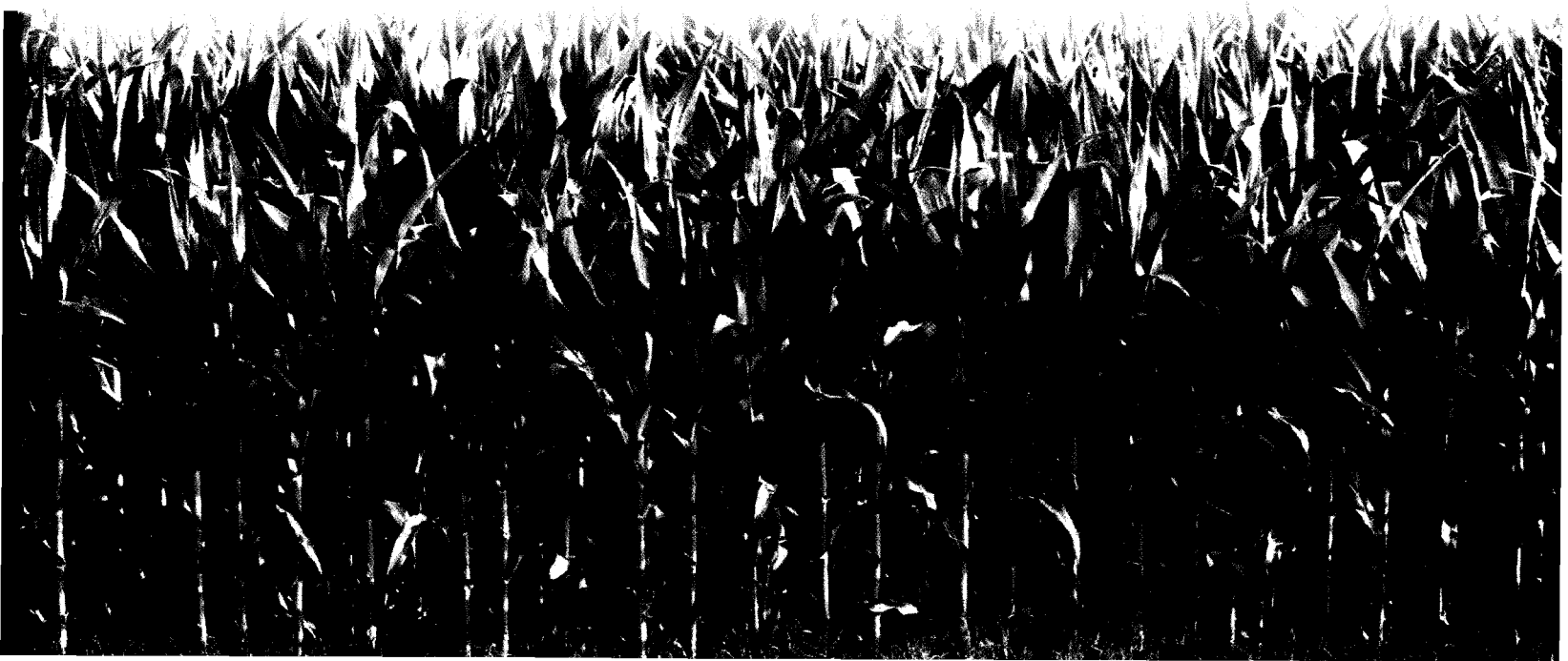




K.M.SUGAR MILLS LIMITED

Annual Report
2012-2013





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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

Nominee Director

Mr. P. N. Mathur (P.N.B.)

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 41st Director's Report along with the Audited Statement of Accounts for the financial year ended on 30th September, 2013.

Financial Performance

The Financial performance of the Company during the year 2012-13 as under:
(Rupees in Lacs)

	2012-2013	2011-2012
Profit before interest, depreciation & tax	3504	1862
Less: Interest	(1324)	(1390)
Depreciation	(901)	(1034)
Profit before tax	1279	(562)
Provision for taxation (including FBT)		
Provision for taxation (deferred)	(19)	(62)
Net Profit before extraordinary Items	1260	(624)
Add: Extra ordinary item	(0)	(0)
Net Profit	1260	(624)
Earning Per Share of Rs 2/- each	1.37	0.68

Overall Performance

For the year ended on 30th September, 2013 sales stood at Rs. 27258.79 Lacs (net of excise duty) against the Rs. 25456.41 (net of excise duty) of last year. During the financial year under review, the company had done trading of sugar for Rs. Nil lacs whereas during the preceding financial year trading activity was done for Rs. 1330.34 lacs). Profit after interest and depreciation stood at Rs. 1279 Lacs as against the loss of Rs. 562. Lacs in preceding year. Profit after tax for the year ended September 30, 2013 was Rs.1260 Lacs compared to loss of Rs. 624 Lacs in the preceding year.

Dividend

Due to accumulated losses your directors have not recommended any dividend for the financial year ended September 30, 2013.

Performance of Divisions:-

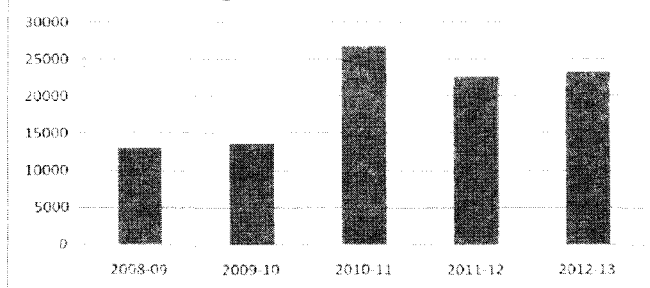
Sugar Division

Crushing season 2012-2013 was comparatively a long Season for the Company. The company has

crushed 91.57 Lacs qtls. of cane and the season ran for 142 days. The other details are as under:

	Season 2012-2013	Season 2011-2012
Gross Working days	142	116
Total Cane Crushed (qtls.)	9156678	6841971
White sugar Produced (qtls)	877655	653170
Average Recovery	9.60%	9.57%

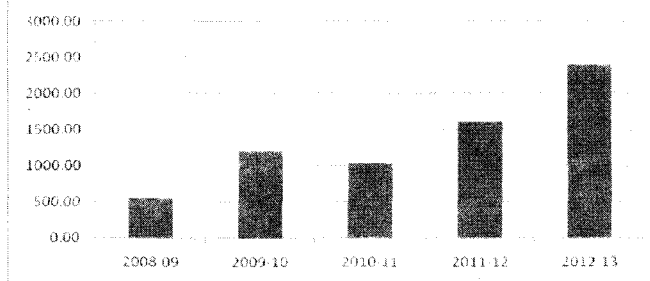
Sugar Sale (Rs in Lakhs)



Co-Generation:

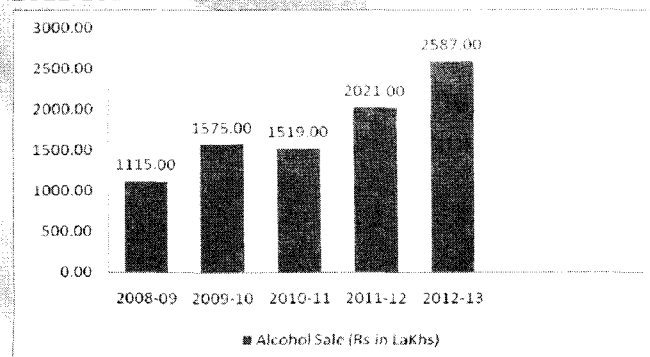
During the crushing season reported the company produced 8,06,32,125 KWH power and exported 5,78,05,627 KWH to UPPCL.

Power Sale (Rs in Lakhs)



Distillery

The year 2012-2013 Company Produced 85.96 Lacs BL of Rectified Spirit with recovery of 20.41% which is much better in comparison of preceding year production of 71.51 Lacs BL. , but recovery has decreased by 0.63% from preceding Financial Year 2011-2012.





In current year 2013-14, the Company expects better margins due to increase in alcohol price in the market.

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

It was reported in the last report that the Net worth of the Company was completely eroded during the financial year 2011-12 and accordingly a reference was registered with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 on 28-02-2013.

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.

Cost Auditors

The Central Government approved the appointment of M/s. Aman Malviya & Company, Cost Auditor, Lucknow as Cost Auditors for conducting Cost Audit for Sugar and Industrial Alcohol businesses for the financial year 2013-14.

Directors

Mr. P. N. Mathur was appointed as the Nominee Director in the meeting of the Board of Directors of the Company held on 10-08-2013, pursuant to Clause 41 of Annexure 1 of CDR and letter of approval dated 27-03-2012. Mr. P.N. Mathur is Circle Head, Punjab National Bank, Lucknow Circle and has a vast experience in Banking services. His guidance and suggestions will be in the interest of the Company. The Board recommended his appointment as Director, subject to confirmation by the Shareholders in the General Meeting.

At the ensuing Annual General Meeting Shri Sanjay Jhunjunwala and Shri Subhash Chandra Agarwal Directors of your Company, retire by rotation u/s 256 of the Companies Act, 1956 and are being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Public Deposits

During the year 2012-2013 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, 2013 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 and 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 profit 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.



Directors 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

The Directors' Report on Corporate Governance is attached as **Annexure-3** to this report. A certificate from M/s. Amit Gupta & Associates, Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated under 49 of the Listing Agreement is also annexed 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 as '**Annexure-4**'.

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.

Acknowledgements

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
of K. M. Sugar Mills Ltd.
Sd/-

Date: 08.02.2014
Place: Lucknow

L. K. Jhunjunwala
Chairman

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, 2013	Previous year ended at 30 th September, 2012
Electricity			
Purchased Unit	Kwh	168323.2	258477.6
Total Amount	Rs.	2295553	2694697
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	80632125	56118115
iii) Total units Generated	Kwh	80632125	56118115
Total Cost/ Unit	Rs.	2.55	2.92

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	<p>1.COGENERATION-load sharing between two turbines 15mw & 10MW and between grid.</p> <p>2.CANE PREPARATION - 1500KW motor (stand by drive) provided along with 2.5 MW Steam turbine of Shredder.</p> <p>3.MILLS-less efficient steam turbine of 4 mills replaced by D.C.Motor drive.</p> <p>4.PLATE TYPE HEAT EXCHANGER — Boiling House Raw Juice Heating.</p> <p>5.DIRECT CONTACT HEATER — Boiling House Sulphited Juice Heating.</p>
2.	Benefits derived as results of the above R & D	<p>1.COGENERATION - Sudden grid failure stoppages of turbines mostly eliminated, resulting more power generated and saved fuel.</p> <p>2.CANE PREPARATION - Steam saving during 6000 TCD crush rate.</p> <p>3.MILLS- Steam saving and improved the mill extraction and reduced sugar losses in bagasse.</p> <p>4.PLATE TYPE HEAT EXCHANGER — Utilizing heat of condensate to heat raw juice from 45 -68 degree centigrade resulting reduced Boiling House Steam Consumption.</p> <p>5.DIRECT CONTACT HEATER - Using bleed steam one step before to heat the sulphited juice by steam directly.</p> <p>NOTE: We have reduced steam consumption in Boiling House from 48% to 44% on 55% of maceration.</p>



3.	Further plan of action	To reduce boiling house steam consumption 36%.
4.	Expenditure on R & D	
	i) Capital	Rs.352 .00 lacs
	ii) Recurring Expenditure	Rs. 0.00 lacs
	iii) Total	Rs.352.00 lacs
	iv) Total R & D expenditure as a percentage of total turnover	1.28%

Benefits : The benefits were derived in the form of cost reduction and improvement in the quality of products continuously be available to the Company.

Particulars of technologies imported during the last 5 years : Not applicable

Foreign Exchange earnings & Outgo

i)	Activities relating to exports initiative taken to increase exports	The Company made efforts to explore the foreign markets to export the sugar.
ii)	Development of new export market for product and services and export plan	Efforts are being made to explore the foreign markets for consumer products including sugar
iii)	Total foreign exchange earnings (Rs. Lacs)	NIL
iv)	Used (Rs. Lacs)	13.13

I. Technology absorption, adaptation and innovation:

Efforts made : The steps taken and efforts made in the earlier years towards technology absorption, adaption and innovations in respect of latest technology were kept continued during the year under review.

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, 2013.

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 yrs.	Date of Commence Ment of employment	Remuneration Rs. In Lacs	Previous Employment
				NIL				

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

Date: 08-02-2014

Place: Lucknow

Sd/
L. K. Jhunhunwala
Chairman



Corporate Governance Report

Corporate Governance Report

Annexure - 3

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 practiced 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, 2013, the board consists of nine directors; out of which four are executive directors and four are non-executive directors and one Nominee Director. 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
- One Nominee, Non-Executive Director

During the year ended on 30th September, 2013, four Board meetings were held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013. As on 30th September, 2013, 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 meetings 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. Sh. L. K. Jhunjhunwala	Promoter, Executive	-	4	No
2. Sh. Aditya Jhunjhunwala	Promoter, Executive	2	-	No
3. Sh. Sanjay Jhunjhunwala	Promoter, Executive	2	2	Yes
4. Sh. S. C. Agarwal	Independent, Executive	-	1	No
5. Sh. H. P. Singhania	Independent, Non-executive	1	1	No
6. Dr. Kirti Singh	Independent, Non-executive	-	-	No
7. Sh. R. S. Shukla	Independent, Non-executive	-	4	No
8. Sh. S. K. Gupta	Independent, Non-executive	-	4	Yes
9. Mr. P.N. Mathur *	Nominee- Non-Executive	-	1	NA

* Mr. P.N. Mathur was inducted on the Board in the Board's Meeting held on 10-08-2013



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 by mail / postal service / courier and over the phone as well as 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 matters that can be discussed and decided internally and the matters, 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
30.11.2012	8	5
11.02.2013	8	3
13.05.2013	8	4
10.08.2013	8	4

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 Jhunjunwala	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 Oversee 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 company were

held on 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013

SI no.	Name of the Member	Number of Meetings Attended
1	Mr. H. P. Singhania	1
2	Mr. R. S. Shukla	4
3	Mr. Sanjay Jhunjunwala	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 30.11.2012, 11.02.2013, 13.05.2013 and 10.08.2013. The details are as follows :

SI no.	Name of the Member	Position	Number of meetings held	Number of meetings attended
1.	Mr. H. P. Singhania	Chairman	4	1
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.

Executive Directors

The executive directors are paid remuneration as decided and recommended by the remuneration