



K.M.SUGAR MILLS LIMITED



Annual Report
2011-2012





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Forward Looking Statement

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

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



Company Information

BOARD OF DIRECTORS

Chairman

Shri L. K. Jhunjhunwala

Whole Time Director

Shri Aditya Jhunjhunwala, Managing Director

Shri Sanjay Jhunjhunwala, Joint Managing Director

Shri Subhash Chandra Agarwal, Executive Director

Non Executive and Independent Director

Shri H. P. Singhania

Dr. Kirti Singh

Shri R. S. Shukla

Shri S. K. Gupta

Company Secretary

Mr. Rajeev Kumar

Auditors

M/s. MEHROTRA & MEHROTRA,

Chartered Accountants,

C-561, DEFENCOLONY,

NEW DELHI - 110024

Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

ALLAHABAD BANK

Registered Office

11, Moti Bhawan, Collectorganj,

Kanpur - 208001 U. P.

Corporate Office & Works

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

Company Information ...



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, 2012.

Financial Performance

The Financial performance of the Company during the year 2011-2012 as under:

(Rupees in Lacs)

	2011- 2012	2010- 2011
Profit before interest, depreciation & tax	1862	1571
Less: Interest	(1390)	(1420)
Depreciation	(1034)	(1229)
Profit before tax	(562)	(1078)
Provision for taxation (including FBT)		
Provision for taxation (deferred)	(62)	(47)
Net Profit	(624)	(1125)
Earning Per Share of Rs 2/- each	(0.68)	(1.22)

Overall Performance

For the year ended on 30th September, 2012 sales stood at Rs. 25471.35 Lacs (net of excise duty) against the Rs. 28707.11 (net of excise duty) of last year. During the last financial year the company had done trading of sugar for Rs. 6837.87 lacs whereas during the reported financial year trading activity was done for Rs. 8206.96 lacs). Loss after interest and depreciation stood at Rs. 562 Lacs against the loss of Rs. 1078 Lacs in last year. Loss after tax for the year ended September 30, 2012 was Rs. 624 Lacs compared to loss of Rs. 1125 Lacs of the previous year.

Dividend

Due to accumulated losses your directors have not declared any dividend for the financial year ended September 30, 2012

Performance of Divisions

Sugar Division

Crushing season 2011-2012 was long Season for the Company. The company has crushed 68.41 Lacs qtl.

and the season runs for 116 days. The other details are as under:

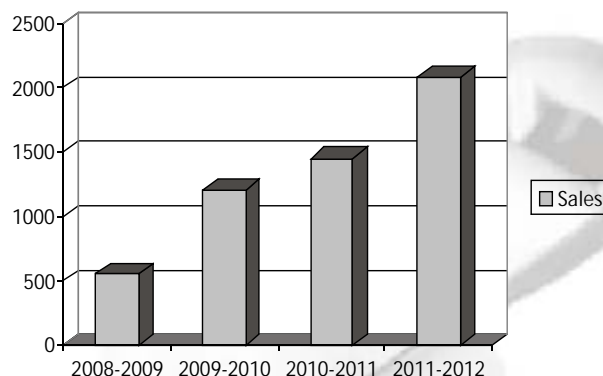
	Season 2011-2012	Season 2010-2011
Gross Working days	116	104
Total Cane Crushed (qtls.)	6841970.96	5485290.31
White sugar Produced (qtls)	653710	517375
Average Recovery	9.57%	9.45%

Cane Management

Cane management is the most indispensable part of the whole sugar manufacturing process. It is said "Sugar is produced in the field and extracted in the factory " This makes the Cane management as most important part of the Sugar Industry. The Uttar Pradesh Government through an order dated 08.11.2012 , raised the State Advised Cane Price (SAP) for the early maturing varieties from Rs. 205/- per quintals for the Sugar Season 2010-2011 to Rs. 240/- per quintal for the Sugar Season 2011-2012 and that for the early maturing varieties from Rs 210/- per quintals to Rs. 250/- per quintal. For the rejected varieties, the SAP was raised from Rs. 200/- per quintal to Rs. 235/- per quintal. Sugar Mills in UP pay SAP for sugar cane which historically is significantly higher than the FRP fixed by the Central Government.

Co-Generation:

During the crushing season reported the company produced only 56949160 MWh power and exported 40005496 MWh to UPPCL.



Distillery

During the year 2011-2012 Company Produced 71.510 Lacs BL of Rectified Spirit with recovery of 21.04%,



which is much better in Comparison of last year production of 53.98 Lacs BL. and has improved the recovery by 0.44% from last Financial Year 2010-2011

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

The Net worth of the Company has fully eroded. Accordingly the Directors have filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985

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 and Shri S K Gupta both are independent Directors of your Company are due to retire by rotation u/s 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for the same

Public Deposits

During the year 2011-2012 the company has not accepted any public deposits.

Listing Agreement

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

Directors' Responsibility Statement

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

- (i) that in the preparation of the annual accounts for the year ended on September 30, 2012 the applicable accounting standard have been followed by the Company.
- (ii) that the directors of the company have selected such accounting policies, applied them consistently, made judgments estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date.
- (iii) that the directors of the Company have taken proper and sufficient care for the maintenance of adequate accounting in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for detecting fraud and other irregularities; and
- (iv) that the directors of the Company have prepared the annual accounts on a going concern basis.

Conservation Of Energy, Technology Absorption and Foreign Exchange and Outgo

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

Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with



Companies (Particulars of Employees) Rules, 1975 as amended are given in 'Annexure 2' and forms part of this Report.

Corporate Governance

A certificate from M/s. Amit Gupta & Associates, Company Secretaries, regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement along with the report on Corporate Governance is attached to this report.

Management Discussion and Analysis Report

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

Research and Development

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

Industrial Relation

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

Acknowledgments

Yours Directors place on record their acknowledgment and sincere appreciation of all the bankers and financial institutions for their continued assistance. They further appreciate and acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

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

Sd/-
L.K. Jhunjhunwala
Chairman

Date: 11.02.2013
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 th September, 2012	Previous year ended at 30 th September, 2011
Electricity			
Purchased Unit	Kwh	Nil	Nil
Total Amount	Rs.	Nil	Nil
a) Own Generation			
i) Through Diesel Generation Units per litre of diesel kwh/litre	Kwh	Nil	Nil
ii) Through Steam Turbine generation Kg of Bagasse required kwh	Kwh	56949160	45561530 4.15
iii) Total units Generated Total Cost/ Unit	Kwh Rs.	56949160 2.92	45561530 2.08

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	Raw Juice Pump and water injection pump VFD installed.
2.	Benefits derived as results of the above R & D	1. Variation in process juice flow minimized and 20% power saving. 2. Breakage of condenser nozzle minimized due to reduction of pressure fluctuation in injection water pressure. 3. Injection water pressure maintained as required.
3.	Further plan of action	Evaporative condenser is being installed for distillery spent wash concentration (Approx. 75% of spent wash will be evaporated) through hot water of condenser of condensing turbine.
4.	Expenditure on R & D i) Capital ii) Recurring Expenditure iii) Total iv) Total R & D expenditure as a percentage of total turnover	i - Rs. 3.00 Lacs Approx. ii - Rs. 0.25 Lacs Approx. iii - Rs. 3.25 Lacs Approx.



II. Technology absorption, adaptation and innovation:

III. Foreign Exchange earnings & Outgo

Sl. No.	Activities relating to exports initiative taken to increase exports	Rs. in Lacs
i)	Development of new export market for product and services and export plan	39.94
ii)	FCNR Interest	30.98
iii)	Total foreign exchange earnings	595.66
iv)	Used	666.58

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, 2012.

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

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

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

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

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

Sd/
L. K. Jhunjhunwala
Chairman

Date: 11.02.2013
Place: Lucknow



Corporate Governance Report

Corporate Governance Report

Directors' Report on Corporate Governance

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

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

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

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

2. Board of Directors

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

Pursuant to the provisions of Clause 49 of the Listing Agreement, the Board has laid down a Code of Conduct for all Board members and Senior Management of the Company and the same is available on the website of the Company (www.kmsugar.com). All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2012, the board consists of eight directors; out of which four are executive directors and four are non-executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

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

During the year ended on 30th September, 2012, four Board meetings were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012. 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 Board Meeting attends	Attendance at last AGM
1. Mr. L. K. Jhunjhunwala	Promoter, Executive	-	4	NO
2. Mr. Aditya Jhunjhunwala	Promoter, Executive	2	1	Yes
3. Mr. Sanjay Jhunjhunwala	Promoter, Executive	-	2	No
4. Mr. S. C. Agarwal	Independent, Executive	-	4	Yes
5. Mr. H. P. Singhania	Independent, Non-executive	1	2	Yes
6. Dr. Kirti Singh	Independent, Non-executive	-	2	No
7. Mr. R. S. Shukla	Independent, Non-executive	-	4	Yes
8. Mr. S. K. Gupta	Independent, Non-executive	-	4	Yes



Board Procedure

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

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

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

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

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

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

In respect of Directors seeking appointment or re-appointment, the Notice for the Annual General

Meeting contains all the relevant information, like brief resume of the Directors, nature of their expertise in specific functional areas and name of the companies in which they hold Directorship and Membership of any Committee of the Board.

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

Date of Board Meeting	Board Strength	Directors Present
13.08.2012	8	4
14.05.2012	8	5
13.02.2012	8	8
29.11.2011	8	6

3. Board Committees

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

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

Audit Committee

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

The Composition of the Audit Committee:-

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

**Terms of Reference and Powers:**

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

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

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

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

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

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

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

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

Meetings and Attendance:-

During the year four meetings of the Audit

Committee were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012

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

Remuneration Committee

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhania acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012. 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	4
3.	Mr. S. K. Gupta	Member	4	4

Remuneration Policy

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

Non-Executive Directors

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



Executive Directors

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

The remuneration paid to the directors during the year ending on 30th September, 2012 is as under:

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

*For reappointment of Mr. L.K. Jhunjhunwala, Mr. Aditya Jhunjhunwala, Mr. Sanjay Jhunjhunwala and Mr. S C Agarwal, Ministry Of Corporate Affairs approval is awaited

Shareholders' Grievance Committee

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

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

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

Insider Trading) Regulations, 1992.

During the year, 4 meetings of the Committee were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012. 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	4
3	Mr. S. K. Gupta	Member	4	4
4	Mr. Aditya Jhunjhunwala	Member	4	1

General Body Meeting

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

Day & Date : 22nd March, 2013
 Time : 11.00 AM
 Venue : Kahana continental
 Coco cola Crossing Kanpur

Dates of Book Closure:

From 18th March 2013 to 22nd March 2013, both days inclusive

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

Financial Year	Day & Date	Location	Time
2008-09	08.03.2010	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur - 208001	11.00AM
2009-10	25.03.2011	Check Mate, Banquet hall, 7/17/2 Parvati Vagla Road, Tilak Nagar, Kanpur - 208001	11.00AM
2010-2011	19.03.2012	Kahana continental Coco cola Crossing Kanpur	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.

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

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

Compliance

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

Compliance with Corporate Governance Norms:-

The Company has complied with Mandatory requirements of the Code of Corporate Governance as Stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has submitted its Compliance Report in the prescribed format to the Stock Exchange for the quarters ended 31.12.2011 , 31.03.2012 , 30.06.2012 & 30.09.2012 . The Statutory auditors have certified that the company has complied with the Corporate Governance norms as stipulated by the Stock Exchanges under Clause 49 of the Listing agreement. The said certificate is send to the Considered Stock Exchange Where Company is registered.

Reconciliation of the Share Capital Audit:

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

Code of Conduct

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



Communication

The quarterly and annual results of the Company are published in prominent newspapers viz. 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, which provides the Comprehensive details of the operations of the Company. The management discussion and analysis report forms a part of the annual report.

pursuance of circular bearing no.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, various notices/ documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, etc) are being sent to the shareholders through electronic mode to the registered e-mail addresses of the shareholders.

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

Listing on Stock Exchanges

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

Listing fees for the financial year 2011-2012 has been paid to all the concerned stock exchanges by the Company.

Depositories:

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

Compliance officer

Mr. Rajeev Kumar is the Compliance Officer of the Company.

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

Stock Market Data

Month	Quotation at BSE			Quotation at NSE		
	High	Low	Closing	High	Low	Closing
October 11	2.83	2.56	2.76	2.35	2.25	2.35
November 11	2.42	2.14	2.25	2.25	2.00	2.20
December 11	2.13	2.02	2.11	1.90	1.80	1.90
January 12	2.77	2.26	2.59	2.75	2.35	2.55
February 12	2.65	2.40	2.45	2.60	2.20	2.40
March 12	2.40	2.20	2.22	2.45	2.10	2.25
April 12	2.20	1.95	2.20	2.25	2.00	2.10
May 12	1.96	1.95	1.96	2.00	1.85	2.00
June 12	2.10	1.80	1.97	2.05	1.90	2.00
July 12	2.45	2.25	2.30	2.45	2.25	2.30
August 12	2.40	2.30	2.31	2.40	2.30	2.30
September 12	2.55	2.36	2.55	2.55	2.45	2.50



Shareholding pattern as on September 30, 2012

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group				
(1) Indian				
Individuals / Hindu Undivided Family	13	45180755	45180755	49.11
Bodies Corporate	5	16438570	16438570	17.87
Sub Total	18	61619325	61619325	66.98
(2) Foreign				
Total shareholding of Promoter and Promoter Group (A)	18	61619325	61619325	66.98
(B) Public Shareholding				
(1) Institutions				
Central Government / State Government(s)	1	1140	1140	0.00
Sub Total	1	1140	1140	0.00
(2) Non-Institutions				
Bodies Corporate	205	7398143	7398138	8.04
Individuals				
Individual shareholders holding nominal share capital up to Rs. 1 lakh	9554	13839684	13838659	15.04
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	35	8743664	8743664	9.50
Any Others (Specify)	138	398214	398214	0.43
Non Resident Indians	75	137098	137098	0.15
Clearing Members	63	261116	261116	0.28
Sub Total	9932	30379705	30378675	33.02
Total Public shareholding (B)	9933	30380845	30379815	33.02
Total (A)+(B)	9951	92000170	91999140	100.00
(C) Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00
(1) Promoter and Promoter Group	0	0	0	0.00
(2) Public	0	0	0	0.00
Sub Total	0	0	0	0.00
Total (A)+(B)+(C)	9951	92000170	91999140	100.00

Notes :

Demat of Shares

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

Share Transfer System

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

Distribution of Shareholding

Category	No. of Shareholders	% of Total	Shares	% of Total
1-500	5231	52.5676	1878803	2.0422
5,001-10,000	2009	20.1889	1711773	1.8606
10,001-20,000	662	6.960	5518970	2.999
20,001- 30,000	285	2.997	4447160	2.417
30,001- 40,000	100	1.051	2570270	1.397
40,001- 50,000	50	0.526	1814940	0.986
50,001- 1,00,000	32	0.336	1505850	0.818
1,00,001 & Above	38	0.400	2902950	1.578
	61	0.641	152188700	82.711
TOTAL	9511	100.00	184000340	100.00

Plant Location

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

Non- Mandatory Requirements

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

Declaration

It is hereby declared that all the members of the Board and Senior Management personnel have affirmed compliance with the "Code of Conduct for Members of the Board and Senior Management of K M Sugar Mills Ltd." during the Financial Year ended 30th September, 2012.

For and on behalf of the Board of
K M Sugar Mills Limited

Sd/-
L K Jhunjhunwala
Chairman



Management Discussion and Analysis Report

Management Discussion and Analysis Report

Global Sugar Industry

Sugar Year 2011-2012 was the Second consecutive year with estimated sugar production of 173.5 mmt and a surplus of 5.2 mmt despite a decrease in production to 34.2 mmt in Brazil. India, China, Thailand, Russia and Australia have been the major producers who surpassed their 2010-2011 production and largely contributed to world surplus. The year however saw continuous downward revisions in the production estimates with the surplus which was originally estimated to be above 10 mmt, and finally settled at about 5 mmt. This was supported the raw sugar prices to remain sustained at an average level of 24cents/pound.

Sugar Production outlook for sugar year 2012-13 continue to remain positive for the third consecutive year. As per the latest estimates with a Production of 1774.4 mmt, there is a likely surplus of 5.9 mmt in the sugar year 2012-2013.

Consumption for the 2012-2013 sugar years is expected to be at 171.5 mmt, 1.9 % higher than 2011-2012. With the fall in the prices, consuming countries are expected to replenish their inventory levels which would mean higher trade flows and more distributed end stocks.

Industry Facts

- Sugar is one of world's major agro- based industries and is also one of the most actively traded soft commodities on the exchange
- More than 80 % of Sugar produced is from sugarcane while balance is from sugar beet.
- Top5 sugar producers in the world, namely, Brazil, India, EU, China & Thailand, account for over 60 % of the total production.
- The global sugar prices have been seen high level of volatility.

INDUSTRY SCENARIO

The Uttar Pradesh Government through an order dated 08.11.2012, raised the State Advised Cane Price (SAP) for the early maturing varieties from Rs. 205/- per quintals for the Sugar Season 2010-2011 to Rs. 240/- per quintal for the Sugar Season 2011-2012 and that for the early maturing varieties from Rs. 210/- per quintals to Rs. 250/- per quintal. For the rejected varieties, the SAP was raised

from Rs. 200/- per quintal to Rs. 235/- per quintal. Sugar Mills in UP pay SAP for sugar cane which historically is significantly higher than the FRP fixed by the Central Government.

Government Policies

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

The Government is becoming aware of the woes of the sugar industry on account of stifling Government intervention, policy inertia and absence of realistic initiatives. Various policy measures taken by the GOI during the period under review include:

- Sugar Stockholding restricted for maximum 30 days by recognized dealer.
- Uttar Pradesh Government announced a Rs. 30 to 40 per quintal increase in the State Advised Price of sugarcane for 2011-12, to Rs. 240 qtl for general varieties and Rs. 250 per qtl, for early maturing varieties.
- Notified the export of 1.0 mmt of sugar under the OGL scheme.
- Allowed exports of sugar under OGL without any quantitative restrictions for 2011-12 season.
- Notified FRP of sugarcane at Rs. 145 per quintal linked to basic recovery of 9.5% subject to a premium of Rs. 1.53 for every 0.1% for 2012-13
- September 2012: GOI has set up a committee under the Chairmanship of Mr. C. Rangarajan, in January 2011 to recommend the path of achieving deregulation of the sugar industry. The Committee, in its draft report, has suggested a complete liberalization of the sector including doing away with the levy sugar obligation, release mechanism and freeing of Export-import. It has recommended the Fair and Remunerative price (FRP) as the base price for sugarcane throughout the country along with a profit-sharing mechanism with the farmers. Further, the restoration of the UP Sugar Incentive Policy,



2004 which was withdrawn by the erstwhile Government of the State of Uttar Pradesh, is also pending. It is expected that the current State Government will implement this policy with or without modifications in order to compensate the industry which has invested a large sum of money during 2004 to 2008 backed by promises made by the State Government.

Trend in Domestic Sugar Prices

The Government of India increased the levy sugar price for the season 2011-12 from Rs.1832.60 to Rs.1889.85 per quintal. The domestic sugar prices during the financial year 2011-12 remained subdued and range bound. Throughout the year price of free sale sugar hovered in the band of Rs. 2700 to Rs.3100 per quintal. For the fear of food inflation being stoked, Government policies aimed at pegging domestic sugar prices at lower level continued, regardless of the fact that the incidence of sugar price of inflation is miniscule. Going forward, any significant strengthening of domestic sugar prices in the near future is uncertain

SWOT ANALYSIS:

Strengths and Opportunities

- i) The promoters are in this line for over 4 decades and are having good experience of the line.
- ii) Company has integrated Sugar Plant. Along with distillery and Co Generation.
- iii) Company has ability to Process Raw Sugar.
- iv) Company Produces Ethanol which enhances the Revenue of the Company.

Weaknesses and Threats

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

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

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

1. We have examined the compliance of conditions of Corporate Governance by K M Sugar Mills Limited for the year ended 30th September ,2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with National Stock Exchange Limited. and Bombay Stock Exchange Ltd. have been complied with in all material respect by the Company.
4. We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by share holders/investor grievance committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Amit Gupta & Associates
Company Secretaries

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

Date: 11.02.2013
Place: Lucknow



CEO and CFO Certification

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

(A) We have reviewed the financial statements and cash flow statements for the year ended at 30th September 2012, and that based on our knowledge and belief:-

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

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

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

- (i) evaluated the effectiveness of the internal control systems of the Company; and
- (ii) disclosed to the auditors and Audit Committee,

deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

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

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

Sd/-
SC Agarwal

Date: 11.02.2013
Place: Lucknow

Sd/-
AK Gupta



Auditor's Report

Auditor's Report

To the Shareholders of
K.M. Sugar Mills Ltd.
Kanpur

1. We have audited the attached Balance Sheet of K M Sugar Mills Ltd. as at 30th September, 2012 and also the Statement of Profit & Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
- (iii) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
- (iv) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- (v) On the basis of the written representation received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the director is disqualified as on 30th September, 2012 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 accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (i) In the case the Balance Sheet, of the state of affairs of the Company as at 30th September, 2012;
 - (ii) In the case of the Statement of Profit & Loss, of the loss for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Rajesh Jhalani
Partner
M. No. 074809

Place : Lucknow
Date : 30th November, 2012

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in our report of even date to the members of K.M. Sugar Mills Ltd. on the accounts for the year ended 30th September, 2012.

- (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.
- (b) In our opinion and according to information and explanations given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has granted unsecured loan to a party covered in the register maintained under Section 301 of the Companies Act, 1956 but nothing was outstanding as on 30.09.2012 against the said loan. The maximum amount outstanding during the year was Rs.9.04 lacs. (Previous Year outstanding: Rs.9.04 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 were not prime facie prejudicial to interest of the Company except that it was interest free loan.
- (e) According to the information and explanations given to us, the Company has taken unsecured loans during the year from three parties covered in the register maintained under Section 301 of the Companies Act, 1956 and a sum of Rs.154 lacs was outstanding as on 30.09.2012. The maximum amount outstanding during the year was also Rs.154.00 lacs. (Previous Year - Rs.Nil).
- (f) to (g) In our opinion and according to the information and explanations given to us, the terms and conditions of the said loan taken by the company are not prime facie prejudicial to interest of the Company. Further, the repayment of these loans is not due hence no repayment was made during the year.
- (iv) In our opinion and according to the information and explanations given to us 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 major areas of operations 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 with the appropriate authority except small delays in certain cases and no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 30th September, 2012 for a period of more than six months from the date of becoming payable. As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.



- b) According to the information and explanation given to us, the particulars of dues of excise duty, entry tax and income tax outstanding as at 30.09.2012, which have not been deposited on account of disputes, are as follows:-

Name of the Statute	Nature of Dues	Amount (Rs. in lacs)	Forum, where the dispute is pending
Entry Tax Act	Entry Tax -A.Y 2007-08	0.04	Commercial Tax Tribunal, Faizabad
Excise Act	Excise Duty F.Y 2005 -2006	32.00	Joint Commissioner and CESTAT Asst. Commissioner and CESTAT CESTAT
	FY 2006 -07	467.30	
	FY 2007 -08	16.09	
Income Tax	A.Y. 2009 -10	5969.00	CIT(A)
	Total	6484.43	

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

- (x) *The Company has incurred losses amounting to Rs.624.21 lacs during the financial year ended 30.09.2012 and its accumulated losses as on 30.09.2012 are more than 100% of its net worth. The Company has not incurred cash losses during the current financial year as well as in the immediate preceding financial year.*

- (xi) *Based on our audit procedures and as per information and explanation given to us by the management, we are of the opinion that the Company has defaulted in repayment of the dues to the Financial Institutions and Banks during the year and details of continuing defaults as on 30.09.2012 are given here-under:-*

- a) *Overdue installments amounting to Rs.968.43 lacs of various loans taken from Sugar Development Fund (SDF) could not be paid till 30.09.2012. Further, interest of Rs.244.28 lacs on the said loans was overdue as at 30.09.2012. (Refer Note No.2.3 of the financial statements for continuing defaults in repayment of installments and interest.)*
- b) *The company has defaulted in repayment of installments and interest of Term Loan taken from Punjab National Bank (PNB) and principal sum and interest towards Corporate Loans taken from PNB and Allahabad Bank. Subsequently, these loans were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. This CDR package has been partly implemented during the year and now there is no default at the year-end except non-payment of an installment (Rs.7.00 lacs) of FITL and interest (Rs.5.29 lacs), which became due on 30.09.2012. (Refer Note*

No.2.3 and 2.7 of the financial statements for continuing defaults in repayment of installments and interest).

- (xii) *In our opinion and as per information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
- (xiii) *In our opinion, the company is not a chit fund, or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.*
- (xiv) *In our opinion and according to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirement of Para 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.*
- (xv) *According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions except guarantees given to the banks on behalf of its employees, who have taken vehicle loans from a bank and a sum of Rs.0.41 lacs was outstanding at the year-end 30.09.2012 on this account.*
- (xvi) *According to the information and explanations given to us, term loans were generally applied for the purpose for which the loans were obtained.*
- (xvii) *According to the information and explanations given to us and based on an overall examination of the balance sheet, cash flow and other relevant records, we report that no funds raised on short term basis have been used for long term purposes during the year.*
- (xviii) *During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.*
- (xix) *According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit.*
- (xx) *According to the information and explanations given to us, the company has not raised any money by way of public issue during the period covered by our audit.*
- (xxi) *Based on the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit nor we have been informed of such case by the management that causes the financial statements to be materially misstated.*

For Mehrotra & Mehrotra
Chartered Accountants
FRN: 00226C

Sd/-
Rajesh Jhalani
M. No. 074809
Partner

Place: Lucknow
Date: 30th November, 2012



Balance Sheet as at 30th September, 2012

(Amount in Rs.)

PARTICULARS	Notes No.	Current Year		Previous Year	
		As at 30-September-2012 Rs.	P.	As at 30-September-2011 Rs.	P.
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital	2.1	184,000,340.00		184,000,340.00	
(b) Reserves & Surplus	2.2	(209,025,870.58)	(25,025,530.58)	(146,419,407.59)	37,580,932.41
2. Non-current liabilities					
(a) Long term borrowings	2.3	530,786,853.91		209,145,193.00	
(b) Deferred tax liabilities (Net)	2.4	30,888,352.00		24,640,873.95	
(c) Other Long term liabilities	2.5	2,246,321.85		2,246,321.85	
(d) Long term provisions	2.6	24,833,521.00	588,755,048.76	23,134,594.24	259,166,983.04
3. Current liabilities					
(a) Short term borrowings	2.7	129,500,076.50		596,725,903.54	
(b) Trade payables	2.8	86,513,551.87		79,096,444.62	
(c) Other current liabilities	2.9	230,616,960.84		287,666,834.60	
(d) Short term provisions	2.10	1,422,767.00	448,053,356.21	2,955,492.00	966,444,674.76
Total			1,011,782,874.39		1,263,192,590.21
II. ASSETS					
Non-current assets					
1. (a) Fixed Assets	2.11				
(i) Tangible Assets		583,734,625.55		665,239,767.23	
(ii) Intangible assets		102,219.50		328,911.45	
(iii) Capital Work-in-Progress		-	583,836,845.05	1,801,663.32	667,370,342.00
(b) Non current investments	2.12	1,021,300.00		1,021,300.00	
(c) Long term loans and advances	2.13	18,771,663.84		20,714,116.15	
(d) Other non current assets	2.14	1,788,543.82	21,581,507.66	1,788,543.82	23,523,959.97
2. Current Assets					
(a) Inventories	2.15	225,250,488.67		393,925,799.21	
(b) Trade receivables	2.16	61,523,860.57		18,926,651.17	
(c) Cash and cash equivalents	2.17	28,297,759.13		20,598,318.47	
(d) Short term loans and advances	2.18	90,050,684.63		127,297,652.64	
(e) Other current assets	2.19	1,241,728.68	406,364,521.68	11,549,866.75	572,298,288.24
Total			1,011,782,874.39		1,263,192,590.21
Significant accounting policies	1		-		-
Notes on financial statements	2				

As per our report of even date attached hereto

For MEHROTRA & MEHROTRA

Chartered Accountants

F.R. No.0226C

For & on behalf of Board of Directors

Sd/-

CA. Rajesh Jhalani

Partner

M.No.74809

Sd/-

S. C. Agrawal

Executive Director

Sd/-

Sanjay Jhunjunwala

Jt Managing Director

Sd/-

Akhilesh Kumar Singh

Company Secretary

Place: Lucknow

Date: 30.11.2012

Balance Sheet



Statement of Profit & Loss for the year ended 30 September, 2012

PARTICULARS	Notes No.	Current Year		Previous Year	
		Year ended 30th September, 2012		Year ended 30th September, 2011	
		Rs.	P.	Rs.	P.
I. Revenue from operations (Gross)	2.20	2,638,119,643.50		2,930,782,982.17	
Less: Excise duty and cess		90,983,759.11		60,071,472.27	
Revenue from operations (net)		2,547,135,884.39		2,870,711,509.90	
II. Other Income	2.21	18,385,890.38		34,387,098.12	
III. Total Revenue (I + II)		2,565,521,774.77		2,905,098,608.02	
IV. Expenses					
Cost of material consumed	2.22	1,829,089,412.70		1,202,395,801.02	
Purchase of Stock in trade	2.23	116,922,432.59		1,202,167,411.27	
Change in inventory of finished goods, work in progress and stock in trade	2.24	155,037,380.87		(41,364,887.66)	
Employee benefits expenses	2.25	73,393,212.88		63,219,823.57	
Finance costs	2.26	144,718,421.65		146,772,390.69	
Depreciation and amortization expense	2.27	103,397,808.40		122,947,546.24	
Other expenses	2.28	199,136,916.59		316,855,006.78	
Total expenses		2,621,695,585.68		3,012,993,091.91	
V. Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)		(56,173,810.91)		(107,894,483.89)	
VI. Exceptional items		-		-	
VII. Profit/(Loss) before extraordinary items and tax (V-VI)		(56,173,810.91)		(107,894,483.89)	
VIII. Extraordinary item		-		-	
IX. Profit/(Loss) before tax (VII-VIII)		(56,173,810.91)		(107,894,483.89)	
X. Tax expense					
(1) Current Tax		-		-	
(2) Deferred Tax		6,247,478.05		4,681,769.00	
XI. Profit/(Loss) for the year (IX-X)		(62,421,288.96)		(112,576,252.89)	
XII. Earning per equity share (Nominal value of Rs.2 each)					
(1) Basic (Rs. Per share)		(0.68)		(1.22)	
(2) Diluted (Rs. Per share)		(0.68)		(1.22)	
Significant accounting policies	1				
Notes on financial statements	2				

As per our report of even date attached hereto

For Mehrotra & Mehrotra

Chartered Accountants

F.R. No.0226C

For and on behalf of the Board of Directors

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

Sd/-
S. C. Agrawal
 Executive Director

Sd/-
Sanjay Jhunjunwala
 Jt Managing Director

Sd/-
Akhilesh Kumar Singh
 Company Secretary

Place: Lucknow
 Date: 30.11.2012



Note 2.1 - Share Capital

PARTICULARS	Current Year		Previous Year	
	As at 30-September-2012		As at 30-September-2011	
	Rs.	P.	Rs.	P.
AUTHORISED				
100,000,000 Equity Shares of Rs. 2/- each	<u>200,000,000.00</u>		<u>200,000,000.00</u>	
ISSUED, SUBSCRIBED AND FULLY PAID UP	184,000,340.00		184,000,340.00	
92,000,170 Equity Shares of Rs. 2/- each				
TOTAL	<u>184,000,340.00</u>		<u>184,000,340.00</u>	
a. Reconciliation of Number of Shares				
	No. of shares		Amount	
Shares outstanding as at 1st October, 2011	92,000,170		184,000,340	
Shares outstanding as at 30th September, 2012	92,000,170		184,000,340	
b. List of Shareholders holding more than 5% of the total number of shares issued by the company:				
	As at 30-September-2012		As at 30-September-2011	
	No. of shares	% shareholding	No. of shares	% shareholding
Name of the shareholder				
L K Jhunjhunwala	5602600	6.09	5602600	6.09
Uma Jhunjhunwala		Less than 5%	6376500	6.93
P C Jhunjhunwala	9944100	10.81	9944100	10.81
L K Jhunjhunwala (HUF)	10065900	10.94	8145900	8.85
Marvel Business Pvt. Ltd.	12450951	13.53	12450951	13.53
The Company has issued only one class of equity shares having a par value of Rs.2 per share. Each holder of Equity Share is entitled to one vote per share. No dividend has been proposed.				

Note 2.2 - Reserves and Surplus

PARTICULARS	Current Year		Previous Year	
	As at 30-September-2012		As at 30-September-2011	
	Rs.	P.	Rs.	P.
a. General Reserve				
Balance as per last account	122019139.87		122019139.87	
b. Capital Reserve				
Balance as per last account	4,833,000.00		4,833,000.00	
c. Initial Depreciation Reserve				
Balance as per last account	172,449.73		172,449.73	
d. Molasses Storage Fund				
Balance as per last account	3,500,575.65		4,100,193.85	
Less: Withdrawal/reversal during the year	129,736.00		1,000,000.00	
Add: Transferred from Statement of Profit & Loss	<u>530,798.50</u>	3,901,638.15	<u>400,381.80</u>	3,500,575.65
e. Fixed Asset Revaluation Reserve				
Balance as per last account	3,824,113.05		4,516,491.14	
Less: Utilised for set off against depreciation	<u>586,236.53</u>	3,237,876.52	<u>692,378.09</u>	3,824,113.05
f. Sugar Price Equalisation Reserve				
Balance as per last account	1,239,508.05		1,239,508.05	
g. Securities Premium Account				
Balance as per last account	268,801,428.00		268,801,428.00	
h. Surplus/(Deficit) in Statement of Profit & Loss				
Balance as per last account	(550,809,621.94)		(438,233,369.05)	
Add: Profit/(Loss) for the current year	<u>(62,421,288.96)</u>	(613,230,910.90)	<u>(112,576,252.89)</u>	(550,809,621.94)
TOTAL	(209,025,870.58)		(146,419,407.59)	

Molasses Storage Fund has been created to meet the cost of construction of molasses storage tank as required under Uttar Pradesh Sheera Niyantran (Sansodhan) Adesh, 1974 and the storage fund is represented by investment in the form of deposit in saving bank account with a bank amounting to Rs.44.76 lacs (Previous year Rs.40.42 lacs)



Note 2.3 - Long Term Borrowings

PARTICULARS	Current Year		Previous Year	
	As at 30-September-2012		As at 30-September-2011	
	Rs.	P.	Rs.	P.
	Current	Non current	Current	Non current
Term loans				
From Banks				
Secured				
a. State Bank Of India (SEFASU)	-	-	8,800,000.00	-
b. Punjab National Bank of India (SEFASU)	-	-	7,421,864.00	-
c. Punjab National Bank - Cogen loan	2,134,000.00	210,280,828.95	82,500,000.00	97,893,000.00
d. Punjab National Bank	509,000.00	50,105,940.00	-	-
e. Allahabad Bank	1,409,000.00	139,491,000.00	-	-
f. Punjab National Bank - FITL Old	3,500,000.00	952,199.00	3,500,000.00	3,752,193.00
g. Punjab National Bank - FITL New	6,428,208.00	32,141,033.00	-	-
h. Allahabad Bank - FITL	4,083,171.00	20,415,852.96	-	-
Total A	18,063,379.00	453,386,853.91	102,221,864.00	101,645,193.00
From other entities				
Secured				
a. Sugar Development Fund (SDF) from Govt. of India	99,000,000.00	49,500,000.00	66,000,000.00	82,500,000.00
b. Sugar Development Fund (SDF) from Govt. of India (Modernisation)	5,843,400.00	-	5,843,400.00	-
c. Sugar Development Fund (SDF) from Govt. of India (Cane Development)	18,750,000.00	6,250,000.00	12,500,000.00	12,500,000.00
d. Sugar Development Fund (SDF) from Govt. of India (Modernisation)	18,750,000.00	6,250,000.00	12,500,000.00	12,500,000.00
Total B	142,343,400.00	62,000,000.00	96,843,400.00	107,500,000.00
From related parties				
Unsecured loan	-	15,400,000.00	-	-
Total C	-	15,400,000.00	-	-
TOTAL (A+B+C)	160,406,779.00	530,786,853.91	199,065,264.00	209,145,193.00

a. Nature of Securities

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

b. Terms of repayment

Name of the banks / entities	Amount Outstanding as on 30 September, 2012		1-2 years	2-3 years	3 years and above
	Current	Non Current			
	Rs.	P.	Rs.	P.	
Punjab National Bank Cogen loan	2,134,000	210,280,829	2,134,000	2,134,000	206,012,829
Punjab National Bank	509,000	50,105,940	509,000	509,000	49,087,940
Allahabad Bank	1,409,000	139,491,000	1,409,000	1,409,000	136,673,000
Punjab National Bank -FITL Old	3,500,000	952,199	952,199	-	-
Punjab National Bank -FITL New	6,428,208	32,141,033	12,856,416	12,856,416	6,428,201
Allahabad Bank - FITL	4,083,171	20,415,853	8,166,342	8,166,342	4,083,169
Sugar Development Fund (SDF) from Govt. of India	99,000,000	49,500,000	33,000,000	16,500,000	-
Sugar Development Fund (SDF) from Govt. of India. (Modernisation)	5,843,400	-	-	-	-
Sugar Development Fund (SDF) from Govt. of India. (Cane development)	18,750,000	6,250,000	6,250,000	-	-
Sugar Development Fund (SDF) from Govt. of India. (Modernisation)	18,750,000	6,250,000	6,250,000	-	-
Unsecured loan	-	15,400,000	-	-	15,400,000
Total	160,406,779	530,786,854	71,526,957	41,574,758	417,685,139



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

PARTICULARS	As at 30-September-2012		As at 30-September-2011	
	Due date and (default months)	Rs. P. Amount	Due date and (default months)	Rs. P. Amount
Term loans				
From Banks				
(i) Punjab National Bank - Cogen loan				
Principal	-	-	30.09.2011	16,500,000
Interest				
Interest in total of Rs.373.60 lacs charged on monthly basis for the period from October, 10 to September, 11 has been paid with average delay of 3 months. Interest in total of Rs.245.95 lacs charged on monthly basis for the period from January, 12 to September, 12 has been transferred to FITL account in terms of CDR package.				
(ii) Punjab National Bank - FITL old				
Principal	30.09.2012	700,000	30.09.2011	700,000
Interest				
Interest in total of Rs.10.86 lacs charged on monthly basis for the period from October, 10 to September, 11 has been paid with average delay of 3 months. Interest in total of Rs.6.03 lacs charged on monthly basis for the period from October, 11 to May, 12 has been paid with average delay of 3 months.				
(iii) Punjab National Bank - FITL New				
Interest (Paid in October, 12)	30.09.2012	317,817		-
(iv) Allahabad Bank - FITL				
Interest (Paid in October, 12)	30.09.2012	211,308		-
From other entities				
(i) Sugar Development Fund (SDF) from Govt. of India.				
Principal	05.03.2011 (19)	16,500,000	05.03.2011 (7)	16,500,000
	05.09.2011 (13)	16,500,000	05.09.2011 (1)	16,500,000
	05.03.2012 (7)	16,500,000		
	05.09.2012 (1)	16,500,000		
Total		66,000,000		33,000,000
Interest				
	05.03.2011 (19)	2,945,589	05.03.2011 (7)	2,945,589
	05.09.2011 (13)	3,298,875	05.09.2011 (1)	3,298,875
	05.03.2012 (7)	3,575,622		
	05.09.2012 (1)	3,940,023		
	Delayed interest	369,300	Delayed interest	149,099
Total		14,129,409		6,393,563
(ii) Sugar Development Fund (SDF) from Govt. of India (Modernisation)				
Principal	08.06.2011 (16)	5,843,400	08.06.2011 (4)	5,843,400
Interest				
	08.06.2011 (16)	3,441,682	08.06.2011 (4)	3,441,682
	Delayed interest	1,072,103	Delayed interest	428,673
		4,513,785		3,870,355
(iii) Sugar Development Fund (SDF) from Govt. of India (Cane Development)				
Principal	20.01.2011 (20)	6,250,000	20.01.2011 (8)	6,250,000
	20.01.2012 (8)	6,250,000		
Total		12,500,000		6,250,000
Interest				
	20.01.2011 (20)	1,000,000	20.01.2011 (8)	1,000,000
	20.01.2012 (8)	1,221,250		
	Delayed interest	671,938	Delayed interest	106,300
		2,893,188		1,106,300
(iv) Sugar Development Fund (SDF) from Govt. of India (Modernisation)				
Principal	20.01.2011 (20)	6,250,000	20.01.2011 (8)	6,250,000
	20.01.2012 (8)	6,250,000		
Total		12,500,000		6,250,000
Interest				
	20.01.2011 (20)	1,000,000	20.01.2011 (8)	1,000,000
	20.01.2012 (8)	1,221,250		
	Delayed interest	671,938	Delayed interest	106,300
		2,893,188		1,106,300

Note: The company has defaulted in repayment of instalments and interest of term loan taken from Punjab National Bank. Subsequently, these loan were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. Now default on this loan is nil at the year end.

*Note 2.4 - Deferred tax liabilities*

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Deferred Tax Liabilities								
Depreciation			111,671,186.00				159,804,194.95	
Deferred Tax Assets								
Carried forward losses	51,171,532.00				133,832,667.00			
Others	29,611,302.00		80,782,834.00		1,330,654.00		135,163,321.00	
TOTAL			30,888,352.00				24,640,873.95	

Refer note no. 2.29 (12)

Note 2.5 - Other long term liabilities

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Loan from UP Government *	1,450,000.00		1,450,000.00	
Others	796,321.85		796,321.85	
Total	2,246,321.85		2,246,321.85	

Refer note no. 2.29 (8)

Note 2.6 - Long term provisions

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Provisions for employees benefit								
Unavailed leave	2,637,252.00				2,346,585.00			
Gratuity	2,084,262.00		4,721,514.00		570,455.00		2,917,040.00	
Other Provision			20,112,007.00				20,217,554.24	
TOTAL			24,833,521.00				23,134,594.24	



Note 2.7 - Short term borrowings

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Loan repayable on demand								
Working capital loans								
From banks								
Secured								
a. State Bank Of India	80,153,281.09				133,347,213.44			
b. Punjab National Bank	43,449,755.31				237,950,087.00			
c. The Federal Bank Ltd.	4,856,200.10		128,459,236.50		4,368,546.10		375,665,846.54	
Other Loans and advances								
Secured								
a. From banks								
Punjab National Bank - Short term loan				-			30,400,000.00	
Unsecured								
b. From Allahabad Bank and Punjab National Bank				-			189,619,217.00	
c. From Others			1,040,840.00				1,040,840.00	
TOTAL			129,500,076.50				596,725,903.54	

a. Nature of Securities

- Rupee Term Loan of State Bank of India (SEFASU) and Punjab National Bank (SEFASU) are 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).
- Punjab National Bank cogen loan is secured by first charge on entire fixed assets of the company on pari passu basis with other term lenders and personal guarantee of two directors.
- Rupee Term Loan of Punjab National Bank and Allahabad Bank are secured by 4th charge on entire fixed assets of the company on pari passu basis with other term lenders and personal guarantee of two directors.
- FITL of Punjab National Bank and Allahabad Bank are secured by first charge on entire fixed assets of the company on pari passu basis with other term lenders and personal guarantee of two directors.
- Rupee Term Loan from SDF are secured by second charge on Company's immovable and movable properties both present and future.
- Unsecured loan from related parties represent promoters contribution as per CDR approval.
- The company has defaulted in repayment of loans and interest in respect of the following:

From Punjab National Bank -Short term loan

Principal amount Rs.337 lacs has been repaid in June, 12 with average delay of 3 months.

Interest

Interest of Rs.0.25 lacs for the month September, 11 has been paid in December 11.

Interest in total of Rs.45.38 lacs charged on monthly basis for the period from October, 11 to June, 12 has been paid with average delay of 3 months.

Note:

The company has defaulted in repayment of principal sum and interest of unsecured loan taken from Punjab National Bank and Allahabad Bank.

Subsequently, these loans were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. Now default on these loans are nil at the year end.

*Note 2.8 - Trade Payables*

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Trade payable (Other than acceptance)*	86,513,551.87		79,096,444.62	
Total	86,513,551.87		79,096,444.62	

* Includes Rs.37.54 lacs due to micro and small enterprises. [Refer note no.2.29 (16)]

Note 2.9 - Other current liabilities

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
i. Current maturities of long term debt*	160,406,779.00		199,065,264.00	
ii. Payable to capital goods supplier	2,986,476.37		2,986,476.37	
iii. Statutory liabilities **	13,837,240.98		24,287,281.15	
iv. Advances from Customers	4,939,271.20		3,660,915.67	
v. Interest accrued but not due on borrowings	930,958.89		1,368,821.67	
vi. Interest accrued and due on borrowings	25,004,755.80		30,133,743.36	
vii. Bank overdraft balances	7,627.70		105,607.70	
viii. Security Deposits	9,116,860.77		9,014,910.77	
ix. Outstanding liability of related party	578,431.75		5,819,892.45	
x. Salary and other payables to employees	7,569,569.06		8,603,089.32	
xi. Others	5,238,989.32		2,620,832.14	
TOTAL	230,616,960.84		287,666,834.60	

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

** Include Excise Duty and Cess on closing stock.

Note 2.10 - Short term provisions

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Provision for employee benefit - Unavailed leave Gratuity	151,827.00		1,422,767.00		151,706.00		2,955,492.00	
	<u>1,270,940.00</u>				<u>2,803,786.00</u>			
TOTAL			1,422,767.00				2,955,492.00	

Note 2.11- Fixed Assets

Note: Lease land includes land valuing Rs. 16 Lacs acquired through official liquidator. However, the said land is not registered in the name of the company.



Note 2.12 - Non-current investments

PARTICULARS	Face Value	Current Year		Previous Year	
		No. of shares	Rs.	No. of shares	Rs.
Non Trade Investments					
Unquoted (valued at cost)					
a. In equity shares of companies fully paid up					
Chamoli Hydro Power (P) Ltd.	10	1,000			
K M Shakar Karkhana Pvt Ltd	10	25,000			
Chamoli Hydro Power (P) Ltd.			10,000.00		
Other Investments					
Quoted (valued at cost)			1,000,000.00		
b. In equity shares of companies fully paid up					
Reliance Industries Ltd.	10	84			
Reliance Communication Ltd.	5	42			
Reliance Infrastructure Ltd.	10	3			
Reliance Capital Ltd.	10	2	5,876.00	84	5,876.00
Reliance Power Ltd.	10	10	4,373.00	42	4,373.00
			825.00	3	825.00
			147.00	2	147.00
			79.00	10	79.00
Aggregate amount of unquoted investments Rs.10,10,000/-					
Aggregate amount of quoted investments Rs.11,300/-					
Aggregate market value of listed and quoted investments Rs.76,461/- (Previous year Rs.73,430/-)					
Total			1,021,300.00		1,021,300.00

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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Capital advances			158,000.00				158,000.00	
Security deposits			4,349,909.81				4,459,465.29	
Other loans and advances								
Advance to suppliers and others								
Considered Good	5,216,800.00				5,216,800.00			
Considered doubtful	26,253,212.73				28,997,847.09			
Less: Allowance for doubtful advance	26,140,649.72				24,700,162.43			
	5,329,363.01				9,514,484.66			
Income Tax payments	5,139,092.38				2,688,098.56			
Duties and taxes paid under protest	3,795,298.64		14,263,754.03		3,894,067.64		16,096,650.86	
Total			18,771,663.84				20,714,116.15	



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

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Fixed deposits with banks (Non current portion with original maturity period of more than 12 months)		-		
For a loan held by District Magistrate, Faizabad*	1,450,000.00		1,450,000.00	
Others	338,543.82		338,543.82	
Total each Fully paid up)	1,788,543.82		1,788,543.82	

* Refer note no.2.29 (8)

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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Raw materials								
Molasses in Distillery Division	1,104,249.00		3,439,449.00		3,473,992.00			3,473,992.00
Bagasse in Cogen Division	2,335,200.00				-			
Finished goods								
Sugar	177,171,452.00				333,374,838.56			
Molasses	4,854,012.50				12,170,074.77			
Industrial Alcohol	1,103,740.00				2,209,560.00			
K M Shakar Karkhana Pvt Ltd	917,803.00				1,344,557.00			
Biocompost manure	-		184,047,007.50		569,578.96		349,668,609.29	
Stores and spares			37,764,032.17				40,783,197.92	
Total			225,250,488.67				393,925,799.21	

Refer note no. 1.2 significant accounting policies

Note 2.16 Trade receivables (unsecured, considered good)

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Trade receivables outstanding for a period exceeding 6 months from due date								
a. Considered good	8,147,472.22				15,756,256.35			
b. Considered doubtful	30,211,190.00				28,048,874.00			
	38,358,662.22				43,805,130.35			
Less: Provision for doubtful debts	30,211,190.00		8,147,472.22		28,048,874.00		15,756,256.35	
Other trade receivables- considered good			53,376,388.35				3,170,394.82	
Total			61,523,860.57				18,926,651.17	

Notes forming part of financial statements...

*Note 2.17 Cash and cash equivalents*

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Balances with banks								
In current accounts	11,896,456.51				6,829,440.38			
In EEFC account	<u>126,578.00</u>		12,023,034.51		<u>323,885.00</u>		7,153,325.38	
Cheques on hand			6,097,573.00				551,211.00	
Cash on hand			741,643.04				5,841,606.51	
Fixed deposit for Bank guarantee deposited with bank as margin money -Earmarked								
Original maturity period upto 12 months	4,959,068.00				2,000,000.00			
Original maturity period more than 12 months	<u>-</u>		4,959,068.00		<u>1,010,000.00</u>		3,010,000.00	
Molasses storage fund in S/B account (Earmarked)			4,476,440.58				4,042,175.58	
Total			28,297,759.13				20,598,318.47	

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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Loan and advances to related parties								
Considered good			19,554,384.80				29,724,899.80	
Security deposits			3,860,502.85				9,975,925.85	
Other loans and advances								
Receivable from UP Govt	9,900,049.00				9,900,049.00			
Advance to suppliers and others	52,022,780.02				73,102,428.94			
Advance to employees	2,318,490.69				2,764,635.05			
Cenvat, Vat and other taxes/duties	1,130,574.80				953,793.20			
Prepaid expenses	1,059,275.50				783,832.54			
Others	<u>204,626.97</u>		66,635,796.98		<u>92,088.26</u>		87,596,826.99	
Total			90,050,684.63				127,297,652.64	

Note 2.19 Other current assets (unsecured, considered good)

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Interest accrued but not due	388,538.93		576,434.00	
Claims receivable	853,189.75		853,189.75	
DEPB receivable	-		10,120,243.00	
Total	1,241,728.68		11,549,866.75	



Note 2.20 Revenue from operations

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sale of goods (Gross)				
Sugar (Including trading Rs.1330.34 lacs Previous year Rs.13247.94 lacs)	2,265,831,347.34		2,672,849,373.35	
Molasses	8,777,516.80		2,185,121.82	
Power	160,836,210.36		103,239,564.00	
Industrial alcohol	202,060,269.00		151,908,923.00	
Bio compost manure	614,300.00		600,000.00	
Revenue from operations (Gross)	2,638,119,643.50		2,930,782,982.17	
Less : Excise duty, cess and administrative charges on sale of goods	90,983,759.11		60,071,472.27	
Revenue from operations (Net)	2,547,135,884.39		2,870,711,509.90	

Note 2.21 Other income

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Interest income				
Fixed deposits with banks	783,945.93		294,518.00	
Other non-operating income				
Insurance claims	655,300.00		1,598,226.00	
Profit on sale of fixed assets	3,436,737.63		2,194,256.11	
Unspent liabilities/balances written back	981,276.46		161,374.00	
Provision for tax for earlier years written back	59,581.06		-	
Export Incentive	1,081,933.00		14,611,636.00	
Carbon credit receipt	6,929,250.00		-	
Miscellaneous income	4,457,866.30		15,527,088.01	
Total	18,385,890.38		34,387,098.12	

Note 2.22 Cost of materials consumed

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sugar cane*	1,825,753,543.70		1,199,766,104.39	
Molasses	3,335,869.00		2,629,696.63	
Total	1,829,089,412.70		1,202,395,801.02	

*Includes a sum of Rs.669.55 Lacs accrued during the year in view of the judgement dated 17th January, 2012 pronounced by the Hon'ble Supreme court vacating its earlier Orders for payment of differential cane price for the crushing season 2007-2008.

Note 2.23 Purchases of stock-in-trade

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Sugar	116,922,432.59		1,202,167,411.27	
Total	116,922,432.59		1,202,167,411.27	

Notes forming part of financial statements...



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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Finished goods								
Opening stock								
Sugar	333,374,838.56				288,026,523.24			
Molasses	12,170,074.77				2,076,448.35			
Bagasse	-				-			
Industrial alcohol	2,209,560.00				10,883,368.46			
Banked Power	1,344,557.00				1,564,108.00			
Biocompost manure	569,578.96		349,668,609.29		1,125,898.96		303,676,347.01	
Less : Closing stock								
Sugar	177,171,452.00				333,374,838.56			
Molasses	4,854,012.50				12,170,074.77			
Bagasse	2,335,200.00				-			
Industrial alcohol	1,103,740.00				2,209,560.00			
Banked Power	917,803.00				1,344,557.00			
Biocompost manure	-		186,382,207.50		569,578.96		349,668,609.29	
Total (A)			163,286,401.79				(45,992,262.28)	
Work-in-progress								
Opening stock			-				-	
Less : Closing stock			-				-	
Total (B)			-				-	
Total (A+B)			163,286,401.79				(45,992,262.28)	
Less: Difference of Excise Duty on opening and closing stock			(8,249,020.92)				4,627,374.62	
Total			155,037,380.87				(41,364,887.66)	

Note 2.25 Employee benefits expense

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Salary, wages and bonus	66,685,655.79		57,054,897.78	
Contribution to Provident Fund and other Funds	4,942,644.00		4,439,405.00	
Workmen and Staff Welfare Expenses	745,893.09		491,061.79	
Gratuity	1,019,020.00		1,234,459.00	
Total	73,393,212.88		63,219,823.57	

Note 2.26 Finance costs

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Interest expense								
Cash Credit	61,577,485.78				73,884,755.75			
Term loan	77,450,404.84				66,198,521.23			
Others	5,656.00		139,033,546.62		1,869,891.05		141,953,168.03	
Documentation and other bank charges			5,684,875.03				4,819,222.66	
Total			144,718,421.65				146,772,390.69	



Note 2.27 Depreciation and amortisation expense

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Depreciation and amortisation on tangible assets	103,723,610.98		103,137,374.45		123,456,070.46		122,763,692.37	
Less: Transferred from revaluation reserve	<u>586,236.53</u>		<u>260,433.95</u>		<u>692,378.09</u>		<u>183,853.87</u>	
Amortisation on intangible assets								
Total			103,397,808.40				122,947,546.24	

Note 2.28 Other expenses

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Consumption of stores and spare parts			21,425,891.87				19,297,179.59	
Packing materials			20,472,227.53				16,877,721.64	
Power and fuel			22,506,307.48				19,387,356.47	
Rent			1,755,054.18				2,393,542.00	
Repairs								
Buildings	3,348,956.41				2,221,826.75			
Machinery	62,608,841.85				43,593,440.33			
Others	<u>2,982,555.00</u>		68,940,353.26		<u>3,066,846.00</u>		48,882,113.08	
Insurance			1,898,624.04				1,887,852.96	
Rates and taxes (excluding taxes on income)			1,312,712.34				1,714,474.17	
Selling Expenses :								
Commission to Selling Agents	2,908,882.00				2,922,120.00			
Other Selling Expenses	6,564,026.34				7,365,469.70			
Selling Expenses on Sugar Trading	<u>4,017,541.00</u>		13,490,449.34		<u>82,374,970.63</u>		92,662,560.33	
Payments to auditor								
Statutory audit fee	200,000.00				200,000.00			
Tax audit fee	100,000.00				100,000.00			
Reimbursement of expenses	<u>93,553.68</u>		393,553.68		<u>53,719.00</u>		353,719.00	
Charity and donation			59,005.00				66,857.00	
Net loss on foreign currency transactions and translations			229,394.50				6,236,750.20	
Printing and stationary			692,384.00				666,764.25	
Communication expenses			1,281,567.42				1,331,069.69	
Travelling Expenses			12,974,304.41				11,323,301.37	
Consultancy and legal expenses			8,792,932.00				5,533,474.00	
Director sitting fee			80,000.00				25,000.00	
Director remuneration			5,525,000.00				5,280,000.00	
Excise Duty on RS Sale			-				20,112,007.00	
Miscellaneous expenses			8,640,802.30				9,120,021.21	
Transfer to storage fund for molasses			530,798.50				400,381.80	
Provision for doubtful debts and advances			3,602,803.29				52,268,874.00	
Balances written off			-				120,458.11	
Prior period expenses			4,532,751.45				913,528.91	
TOTAL			199,136,916.59				316,855,006.78	

Notes forming part of financial statements...



Note 2.29 Notes to the accounts

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Significant Accounting Policies

1.1 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.

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

1.2 Significant Accounting Policies

a) Fixed Assets

- i) Tangible Fixed Assets are stated at cost net of 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 statement of Profit & Loss of the year.
- iii) Tangible Fixed Assets costing upto Rs.5,000/- are being depreciated fully in the year of their put to use.
- iv) Intangible Fixed Assets: - Computer software is amortized over a period of four years.

b) Revenue Recognition and Expenses

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.

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

All the expenses are accounted for on accrual basis.

c) Inventories are valued as under:

- a. Raw Materials and Finished Goods (except molasses) are carried at lower of cost or net realisable value.
- b. Stock of Molasses are carried at net realizable value.
- c. Stores & Spares are carried at cost.
- d. Goods in Process / WIP is carried at lower of cost or net realizable Value.
- e. 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
- Trading Goods	First in First Out
Distillery	
- Raw Material	First in First Out
- Stores & Spares and Other components	Weighted monthly average
- Co-generation Raw Material	First in First Out

d) Investments

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

e) Employees Benefits

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

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

f) Borrowing Costs

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

g) Government Grants

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

h) Financial Derivatives and Commodity Hedging Transactions

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

i) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items which are covered by forward exchange contracts, the



difference between the year end and the rate on the date of contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life of the forward contract. The exchange differences arising on settlement/translation are recognized in the Statement of Profit and Loss.

j) Taxes on Income

- a. 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.
- b. 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.
- c. 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 Statement of Profit & Loss 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.

- p) 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.

2.29 Other Disclosures

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

- (a) Claims against the Company not acknowledged as debts in respect of pending cases of employees under labour laws - Rs.113.56 lacs (Previous Year - Rs.108.80 lacs).
- (b) Claims against the company not acknowledged as debts in respect of criminal and Civil Cases Rs.43.43 lacs (Previous Year -Rs.34.13 lacs).
- (c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous Year - Nil).
- (d) Bank guarantees given to the Central Government, Excise Department, Indian Oil Corporation Ltd., Bharat Petroleum Corporation Ltd. and Hindustan Petroleum Corporation Ltd. etc. aggregating to Rs.25.26 lacs (Previous Year Rs.122.38 lacs).
- (e) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company, outstanding loan as on 30.09.2012 Rs.0.41 lacs (Previous Year Rs 1.17 lacs).
- (f) Disputed sales tax, income tax and excise duty cases under appeal - Rs.6484.84 lacs (Previous Year Rs.648.49 lacs)

Description	Current Year Rs. In lacs	Previous year Rs. In lacs
Central Excise Act	515.39	174.85
Sales Tax/Trade Tax/Entry Tax	0.04	411.97
Income Tax	5969.00	61.67
Total	6484.43	648.49

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

2. 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
Employee benefits in the form of Provident Fund are considered as defined contribution plan. The contribution to



defined contribution plan, recognized the following amounts in the Statement of Profit & Loss:

	Current Year`	Previous year
Employers' contribution to provident fund	Rs.49,42,644/-	Rs.44,39,405/-

b. Defined benefits plans

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

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

	Gratuity Current year	Gratuity Previous Year	Leave Encashment Current Year	Leave Encashment Previous Year
Discount rate (per annum)	8.50%	8.00%	8.50%	8.00%
Future salary increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	8.50%	8.50%	0%	0%
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
I. Expenses recognized in profit and loss account				
Current service cost				
Interest cost	12,10,164	10,81,106	3,93,890	3,51,934
Expected return on plan assets	13,70,037	12,61,642	2,12,355	2,00,140
Net actuarial loss/ (gain) recognized in the year	10,88,234 (1,67,091)	- (2,36,689)	- (5,05,879)	- (57,663)
Net expenses recognized	16,59,058	21,06,059	11,12,124	4,94,411
II. Net liability/(assets) recognized in the balance sheet as at 30 th September, 2012				
Present value of obligation at the end of period	1,71,37,103	1,61,18,083	27,89,079	24,98,291
Fair value of the plan asset at the end of period	1,30,01,768	1,26,03,747	-	-
Funded status [(surplus)/(deficit)]	(41,35,335)	(35,14,336)	(27,89,079)	(24,98,291)
Net (asset)/liability as at 30 th September, 2012	1,71,37,103	1,61,18,083	27,89,079	24,98,291
III. Change in present value of obligation during the year				
Present value of obligation at the beginning of year	1,61,18,083	1,48,83,624	24,98,291	23,61,062
Current service cost	12,10,164	10,81,106	3,93,890	3,51,934
Interest cost	13,70,037	12,61,642	2,12,355	2,00,140
Benefits paid	(15,27,547)	(8,71,600)	(8,21,336)	(3,57,182)
Actuarial loss/ (gain) on obligations	(3,36,344)	(2,36,689)	(5,05,879)	(57,663)
Present value of obligation at the year end	1,71,37,103	1,61,18,083	27,89,079	24,98,291
IV. Change in present value of fair value of plan assets				
Fair value of plan assets as at the beginning of period	1,26,03,747	1,07,87,851	-	-
Return on plan assets	8,87,509	3,66,153	-	-
Contributions	10,38,059	23,21,343	-	-
Benefits paid	15,27,547	8,71,600	-	-
Actuarial loss/ (gain)	-	-	-	-
Fair value of plan assets at the year end	1,30,01,768	1,26,03,747	-	-
Details of plan asset	Gratuity Trust	Gratuity Trust	N/A	N/A

Note: The Company funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is based on the information certified by the management. However, the gratuity liability of Rs.7,92,757/- of Distillery Division & Rs.16,63,712/- of Co-Gen Division is not funded.

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

This advance also includes 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. However, interest income on the same is not recognized in the accounts and it will be considered in the books on receipt basis in the year of its actual realization.

4. Certain bank accounts shown in Notes 2.17 of Cash and Bank balances under sub-head 'Balance with Banks' are non-operating for last some period and are also subject to reconciliation and receipt of confirmation. As such, the balance of Rs.8.78 lacs shown in respect of those bank accounts in the financial statements is as per books of account only.
5. In view of the decision of Hon'ble Supreme Court, extra price and excise duty realized on levy sugar in earlier years amounting to Rs.67.11 lacs for funding under the Sugar Price Equalization Fund Act, 1976 was transferred to Sugar Price Equalization Reserve Account. Later on as per the order dated 22.09.1993 of Hon'ble Supreme Court, a sum of Rs.17.90 lacs was paid to the Government out of bank guarantee furnished by the Company and further, during the year 1998-99 a sum of Rs.1.00 lac was paid towards Excise Duty on the above. The company has further made a payment of Rs.35.81 lacs during the year 2005-06 to the Government of India against the bank guarantee furnished by it along with interest of Rs.118.25 lacs thereon. Still a sum of Rs.12.40 lacs is lying in the Sugar Price Equalization Reserve as on 30.09.12 shown under Note 2.2 of "Reserve & Surplus".
6. Certain balances in personal account of various debtors, advances, deposit account, and creditors are subject to reconciliation and confirmation by the respective parties. In some of the cases, the amount is overdue for last some years and consequential revenue impact, if any, is not ascertainable. However, management has reviewed these advances from its realization point of view and based on the management's working, the required provisions in respect thereof has been considered in these financial statements, wherever necessary. As far as other balances are concerned, the management is of the opinion that these balances are recoverable/adjustable and accordingly, provision against the same has not been considered at this stage and these balances are disclosed in the financial statements as per books of account only. The management is of the view that the realization from these assets in the ordinary course of business would not be less than the amount at which they are stated in the books of account. Further, there is no system of charging interest as per market tradition on amount due from sundry debtors and the parties to whom advances extended in the ordinary course of business and which remains due for a substantial period.
7. The quantity of pressmud with Sugar Division has not been ascertained as on 30.09.2012 and therefore, the value of closing stock of pressmud with Sugar Division is shown at Nil.
8. Long term liabilities (Note No.2.5) includes a loan from U.P. Government amounting to Rs.14.50 lacs. The issue relating to interest payable thereon is under dispute and the matter is sub-judice before the Hon'ble Allahabad High Court. However, as per the interim order of the Court, a fixed deposit of Rs.14.50 lacs has been kept with the District Magistrate, Faizabad. In opinion of the management, the interest due on fixed deposit is sufficient to meet out the interest liability of the Company on the said loan and as such, no interest is being provided for in these financial statements.
9. Long term liabilities (Note No.2.13) 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.



10. The company has incurred loss of Rs.1.09 lacs from derivatives trading/transaction in commodities/currency, which is adjusted against Miscellaneous Income shown in Notes 2.21 'Other Income'.
11. Differential cane price for the season 2007-08 aggregating Rs.669.55 lacs provided for in pursuance to order dated 17th January, 2012 of the Hon'ble Supreme Court is included in the amount of cane consumption of the year and is charged to Statement of Profit & Loss.
12. For the purpose of computing deferred tax liability, part amount of brought forward losses as claimed in the income tax returns filed has been considered for recognizing deferred tax assets. On the basis of future projections taken on record by the management after considering improved margins in sugar in 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, the deferred tax assets can be realized in the normal course of business of the company.
13. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.
14. Related Party Disclosures:-

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

a) Related party where control exist

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

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

i. Key Management Persons (Group A)

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

ii. Key Management Persons' relatives (Group B)

Shri P. C. Jhunjunwala
 L. K. Jhunjunwala (HUF)
 A. K. Jhunjunwala (HUF)
 S. K. Jhunjunwala (HUF)
 Smt. Naina Jhunjunwala (Wife of Shri L. K. Jhunjunwala)
 Smt. Priti Jhunjunwala (Wife of Shri Aditya Jhunjunwala)
 Smt. Priti Jhunjunwala (Wife of Shri Sanjay Jhunjunwala)
 Smt. Reena Agarwal (Wife of Shri S. C. Agarwal)
 Shri Ayush Agarwal (Son of Shri S. C. Agarwal)
 Shri Payoush Agarwal (Son of Shri S. C. Agarwal)

iii. Associates (Group C)

K. M. Vyapar (P) Ltd.
 K.M. Plantations (P) Ltd.
 Marvel Business (P) Limited
 Francoise Commerce (P) Limited
 Nidhi Financial Services (P) Limited
 Shree Shakti Credits Limited
 Prakash Properties Limited
 Promissing Logistics (P) Ltd.

Shailja Propertied (P) Ltd.
 Zar International (P) Ltd.

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

Virdhi Trust
 Shivam Trust
 Vatsal Trust
 Laxmi Public Charitable Trust
 Jhunkhunwala P G College

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

S.No	Nature of Transaction	Group				Total Current Year (Previous year)
		A C.Y. (P.Y.)	B C.Y. (P.Y.)	C C.Y. (P.Y.)	D C.Y. (P.Y.)	
1	Remuneration including contribution to Provident Fund	60.74 (52.80)	9.85 (9.10)	- (-)	- (-)	70.59 (61.90)
2	Sugar Sale	- (-)	- (-)	1300.38 (114.69)	- (-)	1300.38 (114.69)
3	Rent Paid	- (-)	- (1.80)	12.96 (13.38)	- (-)	12.96 (15.18)
4	Sitting Fee	0.80 (0.25)	- (-)	- (-)	- (-)	0.80 (0.25)
5	Advance Received	7.00 (9.25)	98.00 (-)	470.23 (1206.37)	- (80.28)	575.23 (1295.90)
6	Advance given back	5.90 (3.75)	98.00 (-)	385.63 (1362.67)	- (80.28)	489.53 (1466.70)
7	Advance received back	- (-)	5.44 (-)	- (-)	- (-)	5.44 (-)
8	Loan taken	154.00 (-)	- (-)	- (-)	- (-)	154.00 (-)
9	Security deposit refund received	- (-)	- (-)	- (81.00)	- (-)	- (81.00)
10	Outstanding Balances as on 30.09.2012 on account of:					
	a) Receivables	- (-)	- (5.44)	195.54 (285.21)	- (-)	195.54 (290.65)
	b) Payables	156.48 (48.60)	- (2.03)	1.97 (6.88)	13.73 (4.43)	172.18 (61.94)

i. The transactions with related parties have been entered at an amount, which are not materially different from those on normal commercial terms.

ii. No amount has been written back/written off during the year in respect of due to/due from related parties.

iii. The amount due from related parties are good and hence no provision for doubtful debts in respect of dues from such related parties is required.

15. Segment Reporting: Information on the Segment Reporting of the company for the year ended 30.09.2012:

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



(Rs. in Lacs)

Particulars	Sugar		Distillery		Co-Generation		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue										
Gross sales	24867.92	28285.67	2020.60	1519.09	2086.29	1464.02	-	-	28974.81	31268.78
Less: Inter segment sales	2115.69	1529.33	-	-	477.93	431.62	-	-	2593.62	1960.95
External sales	22752.23	26756.34	2020.60	1519.09	1608.36	1032.40	-	-	26381.19	29307.83
Less: Excise duty and cess	701.06	463.82	208.78	136.89	-	-	-	-	909.84	600.71
Net sales	22051.17	26292.52	1811.82	1382.20	1608.36	1032.40	-	-	25471.35	28707.12
Add: Other income	108.89	343.57	5.68	0.30	69.29	-	-	-	183.86	343.87
Total Revenue	22160.06	26636.09	1817.50	1382.50	1677.65	1032.40	-	-	25655.21	29050.99

Segment Results	242.72	600.20	166.75	(231.45)	476.12	20.24	(0.15)	(0.21)	885.44	388.78
Less: Finance costs	1010.24	974.92	18.26	36.81	418.68	455.99	-	-	1447.18	1467.72
Profit before tax	(767.52)	(374.72)	148.49	(268.26)	57.44	(435.75)	(0.15)	(0.21)	(561.74)	(1078.94)
Tax										
Current tax									-	-
Deferred Tax									62.47	46.82
Profit after tax									(624.21)	(1125.76)
Other Information										
Segment Assets	6365.19	8677.60	428.26	634.58	3306.23	3301.44	18.15	18.30	10117.83	12631.92
Segment Liabilities	5587.32	8037.24	400.18	424.62	4063.74	3539.88	7.96	7.96	10059.20	12009.70
Capital Expenditure*	221.39	111.61	7.42	3.12	-	-	-	-	228.81	114.73
Depreciation	494.38	593.33	38.43	44.61	501.01	591.34	0.15	0.20	1033.97	1229.48

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

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

16. Following are the relevant disclosures as required under the Micro, Small & Medium Enterprises Development Act, 2006
 - (a) Sundry creditors include a sum aggregating Rs.37.54 lacs (Rs.43.60 lacs) due to micro & small enterprises is on account of principal only.
 - (b) The Amount of interest paid by the Company in terms of Section 16, along with the amount of payment made to the micro & small enterprises beyond the appointed date during the year Rs. Nil.
 - (c) The amount of interest due and payable for the period of delay in making payment which have been paid but beyond the appointed day during the year but without adding the interest specified under this Act. Rs. Nil.
 - (d) The amount of interest accrued and remaining unpaid Rs. Nil.
 - (e) The amount of further interest remaining due and payable even in succeeding year Rs. Nil.

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

17. Earning Per Share

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

	2011-12	2010-11
	(Amount Rs. In lacs)	(Amount Rs. In lacs)
Net Profit/Loss after tax as per statement of Profit & Loss	(624.21)	(1121.76)
No. of	92000170	92000170

Equity Shares of

Rs. 2 each

Earning Per Equity Share (Basic & diluted)

(0.68)

(1.22)

18. Directors' Remuneration:-

S. No.		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	21,00,000 (21,00,000)	24,00,000 (24,00,000)	10,25,000 (7,80,000)
b)	Contribution to Provident Fund (Previous Year)	2,52,000 (84,000)	2,88,000 (2,88,000)	9,360 (9,360)
c)	Perquisites:			
	(i) Residence -Furnished (Previous Year)	- (-)	- (-)	-
	(ii) Residence -Unfurnished (Previous Year)	- (-)	- (-)	76,875 (58,500)
	(iii) Medical Reimbursement (Previous Year)	- (-)	(2,41,676)	12,256 (4,049)
	(iv) Other benefits	- (-)	- (-)	- (65,000)
	Total (Previous Year)	23,52,000 (21,84,000)	26,88,000 (29,29,676)	11,23,491 (8,95,129)

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

Approval of Central Government for the remuneration paid to Chairman, Managing Director, Joint Managing Director and Executive Director pursuant to resolution passed in Annual General Meeting held on 19th March, 2012 is awaited.

19. Statement of additional information:-

a) Expenditure in Foreign Currency:

Traveling Expenses	Rs.19.21 lacs (P.Y.-Rs.15.25 lacs)
Bank Charges	Rs. 0.27 lacs (P.Y.- 1.51 lacs)
Commission	Rs. Nil (P.Y.- 1.23 lacs)
Others	Rs.20.46 lacs (P.Y.- 2.42 lacs)
FCNR interest	Rs.30.98 lacs (P.Y.- Rs.97.49 lacs)



(Previous Year: Rs.1,00,000/-)

b) Earning in Foreign Currency:
F.O.B. value of Exports Rs 595.66 lacs (P.Y.-Rs.10763.46 lacs)

c) Break up of Raw Materials and components consumed.

	Qty. in (Qtls.) lacs	Rs.
1) Raw Materials		
Cane- Sugar Division	68,41,970.96	182,57.54
Molasses- Distillery Division	3,39,891.50	1,198.27
(Inter unit)		
2) Stores and packing material	418.98	
3) Bagasse (Co-Generation)	16,86,223.00	927.42
(Inter unit)		

20. Payments to Auditors:

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

21. Company has defaulted in repayment of instalments and interest of Term Loan taken from Punjab National Bank (PNB) and principal sum and interest towards Corporate Loans taken from PNB and Allahabad Bank. Subsequently, these loans were restructured under Corporate Debt Restructuring Mechanism (CDR) vide letter of approval dated 27.03.2012 issued by CDR EG. This CDR package has been partly implemented during the year and necessary effect to that extent is given in the financial statements.

22. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current years' classification / disclosures.

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

For & on behalf of Board of Directors

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

Sd/-
S. C. Agrawal
Executive Director

Sd/-
Sanjay Jhunjunwala
Jt Managing Director

Sd/-
Akhilesh Kumar Singh
Company Secretary

Place: Lucknow
Date: 30.11.2012

Notes forming part of financial statements...



Cash Flow Statement for the year ended 30th September, 12

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
A. CASH FLOW FROM OPERATING ACTIVITIES								
Net Profit/(Loss) before tax and exceptional items			(561.74)				(1078.94)	
Adjustment for :								
Depreciation and amortisation expense	1033.98				1229.48			
Finance costs	1447.18				1467.72			
Transfer to storage fund for molasses	5.31				4.00			
Provision for doubtful debts	36.03				522.69			
Balances written off	-				1.20			
Interest income	(7.84)				(2.95)			
Profit on sale of fixed assets	(34.37)				(21.94)			
Unspent liabilities/balances written back	(9.81)				(1.61)			
Storage fund for molasses written back	(1.30)				(10.00)			
Provision for tax for earlier years written back	(0.60)		2468.58		-		3188.59	
Operating Profit before working capital changes			1906.84				2109.65	
Adjustment for :								
(Increase)/Decrease in trade and other receivables	32.98				(653.75)			
(Increase) / Decrease in inventories	1686.76				(441.12)			
Increase / (Decrease) in trade payables & Others	(42.00)				148.27			
Cash Generated from Operations			1677.74				(946.60)	
Direct Tax Paid			-				-	
Net Cash From Operating Activities (A)			3584.58				1163.05	
Cash Flow from investing activities								
Purchase of fixed assets	(210.79)				(114.73)			
Proceeds from sale of fixed assets	40.65				23.61			
Interest income received	7.84				2.95			
Net Cash From Investing Activities			(162.30)				(88.17)	
Cash Flow From Financing activities								
Borrowings (Net)	(2473.11)				363.51			
Finance cost paid	(872.17)				(1374.46)			
Net Cash From Financing Activities			(3345.28)				(1010.95)	
Net increase in Cash & Cash Equivalents (A+B+C)			77.00				63.93	
D. Opening cash and cash equivalents			205.98				142.05	
E. Closing cash and cash equivalents			282.98				205.98	
Increase in Cash & Cash Equivalents (D-E)			77.00				63.93	

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

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

For & on behalf of Board of Directors

Sd/-
 Rajesh Jhalani
 Partner
 M.No.74809

Sd/-
 S. C. Agarwal
 Executive Director

Sd/-
 Sanjay Jhunjunwala
 Managing Director

Sd/-
 Akhilesh K. Singh
 Company Secretary

Date : 30.11.2012
 Place : Lucknow

K.M.SUGAR MILLS LIMITED

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 40th Annual General Meeting of the K. M. Sugar Mills Ltd. will be held at, Hotel Kahana Continental, Coca Cola Crossing Kanpur, on Friday 22nd day of March, 2013 at 11:00 AM to transact the following business:

ORDINARY BUSINESSES:

1. To receive, consider and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 30th September 2012 and the Balance Sheet as at that date together with the Auditors thereon.
2. To appoint a director in place of Mr. H. P. Singhania, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint a director in place of Mr. S. K. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the year 2012-2013 and fix their remuneration. Present Auditor of the company, M/s Mehrotra & Mehrotra, Chartered Accountants, New Delhi, retire at this Annual General Meeting and are eligible for re- appointment. "RESOLVED THAT the retiring Statutory Auditors M/s Mehrotra & Mehrotra (Firm Registration No 00226C) be and they are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors."

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

Sd/-
Rajeev Kumar
Company Secretary

Place: Lucknow

Dated: 11.02.2013

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. The proxy need not be member of the company. Proxy to be valid shall be deposited with company not later than 48 hours before the time for holding the meeting.
2. As per clause 49 (A) of the Listing Agreement with stock Exchanges, the brief resume, functional expertise of the directors proposed for reappointment is annexed.
3. The relevant Explanatory Statement pursuant to Section 173 of the companies Act, 1956, in respect of Special Business is annexed.
4. The register of Members and share transfer books of the Company will remain closed from 18th March, 2013 to 22nd March, 2013 (both days inclusive)
5. Shareholders are requested to intimate to the Company or to the Share Transfer Agent of the Company, M/s. Link Intime (India) Pvt. Ltd. (Formerly known as In Time Spectrum Registry Ltd), change if any, in their registered addresses.
5. Members are requested to bring their copies of the Report and Accounts to the meeting.
6. Members who require any information about the accounts to be explained in the meeting are requested to inform the Company about the intended query at least seven days in advance of the meeting.
8. Section 109A of the Companies Act, 1956, has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular, those holding shares in single name, are requested to avail of the above facility by furnishing to the company the particulars of their nominations. Shareholders may please write to the company for the prescribed Nomination Form.

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

Sr. No.	Name of the Director	Date of Birth	Date of Appointment	Specialized	Qualification	Director Ship of Other Companies
1.	Mr. H. P. Singhania	15/12/1930	28/09/2000	Expertise in Sugar Industry	Graduate	He was a Board member of Bank of India, Ex-Vice president of BCCI, Marylebone Cricket Club, Lords, London
2.	Mr. S. K. Gupta	02/09/1947	29/12/2007	Consultant in Sugar Industry	Science graduate from the National Sugar Institute	Ex - Director of National Sugar Institute, Kanpur

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

ATTENDANCE SLIP

Fortieth Annual General Meeting March 22, 2013

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

No. of shares held _____

I certify that I am registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Fortieth Annual General Meeting of the Company held on Friday, 22, March 2013 at 11.00 a.m. at Kanha Continental, 111-A/16, GT Road, Near Coca Cola Crossing, Kanpur - 208012

Name of the member/proxy
(in BLOCK letters)

Signature of member/proxy

Note:

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

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

PROXY FORM

DP Id*	
Client Id*	

No. of Shares	
Master Folio No.	

I/Weof.....
being the member(s) of The K.M. Sugar Mills Limited hereby appoint
of.....or failing him/her
of.....
as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Members of the K.M Sugar Mills Limited to be held on Friday 22nd Day of March 2013 at Kanha Continental, 111-A/16, GT Road, Near Coca Cola Crossing, Kanpur - 208012 at 11:00AM and any adjournment thereof.
AS WITNESS my/our hands(s) this day of2013

Affix ` 1/-
Revenue
Stamp

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

.....
Signature of Proxy (ies)

*Applicable for Investors holding shares in electronic form.

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



World Class Sugar



Power Generation



Ethanol



Registered Office :

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

Corporate Office and Works :

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