



# **K.M.SUGAR MILLS LIMITED**



***44<sup>th</sup> Annual Report***

***2016-17***



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### **Consolidated**

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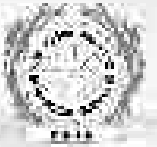
### **Forward Looking Statement**

*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

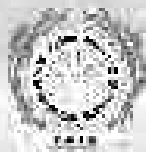
STATE BANK OF INDIA  
PUNJAB NATIONAL BANK  
FEDERAL BANK LTD.  
ALLAHABAD BANK

#### Registered Office

11, Moti Bhawan, Collectorganj,  
Kanpur - 208001 U. P.

#### Corporate Office & Works

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



## Directors' Report ...

## Directors' Report ...

To,  
The Members,  
Your Directors have pleasure in placing the 44th Director's Report along with the Audited Statement of Accounts for the year ended on 31st March, 2017. Financial Performance  
The Financial performance of the Company during the year ended 31st March 2017 as under :  
(Rupees in Lacs)

|  | For the year ended as at 31 <sup>st</sup> March, 2017 (Rs.) | For year ended as at 31 <sup>st</sup> March, 2016 (Rs.) |
|--|---|---|
| Profit before interest, depreciation & tax | 5443  | 3550  |
| Less: Interest                             | (665)   | (1624)  |
| Depreciation                               | (943)   | (930)   |
| Profit before tax                          | 3835  | 996   |
| Provision for taxation (including FBT)     | (661)   | (50)  |
| Provision for taxation (deferred)          | 64  | 223   |
| Net Profit before extraordinary Items      | 3238  | 1169  |
| Add: Extra ordinary item                   | (0)   | (0)   |
| Net Profit                                 | 3238  | 1169  |
| Earning Per Share of Rs 2/- each           | 3.52  | 1.27  |

## Overall Performance

For the year ended on 31st March, 2017, sales stood at Rs.33618.53 Lacs (net of excise duty) against the Rs. 35286.67 Lacs (net of excise duty) of previous financial year ended as at 31-03-2016). During the financial year under review, the company had done trading of sugar for Rs.1127.57 lacs whereas during the preceding financial year sugar trading was Rs. 1726.35 lacs). Profit after interest and depreciation stood at Rs. 3835.00 Lacs as against the profit of Rs. 996.00 Lacs in the previous year. Profit after tax for the year ended March 31, 2017 was Rs.3238.00 Lacs compared to profit of Rs. 1169.00 Lacs in the previous year.

## Dividend

Your directors have not recommended any dividend for the financial year ended 31st March 2017 as the Company was under Corporate Debt Restructured (CDR).

## Transfer to reserves:

The entire surplus of Rs. 3238.18 lacs has been transferred to Reserve and Surplus.

## Performance of Divisions:-

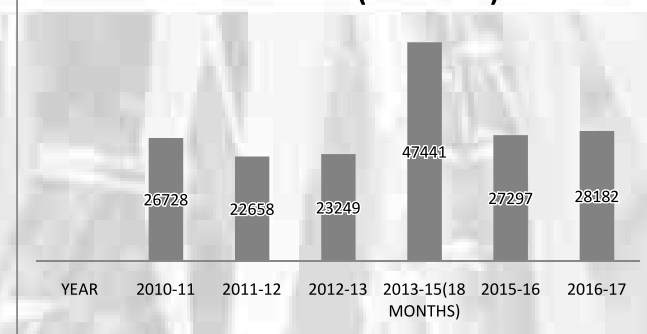
## Sugar Division

Crushing season till 31st March, 2017 consisted of

sugar seasons of 2016. The company has crushed 88.32 Lacs qtls. of cane and the season ran for 121 days. Sugar sale was Rs.28182 lacs during the year under review as against Rs.27297 lacs during the previous financial year. The other details are as under:

|                             | Year 31-03-2017 | Year 31-03-2016 |
|-----------------------------|-----------------|-----------------|
| Gross Working days          | 121             | 105             |
| Total Cane Crushed (qtls.)  | 8832402         | 7468723         |
| White sugar Produced (qtls) | 859577          | 769838          |
| Average Recovery            | 9.76%           | 10.30%          |

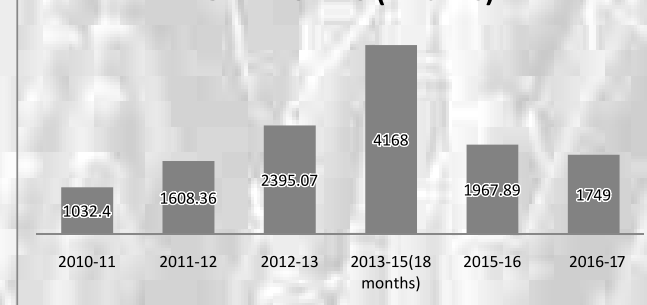
## SUGAR SALES(IN LAKHS)



## Co-Generation:

During the crushing season under report, the company produced 6,77,20,130 KWH power and exported 3,81,98,272 KWH to UPPCL. Power sale was Rs.1749 lacs as against Rs. 1968 lacs.

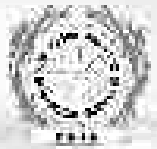
## POWER SALES (in lakhs)



## Distillery

During the year ended as at 31-03-2017, Company Produced 103.45 Lacs BL of Rectified Spirit with a recovery of 22.41 % , which is better in comparison of preceding year production of 100.50 Lacs BL. with a recovery of 20.55%. Sale of RS was Rs.4125 Lacs as against Rs. 3823 Lacs, while the sale of Country liquor was nil as against Rs.2639 lacs during the preceding year due to prohibition in the State of Bihar.





**ALCOHOL SALE(in lakhs)**



## Economy and Market :

The Year has marked by two major domestic policy developments, the passage of constitutional amendment, paving the way of implementing the transformational Goods and Service Tax (GST) and the action to Demonetize the highest denomination notes. GST will create a common Indian market improve Tax compliance and the governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism. Demonetization has short-term cost but holds the potential for long term benefit.

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 Company has been absolved from SICA as the SICA is repelled.

## Auditors

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules,2014, the term of appointment of M/s. Mehrotra & Mehrotra, Chartered Accountants, New Delhi is expiring from the date of ensuing Annual General Meeting of the Company. Hence, it becomes necessary to appointment some other Statutory Auditors at their place. The Company received a letter from M/s. Agiwal & Co, Chartered Accountants, New Delhi getting them appointed as the Statutory Auditors of the Company. After having been reviewed and recommended by the Audit Committee, the Board recommended the appointment of M/s. Agiwal & Co, Chartered

Accountants, New Delhi as the Statutory Auditors of the Company for a term of 5 years. The Company has also received a confirmation from the said Auditors that they are not disqualified to act as the Auditors and are eligible to hold the office as Auditors of the Company. Necessary resolution for appointment of the said Auditors is included in the Notice of AGM for seeking approval of members.

However, their appointment as Statutory Auditors of the Company shall also be required to be ratified by the Members at every 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 2016-17 as required under Section 204 of the Companies Act, 2013 and Rules made there under. The Secretarial Audit report for FY 2016-17 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.

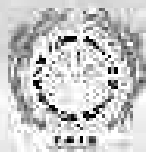
The Board appointed Ms. PRAGATI GUPTA, Practicing Company Secretaries (Membership no. ACS- 19302) , as Secretarial Auditor of the Company for the financial year 2017-18 in place of M/s Amit Gupta & Associates, Practicing Company Secretaries, who expressed their inability to continue as Secretarial Auditors of the Company .

## 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 year 31st March 2017, report of which was placed before the Board. The Board approved their appointment for the year 2017-18 and their remuneration is subject to approval by the Company in the forthcoming Annual General Meeting.

## Directors

At the ensuing Annual General Meeting Shri Aditya Kumar Jhunjunwala and Shri L.K Jhunjunwala, Directors of your Company, retire by rotation u/s 152 of the Companies Act, 2013 and being eligible, offered



themselves for re-appointment at the ensuing Annual General Meeting.

#### Public Deposits

During the financial year ended 31-03-2017, the company has not accepted any public deposits.

#### Corporate Debt Restructuring-(CDR)

The Company has successfully exit from CDR vide CDR EG letter dated 26-07-2017 and remitted the full payment against RoR.

#### 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 2017-18 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, 2017 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 Regulation 18 and Regulation 22 of SEBI(LODR)Regulation 2015, 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>.

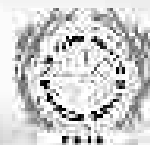
#### EXTRACT OF ANNUAL RETURN

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.

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 (for details please refer Corporate Governance Report) pursuant to the requirement of Section 135(1) of Companies Act, 2013. The CSR policy of the Company, inter alia, list the activities that can 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 the year under report the Company spent Rs.21.18 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-5 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'.

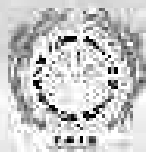
## Industrial Relation

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

## Subsidiary Company

Your Company has a subsidiary a company viz. M/s. K.M. Energy Private Limited, incorporated on 01-12-2014 for setting up of Solar Power Project. Power Project was completed and successfully commissioned in Oct., 2016. It started commercial operation from Oct 14, 2016. However, this company had occurred loss of Rs. 413.71 lacs for the year ended 31-03-2017 as it had Deferred Tax Liabilities( Net) for Rs. 384.57 lacs. In terms of proviso to section 139(3) of the Companies Act, 2013, the salient features of the financial statements of the subsidiary is set out in the prescribed form (AOC-1) under Rule-5 of the Companies (Accounts) Rules, 2014 as Annex.6.

In accordance with section 129 (3) of the Act and regulation 34 of the SEBI (LOADR) 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 four 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 (LODR) 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, one of whom is Managing Director, three 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 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **BOARD EVALUATION**

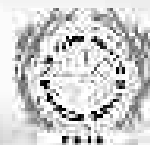
Pursuant to the requirement of the Companies Act, 2013, the performance evaluation of the independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

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 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:





# Directors Report ...

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

**Particulars of Loans, Guarantee or Investments**  
As per the requirement of section 186(4) of Companies 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 Note to Accounts no.2.29-(9-C) 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.

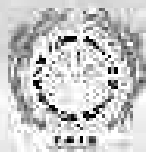
## Acknowledgement

Yours Directors place on record their acknowledgement 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. Jhunjhunwala  
Chairman

Date: 10.08.2017  
Place: Lucknow



## Conservation of Energy, Technology Absorption and Foreign Exchange and Outgo

| PARTICULARS  | STEPS TAKEN BY THE COMPANY   |
|--|--|
| (i) The steps taken or impact on conservation of energy<br>The company has taken various steps towards energy conservation. The company continues to give high priority to the conservation of energy on an ongoing basis. Some of the significant measures taken are: | a) Installation of moisture reduction devices, an innovative technology, at mills for more juice extraction and moisture reduction of Bagasse about 1% to 2% thus resulting increase in juice extraction.<br>b) Installation of 2500 KW new H.T. Motor for Shredder Drive in place of conventional direct coupled Turbine.<br>c) Installation of Equipment called CIGAR for extraction of flash vapour from hot condensate which was going to waste, installed in boiling house, which ultimately saved the steam by 1% to 1.4% on cane and ultimately saved the bagasse.<br>d) Systemisation for use of the waste heat of Non condensable gases and chemical boiling vapour to save steam by 0.6% on cane.<br>e) Installation of, an innovative technology, Bagasse Drier at boiler for reduction of bagasse moisture from 48% to 40% resulting in efficiency of boilers and saving of bagasse.<br>f) DCS controlled operation at various stations to achieve maximum efficiency. |
| (ii) The steps taken by the company for utilizing alternate sources of energy.   | Company has bagasse based generation power plant which is used for captive consumption and surplus power is being sold to U P Power Corporation Limited  |
| (iii) The capital investment on energy conservation equipments during the year 2016-17 was   | Rs.1000 Lacs<br>Apart from this, The company makes investment wherever required for conservation of energy. The company has continuous process to monitor and explore ways and means for conservation of energy.   |

## Form B

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

## Technology absorption, adaptation and innovation:

## (i) The company carried on following sugarcane development activities during the financial year 2016-17:

- ◆ Distribution of new improved varieties of seed.
- ◆ Moist heat therapy to eradicate seed born diseases.
- ◆ Inter cropping of sugar cane for multi crops to growers.

- ◆ Distribution of fertilizers and manures for improving the soil health and growth of sugarcane.
- ◆ Ratoon crop management and gap filling helping increase yield and recovery.

## (ii) Due to above efforts it is expected that higher yield and disease free cane will be available to the company and the cane growers. Multi-cropping also helps farmers to get more returns.

(iii) The company has not imported any technology.  
Expenditure incurred on Research & Development : Nil