

# **KESAR ENTERPRISES LTD.**

76th Annual Report 2009-10





## CONTENTS

Company Information .....	1
Notice .....	2
Directors' Report .....	6
Management Discussion and Analysis Report .....	13
Corporate Governance Report .....	15
Report of the Auditors to the Members .....	24
Balance Sheet .....	28
Profit & Loss Account .....	29
Schedules to the Balance Sheet .....	30
Schedules to the Profit & Loss Account .....	36
Notes Forming part of Accounts .....	40
Quantitative Information .....	50
Cash Flow Statement .....	52
General Business Profile .....	54
Financial Statistics .....	56

# **KESAR ENTERPRISES LTD.**

(Incorporated under the Indian Companies Act VII of 1913)

## **COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	:	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) AJEET PRASAD (w.e.f. 29.1.2010)
<b>VICE PRESIDENT (LEGAL) &amp; COMPANY SECRETARY</b>	:	D. J. SHAH
<b>BANKERS</b>	:	Allahabad Bank Uttar Pradesh Co-operative Bank Limited
<b>AUDITORS</b>	:	M/s. Haribhakti & Co. Chartered Accountants
<b>SUGAR FACTORY AND SPIRITS</b>	:	Baheri Dist. Bareilly, U.P.
<b>REGISTERED OFFICE</b>	:	Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	:	SHAREX DYNAMIC (INDIA) PVT. LTD. 17/B, Dena Bank Building 2 <sup>nd</sup> Floor, Horniman Circle, Fort Mumbai - 400 001
<b>AUDIT COMMITTEE MEMBERS</b>	:	K. D. SHETH (Chairman of the Committee) A. S. RUIA K. KANNAN AJEET PRASAD (w.e.f. 3.8.2010)

# Annual Report 2009-2010

## NOTICE

**NOTICE** is hereby given that the **76th** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Thursday, 23rd December, 2010** at **3:30 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, 2010 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 Equity Shares.
4. To appoint a Director in place of Shri A. S. Ruia, who retires by rotation but being eligible offers himself for reappointment.
5. To appoint a Director in place of Shri I. S. Phukela, 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 an **Ordinary Resolution** for appointment of Shri Ajeet Prasad as Director:

**"RESOLVED THAT** Shri Ajeet Prasad who was appointed by the Board of Directors as an Additional Director of the Company on 29.1.2010 and who holds office up to the date of this Annual General Meeting of the Members of the Company in terms of Section 260 of the Companies Act, 1956 read with Article 161 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing the candidature of Shri Ajeet Prasad for the office of Director of the Company, be and is hereby appointed as Director of the Company liable to retire by rotation."

8. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **Special Resolution** for appointment of Shri Rohan H. Kilachand as Executive (Projects):

**"RESOLVED THAT** pursuant to Section 314 and any other applicable provisions, if any, of the Companies Act, 1956, consent of the Members of the Company, be and is hereby accorded to holding of an office or place of profit under the Company by Shri Rohan H. Kilachand, a relative (son) of Shri H. R. Kilachand, Chairman and Managing Director and Smt. M. H. Kilachand, Director of the Company, who is appointed by the Board of Directors as "Executive (Projects)" on a consolidated salary of Rs.50,000/- per month w.e.f. 1.10.2010.

**"RESOLVED FURTHER THAT** the above remuneration be reviewed subsequently for fixing his salary in a Special Grade in the scale of 38000-2500-50500 with a starting Basic Salary of Rs.38,000 per month plus the annual increment and other allowances aggregating to Rs. 10,70,520/- per annum as applicable to other employees in that grade as may be recommended by the Remuneration Committee and approved by the Board of Directors of the Company subject to prior approval of the Central Government in terms of Section 314 (1B) of the Companies Act, 1956 for which consent of the Members be and is hereby accorded."

**"RESOLVED FURTHER THAT** the Board / Company Secretary be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution."

9. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **Special Resolution** for appointment of Shri H. R. Kilachand as Chairman & Managing Director:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 309, 316, Schedule XIII read with Section III thereto and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendment, modification or re-enactment thereof and in terms of the approval of the Remuneration Committee, other requisite approvals as may be necessary, approval of the Members of the Company, be and is hereby accorded for reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company for a period of 3 years from 14.8.2010 to 13.8.2013, on a remuneration and on the terms and conditions as per Schedule XIII to the Act, and as specifically set out below:

### **I. SALARY:**

[A] In case, the Company has sufficient Net Profit (calculated as per Section 349 of the Act) in any financial year:

- (i) Salary upto Rs.3,00,000/- per month or Rs.36,00,000/- per annum in the scale as may be decided by the Board based on the performance of the Company plus Perquisites subject to ceiling limit of 5% of the said Net Profit;

- (ii) Incentives, not exceeding (5%) five percent of the said Net Profit of the Company for each financial year or part thereof computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956 after deducting Salary & Perquisites as provided herein.

OR

[B] In case, the Company has no profits or its profits are inadequate in any financial year:

Salary Rs.1,80,000/- per month or Rs.21,60,000/- per annum plus Perquisites as Minimum Remuneration as per Para (B) of Schedule XIII.

## II. PERQUISITES:

Shri H. R. Kilachand shall be entitled to House Rent Allowance not exceeding 60% of the salary, gas, electricity, medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, Company maintained car, telephone and such other perquisites in accordance with the Company's rules, the monetary value of such perquisites to be determined in accordance with the Income Tax Rules being restricted to an amount equal to the annual salary payable to Shri H. R. Kilachand, subject however to the limit of overall Minimum Remuneration as prescribed under Para (B) of Schedule XIII.

Shri H. R. Kilachand shall be further eligible to the following perquisites also which shall not be included in the computation of the ceiling limit on remuneration by way of salary, perquisites, allowances etc.

- i. The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund. The same will not be included in the computation of the ceiling limit to the extent of the same either singly or put together are not taxable under the Income Tax Act.
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- iii. Encashment of leave at the end of the tenure.

Shri H. R. Kilachand shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.

**"RESOLVED FURTHER THAT** the remuneration as per Para (B) of Schedule XIII as mentioned above shall nevertheless be paid and allowed to Shri H. R. Kilachand as the Chairman & Managing Director as the minimum remuneration, but not exceeding overall ceiling limits specified in Schedule XIII, Section III to the Companies Act, 1956 or any amendments thereto from time to time, notwithstanding that in any financial year of the Company during the tenure of office of Shri H. R. Kilachand, the Company may have made no profits or its profits may be inadequate."

**"RESOLVED FURTHER THAT** Shri H. R. Kilachand shall not be liable to retire by rotation as a Director subject to Section 256 of the Companies Act, 1956."

**"RESOLVED FURTHER THAT** authority be and is hereby granted to the Remuneration Committee / Board to fix remuneration of Shri H. R. Kilachand from time to time on monthly / annual basis in view of the appointment of Shri H. R. Kilachand as Whole-time Director of Kesar Terminals & Infrastructure Ltd. [KTIL], subject to the total remuneration drawn & retained by him from both the Companies not exceeding the higher maximum limit admissible from any one of the Companies i.e. the Company or KTIL in terms of Section III of Schedule XIII to the Companies Act."

### Registered Office:

Oriental House,  
7, Jamshedji Tata Road,  
Churchgate,  
Mumbai – 400 020  
22nd November, 2010

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 Thursday, 16.12.2010 to Thursday, 23.12.2010 both days inclusive. The Shareholders are requested to inform of change in address, if any, at the earliest.

# Annual Report 2009-2010

- 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 400072 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 Shri A. S. Ruia and Shri I. S. Phukela, 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. 7: Appointment of Shri Ajeet Prasad as Director**

The Company has received a notice in writing from a Member alongwith the requisite deposit proposing the candidature of Shri Ajeet Prasad for the office of Director of the Company under Section 257 of the Act.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 161 of the Articles of Association of the Company, Shri Ajeet Prasad was appointed by the Board of Directors as an Additional Director of the Company on 29.1.2010. Shri Ajeet Prasad holds office up to the date of this Annual General Meeting of the Members of the Company in terms of Section 260 of the Companies Act, 1956. Shri Ajeet Prasad has 33 years of vast experience in the field of mutual fund, banking operations, implementation of financial services and designing strategies. He is a B.Sc, MBA by qualification and has also completed an Advance Management Programme from Harvard Business School, Boston, USA. He has vast experience in the area of recovery of Non Performing Assets (NPA) & Investment Monitoring Function like Merger, Amalgamation, Demerger etc. during his tenure in UTI AMC Ltd. and also in his capacity as the Managing Director & CEO of ASREC (India) Ltd., an Asset Reconstruction Company floated by UTI and other leading Public & Private Banks / Financial Institutions. Shri Ajeet Prasad is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act. The Company has received confirmation from him about his eligibility for such appointment. He will be liable to retire by rotation. Shri Ajeet Prasad has purchased 250 Equity Shares of the Company as Qualification Shares.

Your Directors, therefore, recommend the resolutions proposed at Item No.7 of the Notice for your approval.

None of the Directors of the Company except Shri Ajeet Prasad is concerned or interested in the proposed resolution.

#### **Item No. 8: Appointment of Shri Rohan H. Kilachand as Executive (Projects):**

Considering the modernization and expansion plans of the Company, the Board of Directors of the Company has appointed Shri Rohan H. Kilachand as Executive (Projects) on a consolidated remuneration of Rs.50,000/- per month w.e.f. 1.10.2010. The above remuneration will be reviewed for fixing his salary in a Special Grade in the scale of 38000-2500-50500 with starting Basic Salary of Rs.38,000/- per month plus the annual increment and other allowances aggregating to Rs. 10,70,520/- per annum as applicable to other employees in that grade as may be recommended by the Remuneration Committee and approved by the Board of Directors of the Company, subject to prior approval of the Central Government as the said remuneration may exceed Rs.50,000/- per month as per the existing rules.

Shri Rohan Kilachand is 24 years of age. He is a Bachelor of Science in Chemical Engineering from Carnegie Mellon University, Pittsburgh, Pennsylvania, U.S.A. He has experience in Project handling and execution. He completed his two years of association with Cairn India Limited as Production Engineer in Grade 1B with an Assured Salary of Rs.5,25,780/- per annum plus performance Bonus and Stock Options as applicable in that grade. He was a member of Commissioning and Start Up Team for The Raageshwari Gas Terminal, Barmer, Rajasthan. He also worked as Researcher under Professor Erik Ydstie, Process Systems Engineering Department, Carnegie Mellon University for research on Process Control & Heat Transfer. He has been assisting the Company since October 2010 in implementation of the ongoing projects in all Divisions and Development & Planning of proposed / future projects of the Company.

Since, Shri Rohan Kilachand is a relative (son) of Shri H. R. Kilachand, Chairman and Managing Director and Smt. M. H. Kilachand, Director of the Company, his appointment would attract Section 314 of the Companies Act, 1956. Therefore, your approval by passing a Special Resolution is sought at item No.8 of the Notice. The Board recommends you to grant your consent to Shri Rohan H. Kilachand to hold office or place of profit in the Company and to give remuneration to him as mentioned in the resolutions.

Shri H. R. Kilachand and Smt. M.H. Kilachand, being a relative, are deemed to be concerned or interested in the said resolution. None of the other Directors is concerned or interested in this resolution.

**Item No. 9: Appointment of Shri H. R. Kilachand as Chairman & Managing Director:**

Shri H. R. Kilachand was appointed as Chairman & Managing Director of the Company for a period of 3 years w.e.f 14.8.2007 on remuneration within the ceiling limits provided in Schedule XIII-PART II-Section I, II & III to the Companies Act, 1956.

The Board extended his term of office as Chairman & Managing Director as mentioned in the Special Resolution for a further period of 3 years with effect from 14.8.2010.

The said appointment was recommended by the Remuneration Committee, consisting of three Non-Executive Independent Directors. The remuneration as per the proposed resolution taking into consideration that Shri H. R. Kilachand has also been appointed as Whole-time Director of Kesar Terminals & Infrastructure Ltd. [KTIL], will be fixed by the Remuneration Committee / Board from time to time on monthly / annual basis considering that the total remuneration drawn & retained by him from both the Companies shall not exceed the higher maximum limit admissible from any one of the Companies i.e. the Company or KTIL in terms of Section III of Schedule XIII to the Companies Act.

The Board recommends the reappointment of Shri H. R. Kilachand as Chairman & Managing Director as mentioned in the Special Resolution, for a period of 3 years w.e.f. 14.8.2010, on remuneration as specifically mentioned in the Special Resolution at item No. 9 which is within the ceiling limits provided in Schedule XIII to the Companies Act, 1956 subject to your approval.

The abstract of the terms and Memorandum of interest under Section 302(7) of the Companies Act, 1956 with respect to the reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company was sent earlier to all the Members of the Company.

Shri H. R. Kilachand shall not be regarded as a Director liable to retire by rotation.

None of the Directors of the Company except Shri H. R. Kilachand & Smt. M. H. Kilachand is in any way concerned or interested in the aforesaid resolution.

By Order of the Board of Directors

**Registered Office:**

Oriental House,  
7, Jamshedji Tata Road,  
Churchgate,  
Mumbai – 400 020.  
22nd November, 2010

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



# Annual Report 2009-2010

## Directors' Report

To  
The Shareholders,  
Kesar Enterprises Ltd.

Dear Members,

### COURT SANCTIONED SCHEME OF ARRANGEMENT FOR DEMERGER:

Your Directors thank you for approving the Scheme of Arrangement for Demerger of the erstwhile Storage Division of the Company at the Court Convened General Meeting on 22.12.2009, which was subject to approval of the Hon'ble High Court of Bombay.

Your Directors are pleased to inform you that the Hon'ble High Court of Bombay had passed an Order on 12.3.2010 pursuant to Sections 391 to 394 of the Companies Act, 1956, sanctioning the Scheme of Arrangement by way of Demerger, for transfer of the undertaking, business, activities and operations pertaining to the Storage Division / Undertaking of the Company into the erstwhile Wholly-owned Subsidiary Company viz. Kesar Terminals & Infrastructure Ltd. [KTIL] as a going concern with effect from the Appointed Date i.e. 1.1.2009. The Effective Date of the Scheme is 29.3.2010. The effect of the above Arrangement has been given in the Annual Accounts of the Company, in the financial year ended 30.6.2010.

In consideration of transfer of the Storage Undertaking, on 1.6.2010, KTIL had issued and allotted 47,53,113 Equity Shares of Rs.10/- each aggregating to Rs.4,75,31,130/- for consideration other than cash to every member of the Company, whose name appeared in the Register of Members of the Company on the Record Date i.e. 14.5.2010, in the ratio of 10:7 i.e. for every 10 Equity Shares of Rs.10/- each held in the Company, 7 Equity Shares of Rs.10/- each of KTIL were allotted either in dematerialized or physical form. After the said allotment, the Share Capital of KTIL is 52,53,113 Equity Shares of Rs.10/- each aggregating to Rs.5,25,31,130/-. KTIL had consolidated the fraction entitlement, which resulted into 510 Equity Shares. The said shares were credited in the Demat account of the Trustee who will sell in the open market when the shares get listed. The sale proceeds thereof will then be distributed amongst the eligible shareholders of fractions.

The Listing Application made by KTIL has been approved by Bombay Stock Exchange Ltd. [BSE]; The National Stock Exchange of India Ltd. [NSE], and SEBI, subject to KTIL completing certain formalities. KTIL has been taking steps to complete it as advised and will request BSE / NSE to allow trading of its equity shares at the earliest.

### FINANCIAL RESULTS:

Considering the above, after giving necessary effects in the Financial Accounts, your Directors present to you the 76th Annual Report and audited Statement of Accounts for the year ended 30.6.2010.

	<b>(Rs. in Lacs)</b>	
	<b>2009-10</b>	<b>2008-09</b>
<b>Profit before interest, depreciation &amp; taxation</b> .....	<b>2565.67</b>	3346.26
<b>Less: Interest and Finance Charges</b> .....	<b>1761.29</b>	1517.63
<b>Profit before Depreciation &amp; taxation (Cash Profit)</b> .....	<b>804.38</b>	1828.63
<b>Less: Depreciation</b> .....	<b>579.79</b>	738.79
<b>Profit before tax</b> .....	<b>224.59</b>	1089.84
<b>Add /(Less): Provision for Taxation</b>		
(i) Income Tax - Current .....	—	(167.98)
(ii) Income Tax - Deferred .....	<b>16.30</b>	(15.84)
(iii) Wealth Tax .....	<b>(1.59)</b>	(1.63)
<b>Profit after tax</b> .....	<b>239.30</b>	904.39
<b>Add: Prior period adjustments</b> .....	<b>199.42</b>	0.03
<b>Profit available for appropriation</b> .....	<b>438.72</b>	904.42
<b>Appropriation:</b>		
(Less): (i) Transfer to General Reserve .....	<b>43.87</b>	90.44
(ii) Proposed Dividend on Preference Share .....	<b>2.00</b>	2.00
(iii) Proposed Dividend on Equity Share .....	<b>67.90</b>	203.70
(iv) Corporate Tax on Dividends .....	<b>11.61</b>	34.96
<b>Profit after appropriation</b> .....	<b>313.34</b>	573.32
<b>Add :Balance brought forward from previous year</b> .....	<b>238.79</b>	(118.99)
<b>Less: Profit transferred to KTIL [1.1.2009 to 30.6.09]</b> .....	—	(215.54)
<b>Balance carried forward to Balance Sheet</b>	<b>552.13</b>	238.79

(\*) Previous year's amounts are not comparable as the same include the amounts pertaining to the erstwhile Storage Division. For the year 2009-10, there is a profit after tax of Rs.239.30 lacs as against Rs.904.39 lacs in the previous year and it includes profit of the erstwhile Storage Division.



## DIVIDEND

Your Directors recommend a dividend for the year 2009-10 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each issued to IDBI Ltd. amounting to Rs.2.00 lac plus dividend tax as applicable.

Your Directors also recommend a dividend for the year 2009-10 @ Re.1/- per Equity Share of Rs.10/- each on 67,90,162 Equity Shares of the Company plus dividend tax as applicable (Previous year Re.3.00 per equity share, inclusive of Re.0.50 per Equity Share for the Platinum Jubilee Commemoration, based on the total profit including that of the Demerged Storage Division).

## WORKING OF THE DIVISIONS

### Sugar Division

The crushing for the season 2009-10 started on 29.11.2009 i.e. 5 days later as against 24.11.2008 in the previous season and ended on 27.3.2010 as against 15.3.2009, 12 days later than the previous season. During the season, the plant crushed 69.38 lac quintals of sugarcane, in 119 days as against 56.15 lac quintals crushed in 111 days in the previous year. The crushing was higher by 13.23 lac quintals in 8 additional days for this season. The sugar recovery overall was marginally higher at 9.38% as against 9.35% in the previous season. The production of sugar was higher at 6.52 lac quintals due to more crushing of sugarcane, as against 5.24 lac quintals in the previous season.

The Levy sugar price for the season 2009-10 was announced by the Central Government after the season was over i.e. on 21.6.2010, increasing it from Rs.1,330.77 to Rs.1,808.47 per quintal. However, the Central Government has not revised the levy sugar price for the years 2003-04 to 2008-09. The levy ratio was changed by the Central Government from 10% to 20% w.e.f. 1.10.2009 for this season only due to the shortage of available sugar for levy.

On 22.10.2009, the Central Government had issued a Notification amending the Sugarcane (Control) Order, 1966, by replacing Statutory Minimum Price (SMP) with '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. On 6.7.2009, the Central Government had hiked FRP of sugarcane from Rs.107.76 per quintal to Rs.129.84 per quintal at a base recovery of 9.5% for the season 2009-10. 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, than the said authority or State Government, shall pay the differential amount, to the grower of sugarcane.

Once again this year was very unusual for sugar. For the season 2009-10, the U. P. Government had announced a hike of Rs.25 a quintal in the State Advised Price (SAP) of sugarcane fixing SAP of Rs.165 a quintal as against Rs.140 a quintal in the previous year. However, the sugarcane prices went up as high as Rs.270 a quintal due to shortage and the Company was forced to pay such high prices for sugarcane, which resulted into a higher cost of production of sugar. Similarly, sugar prices also went up substantially to about Rs. 4,500 per quintal but drastically came down by 30% to 35% in June 2010. This was due to drastic measures undertaken by the government like restricting stock limit for Institutional buyers & wholesalers, change in mechanism of release order from monthly to weekly, higher monthly quota as against the demand etc. and also due to reduction in prices by 40% in International market on account of huge production estimate given by Brazil. This ultimately resulted into lower profits.

During the season 2009-10, Molasses produced was higher at 3.14 lac quintals as against 2.48 lac quintals due to higher crushing. Baggasse produced was 22.39 lac quintals as against 18.96 lac quintals in the previous season. Surplus baggasse sold was 7.08 lac quintals as against 5.26 lac quintals in the previous season.

The Company has implemented major energy efficiency 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 increase in revenue on sale of the saved bagasse. Over and above that, there is lower steam and power consumption, resulting in reduced load on boilers and turbines.

### Spirits Division

During the year under review, the production of Rectified Spirit (RS) was lower at 74.80 lac bulk litres as against 125.20 lac bulk litres in the previous year due to high molasses prices in off seasons 2009 and boiler shutdown in off season 2010. The production of Extra Neutral Alcohol (ENA) was marginally lower at 24.36 lac bulk litres as against 24.44 lac bulk litres in the previous year. The quantity of Country Liquor supplied was 51.13 lac bulk litres as compared to 60.72 lac bulk litres in the previous year. The sale of IMFL was higher at 5.17 lac cases as against 4.75 lac cases in the previous year. The Company has contract bottling arrangements with reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads. The Company also has tie-up arrangements to get its own brands manufactured in other States. New semi-premium brands were introduced in various markets.

# Annual Report 2009-2010

## Agrotech Division:

### Crops

The Company has undertaken cultivation of high valued crops 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. The Division 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.

### Seed Division

Open Pollinated Seeds produced by the Company for wheat, paddy, mustard, toria, urad and peas have been very well received by the farmers. The Company has undertaken production & marketing of Hybrid Seeds of Paddy, Maize, Sorghum Sudan Grass & Pearl Millet. The Company has registered Vegetables' Seeds, which are sold under the brand name of 'Kesar Seeds'. The Company is getting seeds produced and processed in Madhya Pradesh, Uttar Pradesh and Uttarakhand. The Company has obtained Seed License from the concerned authority in the States of Chattisgarh, Rajasthan, Uttar Pradesh, Uttarakhand, Bihar, Madhya Pradesh, Punjab and Haryana. The Research and Development (R&D) facility for hybrid crop seeds is fully functional near Hyderabad. Simultaneously, the R&D facility for development of vegetable seeds at Kichha, Uttarakhand has been operationalised. Enhanced Processing capacity of 6MT/Hr is operational at Kichha, Uttarakhand. The R&D department has undertaken field trials of paddy at various locations and results have been excellent.

## SUBSEQUENT FINANCIAL YEAR 2010-11

### Sugar Division

For the season 2010-11, the Sugar Factory is expected to start by end November, or first week of December, 2010. The sugar season is expected to be normal as there is higher cane plantation by 15% to 20%. The Levy sugar price for the season 2010-11 is yet to be announced by the Central Government. The Central Government has not revised the levy sugar price for the years 2003-04 to 2008-09. 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 be taken into account in the computation of the levy sugar price.

For the season 2010-11, the Central Government has hiked the FRP of sugarcane from Rs129.26 per quintal at a base recovery of 9.5% to Rs.139.12 per quintal.

Recently, for the season 2010-11, the U. P. Government has announced a record hike of Rs.40 a quintal in the State Advised Price (SAP) of sugarcane fixing SAP of Rs.205 a quintal as against Rs.165 a quintal in the previous year.

### Spirits Division

The sugar cane crushing is expected to be much higher than the previous season. Therefore, the total molasses availability will also be higher. The prices of molasses may drop substantially. Due to this the production of Rectified Spirit / Special Denatured Spirit and ENA will also be higher during this year. The sale of Country Liquor will be higher. IMFL is expected to be the same as in 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.

Erection of the boiler in the distillery at Baheri was completed in August 2010 and was commissioned in September 2010.

### Seed Division

We plan to expand our operations in the Eastern part of the country by entering Odisha and West Bengal, which hold enormous business potential for Paddy and other Kharif Crops. In the North, our operations are being reinforced with the induction of additional marketing force in Punjab and Jammu that will become operational for ensuing Kharif Season starting March end 2011.

## EXPANSION / MODERNISATION

### Sugar Division

The Company will try to further optimise the operating parameters to improve the energy efficiency measures in the boiling house of the sugar factory at Baheri, thereby reducing steam percent cane from 42% to 39%, resulting in further savings in bagasse and hence increase in revenue on sale of saved bagasse.

### Co-generation Power Plant

The Company has started implementation of the Co-generation Power Plant Project of 25 MW at an estimated cost of around 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, Allahabad Bank and UCO Bank have approved required funds for the project.