



K.M. Sugar Mills Limited



46th
ANNUAL REPORT
2018-19





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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. S. B. Singh

Shri S. K. Gupta

Smt. Madhu Mathur

Company Secretary

Ms. Pooja Dua

Auditors

M/s. AGIWAL & ASSOCIATES

Chartered Accountants,

Lal Kothi, 2nd Floor, Pataudi House Road,

Above Bank of Baroda, Dariyaganj,

NEW DELHI - 110 002

Bankers

STATE BANK OF INDIA

PUNJAB NATIONAL 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 46th Director's Report along with the Audited Statement of Accounts for the year ended on 31st March, 2019.

Financial Performance

The Financial performance of the Company during the year ended 31st March 2019 as under :

(Rupees in Lakhs)

	For the year ended as at 31 st March, 2019 (Rs.)	For year ended as at 31 st March, 2018 (Rs.)
Profit before interest, depreciation & tax	5057	5326
Less: Interest	-603	-1072
Depreciation	-1240	-1345
Profit before tax	3214	2909
Provision for taxation	-651	-594
Provision for taxation (deferred)	-128	-428
Net Profit before extraordinary Items	2435	1887
Add: Extra-ordinary item	0	0
Net Profit	2435	1887
Earnings Per Share of Rs 2/- each	2.65	2.05

Overall Performance

For the year ended on 31st March, 2019, sales stood at Rs. 39005.38Lacs against the Rs. 46978.32 Lacs of previous financial year ended as at 31st March, 2018. During the financial year under review, the company has also done sugar export/trading amounting to Rs.2690.44 Lacs, whereas there was no export/trading of sugar in preceding year. Profit after interest and depreciation stood at Rs. 3213.91 Lacs as against the profit of Rs. 2909.400 Lacs in the previous year.

Dividend

To conserve the resources, the directors have not recommended any dividend for the financial year ended 31st March 2019.

Finance and Accounts

As mandated by the Ministry of Corporate Affairs, the financial Statement for the year ended on March 31, 2019 has been prepared in accordance with the Indian Accounting Standard (IND AS) notified under Section 133 of the Companies Act, 2013 reads with Companies (Accounts) Rules, 2014. The estimates and judgment relating to the Financial Statement are made on a prudence basics, so as to reflect a true and fair manner, the form and substance of transaction and reasonably present the Company's state of Affairs, profits and cash flow for the year ended March 31, 2019. Accordingly, the figures for the previous year are comparable.

Performance of Divisions:-

Sugar Division

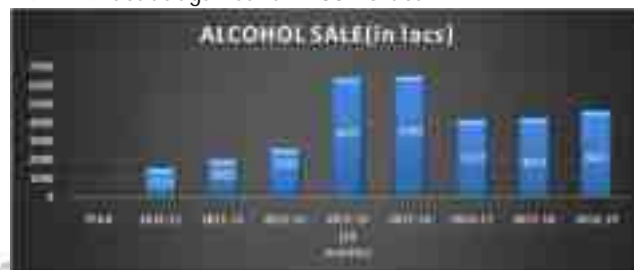
Crushing season till 31st March, 2019 consisted of sugar seasons of 2017-18 and 2018-19. The company has crushed 111.60Lacsqtls. of cane and the season was for 149 days. Sugar sale was Rs. 29,657.79lacs during the year under review as against Rs.39,204.87 lacs during the previous financial year. The other details are as under:

	Year 31-03-2019	Year 31-03-2018
Gross Working days	149	138
Total Cane Crushed (qtls.)	11160820.12	10326624
White sugar Produced (qtls)	1230357	994395
Average Recovery	11.01%	9.72%



Co-Generation :

During the crushing season under report, the company produced 9,55,49,145 KWH power and exported 5,95,62,853.84 KWH to UPPCL as against production of 7,90,97,890 KWH power and export of 4,76,63,795 KWH to UPPCL during the previous financial year. Power sale was Rs. 2972.19 lacs as against Rs. 2183.16 lacs.



Distillery

During the year ended as at 31st March, 2019, Company Produced 105.62Lacs BL of Rectified Spirit with a recovery of 21.36% , which is lower in comparison of preceding year production of 105.11 Lacs BL. with a recovery of 22.63 % due to the closure of distillery unit form 31st January, 2019 to 23rd March, 2019. Sale of RS was Rs.4620.67 Lacs as against Rs.4210.64 Lacs.



Auditors

The Company's Auditors, Messrs. Agiwal & Co, Chartered Accountants, who were appointed with your approval at the 44th AGM for a period of five years, subject to ratification by members at AGM, will complete their present term on conclusion of the 49th AGM of the Company. The Companies (Amendment) Act, 2017 has



removed the proviso to section 139(1) of the Companies Act, 2013 and therefore requirement of ratification by members at AGM is no longer required. Accordingly, the Board, on the recommendation of the Audit Committee, recommended for ratification of their appointment for remaining term to hold office up to the conclusion of 49th Annual General Meeting on such remuneration plus Goods and service tax, out-of-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the said Auditors.

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

Ms. Pragati Gupta, Practicing Company Secretaries were appointed as Secretarial Auditors of the Company for the year 2018-19 as required under Section 204 of the Companies Act, 2013 and Rules made there under. The Secretarial Audit report for FY 2018-19 forms part of the Annual Report (Annexure to the Directors' Report in Form MR-3) as annexed as Annexure-10 to this report 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 2019-20.

Cost Auditors

Your Board, as recommended by the Audit Committee, appointed M/s. Aman Malviya & Company, Cost Accountant, Lucknow, as a Cost Auditor for Sugar and Industrial Alcohol businesses for the financial year 2019-20. Pursuant to Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, appropriate resolutions seeking your ratification to the remuneration of the aforesaid Cost Auditors are appearing in the Notice convening the 46th AGM of the Company. The Company maintains necessary cost records as specified by Central Government under sub-section 1 of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014. The Company has filed the cost audit report for the year ended at March 31, 2018.

Directors

At the ensuing Annual General Meeting Shri L.K. Jhunjhunwala and Shri Aditya Jhunjhunwala, Directors of the 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.

The lenders have withdrawn the nomination of Mr. Anil Kumar Mishra with effect from April 08, 2019. Dr. R.S Shukla, Independent Director of the Company resigned from the Board w.e.f. 29-05-2019. The Board placed its deep gratitude on record for his valuable guidance, advice and suggestions to the Company during their association with the Company.

The appointment of Shri L.K. Jhunjhunwala as the Chairman-cum- Whole time Director, Shri Aditya Jhunjhunwala, as a Managing Director, Shri Sanjay Jhunjhunwala, as a Jt. Managing Director and Shri S.C. Agarwal, as an Executive Director was approved by members at the Annual General Meeting held on 19-09-2015 for a period of five years w.e.f. 1st March, 2015 to 29th February, 2020. Accordingly after having been recommended by the Nomination & Remuneration Committee of the Company, the Board has recommended for their appointment in the Board meeting held on 29-05-2019 for a period of 5 (five) years w.e.f. 20th August, 2019. Appropriateresolutions seeking your approval for the said appointments are appearing in the Notice convening the 46th AGM of the Company. The Board in its meeting held on May 29, 2019 had also approved change in terms of their appointment for remaining tenure up to ensuing AGM.

The first tenure office years of Mr. H.P. Singhania, Mrs. Madhu Mathur and Mr. S K Gupta as Independent director shall expire on 18-09-2020. After having been recommended by the Nomination & Remuneration Committee of the Company, the Board in its meeting held on May 29, 2019 recommended the re-appointment of Mrs. Madhu Mathur, Mr. H.P. Singhania, Mr. S.K. Gupta, as Independent Directors of the Company for the second tenure of five years w.e.f. August 20, 2019 in terms of Section 149, 150 and 152 read with Schedule IV and any other applicable provisions, if any of the Companies Act, 2013 and rules made thereunder and sub-regulation 1A of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue them to avail their services. As Mr. H.P. Singhania has crossed the age of 75 years, consent of members is sought for his continuance as an Independent Director w.e.f. April 01, 2019 to ensuing AGM. Appropriate resolutions seeking your approval for the said appointments are appearing in the Notice convening the 46th AGM of the Company

Public Deposits

During the financial year ended 31-03-2019, the company has not accepted any public deposits.

Listing Regulations

The equity shares of the company are listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited and listing fees for 2019-20 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, 2019 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 regulation, 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 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 the year under report, the Company spent Rs.51.40 lacs towards CSR as against its obligation Rs. 50.00 lacs. 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.

Foreign currency risk and Commodity price risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the



Directors' Report...

risk of changes in foreign exchange rates relates primarily to the Company's foreign currency denominated borrowings. This foreign currency risk is covered by using foreign exchange forward contracts and currency swap contracts. The company does not have substantial transactions during the year in foreign currency so the company does not have such kind of risk.

Sugar industry being cyclical in nature, realizations get adversely affected during downturn. Higher cane price or higher production than the demand ultimately affects profitability. The Company has mitigated this risk by well integrated business model by diversifying into co-generation and distillation, thereby utilizing the by-products. Credit risk is the risk that counter party will not meet its Obligations under a financial instrument or customer contract, leading to a financial loss. The company's sugar sales are mostly on cash. Power and ethanol are sold to state government entities; thereby the credit default risk is significantly mitigated. The Central Govt. has fixed the minimum sale price of sugar w.e.f. 14.02.2019 at Rs.3,100 per Qtl. which has mitigated the price risk to the some extent. Similarly, the ethanol and power are sold the Govt. undertakings at fixed prices as per Govt. orders / regulatory guidelines.

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 Ms. Pragati Gupta, 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

The company has no material subsidiary company. However, your Company has two subsidiary companies viz. M/s. KM Spirits and Allied Industries Limited incorporated on 23-02-2018 to manufacture of all types of spirits. Your Company had made a total investment of 5 Lacs in the Company as on 31st March, 2019. 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 Annexure 6.

Your Company has another subsidiary company viz. M/s Sonar Casting Limited incorporated on 07-02-2019 and investment of Rs. 7.75 crores has been made up to March 31, 2019 for setting up of Ductile Iron Project. In M/s Sonar Casting Limited the land has been acquired and the project work - Ductile Iron of the company is in progress. Major purchase orders for Civil work, plant and machinery along with the other necessary assets have been made. The company has applied for the credit facilities from SBI, PNB & UBI. The project is expected to be completed by March 31, 2020. Total Project cost is expected around Rs.78.40 Crores, of which bank funding is expected around Rs.52.50 Crores. 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 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 subsidiaries prepared in compliance with applicable Indian Accounting Standards (Ind-AS) and form the part of Annual Report. Pursuant to the provisions of section 136 of the Act, the financial statements of the Company including the consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, 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. At year end, the Board consists of 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 regulation 25(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Board Evaluation

The Nomination & Compensation Committee, as reported in earlier years, formulated the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation, and also specified that such evaluation will be done by the Board, pursuant to the Act and the Rules thereunder and the Listing Regulations 2015. In keeping with Company's belief that it is the collective effectiveness of the Board that impacts Company's performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed against the role and responsibilities of the Board as provided in the Act and the Listing Regulations 2015 read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as to fulfil expectations of other stakeholders through strategic supervision of the Company. Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by the respective Committee Chairman with the Board. Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realizing its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals. While the Board evaluated its performance against the parameters laid down by the Nomination & Compensation Committee, the evaluation of

individual Directors was carried out against the laid down parameters, anonymously in order to ensure objectivity. Reports on functioning of Committees were placed before the Board by the Committee Chairman. The Independent Directors Committee of the Board also reviewed the performance of the non-Independent Directors and the Board, pursuant to Schedule IV to the Act and Regulation 25 of the Listing Regulations 2015.

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:

Name of the committee	Composition of the committee	Highlights of duties, responsibilities and activities
Audit committee	Mr.H.P. Singhania- Chairman. Mr.Sanjay Jhunjunwala- Member. Mr.S.K Gupta - Member.	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	Mr.H.P. Singhania- Chairman. Mr.S.K. Gupta- Member.	The Committee oversees and administers executive compensation. All recommendations made by the committee during the year were accepted by the Board.
Stakeholders relationship committee	Mr.H.P. Singhania- Chairman. Mr.AdityaJhunjunwala - Member. Mr.S.K. Gupta- Member.	The Committee reviews and ensures redresses of investor grievances. The committee noted that the grievances of the investors reported during the year, if any.
Corporate social responsibility committee	Mr.L.K. Jhunjunwala- Chairman. Mr.SanjayJhunjunwala - Member. Mr.S.K Gupta - Member.	The Board as laid down the Company's policy on Corporate Social Responsibility (CSR). The CSR policy is uploaded on Company website, www.kmsugar.com

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 financial statements. The Company seeks to increase the investment limit of the company by exceeding the limit prescribed pursuant to section 186 of Companies Act, 2013 read with rule 11 of the Companies (Meeting of Board and its Powers) Rules, 2014 by passing special Resolution in the ensuing Annual General Meeting of the Company. Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in Notes 36.5 to the Financial Statements.

Particulars of contracts or arrangements with Related Party

All contracts or arrangements entered into by the Company with its related parties during the financial year were in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,



2015. The Company's policy which shall be reviewed by the Board of Directors on related party transactions including the threshold limit which is duly approved by the Board of Directors 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 in Note to Accounts no.36.18(c) and also in Form AOC-2 as Annexure-7.

Material Changes and Commitments Affecting Financial Ratios of the Company.

Disclosures of Material changes and Commitments Affecting Financial Ratios of the Company has been made in Annexure-5 to this report.

Acknowledgment

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.

Date : 29.05.2019
Place : Lucknow

Sd/-
L. K. Jhunjhunwala
(Chairman)

Annexure- 1
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 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) Modification in 100 tons boiler furnace by introducing new over fire air system to increase steam fuel ratio to save Bagasse to generate more electricity in same quantity of fuel. b) Modification to use waste steam going through NCG at Pan Station in Boiling House.
(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 2018-19.	Rs. 40.00 Lakhs approx. 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 & Development (R&D)

Technology absorption, adaptation and innovation :

(i) The company carried on following sugarcane

development activities during the financial year 2018-19:

- Distribution of new improved varieties of seed.
- Inter cropping of sugar cane for multi crops to growers.
- Distribution of fertilizers, pesticides 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
Foreign Exchange earnings & Outgo

		Year 2018-19	Year 2017-18
i)	Foreign exchange earned in terms of actual inflows	Rs.1552.66 Lakhs	NIL
ii)	Foreign Exchange outgo in terms of actual outflows	Rs.126.17 Lakhs	Rs.106.74 Lakhs

Annexure - 2

Information pursuant to section 197(12) of the Companies Act, 2013 read with Rule 5 Companies (Appointment and Qualification of Directors) Rules, 2014 and forming part of the Director's Report for the year ended March 31, 2019.

A. Employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 1,02,00,000/- per annum.

Sl	Name	Age Yrs.	Designation	Qualification	Experience In yrs.	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. 8,50,000/-.

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

Annexure- 3

Report on Corporate Governance

Pursuant to Regulation 34(3) read with schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company formulated the policies, procedures and processes on Corporate Governance for the best practices and institutionalizing the code of corporate governance.

This Report is furnished in terms of Regulation 34(3) read with schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Auditors' certificate on Corporate Governance as prescribed is also attached. Further, this Report also discloses relevant information in terms of Section 134(3) of the Companies Act, 2013 and



forms an integral part of the Board's Report to shareholders.

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 Listing Regulations of SEBI (LODR) Regulations, 2015 the Board has laid down a Code of Conduct for all Board members and Senior Management of the Company and the same uploaded 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 at year ended on 31st March, 2019, the board consists of ten directors; out of which four are executive directors and five are non-executive directors and one Nominee Director. Executive directors consist of Chairman, Managing Director, Joint Managing Director, and executive directors. The present mix of the Board of the Company is as under:

- Three Promoters, Executive Directors
- One Independent, Executive Director
- Five Independent, Non- Executive Directors

• One Nominee, Non-Executive Director

The composition of the Board of Directors, as on 31st March, 2019, 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 director ships (Public Limited Company)	Names of the listed entities where the person is a director and the category of directorship	No. of Board Meeting Attends	Attendance at last AGM
1- Sh. L.K. Jhunjhunwala	Promoter, Executive	-	-	4	No
2- Sh. Aditya Jhunjhunwala	Promoter, Executive	5	-	4	No
3- Sh. Sanjay Jhunjhunwala	Promoter, Executive	3	-	3	Yes
4- Sh. S. C. Agarwal	Independent, Executive	1	-	3	No
5- Sh. H. P. Singhania	Independent, Non-executive	2	1 Sir Shadi Lal Enterprises Ltd. (Non-Executive Independent Director)	3	No
6. Dr. S.B Singh	Independent, Non-executive	-	-	1	No
7. Sh. R. S. Shukla	Independent, Non-executive	-	-	4	No
8. Sh. S. K. Gupta	Independent, Non-executive	1	1 M/s. ATV Projects India Limited (Non-Executive Independent Director)	1	No
9. Shri A.K. Mishra	Nominee- Non-Executive	-	-	-	No
10. Mrs. Madhu Mathur	Independent -Non-Executive	-	-	3	No

Independent Directors

- The number of Independent Directors is more than half of the total strength. Any reduction in the strength of Independent Directors is filled within 3 months or the next Board meeting, whichever is later, for ensuring minimum stipulated strength of Independent Directors in the Board.
- Independent directors are appointed for a tenure of 5 years taking into account the transitory provisions u/s 149(11) of the Act. They would be eligible for one more term on passing of a special resolution by members. No independent director of the Company serves in more than 7 listed companies as Independent Director.
- Pursuant to Regulation 34(3) read with schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company formulated a familiarization programme available at the web link www.kmsugar.com for Independent Directors with the objective of making them familiar with their role, rights & responsibilities, nature of the industry, business model and compliance management.

Confirmation by the Board for the independent Directors:- All the Independent Directors furnished their declaration pursuant to Section 149(7) of the Companies Act, 2013 affirming that they met the criteria of independence as provided in sub- section (6). The independent directors