

# K. M. SUGAR MILLS LTD.



ANNUAL REPORT  
2009 -2010



# Contents .....



1.	Report of the Board of Directors	2
2.	Corporate Governance Report	5
3.	Management Discussion & Analysis	9
4.	Auditors Report	11
5.	Balance Sheet	15
6.	Profit & Loss account	16
7.	Schedules	17
8.	Cash Flow Statement	35
9.	Balance Sheet Abstract	36

## **Forward Looking Statement**

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



**Company Information**

**Company Information ...**

**BOARD OF DIRECTORS**

**Chairman**

L.K.Jhunhunwala

**Whole Time Director**

Aditya Jhunhunwala, *Managing Director*

Sanjay Jhunhunwala, *Joint Managing Director*

Subhash Chandra Aggrawal, *Executive Director*

**Non Executive Director**

H.P. Singhania

S.K.Gupta

Dr. Kirti Singh

R. S. Shukla

**Company Secretary**

Akhilesh Kumar Singh

**Auditors**

M/s MEHROTRA & MEHROTRA

*Chartered Accountants*

C-561, DEFENCE COLONY,

NEW DELHI - 110 024

**Bankers**

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

**Registered Office**

11, Moti Bhawan, Collectorganj,

Kanpur U.P. - 208 001

**Corporate Office & Works**

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



## K.M.SUGAR MILLS LIMITED

### Directors' Report ...

# Directors Report ...

To,  
The Members,

Your Directors have pleasure in placing the director's report along with the Audited Statement of Accounts for the financial year ended on 30th September, 2010.

#### Financial Performance

The Financial performance of the company during the year 2009-10 is as under:

	2009-10	2008-09
Profit before interest, depreciation & tax	172	3203
Less: Interest	(1284)	(1196)
Depreciation	(1359)	(1581)
Profit before tax	(2471)	426
Provision for taxation (including FBT)		(2)
Provision for taxation (deferred)	(643)	(36)
Net Profit before extraordinary Items	(1828)	460
Add: Extra ordinary item	(1)	(39)
Net Profit	(1829)	421
Add: Balance brought forward from Previous year	(2548)	(2967)
Transfer to Molasses Reserve Fund	(3)	(2)
Amount available for Appropriation	(4380)	(2548)
Transfer to general reserve	NIL	NIL
Balance carried to Balance Sheet	(4380)	(2548)

#### Overall Performance

For the year ended on 30th September, 2010 your company recorded sales of Rs. 17824 lacs (net of excise duty) against the Rs. 15111 Lacs (net of excise duty) of last year. During the last financial year the company had done trading of sugar for Rs. 1760.98 Lacs whereas during the reported financial year trading activity was done only for Rs. 749.79 Lacs. Loss after interest and depreciation stood at Rs.2471 lacs against the Profit of Rs. 426 Lacs in last year. Loss after tax for the year ended September 30, 2010 was Rs. 1829 Lacs compared to profit of Rs. 421 lacs of the previous year.

#### Dividend

Your directors have not declared any dividend for the financial year ended September 30, 2010.

#### Performance of Divisions

##### Sugar Division

During crushing Season 2009-10, the company has crushed 5070800.71 qtl. and the season ran for 93 days. The other details are as under:

	Season 2009 -10	Season 2008 -09
Gross Working days	93	79
Total Cane Crushed (qtls.)	5070800.71	3274866.32
Average cane crushed per day (qtls.)	54524.74	41514.01
Average Recovery	8.97%	8.92%

#### Cane Management

Sugar Cane is the primary raw material for this business and

constitutes the majority portion of the cost, therefore, the cane management is one of the most essential part of the sugar manufacturing process. The quality as well as price of sugar cane determines the prospects of the company. For the season 2009-10 the State Government of Uttar Pradesh announced State advised price of cane at Rs. 165 per qtl. an approximately 18% increase over the last year price of Rs. 140 per Qtl. The Central Government provided a mechanism for Fair & Remunerative Price for cane which stood at Rs. 129.85 per qtl. which represented an increase of 60% against the earlier practice of fixing Statutory Minimum Price of Rs. 81.18 per qtl. However, because of the overall shortage of cane and the price hike of the sugar in domestic market the sugar mill paid a higher price for cane. Moreover, to meet the challenges of low sugar cane yield the company has started immense drive for cane development in the area by distributing pesticides, seeds, fertilizers etc. We are expecting good sugar cane during the current season 2010-11.

#### Co-Generation:

Sugar is a power demanding business and the saving grace lies in the Company's ability to generate power from sugar by-product bagasse. The bagasse-based Co-generation units qualify as a Clean Development Mechanism (CDM) project that helps the company to earn the carbon credits. The company has an exportable surplus of 20 MW Co-generation capacities.

#### Distillery The year 2009-10

During the year the production of Alcohol increased by 25% in comparison of last sugar season. But due to higher cane price vis-a-vis higher Molasses price the cost of Production increased, however the Alcohol price in Market did not pick up in proportion to Molasses price, which increased the loss of the unit. The Company expect better Alcohol Price in current season 2010-11 due to blending of Ethanol restarted by Petroleum Companies. In the other hand the company also expect better cane crushing during current season, which will increase availability of captive Molasses as well as molasses in market.

#### Auditors

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

#### Auditors' Report

The comments on the statement of account referred to in the report of the auditors are self-explanatory, and explained in the appropriate notes to the accounts.

#### Directors

At the ensuing Annual General Meeting Shri H.P. Singhania, Shri R. S. Shukla, Shri S.K. Gupta, Dr. Kirti Singh and Shri S.C. Agrawal Directors of your Company are retiring by rotation and being eligible offer themselves for re-appointment.

#### Public Deposits

During the year 2009-10 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. The suspension of trading from National Stock Exchange of India Ltd. has been revoked during the year 2009-10. The company has completed all the compliances relating to listing agreement.

### 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, 2010 the applicable accounting standard have been followed by the Company.
- (ii) that the directors of the company have selected such accounting policies, applied them consistently, made judgments estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company of the financial year and of the loss of the Company at the end for the year ended on that date.
- (iii) that the directors of the Company have taken proper and sufficient care for the maintenance of adequate accounting in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for detecting fraud and other irregularities; and
- (iv) that the directors of the Company have prepared the annual accounts on a going concern basis.

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

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

### Particulars of Employees

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

### 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 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 acknowledgement and sincere appreciation of all the bankers and financial institutions for their continued assistance. They further appreciate and acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

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

Sd/-

L. K. Jhunjunwala  
Chairman

Date: 14.02.2011

Place: Lucknow

### Annexure to the Directors Report

#### Annexure 1

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

#### Form A

Disclosure of particulars with respect to conservation of Energy

Particulars	Units	Current year ended at 30 September, 2010	Previous year ended at 30 September, 2009
Electricity			
Purchased Unit	Kwh		298612.38
Total Amount	Rs.		3250990.4
a) Own Generation			
i) Through Diesel Generation	Kwh		15822
Units per litre of diesel kwh/litre	ltr/kwh		0.27
ii) Through Steam Turbine generation	Kwh	41198600	28308150
Kg of Bagasse required kwh	Kg/kwh	3.95	1.95
iii) Total units Generated	Kwh	41198600	28323972
Total Cost/ Unit	Rs./kwh	2.37	3.44

Directors' Report ...



**K.M.SUGAR MILLS LIMITED**

**Directors Report ...**

Form B

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

1.	Specific areas in which R & D carried out by the Company	1. Cane un-loaders bridge wheels modified 2. One VFD installed on cane un loader BBL 3. Modification in water imbibitions and maceration line. 4. IVth mill roller increased by 70mm
2.	Benefits derived as results of the above R & D	1. Breaking of bearings stopped 2. Jerks and Break down avoided 3. Proper imbibitions and maceration resulting reduced bagasse pole. 4. Spares inventory reduced
3.	Further plan of action	
4.	Expenditure on R & D i) Capital ii) Recurring Expenditure iii) Total iv) Total R & D expenditure as a percentage of total turnover	15 Lacs NIL 15 Lacs Negligible

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

**III. Foreign Exchange earnings & Outgo**

i)	Activities relating to exports initiative taken to increase exports	Rs. In Lacs
ii)	Development of new export market for product and services and export plan	11.59
iii)	Total foreign exchange earnings (Rs. Lacs)	NIL
iv)	Used (Rs. Lacs)	11.59

**Annexure 2**

Information pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended September 30, 2009.

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

Sl. No.	Name	Age Yrs	Designation	qualification	experience (in years)	Date commencement of employment	Remuneration Rs. In Lacs	Previous employment
				NIL				

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

Sl	Name	Age Yrs	Designation	qualification	Experience In yrs.	Date of Commence ment of employment	Remuneration Rs. In Lacs	Previous Employment
				NIL				

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

**Sd/-  
L. K. Jhunjunwala  
Chairman**

Date: 14.02.2011  
Place: Lucknow



**Annexure 3**

**Directors' Report on Corporate Governance**

**1. Company's Philosophy on Code of Governance**

The Directors present the report on Corporate Governance for the year ended on 30th September 2010. Corporate governance is an integral part of values, ethics & best business practices followed by the Company. The Company reaffirms its commitment to the good corporate governance practices & fulfilled its social and corporate responsibility towards its stakeholders, which is based upon the principles of monitoring, accountability, growth oriented approach, trusteeship, corporate citizenship and environmental consciousness. The Company maintains the highest level of transparency and accountability in all its interaction with its stakeholders, government, its employees and lenders. The Board of the Company acknowledges its responsibility towards its stakeholders for servicing and protection of long-term interest of all the stakeholders.

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

**2. Board of Directors**

Presently, the Company is having an appropriate mix of Executive and Independent Directors in order to maintain the independence of the Board of Directors of the Company. As on 30th September, 2010 the board consist of eight directors; out of which four are executive directors and four are non- executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

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

During the year ended on 30th September, 2010, Four Board meetings were held on 19.12.2009, 29.01.2010, 27.04.10 and 07.08.2010. As on 30th September the composition of the Board of Directors, the number of other board of directors or Board committees of which they are member or chairperson and the attendance of each director at these board meeting and the last Annual General Meeting are as under:

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

**Board Procedure**

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

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

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

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

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

Date of Board Meeting	Board Strength	Directors Present
19.12.2009	8	6
29.01.2010	8	8
27.04.2010	8	8
07.08.2010	8	7

The adjourned meeting of 27.04.2010 was held on 03.05.2010



**Details of the director seeking reappointment at the Annual General Meeting**

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

**3. Board Committees**

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

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

**Audit Committee**

The Audit Committee comprises of four directors out of which three are Non-Executive Independent Directors. Mr. H. P. Singhania acts as the chairman to the Committee. The Chief Financial Officer, the External and Internal Auditors are the regular invitees.

During the year Four meetings of the company were held on 19.12.2009, 29.01.2010, 27.04.10 and 07.08.2010. 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	2
2	Mr. R. S. Shukla	Member	4	3
3	Mr. Sanjay Jhunjhunwala	Member	4	4
4	Mr. S. K. Gupta	Member	4	4

**Terms of Reference and Powers:**

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

Further, the Committee oversee Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible, Recommend the appointment and removal of external auditor, fixing audit fees and also approval for payment for any other services.

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

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

Review the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

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

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

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

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

**Remuneration Committee**

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhania acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 19.12.2009, 29.01.2010, 27.04.10 and 07.08.2010. 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	2
2.	Mr. R. S. Shukla	Member	4	3
3.	Mr. S. K. Gupta	Member	4	4

**Remuneration Policy**

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

**Non-Executive Directors**

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

**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, 2010 is as under:

Name	Salary & Allowance	Perquisites & other profits	Incentive and Bonus paid	Sitting fees
L. K. Jhujhunwala	2100000	---	NIL	NIL
Aditya Jhujhunwala	1200000	148000	NIL	NIL
Sanjay Jhujhunwala	1200000	148000	NIL	NIL
S. C. Agarwal	782231	72808	NIL	NIL
H. P. Singhania	---	---	NIL	10000
R. S. Shukla	---	---	NIL	15000
Dr. Kriti Singh	---	---	NIL	10000
S. K. Gupta	---	---	NIL	20000

### Shareholders' Grievance Committee

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

During the year, 4 meetings of the Committee were held on 19.12.2009, 29.01.2010, 27.04.10 and 07.08.2010. 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	2
2	Mr. R. S. Shukla	Member	4	3
3	Mr. S. K. Gupta	Member	4	4
4	Mr. Aditya Jhujhunwala	Member	4	4

### General Body Meeting

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

Day & Date : Friday, 25th March, 2011

Time: 11.00AM

Venue: Check Mate Banquet Hall, 7/17/12, Parwati Vagla Road,

Tilak Nagar, Kanpur, Uttar Pradesh-208001

Dates of Book Closure : Tuesday, 22nd March to Friday, 25th March, 2011, both days inclusive

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

Financial Year	Day & Date	Location	Time
2006-07	Wednesday, 26.03.2008	Check Mate, Banquet hall, 7/17/12 Parwati Vagla Road, Tilak Nagar, Kanpur-208001	11.00AM
2007-08	Thursday 26.03.2009	Check Mate, Banquet hall, 7/17/12 Parwati Vagla Road, Tilak Nagar, Kanpur-208001	11.00AM
2008-09	Monday 08.03.2010	Check Mate, Banquet hall, 7/17/12 Parwati Vagla Road, Tilak Nagar, Kanpur-208001	11.00AM

### Extra ordinary General Meeting

No Extra ordinary General meeting was held during the year.

### Postal Ballot

No resolution was passed through postal ballot during the year.

### Disclosures

#### a) Related Party Transaction

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

#### b) Disclosure of accounting treatment

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

### Communication

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

### Listing on Stock Exchanges

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

Listing fees for the financial year 2009-10 has been paid to all the concerned stock exchanges by the Company.

### Depositories :

- National Securities Depository Ltd.,**  
Trade Worlds: 4th floor,  
Kamala Mills Compound,  
Senapati Bapat Marg,  
Lower Parel, Mumbai 400013
- Central Depository Services (India) Ltd.,**  
Phiroze Jeejeebhoy Towers,  
17th floor, Mumbai 400023

### Compliance officer

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

### Contact details

Email ID : [cs@kmsugar.com](mailto:cs@kmsugar.com)

Ph. No. : +919235312024

### 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 09	26.15	18.60	24.60	---	---	---
November 09	37.00	22.25	35.25	---	---	---
December 09	39.00	33.95	36.35	---	---	---
January 10	53.00	36.40	39.05	---	---	---
February 10	43.75	33.25	35.20	---	---	---
March 10	39.20	6.55	8.20	---	---	---
April 10	11.89	6.36	6.36	---	---	---
May 10	6.45	5.05	5.46	---	---	---
June 10	5.69	4.92	5.21	---	---	---
July 10	5.89	5.01	5.10	---	---	---
August 10	5.30	4.67	4.72	5.00	4.45	4.75
September 10	7.84	4.62	6.72	8.35	4.40	6.75

**Shareholding pattern as on September 30, 2010**

Category of Shareholder	No. of Share holders	Total no. of Shares	Total no. of Shares held in de-materialized form	Total Shareholding as a % of total No. of Shares
<b>A) Shareholding of Promoter &amp; Promoter Group</b>				
i) Indian Promoter				
ii) Foreign Promoters				
<b>B) Public Shareholding</b>				
i) Institutions				
→ Financial institution/banks				
ii) Non-institution				
→ Bodies corporate	345	9448471	9448466	10.27
→ Individuals				
Holding nominal Share Capital upto Rs. 1 lacs	8872	11838328	11837303	12.87
Holding Nominal Share capital more than Rs.1 lacs	27	7038546	7038546	7.65
→ Trust				
→ Non- Resident Indian	78	152876	152876	0.16
→ Clearing members	59	155079	155079	0.17
→ HUF	273	1830062	1830062	1.99
<b>TOTAL</b>	<b>9667</b>	<b>92000170</b>	<b>91980110</b>	<b>100.00</b>

**Demat of Shares**

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

**Share Transfer System**

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

**Distribution of Shareholding**

Category	No. of Share holders	%	Physical	NSDI Demat	CDSL Demat	Total No. of Shares	%
Upto- 2,500	7362	76.148	2060	5007966	2654612	7664638	4.166
2,501-5,000	1172	12.122		2816692	1818878	4635570	2.519
5,001-10,000	614	6.351		2719686	2224722	4943408	2.687
10,001-20,000	267	2.762		2220948	1847114	4068062	2.211
20,001- 30,000	79	0.817		1090422	925260	2015682	1.095
30,001- 40,000	43	0.445	36000	1006070	507350	1549420	0.842
40,001- 50,000	24	0.248		426850	705402	1132252	0.615
50,001- 1,00,000	38	0.393		1614888	1102204	2717092	1.477
1,00,001 & Above	68	0.714		141576926	13697290	155274216	84.388
<b>TOTAL</b>	<b>9667</b>	<b>100.00</b>	<b>38060</b>	<b>158479448</b>	<b>25482832</b>	<b>184000340</b>	<b>100.00</b>

**Plant Location :** Unit : Sugar, Cogeneration, Distillery, District Faizabad, Uttar Pradesh.

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



## Management Discussion and Analysis Report

# Management Discussion and Analysis Report

### Global Sugar Industry

The demand of the sugar seemed to be higher than the production in the beginning of the year 2009-10. The global consumption of sugar was 160 million tones & an estimated consumption was 167 million tones. It was assumed in the beginning of the year that the production in the major producers of sugar, i.e. India, Brazil & European Union will be lower than their potential, but as the year progressed the assumption was reversed & the production in all the abovementioned countries was more than estimated. Due to the assumption of lower production & the larger imports by India, the global prices soared, however with the increase in the production with the progression of year the imports in India were decreased that caused the rapid downfall in the global sugar prices. The global sugar prices faced wide fluctuation during the year due to the abovementioned factors.

### Sugar Industry Scenario in India

In the year 2009-10, the sugar price had wide fluctuation in India as well. Indian sugar industry has entered the strongest up cycle (lowest stock to use ratio) in the history of 50 years after witnessing supply glut in previous two sugar seasons in a row (2006-08). Sugar production reached an all time low of 14.7 mm tonnes during 2008-09 due to sharp fall in the sugarcane acreage. However, sugar consumption continued to grow at a steady pace. It grew at CAGR of 4% during SS 07-09. India is the second largest sugar producer globally, followed by Brazil.

After a long time, the industry was expecting profits but the government policies curbed the sugar prices at the expense of the sugar industry, and the farmers gained from the high sugar cane price. During the year, high cane price were paid to the farmers with a premium upto 30% over and above the Government announced price due to the shortage of cane & deficit in Sugar supply in the beginning of the year 2009-10. The abovementioned factors and other scenario raised the sugar price in the month of January, 2010 upto Rs. 43 per kg which were around Rs. 23 per kg in the month of April, 2009

The Government took the following steps to keep a check on the sugar prices:

- Duty free import of raw and white sugar was allowed which led to the import contracts of over 5 million tones.
- Increase in levy percentage from 10% to 20%.
- Banned the forward trading of sugar on NCDEX and also reduced the limit of stock holding for the bulk consumers.

The high cost of production during the crop season and the low sale realization resulted in huge losses to the sugar industry. The companies with the higher sugar inventories incurred the maximum losses.

The import of sugar during the year 2009-10 was 4.08 mmt. that comprised of 3.07 mmt. raw sugar & 1.01 mmt. white sugar. From the September, 2010 onwards the Government of India permitted the limited export of sugar under the Advance License Scheme (ALS).



### **Sugar industry 2010-11**

From 2010 Budget Sugar Industry Expectations were the decontrolling of the sugar industry by the government in terms of costs and tariff allocation, re- establishing sugar trading measures, abolition of release order device, improving productivity by introducing improved technology, revitalization of financially unwell units via disinvestments, tax exemption till another 5 years and promotion of ethanol. The sugar industry expects the administration to include the ethanol schemes under section 80-IA of the IT Act. The industry also expects tax relief as well expansion of the income tax advantages to the ethanol schemes.

For year 2010-11, the production of sugar was initially estimated at 173 mmt. but due to bad weather conditions there was a negative impact on cane and beet availability and the world sugar surplus is re-estimated to be only 1.3 mmt. with the total production at 168.9 mmt. and consumption of 167.6 mmt. Further the sugar output is not likely to improve on the basis of the available trend.

### **SWOT Analysis**

#### **Strength**

- The sugar unit of the company is situated in Uttar Pradesh, the cane rich state of India.
- Well irrigated sugarcane farming.
- The focus point of the company is socio- economic development of rural area.
- Regular supply of cane and enhanced return to farmers through multi- cropping.
- The company has maintained cane quality by varietal change & cane development programme.

- Production of molasses; bagasse & press-mud.
- The industry is producing ethanol, rectified spirit.
- Possibilities for the expansion of power generation & execution of open access contracts

#### **Weaknesses**

- Production of sugarcane depends on the natural & economic cycle and it affects the sugar production and their by products.
- High carrying cost of inventories and higher requirement of working capital.
- Climatic conditions.

#### **Opportunities**

- Higher production of ethanol will help the country to reduce its dependence on the import of petroleum.
- Flexibility to use raw sugar as raw material in case of unavailability of sugar cane.

#### **Threats**

- Adverse agro - climatic conditions may have negative impact on the operations of the company.
- Specific government regulations may prove unfavorable for the company.
- The volatile international market may have a bearing on the domestic market.



## Auditor's Report

## Auditor's Report

The Shareholders of  
K.M. Sugar Mills Ltd.

1. We have audited the attached Balance Sheet of K M SUGAR MILLS LIMITED as at 30<sup>th</sup> September, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of the written representation received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the director is disqualified as on 30<sup>th</sup> September, 2010 from being appointed as a director in terms Section 274(1)(g) of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes to the Accounts in Schedule '17' give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
  - (i) In the case the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> September, 2010;
  - (ii) In the case of the Profit & Loss Account, of the loss for the year ended on that date; and
  - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

We report that:

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

For and on behalf of

Mehrotra & Mehrotra  
Chartered Accountants

Sd/-  
Rajesh Jhalani  
Partner  
Membership No.74809

Place : Lucknow  
Dated : 30<sup>th</sup> November, 2010



ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) *The Company has generally maintained records to show particulars, including quantitative details and situation of fixed assets but still it is incomplete and its updation is pending.*
- (b) The Fixed Assets of the Company have been physically verified by the management during the year as per information provided to us and as explained no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information given to us, the Company has not disposed off any substantial part of fixed assets during the year and hence, going concern status of the company is not affected.
- (ii) (a) As explained to us, the inventory has been physically verified by the Management to the extent practicable at reasonable intervals during the year or at the end of the year.
- (b) According to information and explanations given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956 and a sum of Rs.10.88 lacs was outstanding as on 30.09.2010 (Previous year outstanding Rs.10 lacs).
- (b)to(d) In our opinion and according to the information and explanations given to us,

the terms and conditions of the said loan given by the company are not prime facie prejudicial to interest of the Company except that it is interest free loan but however, the repayment is within the terms and conditions of the loan.

- (e) According to the information and explanations given to us, the Company has not taken during the year any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (f) and (g) of the order are not applicable.

- (iv) In our opinion and according to the information and explanations given to us during the course of audit, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the internal control system.

- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- a) The particulars in respect of certain contracts or arrangements referred to in section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under that section, have been so entered.
- b) As far as we could ascertain on the basis of our selective checking and according to the information and explanations given to us, the transaction made in pursuance to aforesaid contracts or arrangements have been made at the prevailing market prices at the relevant time.

- (vi) According to the information and explanations given to us, the Company has not accepted any



deposits from public during the year within the meaning of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there-under.

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

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

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

(b) According to the information and explanation given to us, there is no material undisputed amount payable in respect of aforesaid dues which were outstanding for a period of more than six months as on 30.09.2010.

(c) According to the information and explanation given to us, the particulars of dues of excise duty, sales tax, trade tax and

income tax outstanding as at 30.09.2010, which have not been deposited on account of dispute, are as follows:-

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Forum, where the dispute is pending
Central Excise Act, 1944	Genval Matter 2005-06	0.51	The Commissioner (Appeals), Allahabad
U.P. Trade Tax, Act 1948	Trade Tax-F.Y. 2005-06 and 2006-07	22.13	The Joint Commissioner (Appeals), Faizabad
Entry Tax Act	Entry Tax-F.Y. 2005-06 and 2006-07	260.31	The Joint Commissioner (Appeals), Faizabad Demand is stayed by the Hon'ble Allahabad High Court
	Entry Tax-F.Y. 2007-08	67.74	The Joint Commissioner (Appeals), Faizabad
Central Sales Tax Act	CTS	87.84	The Joint Commissioner (Appeals), Faizabad
Income Tax Act, 1961	Income Tax	61.67	The Commissioner of Income Tax (Appeals)
Total		500.20	

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

(x) *The Company has incurred losses amounting to Rs. 1829.71 lacs during the financial year ended 30.09.2010 and its accumulated losses as on 30.09.2010 are more than 50% of its net worth. The Company has incurred cash losses during the current financial year. However, there was no cash loss in the immediately preceding financial year ended 30.09.2009.*

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

a) *The term loan installments of Rs.223.43 lacs payable during the year towards loan from Sugar Development Fund (SDF) could not be paid till 30.09.2010. Further, interest of Rs.108.06 lacs on the said loan was overdue as at 30.09.2010.*

b) *As per revised terms and conditions of the term loan availed from bank, the interest of Rs.65.61 lacs on the said term loan was overdue as at 30.09.2010.*

(xii) *In our opinion and as per information and explanation given to us, the Company has not*



## K.M.SUGAR MILLS LIMITED

# Auditor's Report

- 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, the Company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirement of Para 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions except guarantees given to the banks on behalf of its employees, who have taken vehicle loans from the banks and a sum of Rs.6.84 lacs was outstanding at the year end 30.09.2010 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 the funds of Rs.700 lacs (approx.) raised on short term basis have been used during the year for long term purposes.*
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit.
- (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

Sd/-  
Rajesh Jhalani  
Partner  
Membership No.74809

Place: Lucknow  
Dated: 30th November, 2010





## Balance Sheet as at 30th September 2010

# Balance Sheet...

PARTICULARS	Schedule No.	Current Year				Previous Year			
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>SOURCES OF FUNDS :</b>									
<b>1. Shareholders' Funds</b>									
a) Share Capital	1	184,000,340.00				184,000,340.00			
b) Reserves & Surplus	2	401,587,544.06				403,160,727.18			
				585,587,884.06				587,161,067.18	
<b>2. Loan Funds</b>									
a) Secured Loans	3	882,949,022.51				916,612,502.43			
b) Unsecured Loans	4	106,443,418.00				1,040,840.00			
				989,392,440.51				917,653,342.43	
<b>3. Deferred Tax Liability</b>									
Total				19,959,104.95				84,274,417.95	
				1,594,939,429.52				1,589,088,827.56	
<b>APPLICATION OF FUNDS :</b>									
<b>1. Fixed Assets</b>	5								
a) Gross Block		1,869,037,111.39				1,856,876,593.25			
b) Less: Depreciation		1,103,143,208.13				967,290,316.39			
c) Net Block		765,893,903.26				889,586,276.86			
d) Capital Work-in-Progress		13,809,034.78			779,702,938.04	3,905,548.71			893,491,825.57
					1,021,300.00				1,021,300.00
<b>2. Investments</b>	6								
<b>3. Current Assets, Loans &amp; Advances :</b>									
a) Current Assets	7								
Inventories		349,813,939.02				245,475,171.49			
Sundry Debtors		12,441,000.00				133,531,816.69			
Cash & Bank Balances		10,109,997.42				17,063,494.22			
b) Loans & Advances	8	153,280,526.93				189,857,459.58			
Total (A)		525,645,463.37				585,927,941.98			
<b>Less : Current Liabilities &amp; Provision</b>	9								
a) Liabilities		142,455,906.70				146,070,780.14			
b) Provisions		7,207,734.24				5,744,682.24			
Total (B)		149,663,640.94				151,815,462.38			
Net Current Assets (A-B)				375,981,822.43				434,112,479.60	
Miscellaneous Expenditure								5,585,827.00	
Preliminary/Public Issue Expenditure (To the extent not written off or Adjusted)									
Debit Balance in Profit & Loss Account				438,233,369.05				254,877,395.39	
Accounting Policies & Notes on Accounts	17								
<b>Total</b>				1,594,939,429.52				1,589,088,827.56	

As per our report of even date attached hereto

**For MEHROTRA & MEHROTRA**  
Chartered Accountants

For &amp; on behalf of Board of Directors

Sd/-  
**RAJESH JHALANI**  
Partner  
M.No. 74809

Sd/-  
**Akhillesh Kumar Singh**  
Company Secretary

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

Sd/-  
**Aditya Jhunjunwala**  
Managing Director

Place: Lucknow  
Date: November 30, 2010



**Profit & Loss for the year ended 30th September 2010**

**Profit & Loss Account...**

PARTICULARS	Schedule No.	Current Year		Previous Year	
		Rs.	P.	Rs.	P.
<b>INCOME:</b>					
Gross Sales	10	1,825,455,719.53		1,568,832,041.24	
Less: Excise duty		43,001,650.88	1,782,454,068.65	57,651,176.00	1,511,180,865.24
Other Income	11		21,197,712.04		32,467,718.92
Increase/(Decrease) in Stock	12		102,395,946.13		- 326,391,008.01
<b>Total (A)</b>			<b>1,906,047,726.82</b>		<b>1,217,257,576.15</b>
<b>EXPENDITURE:</b>					
Raw Materials Consumed	13		1,475,041,205.12		634,626,100.66
Purchase of sugar for trading			154,709,095.00		51,667,597.00
Manufacturing, Operational, Administrative and other Expenses	14		192,944,518.12		159,787,418.63
Employees Cost	15		66,063,727.06		49,007,249.79
Interest	16		128,418,809.96		119,571,259.17
Denaturation fees			100,500.00		121,800.00
Bad debts written off					1,223,882.54
Provision for Doubtful debts					480,162.43
Depreciation		136,734,578.95		159,105,657.30	
Less : Transferred from Revaluation Reserve		817,737.20	135,916,841.75	965,793.32	158,139,863.98
<b>Total (B)</b>			<b>2,153,194,697.01</b>		<b>1,174,625,334.20</b>
<b>Net Profit/(Loss) for the Year (A-B)</b>			<b>- 247,146,970.19</b>		<b>42,632,241.95</b>
Add: Tax/other adjustments relating to prior period			140,218.39		- 3,801,917.50
<b>Profit Before Tax:</b>			<b>- 247,287,188.58</b>		<b>38,830,324.45</b>
Current Tax					-
Deferred Tax			64,315,313.00		- 3,570,083.00
Fringe Benefits Tax					242,208.93
<b>Profit After Tax</b>			<b>- 182,971,875.58</b>		<b>42,158,198.52</b>
Balance Brought forward			- 254,877,395.39		- 296,775,345.49
Transfer to Molasses Storage Fund			384,098.08		260,248.42
<b>Profit Available for Appropriation</b>			<b>- 438,233,369.05</b>		<b>- 254,877,395.39</b>
<b>Balance Carried to Balance Sheet</b>			<b>- 438,233,369.05</b>		<b>- 254,877,395.39</b>
Earning per Equity Share of Rs.10/- each (Note -16 of Scheule 17 - Basic/Diluted)			-	1.99	0.46
Accounting Policies & Notes on Accounts	17				

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

For & on behalf of Board of Directors

Sd/-  
**RAJESH JHALANI**  
Partner  
M.No. 74809

Place: Lucknow  
Date: November 30, 2010

Sd/-  
**Akhilesh Kumar Singh**  
Company Secretary

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

Sd/-  
**Aditya Jhunjunwala**  
Managing Director



## Schedule '1' - Share Capital

Schedules ...

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
<b>AUTHORISED</b> 10,000,000 Equity Shares of Rs. 2/- each	20,00,00,000.00		20,00,00,000.00	
<b>ISSUED, SUBSCRIBED AND PAID UP</b> 92,000,170 Equity Shares of Rs. 2/- each fully paid up	184,000,340.00		184,000,340.00	
(i) Of the above 9,00,000 equity shares of Rs. 2/- each were allotted as fully paid up for consideration other than cash pursuant to a contract.				
(ii) Of the above 250,000 equity shares of Rs. 2/- each were allotted as fully paid up for redemption of 5,000 cumulative preference shares of Rs.100/- each.				
(iii) Of the above 5,39,00,000 equity shares of Rs. 2/- each were allotted as fully paid bonus shares by way of capitalisation of Reserve.				
<b>TOTAL</b>	184,000,340.00		184,000,340.00	

## Schedule '2' - Reserves and Surplus

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>A. GENERAL RESERVE :</b> As per last account Add: Transfer from Profit & Loss A/c	122,019,139.87	-	122,019,139.87	-	122,019,139.87	-	122,019,139.87	-
<b>B. CAPITAL RESERVE:</b> Capital Subsidy			4,833,000.00				4,833,000.00	
<b>C. INITIAL DEPRECIATION RESERVE:</b>			172,449.73				172,449.73	
<b>D. MOLASSES STORAGE FUND:</b> As per last account Less: Withdrawal Add: For current year	4,716,095.77 1,000,000.00 384,098.08				4,455,847.35 - 260,248.42			
	4,100,193.85				4,716,095.77			
Deduct: Funded with State Bank of India (as per contra)	4,094,666.58		5,527.27		3,955,122.58		760,973.19	
<b>E. FIXED ASSETS REVALUATION RESERVE:</b> As per Last Account Less: Transferred to Profit & Loss Account	5,334,228.34 817,737.20		4,516,491.14		6,300,021.66 965,793.32		5,334,228.34	
<b>F. SUGAR PRICE EQUALISATION RESERVE:</b> As per Last Account Less: Paid during the year	1,239,508.05 -		1,239,508.05		1,239,508.05 -		1,239,508.05	
<b>G. SHARES SECURITIES PREMIUM ACCOUNT</b>			268,801,428.00				268,801,428.00	
<b>TOTAL</b>			401,587,544.06				403,160,727.18	



Schedule '3' - Secured Loans

Schedules ...

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
<b>SECURED LOANS</b>				
(a) From State Bank Of India ( Secured by first pari passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare and book debts and exclusive first charge on entire current assets of distillery division and third pari passu charge on entire fixed assets of the Company and personal guarantee of three directors)	283,389,481.80		225,340,519.44	
(b) From Punjab National Bank (Secured by Pledge of Stock of Crystal Sugar, third pari passu charge on entire fixed assets of Sugar division of the company and personal guarantee of two directors)				
(c) From Federal Bank ( Secured by first pari passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare parts and book debts and third pari passu charge on entire fixed assets of the Company and personal guarantee of two directors)	13,715,324.00		68,427,216.00	
<b>Term Loans</b>				
(a) From Govt. of India (Sugar Development Fund) (Modernisation) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs. 116.86 lacs)	116,86,000.00		17,530,200.00	
(b) From Govt. of India (SDF New Loan Account) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs.330.00 lacs)	163,000,000.00		165,000,000.00	
(c) From Punjab National Bank (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties ( save and except book debts ) including movable plant & machinery, machinery spares, tools and accessories present & future and personal guarantee of two directors) (Amount due within next one year - Rs.660.00 lacs)	246,108,294.95		308,938,312.95	
(d) From State Bank Of India (SEAFSU) (Secured by Residual 4th charge on entire fixed assets of the company on pari passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 276.00 lac)	34,100,000.00		50,200,000.00	
(e) From Punjab National Bank (SEAFSU) (Secured by Residual 4th charge on entire fixed assets of the company on pari passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 178.00 lacs)	25,229,864.00		35,600,000.00	
(f) From Punjab National Bank (Funded Interest Term Loan) (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties ( save and except book debts ) including movable plant & machinery, machinery spares, tools and accessories present & future) (Amount due within next one year - 28.00 lacs)	9,821,043.00		12,469,992.00	
(g) From Punjab National Bank of India STL for Repairs (Collateral Security provided by creating residual charge by way of equitable mortgage in respect of land together with all buildings, super structures, plant & machinery constructed or to be constructed)			14,800,000.00	
(h) From Punjab National Bank of India STL for Repairs (Collateral Security provided by creating residual charge on fixed assets of the company and personal guarantee of two directors) (Amount due within next one year - 230.00 lacs)	23,314,904.00			
(i) Sugar Development Fund (SDF) from Govt. of India (Modernisation) (Secured by second charge by way of mortgage on Company's immovable Properties and hypothecation of all movable properties (except book debts) both present and future (amount due within next year - 62.50 Lacs)	26,500,000.00			
(j) Sugar Development Fund (SDF) from Govt. of India (Cane Development) (Secured by second charge by way of mortgage on Company's immovable Properties and hypothecation of all movable properties (except book debts) both present and future (amount due within next year - 62.50 Lacs)	26,000,000.00			
(h) Interest due and payable	20,872,311.10		18,306,262.04	
<b>TOTAL</b>	<b>642,348,022.61</b>		<b>916,612,502.43</b>	



## Schedule '4' - Unsecured Loans

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

## Schedule '6' - Investment

PARTICULARS	Face Value	Cost i.e. Book Value	Current Year		Previous Year	
			Rs.	P.	Rs.	P.
<b>A. LONG TERM INVESTMENT : ( Non-trade and unquoted)</b>						
Chamoli Hydro Power (p) Ltd. (1,000 Equity Shares of Rs.10/- each fully paid up)	10,000.00		10,000.00		10,000.00	
K M Shakar Karkhana Pvt. Ltd. (25000 equity shares of RS.10/- each fully paid up)	250,000.00		1,000,000.00		1,000,000.00	
<b>B. CURRENT INVESTMENT: (Quoted)</b>						
(1) Reliance Industries Ltd.(84 Equity Shares)						
(2) Reliance Communication (42 Equity Shares) *	420.00		11,300.00		11,300.00	
(3) Reliance Infrastructure Ltd. (3 Equity Shares) *						
(4) Reliance Capital Ltd. (2 Equity Shares) *						
(5) Reliance Natural (42 Equity Shares) * Shares of Rs. 10/-each fully paid up (Market Value Rs. 96319/- Previous year Rs.103505/-)						
* Received on demerger of Reliance Industries Ltd.						
* Received 42 equity shares on issue bones 1:1						
<b>TOTAL</b>			<b>1,021,300.00</b>		1,021,300.00	



## Schedule 5 - Fixed Assets

S.NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 1/10/2009	ADDITION	SALE/ ADJUSTMENT	BAL. AS AT 30/09/2010	AS AT 1/10/2009	DURING THE PERIOD	SALE/ ADJUSTMENT	BAL. AS AT 30/09/2010	BAL. AS AT 30/09/2010	BAL. AS AT 30/09/2009
1	LEASE HOLD LAND	2010875.67	-	0.00	2010875.67	0.00	0.00	0.00	-	2010875.67	2010875.67
2	BUILDING	37406580.11	-	0.00	37406580.11	16177565.71	1600427.19	0.00	17777992.90	19528567.21	21229014.40
3	PLANT & MACHINERY	1784853754.47	6796459.50	0.00	1791650213.97	926053972.75	132203963.53	0.00	1058257936.28	733392277.69	858799781.72
4	FURNITURE & FIXTURES	7983107.13	471641.31	4.00	8454748.44	5886452.01	477410.58	0.00	6363652.59	2090885.85	2096655.12
5	VEHICLE & CONVEYANCE	11227626.80	5238603.00	1009524.00	15456704.80	8593726.05	1502519.49	867630.00	9228615.54	6228089.25	2633899.75
6	OFFICE EQUIPMENTS	4785388.29	35500.00	32646.67	4788241.62	3477658.72	195690.27	14057.21	3659291.78	1128949.84	1307729.57
7	COMPUTER	7121412.58	660485.00	0.00	7781697.58	5650829.03	754466.43	0.00	6405295.46	1376802.12	1470583.55
8	TRACTORS & IMPLEMENTS AND PUMP SETS	1487849.20	-	0.00	1487849.20	1450112.12	101.45	0.00	1450213.56	37635.62	37737.08
	<b>SUB TOTAL (1 to 8)</b>	<b>1856876593.25</b>	<b>13202688.81</b>	<b>1042170.67</b>	<b>1869037111.39</b>	<b>967290316.39</b>	<b>136734578.95</b>	<b>881687.21</b>	<b>1103143208.13</b>	<b>765893903.26</b>	<b>889586276.86</b>
9	PLANT & MACHINERY UNDER ERECTION	8920877.60	16415840.10	6512354.03	16834363.66	0.00	0.00	0.00	0.00	16834363.66	8920877.61
	LESS: IMPAIRMENT OF ASSETS	- 5015328.90	-	0.00	5015328.90	0.00	0.00	0.00	0.00	5015328.90	- 5015328.90
	<b>NET ASSETS UNDER ERECTION</b>		<b>16415840.10</b>	<b>6512354.03</b>	<b>13809034.76</b>	<b>0.00</b>				<b>13809034.76</b>	<b>3905548.71</b>
	<b>GRAND TOTAL (1 to 9)</b>	<b>1860782141.95</b>	<b>29618528.91</b>	<b>7554524.70</b>	<b>1882846146.17</b>	<b>967290316.39</b>	<b>136734578.95</b>	<b>881687.21</b>	<b>1103143208.13</b>	<b>779702938.04</b>	<b>893491825.57</b>
	PREVIOUS YEAR	1864289128.52	23427049.33	26934035.70	1860782141.95	822626717.90	159105657.30	14442058.81	967290316.39	8934918425.37	

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



## Schedule 7' - Current Assets

PARTICULARS	Current Year						Previous Year					
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.		
<b>INVENTORIES (As valued and certified by the management)</b>												
(1) Stores & spares			43,811,419.64					45,179,238.79				
(2) Raw Material												
(a) Molasses in Distillery Division	2,526,172.38							2,375,796.50				
(b) Raw Material	-							-				
(c) Bio Compost Culture	-		2,526,172.38					-		2,375,796.50		
(3) Finished Goods												
(a) Spirit & Alcohol	10,883,368.46							14,345,476.39				
(b) Sugar	288,026,523.24							148,815,173.60				
(c) Molasses	2,076,448.35							2,861,975.92				
(d) Moti Super	1,125,898.96							2,029,809.49				
(e) Banked Power with UPPCL	1,564,108.00							1,401,004.00				
(f) Stock of sugar in trade	-		303,676,347.00					28,466,696.80		197,920,136.20		
(4) Stock in process												
(a) Sugar	-							-				
(b) Molasses (at estimated realisable value)	-				349,913,939.02			-			245,475,171.49	
<b>SUNDRY DEBTORS (Unsecured)</b>												
(a) Outstanding for a period exceeding six months												
(i) Considered Good	7,346,416.17							8,141,897.39				
(ii) Considered Doubtful	-							-				
(b) Other debts (Considered Good)	5,094,583.83		12,441,000.00		12,441,000.00		125,389,919.30	133,531,816.69		133,531,816.69		
<b>CASH AND BANK BALANCE</b>												
(a) Cash in Hand			837,908.74							114,861.64		
(b) Cash at Bank with Scheduled Banks												
(i) in Current Account			8,242,188.85							10,718,732.55		
(2) in Fixed Deposit			1,010,000.00							6,210,000.00		
(c) Molasses Storage Fund Deposit with State Bank of India (S/B Account)	4,094,666.58							3,955,122.58				
Less: Molasses Storage Fund (as per contra)	4,094,666.58							3,955,122.58				
(4) Cheques and Drafts in Transit			19,900.03		19,900.03				19,900.03		17,063,494.22	
<b>Total</b>											396,070,482.00	

Schedules ...



**Schedule '8' - Loans and Advances**

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>LOANS AND ADVANCES (Unsecured):</b>								
(i) Advances recoverable in cash or in kind or for value to be received								
(a) Considered Good	123,988,291.70				169,890,523.21			
(b) Considered Doubtful	4,987,959.75				4,987,959.75			
	<u>128,974,251.45</u>				<u>174,878,482.96</u>			
Less: Provisions made for doubtful debts	4,987,959.75		123,988,291.70		4,987,959.75		169,890,523.21	
(ii) Advance Excise duty			4,907,111.24				4,185,756.38	
(iii) Security Deposits			20,278,130.14				13,746,130.14	
(iv) Tax Payments:			2,668,506.56				594,562.56	
(v) Loan to others	1,920,649.72				1,920,649.72			
Less : Provision For Taxation	480,162.43		1,440,487.29		480,162.43		1,440,487.29	
<b>TOTAL</b>			<b>153,280,526.93</b>				<b>189,857,459.58</b>	

**Schedule '9' - Current Liabilities & Provisions**

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>A. CURRENT LIABILITIES</b>								
(i) Sundry Creditors	114,450,152.94				117,563,727.77			
(ii) Excise Duty Payable on Closing Stock	10,195,052.53				7,243,892.34			
(iii) Advance from Customers	3,300,186.11				5,486,161.51			
(iv) Security Deposits	9,136,061.77				8,423,499.52			
(v) Interest accrued but not due	5,374,453.35		142,455,906.70		7,353,499.00		146,070,780.14	
<b>B. PROVISIONS</b>								
(i) For Taxation								
Op Bal	45,966.18				19,801,068.18			
ADD provision for the year	-		45,966.18		-		45,966.18	
Less adjustment during the year	-				19,755,102.00			
(ii) For Fringe Benefit Tax								
Opening Balance	1,035,637.06				3,860,615.13			
Add : Provision for the year	-		59,581.06		213,865.93			
Less : Adjustments during the year	978,056.00				3,038,844.00			
(iii) Gratuity			4,481,125.00				2,554,113.00	
(iv) Leave encashment			2,361,062.00				1,629,316.00	
(v) Other provisions			280,000.00				479,650.00	
<b>TOTAL</b>			<b>149,663,640.94</b>				<b>151,815,462.38</b>	





### Schedule '10' - Sales

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sugar (Including Trading Sales of Rs. 176098943/-) (Previous Year -Rs. 74979391/-)	<b>1,371,831,136.83</b>		1,294,316,697.06	
Molasses	<b>103,992,546.90</b>		76,633,716.50	
Bagasse	<b>70,651,320.00</b>		31,093,807.08	
Biocompost Fertilizer	<b>1,063,200.00</b>		-	
Special Denaturated Spirit	<b>16,016,410.00</b>		5,898,246.00	
Rectified Spirit	<b>141,470,400.00</b>		90,620,500.00	
Ethanol	-		15,011,712.00	
Power	<b>120,430,705.80</b>		55,257,362.60	
<b>Total</b>	<b>1,825,455,719.53</b>		1,568,832,041.24	

### Schedule '11' - Other Income

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Interest	<b>598,578.48</b>		309,251.52	
Miscellaneous Income	<b>3,422,659.65</b>		5,492,212.40	
Rent	<b>415,528.53</b>		549,892.58	
Misc. Balances Written Back	<b>1,622,969.38</b>		554,940.72	
Insurance Claim Received	<b>267,572.00</b>		1,254,118.00	
Buffer Stock Subsidy	-		15,365,763.00	
Profit on Sale of Assets	<b>58,106.00</b>		8,941,540.70	
Carbon Credit Receipt	<b>14,812,298.00</b>			
<b>Total</b>	<b>21,197,712.04</b>		32,467,718.92	

Schedules ...



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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Opening Stock								
Finished Goods	197,920,136.20				553,067,579.30			
Work in Progress	-		197,920,136.20		757,452.00		553,825,031.30	
Closing Stock								
Finished Goods	303,676,347.00				197,920,136.20			
Work in Progress	-		303,676,347.00		-		197,920,136.20	
Difference of Excise Duty on opening and opening stock			- 3,360,264.68					29,513,887.09
<b>INCREASE/(DECREASE) IN STOCK</b>			<b>102,395,946.13</b>					<b>326,391,008.01</b>

**Schedule '13' - Raw Material Consumed**

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
<b>SUGAR DIVISION</b>								
Cane Price	1,216,027,278.95				485,931,723.08			
Commission on Cane	19,754,629.55				7,976,096.52			
Cane Transport Charges	6,656,796.29				7,229,857.26			
Purchase Tax on Cane	10,143,103.18				6,550,133.00			
Development Expenses	35,184,935.00				7,798,935.42			
Miscellaneous Expenses	2,059,082.82		1,289,825,825.79		873,517.40		516,360,262.68	
<b>DISTILLERY DIVISION</b>								
Molasses Purchased	114,566,329.20				78,232,604.50			
Add: Opening Stock Molasses	2,375,796.50				13,442,901.98			
Less: Closing Stock Molasses	2,526,172.38		114,415,953.33		2,375,796.50		89,299,709.98	
<b>POWER DIVISION</b>								
Bagasse consumed			70,651,320.00				28,805,400.00	
Shifting & Transportation			148,106.00				160,728.00	
<b>Total</b>			<b>1,475,041,205.12</b>				<b>634,626,100.66</b>	



## Schedule '14'

### Manufacturing, Operational, Administrative and Other Expenses

# Schedules ...

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Consumption of Stores & Spares			30,330,847.53				24,325,715.88	
Power and Fuel			49,055,464.38				31,554,650.11	
Repairs and Maintenance :								
Plant & Machinery	43,428,580.52				41,098,499.46			
Buildings	5,788,169.74				7,108,517.11			
Other Assets	2,876,922.01		52,093,672.27		3,442,449.96		51,649,466.53	
Printing & Stationery			541,185.77				492,949.64	
Rent, Rates and Taxes			4,353,681.49				3,505,631.50	
Charity & Donation			127,710.00				61,304.00	
Insurance			2,252,497.00				2,158,814.87	
Selling Expenses :								
Commission to Selling Agents	7,323,705.00				2,861,114.00			
Other Selling Expenses	6,184,886.00				4,773,482.36			
Selling Expenses on Sugar Trading	2,357,006.00		15,865,597.00		1,025,537.00		8,660,133.36	
Communication Expenses			1,061,920.97				895,013.82	
Travelling Expenses			10,965,564.68				10,313,921.30	
Advertisement			311,093.86				473,259.00	
Consultancy & Legal Expenses			2,768,795.50				2,587,082.00	
Bank Charges			4,893,821.00				3,091,016.85	
Lab Chemical			124,326.00				45,016.00	
Auditors' Remuneration :								
Statutory Audit fee	200,000.00				200,000.00			
Tax Audit Fee	100,000.00		300,000.00		100,000.00		300,000.00	
Directors' Sitting Fee			35,000.00				60,000.00	
Directors' Remuneration			5,282,321.00				5,255,000.00	
Miscellaneous Expenses			6,603,736.81				7,370,832.12	
Licence Fees			337,550.00				337,550.00	
Balance Written off							89.32	
Sample Testing Fee			8,726.00				5,920.00	
Preliminary expsenses written off			5,585,827.00				5,585,826.04	
Transit Sugar Loss			209.60				451.09	
Loss on Sale of obsolete stores			10,589.46				1,057,775.20	
<b>TOTAL</b>			<b>192,944,518.12</b>				<b>159,787,418.63</b>	

## Schedule 15- Payments to & Provisions for Employees

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Salaries and Wages	55,745,774.07		41,367,865.63	
Bonus & Ex-gratia	1,256,025.00		1,019,946.12	
Contribution to provident Fund and other Funds	4,255,844.00		3,594,634.00	
Workmen and Staff Welfare Expenses	1,471,433.99		831,259.04	
Gratuity	3,334,650.00		2,193,545.00	
<b>TOTAL</b>	<b>66,063,727.06</b>		<b>49,007,249.79</b>	



Schedule '16' Interest

Schedules ...

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Cash Credit	67,550,857.39		67,336,246.00	
Term Loan	59,632,306.57		51,911,770.17	
Others	1,235,646.00		323,243.00	
<b>Total</b>	<b>128,418,809.96</b>		<b>119,571,259.17</b>	



## Schedule '17' Notes to the Accounts

### 1. Significant Accounting Policies

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

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

#### b) Fixed Assets

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

#### c) Revenue Recognition

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

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

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

realizable value.

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

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

Raw Materials, stores & spares and other components

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

#### e) Investments

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

#### f) Employees Benefits

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

#### g) Borrowing Costs

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

#### h) Government Grants

Government Grants in the nature of Government



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

**i) Financial Derivatives and Commodity Hedging Transactions**

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

**j) Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized on timing differences between accounting income and taxable income for the period, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

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

**k) Impairment of Assets**

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

**l) Public Issue Expenditure**

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

**m) Leases**

Assets acquired as leases where a significant portion of the

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

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

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

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

**o) 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.

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.

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

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

(a) Claims against the Company not acknowledged as debts (as certified by the management) in respect of pending cases of employees under labour laws - Rs.105.67 lacs (Previous Year Rs.47.36 lacs).



- (b) Claims against the company not acknowledged as debts (as certified by the management) in respect of criminal and Civil Cases Rs.35.23 lacs (Previous Year Rs.42.10 lacs).
- (c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous Year Rs.37.32 lacs).
- (d) Bank guarantees given to the Central Government, Excise Department, Indian Oil Corporation and U.P. Pollution Control Board aggregating to Rs.39.70 lacs (Previous Year Rs.39.70 lacs).
- (e) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company - outstanding loan as on 30.09.2010 Rs.6.84 lacs (Previous Year - Rs.10.48 lacs).
- (f) Disputed sales tax and excise duty cases - Rs.500.20 lacs (Previous Year Rs.431.58 lacs)

Description	Amount (Rs.) Current Year	Amount (Rs.) Previous year
Central Excise Act	0.51 lacs	0.51 lacs
Sales Tax/Trade Tax/	438.02 lacs	370.28 lacs
Entry Tax		
Income Tax	61.67 lacs	60.79 lacs
<b>Total</b>	<b>500.20 lacs</b>	<b>431.58 lacs</b>

**3. Employee Benefits**

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

- a) Defined contribution plans  
Provident Fund

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

	Current Year	Previous year
Employers' contribution to provident fund	Rs.42,55,844/-	Rs.35,94,634/-

- a) Defined benefits plans
  - i) Gratuity
  - ii) Leave encashment

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

(Amount in Rs.)

	Gratuity Current year	Gratuity Previous year	Leave Encashment Current year	Leave Encashment Previous year
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Future salary increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	0%	0%	0%	0%
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
<b>I. Expenses recognized in profit and loss account</b>				
Current service cost				
Interest cost	10,72,724	9,56,399	3,98,331	2,77,111
Expected return on plan assets	9,09,806	7,52,035	1,16,221	84,970
Net actuarial loss/ (gain) recognized in the year	18,51,928	7,50,185	3,89,753	3,10,259
<b>Net expenses recognized</b>	<b>38,34,458</b>	<b>24,58,619</b>	<b>9,04,305</b>	<b>6,72,340</b>
<b>II. Net liability/(assets) recognized in the balance sheet as at 30<sup>th</sup> September, 2010</b>				
Present value of obligation at the end of period				
Fair value of the plan asset at the end of period	1,48,83,624	1,14,03,812	23,61,062	14,56,757
Funded status [(surplus)/(deficit)]	(40,96,043)	(21,69,577)	(23,61,062)	(14,56,757)
<b>Net (asset)/liability as at 30<sup>th</sup> September, 2010</b>	<b>1,48,83,624</b>	<b>1,14,03,812</b>	<b>23,61,062</b>	<b>14,56,757</b>
<b>III. Change in present value of obligation during the year</b>				
Present value of obligation at the beginning of period	1,14,03,812	94,26,269	14,56,757	10,65,039
Current service cost	10,72,724	9,56,399	3,98,331	2,77,111
Interest cost	9,09,806	7,52,035	1,16,221	84,970
Benefits paid	(3,54,646)	(4,81,076)	-	(2,80,622)
Actuarial loss/ (gain) on obligations	18,51,928	7,50,185	3,89,753	3,10,259
<b>Present value of obligation at the year end</b>	<b>1,48,83,624</b>	<b>1,14,03,812</b>	<b>23,61,062</b>	<b>14,56,757</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	92,34,235	90,79,722	-	-
Expected return on plan assets	6,93,182	-	-	-
Contributions	15,72,800	-	-	-
Benefits paid	3,54,646	4,81,076	-	-
Actuarial loss/ (gain)	3,57,990	(6,35,589)	-	-
<b>Fair value of plan assets at the year end</b>	<b>1,07,87,581</b>	<b>92,34,235</b>	-	-
<b>Details of plan asset</b>	<b>Gratuity Trust</b>	<b>Gratuity Trust</b>	<b>NIL</b>	<b>NIL</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.5,05,730/- of Distillery Division & Rs.16,34,052/- of Co-Gen Division is not funded.

- 4. Advances recoverable in cash or in kind or for value to be received shown under Schedule '8' includes certain advances given to suppliers of raw material, revenue purchases and capital goods, which are adjustable against the supply of goods but are running due from earlier years. The management is of the opinion that these balances are recoverable/adjustable. Accordingly, provision against the same has not been considered at this stage.



## K.M.SUGAR MILLS LIMITED

# Schedules ...

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

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

5. Certain bank accounts included in Schedule 7 of 'Current Assets' under the sub-head 'Bank Balance' are non-operating for last some period and are also subject to reconciliation and receipt of confirmation and therefore, amount shown in respect of those bank accounts in the financial statements are as per books of account only.
6. In view of the decision of Hon'ble Supreme Court, extra price and excise duty realized on levy sugar in earlier years amounting to Rs.67.11 lacs for funding under the Sugar Price Equalization Fund Act, 1976 was transferred to Sugar Price Equalization Reserve Account. Later on as per the order dated 22.09.1993 of Hon'ble Supreme Court, a sum of Rs.17.90 lacs was paid to the Government out of bank guarantee furnished by the Company and further, during the year 1998-99 a sum of Rs.1.00 lacs was paid towards Excise Duty on the above. The company has further made a payment of Rs.35.81 lacs during the year 2005-06 to the Government of India against the bank guarantee furnished by it along with interest of Rs.118.25 lacs thereon. Still a sum of Rs.12.40 lacs is lying in the Sugar Price Equalisation Reserve as on 30.09.10 shown under Schedule-2 of "Reserve & Surplus".
7. The Company has accounted for cane purchases for Sugar season 2007-08 at Rs.110 per quintal, the rate at which it has made payment to the cane growers as per the interim order of the Hon'ble Supreme Court, against the State Advised Price of Rs.125 per quintal fixed by Uttar Pradesh State Government. Necessary adjustments, if any, will be made in accordance with subsequent orders of the Hon'ble Supreme Court in the matter.
8. Certain balances in personal account of various debtors, advances, deposits account, and creditors are subject to

reconciliation and confirmation by the respective parties and in some of the cases, the amount is overdue for last some years. Consequential revenue impact, if any, is not ascertainable. However, the balances disclosed in the financial statements are as per books of account only and no provision against them has been considered in the books by the management as in their view, the realization from these assets in the ordinary course of business would not be less than the amount at which they are stated in the books of account. Further, there is no system of charging interest on amount due from sundry debtors and the parties to whom advances extended in the ordinary course of business and which remains due for a substantial period.

9. The company received a loan of Rs.858 lacs under the Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 (SEFASU) during the year for payment of cane dues of the season 2006-07 at zero rate of interest. However, if company defaults in complying with the terms and conditions of the said loan, it would be liable to pay interest at the rate of 12% p.a. The amount outstanding as at 30 September, 2010 is Rs.593.30 lacs (Previous Year Rs.858.00 lacs).
10. The quantity of pressmud and bagasse has not been ascertained as on 30.09.2010 and therefore, the value of closing stock of pressmud and bagasse is shown at Nil.
11. Unsecured Loans includes a loan from U.P. Government amounting to Rs.14.50 lacs. The issue relating to interest payable thereon is under dispute and is sub-judice before the Hon'ble Allahabad High Court. However, as per the interim order of the Court a fixed deposit of Rs.14.50 lacs has been kept with the District Magistrate, Faizabad. In opinion of the management, the interest due on fixed deposit is sufficient to meet out the interest liability of the Company on the said loan and as such, no interest is being provided for in these financial statements.
12. Advance excise duty includes excise duty paid under protest Rs.30.85 lakhs on clearance of Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) on stock held on 28.02.02 and manufactured and cleared after 01.03.02 from the molasses stock.
13. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.
14. In order to mitigate the risk of price fluctuations of the sugar being manufactured by the Company, it engaged itself in the commodity hedging contracts and resultant gains/(loss) is generally included in the sugar sales.





15. Related Party Disclosures:-

Pursuant to compliance of Accounting Standard (AS 18) on related party disclosure, the relevant information is provided here below:-

a) Related party where control exist

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

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

i. Key Management Persons (Group A)

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

ii. Key Management Persons' relatives (Group B)

- ❖ Smt. Reena Agarwal (Wife of Shri. S. C. Agarwal)
- ❖ P. C. Jhunjhunwala
- ❖ P. C. Jhunjhunwala (HUF)
- ❖ L. K. Jhunjhunwala (HUF)
- ❖ A. K. Jhunjhunwala (HUF)

- ❖ S. K. Jhunjhunwala (HUF)
- ❖ Smt. Naina Jhunjhunwala (Wife of Shri L.K. Jhunjhunwala)
- ❖ Smt. Priti Jhunjhunwala (Wife of A. K. Jhunjhunwala)
- ❖ Smt. Priti Jhunjhunwala (Wife of S. K. Jhunjhunwala)

iii. Associates (Group C)

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

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

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

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

(Rs. In Lacs)

S.No	Nature of Transaction	Group				Total Current Year (Previous year)
		A C.Y. (P.Y.)	B C.Y. (P.Y.)	C C.Y. (P.Y.)	D C.Y. (P.Y.)	
1	Interest paid	- (-)	- (-)	- (-)	- (-)	- (-)
2	Interest received	- (-)	- (-)	- (-)	- (-)	- (-)
3	Remuneration	52.80 (68.60)	2.94 (-)	- (-)	- (-)	55.74 (68.60)
4	Sugar Sale	- (-)	- (-)	1533.73 (2083.31)	- (-)	1533.73 (2083.31)
5	Commission Paid	- (-)	- (-)	- (3.11)	- (-)	- (3.11)
6	Sugar Purchases	- (-)	- (-)	355.77 (-)	- (-)	355.77 (-)
7	Rent	- (-)	- (-)	12.03 (11.40)	- (-)	12.03 (11.40)
8	Advance given	9.24 (-)	- (5.44)	518.83 (-)	- (-)	528.07 (5.44)
9	Advance taken	15.20 (-)	- (-)	689.12 (1897.25)	0.22 (-)	704.54 (1897.25)
10	Security deposit given	- (-)	- (-)	81.00 (-)	- (-)	81.00 (-)
11	Outstanding Balances as on 30.09.2010 on account of:					
	a) Receivables	1.32 (1.16)	5.44 (-)	139.76 (1561.70)	- (-)	146.52 (1562.86)
	b) Payables	19.44 (7.13)	- (-)	6.18 (1.06)	1.01 (-)	26.63 (8.19)
	c) Security deposit given	- (-)	- (-)	81.00 (-)	- (-)	81.00 (-)



**K.M.SUGAR MILLS LIMITED**

**Schedules**

16. Segment Reporting: Information on the Segment Reporting of the Group for the year ended 30.09.10

(Figures in Rs. Lakhs)

Particulars	Sugar		Distillery		Co-Generation		Unallocated		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenue</b>										
External	13728.94	12977.97	1574.86	1115.30	883.96	354.10	-	-	16187.76	14447.37
Inter Segment	1746.44	1042.47	-	-	320.34	198.47	-	-	2066.78	1240.94
Total Revenue	15475.38	14020.44	1574.86	1115.30	1204.30	552.57	-	-	18254.54	15688.31
<b>Segment Result</b>	(948.58)	2333.88	(49.84)	(7.08)	(188.58)	(704.39)	(0.28)	(0.38)	(1187.28)	1622.02
Less: Interest	780.03	673.58	18.66	19.24	485.49	502.89	0.00	0.00	1284.18	1195.71
Extra-ordinary items	0.84	(38.72)	0.00	0.00	(2.24)	0.70	0.00	0.00	(1.40)	(38.02)
Profit/(Loss) before Tax	(1727.77)	1621.58	(68.50)	(26.32)	(676.31)	(1206.58)	(0.28)	(0.38)	(2472.86)	388.30
<b>Other Information</b>										
Segment Assets	8526.89	9481.22	622.05	710.39	3896.26	4594.01	18.50	18.79	13063.70	14804.41
Segment Liabilities	6706.67	5425.10	255.38	249.05	4420.55	5012.57	7.96	7.96	11390.56	10694.68
Capital Expenditure*	233.89	90.37	0.52	0.10	0.00	28.64	-	-	234.41	119.11
Depreciation	616.68	710.31	52.42	61.69	697.96	818.67	0.28	0.38	1367.34	1591.05

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

17. (a) Sundry Creditors (Schedule-9) includes a sum aggregating Rs.56.56 lacs due to small scale industrial undertakings out of which the parties from whom the Company owes any sum which is outstanding for more than 30 days from the Balance Sheet. The above information has been compiled in respect of the parties which could be certified as small scale industrial undertakings on the basis of information in possession of the company to the extent.

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

**18. Earning Per Share**

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

	2009-10	2008-09
	(Amount in Rs. lacs)	
Net Profit/Loss after tax as per Profit & Loss account	(1829.71)	421.58
No. of Equity Shares of Rs. 2 each	92000170	92000170
Earning Per Equity Share (Basic & diluted)	(1.99)	0.46

Equity share of Rs.10/- each of the company has been subdivided into 5 equity shares of Rs.2/- each in terms of approval of the shareholders in their meeting held on March 08, 2010 and accordingly new equity shares of Rs.2/- each has been issued to the shareholders of the company in the month of March, 2010.



19. Directors' Remuneration:-

S. No.		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	2100000 (2225000)	2400000 (2400000)	760000 (630000)
b)	Contribution to Provident Fund (Previous Year)	(267000)	288000 (288000)	9360 (9360)
c) Perquisites:				
	(i) Residence -Furnished (Previous Year)	- (17270)	- (-)	- (-)
	(ii) Residence -Unfurnished (Previous Year)	- (-)	- (-)	58500 (33000)
	(iii) Medical Reimbursement (Previous Year)	(2058)	8000 (276650)	4948 (-)
	(iv) Other benefits	- (-)	- (721481)	423211
	Total (Previous Year)	2100000 (2511328)	2696000 (3686131)	895129 (1672360)

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

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

20. Provision for Deferred Tax

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

(Figures in Rs.)

Particulars	Deferred Tax Liability/(Assets)	
	2010	2009
Fixed Assets	155122426	181727362
Accumulated Losses	(133832667)	(87123549)
Others	(1330654)	(10329395)
Net deferred tax liability	19959105	84274418

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

21. Statement of additional information:-

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

(i) Sugar Division

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock Qtls.	Stock Adj. Qtls.	Production Qtls.	Re-Processing Qtls.	Purchases Qtls.	Sales Qtls.	Sale Value Rs. Lakhs	Closing Stock Qtls.
1	Sugar Current Year (Previous Year)	6500 TCD	71201.00 (317042.00)	0.00 (217.00)	457567.00 (292355.00)	3453.00 (4000.00)	Nil	420201.00 (537979.00)	11957.32 (12193.37)	105114.00 (71201.00)
2	Molasses Current Year (Previous Year)	Nil	123642.75 (119190.81)	- (540.85)	259221.48 (178470.94)	- Nil	- Nil	256065.45 (173478.15)	1039.93 (766.34)	126798.78 (123642.75)
3	Sugar for Trading Current Year (Previous Year)		9955.00 (29508.00)	- (772.15)	NA NA	NA NA	22050.00 23734.00	32005 42514.85	1760.99 749.79	- (9955.00)

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

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



**K.M.SUGAR MILLS LIMITED**

**Schedules**

(ii)

Sl No.	Class of Goods	Capacity Licensed and Installed	Opening Stock Bl.	Stock Adj. Bl.	Production Bl.	Transfer to other process Bl.	Sales Bl.	Sales Value Rs. in Lacs	Closing Stock Bl.
<b>DISTILLERY DIVISION</b>									
1	Rectified Spirit (Previous Year)	(50KLPD)	556336.70 (45633.50)	(Nil)	5896503.70 (4416774.70)	850972.50 (734021.50)	5352400.00 (3172050.00)	1414.70 (906.20)	249467.90 (556336.70)
2	Special Denaturated Spirit (Previous Year)		4147.10 (11390.90)	-	849484.75 (182756.20)	-	670000.00 (190000.00)	160.16 (58.98)	183631.85 (4147.10)
3	Extra Neutral Alcohol (Previous Year)		4586.40 (4586.40)	-	-	-	- (Nil)	- (Nil)	4586.40 (4586.40)
4	Ethanol (Previous Year)		- (107921.30)	- (503.80)	- (514582.50)	-	- (622000.00)	- (150.12)	- (Nil)
<b>BIO-COMPOST</b>									
1	Fertiliser Bio-Compost (Previous Year)		43786 Bags (43786Bags)				19500 Bags		24286 Bags (43786B ags)

(iii) Co-generation Division

Sl. No.	Class of Goods	Capacity Licensed and installed	Opening Stock (Units KW)	Production (Units KW)	Sales (Units KW)	Sale Value Rs. Lakhs	Used for captive consumption	Closing Stock (Units KW)
1	Power (Previous Year)	(25 MW)	465450 (913232)	36766000 (22079000)	24215710 (19588658)	1204.30 (552.57)	12611264 (2938124)	404476 465450

B) Expenditure in Foreign Currency: -  
Traveling (Directors) Rs 11.59 lacs (P.Y.-Rs.13.87 lacs)

22. Payments to Auditors:-

C) Break up of Raw Materials and components consumed.

	Qty.(Qtls.)	Rs. In Lacs
1) Raw Materials		
Cane- Sugar Division (Previous Year)	5070800.71 (3274866.32)	12160.27 (4859.32)
Molasses- Distillery Division (Previous Year)	280366.20 (208948.55)	1144.16 (892.99)
2) Stores (Previous Year)	--	303.30 (243.26)
3) Bagasse (Co-Generation) (Previous year)	1177520.00 (960180.00)	707.99 (288.05)

	2009-10	2008-09
(Amount in Rs. lacs)		
- Audit Fee	2.00	2.00
- Tax Audit Fee	1.00	1.00
<b>Total</b>	<b>3.00</b>	<b>3.00</b>

23. Sales includes inter division transfer of molasses for Rs.1039.93 lacs (P.Y. Rs.754.42 lacs) bagasse for Rs.706.51 lacs (P.Y. Rs.288.05 lacs) and power for Rs.320.34 lacs (P. Y. Rs.198.47 lacs) for own consumption at market price.

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

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

26. Schedule 1 to 17 forming part of the Balance Sheet as at 30th September, 2010 and Profit & Loss Account for the year ended on that date.

For and on behalf of  
**MEHROTRA & MEHROTRA**  
Chartered Accountants

For and on behalf of the Board of Directors

Place: Lucknow  
Date: 30.11.2010

Sd/-  
Rajesh Jhalani  
Partner  
M.No.74809

Sd/-  
S. Jhunjhunwala  
Joint Managing Director

Sd/-  
A. K. Jhunjhunwala  
Managing Director

Sd/-  
Akhilesh Kumar Singh  
Company Secretary



## Cash Flow Statement

S.No.	Particulars	Sep' 10		Sep' 09	
		Amount in lacs (RS)		Amount in Lacs (Rs)	
	<b>Cash Flow from operating activities</b>				
	Net Profit before Tax		(2472.87)		388.30
	<b>Adjustment for :-</b>				
	Depreciation for the year	1359.17		1581.40	
	Interest income received	(5.99)		(3.09)	
	Profit on sale of Fixed Assets	(0.58)		(89.42)	
	Loss on sale of obsolete stores	0.11		10.58	
	Preliminary expenses & amortisation written off	55.86		55.86	
	Miscellaneous expenses written off/(back) (Net)	(16.23)		(5.55)	
	Provision for leave encashment/Gratuity	26.39		26.67	
	Bad debts written off	0.00		12.24	
	Provision for bad debt	0.00		4.80	
	Interest expenses	1284.19	2702.91	1195.71	2789.20
	<b>Operating Profit before working capital changes</b>		230.04		3177.50
	(Increase)/Decrease in trade receivables	1210.91		(620.28)	
	(Increase) / Decrease in inventories	(1043.39)		3721.96	
	Increase / (Decrease) in trade payables & Others	(31.68)		(3312.53)	
	<b>Cash Generated from Operations</b>		135.84		(210.85)
	Direct Tax Paid		(25.00)		0.00
	Other adjustments		(6.65)		0.00
A.	<b>Net Cash From Operating Activities</b>		334.23		2966.65
	<b>Cash Flow from investing activities</b>				
	Purchase of fixed assets	(234.41)		(168.41)	
	(Increase) / Decrease in deposits and advances	340.77		510.05	
	Proceeds from sale of fixed assets	2.09		97.30	
	Interest income received	5.99		3.09	
B.	<b>Net Cash From Investing Activities</b>		164.44		442.03
	<b>Cash Flow From Financing activities</b>				
	Proceeds from long term borrowings	659.01		(642.89)	
	Proceeds from short term borrowings	33.37		(2082.09)	
	Interest Paid	(1259.18)		(1177.50)	
C.	<b>Net Cash From Financing Activities</b>		(566.80)		(3902.48)
	<b>Net increase in Cash &amp; Cash Equivalents (A+B+C)</b>		(68.13)		(493.80)
D.	Cash & Cash Equivalents at the beginning of the Year		210.18		703.98
E.	Cash & Cash Equivalents at the end of the year		142.05		210.18
	<b>Increase in Cash &amp; Cash Equivalents (D-E)</b>		(68.13)		(493.80)

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

For & on behalf of Board of Directors

Date: November 30, 2010  
Place : Lucknow

Sd/-  
RAJESH JHALANI  
Partner  
M.No.74809

Sd/-  
S. JHUNJHUNWALA  
Jt. Managing Director

Sd/-  
A.K.JHUNJHUNWALA  
Managing Director

Sd/-  
AKHILESH KUMAR SINGH  
Company Secretary

Cash Flow Statement...

**Balance Sheet Abstract and Company's General Business Profile****Balance Sheet Abstract ...****I. Registration Details**

Registration No	3492	State Code	20
Balance Sheet Date	30.09.2010		

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

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

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

Total Liabilities	1,594,939	Total Assets	1,594,939
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## Sources of Funds:

Paid up Capital	184,000	Reserves & Surplus	401,587
Share Application money	-	Unsecured Loans	106,443
Secured Loans	882,949	Deferred Tax Liability	19,959

## Application of Funds:

Net Fixed Assets	779,703	Investments	1,021
Net Current Assets	375,982	Misc. Expenditure	-
Accumulated Losses	438,233		

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

Turnover	1,906,048	Total Expenditure	2,153,195
Profit/(Loss) Before Tax	(247,147)	Profit/Loss after Tax	(182,972)
Earning per Share (Rs.)	(1.99)	Dividend	Nil

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

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

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

For & on behalf of Board of Directors

Date: November 30, 2010  
Place : Lucknow

Sd/-  
RAJESH JHALANI  
Partner  
M.No.74809

Sd/-  
S. JHUNJHUNWALA  
Jt. Managing Director

Sd/-  
A.K.JHUNJHUNWALA  
Managing Director

Sd/-  
AKHILESH KUMAR SINGH  
Company Secretary



## Auditor's & CEO/CFO Certification..

Auditor's & CEO/CFO Certification..

### AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

We have reviewed the implementation of corporate governance procedures by K.M. Sugars Mills Ltd during the year ended at September 30, 2010 as stipulated in the clause 49 of the listing agreement of the said company with Stock Exchanges, with the relevant records and documents maintained by the company furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedure and implementation thereof, adopted by the Company for ensuring the Compliances of condition of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our Opinion and to the best of our information and according to the information and explanation given to us, and the representations made by Directors and The Management, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

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

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

Sd/-#

(Amit Gupta)  
Proprietor  
C.P. No. 4682  
Place: Lucknow  
Dated : Feb 14, 2011

### CEO/CFO CERTIFICATION

The Board Of Directors,  
K.M.Sugar Mills Ltd.  
11,Moti Bhawan, Collectorganj  
Kanpur 208001

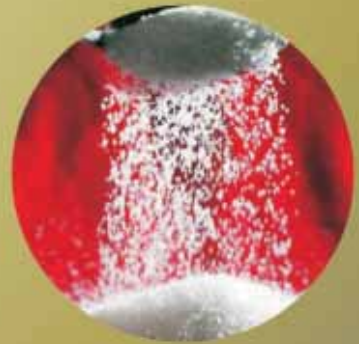
Re: Certification by CEO/CFO for Financial Year ended 30<sup>th</sup> September 2010,

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

- a) I have reviewed Balance Sheet as at September 30, 2010, Profit and loss Account, Cash Flow Statement and the Director's Report for the Financial Year 2009-2010 and based upon our knowledge and information confirm that
  - \* These statements do not contain any materially untrue statements or omit any material Fact or contain statements that might be misleading
  - \* These statements together present a true and fair view's of the company affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered in to by the Company during the year which were fraudulent, illegal or violative of the Company's code of conduct.
- c) I accept the responsibility of establishing and maintaining internal controls for financial reporting for the company and we have
  - \* Evaluated the effectiveness of the internal control systems of the Company
  - \* Disclosed to the auditor s and audit committees of the Board, deficiencies in the design and operation of the internal controls, if any of which we are aware and
  - \* Taken necessary steps or proposed to take to rectify these deficiencies
- d) I have indicated to auditors and the audit committees of the Board that there have been
  - \* No significant changes in internal control over the financial reporting during the year.
  - \* No significant changes in accounting policies during the year
  - \* No instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or and employee having significant role in Company's Control Systems

Sd/-

Subhash Chandra Aggarwal  
Executive Director  
(CEO)  
Place: Lucknow  
Dated : Feb 14, 2011







*Registered Office :*

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

*Corporate Office and Works :*

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