



KESAR ENTERPRISES LTD.

74th Annual Report 2007-08



KE KESAR ENTERPRISES LTD.

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KE KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

COMPANY INFORMATION

BOARD OF DIRECTORS	:	H. R. KILACHAND (Chairman & Managing Director) A. S. RUIA K. KANNAN K. D. SHETH SMT. M. H. KILACHAND N. J. VAKIL I. S. PHUKELA (Nominee of GIC)
VICE PRESIDENT (LEGAL) & COMPANY SECRETARY	:	D. J. SHAH
BANKERS	:	Allahabad Bank Uttar Pradesh Co-operative Bank Limited
AUDITORS	:	M/s. N. N. Jambusaria & Co. Chartered Accountants
SUGAR FACTORY AND SPIRITS	:	Baheri Dist. Bareilly, U.P.
STORAGE INSTALLATIONS	:	Kandla (Gujarat)
REGISTERED OFFICE	:	Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020
REGISTRAR & TRANSFER AGENTS	:	SHAREX (INDIA) PVT. LTD 17/B, Dena Bank Building 2 nd Floor, Horniman Circle, Fort Mumbai - 400 001
AUDIT COMMITTEE MEMBERS	:	K. D. SHETH (Chairman of the Committee) A. S. RUIA K. KANNAN

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NOTICE

NOTICE is hereby given that the 74th Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on Friday, 31st October 2008 at 3:30 p. m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building, 4th Floor, IMC Marg, Churchgate, Mumbai 400 020 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on Cumulative Redeemable Preference Shares and Equity Shares.
3.
 - a. To appoint a Director in place of Smt. M. H. Kilachand, who retires by rotation but being eligible offers herself for reappointment.
 - b. To appoint a Director in place of Shri K. D. Sheth, who retires by rotation but being eligible offers himself for reappointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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 the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the provisions of the Foreign Exchange Management Act (FEMA), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended, the Securities and Exchange Board of India (SEBI) Regulations and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by the Government of India (GOI), the Reserve Bank of India (RBI) and any other competent or concerned authority and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges on which the Company's shares are listed and subject to necessary approvals, permissions, consent and sanctions of the concerned statutory and other authority(ies) and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consent and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the Company with powers to delegate such authority to such person or persons as the Board may deem fit, to offer, issue and allot either in India or in the course of international offering(s), in one or more foreign markets, such number of Equity Shares, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), Qualified Institutional Placements (QIPs), Equity Shares (through Depository Receipt Mechanism), any other Financial Instruments convertible into Equity Shares or otherwise, in the registered or bearer form, any security convertible in or linked to Equity Shares and / or securities with or without detachable warrants with right exercisable by the warrant holders to convert or subscribe to Equity Shares (hereinafter collectively referred to as "Securities") or any one or combination of such Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to foreign / resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Foreign Institutional Investors, Indian / Multilateral Financial Institutions, Mutual Funds, Banks, Insurance Companies, Pension Funds, Qualified Institutional Buyers (QIB's) Non-Resident Indians and / or any other eligible investors, whether they be holders of shares of the Company or not (collectively called the "Investors") through public issue(s), preferential issue, private placement(s) or a combination thereof through prospectus, offer document, offer letter, offer circular or otherwise, at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of all other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with Lead Managers, upto an amount not exceeding Indian Rupees 125 crore (approximately) or equivalent foreign currency inclusive of such premium as the Board at its absolute discretion may deem fit and appropriate."

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“RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practice and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever including terms for issue of additional Equity Shares or variation of the conversion price of the GDRs during the duration of the Depository Receipts and the Board be and is hereby authorised at its absolute discretion, in such manner as it may deem fit, to dispose off such of the Securities as are not subscribed.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any Securities or as may be necessary in accordance with the terms of the offering(s), all such shares ranking *pari passu* with the existing Equity Shares of the Company in all respects.”

“RESOLVED FURTHER THAT the pricing of the Securities shall be made subject to compliance with applicable laws and regulations and, further that the pricing of any GDRs/ FCCBs / ADRs that may be issued, shall be made at a price not less than the higher of the following two averages:

- i. The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date;
- ii. The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date;

The “relevant date” means the date thirty days prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue.:

“RESOLVED FURTHER THAT the issue to the holders of the Securities of the Equity Shares underlying the Securities shall be, *inter alia*, subject to the following terms and conditions:

- (a) in the event of the Company making a bonus issue by way of capitalisation of its profits or reserves prior to the allotment of the Equity Shares, the number of Equity Shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced *pro tanto*;
- (b) in the event of the Company making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares will stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders and
- (c) in the event of merger, amalgamation, takeover or any other re-organisation or restructuring, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees, Bankers, Advisors and all such Agencies as may be involved or concerned in such offering(s) of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of such Securities on one or more National and / or International Stock Exchange(s).”

“RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue and allotment of Securities or Equity Shares, as aforesaid, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, desirable or expedient including the obtaining of permissions / approvals from various authorities as may be required and to settle any questions, difficulties or doubts that may arise in regard to any such offer, issue and allotment.”

“RESOLVED FURTHER THAT the acts, deeds, and things already done by the Board, or any persons designated by the Board, in this regard be and are hereby confirmed, approved and ratified.”

Registered Office:

Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai – 400 020
19th September 2008

By Order of the Board of Directors

D. J. SHAH
Vice President (Legal)
& Company Secretary

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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. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 27.10.2008 to Friday 31.10.2008, both days inclusive. The shareholders are requested to inform of change in address, if any, at the earliest.
- c) The Unclaimed Dividends upto the financial year ended 30th June 1998 of the Company, have been transferred to the Investor Education and Protection Fund set up by the Central Government pursuant to Section 205C of the Companies Act, 1956.
- 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) The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- f) All documents referred to in the accompanying Notice and the Explanatory Statement is open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Sundays between 11:00 a.m. and 1:00 p.m. up to the date of the ensuing Meeting.
- g) Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
- h) Members / Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the Meeting.
- i) Reappointment / Appointment of Directors: As per Clause 49(IV)(G) of the Listing Agreement, the information in detail about Smt. M. H. Kilachand and Shri K. D. Sheth, the retiring Directors at the ensuing Annual General Meeting is given in para 2 of the Corporate Governance Report.

ANNEXURE TO THE NOTICE

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

Item No. 5:

The proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the last Annual General Meeting held on 20.12.2007 but could not be implemented due to changed projections of the Modernisation / Expansion plans. As the said resolution was valid for one year the same is proposed once again for your approval.

This resolution relates to the proposal of the Company to offer, issue and allot either in India or in the course of an international offering in one or more foreign markets, by way of equity shares / depository receipts / foreign currency convertible bonds (FCCB) / fully convertible debentures / partly convertible debentures / qualified institutional placements (QIP's) or any other financial instruments convertible into or linked to equity shares or otherwise, or any one or combination of such securities, in one or more tranches and on the terms and conditions as may be decided by the Board of Directors or any Committee thereof, at its absolute discretion, for an amount not exceeding Indian Rupees 125 crore (approximately) or equivalent foreign currency inclusive of premium payable on conversion, if any.

The objects of this issue is to enhance financial flexibility of the Company to fund the capital expenditure plans of the Company and/or to part finance expansion/ modernisation of the Sugar Factory / cogeneration projects at Baheri and/ or acquisition / investments in similar facilities and also expansion of the Storage Terminals at Kandla. The Company is exploring alternatives to mobilise resources from various available sources. Presently, it is proposed to raise a sum upto Indian Rupees 125 crore (approximately) or equivalent foreign currency.

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The detailed terms and conditions for the offer will be determined in consultation with Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. The pricing of the international offering(s), if any, will be free market pricing and may be at a premium or discount to the market price in accordance with international practice, subject to applicable rules, regulations etc. As the pricing of the offering(s) will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. However, it may be noted that according to the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, (the FCCB Scheme) the pricing of GDR /FCCB issues should be made at a price not less than the higher of the following two averages:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during two weeks preceding the relevant date.

The relevant date means the date thirty days prior to the date of this Annual General Meeting.

Securities issued pursuant to the international offering(s), if any, will be listed on the Luxembourg Stock Exchange and / or London Stock Exchange and / or Singapore Stock Exchange and / or other Exchange(s) outside India and may be represented by Securities outside India.

The Special Resolution seeks to give the Board powers to issue Securities in one or more tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit. Section 81(1A) of the Companies Act, 1956 provides, *inter alia*, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81(1A) unless the shareholders in a general meeting decide otherwise.

The Listing Agreement entered into by the Company with the Bombay Stock Exchange and National Stock Exchange on which the Company's shares are listed provides, *inter alia*, that the Company in the first instance should offer all the shares to be issued by the Company for subscription on a pro rata basis to the equity shareholders unless the shareholders in a general meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities otherwise than on pro rata basis to the existing shareholders.

The Board of Directors believes that such issue is in the interest of the Company and therefore recommends the resolution for your approval. No Director of the Company is interested or concerned in the said resolution.

Registered Office:

Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai – 400 020

19th September 2008

By Order of the Board of Directors

D. J. SHAH

Vice President (Legal)
& Company Secretary

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Directors' Report

To
The Shareholders,
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 74th Annual Report and audited Statement of Accounts for the year ended 30th June 2008.

FINANCIAL RESULTS:

	(Rs. in Lac)	
	2007-08	2006-07
Profit / (Loss) before interest, depreciation & taxation	2084.86	(95.85)
Less: Interest and Finance Charges	1267.14	952.45
Profit / (Loss) before Depreciation & Taxation (Cash Profit)	817.72	(1,048.30)
Less: Depreciation	661.19	607.76
Profit / (Loss) before tax	156.53	(1,656.06)
Add / (Less): Provision for Taxation		
(i) Income Tax - Current	(36.08)	45.33
(ii) Income Tax - Deferred	262.31	144.99
(iii) Wealth Tax	(1.40)	1.33
Profit / (Loss) after tax	381.36	(1,847.71)
Prior period adjustments	(1.85)	35.86
Profit available for appropriation	379.51	(1,811.85)
Appropriations:		
Add: Transferred from General Reserve	300.00	-
Less:		
(i) Proposed Preference Shares Dividend	4.00	-
(ii) Proposed Final Dividend on Equity Shares	33.95	-
(iii) Corporate Tax on Dividend	6.45	-
Profit after appropriation	635.11	(1,811.85)
Balance brought forward from previous year	(754.10)	1,057.75
Balance Carried Forward to Balance Sheet	(118.99)	(754.10)

There is profit after tax of Rs.381.36 lac as against a loss of Rs.1,847.71 lac in the previous year. This year the basic cost of sugarcane was reduced, sugar recovery was higher and sugar prices also went up towards the latter part of the financial year as compared to the previous year.

DIVIDEND

The Directors recommend dividend for the years 2006-07 and 2007-08 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each issued to IDBI Ltd. under the One Time Settlement Scheme, in aggregate for two years amounting to Rs.4.00 lac plus dividend tax as applicable.

The Directors also recommend dividend @ 5% i.e. Re.0.50 per equity share on 67,90,915 equity shares of Rs.10/- each amounting to Rs.33.95 lac plus dividend tax as applicable for the year 2007-08 (Previous year Nil).

WORKING OF THE DIVISIONS

Sugar Division

The crushing for the season 2007-08 started on 26.11.2007 as against 14.11.2006 in the previous season. The late start was due to all Uttar Pradesh and Uttarakhand factories including the factory of the Company disagreeing to start operations for the reason until the State Government or Court intervened and reduced the price of sugarcane payable to the farmers as they were unable to pay the high State Advised Price (SAP) of Rs.125/- per quintal as fixed by the U. P. Government for cane and survive. On 15.11.2007, the Allahabad High Court (Lucknow Bench) passed an interim Order to pay sugarcane price @ Rs.110/- per quintal as against the SAP. Accordingly, the Company paid the cane price at Rs.110/- per quintal to the cane growers. The season ended on 6.5.2008 as against 27.5.2007, 21 days earlier than the previous season due to non-availability of sugarcane. During the season, the plant crushed 97.80 lac quintals of sugarcane, in 163 days as against 114.88 lac quintals crushed in 194 days in the previous year. The sugar recovery was the highest ever in the history of the Company at 10.67% as against

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10.00% in the previous season. It was also the highest amongst all the sugar factories in Uttar Pradesh. The recovery was much higher mainly due to early maturing varieties of cane developed by the Company spread all over the cane area, besides certain modifications in the plant at Baheri and with the help of good weather and rainfall. The production of sugar was 10.43 lac quintals as against 11.48 lac quintals in the previous season. The overall crushing and production of sugar were lower due to the late starting of the season and less cane availability. During the season 2007-08, Molasses produced was 4.28 lac quintals as against 5.89 lac quintals. Baggasse produced was 32.94 lac quintals as against 38.71 lac quintals in the previous season. Surplus baggasse sold was 6.59 lac quintals as against 7.39 lac quintals in the previous season. The Levy sugar price for the season 2007-08 is Rs.1,330.77 per quintal, which was the same in the previous season.

The Central Government hiked the Statutory Minimum Price (SMP) of sugar cane from Rs.80.25 per quintal at a base recovery of 9.00% with Re.0.90 increase in price for every 0.10% increase in recovery to Rs.81.18 per quintal for the season 2007-08. The Central Government announced a scheme for extending an interest-free financial assistance to sugar undertakings to enable them to clear their arrears on cane price to farmers for the season 2006-07 & 2007-08, to be repaid in 24 monthly instalments after a moratorium of 2 years. The Company has availed of the said scheme.

Subsequently, on 7.7.2008, the Allahabad High Court (Lucknow Bench) upheld the SAP of Rs.125/- per quintal as fixed by the U. P. Government. Against the said Order, on behalf of the Company as well as other Companies, U. P. Sugar Mills Association filed a Special Leave Petition (SLP) in the Supreme Court. Meantime, on 18.8.2008, in another matter of one of the sugar companies, the Allahabad High Court at Allahabad passed a contrary Order, quashing the SAP and allowing sugar mills to pay the SMP of Rs.81.18 per quintal as fixed by the Central Government. On 8.9.2008, the Supreme Court passed an interim Order directing the sugar mills in U. P. to pay cane price for the crushing season 2007-08 @ Rs.110/- per quintal. The Company is not affected financially by the said Order as the Company has paid the cane price at Rs.110/- per quintal to the cane growers. The final outcome is yet to be decided by the Supreme Court.

Agrotech Division

Crops

The Company has been producing sugarcane, rice, wheat, mustard and sunflower and carries on cane development activities. The Company has a tissue culture laboratory for rapid multiplication of different sugarcane varieties.

Seeds

Open Pollinated Seeds produced by the Company for wheat, paddy, mustard, toria, urd and peas have been very well received by the farmers. The Company has also undertaken production & marketing of Hybrid Seeds of paddy, maize & millet. These seeds are registered and sold under the brand name of Kesar Seeds. The Company has obtained a Seed License from the concerned authorities in the states of Madhya Pradesh and Haryana besides U.P., Uttarakhand, Bihar and has started operations in the Kharif season. The Research and Development (R&D) facility for hybrid field crops seeds is fully functional near Hyderabad. Simultaneously, R&D facility for development of vegetable seeds at Kichha, Uttarakhand is all set to provide products for marketing in near future.

Spirits Division

During the year under review the production of Rectified Spirit (RS) was slightly lower at 162.75 lac bulk litres as against 164.13 lac bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was lower at 10.30 lac bulk litres as against 16.26 lac bulk litres in the previous year. The quantity of Country Liquor supplied was lower at 50.36 lac bulk litres as compared to 60.55 lac bulk litres in the previous year. The reduction in country liquor supplies was due to quota fixed mutually by the Country Liquor manufacturers in U. P. The production and sale of IMFL was 5.41 lac cases as against 6.82 lac cases in the previous year. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads. New semi-premium and premium brands were introduced in the various markets.

Storage Division

The Storage Division at Kandla has done quite well during the year. The revenue generated was much higher at Rs.1,241.05 lac as against Rs.966.39 lac in the previous year in view of commissioning of additional 12 tanks during the year. In February 2008 there was an explosion and consequent fire due to an internal explosion in one of the tanks of Terminal No.II at Kandla. There was no personnel injury or causality. The said tank is insured by the Company and the claim has been lodged with the Insurance Company whereas, the material stored in the tank was insured by the concerned party. The operation of Terminal II was stopped for 3 weeks but is fully operational.

SUBSEQUENT FINANCIAL YEAR 2008-09

Sugar Division

For the season 2008-09, the Sugar Factory is expected to start by 15th November 2008. There may be significant reduction in cane availability due to diversion by farmers to other crops. The Levy sugar price for the season 2007-08 is yet to be announced by the Central Government. In fact, the Central Government has not revised the

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levy sugar price after 2003-04. In May 2004, in one of the sugar mill cases, the Supreme Court had mentioned that the SAP fixed by the State Government needs to be taken into account in the computation of the levy sugar price. On 31.3.2008, in another sugar mills case, the Supreme Court directed the Central Government to refix the price of levy sugar taking into account the SAP as against SMP. The Central Government has kept the SMP for sugar season 2008-09 at the same rate as last year which is Rs.81.18 per quintal linked to recovery of 9% with Re.0.90 increase for every 0.10% increase in recovery, which comes to Rs.96.21 per quintal in the case of the Company.

Agrotech Division:

Crops

The Company has undertaken cultivation of high valued crops like strawberry, potatoes etc. and is developing Bio-pesticides and Bio-fungicides for sugarcane cultivation such as *Trichoderma Verdi* and *Trichocards*. Initial trials of these new products have been successful and are now being replicated on a larger scale. The Company has also undertaken the development of greenhouse for cultivation of flowers like rose, gladiolus and gerbera.

Seeds

The Company has obtained license for starting Seed operation in the State of Rajasthan. The Company is also geared up to launch Kesar Seeds in Punjab, Himachal Pradesh and Chattisgarh. The seed processing capacity has also been enhanced by commissioning a new processing plant. The product portfolio has been expanded by adding seeds of arhar, gram & soyabean. Action Plan is in place to launch in-house developed vegetable seeds during the ensuing Rabi season. The Company expects to double the Volume of Seed business this year. Meanwhile, R&D on hybrid seeds in Hyderabad continues.

Spirits Division

The sugar cane crushing is expected to be lower this season hence molasses production will also be lower and therefore the prices of molasses are likely to go up substantially. The production of Rectified Spirit / Special Denatured Spirit is expected to be at the full installed licence capacity of the Company. The sale of Country Liquor and IMFL is expected to be the same as the previous year. The contract bottling arrangements with a few reputed parties continue to do well. The overall performance of the Spirits Division for the current year is likely to be good.

Storage Division

As reported earlier, the expansion plans of the Company are in full swing. With the completion of expansion by September 2008 end by commissioning of additional 8 tanks, the revenue of the Storage Division will go up further in the current financial year.

EXPANSION / MODERNISATION

Sugar Division

The Company will be implementing major energy efficient measures in the boiling house of the sugar factory in Baheri, thereby reducing steam and power consumption significantly, resulting in large savings in bagasse and thus increase in revenue on sale of the saved bagasse. Over and above that, there will be lower power and steam consumption, resulting in reduced load on boilers and turbines.

Co-generation Power Plant

The Company has revised its plan to Install Co-generation Power Plant from 25 MW to 30 MW at a cost of Rs.150 crore in Phase I, which will subsequently be increased to 45 MW at an additional cost of Rs.35 crore in Phase II. The Company will partially export power to the grid and will benefit from the well established government policies related to renewable energy and also the benefit of carbon trading rights. The Sugar Development Fund loan has been approved and the Company is pushing for a financial closure soon.

Spirits Division

The Company is eligible to expand 25% capacity of the Distillery under U. P. Excise Policy. Considering the current market scenario, the Company is planning to expand the production capacity of the Distillery from 50,000 BL per day to 62,500 BL per day.

Storage Division

The Company is also exploring opportunities for putting up additional storage terminals at other ports and also examining putting up other port based facilities such as Container Freight Station, Inland Container Depots at different locations. The Company has been allotted 10 acres of land at Kakinada port in Andhra Pradesh for such purpose.

WARRANTS

The details of conversion of warrants are mentioned in Note no.14 of Notes to the Accounts.