



Charting a Positive

# Roadmap

## FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

# Contents

## CORPORATE OVERVIEW

Corporate Information	01
Chairman's Insight	02

## STATUTORY REPORTS

Directors' Report	04
Management Discussion and Analysis	11
Report on Corporate Governance	17

## FINANCIAL STATEMENTS

Standalone	52
Consolidated	99

# Corporate Information

## BOARD OF DIRECTORS

Mr. Chandra Shekhar Nopany – Chairman  
 Mr. Anand Ashvin Dalal  
 Mr. Chand Bihari Patodia  
 Mr. Rohit Kumar Dhoot  
 Mr. Nirad Kant Bagla  
 Mr. Yashwant Kumar Daga  
 Ms. Shashi Sharma  
 Mr. Arun Kumar Aggarwal,  
 Nominee of IDBI Bank Ltd.

## COMMITTEES OF DIRECTORS

### Finance & Corporate Affairs Committee

Mr. Chandra Shekhar Nopany – Chairman  
 Mr. Rohit Kumar Dhoot  
 Mr. Nirad Kant Bagla

### Audit Committee

Mr. Anand Ashvin Dalal – Chairman  
 Mr. Chand Bihari Patodia  
 Mr. Rohit Kumar Dhoot  
 Mr. Nirad Kant Bagla  
 Mr. Yashwant Kumar Daga

### Stakeholders' Relationship Committee

Mr. Nirad Kant Bagla – Chairman  
 Mr. Yashwant Kumar Daga  
 Ms. Shashi Sharma

### Nomination and Remuneration Committee

Mr. Rohit Kumar Dhoot – Chairman  
 Mr. Chand Bihari Patodia  
 Mr. Anand Ashvin Dalal

### Risk Management Committee

Mr. Chand Bihari Patodia – Chairman  
 Mr. Yashwant Kumar Daga

### Corporate Social Responsibility Committee

Mr. Chandra Shekhar Nopany – Chairman  
 Mr. Chand Bihari Patodia  
 Mr. Yashwant Kumar Daga

## EXECUTIVES

Mr. Dilip Patodia – President (Finance) & Chief Financial Officer  
 Mr. Devendra Kumar Sharma – Executive President, Hargaon  
 Mr. Chandra Mohan Singh – Executive President, Narkatiaganj  
 Mr. Bal Kishore Malpani – Executive President, Rosa  
 Mr. Poresh Kumar Saini – Executive President, Hata  
 Mr. M P Singh – Executive Vice President, Allahabad  
 Mr. Anand Sharma – Vice President (Legal) & Company Secretary

## AUDITORS

S.R. Batliboi & Co. LLP  
 Chartered Accountants  
 22, Camac Street,  
 3rd Floor, Block - C,  
 Kolkata - 700 016

## ADVOCATES & SOLICITORS

Khaitan & Co. LLP

## BANKERS

State Bank of India  
 IDBI Bank Ltd.  
 State Bank of Hyderabad  
 Union Bank of India

## REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.  
 (Unit : The Oudh Sugar Mills Limited)  
 C-13, Pannalal Silk Mills Compound  
 L.B.S. Marg, Bhandup (West)  
 Mumbai 400 078  
 Tel. No. : 91- 022 – 2596 3838, Fax No.: 91- 022 – 2594 6969  
 E-mail : mumbai@linkintime.co.in

## REGISTERED OFFICE

P. O. Hargaon District – Sitapur, (U. P.)  
 Pin Code – 261 121  
 Tel. No. : (05862) 256220, Fax No. : (05862) 256225  
 E-mail : birlasugar@birla-sugar.com  
 Website : www.birla-sugar.com  
 CIN – L15432UP1932PLC025186

## CORPORATE & HEAD OFFICE

Birla Building  
 9/1, R.N. Mukherjee Road, 5th Floor  
 Kolkata - 700 001  
 Tel. No. : 91-033-2243 0497/8, Fax No. : 91-033-2248 6369  
 E-mail : birlasugar@birla-sugar.com  
 Website : www.birla-sugar.com

## MUMBAI OFFICE

Solaris Building no. 1, 'D' Wing, 6th Floor  
 Saki Vihar Road, Opp : L&T Gate No. 6,  
 Andheri (East), Mumbai – 400 072.  
 Tel. No. : 91 - 022-2847 0249, Fax No. : 91 - 022-2847 0275  
 E-mail : oudhsugar@mtnl.net.in

## SUGAR MILLS

1. Hargaon, Dist. Sitapur, (U. P.)
2. Narkatiaganj, Dist. West Champaran, (Bihar)
3. Rosa, Dist. Shahjahanpur, (U. P.)
4. Hata, Dist. Kushinagar (U. P.)

## DISTILLERIES

1. Hargaon, Dist. Sitapur, (U. P.)
2. Narkatiaganj, Dist. West Champaran, (Bihar)

## CO-GENERATION POWER PLANT

1. Hargaon, Dist. Sitapur, (U. P.)
2. Narkatiaganj, Dist. West Champaran, (Bihar)
3. Hata, Dist. Kushinagar (U.P.)

## FOOD PROCESSING FACTORY

P.O. Bamrauli, Allahabad, (U. P.)

## Chairman's Insight



### Dear Shareholders,

After years of significant challenges, India's sugar industry witnessed a cautious recovery during the year. The El Nino effect and consequential drought in Maharashtra resulted in a fall of output; and the stock position is at a comfortable position. The overall industry scenario is showing unmistakable signs of positivity, with the Government's initiatives to support the sugar sector. The industry is gradually moving towards a firm footing and sustainable growth.

### GLOBAL SCENARIO

The global sugar output is expected to decline by 1.969 million tonnes during FY 2015-16. The market was largely influenced by developments in three major sugar-producing countries, including Brazil, China and India. Although primary exporting countries showed

an increase in production, importing countries saw a significant decrease. During the year, India continued to remain one of the world's largest sugar producers and a sugar surplus country. On the consumption front as well, the country remained a frontrunner in the global stage.

In China, domestic sugar prices strengthened in recent months owing to growing expectations of tighter supply during the year. Prices firmed in India and hit multi-year highs in Brazil in October 2015. While prices in the US, Mexico and Russia showed a stable behaviour, EU witnessed a marginal recovery only after August 2015.

### DOMESTIC SCENARIO

As India continues to be the world's major sugar producer and consumer, any imbalance in the sugar scenario in the country is likely to lead to global imbalance. After five years of surplus sugar production, domestic sugar production in FY 2016 was marginally lower vis-à-vis domestic consumption. An aggressive sugar-export strategy coupled with declining domestic production gave the much needed upward lift to domestic prices.

Lower production along with exports of around 2 million MT, is likely to bring down the closing stocks to around 7.6 million MT in the sugar season 2016 from around 9.5 million MT in the corresponding season of 2015. The decline in sugar stocks is a positive; and has resulted in an improvement in domestic sugar realisations since August 2015.

Interest-free loans from the Government of India and cash subsidy from UP and Bihar governments have also benefited the industry. At present, sugar pricing is at a balanced position and prominent players are expected to perform well in future.

After successive years of staggering losses, the industry seems to be slowly recovering. Even today it is saddled with huge debts and tight liquidity. Undoubtedly, the cane arrears to farmers have reduced considerably as compared to a year ago although it is yet to be eradicated.

The long-term prices and profitability of Indian sugar companies is likely to remain cyclical and reliant on domestic and international supply-demand trends. It would also hinge on agro-climatic conditions in the



**After years of instability, FY 2015-16 turned out to be a positive year for the Company. The profitability of the Company stood at 623.11 lacs on better sugar yield despite lower crushing of sugarcane and sugar realisations.**

major sugar producing countries and the trends in crude oil prices.

Going forward, we hope the Government would usher in reforms in this sector and restore the health of the sector to ensure cane payment as the present opaque and unbalanced cane pricing is adversely impacting the sugar industry. This will benefit industry players, consumers and millions of farmers.

### ENCOURAGING PERFORMANCE

After years of instability, FY 2015-16 turned out to be a positive year for the Company. Our revenue from operations stood at 1,21,501.26 lacs, compared to ₹ 1,42,965.29 lacs in the previous fiscal. The profitability of the Company stood at 623.11 lacs on better sugar yield despite lower crushing of sugarcane and sugar realisations.

The consumption has been steadily increasing by 2-2.5% annually with significant growth in bulk sugar and unbranded generic sugar. We have been supported by the Government as well as bankers to continue operations in a hassle-free manner. Farmers have, to a very large extent, received their payments and the overall scenario is improving compared to the last few years.

### STRATEGIC FOCUS

We are restructuring our two businesses to bring in fiscal flexibility and facilitate operational efficiency. The UP unit will be under Avadh Sugar & Energy Limited and Bihar unit will be under Magadh Sugar & Energy Limited. The restructuring process is awaiting regulatory approvals and the entire process is expected to be completed by September-October 2016.

Going forward, we will consolidate and improve our own internal capabilities. Our focus will continue to be on enhancing efficiencies for further cane development. We are expecting sugar production to be lower in FY 2016-17. The fall in production can be attributed to drought in cane-growing areas of Maharashtra.

Sugar has historically been classified as an essential commodity and has been regulated across the value chain. The heavy regulations in the sector artificially impact the demand-supply forces resulting in market imbalance.

While the Government has supported sugar mills by providing interest-free loans to clear cane dues and mandating compulsory exports to tackle the high sugar stocks in the domestic market, the primary aspect of linking sugar and by-product realisations with cane costs is yet to be fully addressed. We expect more firm steps in that direction.

### WAY FORWARD

With possible changes in production and projected consumption growth, a deficit of about 6 million tonnes is likely on the global industry horizon. This indicates the continuation of the deficit phase in the world sugar cycle for at least one more season.

Given the high cost of imports and the strategic importance of food security, India would need to target its production in excess of domestic consumption and which provides the sector huge investment potential.

We are fortunate to have a high-morale team, who continue to remain equally committed, despite challenges. I seek the support and guidance of all our stakeholders in charting a positive roadmap for the Company, and to create enduring value for the community at large.

With regards,

**Chandra Shekhar Nopany**  
Chairman

# Directors' Report

Dear Members,

Your Directors presents herewith the 84th Annual Report on the business & operations of the Company along with the Audited Statement of Accounts for the financial year ended 31st March, 2016.

## FINANCIAL RESULTS AND APPROPRIATIONS

	Year ended		Year ended	
	31st March, 2016		31st March, 2015	
<b>Revenue from Operations (Gross)</b>	1,21,501.26		1,42,965.29	
Profit before Finance Costs, Tax, Depreciation and Amortisation	14,142.04		4,569.59	
Less: Depreciation & Amortisation Expenses	2,649.66		2,847.29	
Finance Costs	10,774.46	13,424.12	12,887.11	15734.40
<b>Profit/(Loss) Before Tax</b>	717.92		(11,164.81)	
Less: Provision for Tax:				
Deferred Tax Charge/(Credit)	94.81		(3,777.71)	
<b>Profit/(Loss) After Tax</b>	623.11		(7,387.10)	

₹ in lacs

## 2. OPERATING PERFORMANCE

In facade of dynamic market conditions wherein the first half being quite subdued in comparison to other half which witnessed upward trend in sugar pricing, your Company has delivered top line growth and performed ahead of underlying sugar season 2015-16, prima-facie due to supply of good quality of sugarcane culminating into higher recoveries and expedited sales. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report which is made an integral part of this Report and marked as **Annexure "A"**.

## 3. FINANCIAL PERFORMANCE 2015-16

The Company had recorded Total Revenue of ₹1,16,799.64 lacs (including other income aggregating to ₹212.98 lacs) during the financial year ended 31st March, 2016. The Revenue from Operations (Gross) of the Company for the year 2015-16 stood at ₹1,21,501.26 lacs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at ₹14,142.04 lacs representing 12.11% of the total revenue. The increase in PBIDT of the Company during the period under review is mainly attributed to better sugar sales realisation.

There is no change in the nature of business of the Company. There were no significant or material orders passed by regulators, courts or tribunals impacting the Company's operation in future.

In view of continuing losses the Board does not propose to carry any amount to Reserves.

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year i.e. 31st March 2016 and date of this report.

## 4. RESEARCH & DEVELOPMENT

During the year under review the Company has undertaken Research & Development initiatives with an intention to improve the sugar recovery ratio and to educate the cane growers to cultivate improved variety of sugarcane and to otherwise increase the sucrose contents in their produce.

## 5. DIVIDEND

In view of the losses/accumulated losses the Board of Directors do not recommend any dividend for the year under review.

## 6. SHARE CAPITAL

During the year there were no changes in either the Equity Share capital of the Company or the Preference Share Capital of the Company, as the paid up Equity Share Capital as on 31st March 2016 stood at ₹ 2,604.43 lacs and whereas the paid up Preference Share Capital of the Company stood at ₹ 5,000.00 lacs. However, in terms of authorisation provided by the shareholders in their general meeting and subsequent to in - principle approval of both the Stock Exchanges, your Company had preferred an application for reduction of capital to the tune of ₹ 6,400/- only before the Hon'ble High Court at Allahabad, Lucknow Bench and the Hon'ble Court vide its order dated 28.05.2015 has allowed the said capital reduction.

## 7. SCHEME OF ARRANGEMENT

The Board of Directors at its meeting held on March 13, 2015 had consented to the Composite Scheme of Arrangement subject to approval of Shareholders, Lenders, Creditors, Hon'ble High Court, SEBI, CCI and other regulatory authorities, in order to rearrange its business activities, to achieve the Business alignment as per market dynamics and variant capital needs of each business, as well as ability to recognise the true value of assets in the books which have significantly appreciated over time and thereby improving the financial position and key ratios of the businesses. Both the Stock Exchange i.e. NSE and BSE, upon confirmation from SEBI, has issued their observation letters. The CCI has also given their consent to the Scheme. The Company as required has taken steps for approval of the same by filing the Scheme before the Hon'ble High Court at Allahabad. The matter is pending.

## 8. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement read with Regulation 34 of the SEBI (LODR) Regulations 2015 with effect from 01.12.2015 the Management Discussion & Analysis Report, the Report on Corporate Governance, Declaration of Whole-time Director on Code of Conduct and Auditors' Certificate on compliance of conditions of Corporate Governance form integral part of this Report and are annexed to this Report as **Annexure "A", "B", "C" and "D"** respectively.

## 9. DIRECTORS

The Board of Directors comprises of seven Non-Executive Directors having experience in varied fields and a Whole-time Director. Out of seven Non-Executive Directors, five of them are Independent Directors and one being Nominee Director. Mr. Chandra Shekhar Nopany had relinquished the office of Managing Director w.e.f. 30.06.2015. The Board has filled up the vacancy by appointing Mr. Chand Bihari Patodia as Whole-time Director of the Company and which was duly assented to by the shareholders of the Company at their Annual General Meeting held on 14.09.2015.

Mr. Chandra Shekhar Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offers himself for re-appointment as Director of the Company. He is proposed to be re-appointed as Director and will be liable to retire by rotation.

The Independent Directors have confirmed and declared that they are not disqualified to act as an Independent Directors in compliance with the provisions of Section 149 of the Companies Act 2013 read with SEBI (LODR) Regulations, 2015 and the Board is also of the opinion that Independent Directors fulfil all the conditions specified in the Companies Act, 2013 read with SEBI (LODR) Regulations, 2015 to making them eligible to act as Independent Director.

Other information on the Directors including required particulars of Directors retiring by rotation is provided in the Report of Corporate Governance annexed to this Report as **Annexure "B"**.

## 10. KEY MANAGERIAL PERSONNEL

During the period under review Mr. Chandra Shekhar Nopany had relinquished his position as Managing Director and in compliance with Section 203 of the Companies Act 2013, Mr. Chand Bihari Patodia has been appointed as Whole-time Director of the Company and as such the following three persons were designated as Key Managerial Personnel of the Company viz:

- a. Mr. Chand Bihari Patodia, Whole-time Director
- b. Mr. Dilip Patodia, President and Chief Financial Officer
- c. Mr. Anand Sharma, Company Secretary

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct & Ethics applicable to Directors & employees of the Company and a declaration to the said effect by the Whole-time Director is made part of Corporate Governance Report which forms part of this report. The Code is available on the Company's website at the weblink <http://birla-sugar.com/Assets/Oudh/Oudh-Sugar-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

#### **11. ANNUAL EVALUATION OF BOARD'S PERFORMANCE**

In pursuance of the provisions of the Companies Act, 2013 and according to Regulation of 25(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Performance Evaluation Criteria has been laid down for effective evaluation of performance of the Board of Directors, the Committees thereof and individual Directors including the Chairman of the Board. Based on the criteria set by the Nomination and Remuneration Committee, the Board at its meeting critically adjudged the performance of the Independent Directors as well as has also carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report. Again, a meeting of the Independent Directors is required to be held to evaluate the performance of the Non-Independent Directors. Accordingly, a meeting of Independent Directors was held wherein the performance of the Non-Independent Directors, including the Chairman was evaluated.

#### **12. FAMILIARISATION PROGRAMME**

Periodic presentations are made at the Board Meetings, on business, performance updates & business strategy of the Company.

#### **13. AUDIT COMMITTEE**

The Audit Committee was constituted on 25.08.2000 and the Committee now comprises of Mr. Anand Ashvin Dalal, Mr. Nirad Kant Bagla, Mr. Yashwant Kumar Daga, Mr. Rohit Kumar Dhoot and Mr. Chand Bihari Patodia. The Company Secretary acts as the Secretary to the Committee and the Chief Financial

Officer is a permanent invitee to the meetings. During the year there were no instances where Board has not accepted the recommendation of Audit Committee.

The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **14. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

The Investors Grievance Committee was constituted on 25.08.2000 and was renamed as Stakeholders' Relationship Committee w.e.f. 13.05.2014 to comply with the requirements of the Companies Act 2013 and the Listing regulations. The Committee now comprises of Mr. Nirad Kant Bagla, Mr. Yashwant Kumar Daga and Ms. Shashi Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **15. NOMINATION AND REMUNERATION COMMITTEE**

The Remuneration Committee was constituted on 02.09.2002 and was renamed as Nomination and Remuneration Committee w.e.f. 13.05.2014 to comply with the requirements of the Companies Act 2013 and the Listing regulations. The Committee now comprises of Mr. Rohit Kumar Dhoot, Mr. Anand Dalal and Mr. Nirad Kant Bagla. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **16. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Corporate Social Responsibility Committee was constituted on 13.05.2014 and the Committee now comprises of Mr. Chandra Shekhar Nopany, Mr. Chand Bihari Patodia, and Mr. Yashwant Kumar Daga. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.



## 17. INTERNAL COMPLAINTS COMMITTEE

An Internal Complaints Committee was constituted by the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Act aims at protecting women's right to gender equality, life and liberty at workplace to encourage women participation at work. The Committee meets all the criteria including its composition mentioned in the Act and relevant Rules. One complaint was received by the Committee during the year under review and the same has been disposed off completely.

## 18. HUMAN RESOURCES

The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes, fair transparent performance evaluation and taking new initiatives to further align its Human Resource policies to meet the growing needs of its business.

## 19. REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy as adopted by the Board of Directors is attached as **Annexure "E"** to this Report. The Committee has also framed criteria for performance evaluation of every Director and accordingly has carried out the performance evaluation.

## 20. CORPORATE SOCIAL RESPONSIBILITY POLICY

The Company continues to spend to support local initiatives to improve infrastructure as well as support in other corporate social responsibilities. The disclosure requirement with respect to CSR spends are not applicable to the Company in view of inadequate profits/losses during the three immediately preceding financial years. The CSR Policy as approved by the Board is available on Company's website at the weblink <http://birla-sugar.com/Assets/Oudh/Oudh-Sugar-CSR-Policy.pdf>.

## 21. MEETINGS

A calendar of Meeting is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. The intervening gap between the Meetings was within the period prescribed under the

Companies Act, 2013. During the financial year ended 31st March 2016, 7 (seven) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the F.Y. 2015-16 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

The Independent Directors of the Company have had a separate meeting on 22nd March, 2016 to review the performance and evaluation of Non Independent Directors and Board as a whole, Chairperson and assess the quality, quantity and timeliness of flow of information from the Company management to the Directors.

## 22. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. that such accounting policies as mentioned in Note 2.1 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.

- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## 23. AUDITORS, AUDIT QUALIFICATIONS AND BOARD'S EXPLANATIONS

### Statutory Auditors

Messrs S R Batliboi & Co LLP, Chartered Accountants, hold office as Auditors of the Company till the conclusion of ensuing Annual General Meeting and being eligible, offered themselves for re-appointment. According to the certificate submitted to the Company by the said firm of Auditors the said re-appointment, if made by the Shareholders, will be well within the limits prescribed in Section 141 of the Companies Act, 2013.

The Board, on the recommendation of the Audit Committee, proposed that Messrs S R Batliboi & Co LLP, Chartered Accountants, be re-appointed as the Statutory Auditors of the Company for a period beginning the conclusion of the ensuing Annual General Meeting of the Company and ending on the conclusion of the Annual General Meeting to be held next thereafter.

The remarks/observations made by the Statutory Auditors in their report are self explanatory and does not require any further clarifications/ explanation. However, the Statutory Auditors have commented regarding carrying Deferred Tax Asset (DTA) (net) of ₹ 12,810.10 lacs (after reversal of ₹ 94.81 lacs during the year) up to March 31, 2016. The Company has not recognised any further DTA during the current financial year as a matter of prudence. Further, the Company has earned profits during the current year consequent to improved realisation and sugar yields. In view of above, the management is certain that the Company would be in a position to generate positive cash flows and profitability and is certain that there would be sufficient taxable income in future to claim the above tax credit.

### Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its Sugar activity is required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed Messrs D Radhakrishnan &

Co, Cost Accountants, as the Cost Auditors to audit the cost accounts of the Company for the financial year 2016-17. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification.

### Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed Messrs Vinod Kothari & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2015-16. The Secretarial Audit Report is annexed herewith as "Annexure F" and which is self explanatory.

## 24. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has following wholly owned subsidiaries, one step down subsidiary and one joint venture company as per detail given below:

- i. Hargaon Investment & Trading Company Limited
- ii. Champaran Marketing Company Limited
- iii. OSM Investment & Trading Company Limited
- iv. Hargaon Properties Limited - step down subsidiary
- v. Palash Securities Limited
- vi. Allahabad Canning Limited
- vii. Vaishali Sugar & Energy Limited
- viii. Avadh Sugar & Energy Limited-A Joint Venture Company

The Annual Accounts of the subsidiary companies will be made available for inspection by any shareholder at the Registered Office of the Company and would also be available on the Company's website at the weblink [www.birla-sugar.com](http://www.birla-sugar.com). Furthermore, a hard copy of the detailed accounts of the subsidiaries would be furnished to any shareholder on demand at any point of time.

The Company has also formulated a policy for determining material subsidiaries in line with the requirement of Listing Agreement. The said Policy is being disclosed on the Company's website at the weblink [http://www.birla-sugar.com/Assets/Oudh/Oudh\\_-\\_Policy\\_on\\_Determining\\_Material\\_Subsidiaries.pdf](http://www.birla-sugar.com/Assets/Oudh/Oudh_-_Policy_on_Determining_Material_Subsidiaries.pdf).