



ANNUAL REPORT

2006 - 2007

SWEET ROUTE TO SUCCESS

VENUS SUGAR LTD.

AN ISO 9001 : 2000 CERTIFIED COMPANY



VENUS SUGAR LIMITED

16TH ANNUAL REPORT 2006-2007

BOARD OF DIRECTORS

Shri G. B. Pattanaik, IAS	Chairman	(Nominee of UPSIDC)
Shri A. K. Bajaj	Director	(Nominee of UPSIDC)
Dr. B. D. Dikshit	Director	
Shri S. K. Mittal	Director	
Shri Rajeev Kumar Gupta	Director	
Smt. Shashi Rani	Director	
Shri Amar Sharma	Director	
Shri M. P. Singh	Managing Director	

Company Secretary Shri Naresh Kumar

BANKERS

State Bank of India, Lucknow & Chandausi
Punjab & Sind Bank, New Delhi
Oriental Bank of Commerce, New Delhi

AUDITORS

M/s. G. K. Nigam & Associates,
Chartered Accountants,
2061/39, Nai Wala,
Karol Bagh, New Delhi-5
Ph. : 011-25730621

COST AUDITORS

M/s. M.K. Singhal & Co.,
Cost Accountants,
'Panchvati' Opp. M.M. College,
Modi Nagar - 201204
Ph. : 01232-242726/242992

PRINCIPAL & CORPORATE OFFICE

C-493, Yojna Vihar,
Delhi - 110092
Ph. : 011-22160479, 22160489
Fax : 011-22163473

REGISTERED OFFICE & WORKS

Shiv Shakti Nagar,
Tehsil Chandausi,
Distt. Moradabad (U.P.)
Ph. : 05921-250841, 250842
Fax : 05921-256914

MEERUT OFFICE

78, Bank Street,
Meerut-250001
Ph. : 0121-2641017-18
Fax : 0121-2647064

REGISTRAR AND SHARE TRANSFER AGENT In Time Spectrum Registry Limited

A-40, IInd Floor,
Naraina Industrial Area,
Phase-II, New Delhi
Ph. No. : 011-41410592/94

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Sixteenth Annual Report alongwith the Audited Accounts of the Company for the year ended 30th June, 2007.

FINANCIAL RESULTS

The performance of the Company for the year ended 30th June, 2007 is summarized below :

	(Rs. in Lac) Year Ended June 30th, 2007	(Rs. in Lac) Year Ended June 30th, 2006
Sales	5773.06	6419.61
Profit before Interest & Depreciation	(407.60)	705.64
Less : Interest	345.13	355.06
Depreciation	291.31	284.91
Profit for the year	(1044.04)	65.67

REVIEW OF OPERATIONS

Your factory started crushing operations for season 2006-07 on 12.11.2006, which lasted till 18.04.2007. Key operational figures are as under :

	SEASON 2006-2007	SEASON 2005-2006
Duration of Season (Gross days)	157	131
Sugar Cane Crushed (Lac qtls.)	46.81	27.31
Average Recovery (%)	9.09	8.81
Sugar Produced (Lac qtls)	4.23	2.41
Cane Crushed Per Day (Thousand qtls.)	29.81	20.85

Due to the better cane management & higher cane yield in the state, the sugar production was higher as compared to the previous year. During the crushing season 2006-2007, your factory achieved cane crushing of 46.81 Lacs qtls, which is approximately 71.40% higher than the crushing of last season. Accordingly, number of sugar bags produced increased to 4.23 Lacs in 2006-2007 in comparison to 2.41 lacs bags in last season. The season ended with a recovery of 9.09 %, which is also higher by 0.28% in comparison to the recovery of the last year. During the year under review your company had a net Loss of Rs. 1044.04 Lacs as compared to Rs. 65.67 Lacs Profit earned during the previous year as already indicated above.

CANE AND SUGAR POLICY

Government policies continued to influence the performance of the sugar industry. With a bumper sugarcane crop and increased crushing capacities, sugar production in India has recovered in a short span of time to record levels resulting in high inventory build up. Further with untimely government intervention by banning exports of sugar, realization has fallen sharply. Recent sugar price fall below cost of production has forced Government of India to review sugar industry policy comprehensively and the process is on. Unless both the State and Central Governments revise the policy realistically in terms of Cane price, Taxes thereon and Export of sugar and price movement of Molasses & Ethanol, the growth of this industry will be jeopardized. The country will face large cane payment arrears with consequent effect on the fortunes of farmers.

The salient features of the sugar policy for 2006-07 of Government of India were as follows:

- The ratio of levy and free sale sugar remained unchanged at 10:90.
- Since the price of levy sugar for the season 2006-07 has not yet revised, sugar was delivered at the old levy price.
- The Statutory Minimum Price (SMP) of sugarcane was fixed at Rs. 80.25 per qtls. linked to a basic recovery 9% as compared to Rs. 79.50 per quintal linked to a basic recovery 9% for the season 2005-2006.

The Central Government has created a Buffer Stock of 20 Lac Tonnes of Sugar in May 2007 & the allocation for your Company is 27850 Qtls/Bags.

The Government of U.P. has fixed SAP at Rs. 125/- per quintal for General variety for the crushing season 2006-07, as compared to Rs. 115/- per quintal last year.

As per the recent survey of the State Government, there is an increase of 10-12% in the Sugar Cane cultivation area for the forthcoming crushing season 2007-2008.

ISO CERTIFICATION

Your company continues to hold the ISO: 9001:2000 certification, which was obtained during the year 2001-2002, from M/s NQA Quality Systems Register Ltd. in collaboration with JAS-ANZ-a joint Accreditation system of Australia & New Zealand.

AUDITORS OBSERVATION

The observation of Auditors in their report have been suitably explained in the notes to accounts, however in regard to dues to the Financial Institutions, our reply is given herebelow:

The members are informed that the company has submitted its proposal with the Financial Institutions i.e IDBI/SASF, IFCI & SCB/ICICI for OTS/Negotiated Settlement of their dues. The proposal is in their active consideration & the formal sanction in this respect is still awaited. Further the proposal for short terms loan to Banks had also been moved, which is in their active consideration & the formal sanction in this respect is still awaited.

DIRECTORS

Dr. B. D. Dikshit, Mr. S. K. Mittal and Mr. Amar Sharma, Directors of the Company, will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend the reappointment of Mr. B. D. Dikshit, Mr. S. K. Mittal and Mr. Amar Sharma, Director of the Company.

FIXED DEPOSITS

The Company had not accepted any Fixed Deposits from the public during the period from July 2006 to June 2007. Further, there is no amount outstanding on the part of the company towards Fixed Deposits payments.



DIVIDEND

Your directors does not recommend any dividend for the year ended on 30th June, 2007 (**Last Year : Nil**).

APPLICABILITY OF THE PROVISIONS OF SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that at the end of any financial year, if accumulated losses of an industrial Company result in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, such Company shall, within a period of sixty days from the date of finalisation of the duly audited accounts of the Company for the relevant financial year, report the fact of such erosion to the shareholders. According to the above provision, your company has already filed Form-C with the BIFR in the year 2002-2003.

However, the Company is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

ALLOTMENT OF EQUITY SHARES AND DEBENTURES

During the year, your company has made a preferential issue of 22,00,000 equity shares of Rs. 10/- each at par. The issue proceeds have been utilised for the payment to cane growers and other business activities during the year under review.

AUDITORS AND THEIR APPOINTMENT

The auditors, M/s. G. K. Nigam & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. The necessary certificate required under Section 224(1B) of the Companies Act, 1956 has been obtained from them.

CONSERVATION OF ENERGY, FOREIGN EXCHANGE, ETC.

The Plant was set up with most modern equipment in order to minimize energy consumption and increase profitability. Captive power generation and generation of steam from bagasse also provide cost reduction in energy consumption. High-pressure boiler along with double effect Evaporators, Vapour Bleeding and Vapour Lime Juice Heaters are some of energy saving measures.

Details of energy conservation and research and development activities undertaken by the Company alongwith the information's in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Company's disclosure of particulars in the Report of Board of Directors Rules, 1998 are given in Annexure 'A' to this Director's Report.

Expenditure/Income in Foreign Currency is Rs. NIL for the year 2006-2007 (**last year- NIL**).

MANAGEMENT ANALYSIS AND PERCEPTION

A separate report is appended herewith.

CORPORATE GOVERNANCE REPORT

The Board of Directors supports the broad principles of Corporate Governance. The report on Corporate Governance as stipulated in clause 49 of the Listing Agreement of the Stock Exchanges for the year ended 30th June, 2007 and Auditor's Certificate on Corporate Governance are appended herewith.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to any material departures.
- appropriate accounting policies have been selected and applied consistently and judgments 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 at the end of the financial year and of the Profit and Loss of the company for that period.
- proper and sufficient care has been taken 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 and detecting fraud and other irregularities.
- the annual accounts have been prepared on a 'going concern' basis.

HUMAN RESOURCES

Your Directors feel pleasure to inform that the industrial relations remained cordial during the year. Your Directors acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

The information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 (as amended) in respect of employees of the Company is given in Annexure 'B' and forms part of this report.

ACKNOWLEDGEMENTS

Your Directors express their sincere acknowledgement to the Company's stakeholders, Financial Institutions viz. IDBI/ SASF, IFCI, ICICI Bank/Standard Chartered Bank and Bankers viz. State Bank of India, Punjab & Sind Bank and Oriental Bank of Commerce and various departments of Government of Uttar Pradesh and Government of India for the continued support extended to the Company at all times. Your Directors also record their appreciation for the relentless and dedicated efforts provided by the employees at all levels and look forward to their continued support for the growth of your company.

**For & on behalf of the Board of Directors of
VENUS SUGAR LIMITED**

PLACE : NEW DELHI
DATED : 31.08.2007

Sd/-
(M.P. Singh)
Managing Director

Sd/-
(B.D. Dikshit)
Director



ANNEXURES TO THE DIRECTORS' REPORT

ANNEXURE 'A'

Information as required under section 217 (1) (e) read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY

The Plant was set up with most modern equipment in order to minimize energy consumption and increase profitability. Captive power generation and generation of steam from bagasse also provide cost reduction in energy consumption. High pressure boiler along with double effect Evaporators, Vapour Bleeding and Vapour Lime Juice Heater are some of energy saving measures.

Total energy consumption and energy consumption per unit of production is given here below:

FORM - A

Particulars	2006-2007	2005-2006
A POWER AND FUEL CONSUMPTION		
1. Electricity-Factory		
(a) Purchase Units		
■ Unit (KWH)	NIL	NIL
■ Total Amount (Rs.)	NIL	NIL
■ Rate/Unit (Rs.)	NIL	NIL
(b) Own Generation		
(i) Through Steam Turbine generator		
■ Units (KWH)	9140770	6509360
■ Units per MT of Steam	41.29	28.57
2. Coal (Specify quality and where used)	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION		
■ Electricity (KWH/Kg.)	0.21	0.27
■ Steam (kg/kg)	5.19	7.15

ANNEXURE 'B'

Statement of Particulars under Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 30th June, 2007.

Employed throughout the financial year under review and were in receipt of remuneration for the financial year in aggregate of not less than Rs. 24 Lacs. None of the employee has received remuneration of Rs. 24 Lacs or more during the financial year under review. In spite of non- applicability of the provisions to the company, the detail of remuneration paid to the Managing Director is given here below:

Name	Designation	Remuneration Received in Rs.	Qualification	Experience (Years)	Date of Commencement of employment	Age (Years)	Particulars of Last employment
Shri M. P. Singh	Managing Director	1500000/-	B.Sc. Eng. (Mech)	36 Years	10.10.91	60	Managing Director, Venus Cements Ltd.

MANAGEMENT ANALYSIS AND PERCEPTION

1. Industry Structure & Development

Sugar is India's second largest agro based industry. More than 300 lacs farmers and their families besides large mass of agriculture labour are involved in sugarcane cultivation and its harvesting operations. The interface between the industry and the farmers is of maximum intensity as compared to other agro based industries.

Strong sugar prices from 2004-05 to 2005-06 and higher Central and State government support prices for sugarcane, encouraged increased cane planting in 2006-07, resulted in record production. Sugarcane prices are also driven by political factors in the major sugarcane growing states of Maharashtra and Uttar Pradesh. Sugar mills are mandated to pay the government established support prices for sugarcane to farmers. The high government administered prices, Record sugar production has resulted in a glut in the market, lowering prices and swelling up stocks, thus eroded the profitability of sugar mills. Mills are under immense pressure from farmers to crush additional cane despite adverse economics. Consequently, the sugar industry is facing a severe financial crisis resulting in delays in payments to the farmers. The industry has been pressuring the government to provide fiscal relief, to overcome the crisis.

Responding to industry demands, the government has decided to build up buffer stocks in 2 trenches of two million tons & three million tons of sugar and provide an export incentive of Rs. 1,350 to Rs. 1,450 per ton of sugar to mills, both to be paid out of the government's Sugarcane Development Fund (SDF). The government will reimburse mill owners interest costs, storage, and insurance, associated with the buffer stock maintenance. The government's export incentives will be basically in the form of a transport (both domestic and export) subsidy payment from the SDF.

The byproducts generated by the sugar industry can be profitably converted into value added income sources. Bagasse can be used profitably either in paper industry or for the generation of electricity. Bagasse, which constitutes about 30 % of cane processed for production of sugar, is used as a fuel for generation of steam and power to meet the process requirement. Down stream distilleries convert molasses into value added products like alcohol and ethanol. Over the last couple of years, their relevance has increased. The irony of the fact is that even a decade after our country decided to deregulate and liberalize its economy, the sugar industry continues to remain heavily regulated. Not only does the Government of India impose a levy quota on the sugar produced, it also decides what quantum of the sweetener will be released by the mills in the open market each month.

2. Outlook

The global supply response to high prices in the middle of 2005-06 means that sugar supply has grown faster than sugar demand and this has placed downward pressure on prices in 2006-07. The production has surpassed consumption for the first time in past six years. The Global situation has been more or less reflected in India. The rebound of the cane crop and the enthusiastic response to higher cane prices



has resulted in substantial surplus for the Sugar Season 2006-07. Latest production estimates are around 27 MMT for this Sugar year against the estimated consumption of 19.5 MMT.

The situation of bumper stock was further aggravated by a Sugar Export ban effective June 2006 by the Government of India (GOI) (made applicable even for the mandatory exports under the Advanced Licence Scheme). As a result, the domestic price of sugar plummeted in the second half of the year. Simultaneously during this period, the international prices of sugar also crashed from \$ 400 per MT levels to less than \$ 290 per MT. The strengthening of the Indian Rupee further aggravated the sugar exporters plight. By the time GOI finally removed the export ban the net realisation was un-remunerative. The present prices both domestic and export is now below manufacturing cost since cane prices were fixed based on high prices of sugar ruling at early part of last year. There were imminent possibilities of cane arrears mounting. Meanwhile alarmed by the deteriorating situation on prices, the amount of standing cane remaining and possibility of arrears in cane payment, major cane producing State Governments have stepped in with relief measures. Leading in this effort is Maharashtra State, which has announced an export subsidy of its own of Rs. 1000 per MT, over and above the Central Government subsidy besides a slew of other measures. These include a decrease in cane price for recovery drops for late season crushing and purchase tax waiver for the entire season, insurance payment of Rs. 25,000 per acre of standing crop on arrival of monsoon etc. Karnataka has followed with similar relief packages, but the UP Govt. has till to announce the relief measures.

3. Risks, Threats and Opportunities

Risks

Sugar Industry in India primarily faces the following risks:

- Raw Material risk
 - Sugar Price risk
 - Regulatory risk
- Being an agro based industry, the Company's business is inextricably linked to the availability of raw material and its costs. The raw material of the company is Sugarcane. The company has risk of Govt. policies in respect of cane availability, SAP & Cane area allocation. Sugarcane availability is primarily determined by the cultivable area under cane, the cane yield and the proportion of cane that is crushed by the mill out of the total cane available (drawl). Area under cane is determined primarily by the relative attractiveness of cane vis a vis other crops and timely payments. These factors are largely not within the control of the company. The company has sought to mitigate raw material availability risk by timely payment to farmers.
 - Sugar prices exhibit volatility and are mainly depends upon the demand & supply & business cycle conditions and are not controlled by any single player due to the fragmented nature of the industry. Prices are also affected by the sales allocations made by the Government on a monthly basis as well as stocks held by the mills. The company has a detailed system of monitoring prices and the booking of orders in order to mitigate price volatility and optimize returns.
 - Uncertainties in Government policies and regulations governing sugar industry in India continue to pose a serious risk to the sugar industry. By successive interventions of the Governments in areas of sugarcane and sugar, particularly their pricing and distribution, sugar mills may become uncompetitive at the bottom end of the business cycle. This is a systemic risk and cannot be alleviated unless the Government completely decontrols the sugar industry.

Opportunities

- By product management particularly blending of ethanol with petrol and co-generation of power from bagasse are the future activities and sugar mills will be able to diversify their earnings and emerge as energy supplier.
- The Sugar being the commodity is now traded on the National Commodity Exchange (NCDEX) & Multi Commodity Exchange (MCE) of India. Development of forward and future markets will help the millers to hedge their future risks and predict their earnings.
- Consistent improvement in quality of sugar will lead to wider acceptability of Indian Sugar in the international market. Post implementation of WTO ruling and after the rationalisation of subsidies in agriculture in development countries, India may emerge as a major sugar exporting country.

4. Segment wise Performance

Your company is having only one business segment i.e Manufacturing of White Crystal Sugar.

5. Internal Control Systems and their adequacy

Your company maintains adequate Internal Control Systems designed to provide reasonable assurance that assets are safeguarded, transaction are executed in accordance with managements authorization and are properly recorded and accounting records are adequate for preparation of financial statements and information. A comprehensive system of internal controls employed by the company ensures optimal use of the resources available at its disposal. Internal Audit and checks are on going process within the Company. The Audit Committee of the Board, headed by an independent non-executive director, is in place to review the internal controls and other financial systems. The internal control system of the Company is monitored and evaluated by independent internal auditors and their reports are periodically reviewed by the Audit Committee. The observations and comments of the Audit Committee are apprised to the Board.

The internal auditors look into various areas of the company with following broad objectives:

- To ensure critical examination of reasons with a view to trouble shooting of the problems that may arise due to shortcomings in systems and procedures.
- To review systems and procedures in purchase, capital investments and routine operations.
- To identify shortcomings that may adversely affect the companys operations and profitability.
- To ensure the compliance of Company policies and procedures.
- To identify non-performing assets and suggest the procedure for its disposal
- Any other assignment provided by the management

6. Financial and Operational Performance.

During the year under review, your Company crushed 46.81 Lacs Qtls. of sugar cane and produced 4.23 Lac bags of sugar. The recovery of your company was 9.09%.

Further, during the year under review, turnover was of Rs. 5773.06 Lacs. Due to lower price realisation, valuation of stock, a loss of Rs. 1044.04 Lacs has been incurred.

The Company financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management of the company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates/ judgements used in preparation of these statements. The estimates and or judgements have been made on a consistent, reasonable and prudent basis to reflect true and fair picture of the state of the affairs of the company.

7. Human Resources and No. of employees employed.

The Company believes that its experienced and skilled manpower is the biggest strength for meeting the challenges of changing business environment. Organisations differ in their ability to harness the full potential of their employees to the creative pursuit of attaining excellence. To attract, retain and motivate the best talent, the company believes in empowering its employees. The company continues to enjoy a cordial and harmonious relationship with its employees. We believe, it is our people alone who provide us with the greatest sustainable and competitive advantage. The basic HR philosophy of the company revolves around commitment to create an organization that nurtures talents and enterprise of its people. Your Companys employees fully identify with your Companys vision and business goals. Training needs are identified in a systematic manner and regular training programmes are being organised to develop the knowledge and skill levels of the employees. Since the industry is of seasonal nature, hence during season time (from November to April) skilled contractual labour is also hired. Total number of employees (including contractual labour) as on 30th June, 2007 was 271.

8. Industrial Relations

The management and the workers in Venus Sugar Limited maintain cordial and harmonious relations - unanimous in their belief that they have one common objective-Sustainable Success of the Company. All areas concerning employees involvement, safety, health and training development elicits their unqualified participation.

9. Cautionary Statement

Statement in the Management Discussion and Analysis report describing the company's objectives, projections, estimates and expectations may be 'forward looking' statements within the meaning of applicable laws and regulations and futuristic in nature. However actual results might differ from those earlier expressed or implied. Such statements represent intentions of the management and the efforts put in to realise certain goals. The success in realising these depends on various factors both internal and external. Investors, therefore, are advised to make their own judgements before taking any investment decisions.



AUDITORS' REPORT

TO THE MEMBERS OF VENUS SUGAR LIMITED

1. We have audited the attached Balance Sheet of **M/s VENUS SUGAR LIMITED** as at 30th June, 2007 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order 2003, issued by the Central Government in terms of sub section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the company, as far as appears from our examination of such books, and the above mentioned accounts are in agreement therewith;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts of the company;
 - d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on June 30th, 2007 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on 30th June 2007 from being appointed as director, in terms of clause (g) of sub-section (1) to section 274 of the act;
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 30th June, 2007 and,
 - ii) In the case of the Profit & Loss Account, of the Loss for the year ended on that date and,
 - iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **G.K. Nigam & Associates**
Chartered Accountants

Place : New Delhi
Dated : 31.08.2007

Sd/-
(Hari Om)
Partner
M. No. : 87129

ANNEXURE TO AUDITOR'S REPORT :

(Referred to in paragraph 3 of our report of even date)

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) The Fixed Assets have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- c) During the year there has been no disposal of Fixed Assets.
2. a. The Inventories have been physically verified by the Management. In our opinion, the frequency of verification is reasonable.
- b. The procedure of physical verification of Inventories followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business.
- c. In our opinion and according to the information and explanations given to us, the company is maintaining proper records of Inventories. No material discrepancies were noticed during verification between the physical stocks and book records.
3. In our opinion and according to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, during the year to / from companies, firms and other parties covered in the register maintained under section 301 of The Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of Inventory, Fixed Assets and also for the Sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal control.
5. To the best of our knowledge and belief and according to the information and explanations given to us, there were no transactions which are required to be entered into the register maintained under section 301 of The Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from public within the meaning of section 58A & 58AA of the Companies Act 1956, at the end of the period covered by our audit report.
7. In our opinion, the company has an internal audit system commensurate with the size of the company and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under section 209 (1)(d) of The Companies Act, 1956 in respect of White Crystal Sugar and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are however, not required, and have therefore not made a detailed examinations of such records.
9. a. According to the records, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, FBT and other statutory dues to the extent applicable to it. However all the pending dues had been since deposited.
- b. According to the information and explanations given to us, no undisputed amount payable in respect of the Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, FBT and other statutory dues were in arrears as at 30th June 2007 for a period of more than six months from the date of becoming payable.
- c. According to the information and explanations given to us, details of dues of Sales Tax, Income Tax, Excise Duty, Custom Duty, Entry Tax and Cess etc. which have not been deposited on account of any dispute before appropriate authorities are given below:



Sl. No.	Name of the Statute	Nature of Dues	Year to which related	Amount in Lacs	Forum in which the dispute is pending
1	U.P. Trade Tax Act, 1948	Tax imposed on Ex-U.P HSD Purchased and issued to transporters	1998-99	1.67	2nd Appeal in Tribunal, Meerut
2	Tax on Entry of Goods Act, 1999	Entry Tax claimed by Department.	2000-01	14.67	Revesion appeal in High Court, Allahabad
3	U.P. Trade Tax Act, 1948	UPTT imposed due to enhancement of Sales of Molasses & on the basis of Misc. Income	2000-01	10.56	Revesion appeal in High Court, Allahabad
4	Tax on Entry of Goods Act, 1999	Entry Tax claimed by Department.	2001-02	2.00	2nd Appeal in Tribunal, Meerut
5	U.P. Trade Tax Act, 1948	UPTT imposed due to enhancement of Sales of Molasses & on the basis of Misc. Income	2001-02	4.55	2nd Appeal in Tribunal, Meerut
6	U.P. Trade Tax Act, 1948	UPTT imposed due to enhancement of Sales of Molasses & on the basis of Misc. Income	2002-03	6.00	2nd Appeal in Tribunal, Meerut
7	Tax on Entry of Goods Act, 1999	Entry Tax imposed by the Department.	2002-03	0.60	2nd Appeal in Tribunal, Meerut
8	Tax on Entry of Goods Act, 1999	Entry Tax imposed by the Department.	2003-04	42.94	1st Appeal pending in Tribunal, Meerut
9	U.P. Trade Tax Act, 1948	UPTT imposed due to enhancement of Sales of Molasses & on the basis of Misc. Income	2003-04	3.64	1st Appeal pending in Tribunal, Meerut
10	Factory Act, 1948	2 Cases	1999	0.50	CJM, Moradabad
11	Factory Act, 1948	2 Cases	2003	0.20	ACJM, Chandausi
12	U.P. Sugar Cane (Regulation of supply & purchase) Act, 1953	17 Cases	2002-03	0.34	CJM, Moradabad
13	U.P. Sugar Cane Act	3 Cases	2006-07	0.34	High Court, Allahabad
14	Central Excise Act, 1944	Demand on Difference of Rate on Molasses	1996-97	1.71	Tribunal, New Delhi
15	Central Excise Act, 1944	Demand on removal & wrong accounting of Molasses & Sugar bags	1997-98	83.89	Tribunal, New Delhi
16	Central Excise Act, 1944	Demand on Shortage of Molasses & excess of Sugar bags	1997-98	11.35	Tribunal, New Delhi
17	Central Excise Act, 1944	Demand on Shortage of Molasses	2004-05	1.68	Tribunal, New Delhi
18	Central Excise Act, 1944	Demand on removal of Molasses without duty	2005-06	1.41	Tribunal, New Delhi
19	Central Excise Act, 1944	Demand on excess Molasses	2005-06	0.33	Tribunal, New Delhi
20	Central Excise Act, 1944	Shortage of Molasses	2005-06	1.63	Asst Commissioner Moradabad
21	U.P. Sugar Cane (Regulation of supply & purchase) Act, 1953	Differential cane price of SAP & SMP	2002-03	303.00	Supreme Court
Total				493.01	

10. The accumulated losses at the end of the financial year are more than fifty percent of its net worth. The company has incurred cash loss during the financial year covered by our report, however there were no cash losses in the immediately preceding financial year.
11. *Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has defaulted in repayment of dues to Financial Institutions. The default continues since July 2006. Dues to SASF aggregating to Rs.325 Lacs (283+42), IFCI aggregating to Rs. 148 Lacs (135+13) & SCB/ICICI aggregating to Rs.524 Lacs (382+142) relate to overdue balance of principal & interest. Further dues to the SCB (ICICI) relating to ZCDs principal overdue for repayment to the tune of Rs. 480 lacs. Dues to Banks is for interest on working capital for May 06 & June 06 amounting to Rs.70 lacs.*
In accordance with the information & explanation and records produced before us, the company have moved proposal before the FIs for restructuring of their current debts. The proposal is in active consideration of the FIs, however formal sanctions in this regard are awaited. The proposal to Banks for the Short Term Loan had also been moved and the final sanctions in this regard are also awaited.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of Shares, Debentures and other securities.
13. The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to this company.
14. The company is not dealing or trading in shares, securities, debentures or other investments. However the investments made by the company in securities have been held by the company in its own name.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loan taken by others from banks and financial institutions.
16. In our opinion and according to the information and explanations given to us, the company has not raised any new Term loan during the year under audit.
17. According to the information and explanations given to us and on the overall examination of the Balance Sheet of the company, we report that no short term funds was raised by the company which was used for long term investment during the year under review.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. During the period covered by our audit report, the company has not issued any Debentures during the year.
20. During the period covered by our audit report, the company has not raised any money by way of public issue.
21. On examination of the Books & explanations afforded to us, No fraud on or by the company has been noticed or reported in respect of the year under audit.

For **G.K. Nigam & Associates**
Chartered Accountants

Place : New Delhi
Dated : 31.08.2007

Sd/-
(**Hari Om**)
Partner
M. No. : 87129