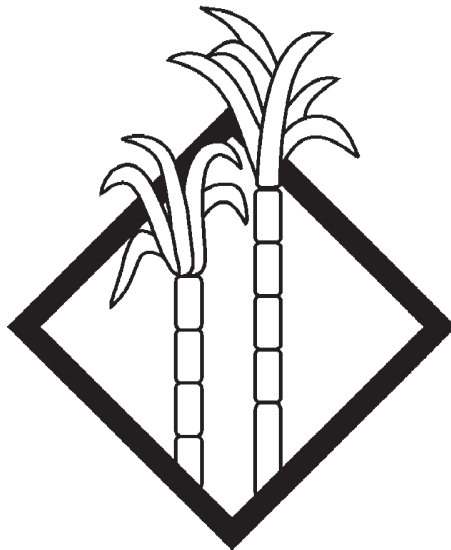


SBEC Sugar Limited



T W E N T Y F O U R T H A N N U A L R E P O R T

2018

**BOARD OF DIRECTORS**

| | |
|------------------------------|--|
| Shri. Umesh K Modi | - Chairman & President |
| Smt. Kum Kum Modi | |
| Shri. Abhishek Modi | - Executive Director & Chief Executive Officer |
| Shri. Jayesh Modi | |
| Shri. Vijay Kumar Modi | |
| Shri. Narayan Prakash Bansal | |
| Shri. Rajeev Kumar Agarwal | |
| Shri. Jagdish Chandra Chawla | |
| Shri. Shyam Babu Vyas | |
| Shri. Rohit Garg | |
| Shri. Raj Kumar Sharma | |

CHIEF FINANCIAL OFFICER

| | |
|-------------------|---|
| Shri. L.C. Sharma | - [Resigned from the post of Chief financial officer w.e.f. 31.10.2017] |
| Shri. A.K. Goel | - [Appointed as Chief Financial Officer w.e.f 01.11.2017] |

COMPANY SECRETARY

Shri. Shobit Nehra

AUDITORS

M/s K.K. Jain & Co.
184, Garud Apartments,
Pocket-IV, Mayur Vihar,
Phase-1, Delhi-110 091

BANKERS

Axis Bank Ltd.
Punjab National Bank
State Bank of India

REGISTERED OFFICE & PLANT

Village : Loyan Malakpur,
Tehsil : Baraut - 250 611,
Distt. Baghpat,
Uttar Pradesh

REGISTRAR & SHARE TRANSFER AGENT

M/s Beetal Financial & Computer Services (P) Ltd.
Beetal House, 3rd Floor, 99 Madangir,
Near Dada Harsukhdas Mandir,
Behind Local Shopping Centre,
New Delhi-110062

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DIRECTORS' REPORT

To,
The Shareholders,
SBEC Sugar Limited

Dear Members,

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2018.

FINANCIAL RESULTS

The summarised financial results of SBEC Sugar Ltd. as well as Consolidated with its subsidiaries i.e. SBEC Bioenergy Limited and SBEC Stockholding and Investment Limited for the financial year ended 31st March, 2018.

| Financial Parameters | STANDALONE | | CONSOLIDATED | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | Period ended 31.03.2018 | Period ended 31.03.2017 | Period ended 31.03.2018 | Period ended 31.03.2017 |
| Profit before interest, Depreciation, exceptional items and tax | (11,044.14) | (6,356.12) | (12,140.76) | (8,017.36) |
| Interest | 806.43 | 789.45 | 1,618.68 | 1,541.91 |
| Depreciation | 1,789.16 | 1,791.35 | 1,999.72 | 1,987.21 |
| Exceptional Items - Income | | | | |
| Profit before tax | (8,448.55) | (3,775.31) | (8,522.36) | (4,488.23) |
| Provision for taxation | | | 10.23 | (51.04) |
| Profit after tax | (8,448.55) | (3,775.31) | (8,532.60) | (4,437.19) |
| Other Comprehensive Income | 8.72 | (26.88) | 11.09 | (26.69) |
| Total Comprehensive Income | (8,439.84) | (3,802.19) | (8,521.50) | (4,463.89) |

The aforesaid financial highlights are based on the Company's first Indian Accounting Standards ('Ind AS') Audited Standalone and consolidated financial statements for the year ended 31st March, 2018 prepared in accordance with the Accounting Standards as notified under Section 133 of the Companies Act, 2013.

DIVIDEND & RESERVES

As the Company has incurred loss during the year under review, your Directors have not recommended any dividend for the financial year ended March 31, 2018.

SHARE CAPITAL

The paid up Equity capital as on March 31, 2018 was Rs.4765.38 Lacs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

OPERATIONS

The crushing for the season 2017-18 started on 24th October, 2017 and cane crushed during season 2017-18 was 146.27 Lac Qtls as compared to 106.52 Lac Qtls in the last season.

| Particulars | Unit | Sugar Season | | |
|------------------|---------|--------------|---------|---------|
| | | 2015-16 | 2016-17 | 2017-18 |
| Cane Crush | Lac Qtl | 94.84 | 106.52 | 146.27 |
| Recovery | % | 9.56 | 9.37 | 9.73 |
| Sugar Production | Lac Qtl | 9.08 | 10 | 14.24 |

Intensive cane development work done in the last years the Company achieved higher cane crush by 39.75 lakh Qtls and higher recovery by 0.36% over the previous year. With gradual acceptance of sugarcane variety Co-0238 by the farmers of the area, the cane production throughout the State gradually increased, resulted in excess sugar production leading to a steep decline in current sugar prices as compared to last year. The State Government decided sugarcane prices in a manner that is not linked to sugar prices. Unviable sugarcane prices impact the profitability of the Company.

The Company continued to focus on cane development activities, comprising clean cane, varietal change and modern agriculture practices that is expected to improve recovery in the coming years.

MATERIAL CHANGES AND COMMITMENTS

No material changes or commitments have occurred between the end of the financial period to which the financial statements relate and the date of this report, affecting the financial position of the Company.



SUBSIDIARY COMPANIES

As on March 31st 2018, the Company has one Wholly Owned Subsidiary i.e. SBEC Stockholding & Investments Limited and one Subsidiary i.e. SBEC Bioenergy Limited. There are no associates companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). There has been no material change in the nature of the business of the subsidiaries.

In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared a consolidated financial statement of the Company and all its subsidiary companies, which is forming part of the Annual Report. A statement containing salient features of the financial statements of the subsidiary companies are annexed in Form AOC-1 and marked as "**Annexure-A**" to the Annual Financial Statements.

In accordance with the provisions of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company containing standalone and consolidated financial statements has been placed on the website of the Company, www.sbecsugar.com. Further, the audited accounts of the Subsidiary Companies and the related detailed information have also been placed on the website of the Company www.sbecsugar.com. A copy of annual accounts of subsidiaries will be made available to shareholders seeking such information at any point of time.

On the basis of Audited Financials Accounts of the Company for the FY.17-18 the Company has two Material Subsidiaries Company i.e. SBEC Bioenergy Limited and SBEC Stockholding & Investment Limited. The Minutes of the Board Meetings of the subsidiary companies are placed at the Board Meetings of the Company. Details of significant transactions and arrangements entered into by the subsidiary companies are noted by the Board. The Audit Committee of the Company reviews the financial Statement of the subsidiary companies including investments made. There has been no change in relationship of any subsidiary company during the financial year.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the financial period 2017-18, are prepared in compliance with applicable provisions of the Companies Act, 2013, Indian Accounting Standard (Ind AS) and SEBI (LODR) Regulations, 2015.

DIRECTORS

Shri. Abhishek Modi re-appointed as Whole Time Director Designated as Executive Director of the Company w.e.f. 10th July, 2018 for a period of five (5) year subject to the approval of shareholders in the forthcoming Annual General Meeting.

Shri. R.K. Sharma re-appointed as a Manager of the Company w.e.f. 14th June, 2018 for a period of one (1) year subject to the approval of shareholders in forthcoming Annual General Meeting.

In accordance with the provisions of Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Smt. Kumkum Modi (DIN 00522904), Non-Executive Director of the Company retires by rotation at the ensuring Annual General Meeting and being eligible for re-appointment.

KEY MANAGERIAL PERSONNEL (KMP)

During the financial period ended 31.03.2018, following persons are Whole Time Key Managerial personnel (KMP) of the Company in terms of provisions of Section 203 of the Companies Act, 2013:

| Sl. No. | Name | Designation |
|---------|------------------------|-------------------------|
| 1. | Shri. Abhishek Modi | Whole Time Director |
| 2. | Shri. Raj Kumar Sharma | Manager |
| 3. | Shri. L.C. Sharma* | Chief Financial Officer |
| 4. | Shri. Anil Kumar Goel# | Chief Financial Officer |
| 5. | Shri. Shobit Nehra | Company Secretary |

*Mr. L.C. Sharma has resigned from the post of Chief Financial Officer of the Company w.e.f. 31st October, 2017.

#Mr. Anil Kumar Goel was appointed as Chief Financial Officer w.e.f. 1st November, 2017.

BOARD MEETINGS

The Board met Seven times during the financial year 2017-18, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and the SEBI (LODR), Regulations, 2015.

FORMAL ANNUAL EVALUATION

Pursuant to the requirements of Section 134(3)(p) of the Companies Act, 2013 read with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements), 2015, the Board has carried out a performance evaluation of itself, its Committees, the Chairman and each of the other Directors.

A structured questionnaire was prepared after taking into consideration the inputs received from the Directors covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligation and governance.

A separate exercise was carried out to evaluate the performance of individual directors including the Chairman of the Board. The performance evaluation of Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors at their meeting held separately.

At the conclusion of the evaluation exercise, the Members of the Board assessed that the Board as a whole together with each of its Committees was working effectively in performance of its key functions.

SCHEME OF AMALGAMATION FOR MERGER OF SBEC BIOENERGY LIMITED WITH THE COMPANY

The Board of Directors of your Company and the Board of Directors of the SBEC Bioenergy Limited ('SBL') at their respective meetings held on July 28, 2017, had approved a Scheme of Amalgamation of SBL with the Company subject to approval of the shareholders of both the



Companies, NCLT and other regulatory authorities. After that the Company gave several disclosure to the Bombay Stock Exchange and also applied before the Stock Exchange for no objection certificate regarding the Scheme of Amalgamation under regulation 37 of SEBI (LODR) Regulations, 2015. On 15th December, 2017, the Company received the observation letter/ no objection certificate from the stock Exchange regarding the Scheme of Amalgamation. However, subsequent to observation letter/ no objection certificate received from the Stock Exchange, the Unsecured Creditors (especially Cane Societies) deny/made reservations for the NOC regarding the Scheme of Amalgamation.

Considering the above factors and other organizational issues, the Board of Directors rescind the Scheme of Amalgamation between the Company and M/s. SBEC Bioenergy Limited (its Subsidiary Company).

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 134 (5) of the Companies Act, 2013, your Directors to the best of their knowledge and belief and according to information and explanations obtained from the management, confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards have been followed and there are no material departures from the same;
- the Board of Directors have selected such accounting policies and applied them consistently and made judgements and estimates 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, 2018 and of the profit and loss of the Company for the year ended on that date;
- the Board of Directors have taken proper and sufficient care 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;
- The Directors have prepared the Annual Accounts on a going concern basis.
- The Directors have laid down proper internal financial controls to be followed by the Company and such controls are adequate and operating effectively; and
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

DECLARATION FROM INDEPENDENT DIRECTORS

All Independent Directors of the Company have given declarations that they meet the criteria of Independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (LODR), Regulations, 2015.

INTERNAL FINANCIAL CONTROLS

Your company has in place an adequate internal control system in order to ensure that all transactions are authorized, recorded and reported correctly and that all assets are protected against the perils of unauthorized use or disposition. Towards enhancing the efficiency of internal controls, services of consultants are hired wherever necessary, and their suggestions are reviewed and implemented. Your Company has in place an Internal Audit system, whereby an independent professionals firm of Internal Auditors conducts regular audit across the Company and their scope and findings are reviewed by the Management and Audit Committee on a regular basis.

The Audit Committee of the board also meets periodically to review the internal controls, internal audit findings, action taken reports and to advise the management on corrective policies, if any.

AUDITORS AND AUDITORS REPORT

Statutory Auditors

M/s. K. K. Jain & Co. Chartered Accountants (FRN.02465N) were appointed as Statutory Auditors of the Company by the shareholders at the 23rd Annual General Meeting held on August 29, 2017 to hold office upto the conclusion of the 28th Annual General Meeting.

STATUTORY AUDITOR'S REPORT

The Auditors Report contains qualifications and the Company has given its comments on Auditor Qualified Opinion for the Financial Year 2017-18. The details are mentioned here under:

Response to Qualified Opinion (i)

The Indian sugar industry, particularly in the state of Uttar Pradesh, had faced difficulties on account of increasing sugarcane prices, lower sugarcane recoveries and lower sugar prices resulting in under recovery of cost of production. A Public Interest Litigation PIL (c) No. 21444 of 2017 filed before the Hon'ble High Court (Lucknow Bench) against the Company where the Hon'ble Court on 18.01.2018 directed that the Company will not utilize any part of the sale proceeds of the sugar received for the year 2017-18 except for making payment of cane growers for the year 2017-18 and 2016-17. The Company has therefore not provided the interest in the books for the season 2017-18, 2016-17 and has decided to account for the same on actual payment basis.

Response to Qualified Opinion (ii)

Due to the financial distress in SBEC Bioenergy Limited (SBL) and its inability to liquidate the liability of Rs. 8,300 lacs, it had offered to the Company to take back the assignment of MIL Debt, which was agreed by the Company. Therefore management is of the opinion that no provision is required.

COST AUDITORS

As per the requirement of the Central Government and pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company's cost records are subject to Cost Audit.

The Board of Directors, on the recommendation of the Audit Committee, have appointed M/s. M.K. Singhal & Co., Cost Accountants, as the



Cost Auditors to audit the cost accounting records maintained by the Company for the financial year 2018-19 on a remuneration of Rs.60,000/- plus taxes as applicable and reimbursement of out of pocket expenses. As required under the Companies Act, 2013, a resolution seeking member's approval of the remuneration payable to the Cost Auditor forms part of the notice convening the Annual General Meeting.

SECRETARIAL AUDITOR

The Board appointed M/s R.K. Singhal & Associates, Practicing Company Secretaries, as the Secretarial Auditor to undertake the Secretarial Audit of the Company for Financial Year 2017-18. The Report of the Secretarial Audit is given in "**Annexure-B**" to this Report.

The observation in secretarial audit report are self-explanatory and therefore not call for any further explanation.

FIXED DEPOSITS

During the financial year, Company has not accepted any deposit from public within the meaning of section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposit) Rules, 2014.

RISK MANAGEMENT POLICY

As per Section 134(3) (n) of the Companies Act, 2013, the Company has adopted a Risk Management Policy which is reviewed on a periodic basis in order to recognize and reduce exposure to risks wherever possible. The Company's risk management policies are based on the philosophy of achieving substantial growth while mitigating and managing risks involved. Major risks identified are discussed at the meetings of the Audit Committee and the Board of Directors of the Company.

AUDIT COMMITTEE

The Audit Committee comprises of four Independent Directors, viz., Shri. R.K. Agarwal as Chairman, Shri. J.C. Chawla, Shri. Vijay Kumar Modi and Shri. Shyam Babu Vyas as Members. The details of terms of reference of the Audit Committee, number and dates of meeting held, attendance, among others are given separately in the attached Corporate Governance Report.

NOMINATION AND REMUNERATION COMMITTEE

Pursuant to the provisions of Section 178 of the Companies Act, 2013 read with Rules made there under, the Board has constituted a Nomination & Remuneration Committee and the details of terms of reference, number & dates of meeting held, attendance and other details are given separately in the attached Corporate Governance Report. The Board on the recommendation of Nomination & Remuneration Committee framed a policy i.e. Nomination and Remuneration Policy for selection and appointment of Directors, senior managerial personnel and their remuneration.

REMUNERATION POLICY

The Company has adopted a Remuneration Policy for executive and non-executive directors and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration as approved by the Board of Directors on the recommendation of Nomination and Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders and such other authorities as the case may be. The Non-Executive Directors do not draw any remuneration from the Company except sitting fee paid to them for each meeting of the Board/ Committee thereof attended by them. The aforesaid policy can be accessed on the Company's website www.sbecsugar.com

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES.

Pursuant to the provisions of the Section 135 of the Companies Act, 2013 (the Act), the CSR provisions are not applicable as per immediately preceding year financials of the Company. The CSR Committee constituted by the Board of Directors have been dissolved w.e.f. 9th August, 2018.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is enclosed in "**Annexure-C**" and forms part of this Report.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information required under Section 197(12) of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Board's Report for the year ended March 31, 2018 are given in "**Annexure - D**" to this Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the financial year 2017-18, the company has neither made any investment nor given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.

RELATED PARTY TRANSACTIONS

The transactions entered with related parties during the year under review were on Arm's Length basis and in the ordinary course of business. The provisions of Section 188 of the Companies Act, 2013 are therefore, not attracted. All related party transactions were approved by the Audit Committee and the Board. The relevant information regarding related party transactions has been set out in Note No. 31 of the Financial Statements for the financial year ended 31.03.2018. Thus, disclosure in Form AOC-2 is not required.

The Board has framed a Policy on related party transactions and placed the same on the Company's website at www.sbecsugar.com.

VIGIL MECHANISM & WHISTLE BLOWER POLICY

The Company has formulated and implemented the Whistle Blower Policy/ vigil mechanism. This has provided a mechanism for directors and employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee; any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. The aforesaid policy has also been uploaded on the Company's website at www.sbecsugar.com.

EXTRACT OF THE ANNUAL RETURN

The details of the extract of the Annual Return in Form MGT-9 as per the provisions of Section 92 of Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014 is annexed herewith and marked as "**Annexure-E**" to this Report.



COMPLIANCE OF SECRETARIAL STANDARD

The Company has complied with the Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government as required under Section 118(10) of the Companies Act, 2013.

LISTING OF SECURITIES

The equity shares of your Company are listed on the Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association Limited. The Company's application for delisting of shares with The Calcutta Stock Exchange Association Limited is still pending.

BOARD DIVERSITY

The Company recognizes and embraces the importance of a diverse board in its success. We believe that a truly diverse board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will help us retain our competitive advantage. The Board has adopted the Board Diversity Policy which sets out the approach to diversity of the Board of Directors. The Board Diversity Policy is available on our website (www.sbecsugar.com). More detail on diversity is available in the corporate governance report that forms part of this Annual Report.

CORPORATE GOVERNANCE

In Compliance with Regulation 17 to 27 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, a detailed Corporate Governance Report has been given elsewhere in this report, along with Management Discussion and Analysis Report, which form an integral part of the Annual Report.

A certificate from R.K. Singhal & Associates, a firm of Company Secretaries in practice confirming compliance by the Company with the conditions of Corporate Governance as stipulated under part E of schedule V of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015 is attached to this report.

The Whole Time Director and the Chief Financial Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under SEBI (LODR), Regulations, 2015.

PERSONNEL RELATIONS

Your directors hereby place on record their appreciation for the services rendered by the executives, staff and workers of the Company for their hard work, dedication and commitment. During the year under review, relations between the employees and the management continued to remain cordial.

APPRECIATION

Your directors thank the various Central and State Government Authorities and Agencies for the continued help and cooperation extended by them. The Directors gratefully acknowledge all stakeholders of the Company viz., farmers, customers, members, dealers, vendors and banks for their excellent support during the year. The Directors also place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued cooperation to the Company.

For & behalf of the Board
SBEC Sugar Limited

Place: New Delhi
Date: 09TH August, 2018

Sd/-
Abhishek Modi
(Whole Time Director)
(DIN: 00002798)

Sd/-
R.K. Agarwal
(Director)
(DIN: 00298252)

ANNEXURES TO THE BOARD'S REPORT

"ANNEXURE - A "

"FORM- AOC-1"

Pursuant to first proviso to sub-section (3) of section 129 of the Companies Act, 2013, read with rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of The Financial Statements of Subsidiaries or associate companies or Joint ventures.

PART A - SUBSIDIARIES

(Amount in Rs.) (except % of Shareholding)

| S.No | Name of the Subsidiary Company | Date on which Subsidiary was acquired | Financial period ended | Exchange Rate | Share Capital | Reserves & Surplus | Total Assets | Total Liabilities | Investments | Turnover | Profit before Taxation | Profit after Taxation | Proposed Dividend | % of Shareholding |
|------|---------------------------------------|---------------------------------------|------------------------|---------------|---------------|--------------------|---------------|-------------------|-------------|-------------|------------------------|-----------------------|-------------------|-------------------|
| 1. | SBEC Bioenergy Limited | 12.03.1997 | 31-Mar-18 | INR | 230,000,000 | 583,532,828 | 2,309,061,819 | 2,309,061,819 | 109,356,580 | 166,086,549 | (7,348,634) | (8,371,983) | Nil | 55% |
| 2. | SBEC Stockholding Investments Limited | 09.06.2001 | 31-Mar-18 | INR | 45500000 | (4,689,693) | 379,787,522 | 379,787,522 | 379,251,000 | - | (30,570) | (30,570) | Nil | 100% |

For & behalf of the Board
SBEC Sugar Limited

Place: New Delhi
Date: 09TH August, 2018

Sd/-
Abhishek Modi
(Whole Time Director)
(DIN: 00002798)

Sd/-
R.K. Agarwal
(Director)
(DIN: 00298252)



Form No. MR-3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended On 31st March, 2018

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014)

To,
The Members

SBEC SUGAR LIMITED**Vill. Lohan Malakpur, Baraut, Distt Baghpat, Uttar Pradesh**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SBEC SUGAR LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; as amended from time to time;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28th October, 2014 (Not applicable to the Company during the audit period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the audit period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the audit period) and;
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the audit period).
- (vi) **OTHER APPLICABLE ACTS,**
 - (a) The Factories Act, 1948
 - (b) The Payment of Wages Act, 1936, and rules made thereunder,
 - (c) The Minimum Wages Act, 1948, and rules made thereunder,
 - (d) The Payment of Gratuity Act, 1972
 - (e) The Employees Provident Fund & Miscellaneous Provisions Act, 1952.
 - (f) The Payment of Bonus Act, 1965, and rules made thereunder,
 - (g) The Industrial Dispute Act, 1947
 - (h) The Water (Prevention & Control of Pollution) Act, 1974, Read with Water (Prevention & Control of Pollution) Rules, 1975,



- (i) The Air (Prevention & Control of Pollution) Act, 1981 Read with the Air (Prevention & Control of Pollution) Rules, 1982
- (j) The Contract Labour (Regulation and Abolition) Act, 1970
- (k) The Industrial Employment (Standing Orders) Act, 1946
- (l) The Sugar Cess Act, 1982
- (m) The Levy Sugar Price Equilisation Fund Act, 1976
- (n) The Food & Safety Standards Act, 2006
- (o) The Essential Commodities Act, 1955
- (p) Insolvency and Bankruptcy Code, 2016
- (q) Indian Boilers Act, 1923
- (r) The Uttar Pradesh Vacuum Pan Sugar Factories Licensing Order 1969
- (s) Sugar Control Order, 1966

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations Guidelines, Standards, etc mentioned above.

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exist for seeking and obtaining further information and clarifications on agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report as under:

1. The Company has two Material Subsidiary i.e. SBEC Bioenergy Limited and M/s SBEC Stockholding Investments Limited. As per SEBI Circular No. SEBI/LAD-NRO/GN/2018/10 dated 9th May 2018 the Secretarial Audit of the Material Subsidiaries will be conducted for the year ending 31.03.2019. During the year under audit reliance has been placed on the Statutory Auditors of the said companies for compiling the Secretarial Audit Report of SBEC Sugar Limited..
2. That the company had received a settlement notice from the Bombay Stock Exchange dated 16.05.2017 for violation of regulation 13(6) of SEBI (Prohibition of Insider Trading), Regulations, 1992 with respect to delayed filing of disclosure under Regulation 13(6) of PIT Regulations to Stock Exchange consequent to change in shareholding of promoter from 54.46% to 63.86%.
In this Connection the Company has filed Application for settlement, without admitting or denying the findings of fact and conclusion of law on 29.06.2017 and on 10.08.2017 with the settlement division, Enforcement Department-2 of Securities and Exchange Board of India.
Consequent to the deliberations of terms of settlement with Internal Committee of SEBI on 24th April 2018, the authorized representative of the company made an application for revision of settlement terms to settle the defaults vide letter dated April 27th 2018.
Upon receipt of the application for revision of settlement terms, the High Powered Advisory Committee in its meeting held on 14th May 2018 recommended to Panel of whole time members of SEBI for settlement of alleged default of the company upon payment of Rs. 9,49,400/- by the company as settlement charges, which was accepted by the Panel of whole time members of SEBI and intimated to the Company on June 15, 2018.
As per the revised terms of settlement the company has deposited the settlement charges of Rs. 9,49,400/- on June 21, 2018 by way of demand draft.
Upon payment of settlement charges in accordance with settlement terms, the proposed adjudication proceedings against the company were settled and dropped by SEBI as per the terms of settlement vide settlement letter dated 12th July 2018.
3. That during the year under Audit 2017-18 the Company proposed the Amalgamation with its Subsidiary Company SBEC Bio-energy Limited for operational synergies in the Board Meeting held on 28th July 2017. In pursuance of the scheme of amalgamation the company made various compliances which apart from other actions includes various intimations to Stock exchange, disclosures on website of the



Company and payment of non refundable process fees of Rs. 5,00,000/- to Bombay Stock Exchange on 27th September 2017.

On 15th December 2017 the Company received an observation letter/ no objection certificate from Bombay Stock Exchange.

However, subsequent to observation letter/ no objection certificate received from the Stock Exchange, the Unsecured Creditors (especially Cane Societies) conveyed their dissent for the NOC regarding the Scheme of Amalgamation.

Considering the above factors and other organizational issues, the Board of Directors rescinded the Scheme of Amalgamation between the Company and M/s. SBEC Bioenergy Limited (its Subsidiary Company).

**For R. Singhal & Associates
Company Secretaries**

**(Rahul Singhal)
Prop.
M. No. 029599**

**PLACE: NEW DELHI
DATED: 09.08.2018**

Note: This report is to be read with the note given below which forms an integral part of this report.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have relied on the audited financial statements for the year ended on 31.03.2018 for the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. That the details of disputed liabilities and demands raised by various authorities including U P VAT, Central Excise, Service Tax Authorities, Corporate Guarantee given to Govt. of Jharkhand against soft loan given to group company Bihar Sponge Iron Ltd., Guarantee given on behalf of SBEC Bio Energy Ltd., Interest and RCC charges on Cane Arrears payment that have not been acknowledged as debts by the company have been detailed in Notes to the Financial Statements. We have relied on the statement issued by the company and as incorporated in the audited Financial Statements for the year ending 31.03.2018.
7. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For R. Singhal & Associates
Company Secretaries**

**(Rahul Singhal)
Prop.
M. No. 029599**

**PLACE: NEW DELHI
DATED: 09.08.2018**

"ANNEXURE-C"

Information to be given under Section 134 read with Rule 8(3) of the Companies (Accounts) Rules, 2014

A. CONSERVATION OF ENERGY

i) The steps taken or impact on conservation of energy

1. Zero Liquid discharge as per Central Pollution Control Board / National Green Tribunal directions.
2. Cooling tower installed on hot water Under Ground Reservoir (UGR) for cooling of excess condensate water was commissioned and made operational under zero water discharge programme.
3. Use of CFL and LED lighting in Factory and Guest house to reduce the power load.
4. Installation of Variable Frequency Drives (VFD) at feed pump to save energy.
5. 100% lagging of steam carrying lines to minimise heat loss.
6. Additional power capacitor in the power house, all MCC and PCC rooms to increase power factor to reduce power consumption.