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SEVENTY FOURTH

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ANNUAL

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REPORT

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2007-2008

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*Sir Shadi Lal  
Enterprises Ltd.*

## SIR SHADI LAL ENTERPRISES LIMITED



## SIR SHADI LAL ENTERPRISES LIMITED

**BOARD OF DIRECTORS** :

Shri Onke Aggarwal-Chairman  
 Shri Rajat Lal-Managing Director  
 Shri K.B.Lal-Sr.Executive Director-cum-Secretary  
 Shri Vivek Viswanathan-Executive Director  
 Shri Hemantpat Singhania  
 Smt. Sudha Singhania  
 Smt. Manjula Viswanathan  
 Shri R.L. Srivastava  
 Shri R.C. Sharma  
 Shri P.K. Viswanathan

**BANKERS** :

State Bank of India  
 Punjab National Bank

**AUDITORS** :

Messrs. Basant Ram & Sons  
 Chartered Accountants  
 A-18, Nizamuddin East,  
 Murli Marg, New Delhi-110 013

**REGISTERED OFFICE** :

4-A, Hansalaya, 15, Barakhamba Road,  
 New Delhi-110 001

**MANUFACTURING UNITS** :

Upper Doab Sugar Mills  
 Shamli, Distt. Muzaffarnagar (U.P.)

Unn Sugar Complex  
 Block Unn, Distt. Muzaffarnagar (U.P.)

Shamli Distillery & Chemical Works  
 Shamli, Distt. Muzaffarnagar (U.P.)

Pilkhani Distillery & Chemical Works  
 Pilkhani, Distt. Saharanpur (U.P.)



## SIR SHADI LAL ENTERPRISES LIMITED

## SIR SHADI LAL ENTERPRISES LIMITED

Regd. Office : 4-A, Hansalaya, 15, Barakhamba Road, New Delhi-110 001

## NOTICE FOR THE 74th ANNUAL GENERAL MEETING

Notice is hereby given that the 74th Annual General Meeting of the Shareholders of Sir Shadi Lal Enterprises Limited will be held on Wednesday, the 17th September, 2008 at 11.30 A.M. at P.H.D. House, Opposite Asian Games Village, New Delhi - 110 016 to transact the following business :

**A. ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008, Profit & Loss Account for the year ended on that date, and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt. Sudha Singhania, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Shri Hemantpat Singhania, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Manjula Viswanathan, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**B. SPECIAL BUSINESS:**

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED that in accordance with the provisions of sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of Central Government and subject to such approvals as may be necessary if required, the consent of the Company be and is hereby accorded to the re-appointment of Shri Rajat Lal as Managing Director of the Company for a period of five years w.e.f. 01.04.2009 on the terms, conditions and remuneration as are set out in the explanatory statement of this resolution”.

“RESOLVED further that the ‘Remuneration Committee’/Board of Directors of the Company be

and is hereby authorized to alter, vary and modify the terms and conditions of the said appointment and/or remuneration and perquisites including the monetary value thereof as specified in the explanatory statement to the extent the ‘Remuneration Committee’/Board of Directors may consider appropriate, as may be permitted or authorized in accordance with any provision under the Companies Act, 1956 or schedule appended thereto for the time being in force or any statutory modification or re-enactment thereof and/or in rules or regulations promulgated there under.”

By order of the Board

Place : New Delhi

Dated : 26<sup>th</sup> July, 2008K. B. Lal  
Secretary**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.

Proxies in order to be effective must be received at the registered office of the company not less than 48 hours before the Annual General Meeting

2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business under item No.6 set out above is annexed.
3. Information required pursuant to Clause 49 VI(A) of the listing agreement with Delhi Stock Exchange/Bombay Stock Exchange Ltd. regarding the appointment of a Director or re-appointment of Directors is annexed.
4. The register of Members and share transfer books of the Company will remain closed from 3<sup>rd</sup> September, 2008 to 5<sup>th</sup> September, 2008 (both days inclusive)
5. Shareholders are requested to intimate to the Company or to the Share Transfer Agent of the Company, M/s. Alankit Assignments Limited, change if any, in their registered addressess.
6. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company or to the Share Transfer Agents of the Company, M/s. Alankit Assignments Limited, to enable it to consolidate their holdings in one folio.

## SIR SHADI LAL ENTERPRISES LIMITED



7. Members are requested to bring their copies of the Report and Accounts to the meeting.
8. Members who require any information about the accounts to be explained in the meeting are requested to inform the Company about the intended query at least seven days in advance of the meeting.
9. Pursuant to section 205A of the Companies Act, 1956, all unpaid/unclaimed dividends declared for and up to the accounting period ended 31<sup>st</sup> March, 1994 have been transferred to the General Revenue Account of Central Government. Members, who have not yet encashed their dividend warrants for the said period, are requested to claim the amount from the Registrar of Companies, National Capital Territory of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, New Delhi.
10. Pursuant to section 205A and 205C of the Companies Act, 1956, unpaid/unclaimed dividends for the year 1994-95, 1995-96, 1996-97, 1997-98, 1998-99 and interim and final dividend 1999-2000 have been transferred by the Company to "Investor Education & Protection Fund"(IEPF) constituted by the Central Government under section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of section 205B of the Companies Act, 1956, no claim shall lie for the unclaimed Dividend from IEPF by the shareholders.
11. Pursuant to the Provisions of section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31<sup>st</sup> March, 2001 and thereafter which remain unclaimed for a period of seven years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956 as detailed below:

Financial Year	Date of Declaration of Dividend	Due date for the transfer to IEPF.
2000-01	28.09.2001	03.11.2008
2001-02	30.09.2002	05.11.2009
2003-04	16.09.2004	22.10.2011
2004-05	27.09.2005	02.11.2012
2005-06	25.09.2006	31.10.2013

Shareholders who have not so far encashed/claimed their dividend warrants for the financial year from 2000-2001, 2001-2002 & from 2003-2004 to 2005-2006 are requested to approach the Company for re-validation of dividend warrants or for obtaining duplicate dividend warrants. Shareholders are requested to note that no claim shall lie against the company or the said fund in respect of any

amounts, which were, unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claim.

12. Section 109A of the Companies Act, 1956, has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular, those holding shares in single name, are requested to avail of the above facility by furnishing to the company the particulars of their nominations. Shareholders may please write to the company for the prescribed Nomination Form.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

##### Item No. 6

Ms. Rupa Lal and Shri Rajat Lal were appointed as the Managing Directors of the Company by the Shareholders of the Company in their meeting held on 25<sup>th</sup> September, 2003 for a period of five years w.e.f. 1.4.2004 on the terms and conditions specified in the resolution. After the sad demise of Ms. Rupa Lal, Managing Director on 8.1.2004 her terms of office came to an end and since then Sh. Rajat Lal has been discharging the responsibilities of the office of the Managing Director.

The Board of Directors on the recommendation of the "Remuneration Committee of Directors" in their meeting held on 26<sup>th</sup> July, 2008 reviewed that the Managing Director is highly qualified and have experience of more than 25 years in the management of the company. The company has made significant progress and is being considered as one of the efficient and sound companies in the sugar industry in U.P. The company has also taken over the sugar unit of M/s. Monnet Sugar Ltd., situated at Block Unn, District Muzaffarnagar successfully. Sh. Rajat Lal has been discharging responsibilities of the office of the Managing Director successfully and efficiently. Therefore, the Remuneration Committee of Directors and Board of Directors have approved to re-appoint Sh. Rajat Lal as Managing Director for a further period of five years w.e.f. 1.4.2009 on the terms & conditions and remuneration including commission and perquisites as set out hereunder:

- (a) **Salary :** Rs.1,00,000/- Per month.
- (b) **Commission:** Remuneration by way of commission will also be allowed subject to the limits of total remuneration as laid down in section 198 & 309 read with Schedule XIII of the Companies Act, 1956 subject to the maximum of Rs.4.5% of the net profits as reduced by the amount paid to him by way of salary and perquisites.

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## SIR SHADI LAL ENTERPRISES LIMITED

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- (c) **Perquisites:** Sh.Rajat Lal, Managing Director will be entitled to the following perquisites in addition to the above remuneration:-

### PART-A:

- 1) **Housing** : 60% of the salary.
- 2) **Gas, Electricity & Water** : 5% of the salary.
- 3) **Medical Reimbursement** : Expenses incurred for self and family, subject to a ceiling of one month's salary per year or five months salary in a period of five years.
- 4) **Personal Accident Insurance & Medi-claim Insurance** : Premium not to exceed Rs.10,000/- per year.

### PART-B:

- 1) **Company's contribution** : towards Provident Fund @ 12% of Salary and Superannuation Fund @ 15% of Salary.
- 2) **Gratuity** : As per Rules of the Company.
- 3) **Encashment of leave** : As per rules of the Company, leave accumulated but not availed of during his tenure may be allowed to be encashed as per rules of the Company.

### PART-C:

- 1) **Car:** Provision of a chauffeur driven car for office use.
- 2) **Telephone:** Free telephone facility at residence, personal long distance calls to be paid by him.
- 3) **Entertainment Expenses:** Reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

Payments in Part-C will not be considered as perquisites for the purpose of ceiling under Sections 198 and 309 of the Companies Act, 1956.

### OTHER TERMS APPLICABLE TO THE APPOINTMENT & MINIMUM REMUNERATION:

1. He will not be paid any "Sitting fee" for attending the meetings of the Board of Directors or Committee's thereof.
2. The Board/'Remuneration Committee' may revise the

existing terms or allow any other facilities/perquisites, from time to time, within the overall ceiling.

3. In the event of absence or inadequacy of profits in any financial year, he will be paid the above remuneration excluding commission as minimum remuneration, subject to the overall ceilings laid down in Section II of Part-II of Schedule XIII.

(In that event, contribution to Provident Fund and Superannuation Fund to the extent these are exempted under the Income-tax Act, 1961 and gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites).

4. He will not become interested or otherwise concerned personally or through his relatives, in any selling agency of the Company, without the prior approval of the Company Law Board.
5. The appointment may be terminated by either party by giving six calendar month's notice in writing or lesser notice as may be agreed to.

In the event of termination of the appointment by the Company, he will be entitled to receive compensation in accordance with the Provisions of section 318 of the Companies Act, 1956.

Your Directors recommend appointment of Mr. Rajat Lal as the Director and the Managing Director of the Company.

Mr. Rajat Lal, Mr. Hemantpat Singhania and Mrs. Sudha Singhania being related are interested in this resolution.

### INSPECTION:

A copy of the terms of appointment including payment of remuneration of Sh.Rajat Lal, Managing Director is available for inspection by the members of the Company at the registered office of the Company on all working days between 11.00 A.M. to 1.00 P.M.

By order of the Board

Place : New Delhi  
Dated : 26<sup>th</sup> July, 2008

**K. B. Lal**  
Secretary

## SIR SHADI LAL ENTERPRISES LIMITED



## ANNEXURE TO THE A.G.M. NOTICE

## INFORMATION PURSUANT TO CLAUSE 49 VI (A) OF THE LISTING AGREEMENT REGARDING APPOINTMENT OF A NEW DIRECTOR OR REAPPOINTMENT OF A DIRECTOR.

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Specialised Expertise	Qualification	Directorship of other Companies as on 31.03.2008	Chairman/ Member of Committees of other Companies as on 31.03.2008
1	2	3	4	5	6	7	8
1.	Smt. Sudha Singhania	03.04.1936	15.05.1983	General Management more than 25 Years experience as Director of this Company.	Intermediate.	1. Meenakshi Synthetics (P) Ltd.	Nil
2	Sh. Hemantpat Singhania	15.12.1930	20.12.1955	General Management more than 52 Years experience as Director of various Companies.	Intermediate	1. K.M. Sugar Mills Ltd. 2. Meenakshi Synthetics Pvt. Ltd. 3. Sharad Carriers Pvt. Ltd.	3
3	Smt. Manjula Viswanathan	07.01.1941	29.12.1975	General Management more than 32 Years experience as Director of this Company.	M.A	Nil	Nil
4	Sh. Rajat Lal	04.09.1959	15.05.1983	General Management more than 25 Years experience as Whole Time Director of this Company.	B.Com. B.S. (U.S.A.) M.B.A. (U.S.A.)	Nil	Nil

By Order of the Board

Place : New Delhi  
Dated : 26<sup>th</sup> July, 2008

**K.B.Lal**  
Secretary





## SIR SHADI LAL ENTERPRISES LIMITED

### DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your Directors have pleasure in presenting the 74<sup>th</sup> Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2008.

In the last year report it was informed to the Shareholders that the Company has entered into an agreement with M/s Monnet Sugar Limited to acquire the business including the undertaking as a going concern of their sugar unit situated at Block – Unn, Distt. Muzaffar Nagar (U.P.). Your Directors have pleasure to inform that your Company has successfully acquired this Sugar Unit during the year. The name of the Unit has been changed to Unn Sugar Complex. With the acquisition of this Unit of 5000 TCD, the total crushing capacity of our company has increased to 11250 TCD.

#### FINANCIAL RESULTS:

During the year under review, both the segments of your Company i.e. Sugar & Alcohol, passed through a very difficult and painful period. The sugar industry in U.P. suffered heavy losses during the year due to a combination of extraneous factors such as un-remunerative sugar prices, higher production of sugar on all India basis to 285 lac tonnes in 2006-07 as compared to 127 lac tonnes in 2004-05. Since the internal consumption did not rise proportionately, the opening stock which was 40 lac tonnes on 1st October, 2005, rose to 95 lac tonnes on 1st October 2007, sufficient to meet 6 months requirement. The production for sugar season 2007-2008 is expected to be around 260 lac tonnes. With this excess production in sugar season 2007-08 and carry forward stock as on 1-10-2007, the sugar prices fell by about Rs.350 per qtl, resulting in adverse realization of Rs.32 crores in both the sugar units. In the existing scenario, the sugar units are not even covering the cost of production. The financial results for the year under review are as follows :

	(Rs. in Lakhs)
- Cash losses i.e. losses before providing for depreciation	3763.72
- Add : Provision for depreciation	1179.63
Net Loss Before Tax	4943.35
- Less : Deferred Tax Assets	1552.57
Fringe Benefit Tax	(-) 14.00
Provision for Tax relating to earlier years	(-) 310.00
Net Loss Transferred to General Reserve	3714.78

#### DIVIDEND:

Keeping in view the financial results for the year ended 31<sup>st</sup> March, 2008 and the present position of the current year, your Directors regret their inability to recommend any dividend for the year ended 31<sup>st</sup> March, 2008.

#### REVIEW OF OPERATIONS:

##### SUGAR DIVISION:

The manufacturing results of your both sugar factories for the crushing season 2007-08 as compared to last crushing season are as under :-

	Upper Doab Sugar Mills		Unn Sugar Complex	
	Season		Season	
	2007-08	2006-07	2007-08	2006-07
- Gross Working days	170	201	152	176
- Total Cane Crushed (Qtls.)	9520810	11032834	5265899	5990036
- Average Cane Crush per Crop day (Qtls.)	56005	54890	34569	33946
- Manufacturing losses (%)	2.11	2.13	1.97	1.96
- Steam Consumption cane (%)	54.21	53.93	50.00	49.62
- Average Sugar recovery (%)	9.60	9.59	9.81	9.75
- Total sugar produced	913940	1056582	516431	583970

The crop of the sugarcane has been adversely effected in U.P. during the season 2007-08 due to frost and other climatic conditions. The Sugar Mills in Uttar Pradesh which began crushing late in November, 2007 due to cane price dispute, have been closed earlier due to shortage of sugarcane supply. However, the sufficient cane were made available to your both the sugar units but the crushing is slightly less than the last crushing season as the crushing started late.

##### CANE DEVELOPMENT:

Undoubtedly, the disease free and healthy cane is a base for good sugar recovery. Your Directors are giving top priority to develop high yielding varieties of sugarcane in the reserved area of the factory. For this purpose, sizable expenses are also incurred on related activities, like development of roads in the area, supply of disease free cane seed & various pesticides at subsidized rates to the farmers besides educating them to grow such varieties of cane which are useful in the different parts of the cane crushing season.

**SIR SHADI LAL ENTERPRISES LIMITED****DISTILLERY DIVISION:**

The Distilleries could not utilize full capacity mainly due to the poor off take of finished goods due to competition, unremunerative prices, increased discounts, unfavorable excise duty structure as compared to the neighbouring states. On account of Sale of Spirit, ENA, supply of Country Liquor in U.P. and Anhydrous Alcohol to Petroleum Companies, your both the distilleries produced 10206719 BL Spirit as against 14894123 BL in the previous year. The production in the current year was lower due to stoppage of plant in unit Pilkhani Distillery on account of matter related to pollution problems.

Since the margin remained under pressure of distillery products, your distillery units have not been able to contribute to the profitability of the Company.

**MANAGEMENT ANALYSIS REPORT:**

The detailed performance of both the businesses of the Company for the year ended 31st March, 2008 as required under listing agreement has been stated in the Management Discussion and Analysis Report in the section on Corporate Governance. Current year Prospects have also been discussed under this section of Corporate Governance.

**DIRECTORS:**

On the Recommendation of "Remuneration Committee of Directors", the Board of Directors of the Company have re-appointed Shri Rajat Lal as Managing Director of the Company for a period of five years w.e.f. 01-04-2009 to 31-03-2014 on the existing terms, conditions and remuneration, subject to your approval. The experience and qualification of Shri Rajat Lal is given in the Notice convening this meeting against the relevant item of the Agenda.

The following Directors of your Company are due to retire by rotation u/s 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for the same:-

1. Smt. Sudha Singhania
2. Shri Hemantpat Singhania
3. Smt. Manjula Viswanathan

The required information pursuant to clause 49 VI A of the listing agreement regarding experience, qualifications, name of the companies in which the above Directors hold directorship and membership of the Committee of the Board are given in the notice convening this Annual General Meeting against the relevant item of the Agenda.

**AUDITORS:**

M/s. Basant Ram & Sons, Chartered Accountants, New Delhi, Auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. They have furnished a certificate to the effect that their proposed reappointment, if made, will be in accordance within the limits specified u/s 224 (1-B) of the Companies Act, 1956.

**AUDITORS' REPORT:**

There is no adverse observation in the Auditors' Report read with the relevant Notes to accounts in Schedule '16' of the Annual Accounts. Since such observations are of routine nature and self explanatory, therefore, do not require further explanation.

**PUBLIC DEPOSITS:**

We report with satisfaction the confidence of the public in placing their deposits with your Company. The total amount of fixed deposits as on 31<sup>st</sup> March 2008 was Rs.1529.58 Lakhs as against Rs. 1982.36 Lakhs as on 31<sup>st</sup> March 2007. Only a sum of Rs.1.97 Lakhs relating to four depositors was not claimed on due dates upto the end of financial year. All the deposits of Rs. 1.97 Lakhs relating to four depositors have been claimed and paid subsequently in the current financial year.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE AND OUTGO:**

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988 are given in 'Annexure 1' and forms part of this Report.

**PARTICULARS OF EMPLOYEES:**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are given in 'Annexure 2' and forms part of this Report.

**CORPORATE GOVERNANCE:**

The separate section on "Corporate Governance" including a certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is given in 'Annexure -3' and forms part of this Report.

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## SIR SHADI LAL ENTERPRISES LIMITED

### *DIRECTORS' REPORT CONTD.....*

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Sub-section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed by the company.
- (ii) that they have selected such accounting policies, applied them consistently, made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date.
- (iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing & the detecting fraud and other irregularities; and
- (iv) that they have prepared the annual accounts on a going concern basis.

#### **LISTING ARRANGEMENT:**

The shares of the Company continue to remain listed with the Delhi Stock Exchange Association Limited and the annual listing fee for the year 2008-2009 has been paid.

The Company's shares have also got listed with the Bombay Stock Exchange Limited, during the year 2007-2008. The annual listing fee for the year 2008-2009 has also been paid.

#### **CURRENT YEAR PROSPECTS:**

Sugar being an agro-based commodity, it is natural that its prices will react to supply volume during a season. In the current sugar season, which begin in October, 2007, the initial estimate of the sugar production was 310 lac tonnes of sugar for the season 2007-08 as against production of 285 lac tonnes during the season 2006-07. In view of the higher sugar production during 2006-07 and 2007-08 season the realization of sugar remained depressed around Rs.1350 per qtl. through out the year. It is now estimated that the production of sugar during the season 2007-08 (October to September) will be around 260 lac tonnes as against the initial estimate of 310 lac tonnes, due to late start of crushing season and cane crop adversely affected in U.P. due to frost and other climatic conditions.

The anticipated short fall in sugarcane production have led to firmness in the price of sugar & molasses in March-April 2008. However, thereafter, the sugar price have again come down

due to dismantling of buffer stock of sugar, it created last year to assist the sugar mills and additional release of the same in the open market. The Government initially dismantled 20 lac tonnes of buffer stock, which can now be sold in the open market between May, 2008 and September, 2008 period. Thereafter, the Government dismantled buffer stock of 30 lac tonnes with effect from 1<sup>st</sup> August, 2008 and the sugar factories have been allowed to sell the 25% of the same in domestic market from August to September, 2008 and balance 75% at any point of time during 2008-09 sugar season, commencing from 1<sup>st</sup> October, 2008. This is peculiar situation since the mills are seeing slackened demand even during this period, when the demand is usually strong. The dismantling of buffer stock of 50 lac tonnes and release of the same has put adverse pressure on the prices of sugar. At current prices of sugar, the factories are not even recovering the cane cost and working of the industry has become uneconomical.

Few State Governments, have been fixing sugar cane price on a adhoc basis at level much higher than those fixed by the Central Government Statutory Minimum Price (SMP), generally known as State Government Advised Price (SAP). The adhoc large increase in the prices of sugarcane by the State Government caused huge losses to the Sugar Factories during the year 2006-07 and with the steep decline in the sugar prices due to excessive production of sugarcane and sugar, resulting in a very inimical situation and large arrears of sugar cane price accumulated. Considering the sufferance of million of sugarcane farmers due to large arrears of sugar cane prices the Central Government have provided support to minimize the cane price arrears. For the first time the Central Government agreed to provide an interest free loan, corresponding to the Notional Excise Duty paid / payable with a moratorium of two years and refundable over a period of next two years in equal monthly installments. The Central Government has also extended WTO consistent support to promote sugar export besides creation of buffer stock of sugar to bring out some stability in the sugar prices. The State Government has again fixed the State Advised Price of sugarcane @ Rs.125/- per qtl. of general variety for the season 2007-08. Aggrieved with this the Industry approached the Hon'ble High Court, Allahabad, pleading that the State Government has fixed very high cane prices, ignoring the fact that sugar prices has crashed and there are heavy losses to the sugar factories during the season 2006-07. The cane price should be fixed after considering the realization from the sale of sugar. The Hon'ble High Court, Allahabad (Lucknow Bench) in its interim order dated 15-11-2007 directed the industries to start crushing season and make payment to the growers @ Rs.110/- per qtl. There are huge losses and cane price arrears for the season 2006-07 and season 2007-08.

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In the State of U.P. several cases were filed in the High Court in U.P., in Allahabad as well as in Lucknow. Various legal pronouncements have been made, in some cases High Court has quashed the order of the State Government fixing the cane price, in some other cases, on appeal, such orders were stayed.

The Hon'ble High Court, Allahabad (Lucknow Bench) recently vide its judgment and order dated 07-07-2008 has dismissed the Petition challenging the fixation of State Advised Cane Price (SAP) for the season 2007-08 and uphold the SAP of Rs.125/- qtl. for General variety and Rs.130/- per qtl. for early maturing variety for the crushing season 2007-08 and directed the Sugar Mills to pay the cane price at the Price determined by the State Government.

The High Court has also directed the U.P. Sugar Mills, to pay to the growers the arrears of difference at the price determined by the state government against the payment made at the rate of Rs.110/- per qtl. in pursuance of interim order dated 15-11-2007. However, on conservative basis, the company has decided to account for the liability towards the cane purchased for crushing season 2007-08 in terms of the order dated 07.07.2008 of the Hon'ble Allahabad High Court at State

Advised Price. Appeal against this order of the Hon'ble High Court is being filed with the Hon'ble Supreme Court. The relief granted by the Hon'ble Supreme Court will be accounted for on disposal of the appeal.

**INDUSTRIAL RELATIONS:**

The industrial relations have been cordial at all the plants of the Company during the year.

**APPRECIATION:**

Your Directors wish to place on record their sincere thanks and appreciation for the devoted services rendered by the employees of the Company at all levels. We also place on record our appreciation to the Financial Institutions, Banks and Government Authorities for their valuable co-operation and support from time to time. We would also like to express our thanks to our Shareholders and Depositors for their continued confidence in the Company.

For and on behalf of the board

Place : New Delhi  
Dated : 26th July, 2008

**Onke Aggarwal**  
Chairman

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