38th Annual Report

2007-08

BAJAJ HINDUSTHAN SUGAR AND INDUSTRIES LIMITED

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BOARD OF DIRECTORS

Kushagra Bajaj, Chairman

Dr. Swatantra Singh Kothari

Purshottam L. Dadheech

Pradeep Kumar Mittal

Gautam Ashra

Rakesh Bhartia

K.S.Vaidyanathan

Pradeep Parakh

MANAGER & COMPANY SECRETARY

Chandresh Chhaya

BANKERS

Central Bank of India

Punjab National Bank

AUDITORS

DALAL & SHAH

Chartered Accountants

252, Veer Savarkar Marg,

Shivaji Park, Dadar,

Mumbai - 400 028.

REGISTERED OFFICE

Bajaj Bhawan, 2nd Floor,

Jamnalal Bajaj Marg,

226, Nariman Point,

Mumbai - 400 021.

FACTORIES			
Pratappur	**Rudauli**	**Utraula**	**Kundarkhi**
Dist.: Deoria	Dist.: Basti	Dist.: Balrampur	Dist.: Gonda
Uttar Pradesh	Uttar Pradesh	Uttar Pradesh	Uttar Pradesh

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the Members of Bajaj Hindusthan Sugar and Industries Limited will be held on Thursday, March 26, 2009 at 11.00 A.M. at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account and Balance Sheet for the Financial Year ended September 30, 2008 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Kushagra Bajaj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Purshottam L. Dadheech, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Pradeep Parakh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Dalal & Shah, retiring Auditors as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Special Business:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to provisions of Section 310 of the Companies Act, 1956, approval of the Company be and is hereby given to the payment to each Director out of funds of the Company for a fee of Rs.10,000/- (Rupees Ten Thousand only) for attending the meeting of Board and Rs.5,000/- (Rupees Five Thousand only) for attending the meeting of Committee thereof, as the case may be, attended by him hereafter."

By Order of the Board of Directors

Chandresh Chhaya
Manager & Company Secretary

Place: Mumbai
Dated: December 20, 2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY, IN ORDER TO BE EFFECTIVE, SHALL BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

   A Proxy Form is enclosed.
2. Explanatory Statement setting out all material facts relating to the Special Business contained in Item No.6 as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from Thursday, the March 19, 2009 to Thursday, the March 26, 2009 (both days inclusive) for the Thirty Eighth Annual General Meeting of the Company.
4. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Share Transfer Agent enclosing their share certificates to enable them to consolidate their holdings in one folio.
5. Members are requested to send all communications relating to shares to the Registrar and Share Transfer Agent of the Company at any one of the following addresses:

By Post/ Courier/ Hand Delivery	By Hand Delivery
Link Intime India Private Limited (Formerly: Intime Spectrum Registry Ltd.) C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078, Tel.: 022-25963838 Fax: 022-25946969 E-mail: mumbai@linktime.co.in	Link Intime India Private Limited (Formerly: Intime Spectrum Registry Ltd.) 203, Davar House, 197/199, D. N. Road, Mumbai 400 001 Tel.: 022-22694127

6. Pursuant to the provisions of Sections 205A to 205C of the Companies Act, 1956, all unclaimed/unpaid dividend transferred to the "Unpaid Dividend Account" of the Company as contemplated in Section 205A of the Companies Act, 1956 that remains unclaimed/unencashed for a period of 7 years from the respective date of such transfer, has to be transferred by Bajaj Hindusthan Sugar and Industries Limited (Formerly The Pratappur Sugar and Industries Limited) to "the Investor Education and Protection Fund" being the fund constituted by the Central Government under Section 205C (1) and no claims shall lie against the said Fund or the Company in respect thereof.

   The details of Dividend paid by the Company and the corresponding due date for transfer of unencashed dividend to the aforementioned Fund constituted by the Central Government is furnished hereunder:

Dividend for the year	Date of Declaration of Dividend	Due Date of transfer to the Investor Education and Protection Fund
2000-2001	10.04.2002	15.05.2009

   Shareholders who have not encashed the dividend warrant so far in respect of the dividend in respect of the above financial year, are therefore, requested to make their claims to the registered office of the Company.

7. The Company has been maintaining, *inter alia*, the following statutory registers at its registered office at Bajaj Bhawan, 2nd Floor, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 which are open for inspection by members and others as prescribed in the respective Sections of the Companies Act, 1956:-
   a) Register of Contracts with companies and firms in which directors are interested under Section 301 of the Companies Act, 1956;
   b) Register of Directors' Shareholding under Section 307 of the Companies Act, 1956; during office hours on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. at the Registered Office of the Company during the period beginning fourteen days before the date of the ensuing Annual General Meeting and ending three days after the date of its conclusion.
8. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting is given below:

Name of Director	Brief Resume & Functional Expertise	Appointment/ Re-appointment	Directorship held in other Companies	Committee positions held in other Companies
Kushagra Bajaj	Kushagra Bajaj, aged 31 years joined the Board in May, 2006 and belongs to our Promoter, the Bajaj group. He has a Bachelor of Science degree in Economics, Political Philosophy and Finance from Carnegie Mellon, Pittsburgh, USA and has a Master degree in Marketing from Northwestern University, Chicago, USA. He is responsible for overall operations of the Company.	Re-appointment on retirement by rotation	1) Bajaj Hindusthan Ltd. 2) Bajaj Consumer Care Ltd. 3) Esugarindia Ltd. 4) Esugarindia Clearing Corporation Ltd. 5) Hind Musafir Agency Ltd. 6) Anunita Investments Pvt. Ltd. 7) Bajaj Eco-Tec Products Ltd. 8) Bajaj Eco-Chem Products Pvt. Ltd. 9) Bajaj Corp Ltd.	None
Purshottam L. Dadheech	Purshottam L. Dadheech, aged 64 years is a graduate having over 36 years of experience in the area of material management and commercial functions. He joined the Board of the Company in May, 2006.	Re-appointment on retirement by rotation	1) Bajaj Eco-Tec Products Ltd. 2) Bajaj Corp Ltd.	None
Pradeep Parakh	Pradeep Parakh, aged 41 years is a B. Com (Honors) and is CA, CS by qualification. He joined Bajaj Hindusthan Limited (BHL) in March, 2001 and presently designated as President & Company Secretary. He joined the Board of the Company in September, 2005 as one of the representative of holding Company (BHL). He has 19 years of experience with key strengths in the areas of Corporate Law, Corporate Governance and Finance.	Re-appointment on retirement by rotation	1) Bajaj Eco-Chem Products Pvt. Ltd.	None

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

In respect of resolution set out in Item No. 6 of the Notice

The Company has been paying a sitting fee of Rs. 500/- to each Director for each meeting of either of the Board or of the Committee thereof.

Article 90 of the Articles of Association of the Company authorised the Directors to receive sitting fees not exceeding such sum prescribed under the Act/Rules framed by the Central Government and fixed by the Board from time to time. The Company can pay sitting fees upto maximum of Rs. 20,000/- per director per meeting as per the present ceiling prescribed under the rules.

At present, the Company does not have quorum of disinterested Directors who can fix remuneration and accordingly it is proposed to pass the ordinary resolution as set out under Item No. 6 of the notice. All the Directors of your Company are interested in the resolution to the extent of remuneration proposed to be paid to them by way of sitting fees for each Board or Committee meeting attended by him.

By Order of the Board of Directors

Chandresh Chhaya
Manager & Company Secretary

Place: Mumbai
Dated: December 20, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present their Thirty Eighth Annual Report and the Audited Statement of Accounts for the year ended September 30, 2008.

Financial Results

The financial performance for the year ended September 30, 2008 is summarized below:-

	Year ended September 30, 2008 (Rs. Million)	Year ended September 30, 2007 (Rs. Million)
Sales and Other income	**3,021.69**	692.01
Gross Profit/(Loss) before interest and depreciation	**(188.48)**	(249.77)
Less : Interest and Finance Charges	**472.49**	17.65
Less : Depreciation	**474.32**	107.84
Profit/(Loss) before tax	**(1,135.29)**	(375.26)
Less : Provision for taxation	**–**	–
Less : Provision for deferred tax	**(386.07)**	(126.00)
Less : Provision for fringe benefit tax	**8.26**	1.93
Transitional Liability under Employee benefits	**0.59**	–
Profit/(Loss) after tax	**(757.48)**	(251.19)
Less : Transfer to reserve for construction for Molasses Storage Tanks	**0.53**	0.14
Balance carried to Balance Sheet	**(1,075.12)**	(316.52)

Dividend

Your Directors have not recommended any dividend on equity shares for the financial year under review.

Share Capital

During the year, the Company made allotment of 6,20,00,000 equity shares of the face value of Re.1/- each to (i) PSIL Employees Stock Options and Welfare Trust and (ii) Bajaj Hindusthan Limited.

Post allotment, the paid up capital of the Company as at September 30, 2008 stood increased from 5,60,00,000 equity shares of Re.1/- each to 11,80,00,000 equity shares of Re.1/- each.

Open offer by Bajaj Hindusthan Limited

In terms of Regulation 11(1) read with 14(2) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, (SEBI Takeover Regulations) Bajaj Hindusthan Limited (BHL) made an open offer to the shareholders of the Company to acquire upto 2,36,00,000 fully paid up equity shares of the face value of Re.1/- each representing 20% of the issued and expanded paid up capital at a price of Rs.52.89 per share determined in terms of SEBI Takeover Regulations.

Under the said open offer, BHL received a total of 32,10,454 equity shares representing 2.72% of the paid up capital of the Company and paid Rs. 169.80 million making their post open offer shareholding to 9,07,40,724 equity shares representing 76.90% of the paid up capital of the Company.

In order to comply with the requirement of minimum public shareholding at 25% of the paid up capital in terms of Clause 40A of the Listing Agreement, BHL sold 22,40,724 equity shares in the secondary market and holds 8,85,00,000 equity shares representing 75% of paid up capital of our Company.

Operations

The work at Company's Utraula unit, District Balrampur (12,000 TCD) was completed as per schedule and hence commenced operations in February, 2008. With this, the Company has four sugar plants with the aggregate sugarcane crushing capacity of 40,000 TCD and a distillery of 160 kilolitres per day.

The Company crushed 199.34 lakh quintals of sugarcane during the season 2007-08 as against 55.18 lakh quintals during the sugar season 2006-07. Production of sugar for the season 2007-08 was 19.44 lakh quintals (including Trial run) as against 4.82 lakh quintals during the season 2006-07. The recovery improved during the year and was 9.75% during the season 2007-08 as compared to 8.69% during the season 2006-07.

During the year, the Company's three co-generation plants at Kundarkhi, Rudauli and Utraula commenced operations. With this the Company has an aggregate power generating capacity of 88 MW.

Employee Stock Option

Out of 11,00,000 options granted to eligible employees of the holding company during 2006-07, a total of 2,45,000 options lapsed due to resignation of option grantees. 2,10,000 stock options were exercised during the year.

The information required to be disclosed in terms of the provisions of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per Annexure A to this report.

Scheme of Arrangement

In September, 2008, the Board of Directors considered and approved a Scheme of Arrangement. The scheme proposes merger of Phenil Sugars Private Limited with the Company. Phenil Sugars Private Limited presently holds more than 99% shares in two companies having one sugar plant each of the capacity of 6,000 TCD located in the State of Uttar Pradesh (UP). The scheme further envisages conversion of certain loan including interest thereon together with the loans taken over by it from its future subsidiaries due to the Company by issue of Zero Coupon Secured Optionally Convertible Securities.

As a part of debt restructuring it is further proposed in the said scheme of arrangement to securitize the total outstanding loan of Rs.3,350 million and outstanding interest thereon due to the Holding Company – Bajaj Hindusthan Ltd., by converting the said dues into Zero Coupon quasi-equity securities, viz., Zero Coupon Secured Optionally Convertible Debentures.

This aforesaid scheme of arrangement is expected to benefit the Company to (i) acquire further crushing capacities so as to enhance the overall sugar manufacturing capacities of the Company in synchronization with the existing business operations in Eastern Uttar Pradesh (ii) acquire resources for the distillery of the Company by way of enlarging the molasses production within its fold and thereby further enhancing its ethanol production capacities (iii) achieve better financial structuring of the business in the interest of all its stakeholders and to improve financial health of the Company (iv) securitize the debts of the company to the best interest of the lenders, banks and financial institutions which will be convenient from the view of transferability, marketability and liquidity (v) simultaneously carry out financial restructuring of the Group, including the future subsidiaries of the Company pursuant to sanction of the scheme. The said scheme is subject to various approvals of shareholders and creditors of respective companies, the High Courts of Judicature at Delhi and Bombay, Stock Exchanges and other authorities.

Finance

Based on the approval accorded by the shareholders by passing a special resolution in accordance with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the results of which were declared on September 10, 2007, the Company started exploring the buyers through Qualified Institutional Placement. However due to the downturn of Capital market, the buyers of the said issue could not be finalized. The Company will continue to explore various fund raising options to meet its long/ short term requirements.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

World sugar production remained at the same level at 167.85 MMT in 2007-08 as against 167.42 MMT recorded in 2006-07. The inventory at the beginning of the year was 73.74 MMT and the closing inventory was 78.03 MMT. Global Consumption of sugar has grown steadily upwards from 152.96 MMT in 2006-07 to 158.78 MMT in 2007-08. In 2007-08, Imports were 49.96 MMT whereas exports were 54.74 MMT. The global demand supply situation is expected to tighten on account of steady consumption growth coupled with low production in India, the European Union (EU) and Thailand. It is expected that Brazil will be diverting a higher portion of its 2008-09 sugarcane crop to the manufacture of ethanol.

Indian sugar production in 2007-08 was lower at around 26 million tons from around 28 million tons in 2006-07. Furthermore, there were exports of around 5 million tons which helped in easing the pressure on mills.

Government Policies

Sugar is the second largest agro processing industry in India after textiles. Sugar being an essential commodity and having a high weightage (3.63 %) in the Wholesale Price Index (WPI), is regulated by the Government through control on cane pricing, external trade and control on sugar that can be sold in the open market. The Central Government decides the minimum support price, called the Statutory Minimum Price (SMP), at which sugar mills have to purchase sugarcane from farmers. The SMP is based on the recommendations of the Commission for Agricultural Costs and Prices. For the 2007-08 sugar season, the SMP was fixed at Rs.81.18 per quintal linked to a base sugar recovery of 9%. On top of the SMP, every state government also has the power to declare a State Advised Price (SAP) for sugarcane. The Government of UP announced a price of Rs. 125 per quintal for the sugar season 2006-07. This was challenged before the Allahabad High Court. The High Court, in its order dated 19th December, 2007, quashed the SAP of Rs. 125 per quintal and directed the UP Government to form an 'Expert Committee' which would devise a methodology for determining SAP based on specific principles. This Committee was to declare the SAP for sugar season 2006-07, based on the formula so devised, within 3 months. The norms and principles decided by the 'Expert Committee' would form the guiding principle and basis for fixation of SAP going forward (which under an interim arrangement was revised by the Supreme Court to Rs.118 per quintal).

The Government of UP once again announced SAP for the sugar season 2007-08 at Rs. 125 per quintal despite a drop in sugar state prices by around Rs. 500 per quintal. This was again challenged before the Allahabad High Court and finally revised by the Supreme Court again to Rs. 110 per quintal (under an interim arrangement). The respective matters are still pending for final decision by the Supreme Court.

For the sugar season 2008-09, the Government of UP has fixed a higher SAP of Rs. 140 per quintal. This has been challenged once again before the Allahabad High Court. However, the Court has upheld the Government fixed SAP of Rs. 140 per quintal for the Sugar season 2008-09.

In the background of these continuous litigation and re-fixation of sugarcane price, the sugar industry is optimistic and confident of obtaining appropriate relief from the Supreme Court, in the form of, devising a mechanism with proper norms for fixation of sugarcane price.

Representations have been made to the Government agencies for reduction in weightage of sugar in WPI from 3.61 to 1.68.

Outlook

The demand for sugar in India is driven by the increase in population and the rise in income levels.

After two years of surpluses, global demand for sugar is expected to exceed global production by about 4 MMT, leading the inventory decline from 5 months of consumption at the end of 2007-08 to about 4.7 months of consumption at the end of 2008-09 which is mainly due to lower production of sugar in India, EU and Thailand coupled with high diversion of cane to ethanol by Brazil.

In the season 2008-09, the sugar production in India is expected to fall to around 19 million tonnes largely due to crop switching by farmers and inadequate rainfall in some regions of Maharashtra. With the expected consumption of 23.5 million tonnes, there will be an expected depletion of stock to the tune of 4.5 million tonnes.

Domestic sugar prices have recently started an upward trend due to tightness of sugar supply. International prices have moved in past 3 months in anticipation of global deficit in sugar season 2008-09. It is expected that in short term the sugar prices in India will fall due to various Government initiatives to control inflation. However, in long term, the prices are expected to move upwards.

On account of late starting of crushing season in UP in season 2007-08, farmers in the state sold more cane to the manufacturer of alternative sweeteners like gur and khandsari. Sugar mills in UP witnessed fall in sugar prices in sugar season 2007-08, which significantly eroded their profitability. The situation worsened where in addition to 20% decline in prices, SAP was hiked by 9% to Rs. 125 per quintal. The impact of withdrawal of UP Sugar Promotion Policy, 2004 by the new State Government in June, 2007 has also negatively impacted the profitability of sugar companies situated in the state. Accordingly, those companies which started new projects now find it difficult to service the financing cost which is mostly in the form of long term debts. The matter regarding unilateral withdrawal of the said promotion policy has also been challenged and the matter is sub-judice before the Supreme Court.

The Government of India had introduced a number of measures to provide relief to the sugar industry during the last year like allowing the export of sugar and introduction of export and transport subsidies, creation of five million metric tonnes of buffer stock, providing interest-free medium term loans to sugar industries equivalent to excise duty paid in the financial year 2006-07 and 2007-08. All these measures have given much needed support to the sugar industry which was passing through a very difficult phase. However, further incentives and reliefs are required for long term survival of the Industry.

Opportunities, Threats/Risks and Concerns

Sugar industry in India is cyclical in nature & primarily faces the following risks:

1. **Uncontrollable risks**
   A. Raw material risk
   B. Sugar price risk
   C. Regulatory risk

A. Raw material risk

Sugarcane is the principal raw material used for the production of sugar. Business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect operations. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given harvest period. Some of the main factors that could contribute to a shortage of sugarcane are set forth below:

i) Diversion from cane production to other cash crops;
ii) Adverse weather conditions, crop disease;
iii) Drop in Drawal rate and
iv) Unremunerative cane procurement price declared by the State Government and/or Central government.

The Company has sought to mitigate raw material availability risk by diversifying into multiple locations within Uttar Pradesh and at the same time has an impeccable record of cordial relationship with farmers.

B. Sugar price risk

The market price for sugar is function of demand and supply. Fluctuations in demand and supply are due to various reasons, including:

i) changes in the availability and price of sugarcane;
ii) variances in the production capacities of our competitors;
iii) the availability of substitutes for the sugar products and
iv) International demand and Supply.

The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond control. In addition, approximately 15% to 30% of total worldwide sugar production is traded on exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. As a result, any prolonged decrease in sugar prices could have a material adverse effect on our Company.

The Group has addressed this issue to an extent with its expansion plans whereby, Bajaj Hindusthan Limited & Bajaj Hindusthan Sugar and Industries Limited in aggregate have become the largest sugar producers in India with an overall share of more than 20% of the Uttar Pradesh production. This would enable better pricing power while reducing costs.

C. Regulatory risk

i) Environmental risk

The Industry & Company is subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

ii) Government policy related risk

The Industry is regulated and the Company operates in a regulated environment. Central and State Government, policies and regulations, affect the agricultural sector and related industries and affect our operations and our profitability. Ethanol business is highly dependent on Government policy. Sugarcane price is controlled by the State Government and is generally increased every year. This is a systemic risk, which cannot be alleviated unless the industry is completely decontrolled.

2. Controllable risks

1. Productivity;
2. Drawal rate and
3. Management Bandwidth.

Selection of appropriate machinery and maintenance of the same is critical for continuous operations during the crushing season. The Company consistently operates at an optimum capacity of around 90% to 95%.

With its leadership position in the industry and professional work practices, the Company is able to hire and retain appropriate talent.

De-Risking Strategy

As a matter of conscious business strategy, the Company is progressively de-risking its sugar business with investments in distillery and Co-generation. As these new businesses are non cyclical, BHSIL is expected to generate steady cash flows year after year.

Segment-wise/Product-wise Performance

During the last quarter of the current financial year the distillery unit of the Company commenced operations. However, sugar remains the main product under review.

Internal Control Systems

The Company has adequate internal control systems to ensure timely checking and reporting of transactions. Internal checks have been further strengthened through audit of various sections from time to time.

The internal audit department strengthens the internal control systems by performing periodical audits with the following primary objectives:

- To ensure critical examination of reasons that support the recurrence of problems and offer alternative solutions to overcome the same.
- To identify shortcomings that are potentially damaging and adversely affecting the Company's operations and profitability.
- To review systems and procedures in purchase, capital investments and routine operations.
- To ensure the compliance of Company policies and procedures.
- To develop a cost effective approach to work.
- To identify non-performing assets and suggest a procedure for their disposal.
- Any other assignments provided by the management.

Human Resources/ Industrial Relations

The industrial relations at the Company's Sugar Mills and Head Office were cordial throughout the year under review. As at September 30, 2008, the Company has 1,993 employees. The Company is committed to create an organization that nurtures the talents and enterprise of its people, helping them grow and find fulfillment in an open culture. Its growth strategies are based on a strong Human Resource (HR) foundation created through a judicious use of innovative and complementary HR processes and systems.

The various HR initiatives introduced by the Company during the year are listed below:

- Introduction of "Quality Circle" in all units to improve and maintain the quality, services, to reduce/eliminate defects, errors, wastage, enhance productivity, cost-effectiveness and safety.
- Need based training Programmes on safety, house keeping, fire fighting, communication skills, team building, etc.
- Recognition of long service.
- Induction Programmes for new employees.
- Introduction of New Performance Management system (Balance score card system).
- Introduction of Budgetary Control.
- Executive health check-up.

The Company continued its programme of providing training to its workers with a view to improve efficiency, quality of products and avoid breakdowns in areas like SAP and ERP awareness, team building, workers' development program, behavioural/attitudinal training programmes for Executives and Managers, technical training programme for Engineers and Executives, Computer and IT related training programme, HR related training and workshop and training for Cane growers, etc.

FINANCIAL ANALYSIS

Overview

During the financial year 2007-08, the Company commissioned three new sugar plants at Kundarkhi, Rudauli & Utraula, all in State of Uttar Pradesh, having an aggregate sugarcane crushing capacity of 34,000 TCD (Tonnes Crushed per Day). With the commissioning of these new plants, the total crushing capacity of the Company increased to 40,000 TCD making it one of the largest sugar manufacturers in the Country. During the year, the Company's three co-generation plants at Kundarkhi, Rudauli and Utraula commenced operations. With this the Company has an aggregate power generating capacity of 88 MW.

TABLE 1: Summarised Financial Results (Profit & Loss Account)

Rs. million

Particulars	2007-08	2006-07
Sales and Other Income	**3,021.69**	692.01
Earnings before interest, depreciation and tax (EBIDTA)	**(188.48)**	(249.77)
Interest	**472.49**	17.65
Cash Profit	**(660.97)**	(267.42)
Depreciation	**474.32**	107.84
Profit/ (Loss) Before Tax	**(1,135.29)**	(375.26)
Current and Deferred Tax	**(377.81)**	(124.07)
Profit /(Loss) after Tax	**(757.48)**	(251.19)
Basic Earning per share (Rs.)	**(7.31)**	(5.59)
Diluted Earning per share (Rs.)	**(7.31)**	(2.49)

Analysis of sales

During the year, the Company sold 1,53,555 MT of sugar and 24,703 KL of Alcohol as compared to 43,780 MT of Sugar and 410 KL of Alcohol during the previous year. Appreciation in sales value was due to better sales realisation and increase in sales volume.

Product-wise sales quantity, value and per unit realisation details are given in Table 2.

TABLE 2: Sales revenue

		2007-08			2006-07		
	Unit	Qty	Value Rs. Million	Realisation* Rs. per unit	Qty	Value Rs. Million	Realisation* Rs. per unit
Sugar	Tonnes	**1,53,555**	**2,510.35**	**16,348**	43,780	668.80	15,276
Alcohol	Kilolitres	**24,703**	**539.60**	**21,844**	410	7.92	19,317
Molasses	Tonnes	**35,313**	**155.47**	**4,402**	16,095	43.97	2,732

* Includes Excise Duty

Out of the total sales, approximately 10% of sugar quantity was sold to certain parties against permits issued by the Government and the remaining 90% being free-sale sugar, was sold in the domestic market through a network of agents.

Industrial Alcohol was sold in the local market to direct end-users. Ethanol sales were made to oil companies, who use it for blending with gasoline.

Other Income

Other income was at Rs.34.72 million during the year ended September 30, 2008 as compared to Rs.17.43 million during the previous year. The major components of other income was scrap and store sales of Rs.27.14 million (Previous year Rs.14.20 million). The balance amount was miscellaneous receipts.

Other expenses

Other expenses during the year were Rs.956.22 million as compared to the last year figure of Rs.104.51 million. Increase in other expenses was mainly on account of including expenses of three new sugar plants at Rudauli, Utraula & Kundarkhi, which commenced operation during the current year. Other expenses also included Loss due to Foreign Exchange Fluctuation amounting to Rs.633.38 million.

Earnings before Interest, Depreciation, Tax and Amortisation (EBIDTA)

Improved EBIDTA margins in the year 2007-08 was mainly because of lower cost of raw material consumed in the current year & better sugar recovery in the eastern part of Uttar Pradesh.