



K M SUGAR MILLS LIMITED



**Annual Report
2008-2009**



Company Information

BOARD OF DIRECTORS

Chairman

L K Jhunjhunwala

Whole Time Director

Aditya Jhunjhunwala, *Managing Director*

Sanjay Jhunjhunwala, *Joint Managing Director*

Subhash Chandra Aggrawal, *Executive Director*

Non Executive Director

H P Singhania

S K Gupta

Dr. Kirti Singh

R. S. Shukla

Company Secretary

Ajay Mishra

Auditors

M/s MEHROTRA & MEHROTRA

Chartered Accountants

C-561, DEFENCE COLONY,

NEW DELHI - 110 024

Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

Registered Office

11, Moli Bhawan, Collectorganj,

Kanpur U.P. - 208 001

Corporate Office & Works

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



To,
The Members,

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

Financial Performance

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

(Rupees in Lacs)

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

Overall Performance

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

Dividend

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

Performance of Divisions

Sugar Division

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

	Season 2008 -09	Season 2007 -08
Gross Working days	79	117
Total Cane Crushed (qts.)	3274066.32	5446905.57
Average cane crushed per day (qts.)	4154.01	46556.32
Average Recovery	8.92%	9.50 - %

Cane Management

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

Co-Generation:

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

Distillery

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

Auditors

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

Auditors' Report

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

Directors

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



Public Deposits

During the year 2008-09 the company has not accepted any public deposits.

Listing Agreement

The equity shares of the company are listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited. However, the National Stock Exchange Limited has suspended the trading on the basis of some non compliance of the Listing agreement. Although the company has completed all the compliances but the resumption of trading is awaited.

Directors' Responsibility Statement

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

- that in the preparation of the annual accounts for the year ended on September 30, 2009 the applicable accounting standard have been followed by the Company.
- 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.
- 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
- that the directors of the Company have prepared the annual accounts on a going concern basis.

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

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

Particulars of Employees

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

Corporate Governance

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

Management Discussion and Analysis Report

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

Research and Development

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

Industrial Relation

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

Acknowledgments

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

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

L. K. Jhunjhunwala
Chairman

Date: 29.01.2010

Place: Lucknow

Annexure to the Directors Report

Annexure 1

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

Form A

Disclosure of particulars with respect to conservation of Energy

Particulars	Unit	Current year ended at 30 September, 2009	Previous year ended at 30 September, 2008
Electricity			
Purchased unit	Kwh	206672.36	2245200
Total Amount	Rs.	1000000.4	6735600
Steam Generation			
1. Through Steam Generation	Kwh	19522	
Units per day of steam facilities	kg/wh	3.27	0.28 kg/wh
2. Through Steam Turbine generation	Kwh	2038119	
kg of fuel per unit generated	kg/wh	1.05	2.1 kg/wh
3. Through other generation	Kwh	1000000.4	
Total Steam Unit	Rs./wh	3.44	2.44 Rs./wh

Form B

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

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

II. Technology absorption, adaptation and innovation:

(A) Mill House

1. Cane Unloader.

Hydraulic grab pumps suction line modified.

Benefit

Hydraulic pumps failure stopped and improved the unloader's working

2. Preparatory Device

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

Clearance in between knives and slates reduced 100 mm

Benefit

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

3. Milling Station

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

Benefits

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

(B) Boiling House

1. Steam Saving

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

Benefit

Steam saving in house 1% on Cane.

2. Vapour Line Juice Heater.

Vapour line juice heater vapour inlet area increased.

Benefit

Velocity at inlet point reduced which avoided damage of tubes

I. Foreign Exchange earnings & Outgo

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

Annexure 2

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

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

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

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

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

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

L. K. Jhunjhunwala
Chairman

Date: 29.01.2010

Place: Lucknow



Annexure 3

Directors' Report on Corporate Governance

1. Company's Philosophy on Code of Governance

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

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

2. Board of Directors

At present, the Company is having an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2009, the board consist of eight directors, out of which four are executive directors and four are non-executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

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

During the year ended on 30th September, 2009, four Board meetings were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. As on 30th September the composition of the Board of Directors, the number of other board of directors or Board committees of which they are member or chairperson and the attendance of each director at these board meeting and the last Annual General Meeting are as under:

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

Board Procedure

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

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

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

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

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

Date of Board Meeting	Board Strength	Directors Present
30.12.2008	8	8
30.01.2009	8	7
30.04.2009	8	8
30.07.2009	8	8

Details of the director seeking reappointment at the Annual General Meeting

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

4



Annexure 3

Directors' Report on Corporate Governance

1. Company's Philosophy on Code of Governance

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

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

2. Board of Directors

At present, the Company is having an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2009, the board consist of eight directors; out of which four are executive directors and four are non-executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

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

During the year ended on 30th September, 2009, four Board meetings were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. As on 30th September the composition of the Board of Directors, the number of other board of directors or Board committees of which they are member or chairperson and the attendance of each director at these board meeting and the last Annual General Meeting are as under:

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

Board Procedure

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

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

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

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

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

Date of Board Meeting	Board Strength	Directors Present
30.12.2008	8	8
30.01.2009	8	7
30.04.2009	8	8
30.07.2009	8	8

Details of the director seeking reappointment at the Annual General Meeting

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



3. Board Committees

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

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

Audit Committee

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

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

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

Terms of Reference and Powers:

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

Further, the Committee oversee Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

Recommend the appointment and removal of external auditor, fixing audit fees and also approval for payment for any other services.

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

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

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

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

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

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

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

Remuneration Committee

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

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

Remuneration Policy

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

Non-Executive Directors

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

Executive Directors

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

The remuneration paid to the directors during the year ending on 30th September, 2009 is as under:

Name	Salary & Allowance	Perquisites & other profits	Incentive and Bonus paid	Sitting fees
L. K. Jhunjhunwala	22,25,000	2,86,328	NIL	NIL
Aditya Jhunjhunwala	12,00,000	6,43,065.50	NIL	NIL
Sanjay Jhunjhunwala	12,00,000	6,43,065.50	NIL	NIL
S. C. Agarwal	6,36,000	33,000	NIL	NIL
H. P. Singhania	—	—	NIL	20000
R. S. Shukla	—	—	NIL	15000
Dr. Kirti Singh	—	—	NIL	10000
S. K. Gupta	—	—	NIL	20000

Shareholders' Grievance Committee

The shareholders' Grievance Committee comprises of four



directors out of which one executive and three non-executive Independent Directors.

During the year 4 meetings of the Committee were held on 30.12.2008, 30.01.2009, 30.04.2009 and 30.07.2009. The details are as follows:

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

General Body Meeting

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

Day & Date: Friday, March 08, 2010

Time: 11.00 AM

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

Dates of Book Closure:

Thursday February 25, 2010

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

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

Extra ordinary General Meeting

No Extra ordinary General meeting was held during the year.

Postal Ballot

No resolution was passed through postal ballot during the year.

Disclosures

a) Related Party Transaction

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

b) Disclosure of accounting treatment

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

Communication

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

Listing on Stock Exchanges

Equity Shares	Equity Shares
Bombay Stock Exchange	National Stock Exchange of India
United Plaza, Jaipur	United, Exchange Plaza, Bandra
Tower, 2nd Street	Kore Complex, Mumbai
Mumbai, Tel: 91-22	Tel: 91-22-26586100
2072/20034	Fax: 91-22-26586237/38
Fax: 91-22-20721075	Website: www.nseindia.com
Website: www.bseindia.com	

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

Depositories

1. National Securities Depository Ltd.

Trade Wings, 4th Floor

Kanpur Mills Compound,

Sarnaul Road, Kanpur

Lower Price, Kanpur-208001

2. Central Depository Services (India) Ltd.

Prakash Jyoti, Tower,

17th Floor, Kanpur-208001

Compliance officer

Mr. Rajendra Kumar, Compliance Officer of the Company

Registrars & Share Transfer Agent

United India Mills, Ltd.,

C-12, Prakash Jyoti Compound,

U.S. Road, Kanpur-208001

Kanpur-208001

Stock Market Data

	Open	High	Low	Close	Open	High	Low	Close
2005-06	100	105	100	105	100	105	100	105
2006-07	100	105	100	105	100	105	100	105
2007-08	100	105	100	105	100	105	100	105
2008-09	100	105	100	105	100	105	100	105
2009-10	100	105	100	105	100	105	100	105
2010-11	100	105	100	105	100	105	100	105
2011-12	100	105	100	105	100	105	100	105
2012-13	100	105	100	105	100	105	100	105
2013-14	100	105	100	105	100	105	100	105
2014-15	100	105	100	105	100	105	100	105
2015-16	100	105	100	105	100	105	100	105
2016-17	100	105	100	105	100	105	100	105
2017-18	100	105	100	105	100	105	100	105
2018-19	100	105	100	105	100	105	100	105
2019-20	100	105	100	105	100	105	100	105



Shareholding pattern as on September 30, 2009

Category of Shareholder	No. of Share holders	Total no. of Shares	Total no. of Shares held in de materialized form	Total Shareholding as a % of total No. of Shares
A) Shareholding of Promoter & Promoter Group				
i) Indian Promoter	17	12,343,711	343711	87.09%
ii) Foreign Promoters	NIL	NIL	NIL	NIL
B) Public Shareholding				
i) Institutions	NIL	NIL	NIL	NIL
→ Financial institution/banks				
ii) Non-institution				
→ Bodies corporate	272	1,607,824	1,607,823	8.74%
→ Individuals				
Holding nominal Share Capital upto Rs. 1 lacs	8,809	2,728,722	2,728,517	14.83%
Holding Nominal Share capital more than Rs.1 lacs	26	12,45,435	12,45,435	6.78%
→ Trust	-	-	-	-
→ Non- Resident Indian	77	35,030	35,030	0.19%
→ Clearing members	19	6,099	6,099	0.03%
→ HUF	291	433,213	433,213	2.35%
TOTAL	9,511	18,400,834	6,399,828	100.00%

Demat of Shares

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

Share Transfer System

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

Distribution of Shareholding

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

Plant Location

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

Non- Mandatory Requirements

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



Management Discussion and Analysis Report

Global Sugar Industry

After a deficit season of 2007-08 the World sugar economy is facing a second successive year of significant gap between world consumption and production. In its first assessment of world sugar market for the season 2009-2010 International Sugar Organization (ISO) estimates World sugar production at 159,042 million tonnes up by 4,817 million tonnes from the last season. Global consumption in 2009-10 is estimated to grow at the rate of 1.73% per annum to reach a level of 167,446 million tonnes raw value thus leaving a shortfall in supply of 8,404 million tonnes as against a shortfall of 10,368 million tonnes projected in sugar season 2008-2009.

India

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

The fortune of the sugar industry changed from that point of time and prices then started firming up although by then

irreparable damage had already been inflicted and sugar mills could do very little to bounce back. The profitability of most sugar mills was by then severely eroded and their bottom-line was already in the red.

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

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

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

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



2. In a bewildering move State Government announced a SAP of INR 140 per quintal for the crushing season. The kneejerk reaction of the industry was one of despair and once again industry made a beeline to the Courts. However the plea of the industry was dismissed by the High Court. With lower crushing operations and lower cane availability menacingly lurking large on the horizon the industry reconciled to paying the SAP. One mill after another started paying higher sugarcane price with a view to lure the farmers. Unscrupulous poaching of cane from the command area of other sugar mills became the unwritten rule. Caution was thrown to the winds and long term benefits were sacrificed at the altar of short term gains. The industry has been in a state of total disarray in so far as procurement of sugarcane is concerned.
3. From July 2008 sugar prices have been on the upward spiral. In January, 2009 sugar price reached record high levels. With an eye on the impending elections, the Central Government announced a spate of measures aimed at controlling the sugar prices. Political rhetoric has taken precedence over logic of economics. However sugar has remained a politically sensitive commodity for several decades. Nearly 1 to 1.5 million tonnes of raw sugar has been contracted to be imported. However it will not in any significant way change the dynamics of domestic sugar market.

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

SWOT ANALYSIS :

Strengths:

- India is the second largest sugar producer in the world after Brazil.

- Three fully integrated complexes with sugar, power and alcohol ensures de-risked business profile.
- It is having strong agri linkage with over 40,000 farmers supplying sugarcane.
- The focal point is the rural socio-economic development.
- A regulated industry as its consumption is considered to be essential for the mass consumption.

Weaknesses:

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

Opportunities:

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

Threats:

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



Auditor's & CEO/CFO Certification...

Auditor's Certificate on Corporate Governance

We have reviewed the implementation of Corporate Governance procedures by K.M. Sugar Mills Ltd during the year ended at September 30, 2009 as stipulated in the Clause 49 of the Listing Agreement of the said company with Stock Exchanges, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

In our opinion and to the best of our information and according to the information and explanations given to us, and the representations made by directors and the management, the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

As required by the Guidance Note issued by the Institute of Chartered Accounts of India, we have to state that as per the records maintained by the Company there were no investor grievances received by the Company remaining pending for more than 30 days. As regards, investor's grievances communicated by shareholders to the Registrar & Share Transfer Agent, they have certified that there were no investor grievances remaining pending for more than 30 days.

We further state that such compliances is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Amit Gupta & Associates
Company Secretaries

sd/-
(Amit Gupta)
Proprietor
C.P. No. 4682
Place : Lucknow
Dated : Jan 29, 2010

CEO/CFO Certification

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

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

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

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

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

**Auditor's Report**

The Member of
K.M. Sugar Mills Ltd.

1. We have audited the attached Balance Sheet of K.M. SUGAR MILLS LIMITED as at 30th September, 2009 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, Issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us. We enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the companies Act, 1956.
 - (v) On the basis of the written representation received from the Directors of the Company and taken on record by the Board

of Directors, we report that none of the director is disqualified as on 30th September, 2009 from being appointed as a director in terms Section 274 (1)(g) of the Companies Act, 1956

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes to the Accounts in Schedule '17' give the information required by the Companies Act, 1956 in the manner so required and given a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (i) In the case the Balance Sheet, of the state of affairs of the Company as at 30th September, 2009
 - (ii) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For and on behalf of
Mehrotra & Mehrotra
Chartered Accountants

sd/-
Rajesh Jhalani
Partner
Membership No. 74809

Place : Lucknow
Dated : 19th December, 2009

ANNEXURE TO THE AUDITORS REPORT

- (i) (a) The Company has generally maintained records to show particulars including quantitative details and situation of fixed assets but still it is incomplete and its updation is pending.
- (b) The Fixed Assets of the Company have been physically verified by the management during the year as per information provided to us and as explained no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information given to us, the Company has not disposed off any substantial part of fixed assets during the year and hence, going concern status of the company is not affected.
- (ii) (a) The inventory has been physically verified by the Management to the extent practicable at reasonable intervals during the year or at the end of the year as per information provided to us.
- (b) According to information given to us, the procedures for physical verification of the inventories followed by the



management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

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

(b) to (d) In our opinion and according to the information and explanations given to us, the terms and conditions of the said loan given by the Company are not prima-facie prejudicial to interest of the Company except that it is interest free loan but however, the repayment is within the terms and condition of the loan.

(e) According to the information and explanations given to us, the Company has not taken during the year any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (f) and (g) of the order are not applicable. Further, the loans taken in the immediate preceding financial year ending 30.09.2008 has been repaid during the year.

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

- (v) (a) As per information and explanations given to us by the management, we are of the opinion that all the particulars in respect of certain contracts or arrangements referred to in section 301 of the Companies Act, 1956 and need to be entered in the register maintained under that section, have been so entered.

(b) As far as we could ascertain on the basis of our selective checking and according to the information and explanations given to us, the transaction made in pursuance to aforesaid contracts or arrangements have been made at the prevailing market prices at the relevant time.

- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year within the meaning of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there-under.
- (vii) In our opinion, the Company has in house internal audit systems which requires further to strengthen to make it commensurate with the size and nature of the business of the Company.

- (viii) We are informed by the management that the required cost records pursuant to the order made by Central Government under Section 205(1)(d) of the Companies Act, 1956 regarding to the production of sugar have been maintained by the Company and are of the opinion that prima-facie the prescribed accounts and records have been maintained. We have not however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

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

(b) According to the information and explanation given to us, there is no material undisputed amount payable in respect of aforesaid dues which were outstanding for a period of more than six months as on 30.09.2009.

(c) According to the information and explanation given to us, the particulars of dues of excise duty, sales tax, trade tax and income tax outstanding as at 30.09.2009, which have not been deposited on account of dispute, are as follows:

Particulars	Amount Due	Amount Paid	Reason, where the dispute is pending
Excise Duty - 1st	2,00,00,000	0.00	The Commissioner (Appeals), Hyderabad
Excise Duty - 2nd	1,00,00,000	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 3rd	1,00,00,000	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 4th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 5th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 6th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 7th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 8th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 9th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 10th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 11th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 12th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 13th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 14th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 15th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 16th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 17th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 18th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 19th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 20th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 21st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 22nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 23rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 24th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 25th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 26th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 27th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 28th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 29th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 30th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 31st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 32nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 33rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 34th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 35th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 36th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 37th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 38th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 39th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 40th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 41st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 42nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 43rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 44th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 45th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 46th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 47th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 48th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 49th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 50th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 51st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 52nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 53rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 54th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 55th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 56th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 57th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 58th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 59th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 60th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 61st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 62nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 63rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 64th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 65th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 66th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 67th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 68th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 69th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 70th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 71st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 72nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 73rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 74th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 75th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 76th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 77th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 78th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 79th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 80th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 81st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 82nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 83rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 84th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 85th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 86th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 87th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 88th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 89th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 90th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 91st	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 92nd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 93rd	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 94th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 95th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 96th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 97th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 98th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 99th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad
Excise Duty - 100th	0.00	0.00	The Joint Commissioner (Appeals), Hyderabad

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



Auditor's Report

(x) The Company has not incurred losses during the financial year ending 30.09.2009 and its accumulated losses as on 30.09.2009 are not more than 50% of its net worth. The Company has not incurred cash losses during the current financial year and in the immediately preceding financial year ending 30.09.2008.

(xi) Based on our audit procedures and as per information and explanation given to us by the management, we are of the opinion that the Company has not defaulted in the repayment of the dues to the financial Institutions and Banks as per details given here-under.

(a) The term loan installment of Rs. 58.43 lacs payable during the year towards loan from Sugar Development Fund (SDF) could not be paid till 30.09.2009. Further interest of Rs 115 lacs payable to SDF is also unpaid till 30.09.2009.

(b) The repayment terms of the term loan availed by the company from a Bank has been rescheduled during the year. As per rescheduled terms the quarterly installment of Rs. 110 lacs due for payment on 30th June, 2009 was paid with some delay. Further, the interest of Rs. 68.06 lacs payable on the said term loan was unpaid till 30.09.2009.

(XII) In our opinion and as per information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(XIII) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society, therefore clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirement of Para 4(xiv) of the Companies (Auditors/Report) Order, 2003 is not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions except guarantees given to the banks on behalf of its employees, who have taken vehicle loans from the banks and a sum of Rs 10.48 lacs was outstanding at the year end 30.09.2009 on this account.

(xvi) According to the information and explanations given to us, terms loans were applied for the purpose for which the

loans were obtained.

(xvii) According to the information and explanation given to us and based on an overall examination of the balance sheet, cash flow and other relevant records we report that the funds raised on short term basis have not been used during the year for long term purposes.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit.

(xxi) According to the information and explanations given to us the company has not raised any money by way of public issue during the period covered by our audit.

(xxi) Based on the audit procedure performed for the purpose of reporting the true and fair view of the financial statement and as per the information and explanation given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit nor we have been informed of such case by the management that causes the financial statements to be materially misstated.

For Mehrotra & Mehrotra
Chartered Accountants

sd/-
Rajesh Jhalani
Partner
Membership No. 74809

Place : Lucknow
Dated : 19th December, 2009



Balance Sheet as at 30th September 2009

		Current Year				Previous Year			
PARTICULARS	Schedule No.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
SOURCES OF FUNDS:									
1. Shareholders' Funds									
a) Share Capital	1	184,000,340.00				184,000,340.00			
b) Reserves & Surplus	2	403,160,727.18				404,157,300.08			
				587,161,067.18				588,157,640.08	
2. Loan Funds									
a) Secured Loans	3	916,612,502.43				1,096,292,146.97			
b) Unsecured Loans	4	1,040,840.00		917,653,342.43		87,026,830.00		1,185,316,978.97	
3. Deferred Tax Liability				84,274,417.95				87,844,500.95	
Total				1,589,088,627.56				1,861,321,120.00	
APPLICATION OF FUNDS:									
1. Fixed Assets	5								
a) Gross Block		1,856,876,593.25				1,862,062,427.91			
b) Less: Depreciation		967,290,316.39				822,826,717.94			
c) Net Block		889,586,276.86				1,039,435,709.97			
d) Capital Work-in-Progress		3,905,548.71		893,491,825.57		12,226,700.61		1,041,662,410.58	
2. Investments	6			1,021,300.00				1,021,300.00	
3. Current Assets, Loans & Advances:									
a) Current Assets	7								
Inventories		245,475,171.49				617,670,821.78			
Sundry Debtors		133,531,816.69				71,504,212.74			
Cash & Bank Balances		17,063,494.22				66,733,640.69			
b) Loans & Advances	8	189,657,459.58				240,861,787.52			
Total (A)		585,927,941.98				996,770,462.73			
Less: Current Liabilities & Provision	9								
a) Liabilities		146,070,780.14				456,918,255.87			
b) Provisions		5,744,682.24				29,161,795.97			
Total (B)		151,815,462.38				486,080,051.84			
Net Current Assets (A-B)				434,112,479.60				610,690,410.89	
Miscellaneous Expenditure				5,585,827.00				11,171,653.04	
Preliminary/Public Issue Expenditure (To the extent not written off or Adjusted)									
Debit Balance in Profit & Loss Account				254,977,396.39				296,775,345.49	
Accounting Policies & Notes on Accounts	17								
Total				1,589,088,627.56				1,861,321,120.00	

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

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
 Partner
 M.No. 74809

Place: Lucknow
 Date: December 19, 2009

Sd/-
Ajay Mishra
 Company Secretary

Sd/-
Sanjay Jhunjhunwala
 Jt. Managing Director

Sd/-
Aditya Jhunjhunwala
 Managing Director



Profit & Loss for the year ended 30th September 2009

Profit & Loss Account...

PARTICULARS	Schedule No.	Current Year		Previous Year	
		Rs.	P.	Rs.	P.
INCOME:					
Gross Sales	10	1,568,832,041.24		3,229,410,480.65	
Less: Excise duty		57,651,176.00	1,511,180,865.24	95,604,854.58	3,133,805,626.07
Other Income	11		32,467,718.92		27,704,918.80
Increase/(Decrease) in Stock	12		328,391,008.01		193,245,981.34
Total (A)			1,217,257,578.15		3,354,756,526.21
EXPENDITURE:					
Raw Materials Consumed	13		634,626,100.66		743,390,511.41
Purchase of sugar for trading			51,667,597.00		2,076,296,913.00
Manufacturing, Operational, Administrative and other Expenses	14		159,787,418.63		330,070,696.90
Employees Cost	15		49,007,249.79		50,495,730.17
Interest	16		119,571,259.17		102,918,227.54
Denaturation fees			121,800.00		1,099,050.00
Bad debts written off			1,223,882.54		
Provision for Doubtful debts			480,162.43		
Depreciation		159,105,657.30		161,697,992.85	
Less : Transferred from Revaluation Reserve		965,793.32	158,139,863.98	1,140,655.87	160,557,336.98
Total (B)			1,174,825,324.20		3,464,826,466.00
Net Profit/(Loss) for the Year (A-B)			42,632,241.95		110,069,939.79
Add: Tax/other adjustments relating to prior period			3,801,917.50		467,595.06
Profit Before Tax:			38,830,324.45		109,602,344.73
Current Tax					11,054,608.00
Deferred Tax			3,570,083.00		834,506.60
Fringe Benefits Tax			242,208.93		
Profit After Tax			42,158,198.52		121,491,459.33
Balance Brought forward			296,775,345.49		174,872,574.28
Transfer to Molasses Storage Fund			280,249.42		611,311.88
Profit Available for Appropriation			254,877,395.39		296,775,345.49
Balance Carried to Balance Sheet			254,877,395.39		296,775,345.49
Earning per Equity Share of Rs.10/- each			2.29		6.60
(Note -16 of Schedule 17 - Basic/Diluted)					
Accounting Policies & Notes on Accounts	17				

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

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjhunwala
Jt. Managing Director

Sd/-
Aditya Jhunjhunwala
Managing Director



Schedule '1' - Share Capital

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

Schedule '2' - Reserves and Surplus

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
A. GENERAL RESERVE:								
As per last account	122,019,139.87		122,019,139.87		122,019,139.87		122,019,139.87	
Add: Transfer from Profit & Loss A/c								
B. CAPITAL RESERVE:								
Capital Subsidy			4,833,000.00				4,833,000.00	
C. INITIAL DEPRECIATION RESERVE:								
			172,449.73				172,449.73	
D. MOLASSES STORAGE FUND:								
As per last account	4,455,847.35				3,844,535.47			
Add: For current year	260,248.42				611,311.68			
	4,716,095.77				4,455,847.35			
Deduct: Funded with State Bank of India (as per contra)	3,955,122.58		799,872.19		3,684,094.58		791,752.77	
E. FIXED ASSETS REVALUATION RESERVE:								
As per Last Account	6,300,021.66				7,440,677.53			
Less: Transferred to Profit & Loss Account	965,793.32		5,334,208.34		1,140,655.87		6,300,021.66	
F. SUGAR PRICE EQUALISATION RESERVE:								
As per Last Account	1,239,508.05				1,239,508.05			
Less: Paid during the year			1,239,508.05				1,239,508.05	
G. SHARES SECURITIES PREMIUM ACCOUNT								
			268,801,428.00				268,801,428.00	
TOTAL			402,157,300.08				404,157,300.08	



Schedule '3' - Secured Loans

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
SECURED LOANS				
(a) From State Bank Of India (Secured by first part passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare and book debts and exclusive first charge on entire current assets of distillery division and third part passu charge on entire fixed assets of the Company and personal guarantee of two directors)	323,342,518.46		284,256,862.87	
(b) From Punjab National Bank (Secured by first part passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare parts and book debts and third part passu charge on entire fixed assets of the Company and personal guarantee of two directors)			144,676,490.74	
(c) From Federal Bank (Secured by first part passu charge on stock of raw materials sugar crystal, molasses, sugar in process, store & spare parts and book debts and third part passu charge on entire fixed assets of the Company and personal guarantee of two directors)	88,427,216.00		59,172,352.00	
Term Loans				
(a) From Govt. of India (Sugar Development Fund) (Modernisation) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs.58.43 lacs)	17,356,280.56		23,373,630.00	
(b) From Govt. of India (SDF New Loan Account) (Secured by second charge by way of mortgage on Company's immovable properties and hypothecation of all movable properties (except book debts) both present and future) (Amount due within next one year - Rs.165.00 lacs)	165,000,000.00		165,000,000.00	
(c) From Punjab National Bank (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties (save and except book debts) including movable plant & machinery, machinery spares, tools and accessories present & future and personal guarantee of two directors) (Amount due within next one year - Rs.805.00 lacs)	306,838,312.94		313,500,000.00	
(d) From State Bank Of India (SEFASU) (Secured by Residual 4th charge on entire fixed assets of the company on part passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 125.50 lac)	50,200,000.00		50,200,000.00	
(e) From Punjab National Bank (SEFASU) (Secured by Residual 4th charge on entire fixed assets of the company on part passu basis with other term lenders under scheme for extending Financial Assistance to Sugar Undertakings 2007 (SEAFSU) (Amount due within next one year - 118.84 lac)	33,008,006.00		35,600,000.00	
(f) From Punjab National Bank (Funded Interest Term Loan) (Secured by first charge by way of mortgage on Company's immovable properties and hypothecation of all the movable properties (save and except book debts) including movable plant & machinery, machinery spares, tools and accessories present & future) (Amount due within next one year - 24.00 lac)	12,450,822.07			
(g) From Punjab National Bank of India - STL for Repairs (Collateral Security provided by creating residual charge by way of equitable mortgage in respect of land together with all buildings, super structures, plant & machinery constructed or to be constructed) (Amount due within next one year - 148.00 lac)	14,800,000.00			
(h) Interest due and payable	16,306,262.04		13,473,634.26	
TOTAL	816,852,809.43		1,098,292,148.97	



Schedule '4' - Unsecured Loans

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
UNSECURED LOANS:								
a) Loans from U.P. Government	1,436,885.81				1,436,885.81			
Deduct : Fixed Deposit held by District Magistrate, Faizabad against the above loan	1,436,885.81				1,436,885.81			
(b) From Others							87,026,830.00	
TOTAL							87,026,830.00	

Schedule '6' - Investment

PARTICULARS	Face Value	Cost/LA Book Value	Current Year		Previous Year	
			Rs.	P.	Rs.	P.
A. LONG TERM INVESTMENT (Non-trade and unquoted)						
Chamoli Hydro Power (p) Ltd. (1,000 Equity Shares of Rs.10/- each fully paid up)	10,000.00		10,000.00		10,000.00	
K.M. Shikhar Karkhana Pvt Ltd. (25000 equity shares of RS.10/- each fully paid up)	250,000.00		2,000,000.00		1,000,000.00	
B. CURRENT INVESTMENT (Quoted)						
(1) Reliance Industries Ltd (42 Equity Shares)	42000		10,000.00		10,000.00	
(2) Reliance Communication (42 Equity Shares) *						
(3) Reliance Energy (3 Equity Shares) *						
(4) Reliance Capital (2 Equity Shares) *						
(5) Reliance Natural (42 Equity Shares) *						
Shares of Rs. 10/-each fully paid up (Market Value Rs. 1,03,505/-)						
* Received on demerger of Reliance Industries Ltd.						
TOTAL						



Schedules ...

Schedule 5 - Fixed Assets

S.NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
		AS ON 1/10/2008	ADDITION	SALE/ ADJUSTMENT	BAL AS AT 30/09/2009	1/10/2008	DURING THE PERIOD	SALE/ ADJUSTMENT	BAL AS AT 30/09/2009	BAL AS AT 30/09/2008
1	LEASE HOLD LAND	2010875.67	0.00	0.00	2010875.67	0.00	0.00	0.00	0.00	2010875.67
2	BUILDING	37294743.81	111836.50	0.00	37406580.31	14099322.75	2078242.96	0.00	16177565.71	23198421.12
3	PLANT & MACHINERY	1780336352.00	18677854.58	14160452.11	1784893754.47	785070039.15	154597851.67	13613938.07	926053972.75	995266292.75
4	FURNITURE & FIXTURES	7164331.56	798775.57	0.00	79631107.13	5475041.63	411410.38	0.00	5886452.01	1709289.93
5	VEHICLE & CONVEYANCE	12297591.80	0.00	1070066.00	11227625.80	8424935.40	996911.39	-828120.74	8593726.05	3872756.40
6	OFFICE EQUIPMENTS	4876235.28	110153.00	0.00	4785386.28	3238966.56	236652.16	0.00	3477658.72	1436238.73
7	COMPUTER	675548.68	346064.00	0.00	7121412.58	4888395.24	782433.79	0.00	5650828.03	1906953.34
8	TRACTORS AGRICULTURE IMPLEMENTS AND PUMP SETS	1487649.20	0.00	0.00	1487649.20	1445957.17	144.95	0.00	1450112.12	37737.08
	SUB TOTAL	1852062427.71	20044683.65	15320518.11	1856876591.25	822626717.90	159105657.30	-14442058.81	967290316.39	1029438709.87
9	PLANT & MACHINERY UNDER ERECTION	17242029.51	3382365.68	17703517.59	8920877.60	0.00	0.00	0.00	0.00	17242029.51
	LESS: IMPAIRMENT OF ASSETS	5015328.90	0.00	0.00	5015328.90	0.00	0.00	0.00	0.00	5015328.90
	NET ASSETS UNDER ERECTION									
	SUB TOTAL	12226700.61	3382365.68	17703517.59	3905548.70	0.00	0.00	0.00	0.00	12226700.61
	TOTAL	1864289128.32	23427049.33	26934035.70	1860782141.95	822626717.90	159105657.30	14442058.81	967290316.39	1041665410.58
	GRAND TOTAL	1864289128.32	23427049.33	26934035.70	1860782141.95	822626717.90	159105657.30	14442058.81	967290316.39	1041665410.58
	PREVIOUS YEAR	185243056.49	439150123.60	0.00	1891230128.52	801928725.06	161087962.85	0.00	822626717.94	1041662410.58

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



Schedule 7' - Current Assets

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
INVENTORIES (As valued and certified by the management)								
(1) Stores & spares			45,178,220.73					
(2) Raw Material								
(a) Molasses in Distillery Division	2,376,796.50							
(b) Raw Material	-		2,376,796.50					
(c) Bio Compost Culture	-							
(3) Finished Goods								
(a) Spirit & Alcohol	14,345,476.39							
(b) Sugar	148,815,173.60							
(c) Molasses	2,861,975.92							
(d) Mott Super	2,029,809.49							
(e) Banked Power with UPPCL	1,401,004.00							
(f) Stock of sugar in trade	28,466,696.60		197,935,176.39					
(4) Stock in process								
(a) Sugar	-							
(b) Molasses (at estimated realisable value)	-							
SUNDRY DEBTORS (Unsecured)								
(a) Outstanding for a period exceeding six months								
(i) Considered Good	8,141,897.39							
(ii) Considered Doubtful								
(b) Other debts (Considered Good)	125,389,919.30		133,931,816.40					
CASH AND BANK BALANCE								
(a) Cash in Hand			114,221.24					
(b) Cash at Bank with Scheduled Banks								
(i) In Current Account			19,718,732.09					
(2) In Fixed Deposit			6,219,966.09					
(c) Molasses Storage Fund Deposit with State Bank of India (S/B Account)	3,955,122.56							
Less: Molasses Storage Fund (as per contra)	3,955,122.56							
(4) Cheques and Drafts in Transit			12,965.00					
Total								



Schedule '8' - Loans and Advances

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
LOANS AND ADVANCES (Unsecured):								
(i) Advances recoverable in cash or in kind or for value to be received								
(a) Considered Good	169,890,523.21				169,457,590.75			
(b) Considered Doubtful	4,987,959.75				4,987,959.75			
	<u>174,878,482.96</u>				<u>174,445,550.51</u>			
Less: Provisions made for doubtful debts	4,987,959.75		169,890,523.21		4,987,959.75		169,457,590.75	
(ii) Advance Excise duty			4,185,756.38				4,597,808.78	
(iii) Security Deposits			13,748,130.14				35,501,405.14	
(iv) Tax Payments			594,562.56				21,884,333.12	
(v) Loan to others	1,320,649.72				9,420,849.72			
Less: Provision For Taxation	450,162.43		1,440,467.29				9,420,649.72	
TOTAL				189,557,459.58				240,861,787.52

Schedule '9' - Current Liabilities & Provisions

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
A. CURRENT LIABILITIES								
(i) Sundry Creditors	117,563,727.77				925,116,612.13			
(ii) Excise Duty Payable on Closing Stock	7,243,692.34				35,764,784.71			
(iii) Advance from Customers	5,486,161.51				75,967,320.91			
(iv) Security Deposits	6,423,499.52				8,704,809.48			
(v) Interest accrued but not due	7,353,499.00		146,070,790.14		10,364,725.84		456,918,256.87	
B. PROVISIONS								
(i) For Taxation								
Op Bal	19,801,068.18				19,801,068.18			
ADD provision for the year	19,755,102.00		45,966.18				19,801,068.18	
Less adjustment during the year								
(ii) For Fringe Benefit Tax								
Opening Balance	3,860,615.13				2,158,239.35			
Provision for the year	213,869.93				834,506.60			
Adjustment for earlier years					667,889.18			
Adjustments during the year	3,038,844.00		1,035,637.06				3,890,615.13	
(iii) Gratuity			2,584,113.00				451,493.60	
(iv) Leave encashment			1,629,316.00				1,068,035.00	
(v) Other provisions			479,650.00				3,983,580.00	
TOTAL				151,815,452.38				488,680,061.84



Schedule '10' - Sales

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

Schedule '11' - Other Income

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



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

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Opening Stock								
Finished Goods	551,037,769.81				349,075,607.74			
Work in Progress	757,452.00		551,795,221.81		6,350,520.00		354,426,127.74	
Closing Stock								
Finished Goods	195,890,326.71				551,037,769.81			
Work in Progress			195,890,326.71		757,452.00		551,795,221.81	
Difference of Excise Duty on opening and opening stock				29,513,887.09				4,123,112.73
INCREASE/(DECREASE) IN STOCK				326,391,008.01				193,245,981.34

Schedule '13' - Raw Material Consumed

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



Schedule '14'

Manufacturing, Operational, Administrative and Other Expenses

PARTICULARS	Current Year				Previous Year			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Consumption of Stores & Spares			24,325,715.88				48,049,944.18	
Power and Fuel			31,554,650.11				42,413,613.62	
Repairs and Maintenance :								
Plant & Machinery	41,098,499.46				52,143,420.48			
Buildings	7,108,517.11				10,613,316.47			
Other Assets	3,442,449.96		51,540,466.53		4,133,935.89		66,690,672.84	
Printing & Stationery			492,949.64				751,713.48	
Rent, Rates and Taxes			3,505,631.59				3,206,095.76	
Charity & Donation			61,304.00				71,139.00	
Insurance			2,158,914.57				2,660,509.63	
Selling Expenses :								
Commission to Selling Agents	2,861,114.00				1,800,092.04			
Other Selling Expenses	4,773,482.36				9,421,028.86			
Selling Expenses on Sugar Trading	1,025,537.00		8,660,133.36		118,568,822.00		129,789,942.90	
Communication Expenses			895,013.62				1,298,765.20	
Traveling Expenses			10,313,921.30				8,805,910.52	
Advances/amt.			473,250.00				437,133.85	
Consultancy & Legal Expenses			2,587,062.00				1,349,353.95	
Bank Charges			3,091,018.65				3,988,446.87	
Lab Chemical			48,016.00				56,985.00	
Auditors' Remuneration								
Statutory Audit fee	200,000.00				224,720.00			
Tax Audit Fee	100,000.00		300,000.00		100,000.00		324,720.00	
Directors' Sitting Fee			60,000.00				51,000.00	
Directors' Remuneration			5,255,000.00				5,280,000.00	
Miscellaneous Expenses			7,370,832.12				8,600,125.40	
License Fees			337,550.00				341,012.00	
Balance Written off			89.32				112,606.14	
Sample Testing Fee			5,920.00				8,960.00	
Preliminary expenses written off			5,565,820.04				5,585,823.46	
Transit Sugar Loss			451.09				220.88	
Loss on Sale of obsolete stores			1,057,775.20					
TOTAL				159,787,418.63				330,070,696.90

Schedule 15- Payments to & Provisions for Employees

PARTICULARS	Current Year		Previous Year	
	Rs.	P.	Rs.	P.
Salaries and Wages	41,367,865.63		44,956,123.27	
Bonus & Ex-gratia	1,019,948.12		1,098,379.50	
Contribution to provident Fund and other Funds	3,594,634.00		3,628,753.00	
Workmen and Staff Welfare Expenses	831,259.04		755,671.74	
Gratuity	2,193,545.00		56,802.66	
TOTAL		49,007,249.79		50,495,730.17

**Schedule '16' Interest**

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



Schedule '17' Notes to the accounts

1. Significant Accounting Policies

a) Basis of Preparation of Financial Statements

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

b) Fixed Assets

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

c) Revenue Recognition

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

d) Inventories are valued as under:

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

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

Raw Material, stores & spares and other components

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

e) Investments

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

f) Employees Benefits

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

g) Borrowing Costs

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

h) Government Grants

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

i) Financial Derivatives and Commodity Hedging Transactions

Financial Derivatives and commodity hedging

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

j) Taxes on Income

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

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

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

k) Impairment of Assets

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

l) Public Issue Expenditure

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

m) Leases

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

n) Provisions and Contingent Liabilities

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

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

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

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

(a) Claims against the Company not acknowledged as debts (as certified by the management) in respect of pending cases of employees under labour laws - Rs.47.36 lacs. (Previous Year - Rs.44.16 lacs).

(b) Claims against the company not acknowledged as debts (as certified by the management) in respect of criminal and Civil Cases - Rs.42.10 lacs. (Previous Year -Rs.23.50 lacs).

(c) Estimated value of contracts remaining to be executed on capital account and not provided for - Rs.37.32 lacs. (Previous Year - Rs.99.57 lacs).

(d) Bank guarantees given to the Central Government, Excise Department, Indian Oil Corporation and U.P. Pollution Control Board aggregating to Rs.39.70 lacs. (Previous Year - Rs.39.70 lac)

(e) Company has given guarantee to the banks, which provided vehicle loans to the employees of the company - outstanding loan as on 30.09.2009 - RS.10.48 lacs. (Previous Year - Rs.14.36 lacs).

(f) Interest of Rs.167.42 lacs on Short Term Loan of Rs.858 lacs received during the F.Y. 2007-2008 under the Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 (SEFASU) payable in case, the terms and conditions of the loan are not complied with by the Company. (Previous Year -Rs. 64.46)

(g) Disputed sales tax and excise duty cases - Rs.431.58 lacs (Previous Year -98.95 lacs)

Description	Amount (Rs.) Current Year	Amount (Rs.) Previous year
Central Excise Act	0.51 lacs	0.51 lacs
Sales Tax/Trade Tax/Entry Tax	370.28 lacs	37.65 lacs
Income Tax	60.79 lacs	
Total	431.58 lacs	38.16 lacs



3. Employee Benefits

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

a) Defined contribution plans Provident Fund

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

	Current Year	Previous year
Employers' contribution to provident fund	Rs.35,94,634/-	Rs.36,28,753/-

b) Defined benefits plans

- Gratuity
- Leave encashment

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

Amount in Rs.

	Gratuity	Gratuity	Leave Encashment	Leave Encashment
	Current year	Previous year	Current year	Previous year
Discount rate (per annum)	8.00%	8.00%	7.00%	8.50%
Future salary increases	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	0%	0%	0%	0%
Monetized	LIC 94-96 Ultimate	LIC 04 -96 Ultimate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
I. Expenses recognized in profit and loss account				
Current service cost	956399	785440	318975	237005
Interest cost	752035	727600	74348	65875
Expected return on plan assets	-	-	-	-
Net actuarial loss/(gain) recognized in the year	730185	507840	451978	(2841)
Net expenses recognized	3466819	1747151	344899	290039
II. Net liability/(assets) recognized in the balance sheet as at 30th September, 2008				
Present value of obligation at the end of period	11403812	9426289	1629316	1065039
Fair value of the plan assets at the end of period	9237307	9079722	(1829326)	(1095039)
Funded status (surplus/deficit)	(2166505)	(3485471)	(1829326)	(1095039)
Net assets/(liability) as at 30 th September, 2008	11403812	9426289	(1629326)	(1065039)
III. Change in present value of obligation during the year				
Present value of obligation at the beginning of period	9426289	8560000	1065039	775000
Current service cost	956399	785440	318975	237005
Interest cost	752035	727600	74348	65875
Benefits paid	(481076)	(680852)	(280622)	-
Actuarial loss/(gain) on obligations	760185	235771	451978	(12841)
Present value of obligation at the year end	11403812	9426289	1629316	1065039
IV. Change in present value of fair value of plan assets				
Fair value of plan assets at the beginning of period	9079722	8560000	-	-
Expected return on plan assets	-	-	-	-
Contributions	-	-	-	-
Benefits paid	(481076)	(680852)	-	-
Actuarial loss/(gain)	(638661)	(1400304)	-	-
Fair value of plan assets at the year end	9237307	9079722	-	-
Details of plan assets	Gratuity Trust	Gratuity Trust	N/A	N/A

Note : The Company funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is based on the information given by the management. However, the gratuity liability of Rs.3,60,568/- of Distillery Division is not funded.

- Advances recoverable in cash or in kind or for value to be received shown under Schedule '8' includes certain advances given to suppliers of raw material, revenue purchases and of capital goods, which are adjustable against the supply of goods but are running due from the earlier years. The management has undertaken an extensive exercise for recovery of such advances and is confident of recovering the same in near future. Accordingly, provision against the same has not been considered at this stage.

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

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

- Certain bank accounts included in Schedule 7 of 'Current Assets' under the sub-head 'Bank Balance' are non-operating for last some period and are also subject to reconciliation and therefore, amount shown in respect of those bank accounts in the financial statements are as per books of account only.
- The company has paid road transport freight amounting to Rs.835.47 lacs in relation to sugar trading activities undertaken by it during the F.Y. 2007-2008 without depositing service thereon. The estimated service tax liability of Rs.25.82 lacs is worked out on the same, which in the opinion of the management is not payable as the sugar sold by them has been ultimately consumed for export purposes and as per them there is complete exemption of service tax in case the services are used for export of goods.
- In view of the decision of Hon'ble Supreme Court, extra price and excise duty realized on levy sugar in earlier years amounting to Rs.67.11 lacs for funding under the Sugar Price Equalization Fund Act, 1976 was transferred to Sugar Price Equalization Reserve Account. Later on as per the order dated 22.09.1993 of Hon'ble Supreme Court, a sum of Rs.17.90 lacs was paid to the Government out of bank guarantee furnished by the Company and further, during the year 1998-99 a sum of Rs.1.00 lacs was paid towards Excise Duty on the above. The company has further made a payment of Rs.35.81 lacs during the year 2005-06 to the Government of India against the bank guarantee furnished by it along with interest of Rs.118.25 lacs thereon. Still a sum of Rs 12.40 lac is lying in the Sugar Price Equalization Reserve

season 2007-08 at Rs.110 per quintal, the rate at which it has made payment to the cane growers as per the interim order of the Hon'ble Supreme Court, against the State Advised Price of Rs.125 per quintal fixed by Uttar Pradesh State Government. Necessary adjustments, if any, will be made in accordance with subsequent orders of the Hon'ble Supreme Court in the matter.

9. Certain balances in personal account of various debtors, advances, deposits account, and creditors are subject to reconciliation and confirmation by the respective parties and in some of the cases, the amount is overdue for last some years. However, the balances disclosed in the financial statements are as per books of account only and no provision against them has been considered in the books by the management as in their view, the realization from these assets in the ordinary course of business would not be less than the amount at which they are stated in the books of account. Further, there is no system of charging any interest on amount due from sundry debtors and the parties to whom advances extended in the ordinary course of business and which remains due for a substantial period.
10. The company received a loan of Rs.858 lacs under the Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 (SEFASU) during the year for payment of cane dues of the season 2006-07 at zero rate of interest. However, if company defaults in complying with the terms and conditions of the said loan, it would be liable to pay interest at the rate of 12% p.a., and therefore, the liability on this account for the accounting period has been shown as contingent liability in para 2 above.
11. The quantity of pressmud and bagasse has not been ascertained as on 30.09.2008 and therefore, the value of closing stock of pressmud and bagasse is shown at Nil.
12. Unsecured Loans includes a loan from U.P. Government amounting to Rs.14.50 lacs. The issue relating to interest payable thereon is under dispute and is sub-judice before the Hon'ble High Court. However, as per the interim order of the Court a fixed deposit of Rs. 14.50 lacs has been kept with the District Magistrate, Faizabad. In opinion of the management, the interest due on fixed deposit is sufficient to meet out the interest liability of the Company on the said loan and as such, no interest is being provided for in these financial statements.
13. Advance excise duty includes excise duty paid under protest Rs.30.85 lakhs on clearance of Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) on stock held on 28.02.02 and manufactured and cleared from 01.03.02 onwards from the molasses stock.
14. Since, the sugar industry is a seasonal industry; the cost of production of sugar is worked out on annualized basis.

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

16. Related Party Disclosures:-

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

a) Related party where control exist

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

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

i. Key Management Persons (Group A)

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

ii. Key Management Persons' relatives (Group B)

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

iii. Associates (Group C)

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

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



relatives have substantial interest/ significant influence (Group D)

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

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

(Rs. In Lacs)

S.No	Nature of Transaction	Group				Total Current Year (Previous year)
		A C.Y. (P.Y.)	B C.Y. (P.Y.)	C C.Y. (P.Y.)	D C.Y. (P.Y.)	
1	Interest paid	- (-)	- (-)	- (-)	- (-)	- (-)
2	Interest received	- (-)	- (-)	- (-)	- (-)	- (-)
3	Remuneration	68.60 (59.30)	- (-)	- (-)	- (-)	68.60 (59.30)
4	Sugar Sale	- (-)	- (-)	2083.31 (19920.77)	- (-)	2083.31 (19920.77)
5	Commission Paid	- (-)	- (-)	3.11 (5.14)	- (-)	3.11 (5.14)
6	Rent	- (-)	- (-)	11.40 (17.23)	- (-)	11.40 (17.23)
7	Advance given	- (-)	5.44 (5.44)	0 (-)	- (-)	5.44 (5.44)
8	Advance taken	- (-)	- (-)	1897.25 (-)	- (-)	1897.25 (-)
9	Outstanding Bal as on 30.09.2009 on a/c of					
	a) Advance given	- (-)	5.44 (5.44)	- (75.00)	- (-)	5.44 (80.44)
	b) Advance taken	- (-)	- (-)	16.08 (712.92)	- (-)	16.08 (712.92)
	b) Loans Received	- (-)	- (-)	- (859.85)	- (-)	- (859.85)
	c) Receivables	1.16 (5.43)	- (-)	1561.70 (190.29)	- (-)	1562.86 (195.72)
	d) Payables	7.13 (12.13)	- (-)	1.06 (941.63)	- (-)	8.19 (953.76)

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

(Figures in Rs. Lakhs)

Particulars	Sugar		Distillery		Co-Generation		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
External	12977.97	29075.78	1115.30	1584.52	354.10	268.17	-	-	14447.37	30928.47
Inter Segment	1042.47	1158.83	-	-	198.47	206.80	-	-	1240.94	1365.63
Total Revenue	14020.44	30234.61	1115.30	1584.52	552.57	474.97	-	-	15688.31	32294.10
Segment Result	2333.88	529.54	(7.08)	41.47	(704.40)	((642.02)	(0.38)	(0.52)	1622.02	(71.53)
Less: Interest	573.58	676.17	19.24	15.63	502.89	337.36	0.00	0.00	1195.71	1029.16
Extra-ordinary items	38.72	(4.98)	0.00	0.00	(0.70)	0.30	0.00	0.00	38.02	4.68
Profit before Tax	1621.58	(141.66)	(26.32)	25.84	(1206.58)	(979.68)	(0.38)	(0.52)	388.30	(1096.02)
Other Information										
Segment Assets	9481.22	14039.06	710.39	939.94	4594.01	5396.46	18.79	19.16	14804.41	20394.51
Segment Liabilities	6425.10	11464.51	249.05	295.57	5012.57	4945.94	7.96	7.96	10694.68	16713.98
Capital Expenditure*	90.37	1324.03	0.10	0.24	28.64	466.14	-	-	119.11	1790.41
Depreciation	710.31	726.28	61.69	61.23	818.67	828.88	.38	0.52	1591.05	1616.92

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

18. (a) Sundry Creditors (Schedule-9) includes a sum aggregating Rs.39.24 lacs due to small scale industrial undertakings out of which the parties from whom the Company owes any sum which is outstanding for more than 30 days from the Balance Sheet date are Annapurna Gases, Anshuman Industries, Austin Engineering Company, Balaji Industries, Bharat Engineering & Castings, Brylplast Pvt. Ltd., Diffusion Engineers, Digital Utilities, Gita Flopumps India (P) Ltd., Imperial Gases Ltd., Kemtech Polymer, P.P.I Pumps (P) Ltd., Paltech Cooling Tower, Parveen Perforators, Pelicon Valves, Prem Chand Industry, Rajkesh Industry, S.P. Enterprises, S.S. Chemicals, Sagar Rubber Udyog, Tri Squire Switch Gears, Universal Transformers, Vishal Conveyor System. The above information has been compiled in respect of the parties which could be certified as small scale industrial undertakings on the basis of information in possession of the company to the extent.

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

19. Earning Per Share

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

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

20. Directors' Remuneration:-

S. No.		Chairman	Managing Director and Joint Managing Director	Executive Director
a)	Salary (Previous Year)	2225000 (2400000)	2400000 (2400000)	630000 (450000)
b)	Contribution to Provident Fund (Previous Year)	267000 (288000)	288000 (288000)	-
c)	Perquisites:			
	(i) Residence			
	-Furnished (Previous Year)	17270 (17270)	-	-
	(ii) Residence			
	-Unfurnished (Previous Year)	-	-	33000 (33000)
	(iii) Medical Reimbursement (Previous Year)	2058 (0.00)	276650 (23327)	-
	(iv) Other benefits foreign traveling family	-	72148 (0.00)	0.00 (0.00)
	Total (Previous Year)	2511328 (2705270)	3586131 (2711327)	663000 (513000)

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

21. Provision for Deferred Tax

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

Particulars	(Figure in Rs.)	
	Deferred Tax Liability/(Assets)	
	2009	2008
Fixed Assets	181727362	166145217
Accumulated Losses	(87123549)	(76975589)
Others	(10329395)	(1325147)
Net deferred tax liability	84274418	87844501

On the basis of future projections taken on record by the Board of Directors of the company, after considering the improved margins in sugar in the current domestic sugar market scenario, the management is confident that there is a virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized in the normal course of business. However, taking a conservative approach the management has decided to restrict the recognition of the deferred tax assets to Rs.97452944/-

22. Statement of additional information:-

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

(i) Sugar Division

Sl. No.	Class of Goods	Capacity Licensed and Installed	Opening Stock Qtr.	Stock Adj. Qtr.	Production Qtr.	Re-Processing Qtr.	Purchases Qtr.	Sales Qtr.	Sales Year Rs. Lacs	Closing Stock Qtr.
1	Sugar Current Year (Previous Year)	6000 TCD	31.54	2.07	30.53	-	-	81.97	1210.31	1280
			(20054)	(4)	(22367)	(400)	48	1027.94	(837.9)	(51704)
2	Molasses Current Year (Previous Year)	280	11818.31	545.38	11879	0.00	1	11.5418.31	188.34	11818.31
			(280)	(18818.31)	(11879)	(1423.52)	(1)	(107541.20)	(1441.34)	(11818.31)
3	Sugar for Trading Current Year (Previous Year)	-	5000	115.16	NA	NA	23754	12517.85	140.70	850.00
			NA	NA	NA	NA	(114112.54)	(172705.55)	(2365.34)	(245.8)

* 217 bags damaged due fire claim lodged with insurance

** storage loss

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

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

(ii)



S. No.	Class of Goods	Quantity Brought Forward	Quantity Issued During Year	Quantity Closing Stock	Production	Transfer to other divisions	Rate	Value Rs./ Lacs	Closing Stock
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
RAW MATERIAL DIVISION									
1	Power (Previous Year)	4503.00	101774.75	134021.00	317009.10	806.35		10000.00	10000.00
2	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
3	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
4	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
5	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
6	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
7	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
8	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
9	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
10	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
WATER DIVISION									
11	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
12	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
13	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
14	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
15	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
16	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
17	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
18	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
19	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
20	Water (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75

* shortage 503.8

(iii) Co-generation Division

S. No.	Class of Goods	Quantity Brought Forward	Quantity Issued During Year	Quantity Closing Stock	Production	Transfer to other divisions	Rate	Value Rs./ Lacs	Closing Stock
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Power (Previous Year)	4503.00	101774.75	134021.00	317009.10	806.35		10000.00	10000.00
2	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
3	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
4	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
5	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
6	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
7	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
8	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
9	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75
10	Power (Previous Year)	101774.75	101774.75	101774.75	101774.75	101774.75		101774.75	101774.75

B) Expenditure in Foreign Currency:-

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

C) Break up of Raw Materials and components consumed:

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

23. Payments to Auditors:-

For and on behalf of
For MEHROTRA & MEHROTRA
Chartered Accountants

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

Sd/-
Ajay Mishra
Company Secretary

For & on behalf of Board of Directors

Sd/-
Sanjay Jhunjhunwala
Jt. Managing Director

Sd/-
Aditya Jhunjhunwala
Managing Director

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

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

25. Sales includes inter division transfer of molasses for Rs.754.42 lacs (PYRS. 974.97 lacs), bagasse for Rs.288.05 lacs (PY RS. 183.86 lacs)and power for Rs.198.47 lacs (PY RS. 206.80 lacs) for own consumption at market price.

26. No current tax provision has been made during the year in these financial statements in view of the brought forward losses and benefits/deductions/allowances available for the year ending 30.09.2009 as per the provisions of the income tax act,1961.

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

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

29. Schedule 1 to 17 forming part of the Balance Sheet as at 30th September, 2009and Profit & Loss Account for the period ended on that date.

Schedules ...

Cash Flow Statement

S.No.	Particulars	Current Year		Previous Year	
		Amount in Lacs (Rs)	Amount in Lacs (Rs)	Amount in Lacs (Rs)	Amount in Lacs (Rs)
	<u>Cash Flow from operating activities</u>				
	Net Profit before Tax		388.30		(1096.02)
	Adjustment for :-				
	Depreciation for the year	1581.40		1605.51	
	Prior period items	0.00			
	Interest income received	(3.09)		2.46	
	Balance written off	(5.55)		0.00	
	Profit on sale of Fixed Assets	(89.42)		0.00	
	Loss on Sale of obsolete Stores	10.58		0.00	
	Preliminary expenses & amortisation written off	55.86		55.86	
	Provision for leave encashment/Gratuity	26.67		3.47	
	Bad debts written off	12.24		0.00	
	Provision for Bad debts	4.80		39.84	
	Interest expenses	1195.71	2789.20	1029.15	2735.64
	Operating Profit before working capital changes		3177.50		1639.62
	(Increase)/Decrease in trade receivables	(620.28)		(199.83)	
	(Increase) / Decrease in inventories	3721.96		(2134.54)	
	Increase / (Decrease) in trade payables & Others	(3312.53)		181.50	
	Cash Generated from Operations		(210.850)		(2172.88)
	Direct Tax Paid		0.00		7.90
	Other adjustments		0.00		(5.51)
A.	Net Cash From Operating Activities		2966.65		(530.88)
	<u>Cash Flow from investing activities</u>				
	Purchase of fixed assets	(168.41)		(1790.41)	
	(Increase) / Decrease in deposits and advances	510.05		768.58	
	Proceeds from Sale of fixed assets	97.30		0.00	
	Interest income received	3.09		2.46	
B.	Net Cash From Investing Activities		442.03		(1019.37)
	<u>Cash Flow From Financing activities</u>				
	Proceeds from Share Application Money	0.00		0.00	
	Proceeds from long term borrowings	(642.89)		901.25	
	Proceeds from short term borrowings	(2082.09)		2143.49	
	Dividend and corporate dividend tax paid	0.00		0.00	
	Interest Paid	(1177.50)		(1067.88)	
C.	Net Cash From Financing Activities		(3902.48)		1976.86
	Net increase in Cash & Cash Equivalents (A+B+C)		(493.80)		426.61
D.	Cash & Cash Equivalents at the beginning of the Year		703.98		277.37
E.	Cash & Cash Equivalents at the end of the year		210.18		703.98
	Increase in Cash & Cash Equivalents (D-E)		(493.80)		426.61

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

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

For & on behalf of Board of Directors

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

Sd/-
AJAY MISHRA
(Company Secretary)

Sd/-
S. JHUNJHUNWALA
Jt. Managing Director

Sd/-
A.K. JHUNJHUNWALA
Managing Director



Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No	3492	State Code	20
Balance Sheet Date	30.09.2009		

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

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

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

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

Sources of Funds:

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

Application of Funds:

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

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

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

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

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

For MEHROTRA & MEHROTRA
Chartered Accountants

For & on behalf of Board of Directors

Sd/-
RAJESH JHALANI
Partner
M.No. 74809

Place: Lucknow
Date: December 19, 2009

Sd/-
Ajay Mishra
Company Secretary

Sd/-
Sanjay Jhunjunwala
Jt. Managing Director

Sd/-
Aditya Jhunjunwala
Managing Director



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