KESAR ENTERPRISES LTD.

69th

ANNUAL REPORT
2002-2003

KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

BOARD OF DIRECTORS	:	H. R. KILACHAND *(Chairman & Managing Director)* M. M. NANAVATI *(Expired on 9.3.2003)* A. S. RUIA A. A. KILACHAND *(Expired on 23.11.2002)* K. D. SHETH B. M. KINI *(Nominee of UTI)* VIJAY KHOSLA *(Nominee of GICI Upto 31.7.2002)* MRS. S.VENKATARAMAN *(Nominee of GICI w.e.f. 31.7.2002)*
SR.GENERAL MANAGER (LEGAL) & COMPANY SECRETARY	:	D. J. SHAH
BANKERS	:	Bank of Baroda Uttar Pradesh Co-operative Bank Limited
AUDITORS	:	M/s. Chandabhoy & Jassoobhoy Chartered Accountants
SUGAR FACTORY AND DISTILLERY	:	Baheri Dist. Bareilly, U.P.
STORAGE INSTALLATIONS	:	Kandla (Gujarat)
REGISTERED OFFICE	:	Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020
SUBSIDIARY	:	AMBER DISTILLERIES LIMITED
REGISTRAR & TRANSFER AGENTS	:	SHAREX (INDIA) PVT. LTD. 17/B, Dena Bank Building 2nd Floor, Horniman Circle, Fort Mumbai - 400 001
AUDIT COMMITTEE MEMBERS	:	K. D. SHETH *(Chairman of the Committee w.e.f. 28.4.2003)* M. M. NANAVATI *(Former Chairman of the Committee - Expired on 9.3.2003)* H. R. KILACHAND A. S. RUIA MRS. S. VENKATARAMAN *(w.e.f.31.7.2003)*

KESAR ENTERPRISES LTD.

NOTICE

NOTICE is hereby given that the **69th** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Friday,** the **26th December 2003** at **3:00 p.m.** at **M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2003 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.

2. To appoint a Director in place of Shri K. D. Sheth, who retires by rotation but being eligible offers himself for reappointment.

3. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as an **ORDINARY RESOLUTION:**

   "**RESOLVED THAT** pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Chandabhoy & Jassoobhoy, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration as may be decided by the Board of Directors plus reimbursement of traveling and other out-of-pocket expenses incurred by them in performance of their duties including auditing of the accounts at the factories of the Company."

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as an **ORDINARY RESOLUTION:**

   To appoint a Director in place of Shri K. Kannan who was appointed as an Additional Director of the Company pursuant to Article 161 of the Articles of Association of the Company and whose term of office expires under Section 260 of the Companies Act, 1956, at this General Meeting but who is eligible for appointment and in respect of whom the Company has received notices in writing from some members specifying their intention to move the following resolution as an Ordinary Resolution proposing the candidature of Shri K. Kannan for office of Director:-

   "**RESOLVED THAT** Shri K. Kannan be and is hereby appointed as Director of the Company."

5. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as a **SPECIAL RESOLUTION:**

   "**RESOLVED THAT** pursuant to Section 80, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and in terms of the Consent Terms dated 17th October 2003 filed with Debt Recovery Tribunal -II (DRT), Mumbai by the Company with Industrial Development Bank of India (IDBI) for a Negotiated Settlement of its dues, approval be and is hereby granted for issue of 1% - 20,00,000 Cumulative Redeemable Preference Shares of Rs.10- each fully paid-up aggregating to Rs.2,00,00,000/- to IDBI on the terms and conditions as mentioned in the Consent Terms."

   "**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do such acts, deeds, matters and things as may be necessary / required for implementing this resolution and to execute such documents, deeds, writings and papers which may be required in the matter."

By Order of the Board of Directors

D. J. SHAH
Sr. General Manager (Legal)
& Company Secretary

Registered Office:
Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

24th November 2003.

Notes:

a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

b) The Register of Members and Share Transfer Books of the Company will remain closed on **Wednesday, the 24th December 2003**. The shareholders are requested to inform of change in address, if any, at the earliest.

c) The Unclaimed Dividends upto the financial year ended **31st March 1995** of the Company, have been transferred to the General Revenue Account of the Central Government pursuant to sub-section (5) of Section 205A of the Companies Act, 1956. The concerned members may therefore submit their claims in the prescribed manner / form to the Registrar of Companies, Hakoba Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400033.

d) The Members may lodge their shares for transfer / transmission with the office of M/s. Sharex (India) Pvt. Ltd., the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.

e) All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, between 11:00 a.m. and 1:00 p.m. upto the date of the Annual General Meeting.

f) *Reappointment of Director retiring by rotation:*

Shri K. D. Sheth is on the Board as an Independent Director since 29th November 1996. Shri K. D. Sheth is B.Com & Company Secretary by qualification. He had joined the Company in September 1943. He worked for 52 years continuously and gave dedicated service to the Company as the Chief Accountant and the Secretary of the Company. He is also on the Board of the Subsidiary Company viz. Amber Distilleries Ltd.

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

Item No. 4:

Shri K. Kannan was appointed as an Additional Director on 8.7.2003 by the Board of Directors of the Company under Article 161 of the Company's Articles of Association. Under Section 260 of the Companies Act, 1956, Shri K. Kannan holds office only upto this Annual General Meeting.

Shri K. Kannan is the former Chairman & Managing Director of Bank of Baroda. He is a fellow member of the Institute of Chartered Accountants and also a Member of the Institute of Cost & Works Accountants. He has 35 years of vast experience in the field of banking & finance and would be useful to the Company.

As required by Section 257 of the said Act, notices have been received from some members signifying their intention to propose Shri K. Kannan as a Director.

None of the Directors of the Company, except Shri K. Kannan, is in any way concerned or interested in the aforesaid resolution.

Item No. 5:

The Company has signed Consent Terms with Industrial Development Bank of India (IDBI) and filed the same on 17th October 2003 with Debt Recovery Tribunal –II (DRT), Mumbai for a Negotiated Settlement of Rs.1,536 lacs (since paid Rs. 510 lacs) payable in18 months time and that the Company will issue by 31st January 2004, 1% - Cumulative Redeemable Preference Shares of Rs.10/- each fully paid-up aggregating to Rs.2,00,00,000 to Industrial Development Bank of India (IDBI) to be redeemed in three annual installments of Rs.67,00,000/-, Rs.67,00,000/- and Rs.66,00,000/- on 10th August 2011, 10th August 2012 and 10th August 2013 respectively as against the total amount payable of Rs.2,498 lacs.

The approval of Members is required pursuant to Section 80, 81 (1A) and any other provisions, if applicable, of the Companies Act 1956, for the above purpose. The Members are requested to approve the Special Resolution as mentioned in item No. 5 of the Notice.

None of the Directors of the Company is in any way concerned or interested in the aforesaid resolution.

Registered Office:
Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

24th November 2003

By Order of the Board of Directors

D J SHAH
Sr. General Manager (Legal)
& Company Secretary

Directors' Report

To
The Members
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 69th Annual Report and Audited Statement of Accounts for year ended 30th June 2003.

FINANCIAL RESULTS:

	2002-2003	(Rs. in Lacs) 2001-2002
The working of the year shows a Profit before interest, depreciation, taxation & extraordinary item	1,179.02	1,401.76
Less: Interest	685.50	902.56
Depreciation	444.53	478.61
Operational Net Profit before tax & extraordinary item	**48.99**	**20.59**
Less: Extraordinary item -		
Write off of loss on sale of investments in Subsidiary Company viz. Kesar Marble & Granite Ltd. (KMGL)	(1,536.61)	—
Profit / (Loss) before Tax	(1,487.62)	20.59
Add /(Less): Current Tax Expense (Wealth Tax)	(0.61)	(0.45)
Deferred Tax	120.43	80.83
Profit / (Loss) after tax	(1,367.80)	100.97
Add /(Less):		
Balance brought forward from the previous year	164.03	77.26
Net effect of adjustment for short / excess provisions and expenses and income relating to earlier years	24.04	(14.20)
Transfer from General Reserve	1,179.73	—
Balance carried forward to Balance Sheet	—	164.03

From the above it will be observed that the Profit before interest, depreciation and tax and extraordinary item for the year ended 30th June 2003, has been Rs.1,179.02 Lacs as against Rs.1,401.76 Lacs in the previous year. The Operational Net Profit has been Rs.48.99 Lacs during the year as against Rs.20.59 Lacs in the previous year. However, there is a net loss of Rs.1,487.62 lacs after adjusting for the extraordinary item by writing off the losses of KMGL.

DIVIDEND

In view of inadequate profit during the year and that the Company had to write off the huge liabilities of KMGL, your Directors have not recommended any Dividend for the year 2002-2003.

WORKING OF THE DIVISIONS

Sugar Division

The Crushing Season 2002-2003 started on 27.11.2002, 15 days later than the last season. All the Private Sector Factories in U. P. had decided to pay only the Statutory Minimum Price (SMP) for sugar cane. The decision to start the crushing late was taken by the Company to support the decision of ISMA as the Private Sectors Factories were not in favour to start operations before the cane price issue was settled satisfactorily. The crushing for the season ended on 4.6.2003 as against 14.5.2002, 21 days later than the last season. During the season, the plant crushed a quantity of 93.80 lac quintals of sugar cane, the highest in the history of the Company, in 190 days as against 83.44 lac quintals crushed in 184 days in the previous season. The sugar recovery was higher at 10% as against 9.82% in the previous season. The production of sugar was higher at 9.39 lac quintals as against 8.20 lac quintals in the previous season. Molasses produced during the season 2002-2003 was 4.35 lac quintals as against 4.05 lac quintals in the previous season.

Annual Report 2002-2003

In October 2002, the U. P. Sugar Mills Association (UPSMA) had brought to the notice of the U.P. Government about the excessively high prices of sugar cane fixed by the U.P. Government and the fall in the prices of sugar by over Rs.300/- per quintal, which had precipitated into a severe crisis for the sugar industry in U. P. A further representation was made to the U. P. Government, that the Industry would pay only the SMP of sugar cane to the farmers as announced by the Central Government. UPSMA had then filed a Writ Petition in Allahabad High Court for restraining the U. P. Government to declare State Advised Price (SAP). The Hon'ble Court vide its order dated 13th November 2002 had granted stay on the order of the U. P. Government and directed the U. P. Government to desist from fixing the SAP. A Special Leave Petition (SLP) was filed by the U. P. Government against the Allahabad High Court judgement which is still pending before the Supreme Court.

Another Writ Petition was filed in the Allahabad High Court, challenging the transport rebate on outcentre cane in which an Interim Order was given allowing the factories a deduction of Rs.5.75 per quintal on outcentre cane from the SMP.

On 19th December 2002, the Hon'ble Prime Minister announced an ad-hoc increase of Rs.5/- per quintal as a one time payment over and above the SMP declared earlier at the base rate of Rs.64.50 linked to a recovery of 8.5%. The new revised rate was therefore Rs.69.50 per quintal for the season 2002-2003. The said increase in SMP by Rs.5/- per quintal was challenged in the Delhi High Court by the Sugar Mills Association. Similar Writ Petitions were also filed in the High Courts by the factories in other states. The Central Government has therefore moved an application in the Supreme Court for transferring of these cases to the Supreme Court as the matter is similar in nature. The decision for the same is pending with the Supreme Court.

Accordingly, the SMP paid by the Company for normal and early maturing varieties were Rs. 81.80 per quintal and Rs. 86.80 per quintal respectively at the gate during the season 2002-2003 as against Rs.95/- and Rs.100/- per quintal respectively for the previous season. The U. P. Government, however, gave relief to the farmers, through various notifications, amounting to Rs.4/- per quintal by way of remission of Rs.1.75 per quintal in Purchase Tax, Rs.0.75 per quintal in Society Commission and Rs.1.50 per quintal in Entry Tax.

The Levy sugar price for the season 2002-2003 was announced by the Central Government at Rs.1,293.04 per quintal as against Rs.1,224.87 per quintal for the previous season.

Distillery Division

During the year under review, the overall working of the Distillery Division was satisfactory as compared to the previous year. The production of Rectified Spirit (RS) was the highest ever in the history of the Company at 129.48 lac litres as against 122.85 lac litres in the previous year. The production of Extra Neutral Alcohol (ENA) was higher at 41.44 lac litres as against 39.23 lac litres in the previous year.

Liquor Division:

The quantity of Country Liquor supplied was lower at 140 lac litres as compared to 182 lac litres in the previous year. This was due to the change in the State excise policy, imposition of Tax collected at source, overall low demand, marginal price difference between IMFL and Country Liquor brands resulting into the consumer switching over to the cheaper IMFL brands. The production and sales of IMFL were higher at 5.07 lac cases as against 2.57 lac cases in the previous year. The Company also has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduces the operating overheads.

Storage Division

The Storage Division at Kandla has done reasonably well during the year. During the year, the revenue generated was marginally higher whereas the operating profit was marginally lower as against that of the previous year.

SUBSEQUENT FINANCIAL YEAR 2003-2004

Sugar Division

The crushing for the season 2003-2004 has started on 12th November 2003. The Company has installed various capital items like boiler, turbine etc. due to which the crushing capacity is expected to increase to 6,200 TCD in this season. For this season also, the sugar mills in U. P. have decided to pay only the SMP to the cane growers. The SMP & the Levy Sugar price for the season 2003-2004 are yet to be announced by the Central Government.

Distillery Division

The Company has taken necessary steps to upgrade its Distillery to improve the quality and productivity of Alcohol. The licence capacity of the Distillery has been increased from 13,092 KL/year to 16,365 KL/year and accordingly the total production of Rectified Spirit will increase in the year 2003-2004. The productivity also has increased from 42,000 litres per day to 50,000 litres per day.

Liquor Division

The sales of IMFL are expected to further increase as new markets are being opened up. Arrangement for more contract bottling of IMFL has also been made. Thus, the overall performance of the Distillery & Liquor Divisions for the year 2003-2004 is likely to be improved.

Storage Division

The Storage Division at Kandla continues to do well during the current financial year and with the revival of the industrial climate, the tankage occupancy will improve.

SALE OF SHARES OF KESAR MARBLE & GRANITE LIMITED

As informed in the last Directors' report, the Company has adjusted the resulting loss of Rs.1536.61 lacs on sale of the entire shareholding in Kesar Marble & Granite Limited during the current Financial Year 2002-2003 as mentioned in the Note No. 6(ii) to the Accounts by writing off the amount. Thus, KMGL has ceased to be a Subsidiary of the Company w.e.f. 11th July 2002.

FINANCIAL INSTITUTIONS

As informed earlier, Industrial Development Bank of India (IDBI) & Unit Trust of India (UTI) had filed two cases in the Debt Recovery Tribunal, Mumbai (DRT) against the Company in the matter of outstanding amount of the term loan of Rs.450 lacs under the Equipment Finance Scheme of IDBI and against the Non-Convertible Debentures of Rs.800 Lacs (IDBI) and Rs.200 Lacs (UTI). The Company has since settled, signed and filed with the DRT, Consent Terms with IDBI for a Negotiated Settlement of Rs.1,536 lacs (since paid Rs. 510 lacs) and to give 1% - Cumulative Redeemable Preference Shares of Rs.200 lacs as against the total amount payable of Rs.2,498 lacs as mentioned in the Note No. 20 to the Accounts. Accordingly, DRT has passed an order recording the above settlement. The Company has requested UTI for a similar settlement, which is under consideration.

DEVELOPMENT OF LAND

A. At Goregaon, Mumbai:

As informed in the last Directors' report, the Company had entered into a Project Services Agreement with Mahindra Realty Infrastructure Developers Limited (MRIDL), a wholly owned subsidiary of Mahindra & Mahindra Ltd. for developing its land at Goregaon, Mumbai and constructing for sale, residential tenements. The Company had obtained necessary approvals from the concerned authorities to start construction activities. Further necessary approvals from the concerned authorities are still awaited. The Company is discussing with MRIDL to resolve certain issues due to which the project is delayed.

B. At Bareilly, U.P.

The Company has entered into an Agreement on 14.8.2003 with M/s. Balaji Construction, Bareilly, for development & sale of land at Bareilly known as "Kesar Bhavan", which was used only as Liaison Office. Purchased in the year 1955-56, the said property is located near the Bareilly railway station and opposite the Court and therefore, the surrounding area has become highly congested.

DIRECTORS

Shri M. M. Nanavati, ceased to be Director of the Company due to his sad demise on 9th March 2003 after a short illness. Your Directors have recorded with profound grief, the sad demise of Shri M. M. Nanavati, Director of the Company and acknowledged its deep appreciation of his services and able guidance given to the Board in their deliberations and taking important decisions during the tenure of his office. Shri Nanavati was on the Board of Directors of the Company as a Nominee of General Insurance Corporation of India during the period 21.4.1983 to 8.7.1987. Thereafter, he was appointed as an Independent Director of the Company w.e.f. 16.7.1987. Thus, he had a 20 years association with the Company and during this tenure, his guidance and advice were extremely helpful to the Company. His contribution for the upliftment of the Company is to be long remembered. His untimely death is a great loss for the Company and it will be difficult to fill the void.

Shri K. Kannan, the former Chairman & Managing Director of Bank of Baroda, has joined the Board of the Company as an Additional Director w.e.f. 8.7.2003. Shri K. Kannan had relinquished office as Chairman of Bank of Baroda in December 1999. He is a fellow member of the Institute of Chartered Accountants and also a Member of the Institute of Cost & Works Accountants. He has 35 years of vast experience in the field of banking & finance and would be useful to the Company.

At the last Annual General Meeting, Shri H. R. Kilachand was reappointed as Chairman & Managing Director of the Company w.e.f. 14th August 2002 for a further period of 5 years subject to necessary approval of the Central Government, which has now been received from the Central Government. The Company has made representation to the Central Government to reconsider the remuneration payable to Shri H. R. Kilachand as approved by the members. The Company is awaiting sanction from the Central Government.

Shri K. D. Sheth retires by rotation and being eligible, offers himself for reappointment.

Annual Report 2002-2003

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

i) that in preparation of the annual accounts for the financial year ended on 30th June 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) that the Directors had selected such accounting policies and applied them consistently and 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 30th June 2003 and of the profit for that period;

iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the Annual Accounts for the financial year ended on 30th June 2003 on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars with respect to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in the Appendix 'A' forming part of this Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

As per Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and the Corporate Governance Report are enclosed herewith.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 relating to Consolidated Financial Statements, your Directors have pleasure in attaching the said Consolidated Financial Statements, which form part of this Report and Accounts. These Statements have been prepared on the basis of audited financial statements received from the subsidiary company M/s. Amber Distilleries Ltd., as approved by its Board.

INSURANCE

The Company has taken adequate insurance for all its properties.

FIXED DEPOSITS

Fixed Deposits of Rs.80,000/- due for repayment on or before 30th June 2003, were not claimed by 11 depositors as on that date.

SUBSIDIARY COMPANY

The information including Annual Accounts, Directors' Report and Auditor's Report in respect of the subsidiary viz. Amber Distilleries Ltd. as on 31st March 2003 is annexed as required under Section 212 of the Companies Act, 1956.

AUDITORS REPORT

Referring to the remarks in the Auditors Report, the Directors would like to refer to the Notes on Accounts Nos. 2(b), 6(i), 11, 17, 18, 20 and 21, which clarifies the Company's position, and are self-explanatory.

AUDITORS

You are requested to appoint M/s. Chandabhoy & Jassoobhoy, Chartered Accountants, Mumbai as Auditors of the Company from the conclusion of the 69th Annual General Meeting until the conclusion of the next Annual General Meeting.

EMPLOYEES

Relation with the employees remained cordial throughout the year. The Company has no employees who are covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Banks, Financial Institutions and the U. P. Government, during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

By Order of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

24th November 2003

Appendix 'A' pursuant to Section 217(1)(e) of the Companies Act, 1956
Forming part of the Directors' Report

FORM A
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

CONSERVATION OF ENERGY

1. We have installed Falling Film Evaporator of 3000 sq. ft. heating sulface to use as IInd effect Vapour cell resulting in saving of Bagasse due to low consumption of process steam.
2. We have installed 3 Nos. S.S. Multijet Condensers in place of Conventional Condensers at Pan No. 1,2 & 3 to minimise Power Consumption.
3. We have installed one 1750 Kg. high efficiency Centrifugal Machine in place of 5 Nos. old design Machines to save Power.

		2002-2003	2001-2002
A. Power and Fuel Consumption			
1. Electricity			
a Purchased			
Unit	Kwh	475378	566795
Total Amount	Rs.	3047139	3667806
Rate/Unit	Rs.	6.41	6.47
b. Own Generation			
i) Through Diesel Generator			
Unit	Kwh	1996938	1210030
Units Per Ltr. Of Diesel Oil	Kwh	3.31	3.17
Rate / Unit	Rs.	5.94	5.81
ii) Through Steam Turbine			
Unit	Kwh	23519751	23179438
Units Per M. T. of Steam	Kwh	51.02	52.04
Rate / Unit	Rs.	3.07	4.64
2. Coal			
Quantity	M.T.	247	104
Cost	Rs.	1185837	570670
Average Rate	Rs.	4795.14	5487.21
3. Other Fuel Bagasse (Own)			
Quantity	M.T.	287301	256116
Cost	Rs.	**	**
Average Rate	Rs.	**	**
** Not applicable as this is a By-product			
4. Rice Husk			
Quantity	M.T.	12855	7384
Cost	Rs.	13154522	6922500
Average Rate	Rs.	1023.30	937.50
5. Bagasse PITH (Purchased)			
Quantity	M.T.	18144	12433
Cost	Rs.	5466479	3278480
Average Rate	Rs.	301.28	263.69
6. H. S. Diesel			
Quantity	Ltr.	602023	382105
Cost	Rs.	11870983	7028495
Average Rate	Rs.	19.72	18.39
B. Consumption per unit of production			
Product (Sugar) per MT			
Electricity	Kwh	209.45	208.22
Bagasse	M.T.	3.06	3.13
Diesel Oil	Ltr.	3.10	1.98
Product (Industrial Alcohol) (In 000' Ltrs)			
Electricity	Kwh	271.99	226.38
Coal	Qtls.	0.19	0.08
Bagasse (PITH)	M.T.	1.40	1.01
Rice Husk	M.T.	0.99	0.60
Diesel Oil	Ltr.	24.02	17.88

FORM B
FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

A. RESEARCH AND DEVELOPMENT

1. Tissue culture Techniques for the multiplication of high yielding cane varieties and to reduce the cost of production of plantlets.
2. Activities of Bio control of Sugar Cane insects in Biological Laboratory.
3. Development of continuous fermentation process to have effluent discharge and maximum recovery per ton of molasses with the suitable yeast strain.
4. Use of Biocompost in the production of agriculture crops namely Sugar Cane, Wheat and Paddy in the Tarai region of U.P.
5. Total Water Management in Sugar and Distillery units.
6. Colour removal of aerobically treated Distillery spent wash by selective microflora and chemicals.

B. BENEFITS DERIVED

1. Energy consumption has reduced by implementing certain modification in sugar and Distillery manufacturing process.
2. Bagasse saving has increased due to improvement in steam and power Management.
3. Results of other R&D activities are awaited

Expenditure of R & D

	2002-2003	(Rs. in Lacs) 2001-2002
(a) Capital	2.94	29.38
(b) Recurring	17.93	10.11
(c) Total	20.87	39.49
(d) Total R&D expenditure as a percentage of turnover	0.07%	0.13%

Technology absorption, adaption & innovation :The Company has not purchased /imported any technology hence not applicable.

Foreign Exchange Earnings and Outgo:

The information on foreign Exchange earnings and outgo is furnished in the Notes to the Accounts (Please refer to Note No. 30 Annexure1 item D,E and F).

Annual Report 2002-2003

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overall Review

The Company has 4 Divisions viz. Sugar, Distillery, Liquor & Storage Division. Each of the Divisions is independently managed and within each Division, the units are treated as separate profit centers. The Company is also developing its land at Goregaon, Mumbai and at Bareilly, U.P.

The Financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and accepted accounting standards. There are no material deviations from the accounting standards except those mentioned in the Auditors Report. The segment performance has been explained in detail in the Directors' Report.

Sugar Division:

In India, there are over 450 sugar factories in the Public, Co-operative and Private sectors and most of them operate for 4 to 6 months in a year.

The Industry, in general, is facing a situation of over-production and huge carry forward stocks of sugar. As against the domestic demand of about 16 million tonnes per annum, the current production is slated to touch 20 million tonnes. In addition, the Factories had carry forward stocks of about 11 million tonnes at the commencement of the season. The cost of production of sugar in India is higher due to the high cost of sugarcane as compared to sugar manufactured by other sugar producing countries. Hence, the sugar factories in India are not in a position to compete in the International markets. As a process of decontrol of the Sugar Industry, the Government of India has reduced the sugar levy quota to 10%, which may be brought to nil in the near future. The release mechanism for the sale of free sale sugar is likely to be dismantled once the forward markets are in place and a mechanism for fixing the sugarcane price is formalised. All these measures may affect the price realisation for free sugar sale in the domestic market for the present. However, in the long run, these measures will help the sugar industry to stabilise. In the meantime, a consolidation is expected to take place within the sugar industry.

In order to improve the performance of the sugar industry, the Government has also announced proposals for blending 5% Ethanol in motor spirit. The proposals are being studied and necessary measures are being taken for Investment in additional facilities for production of Ethanol.

Amongst other developments, the Electricity Act 2003 has been cleared by the Parliament. The Act has freed power generation from licensing, while allowing captive power plants to sell their surplus power directly to bulk consumers or to state electricity boards. It encourages cogeneration and widespread use of renewables such as Bagasse. Therefore, Bagasse based Co-generation is an attractive business opportunity for the Company. Preliminary studies indicate the possibility of exporting 17 Mwh of power to the grid by installing a high-pressure boiler and an equivalent turbine. The Company hopes to take up these projects soon, after the debts to the Institutions are settled.

Distillery Division:

Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) are being manufactured by many distilleries in U.P. and therefore the demand for these products is less within U.P. Most of the quantities of RS and ENA manufactured by the Distillery are being sold out of the state. Due to high Export Duty and transportation cost, U.P. based distilleries are unable to compete for RS and ENA in other states.

Liquor Division:

In India, the liquor business is controlled by the State Governments and the Excise Policy of each State is being declared by the State Excise Department annually. Due to various kinds of duties and levies imposed by the State Governments, it is economical and more viable to have bottling arrangements in respective States as far as possible. The Company has tie-up arrangements for manufacturing its own brands in many States. The Company also has tie-up arrangements to manufacture IMFL products of few reputed parties and this business can be further expanded.

The manufacturing licence for Country Liquor (CL) is generally granted to the distilleries only. In U.P. there are 20 manufacturers of CL. The Company controls around 6% share of the total market. CL business is purely based on the Excise Policy, which is being announced by U.P. Excise every year. Indian Made Foreign Liquor (IMFL) is a huge market in India and in order to create the Company's good image, it is necessary to concentrate and create brand image. The Company is already having a number of brands, out of which, few of them are premium products. The Company has made its presence in many States in India and has already crossed half-a-million cases sales during last year.

Storage Division:

The Company has 29 storage tanks at Terminal No.1 and 15 storage tanks at Terminal No.2, both totalling an aggregate storage capacity of 90,000 KL. in Kandla. These tanks are given on hire for bulk liquid cargoes like, Naphtha, Kerosene, Crude Edible oil, Castor oil etc. on the basis of actual quantity stored. There is a pressure on the rate of service charges due to over capacity, resulting into competition at Kandla.