

EXPERIENCE | EXPERTISE | EXCELLENCE

Corporate Information

BOARD OF DIRECTORS

Mrs. Nandini Nopany, Chairperson
Mr. Chandra Shekhar Nopany, Co-Chairperson
Mr. Anand Ashvin Dalal
Mr. Gaurav Swarup
Mr. Pradip Kumar Bishnoi
Mr. Kalpataru Tripathy
Mrs. Kausalya Madhavan
Mr. Devendra Kumar Sharma, Wholetime Director

COMMITTEES OF DIRECTORS

Audit Committee

Mr. Anand Ashvin Dalal – Chairperson
Mr. Pradip Kumar Bishnoi
Mr. Kalpataru Tripathy
Mrs. Kausalya Madhavan
Mr. Devendra Kumar Sharma

Stakeholders' Relationship Committee

Mr. Anand Ashvin Dalal – Chairperson
Mr. Pradip Kumar Bishnoi
Mr. Gaurav Swarup
Mr. Devendra Kumar Sharma

Nomination and Remuneration Committee

Mr. Gaurav Swarup – Chairperson
Mr. Mr. Anand Ashvin Dalal
Mr. Kalpataru Tripathy
Mrs. Kausalya Madhavan

Risk Management Committee

Mr. Pradip Kumar Bishnoi – Chairperson
Mr. Chand Bihari Patodia
Mr. Dilip Patodia
Mr. Devendra Kumar Sharma

Corporate Social Responsibility Committee

Mrs. Nandini Nopany – Chairperson
Mr. Pradip Kumar Bishnoi
Mr. Devendra Kumar Sharma

Finance & Corporate Affairs Committee

Mrs. Nandini Nopany – Chairperson
Mr. Chandra Shekhar Nopany
Mr. Gaurav Swarup
Mr. Devendra Kumar Sharma

EXECUTIVES

Mr. Dilip Patodia – President (Finance) & Chief Financial Officer
Mr. Devendra Kumar Sharma – Executive President, Hargaon
Mr. Sukhvir Singh – Executive President, Seohara
Mr. Bal Kishore Malpani – Executive President, Rosa
Mr. Karan Singh – Executive President, Hata
Mr. Anand Sharma – Vice President (Legal) & Company Secretary

AUDITORS

B S R & Co. LLP
Chartered Accountants
Godrej Waterside, Unit No. 603
6th Floor, Tower 1, Plot No 5, Block – DP, Sector V, Salt Lake
Kolkata - 700 091

ADVOCATES & SOLICITORS

Khaitan & Co. LLP

BANKERS

State Bank of India
ICICI Bank Ltd.
IDBI Bank Limited
DCB Bank Limited
Karur Vysya Bank.
Lakshmi Vilas Bank
South Indian Bank

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.
(Unit : Avadh Sugar & Energy Limited)
59C, Chowringhee Road, Kolkata - 700 020
Tel. No.:(033)2289 0540, Fax No.:(033)-2289 0539
E-mail : kolkata@linkintime.co.in

REGISTERED OFFICE

P.O. Hargaon District – Sitapur, (U. P.), Pin Code – 261 121
Tel. No.: (05862) 256220, Fax No. : (05862) 256225
E-mail : avadhsugar@birlasugar.org
Website : www.birla-sugar.com
CIN – L15122UP20152PLC069635

CORPORATE & HEAD OFFICE

Birla Building
9/1, R.N. Mukherjee Road, 5th Floor Kolkata - 700 001
Tel. No. (033)2243 0497/8, Fax No.:(033) 2248 6369
E-mail : avadhsugar@birlasugar.org
Website : www.birla-sugar.com

SUGAR MILLS

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor (U.P.)
3. Rosa, Dist. Shahjahanpur, (U. P.)
4. Hata, Dist. Kushinagar (U. P.)

DISTILLERIES

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor, (U.P.)

CO-GENERATION POWER PLANT

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor, (U.P.)
3. Hata, Dist. Kushinagar (U.P.)

FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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Chairperson's Insight



Dear Shareholders,

On behalf of Avadh Sugar & Energy Limited, it's my pleasure to address you on the close of the Financial Year 2018 - 19 of your company. We sincerely thank you all for your support during the challenging phase of the industry and company. Proactive policy measures and a pragmatic approach to peculiarities of the industry will help the company and its shareholders to tide over difficult times.

Indian economy started the fiscal year 2018-19 with a healthy 8.2 percent growth in the first quarter of this year. The economy faced some challenges like the Indian Rupee suffered because of the crude price increase, and conditions exacerbated as recovery in some advanced economies caused faster investment outflows. Despite softer growth, the Indian economy remains one of the fastest growing and possibly the least affected by global chaos. The Indian economy is projected to grow at the range on 7 per cent to 7.5 per cent for the year ahead. Growth would be backed by rise in consumption and a gradual revival in investments, especially with a greater focus on infrastructure development added by the improving macroeconomic fundamentals are improving backed by implementation of reforms, which would boost the investments and ease

banking sector concerns. India has become the sixth-largest economy and it is marching towards achieving the position of the fifth largest economy in the world.

Government's rightful measures and active support towards revival in the sugar industry followed by India's strong growing rural consumption will help the Indian sugar industry in the coming future.

Industry Insight

Sugar output is expected to reach 33.0 mn tonnes in SS 2018-19, and is set to exceed India's annual demand by 8.0 mn tonnes. The Government has initiated various proactive steps to support the sugar millers. Centre revised Sugar Minimum Selling prices (MSP) by 7% from its current level of Rs 29 per kg to Rs 31 per kg, a major step towards pushing up sugar industry. The government had set a sugar export quota of 2.0 mln tonnes for the 2017-18 (October/September) season under the Minimum Indicative Export Quota (MIEQ) scheme in order to clear surplus stocks and improve the cash flow to millers for making payment to sugarcane farmers. The subsidy (INR 45 / tonne) was paid directly to farmers on behalf of the mills and adjusted against the cane price payable to the farmers towards the Fair and Remunerative Price (FRP) including arrears relating to previous years. Government fixed export target of 5 million tonnes of sugar in current sugar season 2018-19 by allocating mill-wise minimum indicative export quotas (MIEQ) which was at 2 million tonnes of sugar in sugar season 2017-18, which would aid to improve the liquidity of sugar mills. Focus to encourage ethanol production is a major step towards addressing the glut in the sugar industry. Ethanol production will help millers to drive their profitability. Sugar being a cyclical industry is governed by several external variables, has its share of heartaches and its fate is determined by the Government in power.

Business Performance

The Company has faced numerous challenges in this fiscal, which it being a fully integrated sugar player we were able to withstand the headwinds. At the end of second half of this fiscal we saw a slight revival in the sugar industry which also reflected in company's performance; we believe government's support for sugar millers and focus on increasing ethanol blending will continue to improve the company's performance going ahead.

During FY19 our revenue stood at Rs. 2133.68 crores against Rs. 2372.57 in FY18, Operating profit stood at Rs.154.37 crore in FY19 against Rs. 114.24 in FY18 and Profit After Tax was at Rs.119.87 in FY19 as against Rs.88.16 in the same period last year.

Our Core Strategies

Avadh Sugar and Energy Limited, a conglomerate, has a strong essence of values for building a strong and sustainable company. Our core business philosophy is based on strong principles, we always, with day to day business activities, take under consideration to fulfill the aspirations of farmers, customers, employees, financiers and the society at large; to excel in the manufacturing of sugar and allied products. We manage our business around responsible governance practices; employees being the most valuable asset, we provide opportunity for employees and business associates to realize their full potential. We keep in consideration growth of all its stakeholders with the growth of the company.

Another focus area in FY18 is to achieve fiscal discipline and operational efficiencies.

Way Forward

Government's focus on increasing ethanol blending and changing market dynamics, will help to curtail the glut situation in the country. We are well positioned to grasp the market opportunities which will help us enhance our performance in imminent years. Several initiatives have already been taken early, results of which we are already witnessing.

Warm regards,

Nandini Nopany

Chairperson

Directors' Report

Dear Members,

Your Directors present herewith the 5th Annual Report on the business & operations of the Company along with the Audited Financial Statements for the financial year ended 31st March, 2019.

1. Financial Results

(Rs. in lacs)

Particulars	Year ended 31st March, 2019		Year ended 31st March, 2018	
Revenue from Operations (Gross)		213016.59		2,36,844.35
Profit before Finance Costs, Tax, Depreciation and Amortization		29494.09		27,298.40
Less: Depreciation & Amortization Expenses	4365.24		4,446.35	
Finance Costs	9692.21	14057.45	11,427.95	15,874.30
Profit/(Loss) Before Tax		15436.64		11,424.17
Less: Provision for Tax:		3449.24		2,607.78
Profit/(Loss) After Tax		11987.40		8,816.39

2. Operating Performance

During the year under review your Company continued to registered top line growth despite depressed market sentiments in first half of the fiscal and a fall in sugar prices even after putting in place the quota sales system as well as MSP (minimum sale price) concept by the Govt., prima-facie due to over production and aggressive sales. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report which is made an integral part of this Report and marked as "Annexure A".

3. Financial Performance 2018-19

The Company recorded Total Revenue of Rs. 2,13,368.26 lacs (including other income aggregating to Rs. 351.67 lacs) during the financial year ended 31st March, 2019. The Revenue from Operations (Gross) of the Company for the year 2018-19 stood at Rs. 2,13,016.59 lacs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at Rs. 29,494.09 lacs representing 13.82 % of the total revenue.

There is no change in the nature of business of the Company. There were no significant or material orders passed by regulators, courts or tribunals impacting the Company's operation in future.

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year i.e. 31st March 2019 and date of this report.

4. Dividend

Your Company had adopted a dividend distribution policy that balances the dual objectives of appropriately rewarding Members through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support long term growth of your Company. There has been no change in this policy during the year under review. his policy is also available on the website of the Company www.birla-sugar.com

The Company does not intend to carry any amount to Reserves.

Consistent with this policy, your Board has recommended a dividend on 8.5 % Non-convertible Cumulative Redeemable Preference Shares for the financial year 2018-19 aggregating to Rs. 206.98 lacs ; and dividend of Rs. 3/- on Equity Shares (30 %) for the financial year 2018-19 to the Members of your Company. The proposal is subject to the approval of the Members at the 5th Annual General Meeting (AGM) of your Company scheduled to be held on September 2, 2019. The dividend together with the dividend distribution tax will entail a cash outflow of Rs. 611.55 lacs (previous year Rs. 619.73 lacs).

5. Public Deposits

During the year, the Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013. There was no public deposit outstanding as at the beginning and end of the financial year 2018-19.

6. Share Capital

The Authorized Share Capital of the Company stood at Rs.170,05,00,000/- (Rupees One hundred seventy crore and five lacs) divided into 5,60,50,000 (Five crore sixty lacs fifty thousand) Equity Shares of Rs. 10/- (Rupees ten) each; 8,00,00,000 (Eight crore) Preference Shares of Rs.10/- and 34,00,000 (Thirty-four lacs) Preference Shares of Rs.100/- each and there is no change in the authorised capital.

Your Company has not issued any shares/securities during the Financial Year 2018-19.

7. Redemption of Preference Shares

During the year under review, your Company had redeemed 2,43,50,000 8.5% Non-convertible Cumulative Redeemable Preference Shares of Rs.10/- each (NCCRPS), to the Preference Shareholders along with the accrued dividend on 1st March, 2019. Accordingly, the paid up share capital post partial redemption of 8.5% NCCRPS stood at Rs. 34,35,92,100/-.

8. Subsidiary, Associate and Joint Venture

The Company does not have any subsidiary company or any associate company or any joint venture with any person. However, the Company has in place a policy for determining material subsidiaries in line with the requirement of SEBI (LODR) Regulations, 2015 as amended from time to time. The said Policy is being disclosed on the Company's website at the weblink www.birla-sugar.com.

9. Credit Rating

CARE Ratings Limited - a Credit Rating Agency, vide its letter dated 30 March 2019, has revised the Credit Rating of the Company to "BBB+" with respect to long-term bank facilities whereas short-term bank facilities rating was revised at "A2".

10. Human Resources

The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes, fair transparent performance evaluation and taking new initiatives to further align its Human Resource policies to meet the growing needs of its business.

11. Directors

The Board of Directors comprises of seven Non-Executive Directors having experience in varied fields and a Whole time Director. Out of seven Non-Executive Directors, five of them are Independent Directors and other two directors are Promoter Directors. Mrs Nandini Nopany is the Chairperson of the Company whereas Mr Chandra Shekhar Nopany is Co-Chairperson of the Company. During the year, Mrs Kausalya Madhavan was appointed w.e.f. 11th February 2019 as an Additional Director in the category of Independent Director and who shall hold office upto the date of ensuing 5th Annual General Meeting. The Company has received notice in writing from a member proposing her candidature. The Board recommends to the shareholders for her appointment as an Independent Director for a period of three consecutive years. Mr Sunil Kanoria, an Independent Director has resigned from the directorship of the Company vide his letter dated March 27, 2019. The Board records its appreciation for his unstinted support and counselling towards development of the Company while being in the office of Director.

Mrs. Nandini Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment as Director of the Company.

The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 read with Regulation 25 of SEBI (LODR) Regulations, 2015.

Other information on the Directors including required particulars of Director retiring by rotation is provided in the Notice convening the Annual General Meeting.

In pursuance of the provisions of the Companies Act, 2013 and according to Regulation 25(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Performance Evaluation Criteria has been laid down for effective evaluation of performance of the Board of Directors, the Committees thereof and individual Directors including the Chairperson of the Company. After detailed discussion at Board level as well as taking input from each Director, Nomination and Remuneration Committee finalized the format / questionnaires containing various parameters to evaluate the performance of Board and its committee(s), Individual Directors and Chairperson of the Company. The performance evaluation parameters are based on their roles and responsibilities, contribution to the Company's goals, decision making process, flow of information and various other aspects. The evaluation of performance of the Board as a whole, Committees of the Board, Individual Directors including the Chairperson of the Company was carried out for the Financial Year 2018-19. Nomination and Remuneration Committee evaluated the performance of the individual Director.

The Independent Directors in their separate meeting held on 15th March, 2019 carried out the evaluation of the Board of Directors as a whole, Chairperson of the Company and Non-Independent Directors. The evaluation of Independent Directors was carried out without the presence of concerned Director.

The Chairman of Nomination and Remuneration Committee has submitted report of the respective evaluations to the Chairperson of the Company. Based on the questionnaires received from the Directors and considering the reports of Chairman of Nomination and Remuneration Committee, the Board has evaluated its own performance and that of its committees and individual directors including independent directors.

12. Key Managerial Personnel

The Board of Directors of the Company at its meeting held on 30th March, 2017 had appointed following persons as Key Managerial Personnel of the Company viz:

- a. Mr. Devendra Kumar Sharma, Whole time Director
- b. Mr. Dilip Patodia, Chief Financial Officer
- c. Mr. Anand Sharma, Company Secretary

During the year under review, there was no change in the Key Managerial Personnel.

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct applicable to Directors & employees of the Company and a declaration to the said effect by the Whole-time Director is made part of Corporate Governance Report which forms part of this report. There has been no change in this policy during the year under review. The Code is available on the Company's website at the weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

13. Familiarisation Programme

Periodic presentations are made at the Board Meetings on business, performance updates & business strategy of the Company. The details of the familiarisation programme (other than through meeting of Board and its Committees) imparted to Independent Director are uploaded on the website of the Company and available at the weblink- <http://www.birla-sugar.com/Assets/Avadh/ASEL-Familiarisation-Programme.pdf>.

14. Remuneration Policy

In pursuance of the provisions of Section 178 of the Companies Act, 2013 and Listing Regulations, the Company has formulated a Remuneration Policy. There has been no change in this policy during the year under review and a copy of the said Policy is available at the website of the Company at the weblink <http://www.birla-sugar.com/Assets/Avadh/ASEL-Nomination-and-Remuneration-Policy.pdf>.

The Remuneration Policy, inter-alia, includes the appointment criterion & qualification requirements, process for appointment & removal, retirement policy and remuneration structure & components, etc. of the Directors, Key Managerial Personnel (KMP) and other senior management personnel of the Company. As per the Remuneration Policy, a person proposed to be appointed as Director, KMP or other senior management personnel should be a person of integrity with high level of ethical standards. In case of appointment as an independent director, the person should fulfil the criteria of independence prescribed under the Companies Act, 2013, rules framed thereunder and the Listing Regulations. The Remuneration Policy also contains provisions about the payment of fixed & variable components of remuneration to the Whole-time Director and payment of sitting fee & commission to the non-executive directors.

15. Corporate Social Responsibility Policy

Your Company believes in long term strategy to contribute to the well-being and development of the society especially the rural population around its plants at Hargaon, Hata, Rosa & Seohara. As part of its CSR initiatives, the Company is working mainly in the areas of imparting School Education, Technical & Vocational Education, Rural Development, Community Healthcare etc. This multi-pronged CSR approach is showing notable improvement in the quality of life of rural population. The Company continues to spend to support local initiatives to improve infrastructure as well as support in other corporate social responsibilities. The CSR Policy as approved by the Board is available on Company's weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-CSR-Policy.pdf>. There has been no change in this policy during the year under review.

The composition and terms of reference of Corporate Social Responsibility Committee are given in the Corporate Governance Report. The Annual Report on CSR activities (including the details of the development and implementation of the Corporate Social Responsibility Policy) as prescribed under Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as "**Annexure J**" to this Report.

For the purpose of Section 135 of the Companies Act, 2013, the amount equivalent to 2% of the average net profits of the Company made during the immediately preceding three financial years works out to Rs. 251.19 lacs. As against this, the Company had spent Rs. 250.13 lacs on CSR projects / programs during the Financial Year 2018-19.

16. Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. During the financial year ended 31st March 2019, 6 (six) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the financial year 2018-19 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

The Company has complied with the applicable Secretarial Standards prescribed under Section 118(10) of the Companies Act, 2013.

17. Audit Committee

The Audit Committee was constituted on March 14, 2017. The Committee now comprises of Mr. Anand Ashvin Dalal, Mr. Pradip Kumar Bishnoi, Mr. Kalpataru Tripathy, Mrs. Kausalya Madhavan and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee and the Chief Financial Officer is a permanent invitee to the meetings. During the year there were no instances where Board has not accepted the recommendation of Audit Committee.

The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

18. Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee was constituted on March 14, 2017. The Committee now comprises of Mr. Gaurav Swarup, Mr. Anand Ashvin Dalal, Mr. Pradeep Kumar Bishnoi and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

19. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted on March 14, 2017. The Committee now comprises of Mr. Gaurav Swarup, Mr. Anand Ashvin Dalal, Mr. Kalpataru Tripathy and Mrs. Kausalya Madhavan. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

20. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted on March 14, 2017. The Committee now comprises of Mrs Nandini Nopany, Mr. Pradip Kumar Bishnoi and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

21. Finance & Corporate Affairs Committee

The Finance & Corporate Affairs Committee was constituted on March 14, 2017 and the Committee now comprises of Mrs. Nandini Nopany, Mr. Chandra Shekhar Nopany, Mr. Gaurav Swarup and Mr. Devendra Kumar Sharma. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

22. Internal Complaints Committee

An Internal Complaints Committee was constituted by the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Act aims at protecting women's right to gender equality, life and liberty at workplace to encourage women participation at work. The Committee meets all the criteria including its composition mentioned in the Act and relevant Rules. No complaint has been received by the Committee during the year under review.

23. Loans, Guarantee and Investments

It is the Company's policy not to give any loans, directly or indirectly, to any person (other than to employees under contractual obligations) or to other body corporate or person. In compliance with Section 186 of the Companies Act, 2013, loans to employees bear applicable interest rates. During the year under review, the Company has not made any investment in securities of other body corporate. The details of Investments, Loans and Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

24. Related Party Contracts / Arrangements

All Related Party Transactions entered during the year were on arm's length basis and in the ordinary course of business. There have been no materially-significant related party transactions made by the Company with the Promoters, the Directors or the Key Managerial Personnel which may be in conflict with the interests of the Company at large. Accordingly, disclosure of contracts or arrangements with Related Parties as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

The Policy on Related Party Transactions as approved by the Board can be accessed on the Company's website at following web-link <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Related-Party-Transaction-Policy-.pdf>. The Policy on Related Part Transactions was aligned with the changes recommended by the MCA/SEBI in this regard.

The details of related party transactions are set out in the notes to the financial statements.

25. Risk Management

In line with the regulatory requirements, the Company has formally framed Risk Management Policy to identify and assess the key risk areas, monitor and report the compliance and effectiveness of the same. A Risk Management Committee, though not mandatory, has been constituted voluntarily comprising of an Independent Director, Whole time Director, Chief Financial Officer and the Group President to oversee the risk management process in the Company with an objective to review the major risks which effect the Company from both the external and the internal environment perspective. Appropriate actions have been initiated to either mitigate, partially mitigate, transfer or accept the risk (if need be) and monitor the risks on a regular basis. The details of the terms of reference, number and date of meeting, attendance of director and remuneration paid to them are separately provided in the Corporate Governance Report.

26. Internal Financial Controls

The Company has laid down internal financial control's, through a combination of Entity level controls, Process level controls and IT General controls inter-alia to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information, safeguarding of assets, prevention and detection of frauds and errors. The evaluations of these internal financial controls were done through the internal audit process and were also reviewed by the Statutory Auditors. The Directors confirm that, for the preparation of financial statements for the financial year ended March 31, 2019, the applicable Accounting Standards have been followed and the internal financial controls are generally found to be adequate and were operating effectively & that no significant deficiencies were noticed.

27. Whistle Blower / Vigil Mechanism

The Company has established a vigil mechanism and adopted whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct policy. During the year under review, there has been change in this policy with respect to leak or suspected leak of Unpublished Price Sensitive Information has been incorporated so that whistle blowers can report concerns. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism. The brief detail about this mechanism may be accessed on the Company's website at the weblink <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Whistle-Blower-Policy.pdf>.

During the year, the auditors, the secretarial auditors and cost auditors have not reported any fraud under Section 143(12) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

28. Corporate Governance & Annual Return

Your Directors strive to maintain highest standards of Corporate Governance. The Corporate Governance Report for the Financial Year 2018-19 is attached as **"Annexure B"** to this Report. The declaration of the Whole-time Director confirming compliance with the 'Code of Conduct' of the Company is enclosed as **"Annexure C"** to this Report and Auditor's Certificate confirming compliance with the conditions of Corporate Governance is enclosed as **"Annexure D"** to this Report

The extract of the Annual Return of the Company is attached as **"Annexure E"** to this Report.

29. Research & Development

During the year under review the Company has undertaken Research & Development initiatives with an intention to improve the sugar recovery ratio and to educate the cane growers to cultivate improved variety of sugarcane and to otherwise increase the sucrose contents in their produce.

30. Auditors, Audit Qualifications and Board's Explanations

Statutory Auditors

At the 3rd Annual General Meeting (AGM) of your Company held on 31st July, 2017, Messrs B S R & Co LLP, Chartered Accountants, having Firm Registration No. 101248W/W-100022, were appointed as Statutory Auditors of your Company to hold office for a term of 5 (five) years from the conclusion of the 3rd AGM (subject to ratification of such appointment by the Members at every AGM) till the conclusion of the 8th AGM of your Company. However, since the first provision to Sec 139(1) has been omitted by the Companies Amendment Act, 2017 with effect from 7th May, 2018, the ratification of such appointment at every AGM is not required. Accordingly, Messrs B S R & Co LLP, Chartered Accountants, shall continue as Statutory Auditors of your Company till the conclusion of the 8th AGM of your Company.

The Notes to the Financial Statements read with the Auditor's Reports are self-explanatory and therefore, do not call for further comments or explanations. There has been no qualification, reservation, adverse remark or disclaimer in the Auditor's Reports.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its Sugar activity is required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed Mr Somnath Mukherjee, Cost Accountant, as the Cost Auditor to audit the cost accounts of the Company for the financial year 2019-20. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed Messrs Vinod Kothari & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Secretarial Audit Report is annexed herewith as "Annexure F" and which is self-explanatory.

There has been no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report.

31. Investor Education and Protection Fund

The provisions pertaining to Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company are not applicable to your company.

32. Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure G".

33. Particulars of Employees

The human resource is an important asset which has played pivotal role in the performance and growth of the Company over the years. Your Company maintains very healthy work environment and the employees are motivated to contribute their best in the working of the Company. The information required to be disclosed in pursuance of Section 197 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed as "Annexure H" to this Report and forms an integral part of this Report.

34. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- that in the preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- that such accounting policies as mentioned in Note 3 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements have been prepared on a going concern basis;