

|                                 |   |                              |
|---------------------------------|---|------------------------------|
| <b>BOARD OF DIRECTORS</b>       | Mr. M.P.Purushothaman   | Chairman & Managing Director |
|                                 | Mr. Sheeju Purushothaman  | Joint Managing Director      |
|                                 | Mr. K.Jayachandran  | Joint Managing Director      |
|                                 | Ms. Nisha Purushothaman   |                              |
|                                 | Mr. M.K.Mohan   |                              |
|                                 | Mr. M.P.Mehrotra  |                              |
|                                 | Mr. T.S.Raghavan  |                              |
|                                 | Mr.Shankar Menon  |                              |
| <b>VICE PRESIDENT (F&amp;A)</b> | Mr.G.V.Ramana   |                              |
| <b>COMPANY SECRETARY</b>        | Mr.S.S.K.Swarup   |                              |
| <b>AUDITOR</b>                  | Mr. R.Rajagopalan,<br>Chartered Accountant<br>15, Station Road, West Mambalam,<br>Chennai- 600 033.   |                              |
| <b>BANKERS</b>                  | Indian Bank<br>Union Bank of India<br>Indian Overseas Bank<br>Bank of India<br>Punjab National Bank<br>Oriental Bank of Commerce<br>Andhra Bank |                              |
| <b>REGISTERED OFFICE</b>        | Ayyapareddipalem<br>Naidupet – 524 126<br>Nellore District, Andhra Pradesh.   |                              |
| <b>FACTORIES</b>                | 1. Ayyapareddipalem Village, Naidupet,<br>Nellore District, A.P.<br>2. Idaikkal Village, Ambasamudram,<br>Tirunelveli Dist., T.N.               |                              |
| <b>ADMINISTRATIVE OFFICE</b>    | Empee Tower, No.59, Harris Road,<br>Pudupet, Chennai – 600 002.   |                              |

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### NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the 20<sup>th</sup> Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Monday, the 28<sup>th</sup> June, 2010 at 11.30 a.m. at the Registered Office of the Company at Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Pin code-524 126, Andhra Pradesh to transact the following business:

#### ORDINARY BUSINESS:

1. To consider, approve and adopt the Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010, the Balance Sheet as on that date, the report of the Board of Directors and the report of the Auditors.
2. To appoint a Director in place of Mr. T.S. Raghavan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.K. Mohan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company till the conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification the following Resolution as a Special resolution:

#### **INCREASE OF AUTHORISED SHARE CAPITAL BY CREATION OF CUMULATIVE REDEEMABLE PREFERENCE SHARES:**

“RESOLVED that the Authorised Capital of the Company be and is hereby increased to Rs.193,00,00,000/- (Rupees One Hundred Ninety Three Crores ) by creation of 1,48,00,000 nos of 8% Cumulative Redeemable Preference Shares of Rs.100/- each subject to the terms and conditions laid down in Section 80 of the Companies Act.

RESOLVED that the existing Clause V of the Memorandum of Association of the Company as to Share Capital be and is hereby deleted and in its place the following Clause V is substituted:

“The authorized share capital of the company is Rs.193,00,00,000/- (Rupees One Hundred Ninety Three Crores) consisting of 4,50,00,000 no's equity shares of Rs.10/-each and 1,48,00,000 no's of 8% cumulative redeemable preference shares of Rs.100/- each and from time to time, increase, reduce or modify the capital and to divide all or any of the shares in the capital of the Company, for the time being and to classify or reclassify such shares from shares of one class into shares of other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of association of the Company and to vary, modify or abrogate any such rights, privileges conditions or restrictions, in such manner and by such persons as may, for the time being, be permitted under the provisions, for the time being in force in that behalf.”

FURTHER RESOLVED that the existing Article 3 of the Articles of the Association of the Company be and is hereby deleted and in its place the following Article 3 is substituted.

“3. The Authorised Share Capital of the Company is Rs.193, 00,00,000/- (Rupees One Hundred Ninety Three Crores) consisting of 4,50,00,000 nos. of equity shares of Rs.10/-each and 1, 48,00,000 no's of 8% cumulative redeemable preference shares of Rs.100/- each with power to increase or reduce the capital.”

- 6 To consider and if thought fit to pass with or without modification the following Resolution as a Special resolution:

#### **ISSUE OF 8% UNLISTED CUMULATIVE REDEEMABLE PREFERENCE SHARES:**

RESOLVED that pursuant to section 81(1A) and other applicable provisions, if any of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to issue and allot 1,48,00,000 no's of 8% unlisted cumulative redeemable preference

shares of Rs.100/- each fully paid-up of the aggregate value of Rs.148 Crores on private placement with the Empee Distilleries limited in accordance with and subject to the provisions of Preferential issues given in SEBI (Disclosure and Investor Protection) Guidelines, 2000 and on such terms and conditions as the Board of Directors may deem fit and proper.

**RESOLVED FURTHER** that the Board of Directors of the company be and is hereby authorized to take all steps that may be necessary in connection therewith including delegation of the powers given hereof to any of its Committee in accordance with section 292(1) proviso of the aforesaid Act read with the provisions of the Articles of Association of the Company.”

7. To consider and if thought fit to pass with or without modification the following resolution as a Special resolution:

**RE-APPOINTMENT OF JOINT MANAGING DIRECTOR:**

“RESOLVED that in accordance with the provisions of Section 198, 269 and 309 read with schedule XIII to the companies act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Mr.K.Jayachandran as Joint Managing Director of the Company for a further period of three years with effect from 27/04/2010 within the following terms as to remuneration as set out hereafter and with further liberty to the Board of Directors from time to time to alter the said terms in such manner as may be agreed to between the Board of Directors and Mr.K.Jayachandran in the best interest of the company within the limitations in that behalf as contained in schedule XIII to the said Act., viz

Salary : Rs.3, 00,000/- per Month inclusive of all allowances and perquisites. In addition, contribution to Provident Fund and Gratuity Fund shall be made which shall not form part of the remuneration.

In the absence of inadequacy of profits at any time during the tenure of the appointment of the appointee, the Salary mentioned herein above will be paid to the appointee as minimum remuneration in terms of Schedule XIII of the Companies Act, 1956.”

By Order of the Board

**For Empee Sugars and Chemicals Limited**

Place : Chennai

**S.S.K.SWARUP**

Date : 29/05/2010

Company Secretary

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the registered office of the company not less than 48 hours before commencement of the Meeting.
2. The Registrar of members and share transfer books of the company will be closed from 21/06/2010 to 28/06/2010(Both days inclusive).
3. Members/proxies should bring the attendance slip duly filed along with copy of Annual report for attending the meeting.
4. Members are requested to intimate changes if any, in their address to the Registrar and share transfer Agents, M/s. Cameo Corporate Services Limited, “Subramanian Building”, V Floor, 1, Club House Road, Chennai-600 002.
5. The Company's equity shares are listed on the Bombay Stock Exchange Ltd and Madras Stock Exchange Ltd.
6. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.
7. The information/details pertaining to Mr.T.S.Raghavan, Mr.M.K.Mohan and Mr.K.Jayachandran are provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges as annexure.

**ANNEXURE TO THE NOTICE:****Explanatory statement under Section 173(2) of the Companies Act, 1956****Item No's 5 & 6:**

The members are aware that the Company is implementing its integrated sugar complex at Idakkal Village, Ambasamudram Taluk, Tirunelveli District, Tamilnadu at a project cost of Rs.515 Crores. To part finance the Project cost, the company proposes to make an issue of 1, 48, 00,000 of 8% cumulative redeemable preference shares of Rs.100/-each aggregating to Rs.148 Crores to the Empee Distilleries Limited to part finance the project cost. The said shares are redeemable after expiry of a period of 19 years from the date of allotment and will remain unlisted.

The Empee Distilleries Limited is willing to subscribe the proposed issue and desire to hold these shares without listing. The company also desires to issue these preference shares without listing the same with stock exchanges.

To accommodate the proposed issue of the said preference shares, the authorized share capital of the company is to be increased which requires the approval of the members by way of special resolution since it amounts to the alteration of the respective clauses in the Memorandum and Articles of Association of the Company.

Further the said issue requires the consent of the members by way of special resolution as per section 81(1A) of the companies act, 1956 to make a preferential allotment of the said shares to Empee Distilleries Limited.

Accordingly, the said resolutions are proposed for the approval of the members.

None of the Directors are interested in the resolutions except to the extent of their shareholdings in the company and in Empee Distilleries limited.

**Item No 7:**

Mr.K.Jayachandran has been appointed as the Joint Managing Director for a period of three

years effective from 28<sup>th</sup> April, 2007 whose terms expires on 27/04/2010 and offers himself for re-appointment. The company is also of the opinion to make use of his services and expertise and proposes to renew his appointment as mentioned in the resolution. The remuneration proposed to be paid to Mr.K.Jayachandran has been considered by the Remuneration Committee at its meeting held on 29<sup>th</sup> May, 2010 and the details of the remuneration as recommended by them are placed before the members for their consideration.

Accordingly, Special Resolution set out under Item 7 of the Notice is submitted to the members for their approval.

None of the Directors except Mr.K.Jayachandran is deemed to be concerned or interested in the resolution.

**I. GENERAL INFORMATION:****1. Nature of Industry:**

The Company is engaged in the business of manufacture of Sugars and Industrial Alcohol.

**2. Date or expected date of commencement of Commercial production:**

Not applicable as the Company is an existing Company.

**3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:**

Not applicable as the Company is an existing Company.

**4. Financial Performance based on given indicators.**

(Rs. in Lacs)

| Particulars | Year ended<br>30-6-2007 | Year ended<br>30-06-2008 | Period ended<br>31-03-2009 | Year ended<br>31-03-2010 |
|-------------|-------------------------|--------------------------|----------------------------|--------------------------|
| Sales       | 5752.14                 | 5962.22                  | 4643.58                    | 4582.22                  |
| PBID        | 612.31                  | 888.41                   | 921.49                     | 876.60                   |
| Net Profit  | 87.57                   | 129.66                   | 95.48                      | 92.64                    |

5. Export performance: Nil.
6. Foreign investments or collaborations, if any. : Nil

**II. ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:**

The brief resumes of the Directors seeking re-appointment and election are given below:

**Mr. T.S.Raghavan (70)**

Mr. T.S.Raghavan holds a Degree in Master of Arts from Madras University and is a certificate holder from Certified Associate from Indian Institute of Bankers (CAIIB). He started his professional career as an Officer in Indian Overseas Bank in the year 1964 and was an Executive Director of Vijaya Bank from January, 1996 to April, 1997; Chairman and Managing Director of Bank of Maharashtra during May 1997 to November 1998 and Chairman and Managing Director of Indian Bank from December, 1998 to 2000. He has wide experience in Finance & Banking sectors.

He holds the Directorship and Membership in Committees of other Companies as follows:

| <b>Directorship in other Companies</b>            | <b>Membership in Committees</b> |
|---|---------------------------------|
| 1. Empee Distilleries Limited                     | Audit Committee                 |
| 2. Vishnu Fabrics Pvt Ltd                         | Nil                             |
| 3. Tanfac Industries Ltd                          | Nil                             |
| 4. Swajas Air Charters Ltd                        | Nil                             |
| 5. Viswapriya Financial Services & Securities Ltd | Nil                             |
| 6. Leather Crafts India Pvt Ltd                   | Nil                             |
| 7. Giri Trading Agencies Pvt Ltd                  | Nil                             |
| 8. Sri Chandrasekara Viswamaha Vidyalaya          | Member                          |

He is not holding any shares in the Company.

**Mr.M.K.Mohan: (55)**

He has joined our Company as an Independent Director. He has been engaged for over 30 years in the field of finance, transportation services, construction and import and export and the manufacture of bricks. He is a Trustee of the Vishakapattanam Port Trust, a former financial trustee of Pachaappa Trust, Former Member of Council, Corporation Chennai, former Member of the Water Board, Chennai, Executive Member of the Tirupathi Tirumala Devasthanam, Chennai and active member of Tamil Nadu Brick Manufacturers Association.

He holds the Directorship and Membership in Committees of other Companies as follows:

| <b>Directorship in other Companies</b> | <b>Membership in Committees</b> |
|--|---------------------------------|
| 1. Five Star Business Credits Ltd      | Nil                             |
| 2. Kurunji Chit Funds Pvt Ltd          | Nil                             |
| 3. Emkay Holiday Inn Pvt Ltd           | Nil                             |
| 4. Empee Distilleries Ltd              | Share Transfer Committee        |

He is not holding any shares in the Company.

**Mr. K.Jayachandran: (65)**

Mr. K Jayachandran joined the Company on 14.7.2006 as a Chief Executive. He was subsequently appointed as the Director in the Board and designated as the Joint Managing Director for a period of three years effective from 28<sup>th</sup> April 2007. He is a B.Sc., ANSI (Sugar Technology) and has over 39 years of rich experience in Sugar and related areas. He is experienced with the latest technologies and expertise in Sugar and related sectors and has implemented the Sugar Expansion Project and the Cogen Project without any major hurdles. He has served in many sugar companies with distinction and with his association the company is able to give a good performance.

He holds the Directorship of other Companies as follows:

| <b>Directorship in other Companies</b> | <b>Membership in Committees</b> |
|--|---------------------------------|
| Empee Power Company (India) Ltd        | Nil                             |

He is not holding any shares in the Company.

## EMPEE SUGARS AND CHEMICALS LIMITED

### III.OTHER INFORMATION:

| S. NO. | DESCRIPTION   | PARTICULARS   |
|--------|---|---|
| 1.     | Reason of loss or inadequate profits.                             | Substantial fall in the availability of Sugar Cane.   |
| 2.     | Steps taken or proposed to be taken for improvement.              | New and existing cane growers are encouraged to plant sugar cane. Loans are being arranged to the farmers through tie up with the Nationalized Banks. Further the price of sugar is not in the control of the Company, steps are being taken to achieve maximum profitability by increasing the production improving the recovery of the sugar and optimization of IAP Production and bring out new products in IAP division i.e. Ethanol and bottling of Carbon dioxide. |
| 3.     | Expected increase in productivity and profits in measurable terms | Company expects better Turnover and Profits during the year in view of expansion projects started commercial operations in sugar and co-gen.  |

By order of the Board  
For **Empee Sugars and Chemicals Limited**

Place : Chennai  
Date : 29/05/2010

Sd/-  
**S.S.K.SWARUP**  
Company Secretary

**DIRECTORS' REPORT**

To the Members,

Yours Directors take pleasure in presenting their report together with the audited accounts for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS**

(Rs.in Lacs)

| <b>Particulars</b>                                | <b>2009-10<br/>(12 months year<br/>ended 31.3.2010)</b> | <b>2008-09<br/>(9 months period<br/>ended 31.3.2009)</b> |
|---|---|--|
| Operating Profit before Interest and Depreciation | <b>876.60</b>   | 858.55   |
| Other income                                      | <b>29.90</b>  | 62.93  |
| Less: Interest                                    | <b>494.10</b>   | 393.87   |
| Less: Depreciation                                | <b>353.88</b>   | 329.70   |
| Profit before Tax                                 | <b>58.53</b>  | 197.91   |
| Provision for Taxation (MAT) including FBT        | <b>9.04</b>   | 21.25  |
| Deferred Tax Liability/(Asset)                    | <b>(34.11)</b>  | 81.18  |
| Profit/(Loss) after Tax                           | <b>92.64</b>  | 95.48  |
| Brought Forward Loss                              | <b>656.39</b>   | 575.81   |
| Carry Forward Loss                                | <b>617.05</b>   | 656.39   |

**Performance of the Year under Review:**

| <b>Quantitative Particulars</b>        | <b>2009-10<br/>(12 months year<br/>ended 31.3.2010)</b> | <b>2008-09<br/>(9 months period<br/>ended 31.3.2009)</b> |
|--|---|--|
| Cane Crushed (MTS)                     | <b>107772</b>   | 188451   |
| Recovery of Sugar From Cane (%)        | <b>7.17</b>   | 8.90   |
| Production of Sugar (Qtls) – Cane      | <b>78310</b>  | 167810   |
| Production of Sugar (Qtls) – Raw sugar | <b>12675</b>  | -  |
| Total Production of Sugar (Qtls)       | <b>90985</b>  | 167810   |
| Production of Sprits (Ltrs)            | <b>4388727</b>  | 5175156  |
| Sale of Sugar (Qtls) cane              | <b>129148</b>   | 193430   |
| Sale of Sugar ( Qtls) raw sugar        | -   | -  |
| Total Sale of Sugar (Qtls)             | <b>129148</b>   | 193430   |
| Sale of Spirits (Ltrs)                 | <b>4727179</b>  | 4064084  |

The operating profit before interest and Depreciation for the year is Rs.876.60 lacs which is 19.13% of sales as against Rs 858.55 lacs which is 18.49 % of Sales in the previous year. This increase of 0.64% in operating profit is mainly due to increase in the free sale price of sugar.

The year ending 31<sup>st</sup> March, 2010 have witnessed severe shortage of sugar cane availability worse than the previous period, accordingly the crushing of cane has come down drastically and the season came to an end in the first week of February, 2010 as against February end in the previous period. The shortage of sugar cane is mainly due to the conscious switchover by the farmer community to other competing crops that now fetch him a much higher realization. Further there is also shortage of efficient harvesting labour for cutting the sugar cane. Price parity being the bedrock of market economics, sugarcane price must match with and measure up to other competing crops to reignite farmers' interest in cane.

**Dividend:**

In view of the past accumulated losses and to source the expansion plans to achieve growth oriented stability in future financial performance the Directors are unable to recommend any Dividend for the year under review.

**Subsidiary:**

20 MW Multi fuel based cogen power plant at the factory site at Naidupet has commenced its commercial operations effective from 12<sup>th</sup> March, 2010 and started selling power to APSDCCL against the power purchase agreement executed by the subsidiary company.

**Future Outlook:**

The Company's prestigious greenfield integrated sugar complex at Idakkal Village, Ambasamudram Taluk, Tirunelveli District, Tamilnadu consisting of 5000 TCD Sugar plant expandable to 8000 TCD, 50MW co-generation plant have started commercial operations and 100 KL/day Distillery plant is under progress.



The Company expects increase in sugar production on account of the steps taken by the company to increase the area of sugar cane cultivation in the allotted lands, continuous efforts to increase efficiency and productivity in existing operations, contribution expected from cogen power plant in view of increased power tariff from TNEB and also expected higher price from Power Trading Corporation. The company has entered into an agreement with TNEB to sell 25% of the excess power produced over and above our captive consumption and the balance 75% to any third parties. The company expects that on account of this developments barring unforeseen circumstances your Directors are confident that the company will generate good revenues and post better performance in the current financial year and years to come.

### **Directors:**

Mr.T.S.Raghavan, Director and Mr.M.K.Mohan, are retiring by rotation at the ensuring annual general meeting and being eligible offers themselves for re-appointment.

The three years term of Mr.K.Jayachandran, Joint Managing Director has expired on 27<sup>th</sup> April, 2010 whose appointment was renewed by the Board for a further period of three years which will be subject to the approval of the members in the ensuing annual general meeting.

### **Auditors:**

Mr.R.Rajagopalan, the Auditor of the Company has submitted his resignation to act as Auditor of the company from the financial year 2010-11.

The Board has identified M/s. K.S. AIYAR & Co., Chartered Accountants as Auditors of the Company for the year 2010-11. The company has received a certificate from the Auditors to the effect that their appointment, if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

### **Fixed Deposits:**

Your Company has not accepted any fixed deposits from the public during the year.

### **Employees:**

The Particulars of employees drawing remuneration within the provision of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is annexed to this Report. (Annexure.1)

### **Directors' Responsibility Statement:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) in the preparation of the profit and loss account for the year ended 31.3.2010 and the balance sheet as at that date ("Financial Statements") applicable accounting standards have been followed;
- b) appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit of the company for that year.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- d) the financial statements have been prepared on a going concern basis.

## EMPEE SUGARS AND CHEMICALS LIMITED

- e) the financial statements have been audited by Mr.R.Rajagopalan, Statutory Auditor and his report is appended thereto.

### Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo:

Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is annexed to this Report. (Annexure 2)

### Corporate Governance:

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report. (Annexure.3)

### Cost Auditors:

M/s. Vivekanandan Unni & Associates, have been appointed as Cost Auditors for the sugar unit of the company for the financial year 2009-10.

### Acknowledgement:

Your Directors thank for the continuous assistance and support extended by the Banks, cane growers, customers and government authorities and also to the shareholders for their forbearance and their faith in the management. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at various levels to the growth and success of the Company.

For and on behalf of the Board of Directors

Sd/-  
Chennai  
29/05/2010

**M.P.Purushothaman**  
Chairman & Managing Director

## ANNEXURE 1 TO DIRECTORS' REPORT

### Statement under Sub Section 2 (A) of Section 217 of the Companies Act, 1956

| S. No. | Name of the Employee    | Remuneration payable for the Year 2009-10 Rs. | Qualification & Experience                                       | Date of Commencement of Employment | Age      | Last Employment                                   |
|--------|-------------------------|---|--|------------------------------------|----------|---|
| 1      | Mr.M.P.Purushothaman    | 47.04 Lakhs                                   | Higher Secondary, 48 Years in Sugars, Hotel, Transport and Power | 01/03/1990                         | 73 Years | -   |
| 2      | Mr.K.Jayachandran       | 36.66 Lakhs                                   | B.Sc., ANSC-Sugar Technology                                     | 28/04/2007                         | 64 Years | Chief Executive, Empee Sugars & Chemicals Limited |
| 3      | Mr.Sheebu Purushothaman | 39.20 Lakhs                                   | B.A  | 01/04/2008                         | 32 Years | -   |