



# Avadh Sugar & Energy Limited

Making Sustainable Impact



Annual Report 2021-2022

## 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. Anand Ashvin Dalal  
 Mr. Kalpataru Tripathy  
 Mrs. Kausalya Madhavan

#### Risk Management Committee

Mr. Pradip Kumar Bishnoi, Chairperson  
 Mrs. Kausalya Madhavan  
 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  
 Mr. Chandra Shekhar Nopany  
 Mr. Gaurav Swarup  
 Mr. Devendra Kumar Sharma

### EXECUTIVES

Mr. Devendra Kumar Sharma, Wholetime Director  
 & Executive President, Hargaon  
 Mr. Sukhvir Singh, Executive President, Seohara  
 Mr. Karan Singh, Executive President, Hata  
 Mr. Munesh Pal, Executive President, Rosa  
 Mr. Dilip Patodia, Chief Financial Officer  
 Mr. Devinder Kumar Jain, 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 Limited  
 HDFC Bank Limited  
 IDBI Bank Limited  
 DCB Bank Limited  
 Lakshmi Vilas Bank Limited  
 The South Indian Bank Limited

### REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.  
 (Unit : Avadh Sugar & Energy Limited)  
 502 & 503, 5th Floor, Vaishno Chambers,  
 6, Brabourne Road, Kolkata - 700 001  
 Tel: 91 033 2289 0540 / Fax : 91 033 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. Hata, Dist. Kushinagar (U. P.)
4. Rosa, Dist. Shahjahanpur, (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 is my sincere pleasure to address you on the closure of financial year 2021-22 of your company. The world economies across the globe are in the midst of overcoming the Covid-19 pandemic and the recent geo-political unrest. Also, the global economies are cautiously focused towards the monetary policies to maintain the inflation. Indian economy has emerged as the fastest growing economy amongst the developing countries. Indian economy is expected to grow at 9.1 % and 5.4% respectively. During the Union Budget 2022-23, the main focus of the Government of India was on growth of the economy which will thrust future growth on India. The "China Plus One" strategy has opened up strong export demand in various sectors in India. The Indian sugar industry is perceiving changing positive market dynamics and structural changes in the business, amidst robust and sustainable ethanol demand. During the fiscal, the Indian sugar millers relished strong realizations and demand, backed by lower output by Brazil. In addition, the upcoming season is expected to witness a favourable cane crop which will enable the Indian sugar

millers to further accelerate exports. Indian sugar exports is expected to reach 100 lakh tonnes in sugar season 2021-22. Ethanol has been a key growth driver for the sugar industry and valued at USD 1650 Crores. A shift towards ethanol safeguards the sugar industry from glut production by diversion of sugar towards manufacturing of ethanol and this will bring down the cyclicity of the sugar sector.

### INDUSTRY INSIGHT

During the Fiscal, in the Indian sugar industry, during SS 2021-22, 523 sugar mills started their crushing operations as against 506 mills which operated last year. Production is expected to reach approximately 357 lakh tonnes towards the end of SS 2021-22.

Adverse climatic conditions with unseasonal rainfall saw U.P. achieving lower yields of sugarcane during 2021-22. Maharashtra rebounded with a bumper estimated production of around 136 lakh tonnes of sugar, making it the largest producer in the country. Furthermore, millers in U.P. diverted sugar to produce Ethanol, making it the largest producer of Ethanol in the country. It is encouraging that with the support of the Government of India, Molasses based Ethanol production capacity has risen from 230 Crore litres per annum in FY 17 to 520 Crore litres in FY 22. India has now achieved its target of 10% Ethanol blending and is well on its way to achieve blending of 20% by 2025. The Indian Ethanol Industry has contributed significantly in reducing our foreign exchange outgo by reducing our dependence on expensive oil imports.

### BUSINESS PERFORMANCE

The company witnessed a strong performance during the fiscal backed by strong export demand and better realizations. Sugar prices remained firm and reached its peak during October 2021 with the prices at Rs 3650/- per qtl. Higher sugar realizations and export availability aided the company to liquidate the inventories and generate strong cash-flow. The company during the fiscal produced ethanol from B-heavy molasses which enhanced the distillery profitability compared to same period last year. The company has utilized its cash flow to repay the debt and improve the leverage position.

During FY22 our total income stood at Rs. 2747.78 Crores against Rs. 2716.92 Crores in FY21, Profit before Tax stood at Rs. 167.22 Crores in FY22 against Rs. 101.36 Crores in FY21 and Profit after Tax was at Rs.124.41 Crores in FY22 as against Rs. 77.58 Crores in the same period last year.

### OUR CORE STRATEGIES

Avadh Sugar & Energy Limited is a flagship of the K. K. Birla Group of Sugar Companies with strong essence of values and commitment towards building a strong and sustainable company. Integrity and commitment towards our stakeholders have always been our priority. Our erstwhile pedigree has always guided us towards operating with strong fundamental and disciplined balance sheet which aid the company to withstand during difficult stages. Our integrated business model and proactive efforts to adopt to the changing market dynamics aid us to deliver compelling performance. The growth of the company along with its stakeholders has always been the core strategy of the company.

### WAY FORWARD

The company's recent capacity expansion from 200 KLPD to 325 KLPD will enhance the product mix of the company towards more value-added products. Higher realizations and expanded ethanol capacity will peg the operating margins going forward. The positive developments in the sugar industry will bring opportunities and we believe to capitalize on the same.

***"Sustainability has to be a way of life to be a way of business"***

Warm regards,

**Nandini Nopany**  
Chairperson

## Directors' Report

Dear Members,

Your Directors present herewith the 8th Annual Report on the business & operations of the Company along with the Audited Financial Statements for the financial year ended 31st March, 2022.

### 1. FINANCIAL RESULTS

(Rs. in lakhs)

Particulars	Year ended 31st March, 2022		Year ended 31st March, 2021	
Revenue from Operations (Gross)		2,74,365.91		2,71,052.01
Profit before Finance Costs, Tax, Depreciation and Amortization		30,693.09		26,569.31
Less: Depreciation & Amortization Expenses	5,128.49		4,830.93	
Finance Costs	8,842.41		11,601.90	
Profit/(Loss) Before Tax		16,722.19		10,136.48
Less: Provision for Tax:		4,281.26		2,378.10
Profit/(Loss) After Tax		12,440.93		7,758.38

### 2. OPERATING PERFORMANCE

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 2021-22

The Company recorded Total Revenue of Rs. 2,74,777.89 Lakhs (including other income aggregating to Rs. 411.98 Lakhs during the financial year ended 31st March, 2022. The Revenue from Operations (Gross) of the Company for the year 2021-22 stood at Rs. 2,74,365.91 Lakhs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at 30,693.09 Lakhs representing 11.17% 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 2022 and date of this report.

### 4. DIVIDEND

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Board of Directors of the Company has 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. This policy is also available on the website of the Company and can be accessed at the weblink - <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Dividend-Distribution%20Policy.pdf>

Consistent with this policy, your Board has recommended a dividend of Rs.10/- on Equity Shares (100%) for the financial year 2021-22 to the Members of your Company. The proposal is subject to the approval of the Members at the 8th Annual General Meeting (AGM) of your Company scheduled to be held on July 20, 2022. The dividend will entail a cash outflow of Rs. 2001.84 lakhs (previous year Rs. 800.74 lakhs).

As permitted under the provisions of the Companies Act, 2013, the Board does not propose to transfer any amount to General Reserve.

### 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 2021-22.

### 6. SHARE CAPITAL

The Authorized Share Capital of the Company stood at Rs.170,05,00,000/- (Rupees One hundred seventy crore and five lakhs) 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.

The Issued and Subscribed Share Capital of your Company, as on 31st March, 2022, stood at ₹ 20,01,84,200/- divided into 2,00,18,420 Equity Shares of ₹ 10/- each.

## 7. 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 the Listing Regulations as amended from time to time. The said Policy is being disclosed on the Company's website at the weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Policy-for-Determining-Material-Subsidiaries.pdf>

## 8. CREDIT RATING

India Ratings and Research - a Credit Rating Agency, has assigned the Credit Rating IND A with respect to long-term bank facilities whereas short-term bank facilities rating has been assigned rating of IND A1.

## 9. 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.

## 10. 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 and Mr Chandra Shekhar Nopany is Co-Chairperson of the Company.

The shareholders of the Company have vide resolution passed through Postal Ballot on March 13, 2022 re-appointed Mrs Kausalya Madhavan (DIN – 05198559) as an Independent Director of the Company for a second term to hold office for a term of 5 (five) consecutive years from February 11, 2022 to February 10, 2027. Further, the shareholders also re-appointed Messrs Anand Ashvin Dalal (DIN – 00353555), Gaurav Swarup (DIN – 00374298), Pradip Kumar Bishnoi (DIN – 00732640) and Kalpataru Tripathy (DIN – 00865794) as Independent Directors of the Company for a second term to hold office for a term of 5 (five) consecutive years from March 14, 2022 to March 13, 2027.

The Board of Directors is of the opinion that the Independent Directors are persons of integrity with high level of ethical standards, they possess requisite expertise and experience for appointment as Independent Director of the Company.

In terms of Section 150 of the Companies Act, 2013 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, the names of all the Independent Directors of the Company have been included in the data bank maintained by the Indian Institute of Corporate Affairs.

In accordance with Regulation 17(1A) of the Listing Regulations, consent of the shareholders was accorded through Postal Ballot by way of Special Resolution for continuation of directorship of Mrs Nandini Nopany beyond the age of 75 (seventy-five) years, as she would attain the said prescribed during the midst of her present term.

Mr. Chandra Shekhar Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself 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 Listing Regulations, 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 2021-22. Nomination and Remuneration Committee evaluated the performance of the individual Director.

The Independent Directors in their separate meeting held on 21st March, 2022 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 Chairperson 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 Chairperson of Nomination and Remuneration Committee, the Board has evaluated its own performance and that of its committees and individual directors including Independent Directors.

A certificate obtained by the Company from a company secretary in practice, confirming that none of the Directors on the Board of Directors of the Company have been debarred or disqualified from being appointed or continuing as director of companies by the Securities and Exchange Board of India /Ministry of Corporate Affairs or any such statutory authority, is enclosed as **Annexure "E"** to this Report.

## 11. KEY MANAGERIAL PERSONNEL

During the year under review Mr Anand Sharma, Company Secretary resigned from the services of the Company with effect from August 31, 2021. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on August 31, 2021 appointed Mr Devinder Kumar Jain, as Company Secretary with effect from September 1, 2021. The Key Managerial Personnel of the Company as on 31st March, 2022 are as under:

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

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.

## 12. FAMILIARISATION PROGRAMME

Periodic presentations are made at the Board Meetings, 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>

## 13. 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.

## 14. 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 Hargaoon, Hata, Rosa & Seohara . As part of its Corporate Social Responsibility ("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 CSR 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 I" 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. 248.43 lakhs. As against this, the Company had spent Rs. 248.65 lakhs on CSR projects / programs during the Financial Year 2021-22.

## 15. BOARD MEETINGS

A calendar of Meeting is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. During the financial year ended 31st March 2022, 7 (seven) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the year under review are given in the Corporate Governance Report forming a part of this Annual Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

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



## 16. 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.

## 17. 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.

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

## 19. 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, has been constituted comprising of two Independent Directors, 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.

## 20. 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. There is a proper system to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively. The directors confirm that, for the preparation of financial statements for the financial year ended March 31, 2022, 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.

## 21. 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. 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>

## 22. CORPORATE GOVERNANCE & ANNUAL RETURN

Your Directors strive to maintain highest standards of Corporate Governance. The Corporate Governance Report for the Financial Year 2021-22 is attached as "Annexure B" to this Report. All the Directors of the Company and senior management personnel have confirmed the compliance of Code of Conduct of the Company. 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. Pursuant to Section 92(3) of the Act, the Annual Return as on 31st March 2022 is available on the website of the Company weblink: <http://birla-sugar.com/Avadh-Shareholders-Info/Annual>Returns-Avadh>



## 23. 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.

## 24. AUDITORS, AUDIT QUALIFICATIONS AND BOARD'S EXPLANATIONS

### STATUTORY AUDITORS

The shareholders of the Company, at the AGM held on July 31, 2017, had approved the appointment of M/s B S R & Co LLP, Chartered Accountants, (Firm Registration No. 101248W/W-100022), as the Statutory Auditors of the Company to hold office for a term of 5 (five) consecutive years from the conclusion of the Third AGM of the Company held on July 31, 2017 till the conclusion of Eighth AGM of the Company to be held in the year 2022. M/s B S R & Co LLP, Chartered Accountants, will retire at the conclusion of the ensuing AGM of the Company. The Board places on record its appreciation of the services rendered by M/s. B S R & Co LLP during their association with the 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.

On the recommendations of the Audit Committee, the Board recommends to the shareholders of the Company, the appointment of M/s. S R Batliboi & Co. LLP (Firm Registration No. 301003E/E300005) as the Auditors of the Company to hold office from the conclusion of 8th AGM of the Company till the conclusion of 13th AGM of the Company to be held in the year 2027.

### 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 2022-23. 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 2021-22. 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.

During the year under review, 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.

## 25. 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.

## 26. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The requisite 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".

## 27. 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.

## 28. 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:

- a. that in the preparation of the annual financial statements for the year ended March 31, 2022, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- b. 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, 2022 and of the profit or loss of the Company for the year ended on that date;
- c. 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;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## 29. BUSINESS RESPONSIBILITY REPORT

In pursuance of the provisions of the Listing Regulations, the Business Responsibility Report for the financial year 2021-22 describing the initiatives taken by the Company from environmental, social and governance perspective forms part of the Annual Report.

## 30. CEO/CFO CERTIFICATION

Mr. Devendra Kumar Sharma, the Whole time Director and Mr. Dilip Patodia, Chief Financial Officer have submitted certificates to the Board as contemplated under Regulation 17(8) of the SEBI (LODR) Regulations, 2015.

## 31. ACKNOWLEDGEMENT

Your Directors take this opportunity of recording their appreciation of the shareholders, financial institutions, bankers, suppliers and cane growers for extending their support to the Company. Your Directors are also grateful to various ministries in the Central Government and State Governments of Uttar Pradesh, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Board of Directors also convey its sincere appreciation of the commitment and dedication of the employees at all levels.

Kolkata

Dated 10th May, 2022

For and on behalf of the Board of Directors

**Chandra Shekhar Nopany**

Co-Chairperson