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75th Annual Report 2008-09

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KESAR ENTERPRISES LTD.

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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 DYNAMIC (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) A. S. RUIA K. KANNAN

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NOTICE

NOTICE is hereby given that the 75th Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Tuesday, 22nd December, 2009** at **1:30 p. m.** at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400001 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2009 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 1% Cumulative Redeemable Preference Shares.
3. To declare dividend on Ordinary (Equity) Shares.
4. To appoint a Director in place of Shri K. Kannan, who retires by rotation but being eligible offers himself for reappointment.
5. To appoint a Director in place of Shri N. J. Vakil, who retires by rotation but being eligible offers himself for reappointment.
6. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

7. 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI) 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), SEBI 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."

   "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

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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."

8. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **Special Resolution:**

"**RESOLVED THAT** pursuant to provisions of Section 78 read with Section 100, and all other applicable provisions, if any, of the Companies Act, 1956 and Article 78 of the Articles of Association of the Company and subject to confirmation of the High Court, the Securities Premium Account, Capital Reserve Account and / or General Reserve Account be reduced consequent to the Scheme of Arrangement of the Company for transfer of its Storage Undertaking / Division by way of Demerger to its Wholly-owned Subsidiary viz. Kesar Terminals & Infrastructure Ltd., if sanctioned by the High Court and in accordance with the terms of the said Scheme of Arrangement."

"RESOLVED FURTHER THAT consequential alteration, if and so far as is necessary, be made in the Memorandum of Association and / or the Articles of Association of the Company."

"RESOLVED FURTHER THAT the form of minutes as approved by the High Court be filed with the Registrar of Companies.

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"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution including appointment of Advocates, filing and verification of Petition, affirming affidavits, appearing in the High Court and to do all acts, deeds, matters and things connected with or incidental thereto."

Registered Office:
Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai – 400 020
30th October, 2009

By Order of the Board of Directors
D. J. SHAH
Vice President (Legal)
& Company Secretary

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 **Tuesday, 15.12.2009 to Tuesday, 22.12.2009**, 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 DYNAMIC (INDIA) PVT. LTD. the Registrar and Share Transfer Agents, at 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai 400001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (East), Mumbai 400 072 or with the Company.

e) All documents referred to in the accompanying Notice and the Explanatory Statement are 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.

f) 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.

g) 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.

h) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.

i) As per Clause 49(IV)(G) of the Listing Agreement, the information in detail about Shri K. Kannan and Shri N. J. Vakil, 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(2) of the Companies Act, 1956

Item No. 7:

The proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the last Annual General Meeting held on 31.10.2008 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 further 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.

Item No. 8:

The Board of Directors has approved the Scheme of Arrangement, which envisages transfer of Storage Undertaking / Division of the Company by way of Demerger to its Wholly-owned Subsidiary viz. Kesar Terminals & Infrastructure Ltd. The said Scheme contemplates consequent reduction / appropriation against the Securities Premium Account of Rs.971.59 lacs, Capital Reserve Account of Rs.49.31 lacs and the balance from General Reserve Account of the Company in terms of Section 78 read with Section 100 and other applicable provisions of the Companies Act, 1956.

In the circumstances, subject to the approval of the Shareholders, other Authorities including High Court, Bombay, the Company proposes pursuant to the Scheme of Arrangement, reduction of its the Securities Premium Account, Capital Reserve Account and / or General Reserve Account. The Board of Directors also recommends passing the proposed Special Resolution.

A copy of the Scheme of Arrangement is simultaneously being circulated to all the Shareholders alongwith Notice calling Court Convened Meeting of the Shareholders of the Company, which will be held at 3:00 p.m. on the same day i.e. 22nd December 2009.

The Directors of the Company may be deemed to be concerned and / or interested in the said Resolution to the extent of their shareholding.

Registered Office:
Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai – 400 020
30th October, 2009

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 75th Annual Report and the audited Statement of Accounts for the year ended 30th June 2009.

FINANCIAL RESULTS:

	(Rs. in Lac) 2008-09	2007-08
Profit / (Loss) before interest, depreciation & taxation	**3,346.26**	2,084.86
Less: Interest and Finance Charges	**1,517.63**	1,267.14
Profit/ (Loss) before Depreciation & taxation (Cash Profit)	**1,828.63**	817.72
Less: Depreciation	**738.79**	661.19
Profit / (Loss) before tax	**1,089.84**	156.53
Add /(Less): Provision for Taxation		
(i) Income Tax - Current	**(167.98)**	(36.08)
(ii) Income Tax - Deferred	**(15.84)**	262.31
(iii) Wealth Tax	**(1.63)**	(1.40)
Profit / (Loss) after tax	**904.39**	381.36
Add /(Less):		
Prior period adjustments.	**0.03**	(1.85)
Profit available for appropriation	**904.42**	379.51
Appropriation:		
Add : Transfer from General Reserve	**-**	300.00
(Less):		
(i) Transfer to General Reserve	**(90.44)**	-
(ii) Proposed Dividend on Preference Share	**(2.00)**	(4.00)
(iii) Proposed Dividend on Equity Share	**(203.70)**	(33.95)
(iv) Corporate Tax on Dividends	**(34.96)**	(6.45)
Profit after appropriation	**573.32**	635.11
(Less) : Balance brought forward from previous year	**(118.99)**	(754.10)
Balance carried forward to Balance Sheet	**454.33**	(118.99)

There is profit after tax of Rs.904.39 lac as against profit of Rs.381.36 lac in the previous year.
This year was very unusual for sugar. The U. P. Government increased the State Advised Price (SAP) and the sugarcane prices went up substantially over and above the SAP due to shortage of cane towards the latter part of the season. The area under cane plantation was less than previous year. The sugar recovery was also less due to excessive rains and so was the yield of sugarcane. Sugar prices went up substantially towards the end of the year due to substantially lower production of sugar.

DIVIDEND

The Directors recommend a dividend for the year 2008-09 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each issued to IDBI Ltd. under the One Time Settlement Scheme, amounting to Rs.2.00 lac plus dividend tax as applicable.

The Directors are glad to inform that the Company has completed its Platinum Jubilee Year i.e. Seventy Fifth Year. The Directors have recommended a Dividend of 30% i.e. Rs.3/- per Equity Share of Rs.10/- each on 67,90,162 Equity Shares of the Company, which consists of 25% for the year 2008-09 and an additional 5% for the Platinum Jubilee Commemoration plus dividend tax as applicable (Previous year Re.0.50 per Equity Share).

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WORKING OF THE DIVISIONS

Sugar Division

The crushing for the season 2008-09 started on 24.11.2008 i.e. two days early, as against 26.11.2007 in the previous season. The season ended on 15.3.2009 as against 6.5.2008, 52 days earlier than the previous season. During the season, the plant crushed 56.15 lac quintals of sugarcane, in 111 days as against 97.80 lac quintals crushed in 163 days in the previous year. The crushing was less due to a very short cane season. There was a reduction in the acreage of cane plantation on account of a lingering cane price issue by the U. P. Government and the Hon'ble Supreme Court. The sugar recovery overall was lower at 9.35% as against 10.67% in the previous season due to excessive rains. The yield was also substantially lower. The production of sugar was therefore much less at 5.24 lac quintals as against 10.43 lac quintals in the previous season.

During the season 2008-09, Molasses produced was much less at 2.48 lac quintals as against 4.27 lac quintals. Surplus baggasse sold was 5.26 lac quintals as against 6.59 lac quintals in the previous season. The Levy sugar price for the season 2008-09 was Rs.1,330.77 per quintal, which was the same as in the previous season.

For the season 2008-09, the U. P. Government had increased the SAP for sugarcane for normal variety from Rs.125/- per quintal to Rs.140/- per quintal. Accordingly, the Company has accounted for Sugarcane purchase @ Rs.140/- per quintal.

The Central Government had fixed the Statutory Minimum Price (SMP) for sugarcane for the season 2008-09 at Rs.81.18 per quintal linked to a basic recovery of 9% with Re.0.90 increase in price for every 0.10% increase in recovery resulting into a price of Rs.96.21 per quintal for our factory.

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, Sorghum Sudan Grass & pearl millet. The Company has also introduced vegetable seeds in February 2009. These seeds are registered and sold under the brand name of Kesar Seeds. The Company has obtained a Seed License from the concerned authority in the states of Rajasthan besides Uttar Pradesh, Uttarakhand, Bihar, Madhya Pradesh, Haryana. 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 has been operationalised. Processing capacity has been enhanced by installation of a new plant of 4MT/Hr capacity.

Spirits Division

During the year under review, the production of Rectified Spirit (RS) was lower at 125.20 lac bulk litres as against 162.75 lac bulk litres in the previous year. Due to high cost of molasses and low realisation of alcohol prices, the Company decided to slow down the production of RS. The production of Extra Neutral Alcohol (ENA) was higher at 24.44 lac bulk litres as against 10.30 lac bulk litres in the previous year. The quantity of Country Liquor supplied was higher at 60.72 lac bulk litres as compared to 50.36 lac bulk litres in the previous year. The sale of IMFL was 4.75 lac cases as against 5.41 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. The Company also has tie-up arrangements to get manufactured its own brands in other States. New semi–premium brands were introduced in various markets.

Storage Division

The Storage Division at Kandla has done well during the year. The revenue generated was much higher at Rs.1,362.17 lac as against Rs.1,241.05 lac in the previous year in view of commissioning of additional storage capacity of about 11,000 KL. The expansion was completed in March 2009 on commissioning of 8 additional tanks resulting into higher revenue.

SUBSEQUENT FINANCIAL YEAR 2009-2010

Sugar Division

For the season 2009-10, the Sugar Factory is expected to start by 20.11.2009. There is a reduction in the total cane plantation area due to diversion by farmers to other crops. However, the yield and recovery is expected to be better due to favourable rains. The Levy sugar price for the season 2009-10 is yet to be announced by the Central Government. In fact, the Central Government has not revised the levy sugar price after 2003-04. In May 2004, in one of the sugar mill case, the Supreme Court had mentioned that the SAP fixed by the State Government needs to

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be taken into account in the computation of the levy sugar price. On 31.3.2008, in another sugar mill 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 hiked the SMP of sugarcane to Rs.107.76 per quintal at a base recovery of 9.5% with Rs.1.13 increase in price for every 0.10% increase in recovery for the season 2009-10. The U. P. Government has increased the SAP for normal variety from Rs.140/- per quintal to Rs.165/- per quintal. The levy ratio has been changed to 20% from 10% by the Central Government w.e.f. 1.10.2009 and the Government has accepted to give a higher levy price of around Rs.20/ per quintal but has not yet announced the same.

Recently, the Central Government has issued a Notification on 22.10.2009 amending the Sugarcane (Control) Order, 1966, by replacing SMP with a 'Fair and Remunerative Price' (FRP), which means the cane price is fixed by the Central Government for sugarcane from time to time considering reasonable margins for the cane growers on account of risk and profits. Additionally, Clause 3B is inserted mentioning that – If any authority or State Government fixes any price above the fair and remunerative price fixed by the Central Government, then the said authority or State Government, shall pay the differential amount, to the grower of sugarcane.

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 Chattisgarh. The Company is also geared up to launch Kesar Seeds in Punjab, Himachal Pradesh, Jammu & Kashmir, Orissa and Bengal. The Company is getting seeds produced and processed in M.P. and U.P. now, besides Uttarakhand. The R&D centre has undertaken field trials of paddy at various locations and results have been excellent.

Spirits Division

The sugar cane crushing is expected to be marginally higher than the previous season. However, the total molasses availability will be lower due to low carry forward stock. The prices of molasses may not go up substantially. Due to this the production of Rectified Spirit / Special Denatured Spirit and ENA will also be lower during this year as compared to the installed licence capacity of the Distillery. The sale of Country Liquor and IMFL is expected to be the same as the previous year. The contract bottling arrangements continue. The overall performance of the Spirits Division for the current year is likely to be better as compared to the previous year.

Storage Division

With the upturn in economic activities, the tank capacity utilization is on the rise and hence the revenue of the Storage Division will go up further in the current financial year. The Company has also plans for putting up additional tanks in Terminal No.I subject to receipt of the statutory clearances for which applications have already been submitted to the concerned authorities.

EXPANSION / MODERNISATION

Sugar Division

The Company will be implementing major energy efficient measures in the boiling house of the sugar factory at Baheri, thereby reducing steam and power consumption significantly, resulting in large savings in bagasse and hence an 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 the Co-generation Power Plant of 25 MW at a cost of Rs.136 crore. The Company will partially export power to the grid and will benefit from the well established government policies related to renewable energy and also get benefit of carbon trading rights. The Sugar Development Fund loan has been approved for this project and the Company is pushing for a financial closure soon.

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