



# VENUS SUGAR LIMITED

## 19TH ANNUAL REPORT

### 2009-2010

#### BOARD OF DIRECTORS

Shri G. B. Pattanaik, IAS	Chairman	(Nominee of UPSIDC)
Shri J. P. Gupta	Director	(Nominee of UPSIDC)
Dr. B. D. Dikshit	Director	
Shri Sudhir Kumar Mittal	Director	
Shri Rajeev Kumar Gupta	Director	
Smt. Shashi Rani	Director	
Shri RPS Malik	Director	
Shri Arun Kumar Singh	Director	
Shri Madan Pal 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

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C-Block, Yojna Vihar,  
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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

Link Intime Pvt. Ltd.  
(Formerly Intime Spectrum Registry Limited)

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

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# DIRECTOR'S REPORT

Dear Shareholders,

Your Directors are pleased to present the Nineteenth Annual Report along with the Audited Accounts of the Company for the year ended 30th June 2010.

## FINANCIAL HIGHLIGHTS

	(Rs. In lacs) Year Ended June 30th, 2010	(Rs. In lacs) Year Ended June 30th, 2009
Sales	2223.48	5319.81
Profit/(Loss) before Interest & Depreciation	(183.44)	(73.96)
Less: Interest	253.52	377.17
Depreciation	237.05	212.76
Net Profit/(Loss) for the year	(674.01)	(663.89)

## REVIEW OF OPERATIONS

Your factory started crushing operations for season 2009-10 on 29.11.2009, which lasted till 20.03.2010. Key operational figures are as under:

	SEASON 2009-10	SEASON 2008-2009
Duration of Season (Gross days)	111.00	94.00
Sugar Cane Crushed (Lac Qntls.)	10.68	11.01
Average Recovery (%)	8.07	8.59
Sugar Produced (Lac Qntls.)	0.84	0.96
Cane Crushed Per Day (Thousand Qntls.)	9.64	11.71

Due to lower cane yield in the state, the sugar production was lower as compared to previous year. During the crushing season 2009-2010, your factory achieved cane crushing of 10.68 Lacs Qntls. which is approximately 3% lower than the crushing of last season. Accordingly, number of sugar bags produced decreased to 0.84 lacs in 2009-10 in comparison to 0.96 lacs bags in last season. The season ended with a recovery of 8.07%, as compared to 8.59% of the last year. During the year under review your company had a net Loss of Rs.674.01 Lacs as compared to Rs.663.30 Lacs net Loss incurred during the previous year as already indicated above.

## CANE AND SUGAR POLICY

Government policies continued to influence the performance of the Sugar Industry. The domestic Sugar market entered into the scarcity phase due to sharp decline in production. Increased cane payment arrears and confusion in SAP & FRP, in UP had created restlessness among farmers and persuaded them to shift to other crops. Most of the mills had to face a shortage of cane, resulting in the short sugar season, which eventually lead to an early closure of the current season. Moreover, there had also been a significant drop in recovery %. Recent sugar scenario 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, and Import/Export of Sugar, 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 effecting the sugar cane availability / recovery are as under:-

### Sugarcane Area

Sugarcane acreage in the major producing states, declined sharply due to the cultivators diversifying to other better cash crops last years. Moreover, cane plantation in UP during current year, had reported an increase of 15-20% in area because the farmers got very remunerative price during the season 2009-10. Your Company too has been affected by the cane shortage and increase in Sugar cane price. Despite of improvement in sugar prices, your Company will not be benefited much in view of shortfall in production.

### Recovery %

There has been a significant drop in recovery percentage. Reports state that in U.P., the average recovery % declined was 0.75% to 0.95 % in the season 2009-10. The lower recoveries have been mainly on account of the late rains.

### Recent Development in Government Policies

The current shortfall in sugar production and depletion of stocks has pushed sugar prices to record levels in the short span of time. Recently, the government had put limits on the amount of sugar that can be stocked by traders to avoid hoarding.

Levy obligation was doubled from 10% to 20% to protect PDS supply while levy sugar prices remained unrevised for over six years. However vide notification No GSR.527.E/ Ess. Comm./Sugar dated 21.06.2010 the Central Govt. has revised the Levy Sugar prices for the production of 2009-10. Duty-free raw sugar import facility was extended till end of 2010 besides opening duty-free white sugar imports for all. Further, bulk users of sugar were subjected to unrealistic inventory norms for holding domestic sugar that has forcibly moved them to imported sugar offering greater flexibility. Inventory and turnover norms were rigidly enforced on sugar traders followed by frequent raids.

The concept of Statutory Minimum Price (SMP) has been changed to Fair and Remunerative Price (FRP) for sugarcane from 2009-10 season. Such FRP takes certain additional factors into consideration over SMP, namely, reasonable margins for the growers of sugarcane on account of risk and profits. FRP was conceptually intended to be total compensation and hence the sole mandatory price for cane, restraining States from announcing higher SAP. However, the Centre bowing to political pressures had to make a quick retreat and remove the ban on SAP. Dual cane pricing would thus continue to daunt the industry with its deleterious impact.

FRP for 2009-10 season was fixed at Rs.129.84 per quintal linked to 9.5% of sugar recovery with a premium of Rs.1.37 for every 0.1% increase in the recovery. FRP has been hiked to Rs.139.12 for 2010-11 sugar season with premium of Rs.1.46 for every 0.1% increase for recovery in excess of 9.5%.

### 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.

### CEO/CFO Certification

Mr. M.P. Singh, Managing Director and Mr. Sachin Gupta, Chief Financial Officer, have furnished a certificate relating to financial statements, internal controls and systems as per the format prescribed under Clause 49 of the Listing Agreement.

### DIRECTORS

Mr.R.K. Gupta, Mrs Shashi Rani and Mr RPS Malik, 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.R.K. Gupta, Mrs Shashi Rani and Mr RPS Malik, Directors of the company.

### FIXED DEPOSITS

The Company had not accepted any Fixed Deposits from the public during the period from July 2009 to June 2010. Further, there is no amount outstanding on the part of the company towards Fixed Deposits payment.

### DIVIDEND

Your directors do not recommend any dividend for the year ended on 30th June 2010 (Last Year: Nil).



#### **CREDIT RATING**

The ICRA Limited vide their letter dated 19.04.2010 has allocated 'LC' rating for the Working Capital Limit for a sum of Rs 26.50 Crores.

#### **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.

#### **REFERENCE TO BIFR**

It is observed that as per Audited Accounts of the Company as on June, 2010, the accumulated losses have exceeded the net worth of the Company and it has become necessary to report the erosion in the net worth of the Company to BIFR under Sick Industrial Companies (Special Provision) Act, 1985. Necessary resolution authorizing the Board of Directors to present before BIFR is included in the Notice convening the Annual General Meeting of the Company.

The main reasons of losses are as under:

1. The Company was continuously incurring losses, due to higher SAP announced by the State Government from year to year.
2. Lower recovery in the region.
3. Unviable capacity of 3500 TCD of the Plant.
4. Lower allotment of cane by the state Government.

Thus, as per the current financial the Company is a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

#### **AUDITORS, THEIR APPOINTMENT AND AUDITORS REPORT**

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.

The Notes to the Accounts referred to in the Auditors Report are self explanatory and therefore do not call for any other explanation.

The Company's 100% net worth has been eroded; hence the company is a Sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

#### **COST AUDITORS**

Pursuant to the directives of the Central Government under the provisions of section 233B of the Companies Act 1956, M/s M.K.Singhal & Co., Cost Accountants, have been appointed to conduct cost audit.

#### **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 Companies Act, 1956 read with the 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 2009-2010 (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 2010 and Auditor's Certificate along with Corporate Governance are appended herewith.

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

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

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to any material departures.
- b) 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.
- c) 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.
- d) 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, 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 their 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 and on behalf of the Board of Directors of  
VENUS SUGAR LIMITED**

Sd/-

**PLACE : NEW DELHI  
DATED : 30th August, 2010**

**(Rajeev Kumar Gupta)  
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	2009-10	2008-09
<b>A POWER AND FUEL CONSUMPTION</b>		
1. Electricity- Factory		
(a) Purchased Units		
- Units (KWH)	NIL	NIL
- Total Amount (Rs.)	NIL	NIL
- Rate/unit (Rs.)	NIL	NIL
(b) Own Generation		
(i) Through Steam Turbine generator		
- Units (KWH)	4272784	3826140
- Units per MT of Steam	44.78	40.20
2. Coal (Specify quality and where used)	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Others/Internal generation	NIL	NIL
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
- Electricity (KWH/Kg.)	0.49	0.40
- Steam (kg/kg)	10.99	9.94

## 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, 2010.**

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 details 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
Sh. M.P. Singh	Managing Director	1500000/-	B.Sc.Eng.(Mech)	39 Years	10.10.91	63	Managing Director, Venus Cements Ltd.

## MANAGEMENT ANALYSIS AND PERCEPTION

### 1. Industry Structure & Development

India has been known as the original home of sugar and sugarcane. In global sugar economy, the Indian Sugar industry has achieved a number of milestones. The Indian sugar industry is the second largest agro-processing industry in the country. Sugarcane (Saccharum officinarum) is the main source and key raw material for production of sugar in India. Sugar production in India is concentrated in six states viz., Maharashtra, Uttar Pradesh, Gujarat, Tamilnadu, Karnataka and Andhra Pradesh which together account for 85-90% of sugar production in India. The industry directly employs 0.5 million people while it indirectly provides gainful employment to another about 4.0 million people engaged in sugarcane cultivation.

Indian sugar production estimates often times remain suspect and prove vulnerable. Sugar production for 2009- 10 season was estimated at 140 lakh tones as recently as in January 2010 while trade guessed it even lower at 130 lakh tones. This led to a virtual spiral in sugar prices to reach dizzy heights. The concurrent story on larger Indian import demand propelled world sugar prices to a 29 year high level. Within couple of months, sugar production for 2009- 10 estimates scaled to 185 lakh tones. Further, the production outlook for 2010-11 is overly optimistic to reach self sufficiency and re-emerge as net exporter. This in turn brought an immediate collapse in sugar price.

Though the Government mandated price for sugarcane was only moderately moved up, sugar mills volunteered to pay much higher cane prices by almost 50% over last year in their chase for available scarce cane supply and to lure the farmer back to cane crop. This had its instantaneous impact with the farmer readily responding to the price signal, tending the cane crop better to get higher yield and switching over from other crops to plant more cane. This has doubtless been possible only on the strength of vibrant sugar prices.

According to nationwide survey conducted by AC Nielsen and adopted in KPMG Analysis, nearly 75% of the non levy sugar is consumed by industrial, business and high income household segments. Further, even for a low income household, 10% increase in sugar price would hardly have a dent of less than 1% impact in monthly food bill.

### 2. Outlook

ISO has predicted a smaller deficit for 2009-10 at 8.5 mln tonnes than 9.4 mln tonnes predicted in February 2010. The cumulative deficit of the two years is near about the two preceding surpluses in 2006-07 and 2007-08. Consequently it has drawn down most of the excess stock pile. World sugar production in 2010-11 is now set to strongly recover with Brazil and India alone producing an extra 10 to 12 mln. tonnes. Many other countries have also enlarged their cane planting. A marginally higher sugar ethanol mix in Brazil should also help boost overall sugar output. World sugar balance in 2010-11 will have a surplus varying estimated at 2 mln tones by ISO and 6 mln tonnes by Sucden. There has been a redoubtful resurgence in Indian sugar production during 2009-10 despite a deficit monsoon. With normal monsoon prediction, sugarcane and sugar output during 2010-11 season should comfortably exceed domestic consumption levels after two years. Sugar prices have been on bearish trend though the degree of decline is unintelligible viewed from a fairly well balanced demand supply parity. Sugar markets, both global and local, would remain significantly bearish in the near term. Sugar millers will have to brave themselves to combat higher input cost and lower output prices.

Value addition through downstream projects is now preferred option of sugar mills to mitigate the risks of the sugar industry. The concept of the 'Integrated Sugar Plant' (ISP) is now the corner-stone on which the industry growth will be driven.



### 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/ FRP & 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 dependent upon the demand and supply as well as 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.
  - Diversion of cane to jaggery and neighbouring sugar mills in defiance of contractual obligation.
  - Uncertainties in Government policies and regulations governing sugar industry in India continue to pose a serious risk to the sugar industry. This risk arises out of factors such as those pertaining to cane fixation i.e. State Advised Price (SAP) and Fare Remunerative Price (FRP) for sugarcane; Control on sale of Molasses; Imposition of Levy Obligation (presently 20%) at very low price which is not subsidized by the Union Government; Imposition of stock limits on sugar dealers; Monthly release mechanism of Central Government which has an adverse impact on the free sugar trade; Introduction of compulsory packing of sugar in Jute bags; Higher weightage of sugar (3.63%) in Wholesale Price Index vis-à-vis with other commodities such as Wheat (1.38%) etc. leading to increased Governmental intervention to control inflation; Volatile sugar export-import policy etc. The regulatory risks listed above are Government policy driven and beyond Company's control. Every effort is made to conform to regulatory requirement while judicial recourse is made when warranted.

#### 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.
- 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 developed 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 management's 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 company's 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 10.68 Lacs Qtls. of sugar cane and produced 0.84 Lac bags of sugar. The recovery of your company was 8.07%

Further, during the year under review, gross turnover was of Rs. 2223.48 Lacs. Due to lower crushing, a loss of Rs. 674.01 Lacs has been incurred.

The Company's financial statements are prepared in compliance of 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 judgments 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 Company's employees fully identify with your Company's 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 2010 was 258.

### 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.

*Data and figures relating to industry and future expected developments in the industry have been taken from industry and industry-related publications and web-sites)*



# 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 30<sup>th</sup> June, 2010 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 (Auditor's 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 30<sup>th</sup>, 2010 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on 30<sup>th</sup> June, 2010 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 30<sup>th</sup> June 2010 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  
(Regn. No. 04972N)

Place : New Delhi  
Date : 30/08/2010

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

## ANNEXURE TO AUDITORS 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 major 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 is 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 not granted but taken loans, secured or unsecured, during the year from companies, firms and other parties covered in the register maintained under section 301 of The Companies Act, 1956, as explained in the notes to Accounts(Schedules).
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 few transactions which are required to be entered and are 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 examination 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, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues to the extent applicable to it. However all the pending dues had been 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 and other statutory dues were in arrears as at 30th June 2010 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 dept.	2001-02	2.00	2nd Appeal in Tribunal, Meerut
3	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
4	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
5	Tax on Entry of Goods Act, 1999	Entry Tax imposed by the Department	2002-03	0.60	2nd Appeal in Tribunal, Meerut
6	Tax on Entry of Goods Act, 1999	Entry Tax imposed by the Department	2003-04	42.94	1st Appeal pending in Tribunal, Meerut
7	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
8	U.P. Trade Tax Act, 1948	UPTT imposed due to enhancement of sales of molasses & on the basis of Misc. Income	2004-05	4.12	1st Appeal in Tribunal, Meerut
9	Tax on Entry of Goods Act, 1999	Entry Tax imposed by department on interstate Sale of Sugar	2004-05	85.08	1st Appeal 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 of Excise Duty on Molasses	1995-96	7.73	Dy. Commissioner Moradabad
15	Central Excise Act, 1944	Demand on Difference of Rate on molasses	1996-97	1.71	Tribunal New Delhi
16	Central Excise Act, 1944	Demand on removal & wrong accounting of molasses & sugar bags	1997-98	83.89	Tribunal New Delhi
17	Central Excise Act, 1944	Demand on shortage of molasses & excess of sugar bags	1997-98	11.35	Tribunal New Delhi
18	Central Excise Act, 1944	Demand on shortage of molasses	2004-05	1.68	Tribunal New Delhi
19	Central Excise Act, 1944	Demand on removal of molasses without duty	2005-06	1.41	Tribunal New Delhi
20	Central Excise Act, 1944	Demand on excess molasses	2005-06	0.33	Tribunal New Delhi

Total

260.08

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 cash losses in the immediately preceding financial year. Thus as per the current financials the Company is a Sick Industrial Company within the meaning of Sick Industrial Companies (Special Provisioun) Act, 1985.
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.
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 statue 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 were raised by the company which were 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  
(Regn. No. 04972N)

Place : New Delhi  
Date : 30/08/2010

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