



K.M.SUGAR MILLS LIMITED



Annual Report
2011-2012





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Forward Looking Statement

Statement in this report that describe the company's objectives, projections, estimates, expectations or predications of the future may be 'forward looking statements' within the meaning of applicable

securities laws and regulations. The Company cautions that such statements involve risk and uncertainty and that actual results could differ materially from those expressed and implied.



Company Information

BOARD OF DIRECTORS

Chairman

Shri L. K. Jhunjhunwala

Whole Time Director

Shri Aditya Jhunjhunwala, Managing Director

Shri Sanjay Jhunjhunwala, Joint Managing Director

Shri Subhash Chandra Agarwal, Executive Director

Non Executive and Independent Director

Shri H. P. Singhania

Dr. Kirti Singh

Shri R. S. Shukla

Shri S. K. Gupta

Company Secretary

Mr. Rajeev Kumar

Auditors

M/s. MEHROTRA & MEHROTRA,

Chartered Accountants,

C-561, DEFENCOLONY,

NEW DELHI - 110024

Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

FEDERAL BANK LTD.

ALLAHABAD BANK

Registered Office

11, Moti Bhawan, Collectorganj,

Kanpur - 208001 U. P.

Corporate Office & Works

Motinagar, Distt. Faizabad - 224201 (U.P.)

Company Information ...



Directors' Report ...

Directors Report ...

To,
The Members,

Your Directors have pleasure in placing the director's report along with the Audited Statement of Accounts for the financial year ended on 30th September, 2012.

Financial Performance

The Financial performance of the Company during the year 2011-2012 as under:

(Rupees in Lacs)

	2011- 2012	2010- 2011
Profit before interest, depreciation & tax	1862	1571
Less: Interest	(1390)	(1420)
Depreciation	(1034)	(1229)
Profit before tax	(562)	(1078)
Provision for taxation (including FBT)		
Provision for taxation (deferred)	(62)	(47)
Net Profit	(624)	(1125)
Earning Per Share of Rs 2/- each	(0.68)	(1.22)

Overall Performance

For the year ended on 30th September, 2012 sales stood at Rs. 25471.35 Lacs (net of excise duty) against the Rs. 28707.11 (net of excise duty) of last year. During the last financial year the company had done trading of sugar for Rs. 6837.87 lacs whereas during the reported financial year trading activity was done for Rs. 8206.96 lacs). Loss after interest and depreciation stood at Rs. 562 Lacs against the loss of Rs. 1078 Lacs in last year. Loss after tax for the year ended September 30, 2012 was Rs. 624 Lacs compared to loss of Rs. 1125 Lacs of the previous year.

Dividend

Due to accumulated losses your directors have not declared any dividend for the financial year ended September 30, 2012

Performance of Divisions

Sugar Division

Crushing season 2011-2012 was long Season for the Company. The company has crushed 68.41 Lacs qtl.

and the season runs for 116 days. The other details are as under:

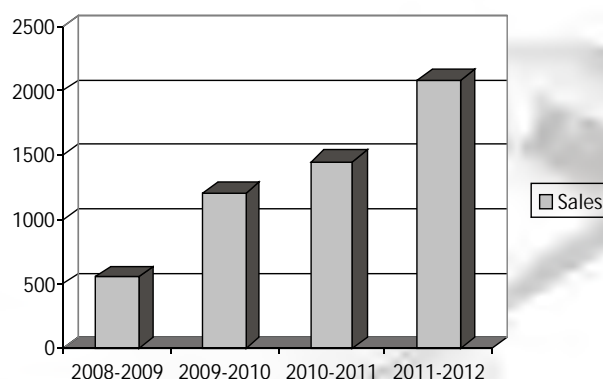
	Season 2011-2012	Season 2010-2011
Gross Working days	116	104
Total Cane Crushed (qtls.)	6841970.96	5485290.31
White sugar Produced (qtls)	653710	517375
Average Recovery	9.57%	9.45%

Cane Management

Cane management is the most indispensable part of the whole sugar manufacturing process. It is said "Sugar is produced in the field and extracted in the factory " This makes the Cane management as most important part of the Sugar Industry. The Uttar Pradesh Government through an order dated 08.11.2012 , raised the State Advised Cane Price (SAP) for the early maturing varieties from Rs. 205/- per quintals for the Sugar Season 2010-2011 to Rs. 240/- per quintal for the Sugar Season 2011-2012 and that for the early maturing varieties from Rs 210/- per quintals to Rs. 250/- per quintal. For the rejected varieties, the SAP was raised from Rs. 200/- per quintal to Rs. 235/- per quintal. Sugar Mills in UP pay SAP for sugar cane which historically is significantly higher than the FRP fixed by the Central Government.

Co-Generation:

During the crushing season reported the company produced only 56949160 MWh power and exported 40005496 MWh to UPPCL.



Distillery

During the year 2011-2012 Company Produced 71.510 Lacs BL of Rectified Spirit with recovery of 21.04%,



which is much better in Comparison of last year production of 53.98 Lacs BL. and has improved the recovery by 0.44% from last Financial Year 2010-2011

Reference to BIFR Under Section 15 and other Applicable provisions of the Chapter III of the Sick Industrial Companies (Special Provisions) Act, 1985

The Net worth of the Company has fully eroded. Accordingly the Directors have filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985

Auditors

M/s. Mehrotra & Mehrotra, Chartered Accountants, New Delhi, Auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. They have furnished a certificate to the effect that their proposed reappointment, if made, will be in accordance within the limits specified u/s 224 (1B) of the Companies Act, 1956.

Auditors' Report

The comments on the statement of account referred to in the report of the auditors are self-explanatory, and explained in the appropriate notes to the accounts.

Directors

At the ensuing Annual General Meeting Shri H P Singhania and Shri S K Gupta both are independent Directors of your Company are due to retire by rotation u/s 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for the same

Public Deposits

During the year 2011-2012 the company has not accepted any public deposits.

Listing Agreement

The equity shares of the company are listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited.

Directors' Responsibility Statement

In pursuance of sub-section (2AA) of Section 217 of the Companies Act, 1956, in respect of Directors' Responsibility Statement, the Board of Directors confirms:

- (i) that in the preparation of the annual accounts for the year ended on September 30, 2012 the applicable accounting standard have been followed by the Company.
- (ii) that the directors of the company have selected such accounting policies, applied them consistently, made judgments estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date.
- (iii) that the directors of the Company have taken proper and sufficient care for the maintenance of adequate accounting in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for detecting fraud and other irregularities; and
- (iv) that the directors of the Company have prepared the annual accounts on a going concern basis.

Conservation Of Energy, Technology Absorption and Foreign Exchange and Outgo

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988 are given in 'Annexure 1' and forms part of this Report.

Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with



Companies (Particulars of Employees) Rules, 1975 as amended are given in 'Annexure 2' and forms part of this Report.

Corporate Governance

A certificate from M/s. Amit Gupta & Associates, Company Secretaries, regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement along with the report on Corporate Governance is attached to this report.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report on the business and operations of the company is attached to this report.

Research and Development

The details relating to Research and Development activities carried out by the company during the year are stated in Form B of the this report as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Industrial Relation

The industrial relations have been cordial at all plants of the Company during the year.

Acknowledgments

Yours Directors place on record their acknowledgment and sincere appreciation of all the bankers and financial institutions for their continued assistance. They further appreciate and acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

For and on behalf of the Board
K. M. Sugar Mills Ltd.

Sd/-
L.K. Jhunjhunwala
Chairman

Date: 11.02.2013
Place: Lucknow

Annexure to the Directors Report

Annexure 1

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

Form A

Disclosure of particulars with respect to conservation of Energy

Particulars	Units	Current year ended at 30 th September, 2012	Previous year ended at 30 th September, 2011
Electricity			
Purchased Unit	Kwh	Nil	Nil
Total Amount	Rs.	Nil	Nil
a) Own Generation			
i) Through Diesel Generation Units per litre of diesel kwh/litre	Kwh	Nil	Nil
ii) Through Steam Turbine generation Kg of Bagasse required kwh	Kwh	56949160	45561530 4.15
iii) Total units Generated	Kwh	56949160	45561530
Total Cost/ Unit	Rs.	2.92	2.08

Form B

I. Disclosure of particulars with respect to Technology Absorption Research & Development (R&D)

1.	Specific areas in which R & D carried out by the Company	Raw Juice Pump and water injection pump VFD installed.
2.	Benefits derived as results of the above R & D	1. Variation in process juice flow minimized and 20% power saving. 2. Breakage of condenser nozzle minimized due to reduction of pressure fluctuation in injection water pressure. 3. Injection water pressure maintained as required.
3.	Further plan of action	Evaporative condenser is being installed for distillery spent wash concentration (Approx. 75% of spent wash will be evaporated) through hot water of condenser of condensing turbine.
4.	Expenditure on R & D i) Capital ii) Recurring Expenditure iii) Total iv) Total R & D expenditure as a percentage of total turnover	i - Rs. 3.00 Lacs Approx. ii - Rs. 0.25 Lacs Approx. iii - Rs. 3.25 Lacs Approx.



II. Technology absorption, adaptation and innovation:

III. Foreign Exchange earnings & Outgo

Sl. No.	Activities relating to exports initiative taken to increase exports	Rs. in Lacs
i)	Development of new export market for product and services and export plan	39.94
ii)	FCNR Interest	30.98
iii)	Total foreign exchange earnings	595.66
iv)	Used	666.58

Annexure 2

Information pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended September 30, 2012.

A. Employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 60,00,000 per annum.

Sl	Name	Age Yrs	Designation	qualification	experience (in years)	Date of commencement of employment	Remuneration Rs. In Lacs	Previous employment
				NIL				

B. Employed for part of the financial year and were in receipt of monthly Remuneration of not less than Rs. 5,00,000.

Sl	Name	Age Yrs	Designation	qualification	experience (in years)	Date of commencement of employment	Remuneration Rs. In Lacs	Previous employment
				NIL				

For and on behalf of the Board of
K. M. Sugar Mills Ltd.

Date: 11.02.2013
Place: Lucknow

Sd/
L. K. Jhunjhunwala
Chairman



Corporate Governance Report

Corporate Governance Report

Directors' Report on Corporate Governance

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

- Transparency in policies and action.
- Maximizing long term shareholders' value
- Socially valued enterprise and
- Commitment to excellence and customer satisfaction
- Independence to develop and maintain a healthy work culture.
- Growth for stakeholders.
- Caring for people and environment.
- Accountability for performance.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value and commitment to high standard of business ethics.

The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

Your company, since its inception, being always guided by ethical principles and being transparent and fair in its business dealings and administration, have adequate system of control and check in place to ensure that the executive decisions should result in optimum growth and development.

2. Board of Directors

The Board periodically reviews Compliance Reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non-compliances, if any.

Pursuant to the provisions of Clause 49 of the Listing Agreement, the Board has laid down a Code of Conduct for all Board members and Senior Management of the Company and the same is available on the website of the Company (www.kmsugar.com). All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board of the Company. As on 30th September, 2012, the board consists of eight directors; out of which four are executive directors and four are non-executive directors. Executive directors consist of Chairman, Managing Director, Joint Managing Director and Executive Director. The present mix of the Board of the Company is as under:

- Three Promoters, Executive Directors
- One Non-Promoter, Executive Director
- Four Independent, Non-Executive Directors

During the year ended on 30th September, 2012, four Board meetings were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012. As on 30th September the composition of the Board of Directors, the number of other board of directors or Board committees of which they are member or chairperson and the attendance of each director at these board meeting and the last Annual General Meeting are as under:

Name of director	Category	No. of other directorships (Public Limited Company)	No. of Board Meeting attends	Attendance at last AGM
1. Mr. L. K. Jhunjhunwala	Promoter, Executive	-	4	NO
2. Mr. Aditya Jhunjhunwala	Promoter, Executive	2	1	Yes
3. Mr. Sanjay Jhunjhunwala	Promoter, Executive	-	2	No
4. Mr. S. C. Agarwal	Independent, Executive	-	4	Yes
5. Mr. H. P. Singhania	Independent, Non-executive	1	2	Yes
6. Dr. Kirti Singh	Independent, Non-executive	-	2	No
7. Mr. R. S. Shukla	Independent, Non-executive	-	4	Yes
8. Mr. S. K. Gupta	Independent, Non-executive	-	4	Yes



Board Procedure

The Board Meeting of the Company held at least once in each quarter in order to review the quarterly performance and the financial results. The intimation of the Board Meeting is given to the members of the Board at least seven clear days before the date of the Board Meeting in writing and over the phone as well the agenda of the meeting and the relevant notes are sent to each director in advance and only in exceptional circumstances it is tabled at the meeting. All the items of agenda are accompanied with detailed notes providing information on the related subject.

All divisions/departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussions/approval/ decisions in the Board and Committee Meetings. All such matters are communicated to the Secretary in advance by the Departments /Divisions. Secretary segregates the ones that can be discussed and decided internally and ones which need to be put up before the board, in consultation with the Chairman, Managing Director and Joint Managing Director.

The information as per Annexure I to clause 49 of the listing agreement is regularly made available to the members of the Board.

The members of the Board are informed at every meeting about the overall performance of the company during the quarter, which enable the Board to discharge their duties and responsibilities more efficiently. Apart from the matters statutorily requiring board's approval, all other major decision including policy formulation, capital expenditure budgets, new investments, compliance with statutory / regulatory requirements are also considered by the Board.

The Minutes of the Board Meeting are circulated to all the members of the board in advance and are confirmed at subsequent Board Meeting.

Details of Directors seeking re-appointment at the ensuing Annual General Meeting.

In respect of Directors seeking appointment or re-appointment, the Notice for the Annual General

Meeting contains all the relevant information, like brief resume of the Directors, nature of their expertise in specific functional areas and name of the companies in which they hold Directorship and Membership of any Committee of the Board.

During the year Four Board meetings were held. The details are as follows:-

Date of Board Meeting	Board Strength	Directors Present
13.08.2012	8	4
14.05.2012	8	5
13.02.2012	8	8
29.11.2011	8	6

3. Board Committees

The Board has constituted three committees, the Audit Committee, the Remuneration Committee and Investor Grievance Committee. Company Secretary of the Company acts as the Secretary to all the Committees.

The quorum for the meetings is either two or one-third of the members of the committees, whichever is higher.

Audit Committee

The Audit Committee comprises of four directors out of which three are Non-Executive Independent Directors and one is Promoter and Executive Director. Mr. H. P. Singhania acts as the chairman to the Committee. The Company Secretary acts as the Secretary of the committee. The Chief Financial Officer, the External and Internal Auditors are the regular invitees. The Composition of the Audit Committee meets the requirement of the Clause 49 and the provisions of the Companies Act 1956.

The Composition of the Audit Committee:-

Sl no.	Name of the Member	Position	Category
1	Mr. H. P. Singhania	Chairman	Non-Executive Independent Director
2	Mr. R. S. Shukla	Member	Non-Executive Independent Director
3	Mr. Sanjay Jhunjhunwala	Member	Promoter Executive Director
4	Mr. S. K. Gupta	Member	Non-Executive Independent Director

**Terms of Reference and Powers:**

All the members of the Committee have sound knowledge of finance and accounts. The terms of reference and powers of the audit committee covers areas mentioned under clause 49 of the listing agreement and section 292A of the Companies act, 1956 (hereinafter referred as "the act")

Further, the Committee oversees Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible, recommend the appointment and removal of external auditor, fixing audit fees and also approval for payment for any other services.

Review the quarterly, half yearly annual financial statements with the management before submission to the Board.

Review the external and internal auditors, and adequacy of internal control system with the management.

Review the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Review the findings of any internal investigation by the Internal Auditors into matters where there is suspected fraud.

Discussion with External Auditors before the commencement of Audit about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

Review of company's financial risk management policies also to look into the reasons for substantial defaults in payments to depositors, shareholders and creditors.

Meetings and Attendance:-

During the year four meetings of the Audit

Committee were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012

Sl no.	Name of the Member	Number of Meetings Attended
1	Mr. H. P. Singhania	2
2	Mr. R. S. Shukla	4
3	Mr. Sanjay Jhunjhunwala	2
4	Mr. S. K. Gupta	4

Remuneration Committee

The Remuneration Committee comprises of three directors, and all the three directors are non executive independent directors. Mr. H. P. Singhania acts as the chairman of the committee. During the year 4 meetings of the Committee were held on 29.11.2011, 13.02.2012, 14.05.2012 and 13.08.2012. The details are as follows :

Sl no.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1.	Mr. H. P. Singhania	Chairman	4	2
2.	Mr. R. S. Shukla	Member	4	4
3.	Mr. S. K. Gupta	Member	4	4

Remuneration Policy

The remuneration as applicable to executive/non-executive directors provides for the following:

Non-Executive Directors

The remuneration to the non-executive directors is decided and approved by the Board of Directors of the Company unanimously. The sitting fees paid to the non-executive directors is Rs. 5000/- for each Board meeting and each meeting of any Board Committee attended by them.