

BOARD OF DIRECTORS	Mr. M.P.Purushothaman Mr. Sheeju Purushothaman Ms. Nisha Purushothaman Mr. M.K.Mohan Mr. M.P.Mehrotra Mr. T.S.Raghavan Mr.Shankar Menon	Chairman & Managing Director Joint Managing Director
GENERAL MANAGER (F&A) & COMPANY SECRETARY	Mr. S.S.K.Swarup	
AUDITORS	M/s.K.S.Aiyar & Co. Chartered Accountants 54/2, Paulwells Road St. Thomas Mount Chennai- 600 016.	
BANKERS	Indian Bank Union Bank of India Indian Overseas Bank Bank of India Punjab National Bank Oriental Bank of Commerce Andhra Bank	
REGISTERED OFFICE	Ayyapareddipalem Naidupet – 524 126 Nellore District, Andhra Pradesh.	
FACTORIES	1. Ayyapareddipalem Village, Naidupet, Nellore District, A.P. 2. Idaikkal Village, Ambasamudram, Tirunelveli Dist., T.N.	
ADMINISTRATIVE OFFICE	Empee Tower, No.59, Harris Road, Pudupet, Chennai – 600 002.	

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EMPEE SUGARS AND CHEMICALS LIMITED

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the 21st Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Wednesday, the 28th December, 2011 at 11.00 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 30th September, 2011, the Balance Sheet as on that date, the report of the Board of Directors and the report of the Auditors thereon.
2. To appoint a Director in place of Mr. Shankar Menon, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.M.P.Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
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(s) 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.Sheeju Purushothaman, as Joint Managing Director of the Company for further period of three years with effect from 1st April, 2011 to 31st March, 2014 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.Sheeju Purushothaman in the best interest of the company within the limitations in that behalf as contained in schedule XIII to the said Act., viz

- a. Basic Salary – ₹.3,00,000/- per month. The quantum of annual increase will be decided by the Remuneration Committee.
- b. Perquisites –
 1. Free use of furnished accommodation owned or leased by the Company with amenities including Water, Gas, Electricity and Furnishings.
 2. Medical Reimbursement for self and family including premium payable for medical insurance in accordance with the rules of the Company.
 3. Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.
 4. Fees of clubs subject to a maximum of two clubs. This will not include admission fee and life membership fee.
 5. Personal Accident Insurance as per the rules of the Company.
 6. Contribution to PF and Payment of Gratuity as per the rules of the Company, which shall not be included for computation of the ceiling on the remuneration payable.
 7. Encashment of leave at the end of the tenure.
 8. Provision of Car with driver and telephone at residence, for Company's business.

In the absence or inadequacy of profits at any time during the tenure of the appointment of the appointee, the Basic Salary 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
Date : 30.11.2011**

**S.S.K.Swarup
Company Secretary**

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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 21st December 2011 to 28th December 2011 (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.Shankar Menon and Mr.M.P.Mehrotra and Mr.Sheeju Purushothaman 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:

Mr.Sheeju Purushothaman has been appointed as the Joint Managing Director for a period of three

years effective from 1st April, 2008 whose terms expired on 31st March. 2011 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.Sheeju Purushothaman has been considered by the Remuneration Committee at its meeting held on 12th February, 2011 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 5 of the Notice is submitted to the members for their approval.

None of the Directors except Mr.Sheeju Purushothaman, Mr.M.P.Purushothaman, and Ms.Nisha Purushothaman are 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, Industrial Alcohol and generation of power.
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.
(` . in Lacs)

Particulars	Year ended 30-06-2008	Period ended 31-03-2009	Year ended 31-03-2010	Year ended 30-09-2011
Sales	5962.22	4643.58	4582.22	40226.52
PBID	888.41	921.49	906.50	7266.42
Net Profit/(Loss)	129.66	95.48	92.64	(3854.70)

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5. Export performance : ₹.9958.03 Lacs
 6. Foreign investments : Nil
 or collaborations, if any.

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.Shankar Menon (70)

Mr.Shankar Menon holds a degree, B.Sc. from Madras University, M.B.A from Indiana University USA, Masters degree in Hotel & Restaurant Administration from Cornell University and Hilton School of Hotel Management at University of

Mr.M.P.Mehrotra: (71)

Mr.M.P.Mehrotra is a Senior Practicing Chartered Accountant joined the Company as an Independent Director. He is on the Board of various companies and it is in the interest of the Company to continue to avail the services of Mr.M.P.Mehrotra.

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

Houston. He had over 35 years of experience in national and international Hotels. The Board of Directors recommends his appointment as an independent Director to make use of his valuable services to the Company.

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

Names of the Companies /Firms	Nature of interest
1. Empee Hotels Limited	Director
2. South India Hotel & Restaurant Association	Executive Committee member
3. Indian Green Grid Group Ltd	Director

Names of the Companies/Firms	Nature of interest
1. Maxim Infracon Pvt Ltd	Director
2. VLS Finance Ltd	Director & Member -Audit Comm.
3. VLS Capital Ltd	Director
4. South Asian Enterprises Ltd	Director
5. Gaurav Overseas Exports Pvt Ltd	Director
6. Dhampur Sugar Mills Ltd	Director & Chairman – Audit Comm. Director & Chairman – Remu. Comm.
7. Empee Distilleries Ltd	Director & Chairman – Audit Comm.
8. World Resorts Ltd	Director
9. India Securities Ltd	Director & Chairman – Audit Comm.
10. Delton Cables Ltd	Director
11. Bay Datacom Solutions Pvt Ltd	Director
12. TSM Polymers Pvt Ltd	Director
13. Jaybharat Textiles and Real Estate Ltd	Director & Chairman – Audit Comm.
14. Eskay K'n'IT (India) Ltd	Director & Chairman – Audit Comm.
15. Krishna Knitwear Technology Ltd	Director & Member – Audit Comm.
16. Asahi Fibres Ltd	Director & Chairman – Audit Comm.
17. KSL and Industries Ltd	Director & Member – Audit Comm.
18. Krishna Lifestyle Technologies Ltd	Director & Member – Audit Comm.
19. Mehrotra & Mehrotra, Chartered Accts.	Director

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Mr. Sheeju Purushothaman (34)

Mr. Sheeju Purushothaman is a Bachelor of Arts and having around a Decade of Experience in areas of Marketing and Administration in Sugar Industry.

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

Directorship in other Companies	Membership in Committees
1. Empee International Hotels & Resorts Limited	Nil
2. Empee Holdings Limited	Nil
3. Empee Power Company (India) Limited	Nil
4. Empee Marine Products Limited	Nil
5. Aruna Constructions (India) Limited	Nil
6. Empee Agro farm Products Pvt.Limited	Nil
7. Appollo Alchobev Limited	Nil
8. Apollo Wind Energy Pvt.Limited	Nil
9. Apollo Beers Pvt Limited	Nil
10.Empee Construction Co.Pvt. Limited	Nil
11. Empee Hotels Limited	Nil

He holds 30,000 Equity Shares in the Company. He is related to Mr.M.P.Purushothaman, Chairman & Managing Director and Ms.Nisha Purushothaman, Director.

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 and generation of power.
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

Chennai
30.11.2011

S.S.K.Swarup
Company Secretary

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DIRECTORS' REPORT

To the Members,

Yours Directors take pleasure in presenting their report together with the audited accounts for the year ended 30th September, 2011 (18 months).

FINANCIAL RESULTS (Rs. in Lacs)

Particulars	2010-11 (Year ended 30.9.2011) (18 months)	2009-10 (Year ended 31.3.2010) (12 months)
Operating Profit before Interest and Depreciation	6,593.53	876.60
Other income	672.89	29.90
Less: Interest	9,491.99	494.10
Less: Depreciation	3,445.72	353.88
Profit / (Loss) before Tax	(5,671.29)	58.53
Provision for Taxation (MAT)	-	9.04
Deferred Tax Liability/(Asset)	(1,816.59)	(34.11)
Profit/(Loss) after Tax	(3,854.70)	92.64
Brought Forward Profit/(Loss)	(617.05)	(656.39)
Carry Forward Profit/(Loss)	(5,337.21)*	617.05

* includes interim dividend (₹ .244.72 lacs including dividend distribution tax thereon) and prior period expenses of (₹ .620.74 lacs).

Performance of the year under review:

Quantitative Particulars	2010-11 (Year ended 30.9.2011) (18 months)	2009-10 (Year ended 30.9.2010) (12 months)
Cane Crushed (MTS)	433106	107772
Recovery of Sugar from Cane (%)	9.50	7.17
Production of Sugar (Qtls) – Cane	411450	78310
Production of Sugar (Qtls)– Raw sugar	396434	12675
Total Production of Sugar (Qtls)	807884	90985
Production of Sprits (Ltrs)	12209094	4388727
Sale of Sugar (Qtls) – Cane	252943	129148
Sale of Sugar (Qtls) - Raw sugar	396434	-
Total Sale of Sugar (Qtls)	649377	129148
Sale of Spirits (Ltrs)	13399856	4727179

The operating profit before interest and Depreciation for the year is ₹ .6591.68 lacs as against ₹ .876.60 lacs in the previous year. During the year the company's Integrated Sugar complex at Ambasamudram, Tirunelveli District, Tamilnadu in which Sugar plant and Co-gen started commercial operations. The quantum of jump in turnover from ₹ .4768 lacs to ₹ .40677.96 lacs is mainly on account of raw-sugar conversion, Govt pricing policy on sugar exports, power sales to Tamilnadu Electricity Board and Power Trading Corporation Ltd.

The year ending 30th September, 2011 has witnessed severe shortage of sugar cane availability. The sugar cane availability around the new sugar mill in Ambasamudram was drastically hit due to failure of the monsoon and drought conditions were prevailing and the company could not achieve the expected quantity of crushing. No production during April 2011 to September 2011 and the increase in the rate of interest by around 6% on the loans availed from the banks by the company had a blow on the performance of the company which resulted in a net loss of ₹ .5671.29 lacs after depreciation and interest.

The company made an application to Corporate Debt Restructuring (CDR) for rescheduling repayment of term loans and interest which has been admitted on 1st July 2011 and approved by the Corporate Debt Restructuring Empowered Group (CDREG) lead by Bank of India as monitoring institution on 29th November 2011. The letter of approval (LOA) is expected in due course of time.

Dividend:

In view of the losses incurred by the company during the year under review, the directors are unable to recommend any dividend.

Qualifications in Auditors Report:

Dividend:

The company has declared and paid an interim dividend of 5% on the equity capital of ₹ .4197.29 Lacs amounting to ₹ .209.86 Lacs calculated on available

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profits of ₹.1499.41 Lacs (unaudited) as on 30.9.2010 for the 6 months period. The cumulative net profit /(loss) reported by the company for quarters ending 31st December 2010, 31st March 2011 and 30th June 2011 are ₹.2643.68 Lacs, ₹.623.76 Lacs and ₹.(2356.85) Lacs. The profit made for the year 2010-11 (12 months) ending is sufficient to justify the payment of interim dividend which was remaining after making provision for depreciation for the full year of 12 months and unabsorbed depreciation for the earlier years. Consequent to the losses of ₹.(2356.85) Lacs and ₹.(874.09) Lacs incurred by the company during 5th and 6th quarters of the extended financial year ending 30th September 2011 (18 months) the available profits and reserves were eroded and the 18 months cumulative results ended with net loss of ₹.(3854.70) Lacs. In this regard the company proposes to seek exemption from the Company Law Board.

Share Application money pending allotment:

The shareholders have approved issue of 0% Convertible Preference Shares of ₹.10/- each at a premium of ₹.140/- each aggregating to ₹.150 Crores on preferential basis to M/s.Empee Distilleries Limited (EDL) through postal ballot on 23-08-2010. EDL has already brought in ₹.137.95 crores as share application money which has already been utilized in the project. The Company is exploring alternatives to make allotment of shares at the earliest taking into account the current share prices and market movements.

The qualifications made by the Auditors in their report are self explanatory and do not have any impact on the current profits /losses of the company.

Subsidiary:

During the year the 20 MW (Licensed) cogen power plant at Naidupet has incurred a Loss of ₹.758.10 Lacs. The loss incurred by the company is mainly on account of low power tariff and increase in the

interest rates by around 6% on the loans availed by the company. The consolidated accounts of the Company include the accounts of 100% Subsidiary, (M/s.Empee Power Company (India) limited) which can be made available to the members upon request.

Future Outlook:

The Company's Greenfield integrated sugar complex at Idaikkal 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 around 4.5 lacs tons of cane will be crushed in Naidupet unit and around 2 lacs tons of cane in Ambasamudram unit during the sugar season 2011-12. The Company expects increase in sugar productions on account of the aggressive 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 these 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. Shankar Menon, and Mr. M.P.Mehrotra, Directors are retiring by rotation at the ensuring annual general meeting and being eligible offer themselves for re-appointment. Mr. K.Jayachandran, Joint Managing Director has resigned on 14th June 2011.

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Auditors:

M/s. K.S.Aiyar & Co., Statutory Auditors of the Company will retire at the conclusion of the ensuring annual general meeting and being eligible offer themselves for re-appointment. The company has received a certificate from the Auditor to the effect that their re-appointment if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-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 30.9.2011 (18 months) and the balance sheet as at that date ("Financial Statements") all 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/(Loss) 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.

e) The financial statements have been audited by M/s.K.S.Aiyar & Co., Statutory Auditors and their 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 units and

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Co-gen Unit of the company for the financial year 2010-11.

Extension of Financial Year:

The present financial year of the company commencing from 1st April 2010 to 31st March 2011 has been extended to 18 months and there by ended on 30th September 2011 (18 months) with the approval of Registrar of Companies, Andhra Pradesh in view of the company submitting a Corporate Debt Restructuring (CDR) Package admitted on 1st July 2011. CDR package has been approved by Corporate Debt Restructuring Empowered Group (CDREG) and the Bank of India has been appointed as the Monitoring Institution on 29-11-2011 and the letter of Approval (LOA) is expected in due course of time.

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.

Chennai
30.11.2011

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	Designation	Remuneration payable for the year 2010-11 Lacs	Qualification & Experience	Date of commencement of Employment	Age	Last Employment
1	Mr.M.P.Purushothaman	Chairman & Managing Director	75.96	Higher Secondary. 48 years in Sugars, Hotel, Transport and Power	01/03/1990	75 Years	-
2	Mr.K.Jayachandran	Joint Managing Director	39.89	B.Sc., ANSC- Sugar Technology	28/04/2007	64 Years	Chief Executive, Empee Sugars & Chemicals Limited
3	Mr.Sheelu Purushothaman	Joint Managing Director	65.38	B.A	01/04/2008	34 Years	-