director

Sd/-  
Rajeev Kumar  
Company Secretary

Date : 28.11.2013  
Place : Lucknow



Notes forming part of Financial Statement

Notes forming part of financial statements.

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Significant Accounting Policies

1.1 Basis of Preparation of Financial Statements

These financial statements are 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.

All assets and liabilities have been classified as current or non-current as per company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of operations and time between procurement of raw material and realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

1.2 Use of Estimates

The preparation of the Financial Statements in conformity with GAPP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the period. Actual results might differ from the estimates. Difference between the actual results and estimates are recognized in the period in which results are known/materialized.

1.3 Significant Accounting Policies

a) Fixed Assets

- i) Tangible 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 statement of Profit & Loss from Revaluation Reserve and is thus not charged to statement of Profit & Loss of the year.
- iii) Tangible Fixed Assets costing up to Rs.5,000/- are being depreciated fully in the year of their put to use.
- iv) Depreciation/amortization on assets added, sold or discarded during the year is provided on pro-rata basis.
- v) Intangible assets expected to provide future enduring economic benefits are recorded at the consideration paid for acquisition of such assets and are carried at cost of acquisition less accumulated amortization and impairment, if any.

Intangible assets: Computer software is amortized over a period of four years.

b) Revenue Recognition and Expenses

- i. 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.
- ii. Insurance claims have been accounted for on cash basis as per past practice.
- iii. All the expenses are accounted for on accrual basis.

c) Inventories are valued as under:

- i. Raw Materials and Finished Goods (except molasses) are carried at lower of cost or net realizable value.
- ii. Stock of Molasses are carried at net realizable value.
- iii. Stores & Spares are carried at cost.
- iv. Goods in Process / WIP is carried at lower of cost or net realizable Value.

- v. Banked power with UPPCL is carried at lower of cost or net realizable value.

Cost of inventory comprises of purchase price, cost of conversion and other cost that have been incurred in bringing the inventories to their respective present location and condition. Interest cost are not included in value of inventory.

Cost for the purpose of valuations of raw material and components, stores & spares are considered on following basis:

Manufacturing Units	Basis
<b>Sugar</b>	
- Raw Material	First in First Out
- Stores & Spares and other components	Weighted monthly average
- Trading Goods	First in First Out
<b>Distillery</b>	
- Raw Material	First in First Out
- Stores & Spares Other components	Weighted monthly average
<b>Co-generation</b>	
- Raw Material	First in First Out

d) 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.

e) Employees Benefits

Long term employee benefits in respect of Gratuity and Leave Encashment benefits payable to the employees is recognized on the basis of actuarial valuation done by the competent authority as at 30th September of every accounting year as an expense in the Statement of Profit & Loss for the year in which the employees have rendered the services.

Short term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit & Loss for the year in which the related service is rendered.

f) 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 Statement of Profit & Loss in the period in which they are incurred.



**g) 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.

**h) 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 Statement of Profit & Loss, along with the underlying transactions.

**i) Foreign Currency Transactions**

- a) Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates.
- b) Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c) In respect of monetary items which are covered by forward exchange contracts, the difference between the year end and the rate on the date of contract is recognized as exchange difference and the premium on such forward contracts is recognized over the life of the forward contract.
- d) The exchange differences arising on settlement / translation are recognized in the Statement of Profit and Loss.

**j) Taxes on Income**

- i. 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.
- ii. 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.
- iii. Deferred Tax Assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets in respect to brought forward losses/unabsorbed depreciation is recognized only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**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) 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 Statement of Profit & Loss on accrual basis.

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

- i. Provision is recognized in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable.
- ii. Provision is recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.
- iii. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.
- iv. A contingent asset is not recognized in the financial statements.
- v. Provisions and contingent liabilities are reviewed at each balance sheet date.

**n) Segment Reporting****Primary Segment**

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

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

**Segment identification**

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

- 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) Earning Per Share**

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares.

**q) Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payment and item of income or expenses associated with investing or financing flows. The cash flows operating, investing and financing activities of the company are segregated.



### Note 2.1 - Share Capital

PARTICULARS	Current Year		Previous Year	
	As at 30th September-2013		As at 30th September-2012	
	Rs.	P.	Rs.	P.
<b>AUTHORISED</b>				
100,000,000 Equity Shares of Rs. 2/- each	<u>200,000,000.00</u>		<u>200,000,000.00</u>	
<b>ISSUED, SUBSCRIBED AND FULLY PAID UP</b>				
92,000,170 Equity Shares of Rs. 2/- each	<u>184,000,340.00</u>		<u>184,000,340.00</u>	
<b>TOTAL</b>	<b>184,000,340.00</b>		<b>184,000,340.00</b>	
<b>a. Reconciliation of Number of Shares</b>		No. of shares		Amount
Shares outstanding as at 1st October, 2012		92,000,170		184,000,340
Shares outstanding as at 30th September, 2013		92,000,170		184,000,340
<b>b. List of Shareholders holding more than 5% of the total number of shares issued by the company:</b>				
	<b>As at 30th September-2013</b>		<b>As at 30th September-2012</b>	
<b>Name of the shareholder</b>	No. of shares	% shareholding	No. of shares	% shareholding
L K Jhunjhunwala	5602600	6.09	5602600	6.09
P C Jhunjhunwala	9944100	10.81	9944100	10.81
L K Jhunjhunwala (HUF)	10065900	10.94	10065900	10.94
Marvel Business Pvt. Ltd.	12450951	13.53	12450951	13.53

The Company has issued only one class of equity shares having a par value of Rs.2 per share. Each holder of Equity Share is entitled to one vote per share. No dividend has been proposed.

### Note 2.2 - Reserves and Surplus

PARTICULARS	Current Year		Previous Year	
	As at 30th September-2013		As at 30th September-2012	
	Rs.	P.	Rs.	P.
<b>a. General Reserve</b>				
Balance as per last account		122019139.87		122019139.87
<b>b. Capital Reserve</b>				
Balance as per last account		4,833,000.00		4,833,000.00
<b>c. Initial Depreciation Reserve</b>				
Balance as per last account		172,449.73		172,449.73
<b>d. Molasses Storage Fund</b>				
Balance as per last account	<u>3,901,638.15</u>		3,500,575.65	
Less: Withdrawal/reversal during the year	<u>500,000.00</u>		129,736.00	
Add: Transferred from Statement of Profit & Loss	<u>656,902.95</u>	4,058,541.10	<u>530,798.50</u>	3,901,638.15
<b>e. Fixed Asset Revaluation Reserve</b>				
Balance as per last account	<u>3,237,876.52</u>		3,824,113.05	
Less: Utilised for set off against depreciation	<u>496,366.47</u>	2,741,510.05	<u>586,236.53</u>	3,237,876.52
<b>f. Sugar Price Equalisation Reserve</b>				
Balance as per last account		1,239,508.05		1,239,508.05
<b>g. Securities Premium Account</b>				
Balance as per last account		268,801,428.00		268,801,428.00
<b>h. Surplus/(Deficit) in Statement of Profit &amp; Loss</b>				
Balance as per last account	<u>(613,230,910.90)</u>		<u>(550,809,621.94)</u>	
Add: Profit/(Loss) for the current year	<u>126,016,270.11</u>	(487,214,640.79)	<u>(62,421,288.96)</u>	(613,230,910.90)
<b>TOTAL</b>		<b>(83,349,063.99)</b>		<b>(209,025,870.58)</b>

Molasses Storage Fund has been created to meet the cost of construction of molasses storage tank as required under Uttar Pradesh Sheera Niyantaran (Sansodhan) Adesh, 1974 and the storage fund is represented by investment in the form of deposit in saving bank account with a bank amounting to Rs.8.91 lacs (Previous year Rs.44.76 lacs)



## Note 2.3 - Long Term Borrowings

PARTICULARS	Current Year		Previous Year	
	As at 30th September-2013		As at 30th September-2012	
	Rs.	P.	Rs.	P.
	Current	Non current	Current	Non current
<b>Term loans</b>				
<b>From Banks</b>				
<b>Secured</b>				
a. Punjab National Bank - Cogen loan	-	69,638,611.16	2,134,000.00	210,280,828.95
b. Punjab National Bank	625,000.00	49,879,941.00	509,000.00	50,105,940.00
c. Allahabad Bank	1,750,000.00	139,156,743.00	1,409,000.00	139,491,000.00
d. Punjab National Bank - FITL Old	952,199.00	-	3,500,000.00	952,199.00
e. Punjab National Bank - FITL New	21,067,732.00	31,601,598.00	6,428,208.00	32,141,033.00
f. Allahabad Bank - FITL	13,459,002.00	16,149,997.54	4,083,171.00	20,415,852.96
<b>Total A</b>	<b>37,853,933.00</b>	<b>306,426,890.70</b>	<b>18,063,379.00</b>	<b>453,386,853.91</b>
<b>From other entities</b>				
<b>Secured</b>				
a. Sugar Development Fund (SDF) from Govt. of India	132,000,000.00	16,500,000.00	99,000,000.00	49,500,000.00
b. Sugar Development Fund (SDF) from Govt. of India (Modernisation)	5,843,400.00	-	5,843,400.00	-
c. Sugar Development Fund (SDF) from Govt. of India (Cane Development)	12,500,000.00	-	18,750,000.00	6,250,000.00
d. Sugar Development Fund (SDF) from Govt. of India (Modernisation)	12,500,000.00	-	18,750,000.00	6,250,000.00
<b>Total B</b>	<b>162,843,400.00</b>	<b>16,500,000.00</b>	<b>142,343,400.00</b>	<b>62,000,000.00</b>
<b>From related parties</b>				
Unsecured loan	-	15,400,000.00	-	15,400,000.00
<b>Total C</b>	<b>-</b>	<b>15,400,000.00</b>	<b>-</b>	<b>15,400,000.00</b>
<b>TOTAL (A+B+C)</b>	<b>200,697,333.00</b>	<b>338,326,890.70</b>	<b>160,406,779.00</b>	<b>530,786,853.91</b>

### a. Nature of Securities

- Punjab National Bank cogen loan is secured by first charge on entire fixed assets of the company on pari passu basis with other term lenders, personal guarantee of two directors, pledge of shares and corporate guarantee of a company.
- Rupee Term Loan of Punjab National Bank and Allahabad Bank are secured by 4th charge on entire fixed assets of the company on pari passu basis with other term lenders, personal guarantee of two directors, pledge of shares and and corporate guarantee of a company.
- FITL of Punjab National Bank and Allahabad Bank are secured by first charge on entire fixed assets of the company on pari passu basis with other term lenders, personal guarantee of two directors, pledge of shares and corporate guarantee of a company.
- Rupee Term Loan from SDF are secured by second charge on Company's immovable and movable properties both present and future.
- Unsecured loan from related parties represent promoters contribution as per CDR approval.

### b. Terms of repayment

Name of the banks / entities	Interest Rate %	Amount Outstanding as on 30th September, 2013		1-2 years	2-3 years	3 years and above
		Current	Non Current			
		Rs.	Rs.			
Punjab National Bank Cogen loan	17.50	-	69,638,611	-	-	69,638,611
Punjab National Bank	11.00	625,000	49,879,941	500,000	14,252,000	35,127,941
Allahabad Bank	11.50	1,750,000	139,156,743	1,400,000	10,925,000	126,831,743
Punjab National Bank -FITL Old	12.50	952,199	-	-	-	-
Punjab National Bank -FITL New	10.50	21,067,732	31,601,598	21,067,730	10,533,868	-
Allahabad Bank - FITL	11.00	13,459,002	16,149,998	10,766,668	5,383,330	-
Sugar Development Fund (SDF) from Govt. of India	4.00	132,000,000	16,500,000	16,500,000	-	-
Sugar Development Fund (SDF) from Govt. of India. (Modernisation)	4.00	5,843,400	-	-	-	-
Sugar Development Fund (SDF) from Govt. of India. (Cane development)	4.00	12,500,000	-	-	-	-
Sugar Development Fund (SDF) from Govt. of India. (Modernisation)	4.00	12,500,000	-	-	-	-
Unsecured loan	-	-	15,400,000	-	-	15,400,000
<b>Total</b>		<b>200,697,333</b>	<b>338,326,891</b>	<b>50,234,398</b>	<b>41,094,198</b>	<b>246,998,295</b>

Rate of interest has been disclosed for loans which are outstanding on balance sheet date and in case of default, penal interest are charged as per sanction.



**K.M.SUGAR MILLS LIMITED**

**Notes forming part of financial statements...**

c. The company has defaulted in repayment of loans and interest in respect of the following

PARTICULARS	As at 30-September-2013		As at 30-September-2012	
	Rs.	P.	Rs.	P.
	Due date and (default months)	Amount	Due date and (default months)	Amount
<b>Term loans</b>				
<b>From Banks</b>				
(i) Punjab National Bank - Cogen loan				
Interest	30.09.2013	1,074,771	-	-
(Paid in October, 13)				
(ii) Punjab National Bank - FITL old				
Principal			30.09.2012	700,000
Interest	30.09.2013	16,268		
(Paid in October, 13)				
(iii) Punjab National Bank - FITL New				
Interest	30.09.2013	475,802	30.09.2012	317,817
(Paid in October, 13)				
(iv) Punjab National Bank - Corporate loan				
Principal	30.09.2013	125,000	-	-
Interest	30.09.2013	221,331	-	-
(Paid in October, 13)				
(v) Allahabad Bank - Loan				
Principal	30.09.2013	350,000	-	-
Interest	30.09.2013	1,333,986	-	-
(Paid in October, 13)				
(vi) Allahabad Bank - FITL				
Principal	30.09.2013	2,692,334	-	-
Interest	30.09.2013	268,283	30.09.2012	211,308
(Paid in October, 13)				
<b>From other entities</b>				
(i) Sugar Development Fund (SDF) from Govt. of India.				
Principal	05.03.2011 (31)	16,500,000	05.03.2011 (19)	16,500,000
	05.09.2011 (25)	16,500,000	05.09.2011 (13)	16,500,000
	05.03.2012 (19)	16,500,000	05.03.2012 (7)	16,500,000
	05.09.2012 (13)	16,500,000	05.09.2012 (1)	16,500,000
	05.03.2012 (7)	16,500,000		
	05.09.2013 (1)	16,500,000		
<b>Total</b>		<b>99,000,000</b>		<b>66,000,000</b>
Interest				
	05.09.2012 (13)	3,970,573	05.03.2011 (19)	2,945,589
	05.03.2013 (7)	5,602,102	05.09.2011 (13)	3,298,875
	05.09.2013 (1)	5,958,622	05.03.2012 (7)	3,575,622
			05.09.2012 (1)	4,309,323
<b>Total</b>		<b>15,531,297</b>		<b>14,129,409</b>
(ii) Sugar Development Fund (SDF) from Govt. of India (Modernisation)				
Principal	08.06.2011 (28)	5,843,400	08.06.2011 (16)	5,843,400
Interest	08.06.2011 (28)	3,441,682	08.06.2011 (16)	3,441,682
	<b>Delayed interest</b>	<b>2,188,553</b>	<b>Delayed interest</b>	<b>1,072,103</b>
		<b>5,630,235</b>		<b>4,513,785</b>
(iii) Sugar Development Fund (SDF) from Govt. of India (Cane Development)				
Principal	20.01.2013 (8)	6,250,000	20.01.2011 (20)	6,250,000
			20.01.2012 (8)	6,250,000
<b>Total</b>		<b>6,250,000</b>		<b>12,500,000</b>
Interest			20.01.2011 (20)	1,000,000
			20.01.2012 (8)	1,893,188
				<b>2,893,188</b>
(iv) Sugar Development Fund (SDF) from Govt. of India (Modernisation)				
Principal	21.01.2013 (8)	6,250,000	21.01.2011 (20)	6,250,000
			21.01.2012 (8)	6,250,000
<b>Total</b>		<b>6,250,000</b>		<b>12,500,000</b>
Interest			21.01.2011 (20)	1,000,000
			21.01.2012 (8)	1,893,188
				<b>2,893,188</b>



### Note 2.4 - Deferred tax liabilities

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Deferred Tax Liabilities</b>								
Depreciation			98,250,928.00				111,671,186.00	
<b>Deferred Tax Assets</b>								
Carried forward losses	24,734,277.00				51,171,532.00			
Others	40,681,178.00		65,415,455.00		29,611,302.00		80,782,834.00	
<b>TOTAL</b>			32,835,473.00				30,888,352.00	

Refer note no. 2.29 (8)

### Note 2.5 - Other long term liabilities

PARTICULARS	As at 30th Sept. 2013		As at 30th Sept. 2012	
	Rs.	P.	Rs.	P.
Loan from UP Government *	1,450,000.00		1,450,000.00	
Others	796,321.85		796,321.85	
<b>Total</b>	2,246,321.85		2,246,321.85	

\*Refer note no. 2.29 (7)

### Note 2.6 - Long term provisions

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Provisions for employees benefit								
Unavailed leave	2,419,768.00				2,637,252.00			
Gratuity	2,803,767.00		5,223,535.00		2,084,262.00		4,721,514.00	
Other Provision			20,112,007.00				20,112,007.00	
<b>TOTAL</b>			25,335,542.00				24,833,521.00	



**Note 2.7 - Short term borrowings**

**Notes forming part of financial statements...**

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Loan repayable on demand</b>								
<b>Working capital loans</b>								
<b>From banks</b>								
<b>Secured</b>								
a. State Bank of India	<b>349,465,814.63</b>				80,153,281.09			
b. Punjab National Bank	<b>233,772,463.00</b>				43,449,755.31			
c. The Federal Bank Ltd.	<b>3,962,971.10</b>		<b>587,201,248.73</b>		<b>4,856,200.10</b>		128,459,236.50	
<b>Other Loans and advances</b>								
<b>Unsecured</b>								
From Others			<b>1,040,840.00</b>				<b>1,040,840.00</b>	
<b>TOTAL</b>			<b>588,242,088.73</b>				<b>129,500,076.50</b>	

**Summary of short term borrowings**

**Secured borrowings**

**Nature of Securities**

- i. Working capital loans from State Bank of India is secured by way of hypothecation and first pari passu charge on stocks of sugar, molasses, consumable stores / spares, industrial alcohol, book debts and other current assets of the company, third pari passu charge with other working capital lenders on entire fixed assets and all other movable and immovable assets of the company (existing & future), personal guarantee of three Directors, pledge of shares and corporate guarantee of a company.
- ii. Working capital loan from Punjab National Bank is secured by pledge of stock of Crystal sugar, third pari passu charge with other working capital capital lenders on entire fixed assets and all other movable and immovable assets of the company (existing & future), personal guarantee of two Directors, pledge of shares and corporate guarantee of a company.
- iii. Working capital loans from State Bank of India is secured by way of hypothecation and first pari passu charge on stocks of sugar, molasses, consumable stores / spares, industrial alcohol, book debts and other current assets of the company, third pari passu charge with other working capital lenders on entire fixed assets and all other movable and immovable assets of the company (existing & future), personal guarantee of two Directors, pledge of shares and corporate guarantee of a company.



## Note 2.8 - Trade Payables

PARTICULARS	As at 30th Sept. 2013		As at 30th Sept. 2012	
	Rs.	P.	Rs.	P.
Trade payable (Other than acceptance)*	139,244,305.83		86,513,551.87	
<b>Total</b>	<b>139,244,305.83</b>		<b>86,513,551.87</b>	

\* Includes Rs.36.84 lacs due to micro and small enterprises. [Refer note no.2.29 (13)]

## Note 2.9 - Other current liabilities

PARTICULARS	As at 30th Sept. 2013		As at 30th Sept. 2012	
	Rs.	P.	Rs.	P.
i. Current maturities of long term debt*	200,697,333.00		160,406,779.00	
ii. Payable to capital goods supplier	5,330,539.65		2,986,476.37	
iii. Statutory liabilities **	29,477,816.85		13,837,240.98	
iv. Advances from Customers	2,863,382.57		4,939,271.20	
v. Interest accrued but not due on borrowings	2,167,496.42		930,958.89	
vi. Interest accrued and due on borrowings	24,551,972.93		25,004,755.80	
vii. Book overdraft balances	-		7,627.70	
viii. Security Deposits	15,602,729.52		9,116,860.77	
ix. Outstanding liability of related party	1,550,554.94		578,431.75	
x. Salary and other payables to employees	9,593,725.06		7,569,569.06	
xi. Others	9,680,391.67		6,119,410.32	
<b>TOTAL</b>	<b>301,515,942.61</b>		<b>231,497,381.84</b>	

\* Refer note no.2.3 (a), (b) & (c) for nature of securities and terms of repayment respectively.

\*\* Include Excise Duty and Cess on closing stock.

## Note 2.10 - Short term provisions

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Provision for employee benefit - Unavailed leave	200,631.00				151,827.00			
Gratuity	1,647,057.00		1,847,688.00		1,270,940.00		1,422,767.00	
<b>TOTAL</b>			<b>1,847,688.00</b>				<b>1,422,767.00</b>	

# Notes forming part of financial statements...



## Note 2.11 - Fixed Assets

Sl. No.	Particular	GROSS BLOCK				DEPRECIATION				Net Block	
		As on 01.10.2012	Additions	Sales/ Adjustment	Total As on 30.09.2013	As on 01.10.12	Sales/ Adjustment	For the year	Total As on 30.09.13	As on 30.09.2013	As on 30.09.2012
	<b>A- Tangible Assets</b>										
1	LEASE HOLD LAND	2,010,875.67	-	-	2,010,875.67	-	-	-	-	2,010,875.67	2,010,875.67
2	BUILDING	37,406,580.11	-	-	37,406,580.11	21,111,003.30	-	1,443,757.71	22,554,761.01	14,851,819.10	16,295,576.81
3	PLANT & EQUIPMENT	1,823,898,160.39	12,776,584.46	-	1,836,674,744.85	1,267,430,190.68	-	86,467,523.87	1,353,897,714.55	482,777,030.30	586,467,969.71
4	FURNITURE & FIXTURE	8,774,233.44	308,683.00	7,900.00	9,075,016.44	7,114,407.42	7,900.00	373,473.27	7,479,980.69	1,595,035.75	1,659,826.02
5	VEHICLE	17,684,287.32	280,000.00	453,329.00	17,510,988.32	12,551,058.23	426,603.21	1,358,115.56	13,482,570.58	4,028,387.74	5,133,229.09
6	OFFICE EQUIPMENTS	5,312,599.62	82,800.00	-	5,395,399.62	4,028,426.09	-	198,874.05	4,227,300.14	1,168,099.48	1,284,173.53
7	COMPUTER	7,230,112.58	1,425,706.00	-	8,655,818.58	6,347,137.86	-	713,883.45	7,061,021.31	1,594,797.27	882,974.72
	<b>Total A</b>	<b>1,902,316,849.13</b>	<b>14,873,773.46</b>	<b>461,229.00</b>	<b>1,916,729,993.59</b>	<b>1,318,582,223.58</b>	<b>434,503.21</b>	<b>90,555,627.91</b>	<b>1,408,703,348.28</b>	<b>508,026,045.31</b>	<b>583,734,625.55</b>
	<b>B- Intangible Assets</b>										
8	SOFTWARE	1,564,632.00	-	-	1,564,632.00	1,462,412.50	-	58,767.00	1,521,179.50	43,452.50	102,219.50
	<b>Total B</b>	<b>1,564,632.00</b>	<b>-</b>	<b>-</b>	<b>1,564,632.00</b>	<b>1,462,412.50</b>	<b>-</b>	<b>58,767.00</b>	<b>1,521,179.50</b>	<b>43,452.50</b>	<b>102,219.50</b>
	<b>C-Capital Work in progress</b>										
9	Less: Impairment of Assets	5,015,328.90	44,394,553.75	-	49,409,882.65	-	-	-	-	49,409,882.65	5,015,328.90
	Net Assets under Erection	5,015,328.90	59,268,327.21	461,229.00	5,015,328.90	-	-	-	-	5,015,328.90	5,015,328.90
	<b>Total C</b>	<b>-</b>	<b>44,394,553.75</b>	<b>-</b>	<b>44,394,553.75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,394,553.75</b>	<b>-</b>
	<b>GRAND TOTAL(A TO C)</b>	<b>1,903,881,481.13</b>	<b>59,268,327.21</b>	<b>461,229.00</b>	<b>1,962,683,579.34</b>	<b>1,320,044,636.08</b>	<b>434,503.21</b>	<b>90,614,394.91</b>	<b>1,410,224,527.78</b>	<b>552,464,051.56</b>	<b>583,836,845.05</b>
	<b>PREVIOUS YEAR</b>	<b>1,887,984,631.29</b>	<b>36,098,133.78</b>	<b>5,182,510.51</b>	<b>1,903,881,481.13</b>	<b>1,220,614,289.29</b>	<b>4,553,698.14</b>	<b>103,984,044.93</b>	<b>1,320,044,636.08</b>	<b>583,836,845.05</b>	<b>-</b>

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





## Note 2.12 - Non-current Investments

PARTICULARS	Face Value	As at 30th Sept. 2013		As at 30th Sept. 2012	
		No. of shares	Rs.	No. of shares	Rs.
<b>Non Trade Investments</b>					
<b>Unquoted (valued at cost)</b>					
<b>a. In equity shares of companies fully paid up</b>					
Chamoli Hydro Power (P) Ltd.	10	1,000	10,000.00	1,000	10,000.00
K M Shakar Karkhana Pvt Ltd	10	25,000	1,000,000.00	25,000	1,000,000.00
<b>Chamoli Hydro Power (P) Ltd.</b>					
<b>Other Investments</b>					
<b>Quoted (valued at cost)</b>					
<b>b. In equity shares of companies fully paid up</b>					
Reliance Industries Ltd.	10	84	5,876.00	84	5,876.00
Reliance Communication Ltd.	5	42	4,373.00	42	4,373.00
Reliance Infrastructure Ltd.	10	3	825.00	3	825.00
Reliance Capital Ltd.	10	2	147.00	2	147.00
Reliance Power Ltd.	10	10	79.00	10	79.00
Aggregate amount of unquoted investments Rs.10,10,000/-					
Aggregate amount of quoted investments Rs.11,300/-					
Aggregate market value of listed and quoted investments Rs.77,752/- (Previous year Rs.76,461/-)					
<b>Total</b>			<b>1,021,300.00</b>		<b>1,021,300.00</b>

## Note 2.13 Long-term loans and advances (unsecured, considered good unless stated otherwise)

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Capital advances</b>			9,795,931.20					158,000.00
<b>Security deposits</b>			4,129,994.46					4,349,909.81
<b>Other loans and advances</b>								
Advance to suppliers and others								
Considered Good	5,216,800.00				5,216,800.00			
Considered doubtful	26,140,713.06				26,253,212.73			
Less: Allowance for doubtful advance	<u>26,140,649.72</u>				<u>26,140,649.72</u>			
Income Tax payments	5,216,863.34				5,329,363.01			
Duties and taxes paid under protest	710,491.00		11,453,953.98		5,139,092.38			
					3,795,298.64			14,263,754.03
<b>Total</b>			<b>25,379,879.64</b>					<b>18,771,663.84</b>

Notes forming part of financial statements...



**Note 2.14 Other non-current assets  
(unsecured, considered good unless stated otherwise)**

PARTICULARS	As at 30th Sept. 2013		As at 30th Sept. 2012	
	Rs.	P.	Rs.	P.
Fixed deposits with banks (Non current portion with original maturity period of more than 12 months) For a loan held by District Magistrate, Faizabad*	<b>1,450,000.00</b>		1,450,000.00	
Interest accrued but not due	<b>90,672.00</b>		-	
Others	<b>338,543.82</b>		338,543.82	
<b>Total</b>	<b>1,879,215.82</b>		1,788,543.82	

Refer note no. 2.29 (7)

**Note 2.15 Inventories (valued at lower of cost and net realisable value, unless stated otherwise)**

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Raw materials								
Molasses in Distillery Division	<b>19,944,983.00</b>				1,104,249.00			
Bagasse in Cogen Division	<b>2,989,490.00</b>		<b>22,934,473.00</b>		<u>2,335,200.00</u>		3,439,449.00	
Finished goods								
Sugar	<b>667,971,292.00</b>				177,171,452.00			
Molasses	<b>24,019,329.00</b>				4,854,012.50			
Industrial Alcohol	<b>6,920,115.00</b>				1,103,740.00			
Banked Power	<b>805,448.00</b>				917,803.00			
Carbon credit	<b>728,797.00</b>				-			
Biocompost manure	-		<b>700,444,981.00</b>		-		184,047,007.50	
Stores and spares			<b>42,987,426.96</b>				37,764,032.17	
<b>Total</b>			<b>766,366,880.96</b>				<b>225,250,488.67</b>	

Refer note no. 1.2 significant accounting policies

**Note 2.16 Trade receivables (unsecured, considered good)**

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Trade receivables outstanding for a period exceeding 6 months from due date								
a. Considered good	<b>7,615,045.52</b>				8,147,472.22			
b. Considered doubtful	<b>35,990,054.00</b>				<u>30,211,190.00</u>			
	<b>43,605,099.52</b>				38,358,662.22			
Less: Provision for doubtful debts	<b>35,990,054.00</b>		<b>7,615,045.52</b>		<u>30,211,190.00</u>		8,147,472.22	
Other trade receivables- considered good			<b>78,287,666.54</b>				54,256,809.35	
<b>Total</b>			<b>85,902,712.06</b>				62,404,281.57	



### Note 2.17 Cash and cash equivalents

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Balances with banks								
In current accounts	<b>21,123,998.06</b>				11,896,456.51			
In EEFC account	<b>150,790.00</b>		<b>21,274,788.06</b>		<u>126,578.00</u>		12,023,034.51	
Cheques on hand			<b>1,852,250.00</b>				6,097,573.00	
Cash on hand			<b>844,269.65</b>				741,643.04	
Fixed deposit for Bank guarantee deposited with bank as margin money -Earmarked								
Original maturity period upto 12 months	<b>1,500,000.00</b>				4,959,068.00			
Original maturity period more than 12 months	<b>1,719,973.00</b>		<b>3,219,973.00</b>				4,959,068.00	
Molasses storage fund in S/B account (Earmarked)			<b>891,468.58</b>				4,476,440.58	
<b>Total</b>			<b>28,082,749.29</b>				<b>28,297,759.13</b>	

### Note 2.18 Short-term loans and advances (unsecured, considered good)

PARTICULARS	As at 30th Sept. 2013				As at 30th Sept. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Loan and advances to related parties</b>								
Considered good			<b>5,430,879.80</b>				19,554,384.80	
<b>Security deposits</b>			<b>5,912,856.85</b>				3,860,502.85	
<b>Other loans and advances</b>								
Receivable from UP Govt	-				9,900,049.00			
Advance to suppliers and others	<b>39,755,189.30</b>				52,022,780.02			
Advance to employees	<b>1,911,206.10</b>				2,318,490.69			
Cenvat, Vat and other taxes/duties	<b>8,094,360.85</b>				1,130,574.80			
Prepaid expenses	<b>1,073,692.50</b>				1,059,275.50			
Others	<b>170,604.00</b>		<b>51,005,052.75</b>		<u>204,626.97</u>		66,635,796.98	
<b>Total</b>			<b>62,348,789.40</b>				<b>90,050,684.63</b>	

### Note 2.19 Other current assets (unsecured, considered good)

PARTICULARS	As at 30th Sept. 2013		As at 30th Sept. 2012	
	Rs.	P.	Rs.	P.
Interest accrued / receivable	<b>6,799,950.00</b>		388,538.93	
Claims receivable			-	853,189.75
DEPB receivable			-	-
<b>Total</b>	<b>6,799,950.00</b>		<b>1,241,728.68</b>	

Notes forming part of financial statements...



**Note 2.20 Revenue from operations**

PARTICULARS	Year Ended 30th Sep. 2013		Year Ended 30th Sep. 2012	
	Rs.	P.	Rs.	P.
<b>Sale of goods (Gross)</b>				
Sugar (Including trading Rs.Nil Previous year Rs.1330.34 lacs)	2,324,898,925.55		2,265,831,347.34	
Molasses	1,200,661.33		8,777,516.80	
Power	239,506,757.09		159,341,464.16	
Industrial alcohol	258,719,911.00		202,060,269.00	
Bio compost manure	1,026,535.00		614,300.00	
<b>Revenue from operations (Gross)</b>	<b>2,825,352,789.97</b>		<b>2,636,624,897.30</b>	
Less : Excise duty, cess and administrative charges on sale of goods	99,473,654.08		90,983,759.11	
<b>Revenue from operations (Net)</b>	<b>2,725,879,135.89</b>		<b>2,545,641,138.19</b>	

**Note 2.21 Other income**

PARTICULARS	Year Ended 30th Sep. 2013		Year Ended 30th Sep. 2012	
	Rs.	P.	Rs.	P.
<b>Interest income</b>				
Fixed deposits with banks	850,342.07		607,183.93	
Others	11,786,589.09		176,762.00	
<b>Other non-operating income</b>				
Net gain on foreign currency transactions and translations	5,803,076.00		-	
Insurance claims	144,437.00		655,300.00	
Profit on sale of fixed assets	106,608.21		3,436,737.63	
Unspent liabilities/balances written back	160,002.43		981,276.46	
Provision for tax for earlier years written back	-		59,581.06	
Export Incentive	-		1,081,933.00	
Carbon credit receipt	-		6,929,250.00	
Miscellaneous income	4,026,998.68		4,457,866.30	
Interest recovery from bank	8,704,613.00		-	
Prior period income	2,564,098.85		-	
<b>Total</b>	<b>34,146,765.33</b>		<b>18,385,890.38</b>	

**Note 2.22 Cost of materials consumed**

PARTICULARS	Year Ended 30th Sep. 2013		Year Ended 30th Sep. 2012	
	Rs.	P.	Rs.	P.
Sugar cane*	2,596,437,115.06		1,825,753,543.70	
Molasses	6,300,373.00		966,126.00	
<b>Total</b>	<b>2,602,737,488.06</b>		<b>1,826,719,669.70</b>	

\*Includes as sum of Rs. Nil (Previous year Rs.669.55 lacs) accrued in the year 2011-12 in view of the judgement dated 17th January, 2012 pronounced by the Hon'ble Supreme Court vacating its earlier Orders for payment of differential cane price for the crushing season 2007-2008.

**Note 2.23 Purchases of stock-in-trade**

PARTICULARS	Year Ended 30th Sep. 2013		Year Ended 30th Sep. 2012	
	Rs.	P.	Rs.	P.
Sugar	-		116,922,432.59	
<b>Total</b>	<b>-</b>		<b>116,922,432.59</b>	



## Note 2.24 Changes in inventories of finished goods, by-products and work-in-progress

PARTICULARS	Year Ended 30th Sep. 2013				Year Ended 30th Sep. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Finished goods</b>								
<b>Opening stock</b>								
Sugar	177,171,452.00				333,374,838.56			
Molasses	5,958,261.50				15,644,066.77			
Bagasse	2,335,200.00				-			
Industrial alcohol	1,103,740.00				2,209,560.00			
Banked Power	917,803.00				1,344,557.00			
Biocompost manure	-		187,486,456.50		569,578.96		353,142,601.29	
<b>Less : Closing Stock</b>								
Sugar	667,971,292.00				177,171,452.00			
Molasses	32,414,403.00				5,958,261.50			
Bagasse	2,989,490.00				2,335,200.00			
Industrial alcohol	6,920,115.00				1,103,740.00			
Banked Power	805,448.00				917,803.00			
Carbon credit	728,797.00				-			
Biocompost manure	-		711,829,545.00		-		187,486,456.50	
<b>Total (A)</b>			(524,343,088.50)				165,656,144.79	
<b>Work-in-progress</b>								
Opening stock								
Less : Closing stock								
<b>Total (B)</b>								
<b>Total (A+B)</b>			(524,343,088.50)				165,656,144.79	
Less: Difference of Excise Duty on opening and closing stock			18,887,143.00				(8,249,020.92)	
<b>Total</b>			(505,455,945.50)				157,407,123.87	

## Note 2.25 Employee benefits expense

PARTICULARS	Year Ended 30th Sep. 2013		Year Ended 30th Sep. 2012	
	Rs.	P.	Rs.	P.
Salary, wages and bonus	75,082,963.69		66,685,655.79	
Contribution to Provident Fund and other Funds	5,097,287.00		4,942,644.00	
Workmen and Staff Welfare Expenses	1,259,306.60		745,893.09	
Gratuity	1,994,355.00		1,019,020.00	
<b>Total</b>	<b>83,433,912.29</b>		<b>73,393,212.88</b>	

## Note 2.26 Finance costs

PARTICULARS	Year Ended 30th Sep. 2013				Year Ended 30th Sep. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>Interest expense</b>								
Cash Credit	58,332,721.00				61,577,485.78			
Term loan	73,932,845.32				77,450,404.84			
Others	90,550.43		132,356,116.75		5,656.00		139,033,546.62	
Documentation and other bank charges			5,252,270.28				5,684,875.03	
<b>Total</b>			<b>137,608,387.03</b>				<b>144,718,421.65</b>	



**Note 2.27 Depreciation and amortisation expense**

PARTICULARS	Year Ended 30th Sep. 2013				Year Ended 30th Sep. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Depreciation and amortisation on tangible assets	90,555,627.91				103,723,610.98			
Less: Transferred from revaluation reserve	<u>496,366.47</u>		90,059,261.44		<u>586,236.53</u>		103,137,374.45	
Amortisation on intangible assets			58,767.00				260,433.95	
<b>Total</b>			<b>90,118,028.44</b>				<b>103,397,808.40</b>	

**Note 2.28 Other expenses**

PARTICULARS	Year Ended 30th Sep. 2013				Year Ended 30th Sep. 2012			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Consumption of stores and spare parts			26,417,986.30				21,425,891.87	
Packing materials			28,675,849.25				20,472,227.53	
Power and fuel			20,466,520.29				21,011,561.28	
Rent			3,249,535.00				1,755,054.18	
Repairs								
Buildings	7,167,278.20				3,348,956.41			
Machinery	61,822,964.34				62,608,841.85			
Others	<u>5,968,022.63</u>		74,958,265.17		<u>2,982,555.00</u>		68,940,353.26	
Insurance			2,140,371.00				1,898,624.04	
Rates and taxes (excluding taxes on income)			1,946,354.62				1,312,712.34	
Selling Expenses :								
Commission to Selling Agents	4,235,439.00				2,908,882.00			
Other Selling Expenses	9,721,579.60				6,564,026.34			
Selling Expenses on Sugar Trading	-		13,957,018.60		4,017,541.00		13,490,449.34	
Payments to auditor								
Statutory audit fee	200,000.00				200,000.00			
Tax audit fee	100,000.00				100,000.00			
Reimbursement of expenses	<u>37,982.00</u>		337,982.00		<u>93,553.68</u>		393,553.68	
Charity and donation			17,753.00				59,005.00	
Net loss on foreign currency transactions and translations			-				229,394.50	
Printing and stationary			861,401.00				692,384.00	
Communication expenses			1,337,037.74				1,281,567.42	
Travelling Expenses			11,476,205.33				12,974,304.41	
Consultancy and legal expenses			6,415,899.00				8,792,932.00	
Director sitting fee			40,000.00				80,000.00	
Director remuneration			2,850,000.00				5,525,000.00	
Miscellaneous expenses			20,696,361.62				8,640,802.30	
Transfer to storage fund for molasses			656,902.95				530,798.50	
Provision for doubtful debts and advances			5,778,864.00				3,602,803.29	
Balances written off			1,340,332.92					
Prior period expenses			-				4,532,751.45	
<b>TOTAL</b>			<b>223,620,639.79</b>				<b>197,642,170.39</b>	



## Note 2.29 Notes to the accounts

### 2.29 Other Disclosures:

#### 1. Contingent liabilities and commitments (to the extent not provided for and as certified by the management)

##### (a) Contingent liabilities

- (i) Claims against the Company not acknowledged as debts in respect of pending cases of employees under labour laws - Rs.128.72 lacs (Previous Year - Rs.113.56 lacs).
- (ii) Claims against the company not acknowledged as debts in respect of criminal and Civil Cases Rs.31.17 lacs (Previous Year -Rs.43.43 lacs).
- (iii) Bank guarantees given to the Central Government, Excise Department and Indian Oil Corporation Ltd., aggregating to Rs.132.96 lacs (Previous Year Rs.25.26 lacs).
- (iv) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company, outstanding loan as on 30.09.2013 Rs.0.42 lacs (Previous Year Rs.0.41 lacs).
- (v) Disputed sales tax, income tax and excise duty cases under appeal - Rs.8935.20 lacs (Previous Year Rs.6484.84 lacs)

Description	Current Year Rs. in lacs	Previous year Rs. in lacs
Central Excise Act	515.40	515.40
Sales Tax/Trade Tax/Entry Tax	39.63	0.44
Income Tax	8378.89	5969.00
Others	1.28	Nil
<b>Total</b>	<b>8935.20</b>	<b>6484.84</b>

The amount shown above represent the best possible estimates arrived at on the basis of available information. The uncertainties and timing of the cash flows are dependent on the outcome of different legal processes which have been invoked by the company or the claimants as the case may be and therefore cannot be ascertained accurately. The company does not expect any reimbursements in respect of above contingent liabilities.

In the opinion of the management, no provision is considered necessary for the disputes mentioned above on the grounds that there are fair chances of successful outcome of appeals filed by the company.

##### (b) Commitments:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for-Rs.211.33 lacs (Previous Year - Rs. Nil).
- (ii) Advances paid against above- Rs.96.38 lacs (Previous Year -Rs. Nil).

#### 2. Employee Benefits :

As per Accounting Standard -15 'Employees Benefits' the disclosure of Employee Benefits as defined in the Accounting Standard are as follow:

##### a. Defined contribution plans :

Employee benefits in the form of Provident Fund are considered as defined contribution plan. The contribution to defined contribution plan, recognized the following amounts in the Statement of Profit & Loss :

	Current Year	Previous year
Employers' contribution to provident fund	Rs.50,97,287/-	Rs.49,42,644/-

##### b. Defined benefits plans

Long term employee benefits in the form of gratuity and leave encashment are considered as defined benefit plan. The present value of obligation is determined based on actuarial valuation using projected unit credit method as at the balance sheet date. The amount of defined benefits recognized in the balance sheet represent the present value of obligation as adjusted for unrecognized past service cost as reduced by the fair value of plan assets.

In accordance with the Accounting Standard 15, actuarial valuation was done in respect of gratuity and leave encashment defined benefits plans and details of the same are given below:

(Amount in Rs.)

	Gratuity Current year	Gratuity Previous Year	Leave Encashment Current Year	Leave Encashment Previous Year
Discount rate (per annum)	9.00%	8.50%	9.00%	8.50%
Future salary increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	8.50%	8.50%	0%	0%
Mortality	IAML 2006-08 Ultimate	LIC 94-96 Ultimate	IAML 2006-08 Ultimate	LIC 94-96 Ultimate
<b>I. Expenses recognized in profit and loss account</b>				
Current service cost				
Interest cost	13,05,309	12,10,164	3,59,713	3,93,890
Expected return on plan assets	15,42,339	13,70,037	2,51,017	2,12,355
Net actuarial loss/ (gain) recognized in the year	(11,41,944)	(10,88,234)	-	-
	(3,21,638)	1,67,091	10,32,101	5,05,879
<b>Net expenses recognized</b>	<b>20,27,342</b>	<b>16,59,058</b>	<b>16,42,831</b>	<b>11,12,124</b>
<b>II. Net liability/(assets) recognized in the balance sheet as at 30<sup>th</sup> September, 2013</b>				
Present value of obligation at the end of period	1,91,31,458	1,71,37,103	26,20,399	27,89,079
Fair value of the plan asset at the end of period	1,38,67,514	1,30,01,768	-	-
Funded status: [(surplus)/(deficit)]	(52,63,944)	(41,35,335)	(26,20,399)	(27,89,079)
<b>Net (asset)/liability as at 30<sup>th</sup> September, 2013</b>	<b>1,91,31,458</b>	<b>1,71,37,103</b>	<b>26,20,399</b>	<b>27,89,079</b>
<b>III. Change in present value of obligation during the year</b>				
Present value of obligation at the beginning of year				
Current service cost				
Interest cost	1,71,37,103	1,61,18,083	27,89,079	24,98,291
Benefits paid	13,05,309	12,10,164	3,59,713	3,93,890
Actuarial loss/ (gain) on obligations	15,42,339	13,70,037	2,51,017	2,12,355
	(11,01,806)	(15,27,547)	(18,11,511)	(8,21,336)
	2,48,513	(33,634)	10,32,101	5,05,879
<b>Present value of obligation at the year end</b>	<b>1,91,31,458</b>	<b>1,71,37,103</b>	<b>26,20,399</b>	<b>27,89,079</b>
<b>IV. Change in present value of fair value of plan assets</b>				
Fair value of plan assets as at the beginning of period				
Return on plan assets				
Contributions	1,30,01,768	1,26,03,747	-	-
Benefits paid	10,68,819	8,87,509	-	-
Actuarial loss/ (gain)	8,98,733	10,38,059	-	-
	(11,01,806)	(15,27,547)	-	-
<b>Fair value of plan assets at the year end</b>	<b>1,38,67,514</b>	<b>1,30,01,768</b>	-	-
<b>Details of plan asset</b>	<b>Gratuity Trust</b>	<b>Gratuity Trust</b>	<b>N/A</b>	<b>N/A</b>

Note: The Company funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is based on the information certified by the management. However, the gratuity liability of Rs.8,71,882/- of Distillery Division and Rs.19,01,562/- of Co-Gen Division is not funded.

3. Short term loans and advances shown under Notes 2.18 includes certain advances given to suppliers of raw material and revenue purchases, which are adjustable against the supply of goods/services but are running due in the books since long. The management is of the opinion that these balances are recoverable/adjustable in future and accordingly, provision against the same has not been considered at this stage.



## K.M.SUGAR MILLS LIMITED

This advance also includes an amount of Rs.Nil (Previous year Rs.99.00 lacs) due from U.P. State Government as per order of the Hon'ble Allahabad High Court on account of claim lodged by the Company for compensation towards acquisition by the State Government of one of the sugar mills owned by the company. The matter was sub-judice and was pending for execution before the Commissioner, Lucknow. Now, the matter has been settled and amount has been received during the year along with interest of Rs.116.26 lacs, which has been shown as income from others in Note 2.21.

4. Certain bank accounts shown in Notes 2.17 of Cash and Bank balances under sub-head 'Balance with Banks' are non-operating for last some period and are also subject to reconciliation and receipt of confirmation. As such, the balance of Rs.2.31 lacs shown in respect of those bank accounts in the financial statements is as per books of account only.
5. 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 lac was paid towards Excise Duty on the above. The company has further made a payment of Rs.35.81 lacs during the year 2005-06 to the Government of India against the bank guarantee furnished by it along with interest of Rs.118.25 lacs thereon. Still a sum of Rs.12.40 lacs is lying in the Sugar Price Equalization Reserve as on 30.09.13 shown under Note 2.2 of "Reserve & Surplus".
6. Certain balances in account of various debtors, advances, deposit account, and creditors are subject to reconciliation and confirmation by the respective parties. In some of the cases, the amount is overdue for last some years and consequential revenue impact, if any, is not ascertainable. However, management has reviewed these advances from its realization point of view and based on the management's working, the required provisions in respect thereof has been considered in these financial statements, wherever necessary. As far as other balances are concerned, the management is of the opinion that these balances are recoverable/adjustable and accordingly, provision against the same has not been considered at this stage and these balances are disclosed in the financial statements as per books of account only. The management is of the view that the realization from these assets in the ordinary course of business would not be less than the amount at which they are stated in the books of account. Further, there is no system of charging interest as per market tradition 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.
7. Long term liabilities (Note No.2.5) includes a loan from U.P. Government amounting to Rs.14.50 lacs. The issue relating to interest payable thereon is under dispute and the matter is sub-judice before the Hon'ble Allahabad High Court. However, as per the interim order of the Court, a fixed deposit of Rs.14.50 lacs has been kept with the District Magistrate, Faizabad. In opinion of the management, the interest due on fixed deposit is sufficient to meet out the interest liability of the Company on the said loan and as such, no interest is being provided for in these financial statements.
8. For the purpose of computing deferred tax liability, amount of brought forward losses as claimed in the income tax returns filed has been considered for recognizing deferred tax assets. On the basis of future projections taken on record by the management after considering improved performance of

Cogen and Distillery Divisions, the management is confident that there is a virtual certainty that sufficient taxable income will be available in the forthcoming financial years against which, the deferred tax assets can be realized in the normal course of business of the company.

9. No provision for current tax has been made in view of the availability of brought forward business loss and unabsorbed depreciation.
10. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.
11. 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
  - b) Details of the related parties:
    - 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)
      - Shri P. C. Jhunjunwala
      - L. K. Jhunjunwala (HUF)
      - A. K. Jhunjunwala (HUF)
      - S. K. Jhunjunwala (HUF)
      - Smt. Naina Jhunjunwala (Wife of Shri L.K. Jhunjunwala)
      - Smt. Priti Jhunjunwala (Wife of Shri Aditya Jhunjunwala)
      - Smt. Priti Jhunjunwala (Wife of Shri Sanjay Jhunjunwala)
      - Shri Vatsal Jhunjunwala (Son of Shri A. K. Jhunjunwala)
      - Smt. Reena Agarwal (Wife of Shri S. C. Agarwal)
      - Shri Ayush Agarwal (Son of Shri S. C. Agarwal)
      - Shri Payoush Agarwal (Son of Shri S. C. Agarwal)
    - iii. Associates (Group C)
      - K. M. Vyapar (P) Ltd.
      - K.M. Plantations (P) Ltd.
      - Marvel Business (P) Limited
      - Francoise Commerce (P) Limited
      - Nidhi Financial Services (P) Limited
      - Shree Shakti Credits Limited
      - Prakash Properties Limited
      - Promising Logistics (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
      - Jhunjunwala P G College





c) 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. Associates (Group C)

- K. M. Vyapar (P) Ltd.
- Marvel Business (P) Limited
- Shree Shakti Credits Limited
- Zar International (P) Ltd.

d) 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	Remuneration including contribution to Provident Fund	15.49 (60.74)	-(9.85)	- (-)	- (-)	15.49 (70.59)
2	Sugar Sale	- (-)	- (-)	-(1300.38)	- (-)	-(1300.38)
3	Rent Paid	- (-)	- (-)	27.03 (12.96)	- (-)	27.03 (12.96)
4	Advance Received	-(7.00)	-(98.00)	26.80 (470.23)	- (-)	26.80 (575.23)
5	Advance given back	-(5.90)	-(98.00)	25.79 (385.63)	- (-)	25.79 (489.53)
6	Advance received back	- (-)	-(5.44)	136.39 (-)	- (-)	136.39 (5.44)
7	Loan taken	-(154.00)	- (-)	- (-)	- (-)	-(154.00)
8	Outstanding Balances as on 30.09.2013 on account of:					
	a) Receivables	- (-)	- (-)	54.31 (195.54)	- (-)	54.31 (195.54)
	b) Payables	154.61 (156.48)	- (-)	12.21 (1.97)	3.30 (3.32)	170.12 (161.77)

- i. The transactions with related parties have been entered at an amount, which are not materially different from those on normal commercial terms.
- ii. No amount has been written back/written off during the year in respect to due to/due from related parties.
- iii. The amount due from related parties are good and hence no provision for doubtful debts in respect of dues from such related parties is required.

12. Segment Reporting: Information on the Segment Reporting of the company for the year ended 30.09.2013:

The company has identified three primary business segments viz. Sugar, Distillery and Co-generation. Segments have been identified and reported taking into account the nature of products, the differing risks and returns, the organizational structure and internal business reposting system.

(Rs. in Lacs)

Particulars	Sugar		Distillery		Co-Generation		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue										
Gross sales	26070.39	24867.92	2597.47	2020.60	3100.55	2071.34	-	-	31768.41	28969.86
Less: Inter segment sales	2809.39	2115.69	-	-	705.48	477.93	-	-	3514.87	2583.62
External sales	23261.00	22752.23	2597.47	2020.60	2395.07	1593.41	-	-	28253.54	26386.24
Less: Excise duty and cess	710.12	701.06	284.62	208.76	-	-	-	-	994.74	909.84
Net sales	22550.88	22051.17	2312.85	1811.82	2395.07	1608.36	-	-	27258.80	25456.40
Add: Other income	324.01	108.89	14.27	5.88	3.18	69.29	-	-	341.46	183.86
Total Revenue	22874.89	22160.06	2327.12	1817.50	2398.25	1677.65	-	-	27600.26	25640.26

Segment Results	1201.56	242.72	448.61	166.75	1005.65	476.12	(0.11)	(0.15)	2655.71	885.44
Less: Finance costs	918.74	1010.24	19.44	18.26	437.90	418.68	-	-	1376.06	1447.18
Profit before tax	282.82	(767.52)	429.17	148.49	567.75	57.44	(0.11)	(0.15)	1279.63	(561.74)
Tax										
Current tax										
Deferred Tax									19.47	62.47
Profit after tax									1260.16	(524.21)
Other Information										
Segment Assets	11003.40	6365.19	1280.69	428.26	3000.33	3315.03	18.04	18.15	15302.46	10126.63
Segment Liabilities	7661.65	2574.61	696.33	400.18	209.39	173.31	7.96	7.96	8577.33	3156.06
Capital Expenditure*	107.72	221.39	484.96	7.42	-	-	-	-	592.66	228.81
Depreciation	431.55	494.38	45.01	38.43	424.51	501.01	0.11	0.15	901.18	1033.97

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

The transactions between segments are primarily for materials which are transferred at market determined prices. Common costs are apportioned on a reasonable basis.

Information about Secondary Geographical Segment: There is no secondary segment.

13. Following are the relevant disclosures as required under the Micro, Small & Medium Enterprises Development Act, 2006

- a. Sundry creditors include a sum aggregating Rs.36.84 lacs (Rs.37.54 lacs) due to micro & small enterprises is on account of principal only.
- b. The Amount of interest paid by the Company in terms of Section 16, along with the amount of payment made to the micro & small enterprises beyond the appointed date during the year Rs. Nil.
- c. The amount of interest due and payable for the period of delay in making payment which have been paid but beyond the appointed day during the year but without adding the interest specified under this Act. Rs. Nil.
- d. The amount of interest accrued and remaining unpaid Rs. Nil.
- e. The amount of further interest remaining due and payable even in succeeding year Rs. Nil.

The above mentioned outstanding are in normal course of business and the information regarding micro & small enterprises have been determined to the extent such parties have been identified on the basis of information available with the company.

14. Earning Per Share

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

	2012-13 (Amount Rs. in lacs)	2011-12 (Amount Rs. in lacs)
Net Profit/Loss after tax as per statement	(1260.16)	(624.21)
No. of Equity Shares of Rs. 2 each	92000170	92000170
Earning Per Equity Share (Basic & diluted)	1.37	(0.68)



## K.M.SUGAR MILLS LIMITED

Notes forming part of financial statements...

### 15. Directors' Remuneration

S. No		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	5,25,000 (21,00,000)	6,00,000 (24,00,000)	1,95,000 (10,25,000)
b)	Contribution to Provident Fund (Previous Year)	1,05,000 (2,52,000)	1,20,000 (2,88,000)	3,900 (9,360)
c)	Perquisites:			
	(i) Residence -Furnished (Previous Year)	- (-)	- (-)	-
	(ii) Residence -Unfurnished (Previous Year)	- (-)	- (-)	- (76,875)
	(iii) Medical Reimbursement (Previous Year)	- (-)	26,940 (-)	8,059 (12,256)
	(iv) Other benefits	- (-)	- (-)	- (-)
	Total (Previous Year)	6,30,000 (23,52,000)	7,46,940 (26,88,000)	2,06,959 (11,23,491)

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

The managerial remuneration to Chairman, Managing Director, Joint Managing Director and Executive Director for the period from 1st April, 2012 to March, 2013 is not payable in the absence of Central Government's approval. However, provision for remuneration has been made in these accounts for the period from April, 13 to September, 13 in view of profit earned by the company in the current financial year.

### 16. Statement of additional information:-

#### a) Expenditure in Foreign Currency:

Traveling Expenses	Rs.10.16 lacs	(P.Y.-Rs.19.21 lacs)
Bank Charges	Rs. Nil	(P.Y.- Rs.0.27 lacs)
Others	Rs. 2.97 lacs	(P.Y.- Rs.20.46 lacs)
FCNR interest	Rs. Nil	(P.Y.-Rs.30.98 lacs)

As per our report of even date attached hereto  
For **MEHROTRA & MEHROTRA**  
Chartered Accountants  
F.R. No.0226C

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

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

Sd/-  
**Sanjay Jhunjunwala**  
Jt Managing Director

Sd/-  
**Rajeev Kumar**  
Company Secretary

Place: Lucknow  
Date: 28.11.2013

### b) Earning in Foreign Currency:

F.O.B. value of Exports Rs. Nil (P.Y.- Rs.595.66 lacs)

### c) Break up of Raw Materials and components consumed.

	Current year		Previous year	
	Percentage	Amount (in lacs)	Percentage	Amount (in lacs)
i. Raw material				
Indigenous Imported	100%	26,027.37	100%	182,67.20
ii. Stores and packing material				
Indigenous Imported	100%	550.94	100%	418.98

### 17. Payments to Auditors:

Audit Fee Rs.2,00,000/- (Previous Year: Rs.2,00,000/-)  
Tax Audit Fee Rs.1,00,000/- (Previous Year: Rs.1,00,000/-)

18. The borrowings from banks were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. This CDR package has since been implemented and necessary effect to the extent allowed by the banks has been considered in the financial statements.

19. The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 4th April, 2013 approved the dismantling of regulated release mechanism of sugar with immediate effect and also removed the obligation on the sugar manufactures to supply 10% of their sugar production as levy sugar for sugar produced on or after 1st October, 2012. Necessary notification in this regard has been issued on 2nd May, 2013. Therefore, the company has given necessary effect to the announcement of CCEA in its books of account for the year ended 30th September, 2013.

20. Amount of Rs.44 lacs withdrawn during the year from Bank Account represent the Molasses Storage Fund is to be utilized for construction and repairs of molasses storage tanks and will be used for specified purposes in next financial year in compliance of the statutory requirement.

21. The previous year's figures have been regrouped, reclassified, reworked and rearranged wherever necessary to correspond with the current years' classification/disclosures. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to current year.

For & on behalf of Board of Directors

# K.M.SUGAR MILLS LIMITED

Regd. Office: 11, Moti Bhawan, Coliectorganj, Kanpur – 208 001

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 41st Annual General Meeting of the K. M. Sugar Mills Ltd. will be held at its Registered Office at 11-Moti Bhawan, Collector Ganj, Kanpur-208001, on Saturday 22nd day of March, 2014 at 11:00 AM to transact the following business:

### ORDINARY BUSINESSES:

1. To receive, consider and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 30th September 2013 and the Balance Sheet as at that date together with the Auditors thereon.
2. To appoint a director in place of Mr. Sanjay Jhunjhunwala, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint a director in place of Mr. Subhash Chandra Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Mehrotra & Mehrotra, Chartered Accountants, New Delhi, retiring Auditors at this Annual General Meeting and are eligible for re- appointment for the year 2013-14 and fix their remuneration.  
"RESOLVED THAT the retiring Statutory Auditors M/s. Mehrotra & Mehrotra (Firm Registration No 00226C) be and they are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors."

### SPECIAL BUSINESS:-

5. To consider and if thought fit to pass with or without modification/(s), the following resolution as an Ordinary Resolution :-  
"RESOLVED THAT pursuant to the provisions of section 257 and other applicable provisions of the Companies Act, 1956 and also terms and conditions of Corporate Debt Restructuring (CDR) Agreement with the Banks, the consent of the Company be and is hereby accorded for the appointment of Mr. P.N. Mathur as Nominee Director of the Company on behalf Punjab National Bank, being the lead Banker to CDR."

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

Place: Lucknow  
Dated: 08.02.2014

Sd/-  
Rajeev Kumar  
Company Secretary

### 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 annexed.
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 from 17th March, 2014 to 22nd March, 2014 (both days inclusive)
5. Shareholders are requested to intimate to the Company or to the Share Transfer Agent of the Company, M/s. Link Intime (India) Pvt. Ltd. (Formerly known as In Time Spectrum Registry Ltd), change if any, in their registered addresses.
5. Members are requested to bring their copies of the Report and Accounts to the meeting.
6. 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.
7. Section 109A 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.

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

Place: Lucknow  
Dated: 08.02.2014

Sd/-  
Rajeev Kumar  
Company Secretary

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### Item no. 5.

Mr. P. N. Mathur was appointed as the Nominee Director of the Company in the meeting of the Board of Directors of the Company held on 10-08-2013, pursuant to Clause 41 of Annexure 1 of CDR letter of approval dated 27-03-2012. Mr. P.N. Mathur is Circle Head, Punjab National Bank, Lucknow Circle and has a vast experience in Banking services. His guidance and suggestions shall be in the interest of the Company. If his appointment as Director is confirmed by the Shareholders in the General Meeting, it would be beneficial to the Company. The Company has received a notice from a shareholder proposing his candidature as director in accordance with the provisions of Section 257 of the Companies Act, 1956. The resolution is recommended to the members for their approval as an Ordinary Resolution.

**Memorandum of Interest :-** None of the Directors except Shri P.N. Mathur is interested in item no.5.

**INFORMATION PURSUANT TO CLAUSE 49 IV (G) OF THE LISTING AGREEMENT REGARDING  
APPOINTMENT OF A NEW DIRECTOR OR RE-APPOINTMENT OF A DIRECTOR.**

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Date of Birth</b>	<b>Date of Appointment</b>	<b>Specialized</b>	<b>Qualification</b>	<b>Director Ship of Other Companies</b>
1.	Mr. Sanjay Jhunhunwala	07/06/1975	24/12/2002		B.Com., M.B.A. from U.K.	<ul style="list-style-type: none"> <li>‘-Shri Shakti Credits Ltd.,</li> <li>‘-Progressive Dealer Pvt. Ltd.,</li> <li>‘- K.M. Vyapar Pvt. Ltd.,</li> <li>‘- Promising Logistic Pvt.Ltd.,</li> <li>‘- Jhunhunwala Securities Pvt. Ltd.,</li> <li>‘- Mercury Properties Pvt. Ltd.,</li> <li>‘- Thermocraft (India) Pvt. Ltd.,</li> <li>‘- Prakash Properties Pvt. Ltd.,</li> </ul>
2.	Mr. S.C. Agrawal	12/12/1960	28/09/2001		B.Sc. from the National Sugar Institute	

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

**ATTENDANCE SLIP**

Forty First Annual General Meeting 22nd March,2014  
 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 41st Annual General Meeting of the Company to be held on Saturday, the 22nd day of March,2014 at 11:00 a.m. at its registered office at 11-Moti Bhawan, Collector Ganj, Kanpur-208001 (U.P.) .

**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**

<b>DP Id*</b>	
<b>Client Id*</b>	

<b>No. of Shares</b>	
<b>Master Folio No.</b>	

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

as my/our proxy to attend and vote for me/us and on my/our behalf at the 41st Annual General Meeting of the Company to be held on Saturday, the 22nd day of March,2014 at 11:00 a.m. at its registered office at 11-Moti Bhawan, Collector Ganj, Kanpur-208001 (U.P.) and any adjournment thereof.

AS WITNESS my/our hands(s) this.....day of.....2014.

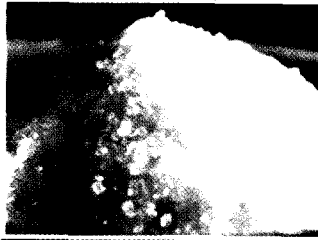
<b>Affix ₹ 1/- Revenue Stamp</b>
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.....  
 Signature of the Member (s)

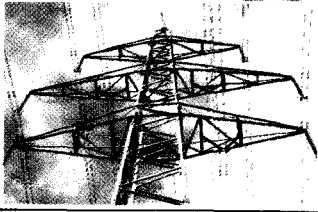
.....  
 Signature of Proxy (ies)

\*Applicable for Investors holding shares in electronic form.

Note: The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.



World Class Sugar

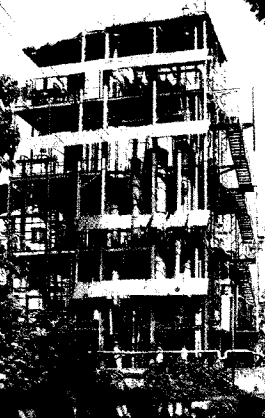


Power Generation



Ethanol

10015-  
000



Registered Office :

11, Moti Bhawan, Collectorganj, Kanpur – 208 001 U.P. (INDIA)

Tel No: (0512) 2310762, Fax No: (0512) 2310762

Corporate Office and Works :

Post Office Moti Nagar, District Faizabad-224 201 U.P. (INDIA)

Tel No: (05278) 254 059, 254 173, Fax No: (05278) 254 031

Email: [cs@kmsugar.com](mailto:cs@kmsugar.com) Website: [www.kmsugar.com](http://www.kmsugar.com)