

Nothing  
**succeeds**  
like  
**Sweet**  
success



**K. M. SUGAR MILLS LIMITED**



**MR. L. K. JHUNJHUNWALA, CHAIRMAN**

Mr. L. K. Jhunjhunwala, aged 61 years, is an Arts graduate and has about 42 years of experience in business mainly in sugar industry. He has been associated with the Company since inception as a promoter and has been actively managing the affairs of the Company.

He is also associated with various industry associations particularly in the sugar industry. He is the current President of Associate Chamber of Commerce & Industry, U.P. and former President of U.P. Sugar Mills Association and East U.P. Sugar Mill Association.

## Board of Directors

<b>Mr. L.K. Jhunjhunwala</b>	Chairman
<b>Mr. Aditya Jhunjhunwala</b>	Managing Director
<b>Mr. Sanjay Jhunjhunwala</b>	Joint Managing Director
<b>Mr. S.C. Aggarwal</b>	Executive Director
<b>Mr. H.P. Singhania</b>	Independent Director
<b>Dr. Kirti Singh</b>	Independent Director
<b>Mr. R.S. Shukla</b>	Independent Director
<b>Mr. O.P. Yadav</b>	Independent Director
<b>Mr. D.K. Kapila</b>	Independent Director

The Company was originally formed as a partnership firm known as Kamlapat Motilal at Kanpur in the year 1942. The plant was shifted to present site at village Masodha, P.O. Motinagar, Dist. Faizabad in the year 1950.

During the year 1971 the firm was converted into Private Limited Company, that became a public limited company with effect from April 20, 2005.

The Company has expanded the sugar cane crushing capacity from 1800 TCD to 2500 TCD in the year 1980, from 2500 TCD to 3500 TCD in the year 2000 and further to 4500 TCD in the year 2002. The Company is now planning to increase its capacity up to 6500 TCD.

The distillery division of our Company was set up in the year 1995 to manufacture **Rectified Spirit** (45 KLPD) and **Extra Neutral Alcohol** (20 KLPD). In the year 2003 the division started production of **Ethanol** (30KLPD) and further in 2004, the Extra Neutral Alcohol plant was modified to produce Ethanol by increasing the total Ethanol production capacity to 45 KLPD.

The Company also received the ISO 9001:2000 certification in 2003 for manufacture of white sugar.

The Company's turnover has grown from Rs. 5141 lacs in FY2000 to Rs. 8636 lacs in FY2004 and Net profit grew from Rs. 27.59 lacs in FY2000 to Rs. 550.31 lacs in FY2004.

Our turnover for the nine months period ended 30th June, 2005 is Rs. 11913.92 lacs with profit after tax of Rs. 210 lacs.

The present management of KMSM is vested with the Board comprising Mr. L. K. Jhunjhunwala as the Chairman, Mr. Aditya Jhunjhunwala as Managing Director and Mr. Sanjay Jhunjhunwala as Jt. Managing Director along with six other directors.

#### Milestones

Year	Event
1942	Started operations as partnership firm in Kanpur
1950	Shifted operations to Faizabad
1971	Firm converted to the Company
1980	Expansion of Sugar Division from 1800 TCD to 2500 TCD
1995	Commencement of production of Rectified Spirit at licensed and installed capacity of 45 KLPD and ENA at licensed and installed capacity of 20 KLPD
2000	Increase in crushing capacity from 2500 TCD to 3500 TCD
2003	Increase in crushing capacity from 3500 TCD to 4500 TCD
2003	Started production of Fuel Grade Ethanol
2003	ISO 9001 : 2000 certification by ICS
2005	Setup sugar refinery
2005	Expansion of sugar division from 4500 TCD to 6500 TCD



## Chairman's Vision

India as a nation is growing stronger by day the day and making its presence felt across the globe. The shift in basic economic policies towards liberalization during last decade has started bearing fruits. The stock market index has risen from 4,000 to 8,000 within a short span of 2 years. Simultaneously the fortunes of the sugar industry are soaring high.

Recognised as one of the biggest players, the Indian sugar industry has an annual turnover of Rs. 500 billion with a contribution of Rs. 20 billion to the exchequer every year. The favourable sugar prices have improved the financial health of the industry considerably during last 2 years from the earlier dire conditions.

With the government taking policy initiatives to promote the sugar industry namely de-licensing of sugar sector, permission of future trading, soft loans for capacity expansion, more and more avenues are opening up. The economic capacities have gone up from 2,500 TCD, two decades ago to 6,500 TCD. Accordingly the company has embarked on the expansion drive and is increasing its sugarcane crushing capacity from 4,500 TCD to 6,500 TCD. The company intends to continue the expansion spree to maintain the competitive edge. Quickly sensing the pulse of the sugar industry, the company installed the refinery, and during the period from Jan - Apr 2005

had successfully completed the refining of 10,000 tons of raw sugar.

The profit margins were in strain during 2002 due to high cane price and excess production. However the last two years have seen a major improvement in the prices and India has successfully imported sugar to meet the domestic requirement. It is expected that the production would increase during 05-06 to 180 lakh tons obviating the necessity of importing sugar.

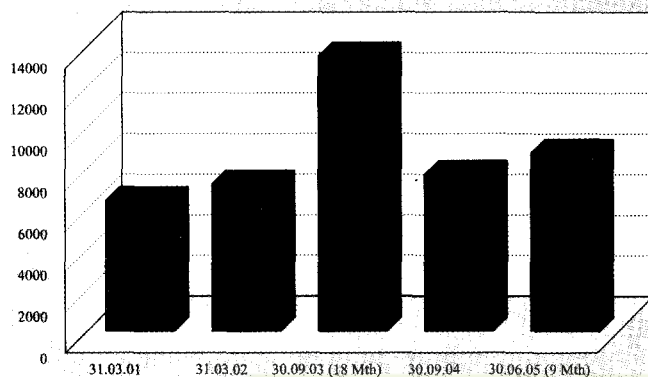
The Company was among the pioneers in recognizing the opportunity put forth by the sugar industry by way of mixing 5% ethanol in petrol and set up an ethanol plant of 45 KLPD and initiated the setting up of 60 KLPD ethanol plant in Maharashtra. Ethanol is considered to be an apt import substitute for the crude oil. Herein lies a great potential for India to match up with the level of Brazil, which is using ethanol as a petrol-substitute.

On the whole, the sugar industry is shining after dark clouds and has bright future with the constructive support from Government, Grower and Labour. And with the necessary infrastructure in terms of Land, Management, Technology, Cultivation Area, R&D Systems, Power, Irrigation, the company proposes continuous expansion in line with the government policies to achieve higher productivity & returns, and become a global player.

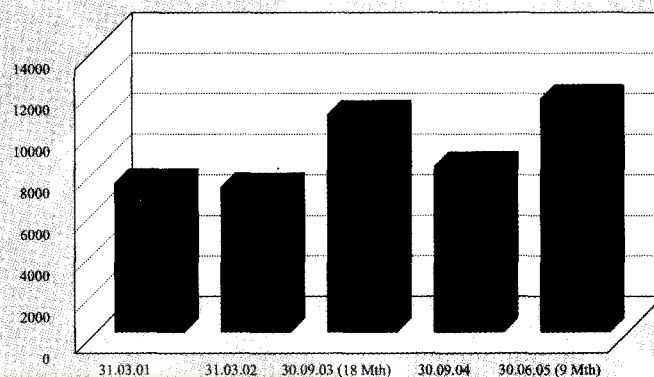


# Performance snapshot

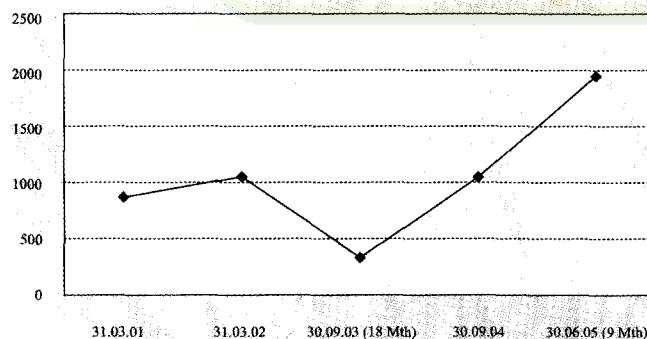
**SALES**



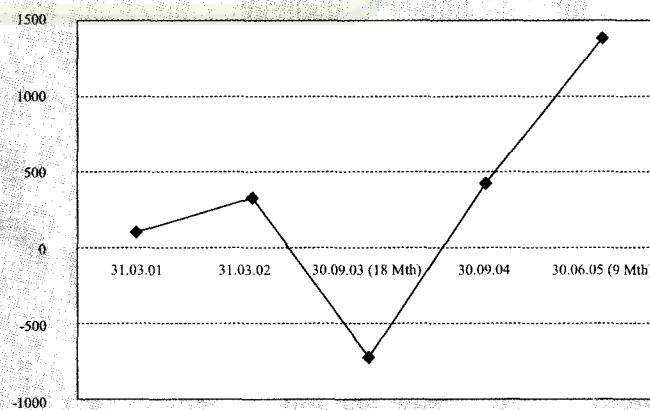
**TOTAL EXPENDITURE**



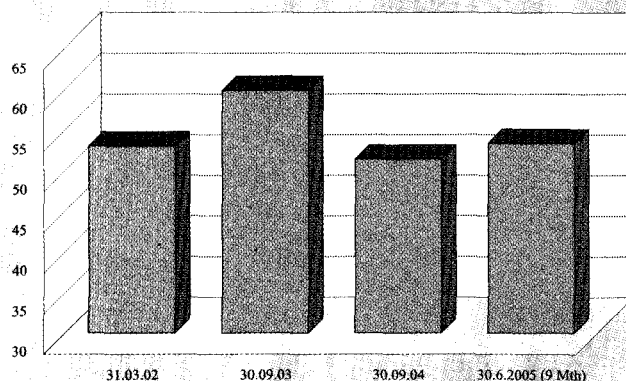
**EBIDTA**



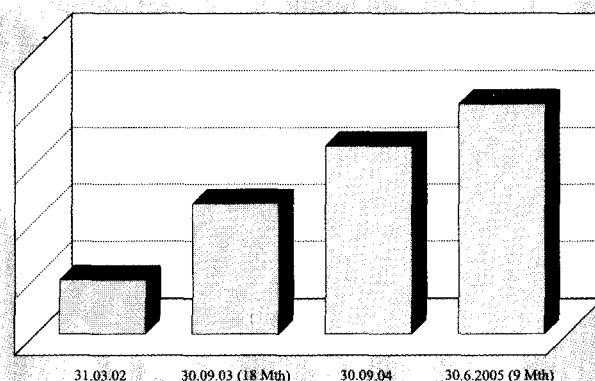
**PBT**



**Sugarcane Crushed**



**Recovery (%)**



# Business Overview

## BUSINESS DIVISIONS AND PRODUCTS

The Company has 2 major divisions, namely, Sugar division and Distillery Division and an ancillary Bio Compost unit.

### SUGAR DIVISION

#### A. White Plantation Sugar:

The Company has sugar manufacturing facility in Faizabad district of Uttar Pradesh. The present capacity of the plant is 4500 TCD that is being increased to 6500 TCD. The Company manufactures White Crystal Sugar which is used for human consumption and in industries like food and beverage, soft drinks etc.

#### B. Refining of raw sugar:

The Company has also set up sugar refining facilities. The Company imported 10,000 MT of duty-free raw sugar and converted it into white crystal sugar during the period January 2005 to April 2005. Recently the Company has received an order for export of 9,000 tons of white sugar to fulfill its export obligations.

### DISTILLERY DIVISION

KMSML has its own Distillery unit of capacity 45 KLPD and manufactures Rectified Spirit, Ethanol and Extra Neutral Alcohol (ENA) at its facility at Motinagar, Faizabad.

Rectified spirit is used for manufacturing extra neutral alcohol, fuel grade ethanol, absolute alcohol, denatured spirit, country liquor, cheap grade foreign liquor, synthetic vinegar, plastic granules, paints, varnish etc.

Extra Neutral Alcohol is used for manufacturing good quality foreign liquor.

Fuel Grade Ethanol is used for mixing in petrol. Presently in India 5% ethanol is allowed for mixing with petrol.

#### Fuel Grade Ethanol Plant at Ahmednagar, Maharashtra

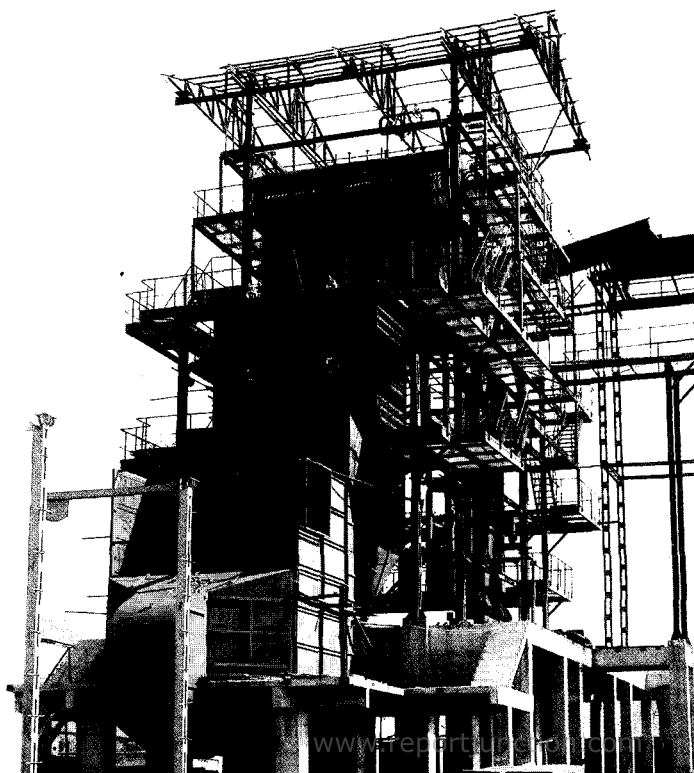
The Company also proposes to set up a 60 KLPD Fuel Grade Ethanol plant in Ahmednagar District, Maharashtra, at a total cost of Rs. 500 lacs of which Rs. 35 lacs has already been invested.

### BIO COMPOST UNIT

The Bio Compost unit manufactures bio fertiliser which is marketed in the name of 'Moti Super'. The Bio Fertiliser is manufactured through triochem process that takes around 45 days by utilising the by-product of sugar unit, i.e. Press Mud and the by-product of Distillery division, i.e. spent wash along with culture.

#### Trading on the National Commodity & Derivatives Exchange Limited (NCDEX)

The Company has recently started headging of its commodities i.e. sugar in the platform provided by NCDEX from March 2005 to ensure stable price realization in future.





# Opportunities & Growth avenues

The sugar industry is undergoing a phase of mega reformation and offering lot of opportunities & growth avenues to the sugar sector.

## **Sugar Expansion-Incentives**

The U.P. Government has announced a long term policy for the sugar sector offering incentives to the companies making investment more than 350/500 crores by the end of March, 2007.

## **Sugar Expansion-Soft loan**

The Government has allowed the soft loans through Sugar Development Funds for expansion/ modernization of sugar unit up to 10000 TCD.

## **Setting up Potable Alcohol plant**

The Government of U.P. has allowed the sugar companies to setup potable alcohol manufacturing plant on fulfillment of certain conditions.

## **Growth through Ethanol**

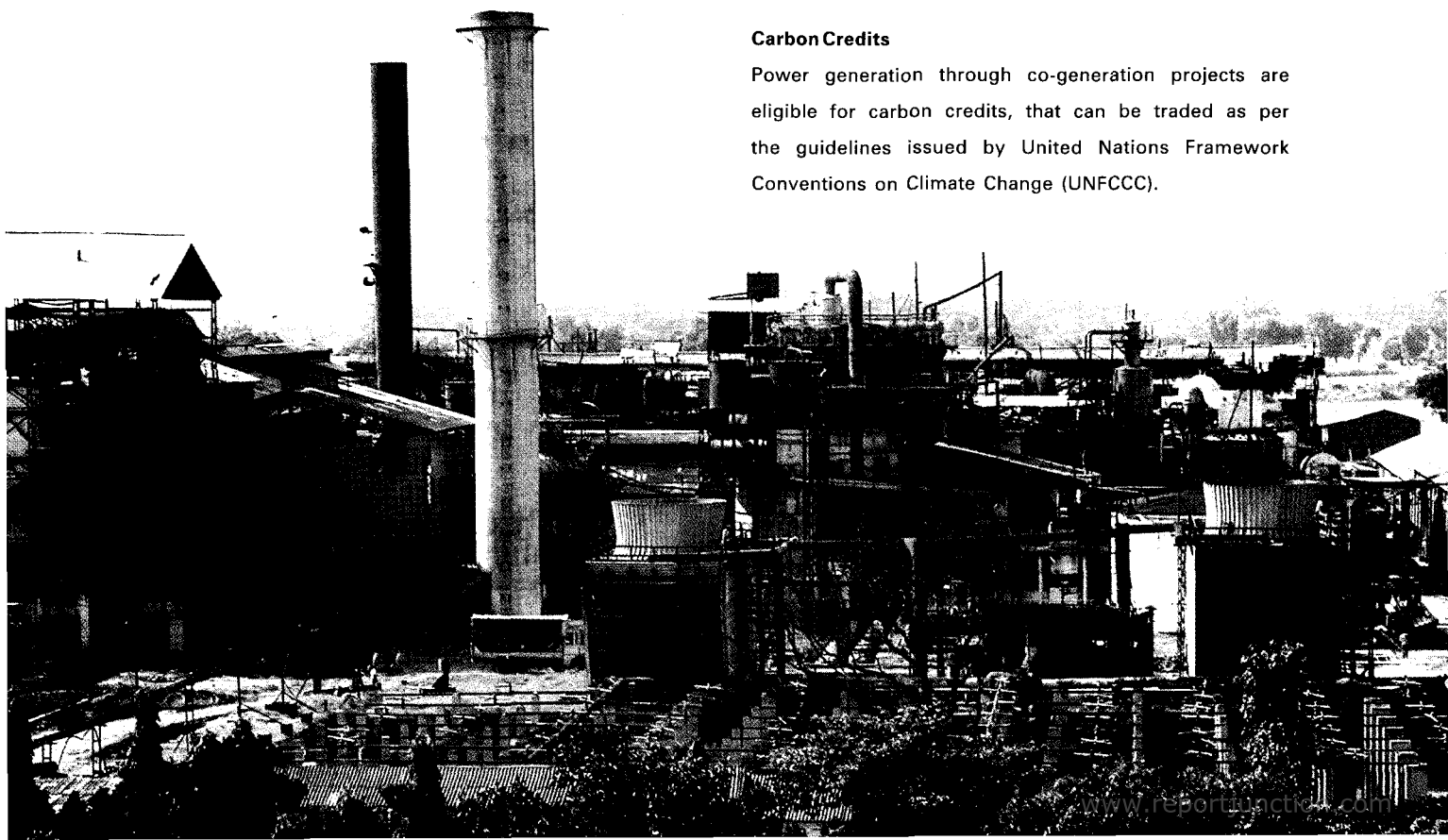
There are tremendous growth opportunities in Ethanol. Presently the Government of India has permitted the mixing of 5% Ethanol in petrol. Other Countries are allowing the mixing of 10% to 100% ethanol.

## **Power Generation**

Uttar Pradesh Electricity Regulatory Commission (UPERC) has announced the attractive tariffs for the generation & supply of power through captive generation plants and renewable and non-conventional energy source base plants.

## **Carbon Credits**

Power generation through co-generation projects are eligible for carbon credits, that can be traded as per the guidelines issued by United Nations Framework Conventions on Climate Change (UNFCCC).





# Performance analysis

## BALANCE SHEET

(Rs. in lakhs)

Particulars	As at				
	30.6.2005 (9 months)	30.9.2004	30.9.2003 (18 months)	31.3.2002	31.3.2001
<b>SOURCES OF FUNDS</b>					
<b>I Shareholder's Funds</b>					
a) Share Capital	1,200	306	306	306	306
b) Reserve & Surplus	1,648	2,049	1,591	1,752	1,258
Less: Revaluation Reserve	(105)	(125)	(149)	(190)	(225)
	<b>1,543</b>	<b>1,924</b>	<b>1,442</b>	<b>1,562</b>	<b>1,033</b>
<b>II Loan Funds</b>					
a) Secured Loan	5,346	2,937	1,962	3,214	3,322
b) Unsecured Loan	93	21	32	32	73
<b>Total</b>	<b>8,183</b>	<b>5,188</b>	<b>3,742</b>	<b>5,113</b>	<b>4,734</b>
<b>APPLICATION OF FUNDS</b>					
<b>I Fixed Assets</b>					
Gross Block	6,543	6,684	6,345	6,074	5,845
Less : Depreciation	(4,840)	(4,739)	(4,456)	(4,042)	(3,693)
	1,703	1,945	1,889	2,032	2,152
Less: revaluation Reserve	(105)	(125)	(149)	(190)	(225)
<b>Net Block</b>	<b>1,598</b>	<b>1,820</b>	<b>1,740</b>	<b>1,842</b>	<b>1,927</b>
<b>II Capital WIP</b>	776	232	126	75	102
<b>III Investments</b>	0	55	61	66	76
<b>IV Current Assets, Loans &amp; Advances</b>					
a) Inventories	5,837	2,476	1,687	4,527	4,478
b) Sundry Debtors	335	735	281	250	132
c) Cash & Bank Balance	127	305	177	123	82
d) Loans & Advances	2,082	1,030	695	849	883
<b>Total Current assets</b>	<b>8,381</b>	<b>4,546</b>	<b>2,840</b>	<b>5,749</b>	<b>5,575</b>
<b>V Current liabilities &amp; Provisions</b>	2,435	1,497	910	2,823	2,949
<b>Net Current Assets (IV - V)</b>	<b>5,946</b>	<b>3,049</b>	<b>1,930</b>	<b>2,926</b>	<b>2,626</b>
<b>VI Miscellaneous Expenditure</b>	9	3	3	3	3
<b>VII Deferred tax assets</b>	(146)	30	(118)	202	-
<b>Total</b>	<b>8,183</b>	<b>5,188</b>	<b>3,742</b>	<b>5,113</b>	<b>4,734</b>



## PROFITABILITY STATEMENT

(Rs. in lakhs)

Particulars	For the year ended				
	30.6.2005 (9 months)	30.9.2004	30.9.2003 (18 months)	31.3.2002	31.3.2001
<b>Income</b>					
Turnover	8,807	7,742	13,594	7,267	6,464
Other Income	187	160	223	170	220
Increase / (decrease) in stock	2,955	699	(2,905)	13	771
<b>Total (A)</b>	<b>11,949</b>	<b>8,601</b>	<b>10,912</b>	<b>7,450</b>	<b>7,455</b>
<b>Expenditure</b>					
Cost of Goods Sold	8,890	5,119	6,446	4,713	4,513
Operating Expenses	1,075	1,399	1,823	978	1,017
Employees' Emoluments	297	308	421	285	277
Financial Charges	355	338	645	403	486
Excise duty and cess	368	572	843	152	442
Excise duty on closing stock of FG	298	154	114	296	330
Depreciation	212	286	414	318	281
<b>Total (B)</b>	<b>11,495</b>	<b>8,176</b>	<b>10,706</b>	<b>7,145</b>	<b>7,346</b>
Profit before tax and other adjustments	456	425	206	305	109
Adjustments relating to prior periods	2	(0)	26	6	6
<b>Profit before tax</b>	<b>458</b>	<b>424</b>	<b>233</b>	<b>311</b>	<b>115</b>
Provision for Tax	-	-	-	-	-
Current Tax	36	45	-	-	-
Deferred Tax	176	(135)	320	(202)	-
<b>Net Profit after Tax</b>	<b>246</b>	<b>514</b>	<b>(88)</b>	<b>513</b>	<b>115</b>
<b>Restatement</b>					
Prior period adjustments	(2)	2	(25)	20	(9)
Differential cane price	931	-	(931)	-	-
<b>Adjusted Net Profit after Tax</b>	<b>1,174</b>	<b>516</b>	<b>(1,044)</b>	<b>533</b>	<b>106</b>

## RATIOS

(Rs. in lakhs)

Particulars	For the year ended			
	30.6.2005 (9 months)	30.9.2004	30.9.2003 (18 months)	31.3.2002
<b>Income Growth Ratio (%)</b>				
Growth in total income	38.94	(21.18)	46.47	(0.07)
Growth in PBDIT	85.98	213.06	(68.11)	20.64
Growth in Adjusted PAT	127.52	(149.45)	(295.70)	404.63
<b>Per Share Data</b>				
EPS	13.05	16.87	(22.74)	17.43
Cash earnings	15.40	26.23	(13.73)	27.82
Dividend	0.00	1.50	0.00	0.00
Net Asset value	24.00	71.81	60.88	54.30
<b>Balance Sheet Ratios</b>				
Sales / Net Current Assets	1.48	2.54	7.04	2.48
Total Debt / Net Worth	1.89	1.35	1.07	1.95
Interest Cover	4.91	2.26	(0.12)	1.82
Current Ratio	3.44	3.04	3.12	2.04
<b>Margins (%)</b>				
EBIDTA	16.34	12.21	3.07	14.12
PBT	11.60	4.96	(6.63)	4.44
PAT	9.83	6.00	(9.57)	7.16
<b>Financial Ratios (%)</b>				
Cost of goods sold / Total income	74.40	59.52	59.07	63.26
Employee Cost/ Total income	2.48	3.58	3.86	3.82
Operating & other cost / Total income	14.56	24.71	25.48	19.14
Financial Cost / Total income	2.97	3.92	5.91	5.41
Depreciation / Total income	1.77	3.33	3.79	4.27
Tax / PBT	46.35	(21.19)	137.79	(65.04)
<b>Return on Equity (%)</b>				
Earnings	42.82	23.14	(59.71)	28.56
Cash Earnings	16.67	35.90	18.64	44.54