



K.M.SUGAR MILLS LIMITED

43RD ANNUAL REPORT



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Stand Alone

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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.

Request to Share holders

Shareholders are requested to intimate the company or to the RTA M/s Link Intime India Pvt. Ltd. about their mail id and change of their addresses.



Company Information

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
Smt. Madhu Mathur

Nominee Director

Mr. A. K. Mishra (P.N.B.)

Company Secretary

Mr. Rajeev Kumar

Auditors

M/s. MEHROTRA & MEHROTRA,
Chartered Accountants,
C-561, DEFENCE COLONY,
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.)

Directors' Report ...

To,
The Members,

Your Directors have pleasure in placing the 43rd Director's Report along with the Audited Statement of Accounts for the year ended on 31st March, 2016.

Financial Performance

The Financial performance of the Company during the year ended 31st March 2016 as under :
(Rupees in Lacs)

	For the year ended as at 31 st March, 2016 (Rs.)	For 18 months ended as at 31 st March, 2015 (Rs.)
Profit before interest, depreciation & tax	3550	3700
Less: Interest	(1624)	(1373)
Depreciation	(930)	(1426)
Profit before tax	996	901
Provision for taxation (including FBT)	(50)	(103)
Provision for taxation (deferred)	223	(49)
Net Profit before extraordinary Items	1169	749
Add: Extra ordinary item	(0)	(0)
Net Profit	1169	749
Earning Per Share of Rs 2/- each	1.27	0.81

Overall Performance

For the year ended on 31st March, 2016, sales stood at Rs.35286.67(net of excise duty) against the Rs. 55044.84 Lacs (net of excise duty) of previous financial year ended as at 31-03-2015 (18 months ended on 31-03-2015). During the financial year under review, the company had done trading of sugar for Rs. 1726.35 lacs whereas during the preceding financial year sugar trading was Rs. 4893.65 lacs). Profit after interest and depreciation stood at Rs. 996 Lacs as against the profit of Rs. 901 Lacs in the previous year. Profit after tax for the year ended March 31, 2016 was Rs.1169 Lacs compared to profit of Rs. 749 Lacs in the previous year.

Dividend

Due to accumulated losses your directors have not recommended any dividend for the financial year ended 31ST March 2016.

Transfer to reserves:

The entire surplus of Rs. 1169.02 lacs has been transferred to Reserve and Surplus.

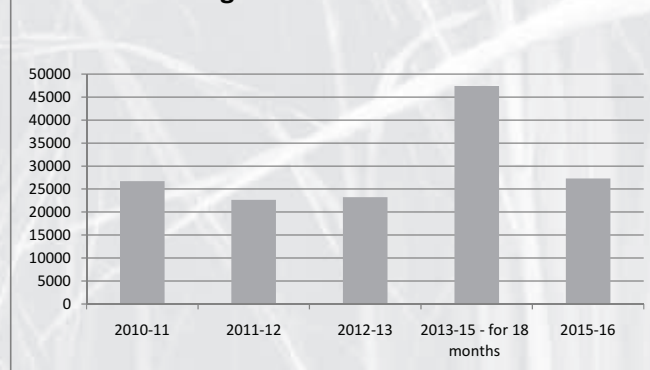
Performance of Divisions:-

Sugar Division

Crushing season till 31st March, 2016 consisted of sugar seasons of 2015. The company has crushed 74.69 Lacs qtls. of cane and the season ran for 105 days. Sugar sale was Rs.27297 lacs as against Rs.47441 lacs during the previous financial year ended for 18 months. The other details are as under:

	Year 31-03-2016	18 months ended 31-03-2015
Gross Working days	105	263
Total Cane Crushed (qtls.)	7468723	18348401
White sugar Produced (qtls)	769838	1708881
Average Recovery	10.30%	9.32%

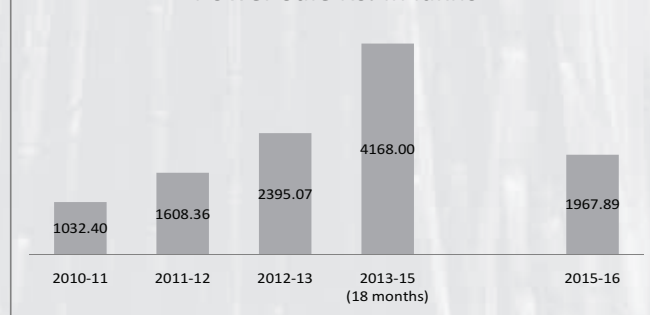
Sugar sales- Rs. in lakhs



Co-Generation :

During the crushing season reported the company produced 8,35,54,970 KWH power and exported 5,52,73,331 KWH to UPPCL. Power sale was Rs.1968 lacs as against Rs.4168 lacs.

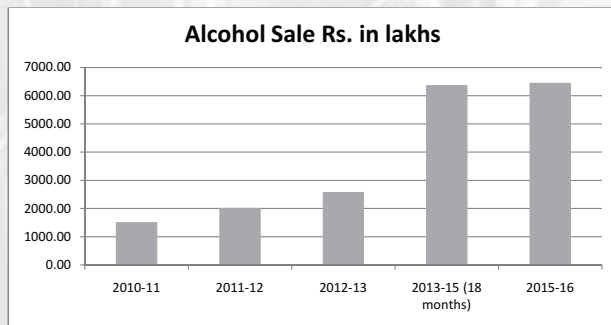
Power Sale Rs. in lakhs





Distillery

During the year ended as at 31-03-2016, Company Produced 100.50 Lacs BL of Rectified Spirit with a recovery of 20.55 % which is better in comparison of preceding year ended 31-03-2015 (18 months) production of 167.48 Lacs BL. with a recovery of 21.12% during preceding year ended 31-03-2015. Sale of RS and Country liquor were Rs.6462 lacs as against Rs.6375lacs .



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

Due to erosion of the Net worth of the Company, the reference was registered with the Board for Industrial and Financial Reconstruction (BIFR) in terms of the provisions of the Sick Industrial Companies (Special Provisions) Act , 1985 on 28-02-2013 on the basis of audited accounts for the year ended 30th September, 2012. The reference made with BIFR is still pending.

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 139 of the Companies Act, 2013. Pursuant to the provisions of Section 139, 142 and other applicable provisions, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 the existing Auditors can be re-appointed to hold office maximum up to the conclusion of 44th Annual general meeting of the Company, whereafter new Auditor shall be required

to be appointed. Accordingly the Board propose for re-appointment of existing Auditors to hold office up to the conclusion of 44th Annual General Meeting for audit of financial statements for year ending at 31st March, 2017, subject to ratification their continuance by shareholders at annual general meeting.

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.

Secretarial Auditors

M/s Amit Gupta & Associates, Practicing Company Secretaries were appointed as secretarial auditors of the Company for the year 2015-16 as required under Section 204 of the Companies Act, 2013 and Rules made thereunder. The secretarial audit report for FY 2013-15 forms part of the Annual Report (Annexure to the Directors' Report in Form MR. 3) and carries no qualifications, reservations, adverse remarks or disclaimers and hence no explanations are required.

The Board has further appointed M/s Amit Gupta & Associates, Practicing Company Secretaries, as secretarial auditor of the Company for the financial year 2016-17.

Cost Auditors

The Central Government approved the appointment of M/s. AmanMalviya & Company, Cost Auditor, Lucknow as Cost Auditors for conducting Cost Audit for Sugar and Industrial Alcohol businesses for the year 31st March 2016, report of which shall be submitted in due course of time. The Board has approved their appointment for the year 2016-17 and their remuneration is subject to approval by the Company in the forthcoming Annual General Meeting.

Directors

At the ensuing Annual General Meeting Shri SanjayJhunhunwala and Shri S.C. Agarwal, Directors of your Company, retire by rotation u/s 152 of the Companies Act, 2013 and being eligible, had offered themselves for re-appointment at the ensuing Annual General Meeting.

Public Deposits

During the financial year ended 31-03-2016, 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 and listing fees for 2016-17 had been duly paid.

Directors' Responsibility Statement

In pursuance of sub-section (5) of Section 134 of the Companies Act, 2013, in respect of Directors' Responsibility Statement, the Board of Directors confirms:

- (i) that in the preparation of the annual accounts for year ended on March 31, 2016 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, 2013, 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.
- (v) that the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (vi) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Significant and material orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

Audit committee and vigil mechanism

Pursuant to requirement of section 177(1) of Companies Act, 2013 read with Rule 6 of the Companies (Meeting of Board and its Powers) Rules, 2014 and Clause 49 of Listing Agreement, your Company has already formed the Audit Committee, composition of which is covered under Corporate Governance report section of this Annual Report.

The Vigil Mechanism of the Company, which also incorporates a Whistle Blower Policy in terms of the Listing Agreement, includes appointment of a Whistle Officer who will look into the matter, conduct detailed investigation and take appropriate disciplinary action. The Company has formulated a vigil mechanism to provide appropriate avenues to the Directors and employees to bring to the attention of the management their genuine concern about behavior of employees, the details of which are incorporated in the report on the corporate governance. Protected disclosures can be made by a whistle blower through an e-mail, or dedicated telephone line or a letter to the Whistle Blower Officer or to the Chairman of the Audit Committee. During the year under review, no employee was denied access to Whistle Blower Officer or Audit Committee and no cases under this mechanism were reported in the company and any of its subsidiary / associates.

The Policy on vigil mechanism and whistle blower policy has been uploaded on the Company's website at the link: <http://www.kmsugar.com>.

Extract of annual return

Extract of Annual Return of the Company is annexed herewith in form no. MGT-9 as Annexure 8 to this Report.

Internal financial controls

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation were observed.

Risk management

The Company aims to have a formalized and systematic approach for managing risks across the Company. It encourages knowledge and experience sharing in order to increase transparency on the key risks to the Company to the extent possible. This approach increases risk awareness, and ensures proper management of risks as part of the daily management activities.

During the year, the Company has constituted a Risk Management Committee which has been entrusted with the responsibility to assist the Board in:

- Reviewing and approving the Company's Risk Management Policy so that it is consistent with the Company's objectives; and



- Ensuring that all the risks that the Company faces such as strategic, operational, financial, compliance and other risks are identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks.

The Risk Management Policy was reviewed and approved by the Committee. The policy on Risk Management has been uploaded on the Company's website at the link: <http://www.kmsugar.com>

The objective of the Company's risk management process is to support a structured and consistent approach to identify, prioritize, manage, monitor and report on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives.

The Company has introduced several initiatives for risk management including the introduction of audit functions and processes to identify and create awareness of risks, optimal risk mitigation and efficient management of internal control and assurance activities.

Corporate social responsibility

The Company constituted a Corporate Social Responsibility (CSR) Committee pursuant to the requirement of Section 135(1) of Companies Act, 2013. The CSR policy of the Company, inter alia, lists the activities that can be undertaken or supported by the Company for CSR, composition and meetings of CSR committee, annual allocation for CSR activities, area of CSR projects, criteria for selection of CSR, modalities of execution / implementation of CSR activities and the monitoring mechanism of CSR activities / projections. During this year under report the company spent Rs. 20.52 Lacs towards CSR. The details of CSR activities undertaken by the company are mentioned in the prescribed format in the Annexure-4 to this report.

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in Annexure 1.

Research and Development

The details relating to Research and Development activities carried out by the company during the year are stated in annexure to this report.

Particulars of Employees

The disclosure as required under the provisions of Section 197 (12) of the Companies Act, 2013, read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of the employees of the Company has been given in 'Annexure 2' and forms part of this Report.

Corporate Governance

As required under Regulation 34 of SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015, a separate section on Corporate Governance forming part of the Directors' Report and the certificate from Practicing Company Secretary M/s. Amit Gupta & Associates, confirming the compliance of the conditions on Corporate Governance is attached as Annexure-3 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-5'.

Industrial Relation

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

Subsidiary Company

Your Company has a subsidiary company viz. M/s. K.M. Energy Private Limited, incorporated on 01-12-2014 for setting up of Solar Power Project. There were no operational activities during the period under review as the setting up of the plant is under progress. However, this company had surplus of Rs.1.91 lacs for the year ended 31-03-2016. Further, your Company had given a loan of Rs.285.00 lacs to it at interest @10% which had been converted into 9% Non cumulative Preference shares of Rs.10/- per share. In terms of proviso to section 139(3) of the Companies Act, 2013, the salient features of the financial statements of the subsidiary are set out in the prescribed form (AOC-1) under Rule-5 of the Companies (Accounts) Rules, 2014 as Annexure 6.

In accordance with section 129 (3) of the Act and regulation 34 of the SEBI (LODR) Regu. 2015, the consolidated financial statements of the Company



include financial information of its subsidiary prepared in compliance with applicable Accounting Standards and form the part of Annual Report. Pursuant to the provisions of section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiary, are available on the website of the Company. The Company will make available the annual report of subsidiary Company upon request by any shareholder of the Company interested in obtaining the same.

Number of meetings of the Board

The Board met five times during the financial year, the details of which are given in the Corporate Governance Report that forms part of this Annual Report. The intervening gap between any two meetings was within the period prescribed by the Companies Act, 2013 and the SEBI (LOADR) Regu., 2015.

Policy on directors' appointment and remuneration

The Company seeks to maintain an appropriate mix of executive and independent directors in order to maintain the independence of the Board and segregate the functions of governance and management. As at year end, the Board consists of 10 members, four of whom are Whole-time directors, five are Independent directors and one is a Nominee director. The Company has five independent directors and all are qualified personnel with requisite qualifications, experience, positive attributes and satisfy all the criteria as set out under Schedule IV of Companies Act, 2013. These Independent Directors are only eligible for sitting fees for attending Board meetings and Committee meetings and other out of pocket expenses duly made for attending meetings of the Board or any committee of the Board thereof. Remuneration proposed for whole time directors is in accordance with the Remuneration Policy approved by Nomination and Remuneration Committee of the Board.

Your Company, in compliance with section 178(1) of the Companies Act, 2013 read with The Companies (Meeting of Board and its Powers) Rules, 2014, has duly constituted a Nomination and Remuneration Committee. This committee is chaired by an

independent director and formulates the criteria for determining qualifications, positive attributes, independence of a director and other matters.

Appointment and the remuneration of Board members, key managerial personnel or one level below the Board level is fixed on the basis of the recommendation of the Nomination and Remuneration Committee made to the Board, which may ratify them, with or without modifications.

Disclosures pursuant to the requirements of section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been made in Annexure 2 of this Board Report.

Declaration by independent directors

As per the requirement of section 149(7), the Company has received a declaration from every Independent Director that he or she meets the criteria of independence as laid down under section 149(6) read with rule 5 of the Companies (Appointment and Qualification of Directors) Rule, 2014 and Clause 49 of the Listing Agreement.

Board evaluation

Pursuant to the requirement of the Companies Act, 2013, a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. The Act states that the performance evaluation of the independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board as explained under the Corporate Governance section of this Annual Report. In a separate meeting of independent Directors, performance of non-independent directors was evaluated.

Committees of the Board

Currently, the Board has 4 nos of committees. A detailed note on the Board and its committees is provided in the Corporate Governance Report section of this Annual Report. The composition of the committees and compliances, as per applicable provisions of the Act and Rules, are as follows :

Particulars of Loans, Guarantee or Investments

As per the requirement of section 186(4) of Companies



Name of the committee	Composition of the committee	Highlights of duties, responsibilities and activities
Audit committee		<ul style="list-style-type: none"> All recommendations made by the committee during the year were accepted by the Board. The Company has adopted the Whistle Blower Mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud. The Company has formed the Related Party Transaction Policy.
Nomination and remuneration committee		<ul style="list-style-type: none"> The Committee oversees and administers executive compensation. All recommendations made by the committee during the year were accepted by the Board.
Stakeholders relationship committee		<ul style="list-style-type: none"> The Committee reviews and ensures redressal of investor grievances. The committee noted that no grievances of the investors have been reported during the year.
Corporate social responsibility committee		<ul style="list-style-type: none"> The Board as laid down the Company's policy on Corporate Social Responsibility (CSR). The CSR policy will be uploaded very soon on Company website, www.kmsugar.com

Act, 2013, particulars of loans given, investments made, guarantees given or securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the standalone financial statements. The Company is in compliance with the limits as prescribed under Section 186 of Companies Act, 2013 read with rule 11 of the Companies (Meeting of Board and its Powers) Rules, 2014.

Particulars of contracts or arrangements with Related Party

The Company's policy on related party transactions may be accessed on the Company's website at <http://www.kmsugar.com>. Particulars of contracts or arrangements with Related Parties referred in Section 188(1) of the Companies Act, 2013 is furnished in accordance with Rule 8(2) of the Companies (Accounts) Rules, 2014 is given Not to Accounts no.2.29-(12-D) also in Form AOC-2 as Annexure-7.

Material changes and commitments affecting financial position between the end of the financial year and date of report

No material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company.

Acknowledgement

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/-
L. K. Jhunjunwala
Chairman

Date: 12.08.2016

Place: Lucknow



Annexure 1

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

Disclosure of particulars with respect to conservation of Energy

Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

Form A

Disclosure of particulars with respect to conservation of Energy

Annexure 'A'

Conservation of Energy, Technology Absorption and Foreign Exchange outgo

Particulars	Units	For the year ended 31-03-2016	18 months ended 31 st March, 2015 (Oct-13 to March-15)
Electricity			
Purchased Unit	Kwh	6.36	2.78
Total Amount (Rs. in Lacs)		60.75	26.06
Own Generation			
Through Diesel Generation	Kwh	0.09	0.02
Units per litre of Diesel		3.35	3.28
Cost per unit	Rs.	15.37	15.85
Through Steam Turbine*			
Units (in Lacs)	Kwh	614.65	1515.27
Unit per MT of fuel (Bagasse)		375.90	376.76
Cost per Unit	Rs.	4.25	4.22

*Excluding captive generation of plant turbine

Form B

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

1.	Specific areas in which R & D carried out by the Company	1-Co-gen Area – Bagasse Drier 2-Boiling House Waste heat recovery unit (CIGAR) and use of NCG etc of evaporators 3. Mill Area -Moisture reduction unit in 2 more mills and Replacement of steam turbine of Shreeder by 2.5 mw H.T motor.
2.	Benefits derived as results of the above R & D	1-Co-gen Area -Bagasse drier will reduce the moisture of bagasse from 48% to 38% i.e 10% which will increase the efficiency of boiler by 10% and will ultimately save the bagasse by 2.5% on cane. 2-Boiling house –installation of cigar and erection of system for waste vapour from NCG and chemical cleaning vapour utilization at evaporator will save 2% steam on cane and will save 1% bagasse on cane.

		3- Mill Area – i) At mills we are going for more extraction of sugar from bagasse & reduction in moisture by 2% of bagasse after installation of moisture reduction unit in 2 more mills sought which will provide Bagasse saving equivalent to 0.25% on cane. ii) By replacement of Shredder steam turbine by 2.5mw H.T motor will produce 1.1 mwh more power to export.
3.	Further plan of action	1-Mill House Area- I. Mill transmission system replacement by planetary drive. 2-Co-gen Area-i. Direct pumping of exhaust condensate to de-aerator in-place of boiler feed water tank. 3-.Boiling House Area- i. Making evaporator set quintuple in place of quad. ii) Installation of continuous Pans.
4.	Expenditure on R & D	
	i) Capital	Rs. 1300.00 lacs (Approx.)
	ii) Recurring Expenditure	Rs. 10.00 lacs (Approx.)
	iii) Total	Rs. 1310.00 Lacs
	iv) Total R & D expenditure as a percentage of total turnover	3.65%

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.
- New technology of moisture reduction at mills for more juice extraction and moisture reduction of Bagasse going to Boilers by 2% means from 50% to 48% and increase in juice extraction by 0.1%.
- New technology of extraction of flash vapour from hot condensate which was going to waste ,equipment used called CIGAR going to install in boiling house ,which ultimately save the steam by 1.4% on cane and ultimately will save the bagasse by 0.70% on cane. In boiling house we are going to use the waste heat of Non condensable gases and chemical boiling vapour going to atmosphere . This will save steam by 0.6% on cane which ultimately will save bagasse by 0.30% on cane.
- New technology of moisture reduction of bagasse