



Annual Report 2016-17

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Corporate Information

BOARD OF DIRECTORS

Mr. Chandra Shekhar Nopany, Chairperson
 Mrs. Shalini Nopany
 Mr. Arun Kumar Newar
 Mr. Chhedi Lal Agarwal
 Mr. Dinesh Kacholia
 Mr. Chand Bihari Patodia, Managing Director

COMMITTEES OF DIRECTORS

Audit Committee

Mr. Chhedi Lal Agarwal, Chairman
 Mr. Arun Kumar Newar
 Mr. Dinesh Kacholia
 Mr. Chand Bihari Patodia

Stakeholders' Relationship Committee

Mr. Arun Kumar Newar, Chairman
 Mr. Chhedi Lal Agarwal
 Mr. Dinesh Kacholia

Nomination and Remuneration Committee

Mr. Dinesh Kacholia, Chairman
 Mr. Arun Kumar Newar
 Mr. Chhedi Lal Agarwal

EXECUTIVES

Mr. Deepak Kumar Sharma, Chief Financial Officer

AUDITORS

M/s Agrawal, Subodh & Co.
 Chartered Accountants
 3 Victory House, 1 Ganesh Chandra Avenue
 Kolkata - 700 001

ADVOCATES & SOLICITORS

Khaitan & Co. LLP

BANKERS

ICICI Bank Limited

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.
 (Unit : Palash Securities Limited)
 59 C, Chowringhee Road,
 Kolkata - 700 020
 Tel. No.:(033)2289 0540, Fax No.:(033)-2289 0539
 E-mail : kolkata@linkintime.co.in

REGISTERED OFFICE

P. O. Hargoon 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 – U74120UP2015PLC069675

CORPORATE & HEAD OFFICE

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

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Third Annual Report on the performance of your company along with the Audited Financial Statements of the Company for the year ended 31st March, 2017.

1. COMPOSITE SCHEME OF ARRANGEMENT

The Composite Scheme of Arrangement between Upper Ganges Sugar & Industries Ltd, The Oudh Sugar Mills Ltd, Palash Securities Ltd, Allahabad Canning Ltd, Ganges Securities Ltd, Cinnatollah Tea Ltd, Vaishali Sugar & Energy Ltd, Magadh Sugar & Energy Ltd and Avadh Sugar & Energy Ltd and their respective shareholders and creditors has received requisite approvals of regulatory authorities including Hon'ble High Court, SEBI, CCI and finally by National Company Law Tribunal, Allahabad Bench on March 2, 2017. The Scheme envisaged Birla Group of Sugar Companies to re-arrange its business activities, to achieve the Business alignment as per market dynamics and variant capital needs of each business as well as to house geographically in separate entities its sugar, investments, tea and food processing businesses.

Pursuant to the Composite Scheme of Arrangement approved by National Company Law Tribunal, all the assets and liabilities of the food processing unit and investment business unit of The Oudh Sugar Mills Limited have been transferred to and vested in the Company and thereafter the food processing business unit of the Company has been transferred to and vested in its Wholly Owned Subsidiary, Allahabad Canning Ltd.

2. FINANCIAL RESULTS

(₹ in lakhs)

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Revenue from Operations (Gross)	0.10	-
Profit before Finance Costs, Tax, Depreciation and Amortization	(42.47)	(3.29)
Less: Depreciation & Amortization Expenses	2.27	-
Profit / (Loss) before tax	(44.74)	(3.29)
Profit / (Loss) after tax	(44.74)	(3.29)

3. FINANCIAL PERFORMANCE OF THE COMPANY

During the Financial Year 2016-17, the Company incurred a loss of Rs.44.74 lakhs as compared to loss of Rs. 3.29 lakhs in the previous year.

In view of inadequate profits, the Board of Directors has not recommended payment of dividend.

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.

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 2017 and the date of this report.

4. SHARE CAPITAL

During the year under review, the Authorised Share Capital of the Company was increased to ₹ 15,00,00,000/- (Rupees Fifteen Crores) from ₹ 2,00,00,000/- (Rupees Two Crores) on 12th September, 2016. Pursuant to the Scheme of Arrangement the Company allotted 1,00,03,102 (One Crore Three Thousand One Hundred Two) Equity Shares of ₹ 10/- (Rupees Ten) each to the Equity shareholders

and 13,00,000 (Thirteen Lakhs) 8.5 % Non-convertible Cumulative Redeemable Preference Shares of Rs 10/- (Rupees Ten) each to the Preference shareholders of The Oudh Sugar Mills Limited respectively. The total paid up capital as on 31st March, 2017 was ₹ 11,30,31,020/- (Rupees Eleven Crore Thirty Lakhs Thirty One Thousand Twenty).

5. SUBSIDIARY COMPANIES

The Company has five subsidiaries. The Company has formulated a policy for determining material subsidiaries in line with the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said Policy is being disclosed on the Company's website at the weblink <http://birla-sugar.com/Assets/Palash/Palash-Securities-Policy-for-Determining-Material-Subsidiaries.pdf>.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014, the details containing salient features of the financial statements of the subsidiary companies in Form AOC-1 forms part of this Report and is marked as Annexure "H".

6. DIRECTORS

The Board comprises of 5 (five) Non-Executive Directors having experience in varied fields and a Managing Director. Out of five Non-Executive Directors, three of them are Independent Directors. Mr Chandra Shekhar Nopany is the Chairperson of the Company.

Mrs. Shalini Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment as Director of the Company.

Mr. Dilip Patodia and Mr. Brij Mohan Agarwal, Non-executive Directors of the Company have resigned as Directors with effect from 30th March, 2017. The Board places on record its appreciation for the valuable contribution made by them during their association with the Company.

Pursuant to the applicable provisions of the Companies Act, 2013 the Board of Directors of the Company at its meeting held on 14th March, 2017 appointed Mr. Chandra Shekhar Nopany and Mr Dinesh Kacholia and on 30th March, 2017 appointed Mr Chhedi Lal Agarwal and Mr Arun Kumar Newar as Additional Directors and accordingly they would hold the office upto the date of the ensuing Annual General Meeting and are eligible for appointment.

The Company has received notices in writing under Section 160 of the Companies Act, 2013 from members proposing the candidature of Mr. Chandra Shekhar Nopany, Mr Dinesh Kacholia, Mr Chhedi Lal Agarwal and Mr Arun Kumar Newar respectively. The Board of Directors at its meeting held on 14th March, 2017 and 30th March, 2017, designated Dinesh Kacholia, Mr Chhedi Lal Agarwal and Mr Arun Kumar Newar respectively as Independent Directors.

The Company has also received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

Further, the Board of Directors at its meeting held on 30th March, 2017, had appointed Mr. Chand Bihari Patodia, as the Managing Director of the Company, for a period of three years subject to the approval of members at the ensuing General Meeting.

Other information on the Directors proposed to be appointed / re-appointed including required particulars of Directors retiring by rotation is provided in the Notice convening the Annual General Meeting.

7. KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company at its meeting held on 30th March, 2017 had appointed following persons as Key Managerial Personnel of the Company viz:

- a. Mr. Chand Bihari Patodia, Managing Director
- b. Mr. Deepak Kumar Sharma, Chief Financial Officer

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct applicable to Directors & employees of the Company and a declaration to the said effect by the Managing Director is made part of the 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/Palash/Palash-Securities-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

8. REMUNERATION POLICY

The Board has 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.

9. 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 2017, 7 (seven) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the F.Y. 2016-17 have been furnished in the Corporate Governance Report forming a part of this Directors' Report.

10. AUDIT COMMITTEE

The Audit Committee was constituted on 30th March, 2017 and the Committee now comprises of Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar, Mr. Dinesh Kacholia and Mr. Chand Bihari Patodia.

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, which forms an integral part of this Report.

11. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee was constituted on March 30, 2017 and now comprises of Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar and Mr. Dinesh Kacholia. 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, which forms an integral part of this Report.

12. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was constituted on 30th March, 2017 and now comprises of Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar, and Mr. Dinesh Kacholia. 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, which forms an integral part of this Report.

13. LOANS, GUARANTEE AND INVESTMENTS

During the year under review, the Company has not given any loans and corporate guarantees covered under the provisions of Section 186 of the Companies Act, 2013. Details on particulars relating to investments under Section 186 of the Companies Act, 2013 are provided in Note 9 to the financial statement.

14. RELATED PARTY CONTRACTS / ARRANGEMENTS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors,

Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Accordingly, no transaction are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the Directors draw attention of the members to Note 18 to the financial statement which sets out related party disclosures.

The Company has developed a Related Party Transactions Policy for purpose of identification and monitoring of such transactions and accordingly any or all Related Party Transactions are placed before the Audit Committee as also the Board for approval.

15. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public and as such there are no outstanding fixed deposits in terms of Companies (Acceptance of Deposit Rules) 2014.

16. INTERNAL FINANCIAL CONTROLS

The Company has laid down internal financial controls, through a combination of Entity level controls, Process level controls and IT General controls inter-alia to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information, safeguarding of assets, prevention and detection of frauds and errors. The evaluations of these internal financial controls were done through the internal audit process and were also reviewed by the Statutory Auditors. Based on their view of these reported evaluations, the directors confirm that, for the preparation of financial statements for the financial year ended March 31, 2017, the applicable Accounting Standards have been followed and the internal financial controls are generally found to be adequate and were operating effectively & that no significant deficiencies were noticed.

There was no fraud reported by the Auditors of the Company under Section 143(12) of the Companies Act, 2013, to the Audit Committee or the Board of Directors during the year under review.

17. WHISTLE BLOWER / VIGIL MECHANISM

The Company has established a vigil mechanism and adopted whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism. The brief detail about this mechanism may be accessed on the Company's website at the weblink <http://www.birla-sugar.com/Assets/Palash/Palash-Securities-Whistle-Blower-Policy.pdf>.

18. CORPORATE GOVERNANCE

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Management Discussion & Analysis Report, the Report on Corporate Governance, Declaration of Managing Director on Code of Conduct and a 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" & "D" respectively.

19. AUDITORS, AUDIT QUALIFICATIONS AND BOARD'S EXPLANATIONS

STATUTORY AUDITORS

At the 2nd Annual General Meeting (AGM) of your Company held on 12th September, 2016 M/s. Agrawal, Subodh & Co., Chartered Accountants, having Firm Registration No. 319260E, were appointed as Statutory Auditors of your Company to hold office for a term of 5 (five) years from the conclusion of 2nd AGM (subject to ratification of such appointment by the Members at every AGM) till the conclusion of the 7th AGM of your Company. Accordingly, the appointment of M/s Agrawal, Subodh & Co., Chartered Accountants, as Statutory Auditors of your Company, is placed for ratification by the Members. The Board of Directors of your Company recommend ratification of their appointment from the conclusion of this AGM upto the conclusion of the 4th AGM of your Company.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

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 has voluntarily availed the services of Messrs Vinod Kothari & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2016-17. The Secretarial Audit Report is annexed herewith as Annexure "F" and which is self explanatory and does not call for any further comments.

20. INVESTOR EDUCATION AND PROTECTION FUND

The provisions pertaining to Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, are not applicable to your company.

21. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as Annexure "G".

22. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The provisions of Section 134(3)(m) of the Companies Act, 2013 do not apply to our Company. There was no foreign exchange inflow or outflow during the year under review.

23. DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013

There has been no such case pending during the year under review.

24. PARTICULARS OF EMPLOYEES

During the year under review, there was no employee in the Company who was in receipt of remuneration as required to be disclosed under Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

25. 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, 2017, 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 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, 2017 and of the loss 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.

26. CEO / CFO CERTIFICATION

Mr. Chand Bihari Patodia, Managing Director and Mr. Deepak Kumar Sharma, Chief Financial Officer have submitted certificates to the Board as contemplated under Regulation 17(8) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

27. ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the services rendered to the Company by its employees and shareholders. Your Directors also wish to express their sincere thanks to the bankers and other lenders for their continued co-operation and assistance.

Place: Kolkata

Dated: 29th May, 2017

For and on behalf of the Board

Chandra Shekhar Nopany

Chairperson

DIN: 00014587

Annexure A

Management Discussion and Analysis

OVERVIEW

The Composite Scheme of Arrangement between Upper Ganges Sugar & Industries Ltd, The Oudh Sugar Mills Ltd, Palash Securities Ltd, Allahabad Canning Ltd, Ganges Securities Ltd, Cinnatollah Tea Ltd, Vaishali Sugar & Energy Ltd, Magadh Sugar & Energy Ltd and Avadh Sugar & Energy Ltd and their respective shareholders and creditors has received requisite approvals of regulatory authorities including Hon'ble High Court, SEBI, CCI and finally by National Company Law Tribunal, Allahabad Bench on March 2, 2017. The Scheme envisaged Birla Group of Sugar Companies to re-arrange its business activities, to achieve the Business alignment as per market dynamics and variant capital needs of each business as well as to housed geographically in separate entities its sugar, investments, tea and food processing businesses. Pursuant to the said Scheme the investment business undertakings of The Oudh Sugar Mills Ltd stands transferred and vested with the company from the effective date. Pursuant to transfer of investment undertaking the following companies becomes wholly owned subsidiary of the Company.

- OSM Investment & Trading Company Limited
- Champaran Marketing Company Limited
- Hargaon Investment & Trading Company Limited
- Hargaon Properties Limited
- Allahabad Canning Limited

The businesses of the Company are carried out by its wholly-owned subsidiaries. The Management's focus is to achieve a healthy return on equity (ROE) on a sustainable basis. The performance of your company during the year ended 31st March 2017 was satisfactory. The first three being wholly owned subsidiaries of the Company viz: OSM Investment & Trading Company Limited; Champaran Marketing Company Limited; Hargaon Investment & Trading Company Limited and are registered NBFC with RBI and primarily engaged in investment activities and whereas Hargaon Properties Ltd is a step down subsidiary engaged in investment of properties. And the other wholly owned subsidiary Allahabad Canning Ltd is engaged in the Food Processing Business thereby producing all types of Canned Fruits & Vegetables, Jams Jellies, Marmalades, Juices, Tomato Ketchup/Puree/Sauce, Vegetable Sauces, Squashes, Breakfast cereals like cornflakes, chocos, white oats etc.

OUTLOOK

The Company's present business operations are preponderantly that of an investment company, future of which largely depends upon financial and capital markets. Your Company through its wholly owned subsidiaries had investments in financially sound group companies under which steady dividend income flows into the Company coupled with sustained appreciation in capital. The Management is optimistic about the future outlook of the investee Companies. Further, more promising areas of activity are being explored on a sustained basis. The Company will strive to focus on making long-terms strategic investments in various new ventures promoted by the Group besides consolidating the existing investments through further investments in the existing companies.

FUTURE PROSPECTS

India's economic growth rate as measured through GDP showed signs of steady recovery in F.Y. 2016-17 at around 7% as compared to 7.6% in 2015-16. Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of the Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST), and the action to demonetise the two highest denomination notes. The GST will create a common Indian market, improve tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism. Demonetisation has had short-term costs but holds the potential for long- term benefits. Follow-up